

**THE EFFECT OF ENTREPRENEURSHIP ON THE GROWTH OF SMALL SCALE
ENTERPRISES (SSEs)**

CASE STUDY: NKOZI TRADING CENTRE

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Submitted by:

AYEZA BRIDGET

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ABSTRACT

This study was carried out to establish the effect of entrepreneurship on the growth of Small Scale Enterprises (SSEs) in Nkozi Trading Centre. It was carried out in Nkozi sub-county found in Mpigi district Mawokota south constituency. The study population was the business owners of the SSEs as well as customers to the businesses. The objectives of the study were: to establish the relationship between innovation and the growth of small scale enterprises, to find out the effect of competition on the growth of small scale enterprises and to identify the factors that lead to the growth of small scale enterprises.

Literature was reviewed to supplement and support the research findings and mainly articles, academic journals, text books, and internet were used as major sources of literature. This literature greatly contributed to the study and findings of the study were compared with the literature to see whether they concur or not.

Questionnaires were used as means of data collection and 40 questionnaires were distributed to the business owners and customers. The data collected was then analyzed properly to produce information. Tables and pie charts were used in the presentation of data collected from the field. The study findings indicated that the business owners in Nkozi Trading centre were affected by entrepreneurship in a way that most of them use entrepreneurship to develop their business for instance innovation and creativity which they basically use to attract, retain their customers, compete amongst themselves as well as sustain their businesses.

The study findings facilitated the recommendations that the research put to the SSEs in Nkozi Trading Centre. They included: revising their product prices, reacting to customers' feedback and paying attention to what attracts customers to their businesses. It finally ends with suggestions to future researchers.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The focus of this research was to assess the effect of entrepreneurship skills and development in regards to the growth of Small Scale Enterprises (SSEs). The study sought to establish the extent to which entrepreneurship contributes to the development of Small Scale Enterprises (SSEs), a case study of Nkozi Trading Centre in Mpigi District. The reason for the choice of this case study was because of the sprouting small scale enterprises within Nkozi Trading centre that do not seem to be growing or developing into medium and large scale enterprises. Therefore the core of the research was to find out the reason as to why this was so and the results would yield recommendations. In this chapter the researcher addressed a number of issues, which included; introduction, background and problem statement, purpose of the study, research objectives, research questions, hypothesis, scope and justification of the study and the definition of key terms and concepts.

1.1 Background of the Study

Entrepreneurship worldwide has been recognized as an engine of growth and development of small scale enterprises (Harper, 1984; et al, 1997; Ba-el and Fleckenstein, 1990) and in many countries there has been some considerable effort of entrepreneurship to support SSEs so as to create the necessary employment opportunities, incomes and productive capacity. Small businesses appear to be the way to compete as they are supported by entrepreneurship. All over the world, entrepreneurship skills have become the main reason as to why most businesses are

starting up and it turns out that most of them are small scale enterprises. SSEs all over the world have created 65% of the new jobs, thanks to the use of entrepreneurship skills and in the past 17 years have employed half the private sector work force and these SSEs showed a 66.0% chance of survival within a period of 2 years after starting operations (Small Business Economic Indicators 2012).

Entrepreneurship plays an important role in the growth of small scale enterprises (SSEs) of Africa. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. According to Amyx (2005), one of the most significant challenges is the negative perception towards SSEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone. This is among the major challenges faced by Small Scale Enterprises.

Small Scale Enterprises (SSEs) are increasingly being recognized as productive drivers of economic growth and development for African countries. For example, it is estimated that SSEs account for 70% of Ghana's gross domestic product (GDP) and 92% of its businesses. (2) They also make up 91% of formalized businesses in South Africa. (3) and 70% of the manufacturing sector in Nigeria. (4) SSEs not only contribute significantly to the economy but can also serve as an impetus for economic diversification through their development of new and unsaturated sectors of the economy. In addition, innovative and technology-based SSEs can provide an interesting platform for expanding outside of domestic borders, and entering intra-regional and international markets. In view of the increasing emergence of SSEs across sub-Saharan Africa

and the significant potential that they hold, it is important to look at what kind of support SSEs receive and their development, success and potential across the African continent. (The Global Entrepreneurship Monitor (GEM) on South Africa, Uganda, Nigeria, Ghana and Zambia 2012)

In Uganda entrepreneurship is reported to contribute about 20% the growth of Small Scale Enterprises (SSEs) (Tulip, 1993). This figure may be much higher given that Uganda's SSEs are constituted by mostly agricultural production. This is mainly by small holders who may not even fit in the definition of micro and small businesses. It is also reported by the Ministry of Planning and Economic Development (1992) that over 80% of Uganda's manufacturing output is by small enterprises. The sector also employs up to 2.6 million people in Uganda (Uganda Investment Authority, 1996). Entrepreneurial activity in Uganda increased between 2003 and 2009 but declined significantly in 2010. The reason for this decline is not very clear but could be explained by the recent world economic crisis and the attendant aftershocks. It may also be explained by the economic and political uncertainty that comes with general elections in Uganda since Ugandans went to the polls in early 2011 (The Global Entrepreneurship Monitor (GEM) on Uganda 2012).

According to the Global Entrepreneurship Monitor on Uganda 2012, the Total Entrepreneurship Activity (TEA) within the different regions has been fluctuating over the years, for instance, the northern region registered 27% TEA which was an increase from 21.9% in the year 2011 and the growth opportunity of SSEs increased from 11.2% the previous year to 12.1%. The TEA of western region decreased from 44.0% to 33% and so did the growth opportunities from 24.6% to 17.9% in the year 2012, the eastern region registered a 0.8% increase in the TEA and the growth

opportunity decreased by 3.6% and finally for the central region there was a 3.8% increase in the TEA and a 5.7% increase in the opportunity growth rate.

1.2 Statement of the Problem

Entrepreneurship is considered as a phenomenon that has had the greatest on the growth of Small Scale Enterprises (SSEs) in Uganda. Entrepreneurship has been seen to yield more benefits in regards to the growth of SSEs for instance improved transport facilities, increased market size and profit maximization. Despite the importance of entrepreneurship, it appears not to have been very successful. Many studies that have been done (Wanyama, 1991; Ngobo, 1995; Sewanyana, 1997; Mutazindwa, 1997) indicate that small businesses have a variety of problems some of which are mostly managerial in nature.

Entrepreneurship is an important player as regards to the increased number of SSEs in Nkozi Trading centre but they have not grown, why? Most of the SSEs in this area have only managed to close and reopen a couple of times. This research will therefore focus on finding out the reasons as to why the SSEs in Nkozi Trading centre have not grown and developed yet they are well equipped with entrepreneurship knowledge.

1.3 Purpose of the Study

To find out the impact of entrepreneurship on the growth of small scale enterprises (SSEs) in Mpigi District: A case study of Nkozi Trading Centre.

1.4 Objectives of the Study

- To establish the relationship between innovation and the growth of small scale enterprises.
- To find out the effect of competition on the growth of small scale enterprises.
- To identify the factors that lead to the growth of small scale enterprises.

1.5 Research Questions

- What is the relationship between innovation and the growth of small scale enterprises?
- How does competition affect the growth of small scale enterprises?
- What are the factors that lead to the growth of small scale enterprises?

1.6 Scope of the Study

This study was intended to deeply examine the role of entrepreneurship in the growth of small scale business enterprises (SSEs). Its main focus was on the impact of entrepreneurs and entrepreneurship skills on the growth of small scale enterprise while concentrating on the size of the enterprise, market levels and profit maximization. This study focused mainly on Nkozi Trading centre and this choice was based on the fact that this area has a number of small scale enterprises and entrepreneurial activities going on. The study covered information ranging within a period of five years to date in order to capture some previous and latest trends to ensure reliability and validity for the presented findings.

1.7 Justification of the Study

The study carried out In Nkozi trading centre attempted to closely investigate the impact of entrepreneurship on the growth of small scale enterprises. The findings helped the Nkozi small scale traders to yield better benefits from the existence of entrepreneurship activities within the trading centre and also helped their businesses to grow into medium or large scale enterprises. The study unveiled the role and impact of entrepreneurship on the growth of small scale enterprises. The study revealed the impact of entrepreneurship on the size, market size and profit maximization levels of the small scale enterprises.

1.8 Significance of the study

This study identified and established the effects of entrepreneurship on the growth of small scale enterprises in Nkozi Trading centre.

The study helped to identify the root cause of the slow growth rates of the small scale enterprises in Nkozi Trading Centre. This formed the basis on which the problem of slow growth rate was solved and reduced by small scale enterprise owners in Nkozi Trading centre.

The study established the relationship between the dependent and the independent variables. The relationship instituted the link between entrepreneurship and the growth of small scale enterprises in Nkozi Trading centre.

To the future researchers, use the results of the study as source of literature more especially those who will carry out research in the same area of study and those who will research about the related topics of this study.

1.9 Definition of Key Terms

Profit Maximization. The process by which a firm determines the price and output level that returns the greatest profit.

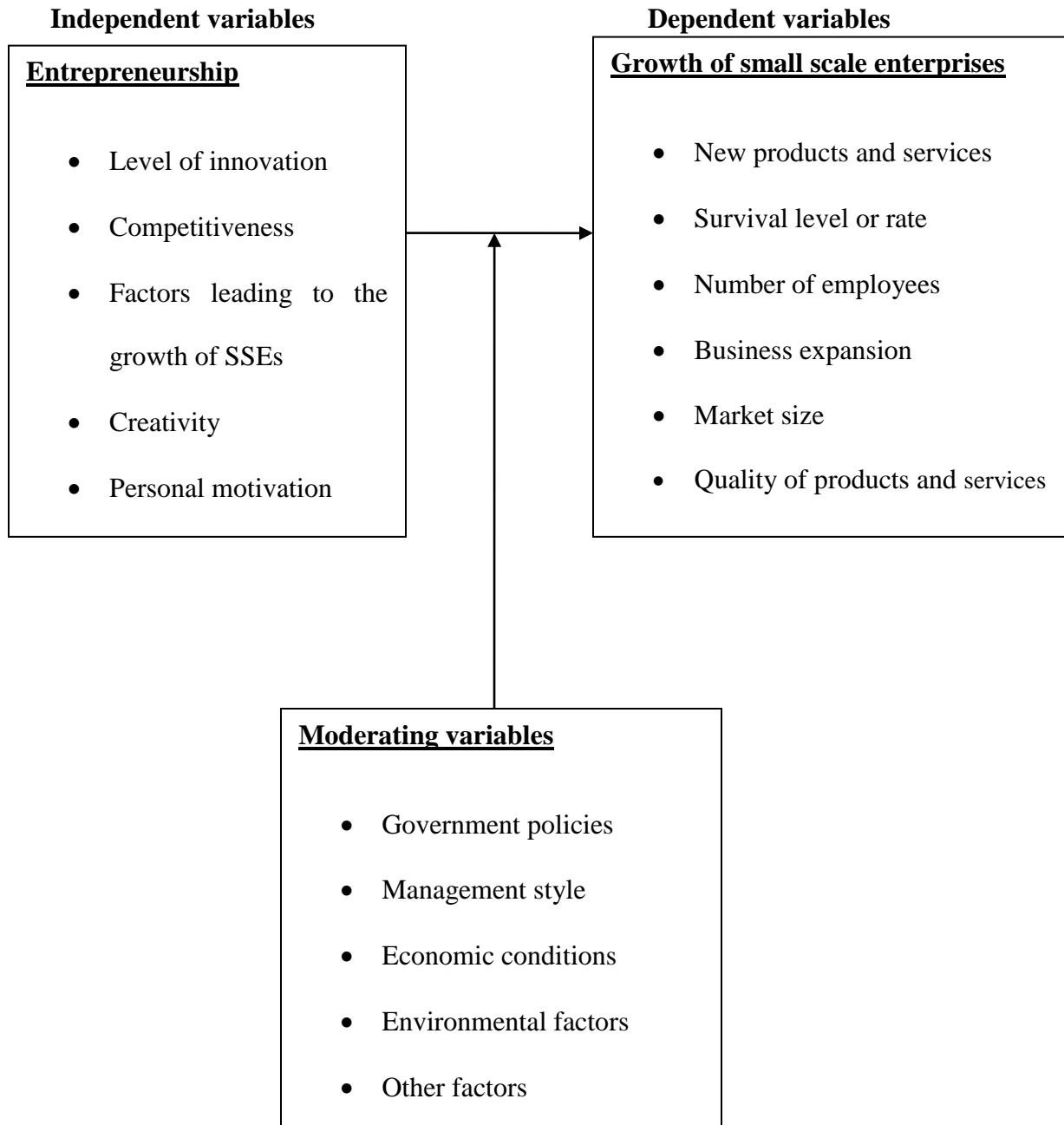
Market size: This is the number of buyers and sellers in a particular market.

Innovation: This is the process by which an idea or invention is translated into a good or a service for which people will pay.

Competition: This is rivalry in which every seller tries to get what other sellers are seeking at the same time e.g. sales, profit and market share by offering the best practicable combination of price, quality and service.

Small scale enterprise: This is a privately owned corporation, partnership; sole proprietorship characterized by a small number of employees about 5 to 50 people, and low turnover. A small enterprise usually only shares a tiny segment of the market it operates in.

1.10 Conceptual Framework



Adapted and modified from: (Peter; 1987)

The conceptual frame work above depicts the effects of entrepreneurship on the growth of small scale enterprises. It also shows the relationship between the two variables, how innovation level, competitiveness, personal motivation and creativity and directly impact on the growth of small scale enterprises. The researcher will control the moderating variables during the study. The conceptual frame work shows the independent variables which directly affect the dependent variables for instance; the level of innovation affects the rate at which new products and services will come up in an enterprise, the competitiveness of an enterprise affects the its survival in the industry that is if an enterprise cannot keep up with the other competing enterprises then it is bound to collapse, personal motivation affects the number of employees and quality of products and services in a way that if the employees are not motivated to work; then production will be inefficient and ineffective thus affecting quality of products produced, creativity affects business expansion as well as survival in such a way that if a business is not creative enough to come up with new ideas that can attract more customers later on be able to expand and survive. The moderating variables which include; government policies, management style, economic conditions, environmental factors and other factors affect both the independent and dependent variables and they cannot be controlled.

1.11 Limitations

During this research, the main limitation to acquiring information was getting respondents for the questionnaires or interviews as all relevant persons (business owners) “seemed” to be too busy with their day to day business activities as well as customers who mostly had class work. I managed this problem by approaching both the customers and business owners at times when they were done with class work at 4:00pm and when they had less work or retired at 8:00pm to 9:00pm respectively.

Also compiling literature review was difficult because it involved gathering information and analyzing so as to support the topic of entrepreneurship and small scale enterprises. I managed this issue by concentrating on the literature I could gather and analyzed it to the best of my ability so as to yield a positive outcome; I also ventured in different sources like the internet among others.

Furthermore, the respondents took a lot of time filling in the questionnaires thus delaying the start of the process of analyzing the data. This problem was quite difficult to overcome given that I had to wait until I had collected all my data so as to start analyzing; but I got through it by managing my time efficiently and effectively.

1.12 Conclusion

In brief, this chapter has talked about the general introduction and background of the study, statement of the problem, objectives and questions derived by the researcher, scope, justification of the study, significance, the conceptual frame work together with the limitations the researcher encountered in carrying out this study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter the researcher summarized the works of the past researchers and also highlighted the pertinent ideas relevant to the study. Areas which were not sufficiently covered in the past studies were identified and only those in line with the objectives of the study were indicated. The literature review was conducted in accordance with the objectives and citations made in each objective while indicating the research gaps that the study intends to fulfill.

2.1 Theoretical framework

2.1.1 The concept of entrepreneurship

(Schumpeter, 1934) defines entrepreneurship as a process where an individual innovates and implements changes within markets through the carrying out of new combinations. He equated entrepreneurship with the concept of innovation applied to a business concept in a way that an entrepreneur moves away from equilibrium.

According to Knight (1921) entrepreneurship is an attempt to predict and act upon change within markets. In contrast Knight and Schumpeter's view point; (Kizner, 1979) states that entrepreneurship is a process where an individual one recognizes and acts upon market opportunities. He continues to say that the entrepreneur is essentially an arbitrageur who moves the market toward equilibrium.

Entrepreneurship is therefore viewed as a function that involves exploitation of opportunities which exist within a market hence entrepreneurs are often associated with creative and innovative actions that breed into small scale enterprises.

Schumpeter argues that small scale enterprises begin with the carrying out of new combinations which can take several forms; 1) the introduction of a new good or quality there, 2) the introduction of a new method of production, 3) the opening of a new market, 4) the conquest of a new source of supply of new materials or parts, 5) the carrying out of the new organization of any industry. Thus the degree of entrepreneurship that involves innovativeness, risk taking and pro activeness affect the existence of small scale enterprises.

Gartenstein (2013) points out that entrepreneurship is concerned with developing a vision of what a company should be, and then executing that vision by translating it into concrete steps and following through. She notes that for an entrepreneur to be successful, they must take measured risks, fiscal responsibility, be creative and ensure management skills.

Kimmons (2013) defines entrepreneurship as the act of setting out on your own and starting a business instead of working for someone else in their business. He argues that even though entrepreneurs must deal with a larger number of obstacles and fears, the payoff is much greater than that of hourly or salaried employees.

Kelly et al, (2011) define entrepreneurship as a catalyst for economic growth through innovation and job creation and that it is critical to the development and well-being of society.

Entrepreneurship is basically generating a business idea and implementing with the will to face all the risks attached to it.

A number of theories have been developed, which try to explain entrepreneurship and its behavior based on theories. The following are some of the theories of motivation that the researcher looked at.

2.1.2 Theories of entrepreneurship

Entrepreneurship is an evolved thing. With the advancement of science and technology it has undergone metamorphosis change and emerged as a critical input for socio-economic development. Various writers have developed various theories on entrepreneurship and popularized the concept among the common people. The theories propounded by them can be categorized as under- Sociological theories, Economic theories, Cultural theories and Psychological theories.

Stevenson's Opportunity-Based View of Entrepreneurship theory

Stevenson conceptualizes entrepreneurship as a management approach that has at its heart an all consuming passion for the pursuit and exploitation of opportunity without regard to resources currently controlled (Stevenson, 1983). He contrasts entrepreneurial behavior with administrative behavior. Along the spectrum of behaviors between these extremes, promoter firms are placed at the entrepreneurial end and trustees at the administrative end. The promoter's sole intent is pursuing and exploiting opportunities regardless of resources controlled, while the trustee strives to make the most efficient use of its resources pool (as "required" by fiduciary responsibility). Certain business and environmental factors pull individuals and firms towards entrepreneurial behavior or towards administrative behavior.

Stevenson says entrepreneurship is a management discipline and he identified six dimensions within which this happens;-

- Strategic orientation

Entrepreneurs determine desirable states of events; they know and sense sources of opportunities. After identifying the opportunities, entrepreneurs study the problems and act accordingly; and they are motivated by the perception of the opportunity.

- Opportunity identification

Entrepreneurs identify the opportunities and what needs to be done. They determine what is desirable and what is possible. They also weigh to determine if they are able to follow the opportunities; that is self-judgment.

- Commitment of opportunity

Having identified the opportunities, entrepreneurs set and follow a number of strategies and act quickly. The entrepreneurs ensure that they have knowledge about the territory of operation and recognize patterns as they develop at the same time. They also fill in the missing gaps

- Commitment of resources

Entrepreneurs know the amount of the required resources for the presumed opportunities. They maximize value by utilizing resources and accepting risks. They also commit more funds, time and assets plus they know the sources and uses of funds.

- Control of resources

Entrepreneurs may avoid taking risk endeavors and try to reduce the risks; they determine how to deal with customers and how to use the funds obtained from the business. The entrepreneurs are

always aware of the resources they need and when they need them and those they do not need. They also know the skills required for performing specific activities.

- Management of structure/ organizational structure and reward philosophy

Entrepreneurs develop organizational structures which are usually flat and they consist of multiple networks; they ensure that the structure is flexible. The entrepreneurs also use traditional means of organizing and ensure an environment where employees are free to create and seek opportunities. Reward philosophy involves acknowledgement that the entrepreneurs reward for time and development of the business. It involves getting money out of the business in form of profits and also recognizing the employees; individuals are compensated according to the work they have done.

Economic Theory

The economic theory holds that entrepreneurship and economic growth will take place in those situations where conditions are favorable. It also holds that economic incentives are the main drive for entrepreneurial activities; even unfavorable conditions have been found to be seedbeds for entrepreneurship.

Psychological Theory

This theory states that entrepreneurship is likely to emerge when society has sufficient supply of individuals possessing particular psychological characteristics. It also says that entrepreneurs are primarily motivated by the desire for power, to conquer and the desire for achievement and risk taking. This theory however does not recognize factors that push or pull the entrepreneur. Push

factors include; dying parent, dropping out of school and pull factors; availability of money, inheriting a business as well as meeting other people's needs.

Sociological View

It maintains that entrepreneurship is likely to emerge under specific social culture. The theory emphasizes social sanctions like punishments; cultural values and the role of expectations are responsible for the emergence of entrepreneurship. The theory states that entrepreneur represent society's model of society for instance when one looks at an entrepreneur, one can see the essence of the society.

Kirzer's Theory

This theory is concerned with alertness and discovery. It maintains that the role of an entrepreneur lies in his or her alertness to notice opportunities; saying an entrepreneur has the ability to sense or smell opportunities. Kirzer says that an entrepreneur endeavors to exploit these opportunities and correct the faults in the system and eliminates the errors in the system in that when something is stable, an entrepreneur comes in to destabilize it by bringing in something new.

Kirton Theory

Kirton says that in entrepreneurship, differences in creating style are influenced by originality, efficiency and group conformity. A low standing on originality and a high standing on efficiency and group conformity makes one an adapter and a high standing on originality and a low standing on efficiency and group conformity makes one a non-adapter. An adapter is one who is creative and works within a given construct to generate ideas which usually are productive. A

non-adaptor is also an innovator who brings something new in the society though they are usually not ready to embrace it.

Hagen Theory of social change

Hagen says that economic growth requires adaption, creativity and positive attitude towards labour. Childhood and training in traditional societies enhances authoritarian tendencies, no need for achievement, independence and submission as well as the negative attitude towards the world. The theory is based on social status and respect of society. The theory applies to different societies and there is no evidence about changes in parent-child relationships and training methods; however it shows the effect of change on entrepreneurial initiatives.

2.2 Actual Review (Objective by Objective)

2.2.1 Level of innovation and growth of small scale enterprises

Various authors (Peter, 1987; Drucker, 1989; Handy, 1990) talked about the need and importance of change, demand of innovation and how enterprises cannot innovate and the problems they experience. Indeed Corstese (2001) reported that innovation and creativity for the past years changed the business environment irrevocably. He continued to say that in an era of very rapid, innovation has become essential or like Paul Saffo, director of the California based Institute for the future has stated innovation has moved from being a good idea to an imperative and that to survive a business needs to embrace change and adopt a more proactive approach to innovation.

According to Drucker (1985) innovation is the specific tool of entrepreneurship by which they exploited change as an opportunity for a different business. Schmookler (1996) defines

innovation as an action where an enterprise produces a good or service or uses a method or input that is new to it, it makes a technical change. Whiting (1988) says it is not just about invention but also about the ability to apply solutions to problems to enhance and improve efficiency and effectiveness.

Small scale enterprises are believed to possess such unique advantages such as little or no bureaucracy, rapid decision making and short decision chains, risk taking, motivated and committed management, motivated labor, rapid and effective communications, flexibility and adaptability and closeness to market (Vossen, 1998). Thus Davis 1991 was able to write that small scale enterprises are more innovative than large scale ones because they are more flexible and willing to try new ideas and approaches.

Peter Drucker says innovation is the specific instrument of entrepreneurship and emphasized the benefits of innovation to small scale enterprises so as to prevent them from being stagnate. Drucker (1985) argued that innovation enables faster development and market launch of new products and services which will build revenues, market share and profits which would in turn develop the enterprise. It is generally held that small businesses are at a disadvantage when it comes to innovation (Galbraith, 1967). Indeed, Freel 2000 suggested that the difficulties are mainly financial saying banks are not prepared to lend seed capital.

It can therefore be hypothesized that there is a positive relationship between innovation and the growth of small scale enterprises.

2.2.2 Factors that lead to the growth of small scale enterprises

Small scale enterprises are said to be motivated mostly by external factors which are likely to enable them achieve a higher level of profitability in new ventures than by internal factors, but the fact is both internal and external factors motivate scale enterprises. The entrepreneurs' motivation is suggested as a factor related to growth patterns. (Roberts, 1969; Perry et al, 1988). An increasing number of scholars believed that motivation and goals of an entrepreneur affect business performance. The motivation of an entrepreneur determines the success of an enterprise. Motivation here will mainly base on the employees in the business. Motivation is defined as the performance of an activity because it is perceived to be instrumental in achieving valued outcome. (Teo, Kim and Lai, 1999). Johnson & Johnson, 2003 also define motivation as a degree to which individuals commit effort to achieve goals that they perceive as being meaningful and worthwhile.

Wicham, 1998 argues that growth of a business entity is more than just increase in size; it is a dynamic process. He continues to say that growth involves development and change within the business and how it interacts with the environment. Many SSEs may increase their sales and revenue while maximizing profits but stay small. This may be due to other reasons like lack of space or it may be the choice of the business owner. According to Wicham (1998), growth can be viewed in four perspectives; financial growth, strategic growth, structural growth and organizational growth. Financial growth includes increase in turnover, costs, yielding profits and increasing the value of the business. Strategic growth entails a business' reaction towards the environment, how it explores the available market, how it ventures into opportunities and how it uses its assets to create sustainable competitive advantage. Structural growth has to do with the

business' internal systems; managerial roles and responsibilities. This covers everything to do with reporting relationships, communication links and resource control systems. Organizational growth refers to changes in the organizations processes, culture and attitudes as it grows and develops.

According to D.J. Storey 1994, growth of a small enterprise can only be achieved by the combination of three factors; starting resources of the entrepreneur, the enterprise and the strategy of the enterprise. The resources of an entrepreneur; has to do with the individual who owns the business, that is his or her characteristics for instance education level, functional skills and prior training. The enterprise itself has to do with how long it has existed i.e. its age, location, size and sector. The strategy includes issues like market positioning, market adjustments, planning and customer concentration. All the three categories above should combine in order to instill fast growth of the enterprise. However, the character of the entrepreneur does not quite count simply because there are entrepreneurs who have been successful with little or no education qualifications later on training. When it comes to the firm especially in regards to its age, it has almost nothing to do with growth because yet again some enterprises have existed for quite a long time and have not grown. On the other hand, strategy has a lot to do with the growth of enterprise In a way that if it does not plan, get a marketing strategy, a finance strategy and a general strategy then the enterprise might as well collapse simply because there is no plan to guide the enterprise or strategy to provide a sense of direction for the enterprise.

Factors that lead to the growth of small scale enterprises may also be internal or external factors. Internal factors are those from within the enterprise where as external factors are those from

outside the enterprise. Internal factors include lack of motivation and drive, capital constraint, lack of background and experience in business, theft or lack of trust within the enterprise, poor management, unregistered businesses, poor record keeping, inadequate training and education, lack of talents and skills and poor consultation. These factors affect the growth of the enterprise directly from the inside and the enterprise can control them. The external factors include corruption, competition, and government policy, technological barrier, in access to finances, bureaucratic processes and unfavorable economic factors. These affect the growth of an enterprise from the outside directly and the enterprise has no control over them.

2.2.3 Competitiveness and growth of small scale enterprises

Competitiveness is a multidimensional concept. It describes the ability of a small scale enterprise to generate income/ output and maintain employment levels in the face of domestic competition. Competitiveness may be looked at as another name for productivity. This was the argument of Paul Krugman in a seminar article in foreign affairs in 1994 in which he referred to competitiveness as a dangerous obsession. Competitiveness is the ability of a firm to offer products and services that meet the quality standards of the market at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them. (Roberts 2004).

Many interacting factors at different levels shape the competitive performance of an enterprise including (a) it's resources (people, skills, physical capital & technology) (b) it's market power for example through branding and customer loyalty (c) it's capacity to respond effectively to competitors, including its potential substitutes for its products; (d) it's capability and flexibility to respond to changing circumstances, for example in the availability of key resources, capacity

for process and product innovation (e) it's capability to create new market niches; (f) the business environment which conditions its performance; such as the process of business licensing that controls ease of entry (freeman 2008); (g) the policy & regulatory environment, for example tax policy, competition laws and export/import procedures; and (h) supporting services provided by both public & private organizations, for example the quality of physical infrastructure & logistics systems and both general and specific skill education services.

In the bid to achieve competitiveness, small scale enterprises face a few problems for instance (a) high costs in purchasing inputs for example equipment, raw materials, financial and business services. (b) Limited managerial capacity and skills in areas for example operation management, accounting & financial management and marketing strategies; (c) lack of ability to obtain information on potential markets and buyers; and (d) lack of the capability to respond to market opportunities for example demand of large volumes. (Asasen 2003, Beck 2007, Lee 2003 and Goh 2007).

It can therefore be hypothesized that competitiveness has an effect on the growth of small scale enterprises.

2.3 Conclusion

This chapter generally looked at the meaning and understanding of entrepreneurship by different authors, some theories of entrepreneurship, as well as the research findings prior to this study and what the researchers said in their findings.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter encompasses the approaches to be used to make the study successful. It details the research designs that were used by the researcher and the reasons for their choice. The chapter also captures the population and the sampling methods that were used during the study. It describes the data collection methods and instruments, methods of processing and analysis of data that the researcher employed. Finally the chapter shows how reliability and validity of the instruments were guaranteed.

3.1 Research Design

According to Carriger (2000) research design is the strategy, the plane, and the structure of conducting a research project. According to William (2006) research design provides the glue that holds the research project together. He added that, design is used to structure the research, to show how all of the major parts of the research project the samples or groups, measures, treatments or programs, and methods of assignment work together to try to address the central research questions.

Under research design, the researcher used both quantitative and qualitative approaches to research while carrying out the study. According to Christina (2006) Quantitative research approach consists of those studies in which the data concerned can be analyzed in terms of numbers. She added that, Quantitative research is based more directly on its original plans and its results are more readily analyzed and interpreted. The researcher used quantitative approach in

order to be able to quantify the data collected, in other words getting the figures about the data which ranged from the number of people that were interviewed, the sample size and the statistics.

On the other hand, according to Christina (2006) qualitative approach of research is one that describes events, persons and so forth scientifically without the use of numerical data, and she was of a view that qualitative research is more open and responsive to its subject. The qualitative approach helped the researcher to explain data in form of figures and describing the opinions of the respondents. The researcher used qualitative research approach in order to provide a systematic description of data collected, and this happened after had been transformed in to figures. So, the qualitative approach was used to describe those figures.

The study was conducted among the small business owners in Nkozi Trading Centre. The study is descriptive and explanatory and therefore gives an opportunity to study in-depth impact of entrepreneurship on the growth of small scale enterprises.

3.2 Area of study

The study was carried out in Nkozi Trading Centre located in Mpigi district in the sub-county of Buseese and Nkozi County. Nkozi Trading Centre has various Small Scale Enterprises starting up as a result of entrepreneurship; hence choosing it as an area of study since most of the businesses are either not growing or growing slowly.

3.3 Study Population

According to Abel and Olive (2003) population refers to an entire group of individuals, events or objects having common observable characteristics. This part the research shows the particular

group of respondents that the researcher was interested in the field of the study.

Since the study focused on Small Scale Enterprises or businesses with the case study of Nkozi trading centre, the population of interest was made up of the 30 small business owners including 5 salons, 2 mini supermarkets, 4 boutiques, 1 internet café, 5 restaurants, 5 hostels and 8 Rolex joints as well as 50 customers to the businesses; mainly students which added up to 80 people who formed the study population from which the sample was selected. With these respondents, 60 questionnaires were administered to be answered by the respondents; 20 questionnaires for business owners and 40 for the customers.

The researcher worked with the above population since it had the attributes the researcher was interested in, that is, they were small scale business owners and knew how their businesses operated and the customers were well versed with the businesses and what they had to offer.

3.4 Sample Size

The researcher selected a sample size of 60(sixty) respondents out of the 80 (eighty). In determining this sample size, the researcher used the Krejcie, R. V., & Morgan, D. W's table for determining the sample size of population. The researcher selected the sample size from the population of the small business owners as well as customers. From the sample size, both the business owners and customers were included as part of the research and they were purposively selected. After the application of the above formula, the researcher used the simple random sampling method which was applied on the selected respondents in the sample to collect data from them. Under this method, every small business owner and customer in the sample stood a chance of being chosen at random to collect data from him or her (Abel and Olive 2003). They were given questionnaires and interviews were conducted and used to get information needed to determine the relationship between entrepreneurship and small scale enterprises.

3.4.1 Sampling Techniques

These are the types or methods of sampling that the researcher used. The researcher used purposive sampling technique which involved choosing cases that had the required information with respect to the objectives of the study. The researcher also used snowball sampling technique which involved establishing initial contact with a small group of people who were relevant to the research topic and used these people to establish contact with others.

3.5 Data collection Methods

Under data collection methods, the researcher used primary sources. Data collection methods included questionnaire, interviews and focus group discussions.

Questionnaire: Under this the researcher formulated/ designed questions that were presented to the small business owners and customers to answer them. The questions were both closed and open ended. The closed ended questions required the respondents to tick or mark their answer of choice whereas the open ended questions required the respondents to write down the answers or explain a little adding on the answers they had given to justify. The researcher gave the respondents some time to answer the questions and after, the questionnaires were collected for analysis. Questionnaires enabled the researcher get different opinions of different respondents in Nkozi trading centre that acted as the basis of data analysis.

This was the main collection tool used and it helped the researcher to get first hand, additional accurate information about the role of entrepreneurship in the growth of small scale enterprises. This method was advantageous because the participants were comfortable enough to answer the questions without bias and interruptions from other parties or people.

Interview: This method was mainly used to cater for those respondents who were not in hurry and didn't understand the language used in the questionnaire because it permits clarification for questions. It involved the researcher asking the participants questions by word of mouth. Here personal contact with the interviewees was richer and more detailed. This method was favorable especially to those who cannot read and write.

3.5.1 Data Instruments

For the interview method, an interview guide and check list were used. For the questionnaire method a set of questions (questionnaire) were designed, formulated and used to gather information.

3.6 Data management and analysis

Data management involves the way data is handled and treated after collection and data analysis involves checking data to see the level of correctness. Data was kept intact after collection before analysis could start. The researcher used SPSS during the course of data analysis. This helped in generating the tables and pie-charts that consisted of quantitative data. Then the qualitative approach was used to describe data embedded in figures.

Data analysis is the process of bringing, structure and meaning to the mass of collected data. Here the researcher checked the information collected to avoid garbage in garbage out and reduce field data to usable data.

3.7 Validity

According to Abel and Olive (2003) data validity is the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of data actually represent the phenomenon under study.

To ensure the validity of data, the researcher used the coefficient of validity index (CVI) below which is used to test the extent to which data is accurate.

CVI = Item rated/Total number of items multiplied by 100 (Abel and Olive 2003).

3.8 Reliability

Data reliability according to Abel & Olive (2003) is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. To ensure the reliability of data, the researcher used the test-retest method. This involved administering the same instrument to the same group of instruments. (Abel & Olive 2003)

Under quantitative data, the researcher used correlation which enabled him show the relationship between the dimensions of the independent variable and dependent variable. He also used the frequency tables to find out the trend, nature, sample mean, and standard deviation of collected data.

3.9 Research Procedure

The researcher went to the Business Administration and Management Faculty Dean, so as to acquire a letter to permit the commencement of the research and a letter to present to the respondents so as to avoid being bounced. The researcher then went out to the field with the letters and carry out the research.

3.10 Ethical Consideration

Under ethical consideration, the researcher first sought for permission from the study area. This enabled the respondents to prepare in advance for the researcher to provide the information that the researcher needed. The researcher also offered to give a copy of the research report to the concerned people of the case study.

The researcher tried very much to avoid causing physical and emotional harm to the respondents. This was adopted in all the data collection methods used, that is questionnaires and interviews. This created a free environment for the respondents to give the researcher all the information he required.

In addition to the above, the researcher tried to be objective enough both in the questionnaires and the interviews. Personal biases and opinions were done away with here and the respondents gave the data to the researcher as required.

In reporting the results of the data collected, the researcher relied so much on accuracy of the data. The data collected was presented the way it was given by the respondents from the field. This made the results more objective and less subjective.

The researcher provided assurance to the respondents that the finding would help them on how to benefit from entrepreneurship. Issues to do with confidentiality and conditions of anonymity were emphasized to the respondents.

3.11 Study Limitation

This study had a number of limitations such as; small sample size hence data collected may not be generalized, uncooperative respondents and mishandling questionnaires.

3.12 Conclusion

In conclusion, this chapter focused more on the area of the study, data collection and the techniques used in data collection. This was followed by data analysis as well as testing the validity and reliability of the data collected. This chapter was very fundamental in determining the quality of data the researcher collected from the field of the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter focuses on analyzing, and interpreting data collected from the field. This was done using tables and people's ideas and opinions. This research has objectives and the interpretation and analysis of the data collected was done basing on these objectives which included: to establish the relationship between innovation and the growth of small scale enterprises, to find out the effect of competition on the growth of small scale enterprises and to find out the factors that lead to the growth of small scale enterprise.

4.1 Summary of methodology

All respondents filled the same questionnaire; they were all small business owners and customers. The targeted population was 60 respondents. The sample size was 40 respondents including both small business owners and customers. 40 questionnaires were given out and 29 were filled and returned.

Table 1: Summary of respondents as regards to questionnaires

Respondents	Number of questionnaires		Percentage of questionnaire returned	Percentage of questionnaires not returned
	Distributed	Returned		
Small business owners	20	16	80%	20%
Customers	20	13	65%	35%

The table above shows that 40 respondents; including small business owners as well as customers were targeted to answer the questionnaires. 20 questionnaires were distributed to small business owners and 20 were given to customers. For the small business owners, out of 20 respondents who were given questionnaires, 16 (80%) returned and the remainder 4 (20%) were not returned. For the customers, out of 40 respondents who were given questionnaires, 13 (65%) returned and the remainder 7 (35%) were not returned.

Table 2: Background of the businesses

My business has existed for

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than 1 year	2	12.5	12.5	12.5
1-4 years	7	43.8	43.8	56.2
4-8 years	7	43.8	43.8	100.0
Total	16	100.0	100.0	

Source: Primary data 2014

The table above shows how long the businesses have existed. Out of the 16 (100%) businesses, 2 (12.5%) have been in existence for less than a year, 7 (43.8%) have been existence for one to four years and 7 (43.8%) have been in existence for four to eight years. This implies that more businesses have existed for 1-4 years and 4-8 years; the new businesses are fewer.

Table 3: Continuity of the business

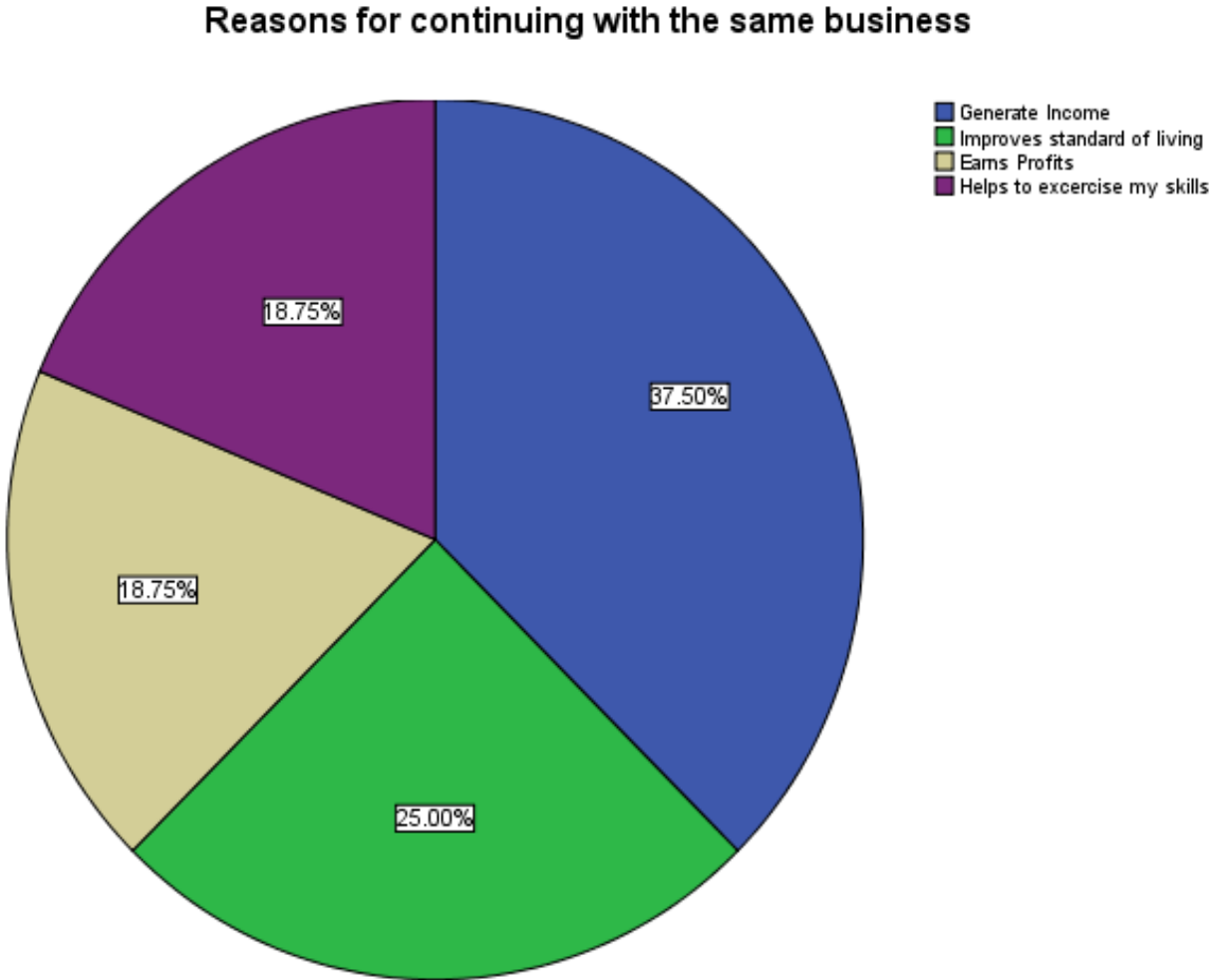
Do you still want to continue with the same business

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	16	100.0	100.0	100.0

Source: Primary data 2014

Table 3 above shows that all the 16 (100%) business owners want to continue pursuing their businesses as they answered yes; to the question about continuing to do the same businesses. Their reasons for continuing with the same businesses are depicted in the pie chart below.

Pie chart Figure 1: Reasons for continuing with the same business



Source: Primary data 2014

From the pie chart above, most business owners want to continue with the same businesses mostly because they generates income (37.50%), then also because the businesses improve their standard of living (25.00%), others said that they want to continue because the business earns

them profits (18.75%) and lastly because the businesses help them to exercise their skills (18.75%).

4.2 Innovation and growth of small scale enterprises

4.2.1 Objective 1: To establish the relationship between innovation and the growth of small scale enterprises.

The objective above aimed at establishing the relationship between innovation and the growth of small scale enterprises and its research question was about how many times they introduce new products into the market; the answers were presented in the table below.

Table 4: Number of times new products and services are introduced into the business

I introduce new products into the business

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid once a year	1	6.2	6.2	6.2
two times a year	4	25.0	25.0	31.2
three times a year	5	31.2	31.2	62.5
four times a year	6	37.5	37.5	100.0
Total	16	100.0	100.0	

Source: Primary data 2014

Table 4 above depicts the results from the question how often the business owners introduce new products into the business. Out of the 16 (100%), businesses, only 1 (6.2%) introduce new

products or services into the business once a year, 4 (25.0%) of the business owners introduce new products or services into the business two times a year, 5 (31.2%) more businesses introduce new products and services into their businesses three times a year and 6 (37.5%) of the businesses introduce new products and services four times a year; which implies most businesses bring in new products or services four times a year thus indicating that innovation is key for most of the businesses because they introduce new products or services four times a year.

The researcher further asked more questions to establish whether the new products or services introduced to the business were bought by the customers in large quantities, low quantities or if they ignored the products as well as if they increased sales or decreased sales in their businesses.

Table 5: How customers respond to the new products

How do customers respond to new products

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid they buy the products in large quantities	11	68.8	68.8	68.8
they purchase the product in low quantities	5	31.2	31.2	100.0
Total	16	100.0	100.0	

Source: Primary data 2014

Table 5 shows that out of 16 (100%) respondents, 11 (68.8%) said that the customers buy their new products in large quantities and 5 (31.2%) said customers buy their products in low quantities. This implies that as more businesses bring in new products and services, customers

are encouraged to purchase from those businesses and this in turn increases the businesses' sales as seen from the answers of the question the respondent asked the respondents; how does introducing new products affect the sales? The answers were as follows;-

Table 6: How introducing new products affects sales

How does introducing new products affect the sales

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid increases sales	16	100.0	100.0	100.0

Source: Primary data 2014

Table 6 shows that all 16 (100%) respondents said that introducing new products or services into the business increases their sales.

From tables 4, 5 and 6; it is evident that many business owners introduce new products and services into their businesses and receive positive feedback from the customers who buy the products in large quantities and this in turn increases the business owners' sales; thus indicating that there is a positive correlation between innovation and the growth of SSEs given that increased sales can enable a business to grow.

4.3 Competition and the growth of small scale enterprises

4.3.1 Objective 2: To find out the effect of competition on the growth of small scale enterprises.

The objective above aimed at finding out the effect of competition on the growth of small scale enterprises and its research question was about how they attract customers to their businesses; the answers were presented in the table below.

Table 7: How businesses attract customers

How do you attract customers

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Advertising	3	18.8	18.8	18.8
Affordable prices	2	12.5	12.5	31.2
Word of mouth	2	12.5	12.5	43.8
Promotions	3	18.8	18.8	62.5
Good customer care	2	12.5	12.5	75.0
Quality of products	4	25.0	25.0	100.0
Total	16	100.0	100.0	

Source: Primary data 2014

Table 7 above shows that out of 16 (100%) 3 (18.8%) attract customers by advertising, 2 (12.5%) attract customers by setting affordable prices, 2 (12.5%) attract customers by word of mouth, 3 (18.8%) attract customers through promotions, 2 (12.5%) attract customers by offering good customer care and lastly 4 (25%) attract customers by providing quality products; and this is done by most businesses as depicted in the table above.

The respondents (business owners) were also asked how they retain the customers they attract and the responses were as follows;-

Table 8: Ways of retaining customers in a business

How do you retain customers?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Giving after sale services	3	18.8	18.8	18.8
Listening to customers feedback	6	37.5	37.5	56.2
Discounting	4	25.0	25.0	81.2
Giving complementary products	3	18.8	18.8	100.0
Total	16	100.0	100.0	

Source: Primary data 2014

Table 8 shows that 3 (18.8%) respondents (business owners) retain their customers by giving after sale services, 6 (37.5%) respondents retain their customers by listening to their feedback, 4 (25%) respondents retain their customers by discounting and 3 (18.8%) respondents retain their customers by giving complementary products.

The respondents (business owners) were also asked how they endeavor to increase their sales in the businesses. Below are their responses;-

Table 9: How businesses increase sales

How do you increase sales

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Increasing customer base	4	25.0	25.0	25.0
Discounting	3	18.8	18.8	43.8
Advertising	6	37.5	37.5	81.2
Promotions	3	18.8	18.8	100.0
Total	16	100.0	100.0	

Source: Primary data 2014

Table 9 shows that out of 16 (100%) respondents (business owners), 4 (25%) business owners increase their sales by increasing customer base, 3 (18.8%) business owners increase their sales by discounting, 6 (37.5%) business owners increase their sales by advertising and 3 (18.8%) business owners increase their sales by promotions.

The researcher went ahead and asked the respondents (customers) how often they purchase products or services from any given business and their responses were as follows;-

Table 10: Number of times customers purchase goods and services from a given business

How often do you purchase from a specific business?

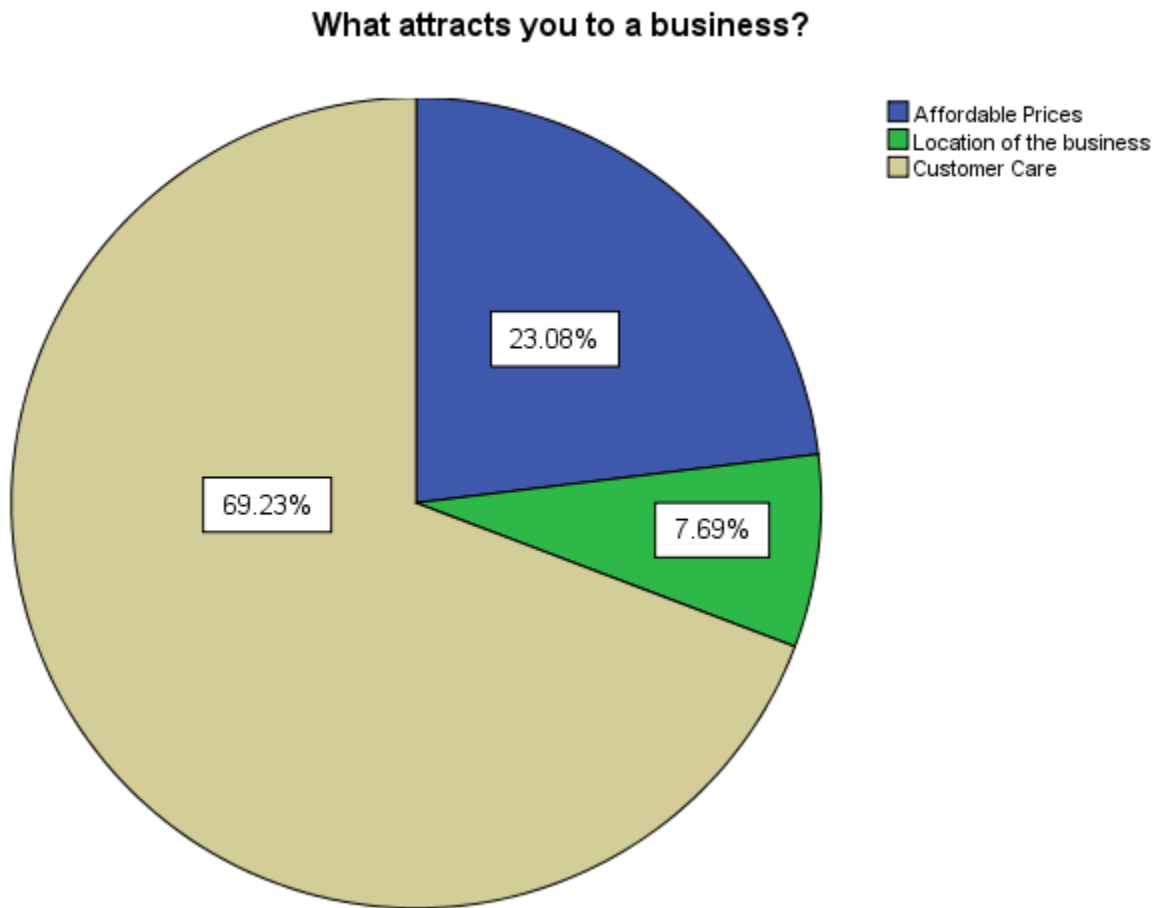
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Once a week	5	38.5	38.5	38.5
2 times a month	3	23.1	23.1	61.5
3 times in 2 months	2	15.4	15.4	76.9
4 times a year	3	23.1	23.1	100.0
Total	13	100.0	100.0	

Source: Primary data 2014

Table 10 shows the number of times customers purchase from any given business. Out of 13 (100%) customers, 5 (38.5%) purchase from a given business once a week, 3 (23.1%) purchase from any given business 2 times a month, 2 (15.4%) purchase from a given business 3 times in two months and 3 (23.1%) purchase from a given business 4 times a year; implying that most customers purchase from any given business once a week.

The researcher further asked the respondents (customers) what attracts them to any particular business; their results are depicted in the pie chart below;-

Pie chart Figure 2: What attracts customers to any particular business



Source: Primary data 2014

From the chart above, 69.23% of the customers are attracted to businesses by the customer care, 23.08% are attracted by affordable prices and lastly 7.69% are attracted to businesses by location of the businesses. Knowing what attracts most customers to businesses; business owners should pay more attention to delivering good customer care so as to attract more customers thus enabling business growth.

The researcher went ahead to ask the respondents (customers) for their take on the competition between businesses that offer similar products or services and their responses were as follows;-

Table 11: Competition between businesses with similar products

Competition between businesses with similar products is

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid high	7	53.8	53.8	53.8
low	1	7.7	7.7	61.5
moderate	5	38.5	38.5	100.0
Total	13	100.0	100.0	

Source: Primary data 2014

Table 11 above shows that out 13 (100%) respondents (customers), 7 (53.8%) customers said that competition between businesses providing similar products or services is high, 1 (7.7%) customers said that competition between businesses providing similar products or services is low, 5 (38.5%) customers said that competition between businesses providing similar products or services is moderate; implying that most customers said that competition between businesses providing similar products or services is high.

4.4 Factors that lead to the growth of Small Scale Enterprises (SSEs)

4.4.1 Objective 2: To identify the factors that lead to the growth of small scale enterprises.

The objective above aimed at identifying the factors that lead to the growth of small scale enterprises and the first research question was ‘Beginning with those that affect you the most, list some factors that lead to growth of SSEs; the answers were presented in the table below.

Table 12: Factors that lead to the growth of SSEs

Factors that lead to the growth of SSEs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Availability of capital	6	37.5	37.5	37.5
Skilled labour	2	12.5	12.5	50.0
Market availability	3	18.8	18.8	68.8
Good political climate	3	18.8	18.8	87.5
Strategic location	2	12.5	12.5	100.0
Total	16	100.0	100.0	

Source: Primary data 2014

Table 12 shows the factors mentioned at the top of the lists of the respondents (business owners) when asked about the factors that lead to the growth of SSEs. Out of 16 (100%) business owners, 6 (37.5%) said availability of capital leads to the growth of SSEs, 2 (12.5) said skilled labour leads to the growth of SSEs, 3 (18.8%) said market availability leads to the growth SSEs, 3 (18.8%) said that having good political climate leads to the growth of SSEs and 2 (12.5%) said that being in a strategic location leads to the growth of SSEs.

The researcher went ahead to ask the respondents for some of the challenges that hinder the growth of SSEs and their responses were as follows:-

Table 13: Challenges that hinder the growth of SSEs

Challenges that hinder the growth of SSEs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid High Taxes	4	25.0	25.0	25.0
Seasonal Market	3	18.8	18.8	43.8
Inadequate Capital	3	18.8	18.8	62.5
High Competition	4	25.0	25.0	87.5
Load shedding	2	12.5	12.5	100.0
Total	16	100.0	100.0	

Source: Primary data 2014

Table 13 shows the challenges mentioned at the top of the lists of the respondents (business owners) when asked about the challenges hindering the growth of SSEs. Out of 16 (100%) respondents (business owners), 4 (25%) said high taxes hinder the growth of SSEs, 3 (18.8%) said seasonal market hinders the growth of SSEs, 3 (18.8%) others said inadequate capital hinders the growth of SSEs, 4 (25%) said high competition hinders the growth of SSEs and 2 (12.5%) said load shedding hinders the growth of SSEs.

The researcher went ahead to ask the customers their view on what leads to the growth of SSEs and their responses were as follows:-

Table 14: What leads to the growth of SSEs/ businesses?

SSEs/ Businesses grow due to

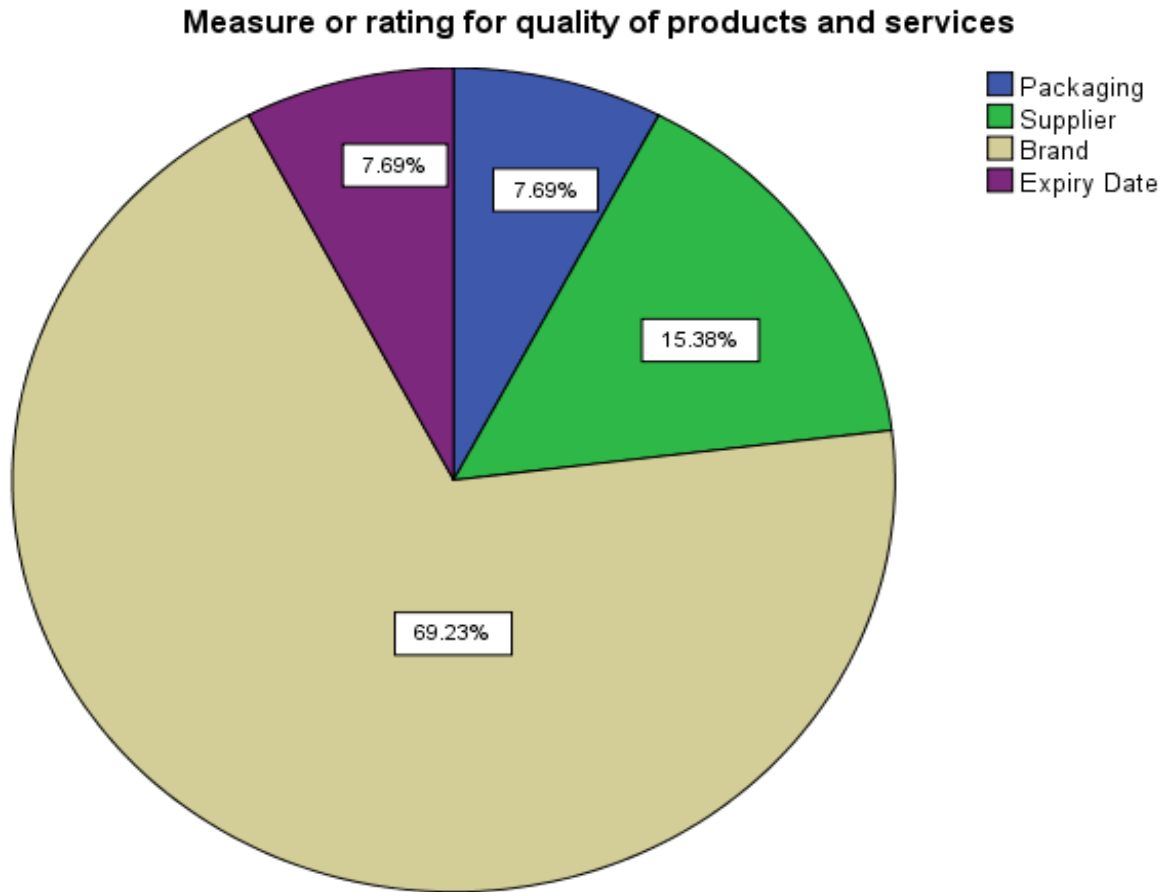
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid high quality products	1	7.7	7.7	7.7
affordable prices	4	30.8	30.8	38.5
good customer care	4	30.8	30.8	69.2
high sales turnover	4	30.8	30.8	100.0
Total	13	100.0	100.0	

Source: Primary data 2014

Table 14 shows what leads to the growth of SSEs. Out of 13 (100%) respondents (customers), 1 (7.7%) said high quality products lead to the growth of SSEs, 4 (30.8%) said affordable prices lead to the growth of SSEs, 4 (30.8%) others said good customer care leads to the growth of SSEs and 4 (30.8%) said high sales turnover leads to the growth of SSEs.

The respondent further asked the customers how they measure or rate quality of products and services; their responses are depicted in the pie chart below

Pie chart Figure 3: Measure or rating for quality of products and services



Source: Primary data 2014

From the pie chart above, most customers measure or rate quality of a product and service by the brand it carries (69.23%), 15.38% of the customers measure or rate quality of a product or quality according to who its supplier is, 7.69% of the customers measure or rate quality of a product or service according to how it is packaged and the remaining customers (7.69%) measure or rate quality of a product or service depending on its expiry date.

4.5 Conclusion

In conclusion, the study declares that entrepreneurship plays an important role and contributes positively to the growth of small scale enterprises in Nkozi Trading centre.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMENDATIONS

5.0 Introduction

The research objectives and questions aimed at establishing the effect of entrepreneurship on the growth of Small Scale Enterprises in Nkozi Trading centre. It was found out that the effects of entrepreneurship on the growth of Small Scale Enterprises in Nkozi Trading Centre were positive. This chapter presents the summary, conclusions and recommendations including other areas noted for further study; basing on the topic “the effect of entrepreneurship on the growth of Small Scale Enterprises”.

5.1 Summary of the findings

The researcher compiled the data got using questionnaires which were administered to the respondents both the business owners and customers to obtain information in regards to the topic and case study. Both the business owners and customers were 20 in number totaling them up to 40 but only 16 and 13 respondents returned the questionnaires respectively.

It was difficult to convince the respondents especially the business owners to fill in the questionnaires despite the fact that I explained that the research was for academic purposes; most of them requested for money or deliberately kept the questionnaires of which made it hard to get the information needed. For the customers especially students, most of them said they had no time to fill in the questionnaires as they had to do class work or they complained saying they had filled in a similar questionnaire before hence concluding that their time was being wasted.

During the research, the researcher found that most of the Small Scale Enterprises (SSEs) had existed between 1-4 years and 4-8 years as evidenced in table 2 with both year groups holding a

percentage of 43.8%; also all the small business owners indicated that they would like to continue with the same business. This was backed with the reason given by most of the business owners that the business generated income along with others as seen in pie chart figure 1.

The researcher found out that 37.5% of the businesses introduce new products or services into their business four times in a year usually at the request of the customers and when old stock is almost done. This is indicated in table 4. Table 5 indicates that 68.9% of the customers buy the new products or services in large quantities when they are introduced and when further asked, 100% of the business owners irrespective of the number of times they introduce new products or services into their business, are positive that this action increases their sales. This is evidenced in table 6. Aside from the new products leading to the increase of sales, the business owners indicated that they also advertise their products to increase sales.

The research indicated that 25.0% of the business owners attract customers to their business with the quality products and 37.5% of the business owners retain their customers by listening to their feedback. The above percentages are evidenced in tables 7 and 8 respectively. The above findings show that the businesses mind and care about what they offer to the customers and take seriously feedback from them as they can use it to improve on their businesses and services they offer.

The research also proved that 38.5% of the customers purchase from any particular business once a week as indicated in table 10 and most of whom are attracted to the businesses by the customer care provided. Also most of the customers (53.8%) said that competition between businesses that provide similar products or services is high. This is an indication that the

businesses in Nkozi trading centre endeavor to keep at the top of their game so as to survive in the SSE industry.

During the research, 37.5% of the business owners indicated that availability or presence of capital leads to the growth of their businesses where as the highest number of customers indicated that affordable prices, good customer care and high sales turnover are contributors for growth of businesses. This information is evidenced by tables 12 and 14 respectively.

The research indicated that the biggest challenges hindering the growth of Small Scale Enterprises in Nkozi Trading centre are high taxes levied on the products or services offered (25.0%) as well as high competition amongst the businesses (25.0%) especially those that offer similar products or services; as evidenced in table 13.

5.2 Conclusion

Objective one was “to establish the relationship between innovation and the growth of small scale enterprises”. Innovation was found to be of great importance in the growth of small scale enterprises since they use innovation to improve their businesses for instance introducing new products and services to the business to attract customers and increase customer base which can in turn lead to increased sales thus contributing to the growth of the business.

Objective two was “to find out the effect of competition on the growth of small scale enterprises”. Competition was found to have both a negative and positive effect on the growth of small scale enterprises in Nkozi Trading centre. Competition amongst or between businesses selling similar products and services is a hindrance for growth simply because the businesses are vying for the same customers who end up being divided among the various business which would not have been the case if it was one business selling the products and services. On the

other hand, competition makes the businesses strive to improve their services and products offered as well as the state of the business to attract customers thus contributing to their growth.

Objective three was “to identify the factors that lead to the growth of small scale enterprises”. From the research, factors that lead to the growth of small scale enterprises include the following; - to the business owners: availability of capital, skilled labour, market availability, good political climate and strategic location and to the customers: high quality products, affordable prices, good customer care and high sales turnover.

5.3 Recommendations

The small scale enterprises should try to revise the prices of their products and services as they keep losing customers who prefer purchasing the items they need from town since they are cheaper. This will enable them to increase their customer base as well as increase their sales.

The small scale enterprises should also pay attention to customers’ feedback as this will enable them to improve their enterprises as well as better their services to their customers and in turn the customers should endeavor to give the businesses owners or shop attendants; feedback so that they can be better their services.

Also, the small scale enterprises should pay attention to what attracts customers to any business for instance affordable prices and customer care as seen in the findings; so as to attract more customers to their businesses and increase their customer base and compete favorably.

5.4 Suggestions for further research

Basing on the findings of this study, and the recommendations given, the researcher urges future researchers to focus on the following areas related to the study that has been carried out:

- The effect of government policies on the growth of small scale enterprises.
- The impact of motivation on the performance of small scale enterprises.
- The effect of location on the growth of small scale enterprises.

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APPENDICIES

Appendix I: Questionnaire for business owner

Dear respondent my name is Ayeza Bridget a year III student at Uganda Martyrs University offering the course of Business Administration and Management. I kindly request for your support, time and co-operation in answering the questionnaire provided below. The study that led to formulation of this questionnaire is “an academic study” and the topic is, (**The effect of entrepreneurship on the growth of Small Scale Enterprises**) that will enable the researcher acquire the degree of Business Administration and Management. The information or data got from you will therefore be only used for academic purposes and for that matter kept confidential.

Thanks for your cooperation.

1. How has entrepreneurship contributed to the growth of small scale enterprises?

.....
.....
.....
.....

2. My business has existed for;

Less than 1 year

1-4 years

4-8 years

8+ years

3. Do you still want to continue doing the same business?

Yes No

ii) Give reasons for your answers

.....
.....
.....
.....

4. How do you attract customers?

- Advertising
- Affordable prices
- Word of mouth
- Promotions
- Good customer care
- Quality of the products

5. How do you retain customers given the fact that there are other businesses dealing in the same product or service?

- Giving after sale services
- Listening to customers feedback
- Discounting
- Giving complementary products

6. How do you to increase your sales? Tick the most appropriate.

- Increasing customer base

- Discounting
- Advertising
- Promotions

7. How does financial stability contribute to the growth of small scale enterprises?

.....

.....

.....

.....

8. Beginning with those that affect you the most, list some of the factors that lead to the growth of small scale enterprises

.....

.....

.....

.....

9. Briefly explain any of the above factors that directly affect your business.

.....

.....

.....

.....

.....

10. Beginning with those that affect you the most, list some of the challenges that hinder the growth of small scale enterprises?

.....

.....
.....
.....

11. Briefly explain any of the above factors that directly affect your business.

.....
.....
.....
.....
.....

12. I introduce new products and services to the business;

Once a year Two times a year Three times a year Four times a year.

13. What marketing techniques do you use for marketing the new products?

.....
.....
.....
.....

14. How do customers respond to the new products or services?

- They buy the products in large quantities
- They purchase the product in low quantities
- They ignore the product

15. How does introducing new products or services to the business affect the sales?

- Increases sales

- Reduces sales

Appendix II: Questionnaire for customer

Dear respondent my name is Ayeza Bridget a year III student at Uganda Martyrs University offering the course of Business Administration and Management. I kindly request for your support, time and co-operation in answering the questionnaire provided below. The study that led to formulation of this questionnaire is “an academic study” and the topic is, (**The effect of entrepreneurship on the growth of Small Scale Enterprises**) that will enable the researcher acquire the degree of Business Administration and Management. The information or data got from you will therefore be only used for academic purposes and for that matter kept confidential.

Thanks for your cooperation.

1. Customer care is; pick your best option.

- Being welcomed to a business with a smile
- Listening to my feedback
- Offering after sale services
- Having my expectations met.
- Being treated well by a shop attendant
- Delivering the product or service to me
- Offering a discount
- Providing knowledge about products and services
- Creating a suggestion box
- Quick reaction to my complaints

2. How does customer care contribute to the growth of small scale enterprises?

.....
.....

.....
.....
3. What attracts you to a business? Tick your best option.

- Affordable prices
- Location of the business
- Customer care
- Products and services packaging

4. How often do you purchase from a specific business?

Once a week 2 times a month 3 times in 2 month 4 times a year

5. What motivates you to purchase from a specific business?

- Affordable prices
- After sale services
- Complementary products and services
- Discounts

6. Choose your best option;

- Businesses grow because of high quality products
- Businesses grow due to affordable prices
- Businesses grow due to good customer care
- Businesses grow due to high sales turnover
- Businesses grow due to good location

7. How do you measure or rate the quality of products or services?

- Packaging
- Supplier

- Brand
- Expiry date

8. The competition between or among the businesses that provide similar products or services is;

High Low Moderate

9. How does the competition affect your purchasing power?

.....
.....
.....

10. How does the competition affect the growth of the businesses?

.....
.....
.....

11. How do product or service prices affect the growth of the businesses?

.....
.....
.....

Appendix III: Table for determining sample size from a given population

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 size.

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Appendix IV: Research budget

ITEMS	QUANTITY	UNIT COST (shs)	TOTAL (UGX)(shs)
STATIONERY			
Pens	4	500	2,000
Pencils	2	300	600
Duplicating papers	3 reams	35,000	105,000
Ruler	1	,1000	1,000
Printing & binding of proposal	1 copy	17,000	17,000
Printing & binding dissertation	3 copies	25,500	76,500
Photocopying	3 copies	4,000	12,000
Flash	1 (4GB)	25,000	25,000
Lap top	1	2,000,000	2,000,000
TOTAL			2,239,100

