FACTORS AFFECTING THE PERFORMANCE OF SMALL ENTERPRISES IN UGANDA: A CASE STUDY OF BUSHENYI DISTRICT

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DECLARATION

I, Charles Nyakahuma, do declare that this report is my original work and has never been presented to any institution for any academic award.

Signed…… Date……

Charles Nyakahuma

APPROVAL

This dissertation was supervised and submitted for examination with our approval as Uganda Management Institute supervisors.

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Uganda Management Institute

DEDICATION

This dissertation is dedicated to my mother Mrs. Betty J Nyamutale. You will always remain a source of my joy and inspiration.

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ACRONYMS

BDLG	Bushenyi District Local Government
BDSs	Business Development Services
CICS	Competitiveness and Investment Climate Strategy
COMESA	Common Market for East and Southern Africa
DV	Dependent Variable
ERP	Economic Recovery Programme
IV	Independent Variable
KIU	Kampala International University
MDG	Millennium Development Goals
MFI	Micro Finance Institutions
MOF	Ministry Of Finance
NAADS	National Agriculture Advisory Services
NAT	National Assessment Team
NDP	National Development Plan
NGO	Non Governmental Organizations
PML	Pride Microfinance Limited
ROSCAs	Rotating Savings and Credit Associations

UBOS	Uganda Bureau of Statistics
UCDA	Uganda Coffee Development Authority
UMI	Uganda Management Institute
VSP	Voluntary Saving Products

ABSTRACT

The study examined the factors affecting the performance of small enterprises in Uganda with a case study of Bushenyi District. The study specifically examined the effect of microfinance institutions' practices, government support, and organizational management practices on the performance of small enterprises. Using a cross-sectional design, data was collected from a sample of 127 respondents in Bushenyi using self administered questionnaires and interviews. The findings of the study indicate a positive significant relationship between microfinance institutions' practices and performance of small enterprises. The study also found a positive significant relationship between government support and the performance of small enterprises. A positive significant relationship was found between organizational management practices on the performance of small enterprises. The study concluded that Microfinance institutions' practices positively affect the performance of small enterprises. The study also concluded that there is a positive relationship between government support and the performance of small enterprises. The study further concluded that organizational management significantly contributes to the performance of small enterprises. The study recommended that microfinance institutions should improve on their practices, the government should improve on service delivery with better policies and there should be better organizational management in order to improve the performance of small enterprises. Overall, the study strongly recommended more emphasis should be put on organisational management since it was found out to be the most influential if the three.

CHARPTER ONE

INTRODUCTION

1.0 Introduction

The study sought to examine the factors contributing to the performance of Small enterprises in Uganda, using a case study of Bushenyi District. The independent variables were the factors whose dimensions under study were microfinance institutions' practices, government support and organizational management practices while the dependent variable was performance of small enterprises.

This chapter presents the background to the study, the statement of the problem, the purpose of the study, objectives of the study, the research questions, the hypothesis, conceptual framework the scope of the study, the significance, justification and operational definition1

1.1 Background to the Study

1.2.1 Historical Background

Globally, the concept of performance of small enterprises developed in the 17th and 18th centuries as the public grew to overcome great hardships to carve a home and a way of life out of the wilderness (Hill, 2001). Still according to Donald(2011) as the nation's population grew and cities assumed increased economic importance, the dream of being in business for oneself evolved to include small merchants, independent craftsmen, and self-reliant professionals as well that conceptualized the emergence of small enterprise growth and performance (Donald, 2011).

Furthermore, facts show that prior to the late 19th century, cottage industries, mostly small scale businesses controlled the economy of Europe (Céline, 2005). The industrial revolution

from 1750 to 1850 changed the status quo and introduced mass production. The twin oil shocks during the 1970s undermined the mass production model, which triggered an unexpected reappraisal of the role and importance of small sized enterprises in the global economy (Céline, 2005).

According to Kikonyogo (2000), in Uganda small enterprises and businesses were mostly peasant agricultural production based economic activities since pre-colonial times. Despite an active trade in ivory and animal hides linking Uganda with the east coast of Africa long before the arrival of Europeans, most Ugandans were subsistence farmers. After declaring Uganda a protectorate in 1893, Britain pursued economic policies that drew Uganda into the world economy primarily to serve Britain's late nineteenth -century textile industry. Cotton cultivation increased in importance after 1904 and once it became clear that cotton plantations would be too difficult and expensive to maintain, official policy encouraged smallholder farmers to produce and market their cotton through local cooperative associations. This became the starting point for the development of small business enterprises in Uganda by the introduction of small holder farmers (Kikonyogo, 2000).

The performance of small enterprises in Uganda has been affected by a number of factors that include managerial skills, government support, access to finance and the general business environment (Byaruhanga, 2008). Byaruhanga (2008) asserts that Uganda was once rich in human and natural resources and possessed a favorable climate for economic development, but in the late 1980s it was still struggling to end a period of political and economic chaos that had destroyed the country's reputation as the "pearl" of Africa. Most of the economic infrastructure, including the power supply system, the transportation system, and industry, operated only at a fraction of capacity. Other than limited segments of the

agricultural sector--notably coffee and subsistence production and small enterprise growth was almost at a standstill. And in the wake of the much publicized atrocities of the Idi Amin Dada regime from 1971 to 1979 and the civil war that continued into the 1980s, Uganda's once flourishing small scale enterprises faced the challenges of reconstruction. Successive governments had proclaimed their intention to salvage the economy and attract the foreign assistance necessary for recovery, but none had remained in power long enough to succeed (Byaruhanga, 2008).

The Government of Uganda launched an Economic Recovery Programme (ERP) in May 1987, followed by a series of rehabilitation and development plans (Kasekende, 2003). Initial efforts were aimed at rehabilitating the production sectors and infrastructure, especially small enterprises on which the economy depended. Problems in the balance of payments were addressed by liberalizing the exchange rate, encouraging exports and seeking donor support. The trade regime has been fully liberalized, and there are no restrictions on both the current and capital accounts. In addition, the government pursued, with vigour, a policy of privatizing parastatals, with the result that more than a half of them have been divested with the intention of promoting the performance of private businesses and enterprises (Kasekende, 2003).

1.2.2 Theoretical background

The study was guided by the systems theory proposed in the 1940's by the biologist Ludwig von Bertalanffy and furthered by Ross Ashby (1956) in his Introduction to Cybernetics. Von Bertalanffy was both reacting against reductionism and attempting to revive the unity of science. He emphasized that real systems are open to, and interact with their environments, and that they can acquire qualitatively new properties through emergence, resulting in

continual evolution. Rather than reducing an entity to the properties of its parts or elements, systems theory focuses on the arrangement of and relations between the parts which connect them into a whole. Particular organizations determine systems, which are independent of the concrete substance of the elements. Thus, the same concepts and principles of organization underlie the different disciplines, providing a basis for their unification. Systems concepts include: system-environment boundary, input, output, process, state, hierarchy, goal-directedness, and information (Francis et al, 1992).

Systems analysis, developed independently of systems theory, it applies systems principles to aid a decision-maker with problems of identifying, reconstructing, optimizing, and controlling a system, while taking into account multiple objectives, constraints and resources. It aims to specify possible courses of action, together with their risks, costs and benefits. Systems theory is closely connected to cybernetics, and also to system dynamics, which models change in a network of coupled variables (Francis et al, 1992).

Small enterprises thrive and perform based on relationships with the environment they interact with. In the systems theory there is an open and closed system. Small enterprises as a system greatly relate to the elements of an open system. A small enterprise with its management interfaces and interacts with its environment, the government, and microfinance institutions by receiving services and finance that improves their performance and growth. As Francis (1992) puts it, they possess permeable boundaries, which permit interaction across its boundary, through which new information, inputs and ideas are readily absorbed, permitting their incorporation and diffusion. Because of this, small enterprises can adapt more quickly to changes in the internal and external environments for better

performance. This allows small enterprises to ultimately sustain growth and better performance so as to have a stronger probability for survival (Francis 1992).

1.2.3 Conceptual background

There is no single universally accepted definition of small enterprises but many vary according to regional differences (Hill, 2001). Gore et al (1992) as cited by Hill (2001) states that Like the proverbial elephant the small enterprise is one of those things that is recognized when seen but difficult to define. The most widely accepted definition was forwarded by the Bolton Committee from an economic perspective which suggested a small enterprise is one that has a relatively small share of the market place; managed by owners or part-owners in a personalized way, and non-formalized management structure; and independent, that is not forming part of a larger enterprise (Hill, 2001). In order to achieve better performance and be able to achieve the set goals and objectives, small enterprises have to maintain good organisational management practices since according to Kauffmann (2005), effective management ensures profitability for the organization and gives a sense of direction to the employees as it binds the employees together and gives them a sense of loyalty towards the business.

According to Hall (2002), microfinance institutions refer to entities that provide financial services to micro-entrepreneurs and small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these client categories. The Financial Institutions Act (2004) gives two main mechanisms for the delivery of financial services to such clients and these are relationship-based banking for individual entrepreneurs and small businesses; and group-based models. In here, several entrepreneurs come together to apply for loans and other services as a group based on the

set policies and procedure by the government (Donald, 2011). More so, these microfinance institutions provide account services to small balance accounts for small entrepreneurs that would not normally be accepted by traditional banks and offers transaction services for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions (Hong, 1999).

The government is crucial in enhancing better performance of small enterprises since it helps to improve and develop their businesses by providing business advice, training and finance , build stalls and provide financial support, provide business start-up training, entrepreneurial skills, and mount a proper monitoring system to help in the running of small businesses (Mukras, 2003).

Performance of small enterprises in terms of increased output, revenue, asset base, profitability and business sustainability is the focus of this study. The performance of small enterprises is perceived to be affected by microfinance services, government policies and organisational management to the extent that if each of these variables is delivered to their best, the performance of small enterprises will improve. The most comprehensive summary of factors affecting performance was noted in literature review by Theo, et, al (2007) to include: individual characteristics, parental influence, business motivation and goals, business strategies, goals and motives, networking and entrepreneurial orientation together with the environmental factors.

1.2.4 Contextual background

In Uganda, small enterprises are increasingly taking the role of the primary vehicles for the creation of employment and income generation through self-employment, and therefore, have been tools for poverty alleviation. Small enterprises also provide the economy with a

continuous supply of ideas, skills and innovation necessary to promote competition and the efficient allocation of scarce resources (Kasekende, 2003). The strategic importance of small enterprises in Bushenyi district today is highly acknowledged mainly due to their contribution in creating employment at a higher rate than large firms. The private sector and in particular small enterprises form the backbone of the district economy and earnings. They curb the monopoly of large enterprises in the district like Kampala International University (KIU), coffee factories at Bassajjabalaba industrial area and in turn offer them complimentary services and absorb the fluctuations in the economy (Sarapaivanch, 2003).

In Bushenyi, small enterprises are very heterogeneous entities of business usually operating in the provision of goods and different services. These enterprises are usually weak and family owned in nature with an environment that is not so friendly which has caused business failure and stagnation. These enterprises include agribusinesses, manufacturing, trade, handcraft makers, welding as well as medical and education services. Most of these enterprises are dynamic, innovative, performance and growth oriented while others are satisfied to remain small and in most cases family owned (Sarapaivanch, 2003).

Note should be made that small enterprises in Bushenyi face different barriers and challenges in survival, growth and innovation. Research by Larsen and Lewis (2007) found out that the majority of failures in small enterprises performance are due to multiple factors such as under capitalization, short term liquidity problems, insufficient working capital and short term capital, poor financial management as well as lack of overseas markets that limit their financial and human resource development.

To overcome these barriers the government came up with a number of strategies as interventions. The government programmes like the youth fund, NAADS programme, and

presidential initiatives on improving plantational agriculture like Matooke farming have not really trickled down to the small enterprise businesses and farmers (Bushenyi District Local Government, 2011). Apart from the main road stretch from Mbarara to Kasese, the rest of the road infrastructure has been ignored or was left to the local authorities to run making them inaccessible and costly to use by small business people. These factors indicate that small enterprises cannot and have not thrived well in Bushenyi district so as to perform as expected of a model district in small enterprise development (Bushenyi District Local Government (2011).

1.3 Statement of the problem

There has been a considerable increase in the number and size of the small scale enterprises in Uganda according to Kasekende (2003). Bushenyi district administration has been implementing measures to address the barriers to performance of small enterprises through the Competitiveness and Investment Climate Strategy (CICS) through physical infrastructure development mainly in energy, water supply from Nyaruzinga with a Matooke factory, improved bi-laws on business and administration (NDP, 2010/11 - 2014/15). NAADS for the agricultural sector was introduced with the aim of providing improved seeds and breeds as well as Uganda Coffee Development Authority (UCDA) that provides training to farmers on how to provide quality coffee for export.

The business environment in Bushenyi can be rated good and small enterprises are supported to perform since there is access to finance through many microfinance institutions, SACCOs and Rotating Savings and Credit Associations (ROSCAs). A one stop centre to provide registration services for the various licenses required to start up small enterprise business was introduced in addition the small enterprises business guide has been developed to

provide them with information on available financial, business development services (BDSs), and business licensing information (budget speech financial year, 2012/13).

Despite the above strategies and the fact that small enterprises constitute a large population of the private sector from which income and more jobs are created in the district, the performance of small enterprises remains relatively low compared to other countries and with a business failure rate of 60% before they reach five years in Bushenyi according to UBOS (2009).This leaves some information gap on what could be the factors affecting the performance of small enterprises in Uganda. This therefore necessitates an investigation through a study research in order to get empirical evidence on this scenario for better management and performance of small enterprises in Bushenyi.

1.4 Purpose of the study

The purpose of this study was to examine the factors affecting the performance of small enterprises in Uganda.

1.5 Objectives of the study: The study was guided by the following specific objectives

a) To assess the effect of microfinance institutions' practices on the performance of small enterprises in Bushenyi district.
b) To find out the relationship between government support and the performance of small enterprises in Bushenyi district.
c) To examine the contribution of organizational management practices on the performance of small enterprises in Bushenyi district.

1.6. Research questions

a) To what extent do microfinance institutions' practices contribute to the performance of small enterprises in Bushenyi District?

b) What is the contribution of government support to the performance of small enterprises in Bushenyi district?

c) Is there a relationship between organizational management practices and the performance of small enterprises in Bushenyi district?

1.7. Research hypothesis

a) Microfinance institutions' practices positively affect the performance of small enterprises in Bushenyi district.

b) There is a positive relationship between government support and the performance of small enterprises in Bushenyi district.

c) Organizational management significantly contributes to the performance of small enterprises in Bushenyi district.

1.8. Conceptual framework

Figure 1 conceptualized showing relationship between factors and performance of small enterprises

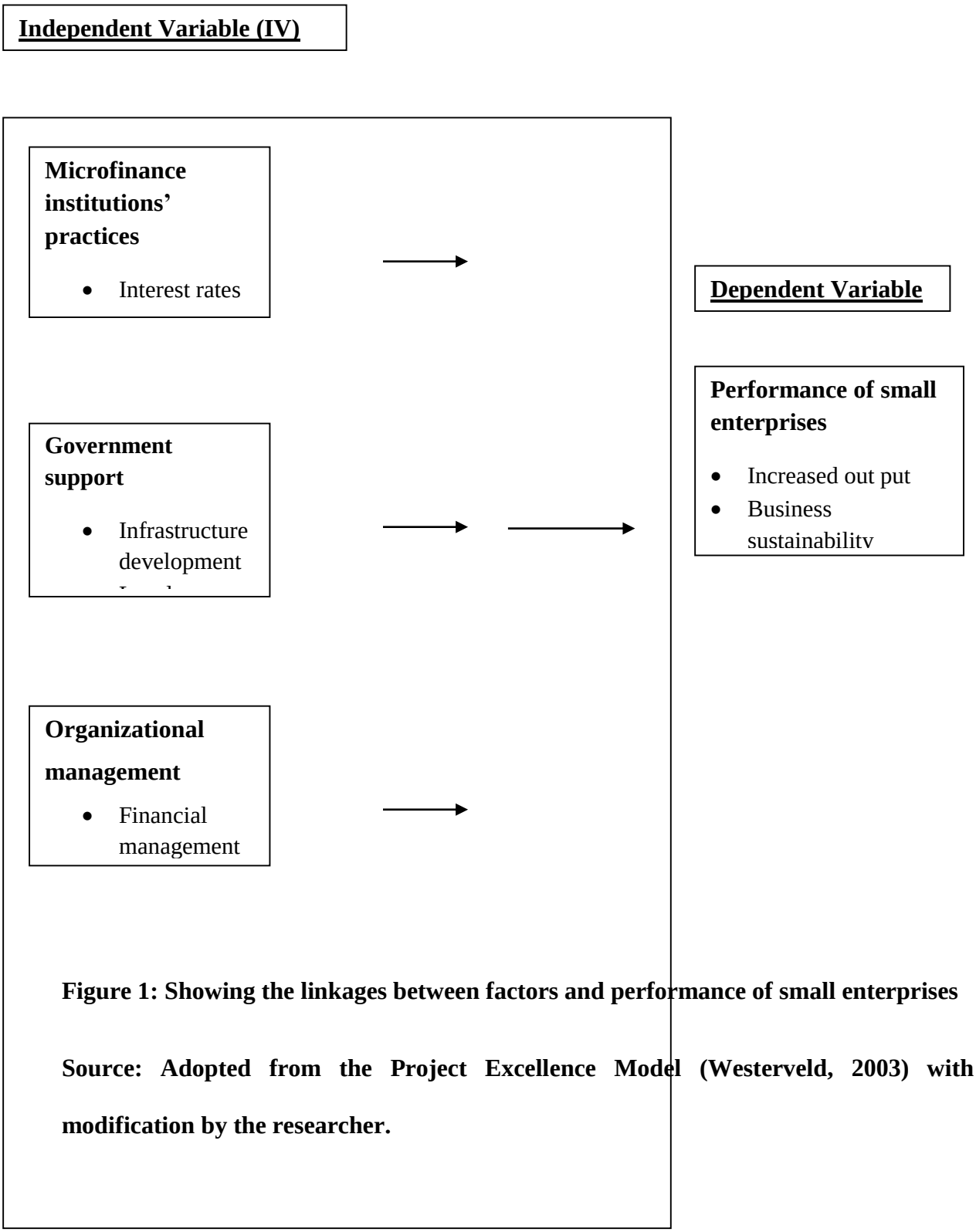


Figure 1: Showing the linkages between factors and performance of small enterprises

Source: Adopted from the Project Excellence Model (Westerveld, 2003) with the modification by the researcher.

The conceptual framework given above shows a hypothesized relationship on the factors that affect the performance of small enterprises. The dimensions of Microfinance institutions, government policies and organisational management will be considered as the Independent Variable (IV) while the performance of small enterprises will be considered as the Dependent Variable (DV) measured in the dimensions of increased output, business sustainability, revenue maximization, profitability and increased asset base. If the dimensions in the IV are full operationalised, it will be assumed that they will lead to better performance of small enterprises in Bushenyi district. However, it will also be assumed that poor operationalisation of the IV will lead to business stagnation, low output, business failure, low revenue , unprofitable businesses and little or minimal asset base and thus under performance of small enterprises. It's on this basis that any changes in the IV will significantly contribute to the performance of small enterprises in Bushenyi district.

1.9. Significance of the study

The research findings will be useful to stake holders in Bushenyi district because it provides information to both local and central government authorities on the factors affecting the performance of small enterprises.

The findings of the study will enable policy makers, planners and economists especially at national and district level to make informed decisions and plans based on researched information made available by this study.

To the research community, the study will be a basis for future research on how to improve the performance of small enterprises, especially by identifying the knowledge gaps for future research. Besides, it will add on the existing knowledge about performance of small enterprises particularly in Bushenyi district business environment.

1.10. Justification of the study

Whereas studies were carried out on business performance, little effort has been put in place by researchers to find out the factors affecting the performance of small enterprises. Therefore, a deeper understanding of these factors may help the government and the business communities counter the effects of poor performance of small enterprises.

The study findings have provided strategies for closing the gaps on the factors affecting the performance of small enterprise which is a basis of this study.

1.11. Scope of the study

Geographical scope

The study was carried out in Bushenyi district located in south western part of Uganda. It borders with Rubirizi in the north east, Sheema and Buhweju north east, Sheema in the east, Mitooma in the south west and Sheema in the south. This district was chosen because there are limited studies if any on financial management in relation to performance of small enterprises, besides there were gaps which need to be addressed in performance of small enterprises. There are a number of economic activities in the district ranging from agriculture, retail and whole selling, welding and metal fabrication services to mention but a few. Bushenyi district is composed of three constituencies i.e. Igara West, Igara East, and Bushenyi-Ishaka municipality, with 9 sub counties, and 3 divisions within the municipality, and has total population of 240,150 people, of which 117,000 are male and 124,500 females (UBOS, 2011). Samples were picked from district headquarters within Bushenyi-Ishaka Municipality.

Content scope

The study focused on factors affecting the performance of small enterprises in Bushenyi district with independent variable being factors with its dimensions being microfinance institutions' practices, government support and organisational management practices. The dependent variable was performance of small enterprises with the dimensions of increased output, business sustainability, revenue/sales maximization, profitability and increase in asset base.

Time scope

The study covered a period from 2007-2011. This period was preferred because it was a period when the government of Uganda adopted the National Development Plan (NDP). Bushenyi district was also assessed by the National Assessment Team (NAT) from the ministries of Planning and Local Government on Minimum Conditions of performance and the government increased significantly funding to the performance of small enterprises in the district (UBOS, 2009). The researcher focused on the time scope in order to get in-depth information regarding the performance of small enterprises during the period of study.

1.12. Operational definitions

Small enterprises: businesses started by an individual(s) for profit making purpose mainly employing few people most of which are family members.

Organizational management practices: The culture, rules and regulations that the small enterprise uses to propel its growth and development.

Government support: Efforts put in place by government to support the performance of small enterprises.

Performance: How well an individual is fulfilling the requirements of the job or the employee output that focuses on quality and quantity of work against the time taken to realise such out puts.

Skills: competence to perform work

Efficiency: optimum use of resources including time and the attainment of organisational objectives, targets or tasks.

Effectiveness: achieving the intended results in terms of quality and quantity in accordance with set standards and time.

CHARPTER TWO

LITERETURE REVIEW

2.0 Introduction

This chapter reviewed relevant literature from different scholars on the factors that affect the performance of small enterprises in Uganda. It contains theoretical review, actual literature review and the summary of literature review. According to Delno, L.A. (2006), literature review is essential in research since it gives the researcher an insight into what has already been done in the selected field, pinpointing its strength and weaknesses. This information guides the researcher in the formation of theory that aims at addressing the identified gaps.

The literature review was done objective by objective based on the independent variables and the dependent variable that is; factors and performance respectively. The researcher reviewed the dimensions of the independent variables which are microfinance institutions' practices sub divided into interest rates, loans and personal savings products; government support with indicators of infrastructure development, legal framework and administration of government policies plus organisational management with indicators of financial management and business strategic management

2.1. Theoretical review

The study was guided by the systems theory proposed in the 1940's by the biologist Ludwig von Bertalanffy and furthered by Ross Ashby (1956) in his Introduction to Cybernetics. Von Bertalanffy was both reacting against reductionism and attempting to revive the unity of science. He emphasized that real systems are open to, and interact with, their environments, and that they can acquire qualitatively new properties through emergence, resulting in

continual evolution. Rather than reducing an entity to the properties of its parts or elements, systems theory focuses on the arrangement of and relations between the parts which connect them into a whole. This particular organization determines a system, which is independent of the concrete substance of the elements. Thus, the same concepts and principles of organization underlie the different disciplines, providing a basis for their unification. Systems concepts include: system-environment boundary, input, output, process, state, hierarchy, goal-directedness, and information (Francis et al, 1992).

Littlejohn, (2001) observes that the fundamental systems-interactive paradigm of organizational analysis features the continual stages of input, throughput (processing), and output, which demonstrate the concept of openness/closedness. A closed system does not interact with its environment. It does not take in information and therefore is likely to atrophy, that is to vanish. An open system receives information, which it uses to interact dynamically with its environment. Openness increases its likelihood to survive and prosper. Several system characteristics are: wholeness and interdependence (the whole is more than the sum of all parts), correlations, perceiving causes, chain of influence, hierarchy, suprasystems and subsystems, self-regulation and control, goal-oriented, and interchange with the environment (Littlejohn, (2001).

System theory is the transdisciplinary study of the abstract organization of phenomena, independent of their substance (Infante, 1997). It investigates both the principles common to all complex entities, and the models which can be used to describe them. Infante, (1997) further states that a system can be said to consist of four things that include the objects first – the parts, elements, or variables within the system. These may be physical or abstract or both, depending on the nature of the system. Second, a system consists of attributes – the

qualities or properties of the system and its objects. Third, a system had internal relationships among its objects. Fourth, systems exist in an environment. A system, then, is a set of things that affect one another within an environment and form a larger pattern that is different from any of the parts. This theory can help us understand a wide variety of physical, biological, social and organisations behavioral processes and the factors that affect them (Infante, 1997).

Because of the need for survival and better performance of small enterprises the systems theory was applicable in this study since small enterprises have to relate with other external factors. They have got to deal with internal management as well as deal with the external environment that may include but not limited to microfinance institutions that lend to these enterprises at an interest and provide voluntary savings products. Also, the government has specific areas of intervention for these enterprises in terms of providing a conducive environment for them. Dwivide (2000) affirms that the government holds tremendous authority not only to influence the private business decisions but also to control and regulate, directly and indirectly, the private business activities. By using its powers, the government can enact laws against production, sale, and consumption of certain goods; can prevent the entry of private entrepreneurs to certain industries through its industrial policy. This in effect contributes to performance of small enterprises.

2.2. Microfinance institutions' practices and performance of small enterprises

2.2.1 Interest rates and performance of small enterprises.

According to Kikonyogo (200), interest rate is the percent charged or paid for the use of money. It is charged when the money is being borrowed and paid when it is being loaned.

The interest rate that the lender charges is a percent of the total amount loaned (Kikonyogo, 2000). Similarly, the interest rate that an institution, such as a microfinance institution pays to hold a client's money is a percent of the total amount deposited. In Uganda the interest rates that financial institutions charge make loans more expensive (Muhammad, 2007). When interest rates are high, that means fewer people and businesses can afford to borrow (PMA, 2010). High interest rates on savings however, encourage more people to save (if they can) because they receive more on their savings rate (Kikonyogo, 2000).

One of the principal challenges of microfinance is providing small loans at an affordable cost. The global average interest and fee rate is estimated at 37%, with rates reaching as high as 70% in some markets (Helms, 2006). Helms (2006) further states that the reason for the high interest rates is not primarily cost of capital but rather, the main reason for the high cost of microfinance loans is the high transaction cost of traditional microfinance operations relative to loan size.

According to Milner (2000), high interest rates by microfinance institutions often discriminate against small enterprises because they are considered high risk clients with little or no resources to provide collateral. In Uganda, interest rates range between 22 and 36 per cent (MOF, 2012/2013). Business owners complain about the inflexibility of microfinance institutions in enforcing onerous collateral requirements for any credit they extend. In the recently read budget the economy experienced a sharp rise in commercial lending rates with the inter-bank rate averaging about 28% (MOF, 2012/2013). This followed the rise in the lending rate by the central bank which rose by ten percent between July and November 2011 according to the ministry of finance (MOF). This means that small enterprises have little

access to finance, which thus hampers their emergence and eventual growth (MOF, 2012/2013).

Microfinance practitioners have long argued that such high interest rates are simply unavoidable, because the cost of making each loan cannot be reduced below a certain level while still allowing the lender to cover costs such as offices and staff salaries. According to Muhammad et al (2007), the result is that the traditional approach to microfinance has made only limited progress in resolving the problem it purports to address: that the world's poorest people pay the world's highest interest for small business growth capital. The high interest of traditional microfinance loans limit their effectiveness as a poverty-fighting tool and therefore, offering loans at interest and fee rates of 37% mean that borrowers who do not manage to earn at least a 37% rate of return may actually end up poorer as a result of accepting the interest rates (Helms, 2006).

2.2.2. Loan facilities and performance of small enterprises.

According to Kikonyogo (2000), a loan facility is basically an arrangement in which a lender gives money or property to a borrower, and the borrower agrees to return the property or repay the money, usually along with interest, at some future point(s) in time. Kikonyogo further asserts that usually, there is a predetermined time for repaying a loan, and generally the lender has to bear the risk that the borrower may not repay a loan. Access to loan facilities is so crucial to the performance of small business enterprises. Small business in Uganda can rarely meet the conditions set by micro financial institutions, which see small enterprises as a risk because of poor guarantees and lack of information about their ability to repay loans. Therefore, improving business conditions, boosting the capacity of small enterprises,

expanding the financial sector and strengthening links between firms will permanently increase small enterprises' access to finance (Kauffmann, 2005).

It is generally acknowledged that the ability of small enterprises and rural households to invest for the long term and make calculated decisions for risky income flows is partly shaped by microfinance institutions and the services they offer (Ocaya,2002). Ocaya still says that despite some development in this service sector, in Uganda the majority of the small enterprises remain without access to the credit services they need to compete in the market and to improve their livelihoods. These loans are usually acquired by more wealthy and medium enterprises that can obtain large loans at low costs from formal lenders because they can credibly pledge assets or cash flows. Asset poor and small enterprises by contrast are limited to much smaller loans at higher interest rates because they have to turn to lenders who must substitute costly monitoring for collateral. Small enterprises often turn down loans, even if they qualify because they are unwilling to bear the risk of losing collateral. Consequently, this limits the performance of small enterprises since they can't register growth (MOF, 2010).

There is limited dispersion of the MFI branch network, as most of them prefer to concentrate their activities in the urban areas where they enjoy economies of scale. In addition, there are a few large -scale and viable investment opportunities in the rural areas. Of recent, however, the resulting vacuum in financial services delivery, especially, in rural areas has been partially covered by MFI (Kasekende 2010).

Loan management involves a number of management activities that lead to successful utilisation of the funds and improved business performance (Helms, 2006). It involves having activity business plan before one gets a loan so as to have a clear purpose and means

to pay back, there should be no loan diversion since it leads to poor loan payment and enterprise may lose collateral given to lender. Therefore, businesses should get the loan at the right time get the right amount not more or less as business overfunding or underfunding can cause business failure. Helms, 2006 advises that eenterprise owners should continuously save to service the loan. Savings help reduce the loan burden to the business and this encourages timely and prompt loan payments. To this end, one should avoid cumulative interest and fines that are caused by loan defaulting which is always an added expense to the business since all loan recovery cost are taken care of by the enterprise. It's important to understand the conditions of the loan before taking it. These may include interest, grace period, fines, repayment period, and others like recovery cost and hidden charges like loan monitoring fees (FAO, 2002).

2.2.3. Voluntary savings and performance of small enterprises.

The term saving means withholding something of value for future use and it is intended for a better tomorrow (PML product manual, 2010). It can be in cash or material goods whose market value appreciates over time. But it entails discipline and sacrifice. Voluntary saving products (VSP) are crucial for the performance of small enterprises. This is because it provides a basis for interest free capital to small enterprises and therefore brings about rapid growth and performance (PML product manual, 2010). Kasekende (2003) notes however, that Uganda's saving/GDP ratio is about 12%, including both private and public sector savings compared to the continental average of 17.7%. The ratio of money supply to GDP is only12%. There is only one financial institution per 180,000 people in Uganda, compared to an average of 7,000 per financial institutions in the Common Market for East and Southern Africa (COMESA) countries. Moreover, microfinance institutions are concentrated in the

urban centers. Out of 123 branches studied in Africa, 64 are found in the 4 largest urban areas. This limits access by the small business enterprises and therefore reduce chances of having such capital that is interest free and good for business growth (Kauffmann, 2005).

Internal resource mobilization (saving) is one of the cardinal steps to self-reliance and overall sustainability for small enterprises and farmer groups (FAO, 2002). Saving is for the future and involves anticipating risks and emergencies (a bad harvest, sickness, or death), preparing for upcoming events and expenditures (payment of school fees, a marriage, old age, or funeral). Through small but regular saving, small enterprises can gradually build up capital to enable them invest in profitable economic activities or expand existing ones. This is the basis of "a savings first approach" to enterprise development. When individuals save in groups they can rapidly build up capital that can profitably be invested in individual or group enterprises (FAO, 2002).

While accessing the "A savings first" approach, FAO found out that it is based on the fact that even poor people understand the importance of saving and in small amounts which is done individually or as a group in cash or in kind e.g. livestock, produce or any other items that have monetary value. Pooling resources as a group is based on the fact that it is more efficient as members build up a larger pool of resources in a shorter time than if done individually. This approach to enterprise development is therefore being widely promoted. Only when groups have shown strong signs of growth and individual or group enterprises have been fully developed, should groups be encouraged to borrow from other sources (FAO, 2002).

According to Bryan (1990), savings and investment are mutually interconnected economic variables. When examining the importance of savings, it is very essential to understand what

the role of investment in one's business is. In order to achieve higher growth in savings and investment, Microfinance institutions have an important role to play. Microfinance institutions have been playing a vital role in economic development of different countries of the world. Bryan further asserts that an efficient and diversified saving system is a must for promoting savings and thereafter channeling them into investment and helps to achieve a faster rate in enhancing performance of small enterprises. Thus, the good health of small enterprises is reflected in the good health of its savings culture. In modern economies Microfinance institutions are considered to be the dealers of money as well as leaders of development (Bryan, 1990).

2.3 Government support and performance of small enterprises

2.3.2. Infrastructure development and performance of small enterprises

While the economic policy debate has gone through cycles of arguing for and against state intervention, the provision of infrastructure has always been regarded as one of the main tasks of the state according to Kikonyogo (2000). Kikonyogo (2000) further argues that the private sector can participate in making the infrastructure effective, but its regulation is above all a state function. The importance of this function has increased in recent years, because of the changing nature of competition in regional and global markets. Speedy and punctual delivery of manufactured goods has become a major parameter in the new competition. Kikonyogo (2000) further stresses that a well developed infrastructure - for moving goods from factories to ports and for rapid international communication significantly reduces the transaction costs involved in exporting.

According to Ankole Private Sector Foundation (APSF) 2010, Bushenyi district in general lacks a good road network in the rural areas for proper and efficient transport of agricultural and business

products. Only about 40 per cent of the country has pipe-borne water, the provision of electricity is inadequate and very limited in rural areas. In spite of the huge investments in physical infrastructure in the recent past in water from Nyaruzinga and other areas, road expansion and constant road repairs on the tarmac stretch, the district still has very poor and inadequate facilities for industrial development (APSF, 2010). Save for the tea factories in Kyamuhunga and Mashonga trading centers together with the coffee factories (not value adding apart from removing husks) in Bassajjabalaba industrial area, industrial activities are still low and privately initiated (BDLG, 2011).

In order to foster the economic performance and competitiveness of small enterprises in the district, functional, high-quality basic infrastructure is required. An optimal physical and IT infrastructure includes a good, well maintained road network, a stable power supply and an extensive telecommunication network that business friendly. Overall it seems that while considerable progress has been made in reforming the regulatory and policy framework, there has been less progress in improving infrastructure (APSF, 2010).

2.3.3. The legal framework and performance of small enterprises

There is need for an impartial legal system according to Kauffmann (2005) that can help settle contract disputes, commercial law reform and drafting and clarifying land titles, as well as effective bankruptcy procedures that are vital for growth of the business sector. A country's tax laws can either coax small businesses into the formal sector of the economy or keep them out of it. Governments should also make sure that they pay small enterprises promptly, since public contracts are vital to the financial security of these firms (Hill, 2001).

According to Kauffmann (2005), it's often argued that, absolute and unfair commercial laws have increased transaction costs for small enterprises (more than for larger firms), thereby hampering their economic performance and competitiveness. However, in countries such as

Mauritius and South Africa the legal system appears to be more developed and conducive to small enterprise growth and development.

An appropriate political or consensual environment requires a government's mediating role in involving the main interest groups in the process of industrial restructuring to discuss problems, to reach commonly agreed action plans and to implement policy recommendations. An inter-institution networking approach creates an atmosphere of trust among the interest groups (Kauffmann, 2005).

According to APSF (2010), in the case of Bushenyi, an extensive number of outdated and cumbersome laws and regulations have increased the transaction costs of small enterprises thereby hampering their economic performance and growth. Evidence shows that the problem has often been the district leadership's inconsistency and lack of transparency in implementing policies. Corruption diverted the support programmes from the original beneficiaries as projected by the district. Illegal permits and licenses are being given at all levels to family members and friends operating informal micro-enterprises that do not qualify. Consequently, there has been little or no impact on the original target group of small enterprises that prompted entrepreneurs to complain about the complex administrative procedures for trade transactions and the lack of transparency in the processing of administrative matters (APSF, 2010).

However, the government is trying to overcome these obstacles although implementing an appropriate regulatory and policy environment in which business can flourish is a long and costly process that requires the commitment of the different parties involved. Emphasis is being put on targeting those businesses owned and controlled by formerly disadvantaged groups and the marginalized like the youth, women and the disabled. Efforts are being made to reduce business entry barriers, to provide direct tax payments to the authorities' accounts mainly in URA or Stanbic bank

for trading licenses and other legal expenses to encourage start-ups and expand existing businesses, and to reduce the complexity of the formal procedures to register businesses.

To sum up, poor regulatory environment in Bushenyi is characterized by the absence of laws and regulations for small enterprise development; the complexity of such regulations, which substantially increases the transaction costs of small enterprise putting them at a disadvantage vis-à-vis larger national companies like schools, hospitals like KIU, factories and church founded organisations that include those under St. Kagwa catholic parish and Ankole archdiocese (APSF,2010).

2.3.4. Administration of government policies and performance of small enterprises

According to Richards (2010), proper government administration in regard to policies is key for the better performance of small enterprises since it facilitates good policy formulation and implementation. He further asserts that centralized administration is a major challenge in the growth of small enterprises in Uganda since, regulations and policies have to be implemented by administrative institutions and authorities.

In many developing countries, bureaucracy has displayed a high degree of centralisation of resources and decision-making. Initiatives by local authorities to promote small enterprises activities are often stifled by a centralized decision-making process and lack of financial resources at the local level (David, 2011). This is followed by the problem of red tape. Procedures to comply with regulations such as registration, taxation, health and environmental regulations and procedures necessary to benefit from government incentives are difficult to comply with partly because of bureaucratic requirements. While large firms have staff specialised in these matters, such requirements represent an enormous burden for

small enterprises (Helms, 2006). The required change is therefore, not exemption for small enterprises or complete de-regulation but simplification of procedures (Richards et al, 2010).

2.4. Organizational management practices and performance of small enterprises

2.4.1 Financial management and performance of small enterprises

Financial management plays a big role in the growth of small enterprises. Financial management involves all the activities like monitoring, control, budgeting and evaluation that enable an enterprise to obtain capital for growth, allocate resources efficiently, maximize the income potential of the business activity and monitor results through accounting documents. Such management requires a well-written, comprehensive financial management plan clearly outlining the assets, debts and the current and future profit potential of the enterprise (Bryan Ziegler, 1990). Note should be made to the effect that small enterprises hardly keep proper records that are crucial in directing business growth.

Proper financial management requires adequate financial control which Stonner (2002) defines (financial control) as the process of regulating an organization's financial resources and activities such that actual performance conforms to the standards set. Koontz and Heinz (2003), argues that the task of control is to make plans succeed; and normally control must reflect plans, and planning precedes control. They further observe that a budget is a widely used device for managerial control, and argue that budgeting is the formulation of plans for a given future period in numerical terms. Mohsin (2002), also assert that financial control must complement financial planning, and that the control function is composed of four distinct phases i.e. determination of operational standards, evaluation of the enterprise progress in relation to pre-determined standards, investigation of organization financial function and taking corrective action in event of deviation, and lastly follow up actions by

the executive personnel to ascertain whether corrective actions are effective. Mohsin (2002) contends that the control function has to go hand in hand with coordination since the finance aspect affects almost every activity and department in an enterprise that the finance department has to coordinate various departments and activities by ensuring that financial information is availed to them so as to make consistent decisions in an enterprise.

On many instances the business community in Bushenyi has had inadequate financial control that has made their plans fail, despite having good plans and substantial amount of funds at their disposal for better enterprise performance (BDLG, 2011). For instance the (Daily Monitor 14, June 2011), reported of Activists Suing Bushenyi Authorities over stadium Fund, "Activists sued Bushenyi Local Government demanding them to disclose information pertaining to the nine hundred million shillings expenditure on expansion and support of small enterprises that was not effected". They went on to argue that the funds are tax payers' money necessitating value for money and timely services, proper control and accountability. From this article, one observes that planning could have been done properly but it is more likely that problems arose from financial control aspect, especially controlling expenditure, supervision and monitoring during the implementation of the planned projects, however this remains a question for investigation.

2.4.2. Business Strategy and performance of small enterprises

Over the years, the importance of business strategy in both large and small firms has been continuously emphasized in the strategic management. The business strategy comes from a well defined strategic plan which gives the vision, mission statement goals and strategic objectives of the enterprise. This helps to identify where the small enterprise is going, brings more individuals in the decision making process for the future of the enterprise through

setting an organisational culture, proper change management, effective communication, problem solving mechanisms, team building, time management, motivation, and other aspects (Byaruhanga, 2005). Byaruhanga (2005) further states that strategic planning has got to give details on the short term, medium and long term plans of where the business is expected to be.

Firms adopt business strategy to outline the fundamental steps they need to follow in order to accomplish their organizational objectives. This further indicates that organizations can have a single strategy or many strategies, and that these strategies are likely to exist at three levels: corporate level strategies, business level strategies, and functional level strategies. Although this suggests that strategies are developed at the three different levels, theoretical and empirical studies of the relationship between strategy and organizational performance have mainly emphasized on business strategy (Lee, 1987).

2.5 Summary of literature review

Literature has been reviewed on various studies carried out in Uganda and elsewhere concerning the factors affecting the performance of small enterprises in Uganda. Many sources have revealed that small enterprises play a great role in the economy although they operate amongst many constraints and challenges that include but not limited to inadequate services offered by microfinance institutions, government weaknesses as well as inadequate organisational management practices.

In the area of study which is Bushenyi district, no attention has been put to this sector yet it's the back born of the Districts' income as shown by the literature. The studies that have been done on this problem were in different geographical setting as than Bushenyi district. Also these studies were done at different time, using different methods and approaches.

Therefore this study addressed the gaps left out by other researchers as far as the performance of small enterprises is concerned in Bushenyi district.

CHARPTER THREE

METHODOLOGY

3.0 Introduction

Methodology is defined as an approach a researcher uses to investigate a subject (White, B. 2000). It refers to the philosophical basis on which a research is based. Methods on the other hand are particular techniques used to collect data and information. Therefore, the purpose of this chapter is to describe the methodology used in the study.

This chapter presents the research design , study population, sample size and selection, sampling techniques , and procedures , data collection methods and data collection instruments, validity and reliability, the procedure of data collection , data analysis and measurement of variables.

3.1. Research Design

Research design can be defined as the arrangement of conditions for data collection and analysis of data in a manner that aims to combine relevance to research purposed with economy in procedure (Kothari, 2004).

A cross sectional research design was used in the study. The cross sectional research design was adopted because the study intended to conduct an intensive investigation on the variables under study in a particular setup which was the small enterprises in Bushenyi district (Oso & Onen, 2008).

Cross sectional design was added because data was collected at one point in time from a cross section of respondents (Mugenda, 2003). A cross sectional design was used because it explains the cause-effect relationship, and takes place with minimal interference of natural flow of work in the organizations' environment. In addition it is relatively cheaper in terms of time and cost as observed by Mugenda (2003) and Sekaran (2004).

In the study, both qualitative and quantitative approaches were used. The two approaches supplement each other and help to reduce the biases in each approach according to Mugenda (2003). Still, according to Amin (2005) the approaches enables the researcher to have a deeper analysis using the inductive and deductive approaches through qualitative and quantitative perspectives which enable the researcher to analyse data from all angles and give a more concrete and realistic description of the findings.

Therefore, the researcher employed the qualitative approach in order to get the opinions of respondents in relation to the variables under study and their understanding on the factors

affecting the performance of small enterprises was sought using interviews and documentary reviews.

The quantitative approach was used to obtain the magnitude of the relationship between the variables and this was mainly through questionnaires to the business people. The study was more quantitative than qualitative because most of the data was got from questionnaires. This was because of the number of respondents that responded to questionnaires against that of key informants.

Data was also got through face to face interviews and documentary review. The quantitative method was used to obtain the magnitude of the relationship between variables.

3.2. Study Population

According to Amin (2005), a population is an aggregate or totality of objects or individuals having one or more characteristics in common and which are of interest to the researcher in a given study.

In this study the target population was 200 people composed mainly of the business people and stake holders. It included agro businesses, retail businesses, welding and metal fabrication, management and staff of Pride Microfinance Ishaka branch. The district planner, chief administrative officer, district chairperson, chief finance officer (CFO), the director Ankole Private Sector Foundation, district engineer and the mayor Ishaka Bushenyi municipality were selected as key informants.

3.3. Sample Size and Selection

The researcher agrees with Mugenda and Mugenda (1999) that collecting data from the entire population is not possible due to cost and time constraints. Therefore by studying the

sample, the researcher was able to draw conclusions that can be generalized on the population of interest.

A sample size of 127 respondents was selected from the business community in Bushenyi basing on mathematical approach developed by Krejcie and Morgan cited by Amin (2005). Therefore, with the study population of 200, the estimated sample was 127. The table bellow summarizes the sample size.

Table 1: Sample Size Determination Table

Category of respondents	**Target population**	**Sample size**	**Sampling technique**
Employees in microfinance institutions	30	19	simple random
Agro business owners	100	63	simple random
Retail shop owners	30	19	simple random
Welding and metal fabrication	30	19	simple random
District officials	07	07	Purposive sampling
Total	**200**	**127**	

Source: from Krejcie and Morgan (1970), as cited by Amin E. (2005).

The sample size was chosen because it is difficult to get information from the entire population. The target population was the population to which the researcher generalized the

results of the study. The sample was drawn from the target population. Therefore, the sampled results were generalized to the sampled population (Amin, 2005).

3.4. Sampling Techniques

Simple random; in this sampling technique all members of the population have an equal chance of being selected to participate in the study. The technique was selected because it avoids bias and is easy to use (Neumann, 2006). It was therefore used to select respondents in microfinance institutions, agro business, retail businesses and welding and metal fabrication.

Purposive sampling technique was also be used in the study. Purposive sampling according to Neumann (2006) is a non random sample in which the researcher uses a wide range of methods to locate all possible cases of a highly specific and difficult to-reach population. The researcher used purposive technique on the respondents that provided key information that couldn't be attained by any other method. These respondents included the district officials for key information.

3.5. Data Collection Methods

3.5.1. Documentary Review

Documentary review involved the search and collection of information from the already existing documents and information like books, internet, magazines, newspapers, district literature on business growth and development in Bushenyi and other resource centers.

3.5.1. Questionnaire Survey

This method was used to collect data from respondents especially staff from microfinance institutions, agro business owners, retail shop owners, welding and metal fabrication

businesses. Respondents we given a questionnaire containing a number of interrelated questions and items about the factors affecting the performance of small enterprises with questions from which they selected their opinions. This method was preferred because it reduces the cost of data collection; was used on the selected enterprises and individuals as selected in the sample to collect data (Mugenda, 2003).

3.5.3. Interviews

The researcher used face to face interviews with key informants and these were the district officials. In this method the researcher asked a number of questions to a key informant who responded freely by giving their opinion, perceptions and views on the problem under investigation. This method was used because it provides in-depth data, is more flexible than questionnaires, and yields a higher response rate than questionnaires (Amin; 2005, Mugenda: 2003, Sekaran: 2004).

3.6 Data Collection Instruments

The researcher used both primary and secondary sources. Primary data was collected from the business community and key informants through questionnaires and interviews while secondary sources included records, government publications, websites, the internet and journals. Data instruments which were used included the questionnaires and interview guide.

3.6.1 Documentary Review Checklist

The researcher reviewed documents in form of books, internet, magazines, newspapers, district and government literature that were relevant to the study so as to get a more informed view of the problem.

3.6.2 The Questionnaire

The researcher used a close-ended questionnaire to collect data in the study. This consisted of questions which the respondents answered in writing. The instrument was used because it was cheap compared to other methods. The researcher used self administered questionnaires to collect data. The self administered questionnaires were filled by respondents who were selected to participate in the study. The self administered questionnaires were delivered physically by the researcher and the research assistant to ensure that they are not delayed.

A five Likert scale questionnaire was used. This contained the dimensions of Strongly Agree (SA), Agree (A), Undecided (UD), Disagree (D), and Strongly Disagree (SD). The same instrument was administered to the respondents who would fill their answerers therein. It was divided into five sections and these included A-back ground information, B-microfinance institutions' practices and the growth of small enterprises, C-government policies and the growth of small enterprises, D-organizational management and the growth of small enterprises and finally, performance of small enterprises.

Questionnaires were used in order to cover a large number of respondents in a relatively short time and there was generation of data because answers were given in their own mood. This however stimulates the respondents because it gave an insight into their feelings and options (Mugenda and Mugenda, 1999).

3.6.3 Interview Guide

An interview guide was designed and used by the researcher to collect qualitative data from key informants in the district. It had key questions on the performance of small enterprises to be asked to key respondents and then it was filled by the researcher while conducting a

face to face interview. This instrument according to Sekaran (2004) enables the researcher to collect rich and detailed data, clarify doubts, and it enables him to establish rapport and motivate respondents to answer questions. (Yuko & Onen: 2009), argue that this instrument enables the researcher to collect data that can't be written, and to capture meaning beyond words, and it yields a high response rate.

3.7. Quality control of the instruments (Validity and Reliability)

To ensure the quality control of the instrument, the researcher ensured that the instrument is reliable and valid. Pre-testing of the above instruments was undertaken to measure that the questions were understood by the respondents and that there were no problems with the wording or measurement. This helped to rectify the inadequacies in the instrument before administering them (Sekaran, 2003).

Pretesting was done on 10 persons of a similar sample in the neighboring district of Sheema in Kabwoohe Town Council who never participated in the actual study. The pretest sample was chosen based on Sekaran, (2003) who says that a sample between 1% and 10% is appropriate depending on the sample size. The pre-test subjects were encouraged to make comments and suggestions concerning the instruments, clarity of questions and relevance.

3.7.1 Validity

According to Amin (2005), he defines validity as the ability to produce findings that are in agreement with theoretical or conceptual values; a research instrument is said to be valid if it actually measures what it is supposed to measure with accuracy. The researcher used experts to rate items in the tools. This is supported by Waner (2005), as cited in Barifaijo, Basheka and Oonyu (2010) who assert that Content validity in the study is ensured by using

two or more independent experts to judge/rate each item's relevancy within the research instrument.

Validity was established through a validity test using the Content Validity Index (CVI). This is a tool that is used to gauge the content of items on an empirical measure. It was applied to the formula bellow;

$$(CVI) = \frac{\text{number of items rated relevant by all judges}}{\text{Total number of items in an instrument}}$$

That is; CVI =n/N

The instruments for this study were valid to be used since they had a C.V.I of 0.81.

Using the formula;

Judge1. = 29/36= 0.805

Judge2. = 31/36= 0.86

Judge3. = 32/36= 0.88

Therefore the total= 0.805+0.86+0.88 = **2.55/3 = 0.85**

In this approach, Subject Matters Experts (SMEs) were asked to indicate whether or not the instrument was valid, and when the CVI is 0.7 and above, the instrument can be considered valid (Amin, 2004). After the comments by SMEs, the result was 0.85. The researcher considered this because Amin proposes that a minimum CVI of 0.7 and above is valid.

3.7.2 Reliability

Reliability addresses whether repeated measurements or assessments provide a consistent result given the same initial circumstances (Last, 2001). Last's argument is strengthened by Amin (2005) and Mugenda(2003) who assert that reliability is the degree to which an instrument consistently measures whatever it is measuring and produces similar results if repeatedly used on same respondents under similar procedure .This is achieved by estimating internal consistence and therefore questions measuring the same concept are grouped together and pretested. The following formula below will be used to determine Cronbach's Alpha Coefficient.

$$\alpha = \frac{k}{k1} \left[1 - \frac{\sum \sigma^2 k}{\sigma^2}\right]$$

Whereby;

$\sum \sigma^2 k$ - is the sum of variable of k parts (items) of the test,

σ - Standard deviation of the test,

α- is the Alpha correlation Coefficient

Table 2; Summary of Reliability Statistics

Variable	Reliability Statistics
Microfinance institutions' practices	0.896

Government support	0.8
Organizational management	0.87
Total	2.568
Average	2.568/3=0.856

Source: Primary data

If the Alpha is close to one that is above 0.72 then the instrument will be having a high reliability and if the alpha is bellow it will not be reliable according to Mugenda and Mugenda, (1999). Since Cronbach's Alpha Coefficient was found to be 0.856 the results were considered valid for the study.

3.8. Procedure of Data Collection

The researcher wrote the proposal and submitted it to the higher degrees department for defense. Upon successful defense before a master's defense committee, he was given an authority letter which was then presented the relevant people, the small enterprises and government authorities to get permission to collect data from them.

The researcher recruited a research assistant and then trained him for a day on issues about the research that included questionnaires, ethics (confidentiality), creating rapport and editing questionnaires among others. After permission had been granted by the necessary people, the researcher went ahead to create rapport and make appointments and thereafter, proceeded to collect data from the respondents sampled.

Data was then collected, analysed, interpreted and a dissertation report was produced, forwarded to supervisors who made comments. After the comments from supervisors, the researcher submitted a dissertation book to the higher Degrees Department for Viva.

3.9. Measurement of Variables

The term variable refers to an element that take more than one form, and which a researcher measures, controls and manipulates (Neumann, 2006). Nominal scale which indicates the differences among categories like religion; catholic, Jews, Muslim; racial heritage: African Asian, Caucasian, Hispanic etc. The ordinal scale which indicates the difference plus the categories that can be ordered and ranked like letter grades ;A,B,C,D,E,F opinion measures ; strongly agree, Agree, Disagree, Strongly disagree as given by Neumann (2006) that form the Likert scale was used. Therefore a five Likert scale was used to measure responses of respondents in the questionnaire based on continuum of; Strongly Agree(5), Agree(4), Undecided(3), Disagree(2), and Strongly Disagree(1). This scale enabled respondents to give their views, opinion and attitudes and perceptions about the problem being investigated

3.10. Data Analysis

Sekaran (2003) suggests that analysis is the evaluation of data. It is the process of systematically applying statistical and logical techniques to describe, summarize and compare data

3.10.1 Quantitative Data Analysis;

Quantitative data was collected mainly from close ended type of questions. The researcher ensured that data is coded and categories into useful and relevant data. The data collected from questionnaires was entered in a computer and analysed using the Statistical Package for Social Scientists (SPSS) to find out how microfinance institutions' practices, government

support and organisational management affect the performance of small enterprises. SPSS is the most recommended package for analyzing social science research data (Sekaran, 2003).

Descriptive data was presented in form of summary tables, frequency distribution and percentages and was analysed using Pearson Correlation.

3.10.2 Qualitative data analysis;

The analysis of interview responses from key informants was edited according to the themes developed in the objectives of the study. The information from open ended questions and interview responses was analysed by listing down all respondents' views under each question or category. The data was harmonized basing on a common view from respondents on the themes and was then interpreted to give meaning.

Therefore, data was first written, coded and analysed using content analysis and thematic analysis. Content analysis is the reading and re-reading of transcripts/data with the aim of establishing similarities, differences so as to develop themes, while in thematic analysis, Barifaijo et' al (2010:136) argues that data is analysed by theme and this goes on until the researcher is satisfied that no new issues are arising.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

The study was set to examine the factors affecting the performance of small enterprises in Uganda, using a case of Bushenyi. This chapter presents, analysis and interpretation of data collected from the business community in the district, Bushenyi LG headquarters and surrounding areas, using methods explained in chapter three/methodology(above). It contains the response rate, demographic information of respondents, and findings according to objectives of the study and research hypotheses. Results on objectives and hypotheses are presented using descriptive and inferential statistics.

4.2 Response Rate

This section presents the response rate per category of respondents included in this study and the responses are presented in table 3.

Table 3: Response Rate

Category	**Sample Size**	**Actual Response**	**Percentage**
Employees in microfinance institutions	19	11	57.9%
Agro business owners	63	61	96.8%
Retail shop owners	19	16	84.2%
Welding and metal fabrication	19	15	78.9%
Total	**127**	**103**	**81.1%**

Source: Primary data

Table 3 shows that a good response was achieved by the researcher among respondents in the field of the 127 sampled respondents, a total of 103 returned complete questionnaires. Mugenda & Mugenda (1999) suggest that a response rate of 50% is adequate when quantitative data is collected; therefore 85% is good response for the study and therefore implies that the findings of this study are reliable and could be generalized to other similar situations.

4.3 Background Information

To establish the background characteristics of the respondents the study focused on Age of respondent, highest level of Education, duration in business, marital status gender and category of respondent.

4.3.1 Age of respondent

The age of respondents was analyzed to find out whether the different age groups were fairly represented. The ages were categorized as, 20-30 years, 31-40 years, 41-50 years, 50 years and above. The responses were presented in table 4.

Table 4: Age of respondents

	Frequency (f)	Percent (%)
21-30year	42	40.8
31-40 years	23	22.3
41-50 years	26	25.2
51 years and above	12	11.7
Total	**103**	**100.0**

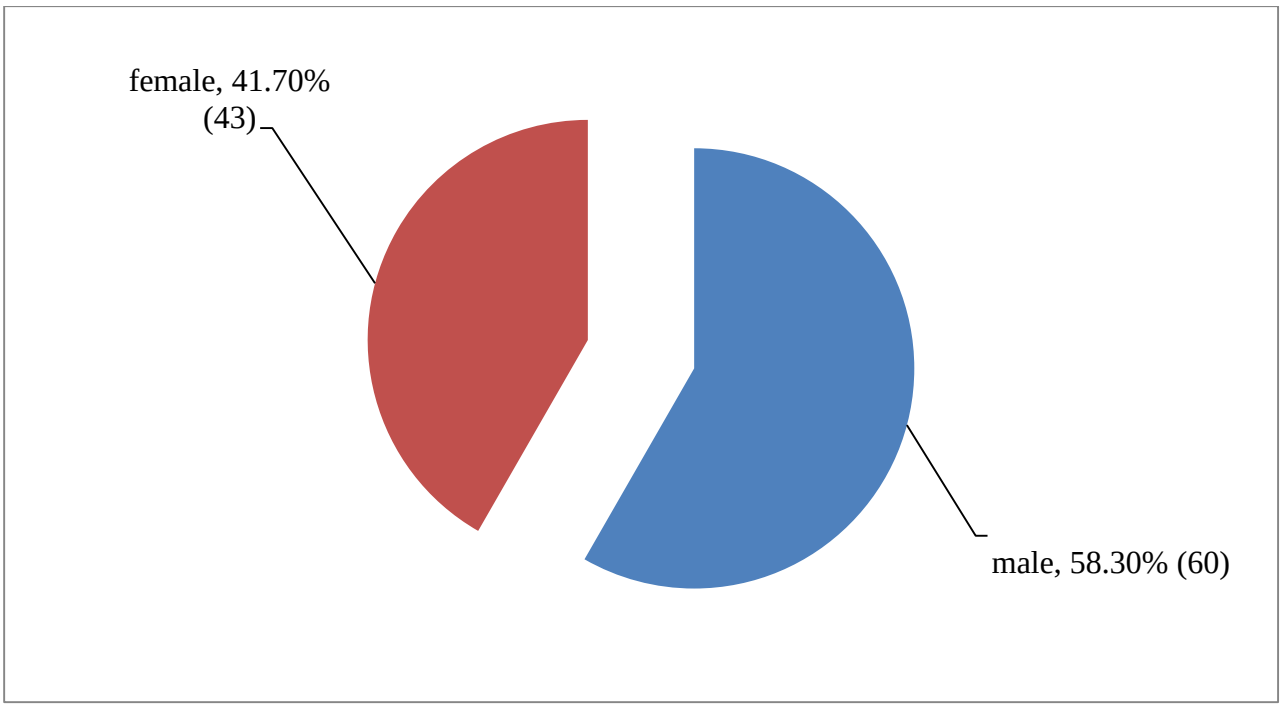
Source: Primary data

Table 4 shows that majority of the respondents were aged between 21-30 years (40.8%), followed by those aged between 41-50 years at 25.2%, and the least were aged 51 years and above at 11.7%. Though there was a difference in the age category, it can be concluded that the sample was fairly selected since all the age categories found in the population were captured in the sample.

4.3.2 Sex of Respondents

Respondents were asked to reveal their gender. This was intended to find out whether the sample was fairly selected from the population. The responses were presented in figure 3.

Figure 2: Sex of Respondents



Source: Primary data

Figure 3 shows that majority of the respondents (58.3%) were males and the least (41.7%) were females. The observation shows that male respondents were the majority that participated in the study. Though there was a difference in the age category, it can be concluded that the sample was fairly selected since all the sex categories found in the population were captured in the sample.

4.3.3 Marital status of respondents

Respondents were asked to reveal their marital status. This was intended to find out whether the sample was fairly selected from the population. The responses were presented in table 5.

Table 5: Marital status of respondents

	Frequency (f)	**Percent (%)**
Single	33	32.0
Married	53	51.5
widow/widower	8	7.8
Separated	7	6.8
Divorced	2	1.9
Total	**103**	**100.0**

Source: Primary data

Table 5 Shows that majority of the respondents (51.5%) were married followed by those who were single (32%) and the least (1.9%) had divorced. Though there were differences in

marital status of respondents in the distribution, the sample was fairly selected since all categories found in the population were captured in the sample.

4.3.4 Education level of respondents

Respondents were asked to reveal their education level. This was intended to find out whether the sample was fairly selected from the population. The responses were presented in table 6.

Table 6: Respondent's level of education

		Frequency (f)	Percent (%)
Valid	certificate	36	35.0
	Diploma	35	34.0
	bachelor's degree	28	27.2
	postgraduate diploma	3	2.9
	masters and above	1	1.0
	Total	**103**	**100.0**

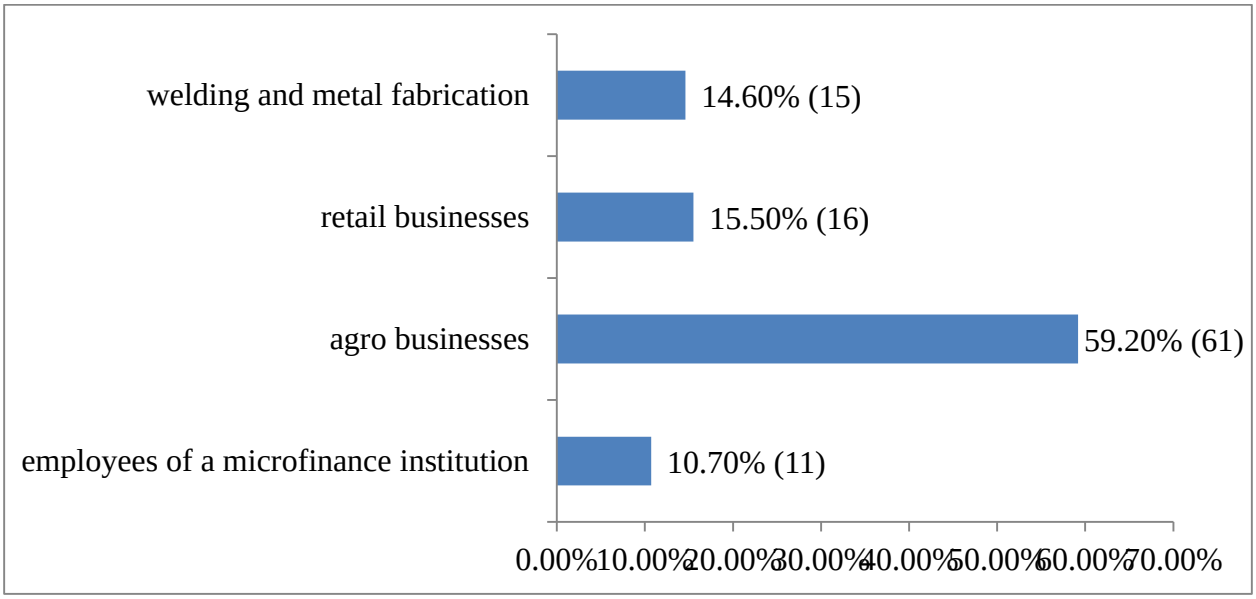
Source: Primary data

Table 6 shows that majority of the respondents had certificates (35%) followed by those with diploma (34%) and the least were those with masters and above (1%). Though there were differences in marital status of respondents in the distribution, the sample was fairly selected since all categories found in the population were captured in the sample.

4.3.5 Occupation/business of the respondents

Respondents were asked to reveal the nature of business/ occupation they were undertaking. This section looked at employees of microfinance institutions, agro businesses, retail businesses, and welding and metal fabrication. The intention for this was to find out whether the sample was fairly selected from the population for the results to be relied upon. The responses were presented in figure 4.

Figure 4: Occupation/business of the respondents



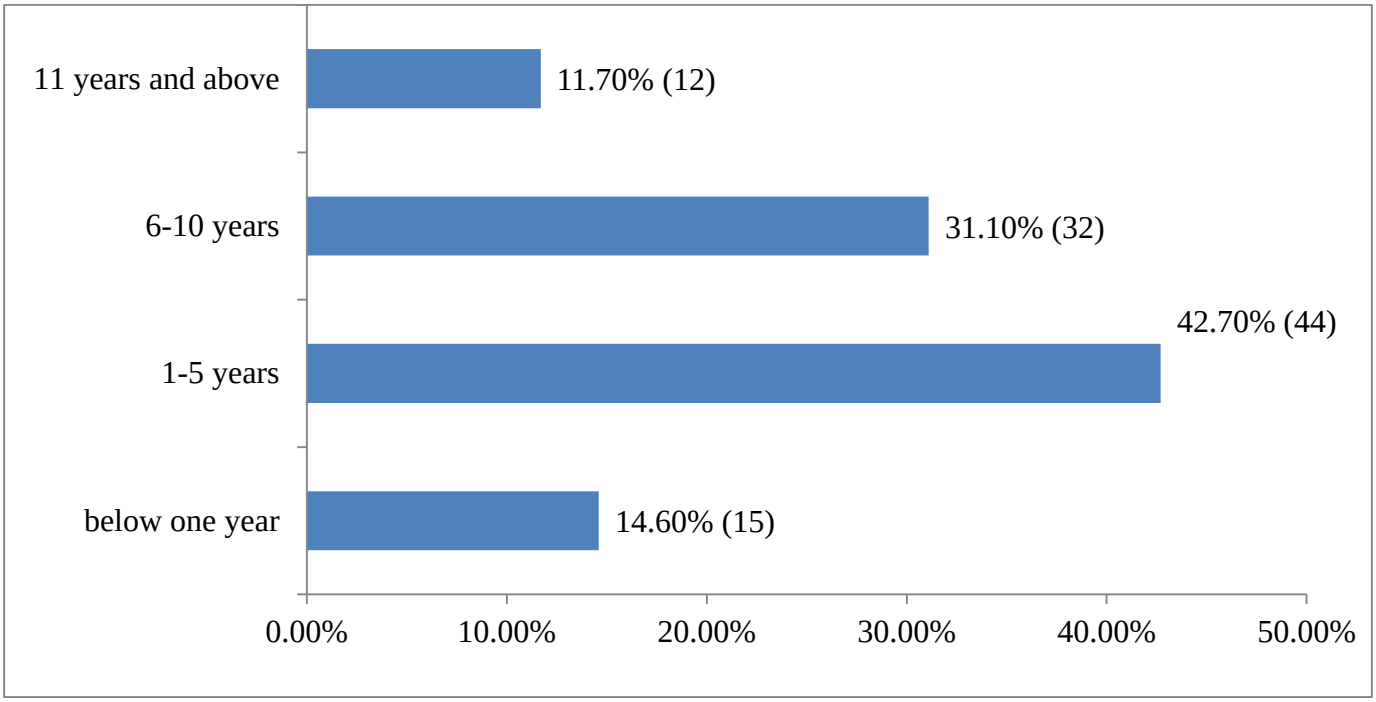
Source: Primary data

Figure 4 shows that majority of respondents were in agro business (59.2%), followed by retail businesses (15.5%) and the least were employees of a microfinance institution (10.7%). Though there were differences in marital status of respondents in the distribution, the sample was fairly selected since all categories found in the population were captured in the sample.

4.3.6 Period One Has Been in Business

Respondents were asked to reveal the period they have been in business /occupation. The period was categorized as 0-1 years, 1-5 years, 6-10 years and 11 years and above. The results were presented on a bar graph in figure 5.

Figure 5: Period One Has Been In Business



Source: Primary data

Figure 5 shows that majority of the respondents (42.7%) were in business for 1-5 years followed by those who had spent between 6-10 years (31.1%) and the least were those who had spent 11 years and above (11.7%). Though there were differences in marital status of respondents in the distribution, the sample was fairly selected since all categories found in the population were captured in the sample.

4.4 Empirical Findings as Per the Objectives of the Study

This section analyzed and presented information based on objectives of the study.

Empirical findings as per objectives of the study were presented in tables 6, 8, 12, and 16. Respondents were presented with items and requested to either agree or disagree basing on a five Likert scale of; Strongly Agree (SA), Agree (A), not sure (N), Disagree (D) , Strongly Disagreed(SD).

SA+A= Agreed, SD+D= Disagreed, N=Undecided/Not sure. The study grouped SA and A to mean agreed, SD and D to mean disagree, and N to mean respondents who were not sure/undecided. Percentages, Mean and standard deviation were used to interpret empirical results. The mean above 3 implied that majority agreed, and that below 3 means disagreed while 3 imply undecided/neutral. The Standard Deviation is a measure of how spread out numbers are; a small standard deviation indicates that the scores are very close to the mean which denotes a stronger agreement, large standard deviation indicates more widely spread-out from the mean which denotes a weaker agreement. Also Pearson correlation was used in establishing the relationship between the independent variables and dependent variables, and regressions (model summary) were run to establish the variance (contribution) of the IV on the DV.

4.4.1 Performance of Small Enterprises

This section examined the Performance of small enterprises in the Bushenyi. Performance was looked at in dimensions of output, business sustainability, revenue/sales and profitability measured using five point Likert scale and the respondents were asked to agree or disagree with the constructs involved in performance of small enterprises.

Table 6: Descriptive statistics for performance.

Performance of small enterprises	Percentage Response (%)					Mean	Std Dev
	SD (1)	D (2)	N (3)	A (4)	SA (5)		
There has been an increase in output of small enterprises	1.0% (1)	4.9% (5)	4.9% (5)	43.7% (45)	45.6% (47)	4.28	0.845
Small enterprises are sustainable	8.7% (9)	11.7% (12)	9.7% (10)	45.6% (47)	24.3% (25)	3.65	1.218
Small enterprises have high revenue	5.8% (6)	11.7% (12)	14.6% (15)	36.9% (38)	31.1% (32)	3.76	1.184
Small enterprises are profitable	12.6% (13)	30.1% (31)	8.7% (9)	35.9% (37)	12.6% (13)	3.06	1.297
These has been an increase in the asset base for the business	4.9% (5)	13.6% (14)	8.7% (9)	51.5% (53)	21.4% (22)	3.71	1.099
Small enterprises have high sales maximization	1.0% (1)	4.9% (5)	14.6% (15)	42.7% (44)	36.9% (38)	4.10	0.891
Small enterprises expand and survive above five years	7.8% (8)	11.7% (12)	22.3% (23)	44.7% (46)	13.6% (14)	3.45	1.109
Small enterprises give birth to bigger enterprises	4.9% (5)	11.7% (12)	34.0% (35)	39.8% (41)	9.7% (10)	3.38	0.981
Small enterprise owners employ local and family labor force	3.9% (4)	10.7% (11)	10.7% (11)	53.4% (55)	21.4% (22)	3.78	1.028
Small enterprises are mostly family owned	3.9% (4)	15.5% (16)	4.9% (5)	59.2% (61)	16.5% (17)	3.69	1.048

Source: Primary data

Table 6 shows that the overall mean was 3.69 and standard deviation was 1.048 which indicates that majority of respondents agreed on features of performance.

On the statement “There has been an increase in output of small enterprises”, 89.3% of respondents agreed with the statement, 4.9% were not sure about the statement and 5.9%

disagreed with the statement. Mean was 4.28 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.845.

On the statement “Small enterprises are sustainable”, 69.9% of respondents agreed with the statement, 9.7% were not sure about the statement and 20.4% disagreed with the statement. Mean was 3.65 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.218.

On the statement “Small enterprises have high revenue”, 68% of respondents agreed with the statement, 13.6% were not sure about the statement and 17.5% disagreed with the statement. Mean was 3.76 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.184.

On the statement “Small enterprises are profitable”, 48.5% of respondents agreed with the statement, 8.7% % were not sure about the statement and 42.7% disagreed with the statement. Mean was 3.06 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.297.

On the statement “These have been an increase in the asset base for the business”, 72.9% of respondents agreed with the statement, 8.7% % were not sure about the statement and 18.5% disagreed with the statement. Mean was 3.71which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.099.

On the statement “Small enterprises have high sales maximization”, 79.6% of respondents agreed with the statement, 14.6% % were not sure about the statement and 5.9% disagreed with the statement. Mean was 4.10 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.891.

On the statement “Small enterprises can expand and survive above five years”, 58.3% of respondents agreed with the statement, 22.3% % were not sure about the statement and 19.5% disagreed with the statement. Mean was 3.45 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.109.

On the statement “Small enterprises give birth to bigger enterprises”, 49.5% of respondents agreed with the statement, 34% % were not sure about the statement and 16.6% disagreed with the statement. Mean was 3.38 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.981.

On the statement “Small enterprise owners employ local and family labor force”, 74.8% of respondents agreed with the statement, 10.7% % were not sure about the statement and 14.6% disagreed with the statement. Mean was 3.78 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.028.

On the statement “Small enterprises are mostly family owned”, 75.7% of respondents agreed with the statement, 4.9% % were not sure about the statement and 19.4% disagreed with the statement. Mean was 3.69 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.048.

Interviews (qualitative analysis) for performance revealed the following results based on key informant’s responses.

Most respondents revealed that small enterprises have grown and continue to grow in Bushenyi over the years. One key informant noted that “small enterprises are unstoppable and their growth and expansion is almost guaranteed in Bushenyi. The introduction of

Kampala International University (KIU) has been a great asset that has helped expand small enterprises."

Business owners face the tough choice of choosing to borrow or use their personal savings to grow their businesses. It was noted by one respondent that "the choice to borrow or not to borrow remains entirely with the business person. We can only advise them on the benefits of banks."

Interviews further reveal that most businesses in the district are family owned and they employ local and family labor. Small enterprises were observed not to have the capacity to hire external skilled labor unless there was real need for it as one respondent noted to this effect thus; "some enterprises don't have the capacity to pay professionals, they therefore use their children or relatives to run the business which is risky since it some times limits growth and innovativeness of external experts."

On the issue of survival of small enterprises, the study found out through one key informant that "although there are many small enterprises and shops, their survival can not be guaranteed since most collapse from time to time. The only advantage is that new business men continuously come up to fill the gaps." This implies that some small enterprises collapse before a year or be fore five years which puts in question their sustainability.

4.4.1 Microfinance Institutions' Practices and Performance of Small Enterprises

This section examined the relationship between Microfinance institutions' practices and Performance of small enterprises in the Bushenyi. In Microfinance institutions' practices, three dimensions were looked at they included Interest rates, Loan facilities and Voluntary saving products measured using five point Likert scale and the respondents were asked to

agree or disagree with the constructs involved in Microfinance institutions' practices as shown below.

Table 8; Descriptive Statistics for Microfinance institutions' practices

Statements on microfinance institutions' practices	**Percentage Response (%)**					**Mean**	**Std Dev**
	SD (1)	**D (2)**	**N (3)**	**A (4)**	**SA (5)**		
Favorable interest rates help small enterprises to perform better	0	1.0% (1)	6.8% (7)	42.7% (44)	48.5% (50)	4.40	0.664
Loan facilities facilitate the performance of small enterprise	2.9% (3)	13.6% (14)	10.7% (11)	58.3% (50)	14.6% (14)	3.68	0.982
Personal savings' products boost the performance of small enterprise.	0	4.9% (15)	8.7% (9)	52.4% (54)	34.0% (35)	4.16	0.777
Adequate and sufficient loan amounts boost small enterprises	7.8% (8)	6.8% (7)	17.5% (18)	55.3% (57)	12.6% (13)	3.58	1.053
Credit information is readily available in microfinance institutions concerning the services they offer.	1.0% (1)	1.9% (2)	1.9% (2)	44.7% (46)	50.5% (52)	4.42	0.721
Small enterprises need favorable loan terms and conditions so as to perform better.	0	1.9% (2)	2.9% (3)	56.3% (58)	38.8% (40)	4.32	0.630
Most of the small enterprise businesses are dependent on loans from microfinance institutions.	6.8% (7)	13.6% (14)	13.6% (14)	51.5% (53)	14.6% (15)	3.53	1.110
Investing loans to the purpose for which they were acquired boosts performance of small enterprises.	2.9% (3)	2.9% (3)	6.8% (7)	46.6% (48)	40.8% (42)	4.19	0.908
total mean and standard deviation for microfinance institutions' practices						**4.035**	**0.533**

Source: Primary data

Table 8 shows that the overall mean was 4.035 and standard deviation was 0.533 which indicates that majority of respondents agreed on features of microfinance institutions' practices that affect performance of small enterprises in Bushenyi.

Microfinance Institutions' Practices

On the statement that "Favorable interest rates help small enterprises to perform better", 91.2% of respondents agreed with the statement, 10.7% were not sure about the statement and 1.0% disagreed with the statement. Mean was 4.40 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.664.

On the statement that "Loan facilities facilitate the performance of small enterprise", 72.9% of respondents agreed with the statement, 6.8% were not sure about the statement and 16.5% disagreed with the statement. Mean was 3.68 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.982.

On the statement that "Personal savings' products boost the performance of small enterprise", 86.4% of respondents agreed with the statement, 8.7% were not sure about the statement and 4.9% disagreed with the statement. Mean was 4.16 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.777.

On the statement "Adequate and sufficient loan amounts boost small enterprises", 67.9% of respondents agreed with the statement, 17.5% were not sure about the statement and 14.6% disagreed with the statement. Mean was 3.58 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.053.

On the statement “Credit information is readily available in microfinance institutions concerning the services they offer”, 95.2% of respondents agreed with the statement, 1.9% were not sure about the statement and 2.9% disagreed with the statement. Mean was 4.42 which shows that majority of the respondents were in agreement with the statement and standard deviation 0.721.

On the statement “Small enterprises need favorable loan terms and conditions so as to perform better”, 95.1% of respondents agreed with the statement, 2.9% were not sure about the statement and 1.9% disagreed with the statement. Mean was 4.32 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.630.

On the statement “Most of the small enterprise businesses are dependent on loans from microfinance institutions”, 66.1% of respondents agreed with the statement, 13.6% were not sure about the statement and 20.4% disagreed with the statement. Mean was 3.53 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.110.

On the statement “Investing loans to the purpose for which they were acquired boosts performance of small enterprises”, 87.4% of respondents agreed with the statement, 6.8% were not sure about the statement and 5.8% disagreed with the statement. Mean was 4.19 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.908.

Interviews (qualitative analysis) for microfinance institutions’ practices showed the following results based on key informant’s responses.

interviews indicated that microfinance institutions' interest rates are still not favorable to improve the performance of small enterprises due to failure to reduce interest rates as one key informant asserts that "it is true the favorable interest rates do facilitate business growth but most microfinance institutions' interest rates are still very high which doesn't facilitate growth of small enterprises despite the fact that the central bank (BOU) has been continuously reducing interest rates to facilitate economic growth".

The interviews also reveal that most of the business people in the community have their businesses run on loans from both the informal and the formal financial sources.

Although personal savings greatly boost business performance because of interest free capital, actual savings by small enterprise owners remain low as one key informant stressed that "people would rather invest in assets and livestock than put their money in banks mainly due to illiteracy or lack of information about the banking environment".

One key informant highlighted that all is not well with funding from microfinance institutions. He pointed out that "there are loan committees that usually reduce funds and thus argues that there is serious underfunding of small enterprise businesses by microfinance institutions. These microfinance institutions always cut/reduce loans applied for and fear to lend more especially to those in agriculture and those in trade that may take more than a month to generate their installments. To counter the inadequate funding, people now days ask for more money with the hope that after reducing the amount applied for, the person is given almost the amount he wanted".

Still in the interview process with one key informant confirmed that "most of the micro finance institutions have clear information available in the offices or with the staff

concerning products offered. However the borrowers are not so interested in the information but the money they need and thus miss out on important information that would improve performance of their enterprises".

Interviews further revealed that "there is a poor reading culture among the locals in Bushenyi generally which deters consumers of financial services from fully internalizing the terms and conditions of loans. People are just told to sign here sign there for the money and they go without fully understanding the meaning of what they have signed for".

Majority of loans advanced to small enterprises are not put to the right use as the interviews indicated that diversion of funds is common among enterprise owners who are found of channeling loan funds to other uses as cited by one key informant who contends that "many business men divert loan money to other purposes mainly school fees and social expenditure which don't bring in any profit to the business. Consequently, they end up having stagnating businesses that finally collapse due to lack of funds to sustain them given that they pay installments for which money was not injected in the business".

4.5 Hypotheses Testing

The study tested the stated hypotheses that "Microfinance institutions' practices positively affect the performance of small enterprises in Bushenyi district." The study equally tested the alternative hypothesis which stated that microfinance institutions' practices do not positively affect performance of small enterprises. The study had the level of significance at $\alpha=0.05$. This was done to using correlation analysis to establish the relationship between microfinance institutions' practices and performance of small enterprises as indicated in tables 9 and 10. This was done by use of inferential statistics. Correlation and regression analyses were

conducted to establish whether there was any relationship between the independent and dependent variables, the magnitude and direction of the relationships.

Table 9: Correlation between Microfinance institutions' practices and Performance of small enterprises

		Performance	Microfinance Institutions Practices
Performance	Pearson Correlation	1	.605**
	Sig. (2-tailed)		.000
	N	103	103
Microfinance Institutions Practices	Pearson Correlation	.605**	1
	Sig. (2-tailed)	.000	
	N	103	103

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

Source: Primary data

Table 9 shows that there was a moderate positive significant relationship between Microfinance institutions' practices and Performance of small enterprises (r = 0.605**; p = 0.000). This means that a rise in Microfinance institutions' practices is likely to increase the performance by 60.5%. But this does not show a clear relationship and thus a need to compute its determination using regression analysis.

4.5.1 Regression Results between Microfinance institutions' practices and Performance of small enterprises

To establish the extent to which Microfinance institutions' practices influenced Performance of small enterprises, a regression analysis was conducted. The results are tabulated in the Table below.

Table 10: Model Summary of Microfinance institutions' practices and Performance of small enterprises

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.605[a]	.366	.360	.44574

a. Predictors: (Constant), microfinance institutions practices

Source: Primary Data

Table 10 shows, adjusted R2 value of 0.360 between Microfinance institutions' practices and Performance of small enterprises which is suggesting that Microfinance institutions' practices alone predicted 36% of the variance in Performance of small enterprises. Further regression analysis was made to understand the variation in Microfinance institutions' practices by Performance of small enterprises

Variation in Microfinance Institutions' Practices and Performance of small enterprises

The study tested the null hypothesis which stated that microfinance institutions' practices positively affect the performance of small enterprises in Bushenyi district.

The study also tested the alternative hypothesis which stated that microfinance institutions' practice does not positively affect the performance of small enterprises in Bushenyi district.

Before the conclusion is reached, the researcher went ahead to compute ANOVA to find out the significance of the means all with the intention of finding out whether the model is fitting. The finding was presented in table 11.

Table 11: ANOVA of Microfinance Institutions' Practices

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.588	1	11.588	58.321	.000[a]
	Residual	20.068	101	.199		
	Total	31.655	102			

a. Predictors: (Constant), Microfinance Institutions Practices

b. Dependent Variable: Performance

Source: Primary Data

Table 11 shows that the model is significant (p-value <0.05) indicating that the relationship between microfinance institution's practices and performance was not by change. This led to the acceptance of the hypothesis that microfinance institution's practices positively affect the performance of small enterprises.

4.6. Government support and Performance of small enterprises

This section assessed the relationship between Government support and Performance of small enterprises in the Bushenyi. Government support factors consisted of Infrastructure development, Legal framework and Administration of government policies measured on five point Likert scale of (5) = strongly agree (4) = agree, (3) = not sure (2) = disagree (1) = strongly disagree and the findings are displayed in Table below.

Table 12: Descriptive Statistics for Government support

Statements on Government support	Percentage Response (%)					Mean	Std Dev
	SD (1)	D (2)	N (3)	A (4)	SA (5)		
Better government policies contribute to better performance of small enterprise.	0	1.9% (2)	9.7% (10)	50.5% (52)	37.9% (39)	4.24	0.707
It is the government that provides basic infrastructure to facilitate the performance of small enterprises.	1.0% (1)	1.9% (2)	6.8% (7)	47.6% (49)	42.7% (44)	4.29	0.762
Well formulated Business laws facilitate small enterprises and improve their performance.	3.9% (4)	10.7% (11)	28.2% (29)	32.0% (33)	25.2% (26)	3.64	1.092
The current legal frame work should be enhanced and improved to favor business performance and growth.	6.8% (7)	5.8% (6)	9.7% (10)	53.4% (55)	24.3% (25)	3.83	1.079
Government programmes that are well formulated support business development in Bushenyi district.	1.9% (2)	6.8% (7)	10.7% (11)	58.3% (60)	22.3% (23)	3.92	0.882
Adequate government subsidies can boost performance of small enterprises.	2.9% (3)	5.8% (6)	13.6% (14)	59.2% (61)	18.4% (19)	3.84	0.894
total mean and standard deviation Government support						**3.961**	**0.469**

Source: Primary data

The overall mean was 3.961 and standard deviation was 0.469 which indicates that majority of respondents agreed on features of government support that affect performance of small enterprises in Bushenyi district

On the statement "Better government policies contribute to better performance of small enterprise" 88.4% of respondents agreed with the statement, 9.7 % were not sure about the statement and 1.9% disagreed with the statement. Mean was 4.24 which shows that

majority of the respondents were in agreement with the statement and standard deviation was0.707.

On the statement “It is the government that provides basic infrastructure to facilitate the performance of small enterprises” 90.3% of respondents agreed with the statement, 6.8 % were not sure about the statement and 2.9 % disagreed with the statement. Mean was 4.29 which shows that majority of the respondents were in agreement with the statement and standard deviation 0.762.

On the statement “Well formulated Business laws facilitate small enterprises and improve their performance” 57.2% of respondents agreed with the statement, 28.2% were not sure about the statement and 14.6 % disagreed with the statement. Mean was 3.64 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.092.

On the statement “The current legal frame work should be enhanced and improved to favor business performance and growth” 77.7% of respondents agreed with the statement, 9.7% were not sure about the statement and 12.6 % disagreed with the statement. Mean was 3.83 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.079.

On the statement “Government programmes that are well formulated support business development in Bushenyi district” 80.6% of respondents agreed with the statement, 10.7% were not sure about the statement and 8.7 % disagreed with the statement. Mean was 3.92 which shows that majority of the respondents were in agreement with the statement and standard deviation 0.882.

On the statement “Adequate government subsidies can boost performance of small enterprises” 77.6% of respondents agreed with the statement, 13.6% were not sure about the statement and 8.7 % disagreed with the statement. Mean was 3.84 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.894.

interviews revealed that there are challenges in service delivery to facilitate small enterprises but the government is doing its best as one district official (key informant) highlighted that although government is still facing some challenges in making its policies clearer to the people, it has gone an extra mile to educate the masses on how the government can come in to give both good policies and technical assistance to small enterprises.

Interviews (qualitative analysis) revealed the following results based on key informant’s responses in relation to government performance and support to small enterprises.

Indeed, interviews revealed that “much of the physical infrastructure in Bushenyi is fairly developed (mainly roads) and that which is not yet will be worked on in the coming financial year”.

Interviews show that there exists very good laws and bylaws in BDLG that can propel businesses to advance in the district. However, interviews indicated that although there are existing business laws and bylaws, the application of existing laws is not as favorable for business as one key informant put it; “The laws exist but the legal and justice system is such a long huddle to go by. Business judgments are not as quick as they should be given that time is money.” This implies that there are delays in the execution of laws to facilitate

business and therefore may not come in handy to facilitate better performance of small enterprises.

Quit a number of programmes have been put in place to facilitate business in Bushenyi particularly those where government has got partners. According to one key informant; "the Ankole Private Sector Foundation (supported by USAID) headquartered at the district headquarters is one such example of government donor partnerships for development on top of other programmes like NAADS, and the new Nyaruzinga banana project that is intended to boost small holder banana farmers in the district among others"

This implies that the government together with development partners has gone a long way to provide conditions for enterprinual growth and development thorough development programmes and initiatives.

Although this shows a positive relationship, information from key informants indicate that; "Subsidies are a thing of the past to small enterprises and small holder farmers have benefited little from any government support". By implication, the government needs to do a lot more to have its efforts and subsidies reach the local small enterprises. The support should be directly sent to these enterprises to avoid misuse and misallocation of the subsidies.

4.6.1 Correlation Results between Government support and Performance of small enterprises

A correlation analysis was run and interpreted to establish whether a relationship existed between government support and performance of small enterprises. The analysis was done using Pearson correlation, and results are presented in table 13.

Table 13: Correlation Matrix between Government support and Performance of small enterprises

		Performance	Government support
Performance	Pearson Correlation	1	.538**
	Sig. (2-tailed)		.000
	N	103	103
Government support	Pearson Correlation	.538**	1
	Sig. (2-tailed)	.000	
	N	103	103

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

Source: Primary data

Table 13 shows that there was a moderate positive significant relationship between Government support and Performance of small enterprises (r = 0.538**; p = 0.000). this means that a rise in Government support is likely to increase the performance by 53.8%. But this does not show a clear relationship and thus a need to compute its determination using regression analysis.

4.5.1 Regression Results between Government support and Performance of small enterprises

A regression analysis (Model summary) was run to establish the coefficient of determination (percentage effect) government support had on performance of small enterprises and the results that emerged are presented in the Table 14.

Table 14: Model Summary of Government Support and Performance of small enterprises

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.538[a]	.289	.282	.47199

a. Predictors: (Constant), Government support

Source: Primary Data

Table 14 shows, adjusted R2 value are 0.282 between government Support and Performance of small enterprises which is suggesting that government Support alone predicted 28.2% of the variance in Performance of small enterprises. Further regression analysis was made to understand the variation in government Support by Performance of small enterprises.

Testing hypothesis

The study tested the null hypothesis which stated that "there is a positive relationship between government support and the performance of small enterprises in Bushenyi district.

The study also tested the alternative hypothesis which stated that "there is no positive relationship between government support and the performance of small enterprises in Bushenyi district."

Before the conclusion is reached, the researcher went ahead to compute ANOVA to find out the significance of the means all with the intention of finding out whether the model is fitting. The finding was presented in table 15.

Table 15: ANOVA of Government Support

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.155	1	9.155	41.093	.000[a]
	Residual	22.501	101	.223		
	Total	31.655	102			

a. Predictors: (Constant), Government Support

b. Dependent Variable: Performance

Source: Primary Data

Table 15 shows that the model is significant (p-value <0.05) indicating that the relationship between government support and performance was not by change. This led to the acceptance of the hypothesis that government support positively affects the performance of small enterprises.

4.8. Organizational management and Performance of small enterprises

This section analyzed the relationship between Organizational management and Performance of small enterprises in the Bushenyi. Organizational management dimensions consisted of ascertain Financial management, and Business strategic management measured using five point Likert scale and the findings are displayed in table 15.

Table 16: Descriptive Statistics for Organizational management

Statements on Organizational management	Percentage Response (%)					Mean	Std Dev
	SD (1)	D (2)	N (3)	A (4)	SA (5)		
Most of the small enterprises are started using personal savings	4.9% (5)	7.8% (8)	15.5% (16)	46.6% (48)	25.2% (26)	3.80	1.061
Adequate financial decisions are key to improving the performance of small enterprises	4.9% (5)	8.7% (9)	9.7% (10)	55.3% (57)	21.4% (22)	3.80	1.032
Family stability and financial discipline are key do business stability and growth	6.8% (7)	8.7% (9)	16.5% (17)	55.3% (57)	12.6% (13)	3.58	1.043
Small enterprises need business plans that are key for their stability and better performance	1.9% (2)	8.7% (9)	13.6% (14)	43.7% (45)	32.0% (33)	3.95	.994
Vital records that are properly kept are key to small enterprise sustainability and growth	1.0% (1)	0	7.8%(8)	52.4%(54)	38.8%(40)	4.28	.692
Small enterprise lack sufficient collateral and knowledge to secure big loans from microfinance institutions	1.9% (2)	3.9% (4)	9.7% (10)	43.7% (45)	40.8% (42)	4.17	.901
total mean and standard deviation for Organizational management						**3.930**	**0.576**

Source: Primary data

Table 16 shows that the overall mean was 3.930 and standard deviation was 0.576 which indicates that majority of respondents agreed on features of organizational management that influence performance of small enterprises in Bushenyi district.

On the statement "Most of the small enterprises are started using personal savings" 71.8% of respondents agreed with the statement, 15.5% were not sure about the statement and

12.7 % disagreed with the statement. Mean was 3.80 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.061.

On the statement “Adequate financial decisions are key to improving the performance of small enterprises” 76.7% of respondents agreed with the statement, 9.7% were not sure about the statement and 13.6 % disagreed with the statement. Mean was 3.80 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.032.

On the statement “Family stability and financial discipline are key do business stability and growth” 67.9% of respondents agreed with the statement, 16.5% were not sure about the statement and 15.5 % disagreed with the statement. Mean was 3.58 which shows that majority of the respondents were in agreement with the statement and standard deviation was 1.043.

On the statement “Small enterprises need business plans that are key for their stability and better performance” 75.7% of respondents agreed with the statement, 13.6% were not sure about the statement and 10.6 % disagreed with the statement. Mean was 3.95 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.994.

On the statement “Vital records that are properly kept are key to small enterprise sustainability and growth” 91.2% of respondents agreed with the statement, 7.8% were not sure about the statement and 1.0% disagreed with the statement. Mean was 4.28 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.692.

On the statement “Small enterprise lack sufficient collateral and knowledge to secure big loans from microfinance institutions” 84.5% of respondents agreed with the statement, 9.7% were not sure about the statement and 5.8% disagreed with the statement. Mean was 4.17 which shows that majority of the respondents were in agreement with the statement and standard deviation was 0.901.

Interviews for organizational performance revealed the following results based on key informant’s responses.

Interviews discovered that one cannot acquire startup capital from microfinance institutions and therefore have to provide themselves with initial capital for business. One key informant revealed that “One has to start small and grow big with time in as far as managing resources is concerned. No financial institution can risk giving startup capital to inexperienced entrepreneurs”.

The respondents felt individuals have to show interest and experience in business before they seek external funding. Notice was made however that the government should increase on the youth funds scheme to uplift young entrepreneurs particularly in small scale private sector business.

Interviews further showed that much as the small business entrepreneurs have plans, these plans are not written down for proper follow-up and are not long tern plans. The plans usually change from time to time given the circumstances surrounding the owner and his family.

On the issue of record keeping, one of the key respondents interviewed had this to say: “small businesses hardly keep any records or information. They have no books of accounts

or financial records and if they do, they (records) are very sketchy and sometimes don't have meaning".

The interviews however reveal that much as the enterprise owners have land and household assets as securities for loans, these are not titled pieces of land and therefore cant secure big and long term loans for business.

Hypothesis testing

The study tested the stated hypothesis that "Organizational management significantly contributes to the performance of small enterprises in Bushenyi district." This was done by use of inferential statistics. Correlation and regression analyses were conducted to establish whether there was any relationship between the independent and dependent variables, the magnitude and direction of the relationships.

4.8.1 Correlation results between Organizational management development and Performance of small enterprises

The study tested the stated hypotheses that "Organizational management significantly contributes to the performance of small enterprises in Bushenyi district." The study equally tested the alternative hypothesis which stated that organizational management does not significantly contributes to the performance of small enterprises in Bushenyi district. The study had the level of significance at $\alpha=0.05$. This was done to using correlation analysis to establish the relationship between Organizational management and performance of small enterprises. This was done by use of inferential statistics. Correlation and regression analyses were conducted to establish whether there was any relationship between the independent and dependent variables, the magnitude and direction of the relationships.

4.8.1 Correlation results between Organizational management development and Performance of small enterprises

A correlation analysis was run and interpreted to establish whether a relationship existed between organizational management and performance of small enterprises in Bushenyi district. The results were presented in table 17.

Table 17: Correlation results for Organizational management and Performance of small enterprises

		Performance	Organizational management
Performance	Pearson Correlation	1	.611**
	Sig. (2-tailed)		.000
	N	103	103
Organizational management	Pearson Correlation	.611**	1
	Sig. (2-tailed)	.000	
	N	103	103

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

Source: Primary data

Table 17 shows that there was a moderate positive significant relationship between organizational management and Performance of small enterprises ($r = 0.611^{**}$; $p = 0.000$). This means that a rise in organizational management is likely to increase the performance by 61.1%. But this does not show a clear relationship and thus a need to compute its determination using regression analysis.

4.5.1 Regression results between Organizational management and Performance of small enterprises

To establish the extent to which organizational management influenced Performance of small enterprises, a regression analysis was conducted. The results are tabulated in the Table 18.

Table 18: Model summary of Organizational Management and Performance of small enterprises

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611[a]	.373	.367	.44317

a. Predictors: (Constant), Organizational management

Source: Primary Data

Table 18 shows, adjusted R2 value of 0.367 between organizational management and Performance of small enterprises which is suggesting that organizational management alone predicted 36.7% of the variance in Performance of small enterprises. Further regression analysis was made to understand the variation in organizational management by Performance of small enterprises.

Variation in Organizational management and Performance of small enterprises

The study tested the null hypothesis which stated that "organizational management significantly contributes to the performance of small enterprises in Bushenyi district."

The study also tested the alternative hypothesis which stated that "organizational management does not significantly contribute to the performance of small enterprises in Bushenyi district."

Before the conclusion is reached, the researcher went ahead to compute ANOVA to find out the significance of the means all with the intention of finding out whether the model is fitting. The finding was presented in table 19.

TABLEV 19; ANOVA of Organizational Management

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.819	1	11.819	60.177	.000[a]
	Residual	19.836	101	.196		
	Total	31.655	102			

a. Predictors: (Constant), Organizational Management

b. Dependent Variable: Performance

Source: Primary Data

Table 11 shows that the model is significant (p-value <0.05) indicating that the relationship between organizational management and performance was not by change. This led to the acceptance of the hypothesis that organizational management significantly contributes to the performance of small enterprises in Bushenyi district

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The purpose of the study was to investigate the factors affecting the performance of small enterprises in Uganda with a case study of Bushenyi District.

This chapter presents the summary, discussion, conclusions and recommendations of the findings; they are presented objective by objective.

5.1 Summary of Key Findings

The summary of the findings is presented objective by objective

5.1.1 Microfinance institutions' practices and performance of small enterprises in Bushenyi district.

The study findings showed that there is a moderate positive significant relationship between Microfinance institutions' practices and performance of small enterprises. The Microfinance institutions' practices such as setting of interest rates, loans and personal savings products influence performance of small enterprises. The majority of the respondents noted that credit information is readily available in microfinance institutions concerning the services they offer. Microfinance institutions' practices were found to have a relative positive significant relationship with performance of small enterprises given by Pearson correlation r = 0.605**and significance of 0.000. The study also showed that Microfinance institutions' practices influence performance of small enterprises by 36%. Furthermore the study

accepted the stated hypothesis that "Microfinance institutions' practices positively affect the performance of small enterprises in Bushenyi district".

5.1.2 Government support and performance of small enterprises

The study findings showed that there is a moderate positive significant relationship between Government support and performance of small enterprises. Government support features such as Infrastructure development, Legal framework and Administration of government policies contribute to the performance of small enterprises. The majority of the respondents noted that government has provided sufficient infrastructure to facilitate the performance of small enterprises. Government support was found to have a moderate positive significant relationship performance of small enterprises given by Pearson correlation $r = 0.538^{**}$, and significance of 0.000. The study also showed that development of staff influences staff performance by only 28.2%. Furthermore the study accepted the stated hypothesis that "There is a positive relationship between government support and the performance of small enterprises in Bushenyi district."

5.1.3 Organizational Management Practices and Performance of Small Enterprises

The study findings showed that there is a relative positive significant relationship between organizational management practices and performance of small enterprises. The evaluation of organizational management practices' features such as financial management and business strategic management affect the performance of small enterprises. The majority of the respondents noted that vital records are properly kept by small enterprises to track their performance. Organizational management practices was found to have a relative positive significant relationship with staff performance given by Pearson correlation $r = 0.611^{**}$, and significance of 0.000. The study also showed that organizational management practices

development influences Staff Performance by 36.7%. Furthermore the study accepted the stated hypothesis which was stated that "organizational management significantly contributes to the performance of small enterprises in Bushenyi district."

5.2 Discussions

5.2.1 Microfinance institutions' practices and performance of small enterprises

The study findings revealed that microfinance institutions' practices positively affect the performance of small enterprises in Bushenyi district, this finding is supported by Ocaya (2002) who asserts that it is generally acknowledged that the ability of small enterprises and rural households to invest for the long term and make calculated decisions for risky income flows is partly shaped by microfinance institutions and the services they offer (Ocaya, 2002).

The finding is further supported by Ocaya, (2002) who found out that despite some development in this service sector, in Uganda the majority of the small enterprises remain without access to the credit services they need to compete in the market and to improve their livelihoods. These loans are usually acquired by more wealthy and medium enterprises that can obtain large loans at low costs from formal lenders because they can credibly pledge assets or cash flows. Asset poor and small enterprises by contrast are limited to much smaller loans at higher interest rates because they have to turn to lenders who must substitute costly monitoring for collateral. Small enterprises often turn down loans, even if they qualify because they are unwilling to bear the risk of losing collateral. Consequently, this limits the performance of small enterprises since they can't register growth (MOF, 2010).

It was also established that personal savings are important in supporting better performance of small enterprises. Voluntary saving products (VSP) are crucial for the performance of

small enterprises as indicated in the study. This is because it provides a basis for interest free capital to small enterprises and therefore brings about rapid growth and performance (PML product manual, 2010). According to Bryan (1990), savings and investment are mutually interconnected economic variables. Bryan further asserts that an efficient and diversified saving system is a must for promoting savings and thereafter channeling them into investment and helps to achieve a faster rate in enhancing performance of small enterprises. Thus, the good health of small enterprises is reflected in the good health of its savings culture Bryan (1990).

5.2.2 Government support and performance of small enterprises

The study found out that there is a positive relationship between government support and the performance of small enterprises in Bushenyi district. According to Richards (2010), proper government administration in regard to policies is key for the better performance of small enterprises since it facilitates good policy formulation and implementation. He further asserts that centralized administration is a major challenge in the growth of small enterprises in Uganda since, regulations and policies have to be implemented by administrative institutions and authorities.

The study findings are in harmony with Richards et al, (2010) that sites the problem of red tape in Government support particularly in the legalities of business. Procedures to comply with regulations such as registration, taxation, health and environmental regulations and procedures necessary to benefit from government incentives are difficult to comply with partly because of bureaucratic requirements. While large firms have staff specialised in these matters, such requirements represent an enormous burden for small enterprises (Helms, 2006).

It was established that the government plays a key role in enterprise through infrastructure development. The study findings are in agreement with Kikonyogo (2000) who found out that while the economic policy debate has gone through the cycles of arguing for and against state intervention, the provision of infrastructure has always been regarded as one of the main tasks of the state according to Kikonyogo (2000). Kikonyogo (2000) further argues that the private sector can participate in making the infrastructure effective, but its regulation is above all a state function.

5.2.4 Organizational management practices and performance of small enterprises

The study findings Underscored the need for proper financial management The study findings agreed with Stonner (2002) that respondents need proper financial management. Proper financial management requires adequate financial control which Stonner (2002) defines (financial control) as the process of regulating an organization's financial resources and activities such that actual performance conforms to the standards set.

The study findings further indicate that financial management involves many activities that are crucial for proper performance of small enterprises. This is in agreement with Bryan Ziegler (1990) who indicates that financial management involves numerous activities like planning, monitoring, control, budgeting and evaluation that enable an enterprise to obtain capital for growth, allocate resources efficiently, maximize the income potential of the business activity and monitor results through accounting documents. Such management requires a well-written, comprehensive financial management plan clearly outlining the assets, debts and the current and future profit potential of the enterprise (Bryan Ziegler, 1990).

Proper planning was established to be key in achieving better organizational management and performance. Byaruhanga (2005) established that small enterprises need to plan through a business strategy. The business strategy comes from a well defined strategic plan which gives the vision, mission statement goals and strategic objectives of the enterprise. This helps to identify where the small enterprise is going, brings more individuals in the decision making process for the future of the enterprise through setting an organisational culture, proper change management, effective communication, problem solving mechanisms, team building, time management, motivation, and other aspects (Byaruhanga, 2005). Byaruhanga (2005) further states that strategic planning has got to give details on the short term, medium and long term plans of where the business is expected to be.

5.3 Conclusion

Conclusions of the study were based on the study findings. The study findings generally present the fact that microfinance institutions' practices, government support and organizational management have a positive relationship with the performance of small enterprises in Bushenyi district.

Conclusions of the study were made based on the study findings from respondents, documents reviewed and interviews. Conclusions are presented below according to objectives of the study below.

5.3.1 Microfinance institutions' practices and performance of small enterprises

This study concludes that Microfinance institutions' practices significantly influences performance of small enterprises this was due to the fact most of respondents agreed with

this fact, it can be concluded that; there is a moderate positive significant relationship between Microfinance institutions' practices and performance of small enterprises. Such that any improvement in microfinance institutions' practices could lead to better performance of small enterprises in Bushenyi district.

It can further be concluded that loans and interest rates on loans greatly affect profitability of small enterprises in Bushenyi district. High interest rates negatively affect business performance and growth. When interest rates are high, that means fewer people and businesses can afford to borrow High interest rates on savings however, encourage more people to save because they receive more on their savings rate. Still, personal savings was seen as a better source of start up capital for small enterprises since they provide interest free capital for small enterprises.

5.3.2 Government support and the performance of small enterprises in Bushenyi district

From the second objective of the study which was to examine the role of government support to the performance of small enterprises. This study concludes that there is a moderate positive significant relationship between government support and performance of small enterprises in Bushenyi district. Therefore, this means that the more government supports small enterprises the better the performance through provision of adequate infrastructure, good administration and good business laws.

5.3.4 Organizational management practices and the performance of small enterprises

From study findings on third objective which was to establish the relationship between organizational management and performance of small enterprises. This study concludes that Organizational management practices have a moderate positive significant relationship with performance of small enterprises. Hence implying that proper organizational and

business management and business management planning is a significant predictor of performance in Bushenyi district, Such that any improvement in organizational management could lead to better performance of small enterprises.

5.4 Recommendations

On the basis of the analysis of the study the researcher made the following recommendations.

5.4.1 Microfinance institutions' practices and performance of small enterprises

The study recommended that there should be a reduction of microfinance institutions' interest rates to allow for small enterprises to benefit from the money they borrow from there.

Still, loan terms and conditions of microfinance institutions need to be revised to allow for longer periods of loan service and also reduce on the collateral requirements for obtaining bigger loans for small enterprises since this was a big concern discovered in the study.

There is need for banking information to be made more accessible to small enterprise owners for them to adequately study and understand the needs and requirements to acquire specific microfinance survives like loans , saving products and interest rates per product.

5.4.2 Government support to the performance of small enterprises

The study recommends that Bushenyi LG administrators should improve on the infrastructure network in the district particularly on roads so as to allow fast movement of goods and services.

The study further recommends that Bushenyi district local government administration should enhance its legal framework. The law enforcement departments in the district should

be enhanced and the small enterprises should be allowed to deal directly with them for smooth running of their enterprises through reduced red tape and bureaucracy.

5.4.4 Organizational management practices and the performance of small enterprises

The study recommended proper financial management by small enterprises through savings products of microfinance institutions. This is because it was discovered that most small enterprises are started using personal savings and banks usually don't risk with inexperienced business people.

The study further recommends that small enterprises adopt financial discipline and stability for them to succeed over time (sustainability). They should put to proper use the loans they get from financial institutions and acquire adequate collateral to secure bigger loans for they businesses.

There is need to seek knowledge and skills about how to use financial services by small enterprises. Business owners should know when to borrow and how much to borrow depending on capacity and turnover to allow proper repayments.

The researcher furthermore recommends that small enterprises should adopt strategic plans in their businesses. This is because they give a clear direction and purpose for the enterprise and therefore ensure sustainability of small enterprises.

5.5 Contribution of the Study

The study has added knowledge on the effect of microfinance institutions' practices to the performance of small enterprises.

It has also explored the role of government to the performance of small enterprises in Uganda showing areas that government can work on to develop small enterprises.

The study observed the contribution of small enterprise owners to business growth and development. It highlighted that their adequate business decisions, plans and usage of loans can bring about stability and profitability to business.

The study also helped to build on existing body of knowledge on the factors affecting the performance of small enterprises.

5.6 Limitations of the Study

The study focused on the factors that affect performance of small enterprises in Bushenyi district. The challenges faced by this district may be unique to all other districts that are having challenges in performance of small enterprises there. Therefore, it may not be easy to generalize the findings at a global level.

The cost of the study weighed heavily on the financial abilities of the researcher. This caused some delays in finishing the research.

Hesitation of some respondents mainly due to fear that the research was too sensitive to their businesses disturbed the researcher. However the researcher was able to overcome this through thorough explanation that the study was strictly for education purposes

5.7 Areas for Further Research

The study focused on the factors that affect the performance of small enterprises in Uganda which is just one aspect of the business community in the country. The researcher therefore, recommends a similar study focusing in another business sub-sector of the economy.

Most of the respondents in this study were quite educated and have had experience in business so, they easily understood when explained to. It could be interesting to have

research done on respondents who have not got much education and in different fields of development.

The district of focus in the study which is Bushenyi district has been a model district for development for so long. It would be fascinating and exiting to have a related study in districts with relatively low levels of development like those in Karamoja region.

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APPENDIX I: QUESTIONNAIRE

A SELF ADMINISTERED QUESTIONAIRE FOR SMALL ENTERPRISE OWNERS ON THE FACTORS THAT AFFECT THE PERFORMANCE OF SMALL ENTERPRISES IN BUSHENYI DISTRICT.

Dear Sir/madam,

You have been randomly selected to participate in the survey leading to the award of a Masters Degree in Management Studies (Financial Management) of Uganda Management Institute. There are factors that contribute to the performance of your small enterprise and it's on this back ground that you have been selected. The responses you give will be used for academic purposes only and will be treated with utmost confidentiality. Kindly fill this questionnaire and I shall come back to pick it from your business location.

Thank you in advance.

Nyakahuma Charles

SECTION A: BACKGROUND VARIABLES

Rate yourself on the following items by ticking the most appropriate alternative to you.

A. Age (1) 20-30 (2) 31-40 (3) 41-50 (4) above 50

B. Sex (1) Male (2) Female

C. Highest level of education

(1) Certificate (2) Ordinary Diploma (3) Bachelor's Degree (4) Post graduate diploma (5) Masters Degree and above.

D. How long have you been in this business?

Below one year

(1) 1-5 years (2) 5-10 years (3) 10 years and above

E. Marital status

1) Single (2) Married (3) Widow/widower (4) Separated (5) Divorced

F. Category of respondents

(1) Employees of a microfinance institution (2) agro businesses (3) retail businesses (4) welding and metal fabrication

For the following questions tick (√) on the scales of 1-5 how strongly you disagree or agree with the statements given.

Scale	**5**	**4**	**3**	**2**	**1**
	Strongly Agree (SA)	**Agree (A)**	**Neither Agree or Disagree (N)**	**Disagree (D)**	**Strongly Disagree (SD)**

Section B	**microfinance institutions' practices and performance of small enterprises in Bushenyi district**	**5**	**4**	**3**	**2**	**1**
1	Favorable interest rates help small enterprises to perform better	5	4	3	2	1

2	Loan facilities facilitate the performance of small enterprise	5	4	3	2	1
3	Personal savings' products boost the performance of small enterprise.	5	4	3	2	1
4	Adequate and sufficient loan amounts boost small enterprises	5	4	3	2	1
5	Credit information is readily available in microfinance institutions concerning the services they offer.	5	4	3	2	1
6	Small enterprises need favorable loan terms and conditions so as to perform better.	5	4	3	2	1
7	Most of the small enterprise businesses are dependent on loans from microfinance institutions.	5	4	3	2	1
8	Investing loans to the purpose for which they were acquired boosts performance of small enterprises.	5	4	3	2	1
Section C	**Government support and performance of small enterprises in Bushenyi district**	5	4	3	2	1
1	Better government policies contribute to better performance of small enterprise.	5	4	3	2	1
2	It is the government that provides basic infrastructure to facilitate the performance of small enterprises.	5	4	3	2	1

3	Well formulated Business laws facilitate small enterprises and improve their performance.	5	4	3	2	1
4	The current legal frame work should be enhanced and improved to favor business performance and growth.	5	4	3	2	1
5	Government programmes that are well formulated support business development in Bushenyi district.	5	4	3	2	1
6	Adequate government subsidies can boost performance of small enterprises.	5	4	3	2	1
Section D	**Organizational management and performance of small enterprises**	5	4	3	2	1
1	Most of the small enterprises are started using personal savings	5	4	3	2	1
2	Adequate financial decisions are key to improving the performance of small enterprises.	5	4	3	2	1
3	Family stability and financial discipline are key do business stability and growth.	5	4	3	2	1
4	Small enterprises need business plans that are key for their stability and better performance	5	4	3	2	1
5	Vital records that are properly kept are key to small enterprise sustainability and growth.	5	4	3	2	1

6	Small enterprise lack sufficient collateral and knowledge to secure big loans from microfinance institutions	5	4	3	2	1
Section E	**Performance of small enterprises**	5	4	3	2	1
1	There has been an increase in output of small enterprises	5	4	3	2	1
2	Small enterprises are sustainable	5	4	3	2	1
3	Small enterprises have high revenue	5	4	3	2	1
4	Small enterprises are profitable	5	4	3	2	1
5	These has been an increase in the asset base for the business	5	4	3	2	1
6	Small enterprises have high sales maximization	5	4	3	2	1
7	Small enterprises can expand and survive above five years	5	4	3	2	1
8	Small enterprises give birth to bigger enterprises	5	4	3	2	1
9	Small enterprise owners employ local and family labor force	5	4	3	2	1
10	Small enterprises are mostly family owned	5	4	3	2	1

APPENDIX II: INTERVIEW GUIDE

SECTION A

RESPONDENT'S PERSONAL BACKGROUND

Age of the respondent

Gender of the respondent

Level of education of the respondent

Occupation of the respondent

SECTION B

Questions

What was the basis for acquiring financial services in microfinance institution?

What role do you play in ensuring that the community gets the financial services they deserve?

How do you involve in assisting microfinance clients?

Do consumers have adequate information and communication channels to express their needs?

Are the views of community members and clients considered for decision making and growth of small enterprises?

How do you protect the efforts of government from misuse and ensure they reach the intended small enterprises?

How have you equipped small enterprises to manage their resources and ensure proper usage and sustainability?

Does government have information and influence on the performance of small enterprises?

How have the small enterprises benefited from government efforts?

What are the major challenges to the performance of small enterprises?

Are small enterprises satisfied with government services?

Any suggestions that can help improve the performance of small enterprises?

Thank you

APPENDIX III: Krejcie and Morgan, 1970.

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample

Appendix IV Summary of Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	102	99.0
	Excluded[a]	1	1.0
	Total	103	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.856	36

Appendix V Map of Bushenyi District

Source, Bushenyi district local government archives, 2011

APPENDIX VI

INTRODUCTORY LETTER

UGANDA MANAGEMENT INSTITUTE

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256-75-2259722
Telefax: 256-41-4259581 /314
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Plot 44-52, Jinja Road
P.O. Box 20131
Kampala, Uganda
Website: http://www.umi.ac.ug

Your Ref:

Our Ref: **G/35** **06 March 2013**

TO WHOM IT MAY CONCERN

MASTERS IN MANAGEMENT STUDIES DEGREE RESEARCH

Mr. Charles Nyakahuma is a student of the Masters Degree in Management Studies of Uganda Management Institute 26th Intake 2011/2012 specializing in Financial Management, **Reg. Number 11/MMSFM/26/055.**

The purpose of this letter is to formally request you to allow this participant to access any information in your custody/organisation, which is relevant to his research.

His Research Topic is: ***"Factors Affecting the Performance of Small Enterprises in Uganda: A Case Study of Bushenyi District"***

Benon C. Basheka (PhD)
HEAD, HIGHER DEGREES DEPARTMENT

APPENDIX VII

DEFENCE LETTER

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Website: http://www.umi.ac.ug

Your Ref:

Our Ref: **G/35** **02 January 2014**

Mr. Charles Nyakahuma
11/MMSFM/26/055

Dear Mr. Nyakahuma,

I wish to congratulate you for having defended your dissertation before a panel of examiners. The examiners unanimously agreed that your dissertation merits the award of a Master's Degree in Management Studies of Uganda Management Institute (UMI) subject to you effecting the corrections suggested within a period of **three (3)** weeks.

Please ensure that you strictly stick to the guidelines for Dissertation writing for the Institute. You can pick a copy of these from the Department as soon as possible.

Thanking you once again.

Yours sincerely

Gerald Karyeija (PhD)
AG. DEAN, SCHOOL OF MANAGEMENT SCIENCE