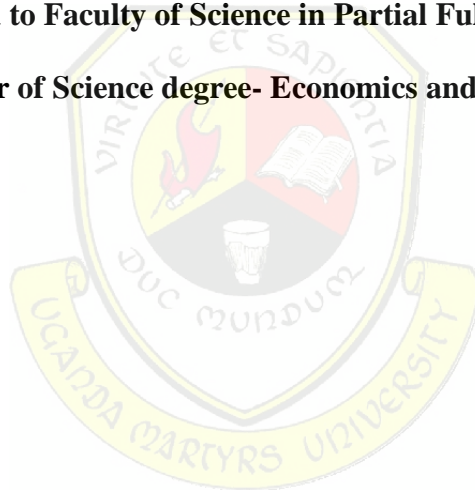


**THE IMPACT OF RURAL SMALL SCALE MANUFACTURING INDUSTRY ON  
THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE COMMUNITY  
CASE STUDY: GURUNANAK OIL MILL, LIRA DISTRICT**

**A dissertation Submitted to Faculty of Science in Partial Fulfillment to the Award of a  
Bachelor of Science degree- Economics and Statistics**



**BY**

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## **DEDICATION**

This project is dedicated to my very dear parents, Mr. and Mrs. Vincent Margaret Okello Odwar who were kind enough to have supported me morally and financially during my whole study and the research.

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## **LIST OF ABBREVIATIONS**

ADB - African Development Bank

APED - Association of Professional Entrepreneurs in Development

CBD - Central Business District

CEPA - Center for Economic Policy Analysis

DOL - Division of Labour

EAC – East African Community

EPA - Environmental Protection Agency

GDP - Gross Domestic Product

GLSS – Ghana Living Standard Survey

GNP – Gross National Product

GSS - Ghana Statistical Survey

IFAD - International Fund for Agricultural Development

IFC - International Finance Cooperation

ILO - International Labour Organization

JASPA - Japan Automobile Service promotion Association

MGAs – Mutual Guarantee Associations

MSE- Medium and Small Scale Enterprises

MSME- Micro, Small and Medium Enterprises

NCFC - National Council for Farmer Cooperatives

NERFUND- Nigerian Economic Reconstruction Fund

NGO - Non Governmental Organizations

OECD - Organization for Economic Co-operation and Development

PEAP– Poverty Eradication Action Plan

PSF– Private Sector Foundation

RSSMI-Rural Small scale manufacturing industry

UNDP - United Nations Development Program

UNHS – Uganda National Household Survey

UNIDO- United Nations Industrial Development organizations

USSIA – Uganda Small Scale Industries Association

USSIA -Uganda Small Scale Industries Association

WFP - World Food Program

## **ABSTRACT**

The study investigates the impact of rural small scale manufacturing industry on the socio-economic development of the community. In the study, a total of 150 respondents were interviewed using a well structures questionnaire. The research shows that rural small scale manufacturing industry significantly contributes to the socio-economic development of the community despite numerous problems they faced which includes extreme competitions, lack of infrastructure, lack of skilled labour, poor financing, marketing and distribution problems and delayed payments among others. The research revealed that RSSMI has greatly improved on the level of employment, level of income, standards of living of the people and the infrastructure of the area. The research recommends among others that government should improve its policies so as to reduce to an acceptable level, the rate of interests charged by commercial banks as well as encouraging rural based industrialization, whereby investors are encouraged to establish small manufacturing industries that would be based entirely on local raw materials, community based labour and labour intensive equipment since the survey results reported in the study, suggests that the RSSMI has a strong potential for employment creation and plays a pivotal role in the socio-economic lives of the people and can serve as a means for poverty alleviation in the rural area.

## **CHAPTER ONE**

### **1.0 Introduction**

The most important factor for economic development of a country is its industrialization. In the process of industrialization, emphasis is given to three major groups of industries, i.e. large scale industries, small scale industries and cottage industries.

The researcher studied the impact of rural small scale manufacturing industry on the economic and social development of the community. The researchers considered a situation where a large scale and medium scale industry is completely absent therefore, the development was vitally linked with various programs and policies designed to eradicate poverty, reduce unemployment and increase income of the rural population.

### **1.1 Background of the study**

The economy is a complex dynamic factor, requiring greater attention of its analysis and efficient management of productivity, stability of growth and increased standards of living of the people. A silent feature in the development strategy for the decades of the 1970s was emphasis on small scales industry promotion. It became widely recognized by the end of the 1960s that post-war industrialization policy among developing countries tended to aggravate the problems of unemployment and unequal distribution of income. According to report by Antoni, associate professor, School of Economics, University of Philippines, a new ray of hopes was seen in Small Scale Industries in seeking solutions to these problems.

The definition of SMEs depends mainly on the level of development of the country. In most developed market economies like the United States of America (USA), U.K. and Canada the definition criterion adopted a mixture of annual turnover and employment levels.

In Uganda, the association of small scales industries defines SSI as any enterprises with a maximum asset based of Ug.sh. 3billion including land and working capital and with a number of staff employed not less than 10 or more than 300.

In general, a rural area is a geographic area that is located outside cities and towns. The Health Resources and Services Administration of the U.S. Department of Health and Human Services defines the word rural as encompassing all population, housing, and territory not included within an urban area

According to Wikipedia, Manufacturing is the production of merchandise for use or sale using labour and machines, tools, chemical and biological processing, or formulation. The term may refer to a range of human activity, from handicraft to high tech, but is most commonly applied to industrial production, in which raw materials are transformed into finished goods. Such finished goods may be used for manufacturing other, more complex products, such as aircraft, household appliances or automobiles, or sold to wholesalers, who in turn sell them to retailers, who then sell them to end users the consumers. Manufacturing industry is an enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (India Development and Regulation) Act, 1951. The manufacturing enterprises are defined in terms of investment in plant and machinery.

Combining all these definitions, we can come up with a definition if a small scale rural manufacturing industry. This is an industry located outside the urban center producing or processing commodities operating mainly with hired labour usually 10 to 50 people.

Industrialization is frequently considered as the replacement of farming and resource extraction by manufacturing and service activity. This transition takes different forms in different places at different times. Geographies of industrialization and economic

development are important in understanding future economic development patterns therefore, the activities of a regional or national economy are commonly divided into five components i.e.

- The primary sector: includes activities directly involving the physical environment occupations such as agriculture, fishing, and forestry, hunting, and mining
- The secondary sector involves the processing of raw materials and manufacturing.
- The service sector includes wholesale and retail sales, transportation, and finance, insurance, real estate.
- Those whose work involves the exchange or application of information, knowledge, and/or capital are thought to be in the four or quaternary sector.
- Finally the expansion of the knowledge economy has necessitated the term quinary sector to refer to higher order, complex, and specialist tasks of control, production and management.

As a country goes through industrialization or economic development it is possible to see a marked shift in the percentage of the labor force involved in the each of the five sectors. Non industrial states have most of their workers involved in the primary sector. When industrialization begins there is great growth in the secondary sector and the percent of workers involved in primary production decrease.

Small scales rural manufacturing industries play a key role in the economy's planned development with advantages of low investment, high potential for employment generation, diversification of the industrial base and dispersal of industries to rural and semi-rural areas. The role of small scales industries have been widely recommended as one of the most

appropriate means of developing industries in countries with high populated backward countries.

According to Udechukwu (2003), the production of goods and services in the most efficient manner has continued to be the only viable and reliable option for development, growth and survival of the economy. Small scale industries have been recognized by many government and development experts as the main engine of economic growth and a major factor of extension in promoting the realization of the financial system strategy. This is because the development in this sub-sector is an essential element in the growth strategy and not only in the improvement of standards of living but also in the bringing of substantial local capital formation and achieving a high level of productivity and capacity.

Udechukwu further added that, from a planning stand point, SMIs are recognized as principle catalyst to equitable and sustainable industrial diversification and dispersal. In most countries, SMI accounts for well over half of the total employment, sales and value addition.

The small scale industry is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Basem 2008). Small scale industry is a driving force for economic growth, job creation and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Ogechukwu and Latinwo 2010, Cook and Nixon, 2005).

National development context, Uganda's overarching goal is to become a modern and prosperous country by the middle of the century, as reflected in the Vision 2040. The economy of Uganda has great potential, endowed with significant natural resources and it appears poised for great development and growth. Integrating the development of small scale industries as a development plan is very vital to the economic development of Uganda as they



able to become economically viable in a short period of time and offer an incredible boost to the local economy. The implementation of this plan would help realize the millennium development plan since they are more likely to sustain development for a longer period of time frame as they utilize a more community based resources. The One Village One Product, a program by the Ministry of Trade and Industries is an example of the many programs that would help in development of many small scales industries and enterprises as it aims to increase incomes and wealth for Ugandans through, value addition to local resources, human capital development, provision of unique services and marketing of the products.

Uganda's micro and small firms (MSMEs) account for 90% of the country's private sector and according to the World Bank's Uganda Economic Update (2013) MSMEs are the biggest source of employment in urban sectors, employing around 30% of Uganda's workforce.

Therefore, Economic development of a country is directly related to the industrial growth rates. The expansion of the industrial leads to a better utilization of the natural resources, production of goods and services, employment creation and improved standards of living.

According to the California Association of Local Economic Development, economic development involves allocation of the limited resources for example, land, labor, capital and entrepreneurship in a way that it has a got a positive impact on the business activities, employment levels, income distribution pattern and fiscal solvency.

The popularity of small scale industry and social development rests on the following premises;

- According to the Fiscal Commission, New Delhi, 1950, Small scales industries are labor intensive and it is therefore ideal for labor abundant and capital scarce countries like Uganda as they always thrive in area with scarcity of raw materials.

- They further said that small scales industries help promote rural development to the extent that has agglomeration and urbanization economies.

Obitayo (1991) in highlighting the role of small scales industries said that they have provided opportunity of developing sub-contracting and marketing arrangements. Most of the contract jobs which could have been executed by large scale industries are sublet to smaller ones which also have auxiliaries to large scale enterprises. He said further that small scale industries have provided productivity for those traditionally excluded from the benefit of development programs. It is also flexible in assisting in transition from traditional to industrial life style.

Checks (1996) agrees that investment in small scales industries help to transform the traditional sector. This is true to a small sector if it is in the government setting where it is proven that contract jobs are given to individuals who are close or connected to power.

It is now evident from the above indicators that small scales industries would play a prominent role in the improvement of the state of the community, though they would be facing many challenges. It is upon this background that the researcher intends to conduct the study on the impact of small scales industries on the socio economic development of the community.

## **1.2 Statement of the problem**

The evolution of community development theory has not yet generated a parallel advance in implementation strategies. The traditional paradigm, with its focus on helping communities regain their past glory, was associated with business attraction, retention, and expansion strategies (Shaffer, Deller, and Marcouiller 2004). In addition, the outcomes are no longer nebulous concepts like innovation and entrepreneurial activities but rather concrete effects

such as jobs and income. Small Scale Businesses are competitive and dynamistic nature. This makes them a fundamental cause for Economic growth and Development through their contribution to income redistribution, and Unemployment reduction in developing economies. However, there are no clear indicators that unemployment rates, poverty levels and low income problems will reduce. These consistently remain key concerns that need the attention of major economic decisions to focus on the promotion of small scale industrial activities.

### **1.3 General objectives**

To analyze the impact of rural small scale manufacturing industry on the economic and social development of the community

### **1.4 Specific objectives**

- I. To find out how rural small scale manufacturing industry create employment
- II. To examine the effect of small scale manufacturing industry on the income level of the people in the rural areas
- III. To analyze the impact of small scales manufacturing industry on the standard of living of the people in the community
- IV. To determine the effect of rural small scales industries on infrastructural development

### **1.5 Research question**

- I. What is the relationship between small scale rural manufacturing industry and standard of living?
- II. Why are small scale industries so important to the development of the community?

- III. What are impacts of the small scale manufacturing industries on the income level of the rural population?
- IV. What impact do small scale manufacturing industries have on the employment creation?

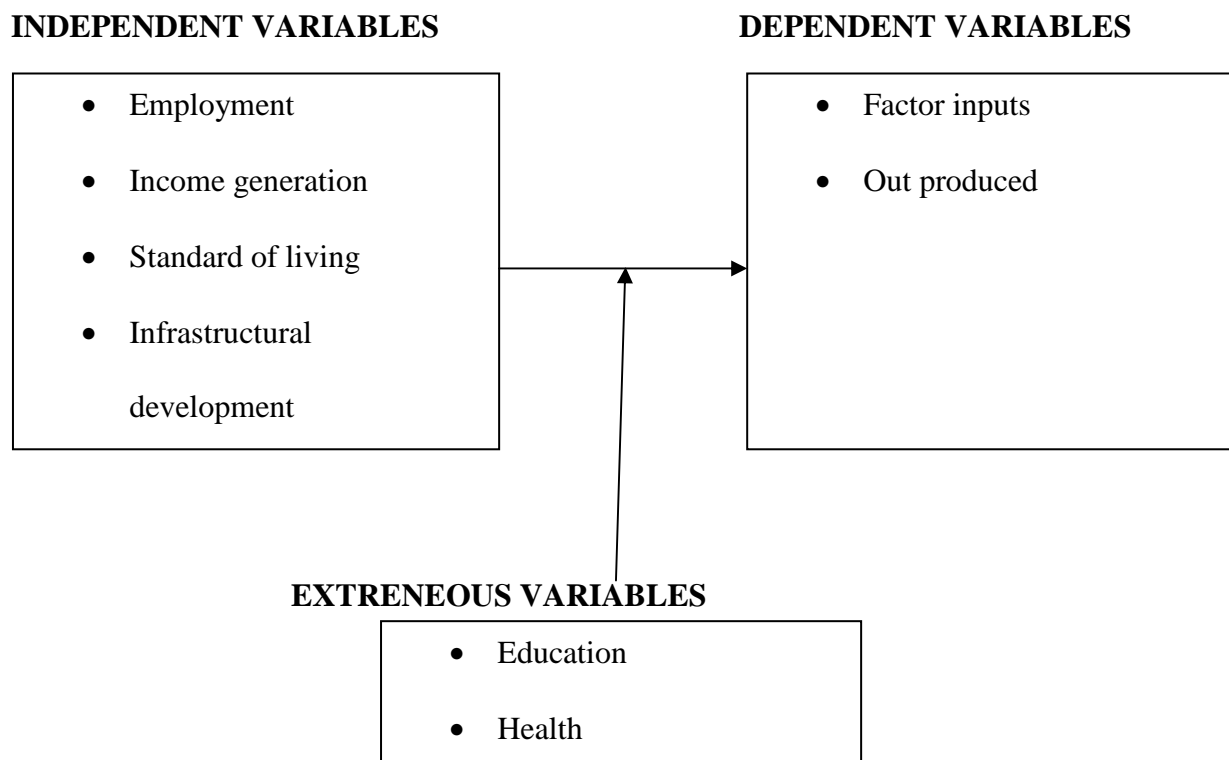
### **1.6 Hypothesis**

- I. There is no significant relationship between small scale manufacturing industries and the level of employment
- II. Income distribution and small scale industries are not strongly related
- III. Small scale industries do not have a great impact on income levels
- IV. There is no relationship between small scale industries and infrastructural development

## 1.7 Conceptual framework

This is the conceptual framework for the analysis of economic and social impact of rural small scale manufacturing industry. The independent variables are Employment, Income, Infrastructural development and Standard of living. These are affected by the activities of the industry. The dependent variables are Factor inputs, like raw materials and labour and product outputs like Shea oil, fertilizers, and poultry feeds. These affect the variables mentioned before. Other extraneous variables like education, health and location of industries are slightly affected.

**Figure 1.1:**



**Source: Ashley and Carney 1999, Adopted by World Bank 2008**

### **1.8 Justification of the study**

The Ugandan economy, since the early sixties, has been dependent on agricultural product export. As a result of the fragmented revenue generated from this, very little attention is being paid to the development of the industrial sector. The reason for the lackluster performance of the industrial sector is mostly associated to poor attention being paid to the promotion and development of small scales industrial sector, which is accepted worldwide as the engine of economic growth and basic foundation for the industrial process of any nation that desires to experience solid development. This study will be a great importance in the influence of the economic and social development of the communities in Uganda through the promotion of SMIs. The study will give evidence of a result oriented development strategy that would help attain development within a short period of time.

### **1.9 Significance of the study**

The impact of small scale industries on the economic development of the community will allow for some reasonable optimism, small scales industries promotion as a part of the overall development policy. Although research shows that contributions of small scale industry has been over stated, the study will provide some policy for public support for small scales industries as a development strategy in Uganda.

The establishment of SMIs will have a favorable impact on employment, income levels, income distribution, and development of infrastructure and promotion of linkages in the economy. This greatly benefits the community.

Furthermore, SSIs as the only authentic foundation for accelerating development of industrial sector, growth and development has witnessed in the newly industrialized counties of South East Asia, referred to as Asian Tigers will be an accelerative effect on achieving

macroeconomic objectives by training semi-skilled labor and non-skilled manpower as well as manufacturing and supply of spare parts and raw materials for large scale industries

### **1.10 Scope of the study**

This study is directed towards the analysis of the impact of rural small scale manufacturing industry on the economic and social development of the community. The study will be carried out in **GURU NANAK OIL MILLS** based in Railways division, Lira district Uganda.

The study was confined to rural Small Scale manufacturing industry since it engages the labor force in various activities that require little capital to sustain their livelihood. The study focused on the reasons for the growth of RSSMI towards the provision of employment to the labor force. Through this the role of RSSMI with the support of government and other International partners is recognized thereby encouraging small scale industry for employment, infrastructure, standard of living and improved household earnings.

### **1.11 Key definition of terms**

**Business.** The oxford learner's dictionary defines business as a commercial activity, a means of livelihood, a trade, profession, occupation, etc. (Agarwal 1980, An intensive study of small scale and cottage industry in Aligarh District)

**Capital.** This is a man-made productive asset that are set for the production of goods and other assets. The other restricted cases, it is defined as money set aside to start a business. (Gadgil 1975, Marketing of turmeric in Sangli District)

**Economic development.** This is defined as the process whereby a country's real GDP increases over a sustained period of time. (Jailal 1979, Growth of small scale industries in India, Journal of Industry and Trade)

**Economic growth.** This is an increase in the amount the amount of goods and services produced by a country. It is conventionally measured as the percentage rate of increase of GDP. (Jailal 1979, Growth of small scale industries in India, Journal of Industry and Trade).

**Small scale industry.** The definition of Small Scale Industries varies from one country to another. In most of the countries of the world, the criterion for defining a small enterprise is related to the size of employment. For instance, in the USA, small business is one which has employment of less than 500 people. In the U.K, it is less than 20 skilled workers, in Sweden and Italy less than 50 and 500 people respectively. In some countries both employment and investment are taken into account. (Odubanjo 2000. Relevance of Small Scale Enterprises in the Development of the Nigerian Economy, Journal of the Chartered Institute of Bankers of Nigeria).

**Small scale rural manufacturing industry.** This is an industry located outside the urban center producing or processing commodities operating mainly with hired labour usually 10 to 50 people. (Dawson 1990, The Wider Context: The Importance of the Macro environment for Small Enterprise Development, Small Enterprise Development)

**Development seedbed.** This refers to preparing of soil for the sowing of seeds so that we may have good crop. (Garg 2005, Entrepreneurship and Small Business)



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter provided the related literature about the variables in the study critically examining and comparing the various findings together with empirical findings as forwarded by various authors.

#### **2.1 Conceptual review**

There is no single criterion for classifying industries as small or medium scale business globally. However, evidence from literature shows that in defining small scale business, reference is usually made to some quantifiable measures such as; number of people employed by the enterprises, investment outlay, the annual sales and the asset value of the enterprises or a combination of these measures (Olabisi et al., 2013).

Olagunju (2004) taking into consideration the reality of Nigeria situation, views small scale business enterprises to include all business venture which are set up to provide one satisfaction or the other for a defined market target and with capital and asset base as low as N5,000 and as high as N1,000,000.

Onwuka and Ile 2006, defined small scale business as any manufacturing plants employing fewer than five hundred workers, investing not more than eight hundred thousand dollars (\$800,000) or one million dollars (\$1,000,000) and which does dominates its industry whereas Olayiwola and Ogundele (2005) opined that a small scale industry is an industry with labour size of between 11-100 or a total cost of not more than N50 million, including working capital but excluding cost of land. Fabayo 2009, classify small scale business into three sectors:

Production sector including agricultural processing, manufacturing and mining; Service sector and trading sector including wholesale and retails.

This study will take on the productive sector (manufacturing) of Fabayo with Olayiwola and Ogundele (2005) classification of an enterprise with labour size of between 11 -100 or a total cost of not more than Ug. Sh 800 million, including working capital and excluding cost of land.

Sustainable development as an evolving concept, which is continually redefined and reinterpreted can be formally stated as a twin principle of intra and intergenerational equity. The world council for environment and development defines sustainable development as development that meets present needs without compromising the ability of future generation to meet their own needs. In other word, it is that development that can stand a test of time. Sustainability implies the need to depart from hither to dominant models of development that fail to balance the need of people and the planet in the pursuit of peace and prosperity.

The sustainability debate anchored on the assumption that societies need to manage three types of capital (economic, social and natural), which may be non-substitutable and whose consumption might be irreversible. It emphasized the importance of capacity building and by capacity building Obi (2001) opines that is an externally or internally initiated process designed to help individuals and groups to appreciate and manage their changing circumstances, with the objective of improving the stock of human, social, financial, physical and natural capital in an ethically defensible way.

Anyadike et al., (2012), in their studies on entrepreneurship development and unemployment generation in Nigeria, relying extensively on current articles from other scholars on entrepreneurship development and government statistical documentation defined unemployment as the conglomerate of youth with diverse background, “willing and able to

work, but cannot find any”. Employment generation according to American economic association committee in Ogbuabor et al., 2013, means the availability of employment so that those qualified people who seek job at prevailing rates can find them in productive activities without considerable delay.

The objectives of SSIs are to, creation of employment opportunity, improvement of output, income and better standard of living, elimination of economic backwardness of rural and underdeveloped areas, to reduce regional imbalance, to provide employment and means of a regular source of income to the needy people living in rural and semi-urban areas according to Savita (2014)

## **2.2 Importance of small scale rural manufacturing industry towards socio-economic development**

Abaka and Mayer (1994) in their report on small-scale industries observed that the small enterprises are major creators of employment due to their labor intensive technologies. They are the seedbeds for new entrepreneurs, the vehicles to bring development to the rural areas, and use technologies, which are generally more, appropriate for them.

Studies on industrial development of different countries have shown that small and microenterprises constitute an integral part of the over-all industrial sector and play an active and significant role in the growth and development of these countries.

These enterprises contribute significantly to employment generation and output growth of different countries of which Uganda is not an exception. When launching a new financial package titled “Smile” in 1997, Duffuor, the governor of Bank of Ghana stated, “As long as we neglect the small Business sector we will always have problem of unemployment as well as underdeveloped non-traditional sector and we shall always remain a dependent economy

and vision 2020 will remain a dream”. Over the years, various governments of Ghana have recognized the need to develop the small and micro enterprises, Bhasin and Akpalu (2001).

Over the last several years, increasing attention has been paid, in both the academic and policy community, to the importance of micro, small and medium enterprises (MSMEs). Arguments have been made for their relationship with growth, employment, innovation, competition, and poverty reduction, though strong evidence of causal relationships remains elusive. (IFC/WORLD BANK, 2006). It is estimated that about a third of the GDP originates from the SMI sector.

According to the Informal Sector Survey of 1991, small scale industries operating in the informal sector alone consisted of more than 1.7 million businesses engaging about 3 million persons that is, about 20% of the Tanzanian labour force. Though data on the SSIs sector are rather sketchy and unreliable, it is reflected already in the above data that SMI sector plays a crucial role in the economy. Since SMIs tend to be labor-intensive, they create employment at relatively low levels of investment per job created. At present, unemployment is a significant problem that Tanzania has to deal with. Estimates show that there are about Ug. Sh 700,000 new entrants into the labour force every year. About Ug. Sh 500,000 of these are school leavers with few marketable skills. The public sector employs only about Ug. Sh 40,000 of the new entrants into the labor market, leaving about Ug. Sh 660,000 to join the unemployed or the underemployed reserve. Most of these persons end up in the SMI sector, and especially in the informal sector. Given that situation and the fact that East Africa is characterized by low rate of capital formation, SMIs are the best option to address this problem.

SMIs tend to be more effective in the utilization of local resources using simple and affordable technology. SMIs play a fundamental role in utilizing and adding value to local resources. In addition, development of SMIs facilitates distribution of economic activities

within the economy and thus fosters equitable income distribution. Furthermore, SMIs technologies are easier to acquire, transfer and adopt. Also, SMIs are better positioned to satisfy limited demands brought about by small and localized markets due to their lower overheads and fixed costs. Moreover, SMI owners tend to show greater resilience in the face of recessions by holding on to their businesses, as they are prepared to temporarily accept lower compensation.

Through business linkages, partnerships and subcontracting relationships, SMIs have great potential to complement large industries requirements. A strong and productive industrial structure can only be achieved where SMIs and large enterprises not only coexist but also function in a symbiotic relationship. However, the linkages between SMIs and large enterprises are very weak in East Africa. SMI development Policy, therefore, creates the potential for enhancing linkages within the economy. In addition, SMIs serve as a training ground for entrepreneurship and managerial development and enable motivated individuals to find new avenues for investment and expanding their operations, (United Republic of Tanzania, 2002).

Economic activity in Cambodia is undertaken mainly by SMEs, which are therefore playing a major role in Cambodian economic growth and poverty reduction. The SMI sector (which includes microenterprises in rural areas) dominates Cambodia's real sector economy in number of firms (99%) and employment (45%)-(Asian Development Bank Report, 2008)

Sukhpal (2001) in his article on "Employment, Efficiency and Entrepreneurship in small industry: A study of the baking industry in Punjab" examines some aspects of small industry in context of the secondary food processing consumer industry and the baking industry in Punjab. The small industries are today, viewed as inefficient, highly capital intensive and outdated in terms of production, technology and consequently products. The small scale

baking industry also exhibits low productivity. This industry, as such, is efficient compared to large scale sectors of the industry. This article looks at the emergence, growth, structure and unregistered sector. It also attempts to assess the present and potential role of these units in the development of local economy and tries to draw a policy framework for the development of small scale sector.

The dynamic role of small and medium enterprises (SMEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized. It is estimated that SMEs employ 22% of the adult population in developing countries (Daniels, 1994). The sector employs about 15.5% and 14.09% of the labor force in Ghana and Malawi respectively (Parker et al, 1994), has experienced higher employment growth than micro and large scale industry (5% in Ghana and 11% in Malawi). In Ghana, the sector's output as a percentage of GDP accounted for 6% of GDP1 in 1998 (kayanula and Quartey, 2000) Nonetheless, the developmental role of the small scale industrial (SMIs) sector in developing countries have highly been recognized. They serve as engines through which the growth objectives of developing countries can be achieved.

### **2.3 Factor inputs and employment generation**

An immense contribution of small scale industries to the growth and development of the country is in terms of employment generation. In Uganda this group of establishment employs greater number of persons than those in large scale business. More than half the industrial labor in developing countries engages in small scale enterprise, Morawets (1974). Since small scale industries are fairly labor intensive, they are better coping with problem of unemployment and poverty. They create more employment opportunity at a relative low capital cost; for instances while it will take N26, 000(Ug. Sh 401,440) to create one

employment in a large enterprise; it takes about N8, 500(Ug. Sh 131,240) in a small scale industry, Oguntoye (1990).

Strong evidence based on country and regional experience shows that small scales industries are a major source of employment in an economy; the young part time workers, the cyclical employed and the old are employed in the Small Scale Industries. According to the United States Presidential Report (1984) small firms created 2.7 million new jobs than 1.7 million jobs lost by the large firms during the global recession in America, the small scale firms numbered about 4 million (representing 97% of all business) which serve as a catalyst for a speedy recovery from the recession (United State Government 1984). The small scale business mobilizes funds, which would otherwise had been lying idle or wastefully spent and direct such to productive use. It shows superiority in the use of local raw materials when compared with modern manufacturing establishment. The small scale business also facilitates conservation of foreign exchange and the development of scarce recourses in both developed and developing.

Wu Jagehin in his study entitled Capital Intensity and Economic Growth under developed countries pointed out that both the capital output ratio and wage capital ratio show an inverse relationship with capital intensity. He recommends the setting up of SSI in countries having large unemployment.

#### **2.4 Factor input requirement and the income generation**

Apart from employment generation, another major objective of a small scales industry is to increase domestic or value added that rebounds as higher income for the owner and the households/employees, IRBD 1978. This is expected to lead to an improvement in income distribution to the extent that the benefited households belong to the low income segment of the society.

Okore 2002 stated that small scales industries do not only provide money to the community nut also other benefits that help to sustain the level of grow in the community. He coned that these industries are majorly oriented to supporting the people's needs and demands. They provide additional food supplement and housing to workers, they offer credit purchase to their products and agricultural extension services that benefits the community.

In his study of small enterprises in North Carolina, Landabaso (2001) asserted that among the various advantages of small scale enterprises are high total industry productivity, greater concentration among population in terms of income generated and output, greater share of ownership by nationals, industrial dispersal, stemming rural urban migration, greater reliance on domestic capital and lower levels of managerial and technological skills.

According to Watenga (2000), small scales industry could be generating some little income to the community but their financial capacity renders them unable to pay their workers in time. This forces them not to be able to meet their initiate promise to provide income in time to the community.

UNDESA 2010 states that, Self-employment and work in micro enterprises (SSIs) is an important enabler of female labour force participation in developing countries. Women from poor households often rely on the small scale sector for income which boosts household income, which in turn has a positive impact on child health indicators as well as school attendance Access to an income source also provides these women with greater autonomy over their lives.

Srivastara and Srivastara (2009) says that, informal sector employment which is home based allows women to engage in paid economic activity while managing household work. A recent study for India using National Sample Survey (NSS) data found that around 80% of self-employed female workers were home based.



## **2.5 Entrepreneurship development and rural small scale manufacturing industry**

SSIs are seedbeds of entrepreneurship, Garg 2005, Entrepreneurship and Small Business. Small business is regarded as a seedbed for entrepreneurship as it provides conducive conditions for the emergence and growth of entrepreneurs. Small-scale units employ available technology and can be started with less investment. They are going to use local resources and cater mainly to local demand. These units normally revolve round one individual who is called upon to perform various roles. He is the owner, manager and risk bearer and hence can be called an entrepreneur.

The emergence, growth and success of entrepreneurs are linked with the growth of small business.

The Governments too have given small-scale industry an important place in the framework of economic planning for economic and ideological reasons. Thus setting up of more small scale units will create more opportunities for entrepreneurial development and more and more educated unemployed will come forward for setting up their own enterprises.

Tony Tu-Lai Yu (1998) examined the role of entrepreneurship in the economic development of Hong Kong. It argues that dynamics of Hong Kong's economy are attributed largely to adaptive entrepreneurs who are alert to the opportunities, maintain high degree flexibility in their production and respond rapidly to change. Hong Kong entrepreneurs have shifted their production activities from one product to another, from one industry to another, from higher cost to lower cost regions, from tradition fishing and agriculture to manufacturing and then finance and other services. Their efforts have brought about structural transformation in the economy.

Ayozie and Latinwo (2010) discuss the entrepreneurial developments and SSIs contribution to Nigerian national development. They confirmed that SMEs are the means of economic development and a veritable means of solving problems. The paper identifies the marketing problems of SMEs and entrepreneurships. It concludes by specifying the role of marketing to the survival of SMEs and entrepreneurship and relevant recommendations. For SMEs to survive marketing practice and principles must be given prominence.

Adegbite (1991) observed that the small scale industries have a number of advantages which derive from the fact that they are more labour intensive than large industries and so are more capable of creating jobs, highly conducive to the provision of effective training ground for entrepreneurs and development of managerial talent.

Commenting on the role of industrialization in development, Yusuf, Olagbemi and Atere (2011), in their study of small scale industries owned by women advocated for the promotion of small scale industries in the developing countries as strategy for industrialization on the basis that its capital requirements are low and therefore within the reach of the indigenous entrepreneur. Also small scale enterprises may achieve higher employment and development of entrepreneurship and is particularly suitable for women whose means of production is considerable lower than men.

According to Malyadri 2014, Entrepreneurship Development through Small Scale industries in Nellore District of Andhra Pradesh, for strengthening the industrial base of the country, the Government of India has evolved an assistance program to stimulate the growth of entrepreneurship in small-scale sector. A plethora of measures has been taken in terms of financial, technical and managerial assistance to develop the small-scale units. Apart from providing positive policy support, the Government has given several fiscal, financial and other incentives and initiated also many other special schemes to stimulate the

entrepreneurship in small-scale sector. These include provision of developed industrial estates with all infrastructure facilities, supply of raw materials of reasonable rates, supply of machinery on hire-purchase basis, subsidized interest rate on loans, supply of power at concessional rates, capital subsidy on investment, etc. Some of the main schemes are the “self-employment scheme” for the educated unemployed people and the “Entrepreneurial Development Training Programs”. With the initiation and the efforts of the Government, small-scale industries during the last four decades have made rapid and impressive strides and progress. Reliable figures regarding the small-scale sector for 1954 were not available when the Small Industries Development organization (SIDO), the primary institution engaged in the development of small industries in the country, was established. A system of voluntary registration of small units was initiated only in 1960 when 42,000 small units registered themselves.

Misra and Puri (2007) Indian Economy, Himalaya Publishing House, a country like India, where capital and entrepreneurial skill is scarce; the small scale industrial sector has a distinct advantage so far as the mobilization of capital and entrepreneurial skill is concerned. A large number of entrepreneurs are spread over small villages and towns throughout the country. Obviously large industries cannot utilize them as effectively as the small scale industry does. This is mainly because cottage and small scale industries are distributed over the length and breadth of the country. Similarly, large scale industries cannot mobilize the savings done by the people in rural and remote places far away from the towns and cities. This difficult task can effectively be accomplished by setting up a network of small scale industries. In addition, a large number of other resources spread over the country can be put in to an effective use by the small scale industries. The rapid development of cottage and small scale industries in the post-independence period is a proof that given the necessary credit power and technical

knowledge, a large quantity of latent resources of the economy can be mobilized for purposes of industrial development.

## **2.6 Level of infrastructural development and rural small scale manufacturing industrial output produced**

Herald 1998, Institutions like “National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), National Bank for Agricultural and Rural Development (NABARD), and Small Industries Development Bank of India (SIDBI) were set up to promote and assist small-scale industries in backward or rural areas of the country. The Government of India has created the Rural Infrastructure Development Fund in NABARD to create infrastructure such as irrigation, roads, bridges, and market yards in rural areas.”

Dividedi (1985) argues that the infrastructural facilities created by government helps the growth of small scale business by facilitating the acquisition of required inputs, these facilities are the essential infrastructures that assist and promote investment. Some of them are, Provision of access roads, increased improvement in communication facilities like telephone, postal services, NITEL, etc. Provision and expansion of electricity, Water expansion schemes to service industrial of business sites, construction of industrial layouts/estates, Establishment and maintenance of an Export Processing Zone (EPZ). The provision of all these facilities help the small scale business to expand through quick movement of goods and services, expansion of markets for products and lead to a relatively investment cost. Therefore, the existence of a small scale industry will always attract such an initiative by the government forcing it to develop infrastructures in rural and disadvantaged areas of the country.

Paoli 1992 say, like all other aspects of SSIs, their working conditions vary widely depending on the general nature of the enterprise, the type of production, the ownership and location. In general, the occupational health and safety hazards are much the same as those encountered in larger enterprises, but as noted above, the exposures to them are often substantially higher than in large enterprises. Occasionally, however, the working conditions in SSEs may be much better than those in larger enterprises with a similar type of production therefore, they often provide health insurance policies to their workers and construct small clinics around the villages to cater for the needs for health services.

According to Deborah 2011, Policy Studies Institute and School of Oriental and African Studies. Impact of BIG Funding of Community Enterprise Overseas, says around one third of small scales industrial projects have secured infrastructural investment into the area they are operating in, whether roads, water or energy supplies. Several projects included infrastructural development as one of their core aims, in particular irrigation systems, bore holes and other water access schemes. Around one fifth have also experienced an increase in local private investment in business activities linked to the project, for example, suppliers of materials or onward sales activities. These infrastructural developments represent critical long term benefits for communities that improve sanitation, transport and communication networks and health. UK grant holders claimed that their role was, in part, facilitative. In some instances overseas partners were able to bring pressure to bear on government to bring more funds and more people to work on roads and structures and the reconstruction basically. Some grant holders were able to benefit target communities through their network of contacts in central and local government departments. Elsewhere, projects assisted the formation of groups which, collectively, were able to make progress on them.

Mwang'ombola 2014, Small-Scale Industries Development Organization/SICATA, a common system for providing a wide range of assistance to small-scale enterprises is through extension services. These help the community in identifying opportunities, diagnosing problems, assessing their own capabilities and weaknesses, and providing timely advice in all matters. The emphasis of extension services, their organization, and degree to which they are associated with follow-up technical or financial assistance vary widely.

## **2.7 The standard of living of the people in the community and small scale industrial requirements**

Sound development of SMIs has positive implications for improved standard of living of the citizens and generates foreign exchange for further development of the economy.

Sekitoleko 2010. The role of small scale businesses in the provision of employment to the labor force, small-scale businesses are important for welfare reasons. This in turn increases their income-levels and quality of life. As such these businesses help in reducing poverty in the country. Further, they promote equitable distribution of income among vast number of persons throughout the country; it is through this that they help in the reduction of regional economic disparities. The small scale businesses are specialized in the production and sale of consumer commodities this encourages individuals to increase their participation in the labor market thereby upgrading their lives. The freedom to work, self-reliance, self-confidence, enthusiasm to achieve and all such traits of a healthy nation can be built around the activities performed in these businesses. All these benefits flow from the fact that these businesses are highly labour-intensive, and that these can be set up anywhere in the country with small resource.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter provided a methodology that was used to carry out the research on the impact of rural small scale manufacturing industries on the economic and social development of the community. It constitutes the research design, study population, determination of the sample size and the sampling techniques, data collection method and instruments, quality control methods, data analysis technique and limitations of the study.

#### **3.1 Research design**

This research utilized both quantitative and qualitative data collection tools. This is a common approach which will help the researcher to back up one set of findings from one method of data collection underpinned by one methodology, with another very different method underpinned by another methodology, for example, the researcher gave out questionnaires to gather statistical data from respondents and then backed up research in depth by interviewing selected members with the questionnaire sample. But the research was rooted in a qualitative epistemological position that recognizes the importance of locating the research in a particular social context.

#### **3.2 Area of study**

The study was carried out on Guru Nanak Oil Mill found in Railways Division, Lira Municipality, Lira district. The selection of the study area was based on geographical proximity and owing to the fact that it is an important and a developing industrial location in the district

### **3.3 Study population**

This study covered a small scale industry in Railways Village, Lira District. Attention was focused on the employees and the community. The respondents were not only senior personnel of the industry with considerable experience on the job but the opinion of the lower spectrum of the industry will also be sought.

A total of 150 employees were purposively selected within the area of study. Copies of a well-structured questionnaire were randomly administered on the members of the employees and the members of the community. The sample of 150 was o

### **3.4 Data collection methods**

Data collections consisted of surveys, observation and interviews with the members of the community. Subsequently, a purposeful sample of 150 members was identified to participate in the data collection. A structured observation protocol was developed to aid the field note collection and a questionnaire will be developed to guide in semi-structured interviews. Multiple interviews are planned with the respondents in order to provide more in depth data collection and opportunities for follow up. The goal was to interview 150 members of the community. The researcher worked with the management to identify potential respondents. The researcher asked the respondents a series of journal prompts over the course of the project that allowed them to provide a more detailed and longitudinal view of their experiences, reactions and ideas on the impact of rural small scale manufacturing industries on their economic development.



### **3.5 Quality control methods**

The researcher ensured methodological reliability and validity. In this case, reliability meant that the findings are to be consistently the same if the study were to be carried out again. Gatsby 2003 explained reliability.

### **3.6 Data analysis techniques**

Different but complementary techniques of data collection were used to allow for easy cross-checking for the purpose of consistency. The interview schedule was employed to obtain the information on aspects of activities in face to face contact with selected respondents. This technique served as most appropriate in providing some sense of security to obtain accurate information from the respondents who may be illiterates and cannot read nor write. Knowledgeable persons who were targeted for some information were interviewed individually with the guide of semi-structured questions. Focus group discussions were also organized for respondents in Groups and Associations to ascertain the authenticity of information collected about them. Through a participatory and non-participatory observation, respondents in Shea butter project sites will be visited to confirm data gathered on their activities. The researcher also interacted with some beneficiaries of these activities.

### **3.7 Data analysis and presentation**

Data collected was presented in the form of tables and charts after critical analyses were made, using percentages and frequency distributions together with descriptive statistics. Data collected was coded manually and analyzed with the use of SPSS.

### **3.8 Limitation of the study**

Though proper care is taken in the successful completion of the study, the study is not free from the following limitations and constraints:

The researcher encountered several difficulties in obtaining empirical evidence from the respondents on various issues of small scale rural manufacturing industries. In spite of the best possible efforts put in by the researcher, there are a little data constraints whose impact on interpretations and conclusions of the study is fortunately negligible, as sufficient care has been taken to draw meaningful conclusions.

The researcher experienced data constraints in the management of secondary data too. The data published by the small industry agencies have not been regular. Further, the data published by different organizations on particular issues for a given period of time have not been uniform. Thus, the researcher encountered various data gaps. Inadequate data available in the library about the proposed topic. Other limitations included the following;

Financial constraint to enable facilitate the running of the research

Whether problems for example rain which may lead to the delay of the research

Limited time a located for the research to be carried out

Non-responding respondents

Language barrier since the research will be dealing with the local community

### **3.9 Conclusion**

This chapter was a presentation of the research method used by the researcher, the area of the study, study population, quality control methods. Data analysis and presentation, and limitations of the study.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS OF THE FINDINGS

#### 4.0 Introduction

This chapter provides analysis of data collected through the questionnaires distributed and retrieved in order to ascertain if rural small scale manufacturing industries economic and social development of the community are related. The responses were collected using different methods. The results are presented in a logical order and the findings are compared with the findings of other researchers.

#### 4.1 Demographic characteristics of the population

A total of one hundred fifty (150) copies of the questionnaires were administered out of which one hundred thirty five (135) copies representing (90%) of the questionnaire were properly completed and retrieved while fifteen (15) copies representing 10% were not retrieved.

**Table 4.1:**

Questionnaire	Frequency	Percentage (%)
Responses	135	90
Non-responses	15	10
Total	150	100

*Source: Primary data 2015*

## 4.2 Respondents characteristics and classifications

The bio-data analysis of one hundred thirty five (135) properly completed questionnaires were shown below

### 4.2.1 Age of the respondents

**Table 4.2:**

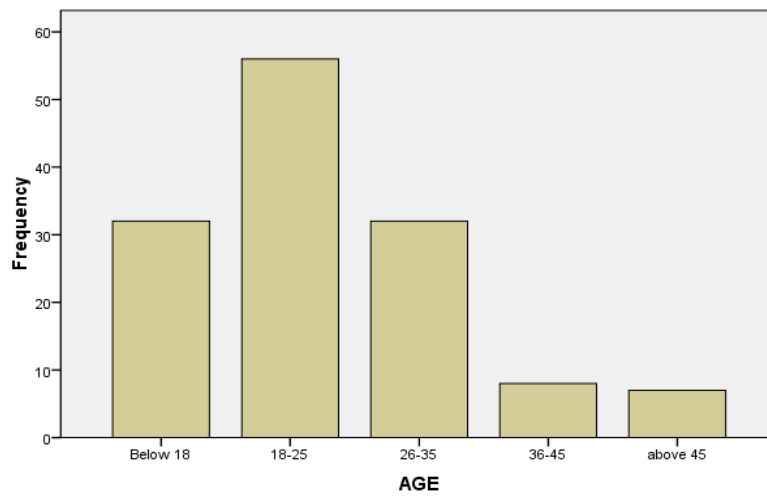
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 18	32	23.7	23.7	23.7
18-25	56	41.5	41.5	65.2
26-35	32	23.7	23.7	88.9
36-45	8	5.9	5.9	94.8
above 45	7	5.2	5.2	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

Table 4.2 above shows that thirty two (32) respondents representing 23.7% of the sample size were aged below 18 years and 26-35years, fifty six (56) respondents representing 41% of the sample size aged group 18- 25 years, eight (8) respondents representing 5.9% of the sample size were aged between 36-45 while option above 45 years attracted 7 respondent representing 5.2% of the total sample size. Thus, majority of the respondents were aged 18-25 years.

**Figure 4.1:**

**A bar graph showing the age range of the respondents**



*Source: Primary data 2015*

#### 4.2.2 Sex of the respondents

**Table 4.3:**

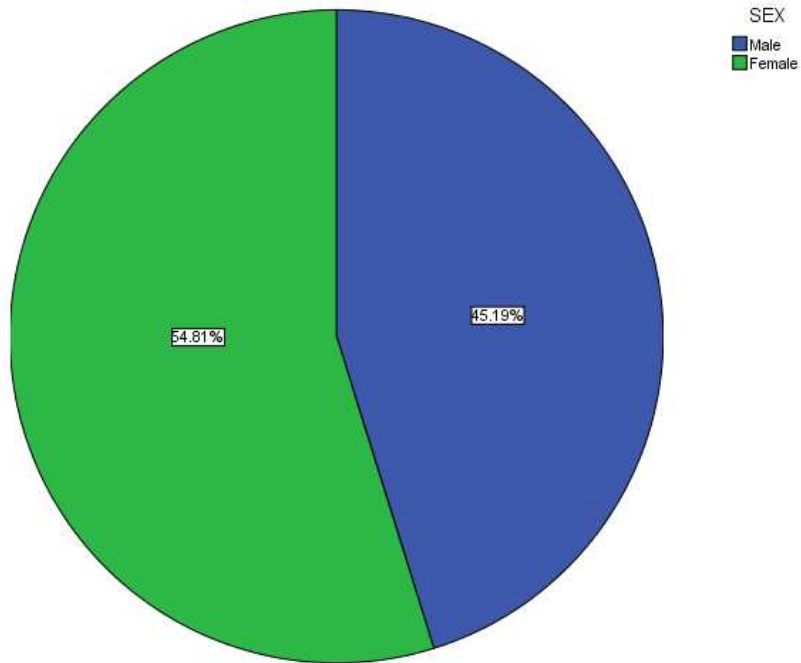
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	61	45.2	45.2	45.2
Female	74	54.8	54.8	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

Table 4.3 above shows that sixty one (61) respondents representing 45.2% of the sample size were males while seventy four (74) respondents representing 54.8% of the sample size were females. Other sex characteristics attracted no responses.

**Figure 4.2:**

**A pie chart showing the sex component of the respondents**



*Source: Primary data 2015*

### 4.2.3 Marital status of the respondent

**Table 4.4:**

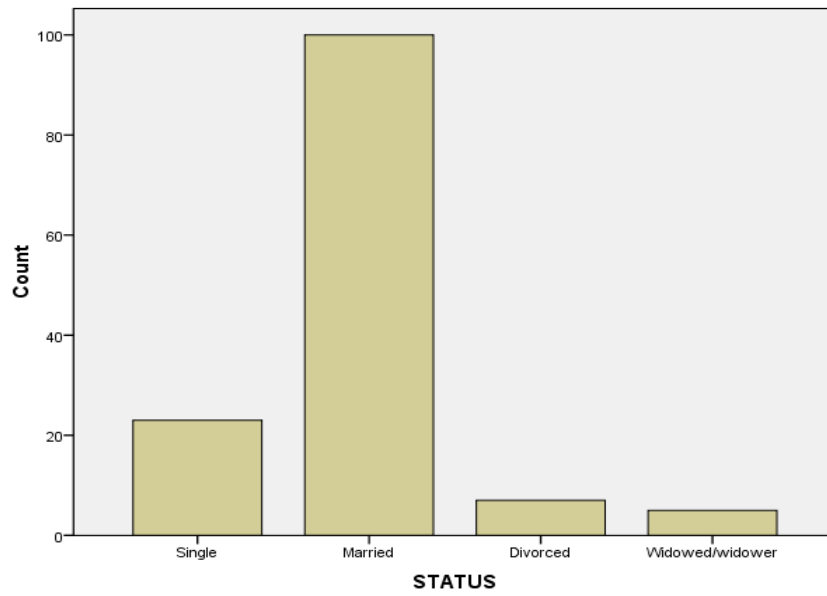
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	23	17.0	17.0	17.0
Married	100	74.1	74.1	91.1
Divorced	7	5.2	5.2	96.3
Windowed/widower	5	3.7	3.7	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

Table 4.4 above shows that twenty three (23) respondents representing 17% of the sample size were single, one hundred (100) respondents representing 74% of the sample size were married, seven (7) respondents representing 5.2% were divorced and five (5) respondents representing 3.7% are widows/widowers. Thus, majority of the respondents were married. This implies that most of the Small Scale industrial beneficiaries are women for purposes of supplementing on their incomes to enable them sustain an improved standard of living of their families.

**Figure 4.3:**

**A bar graph showing the status of the respondents**



*Source: Primary data 2015*



#### 4.2.4 Level of education of the respondents

**Table 4.5:**

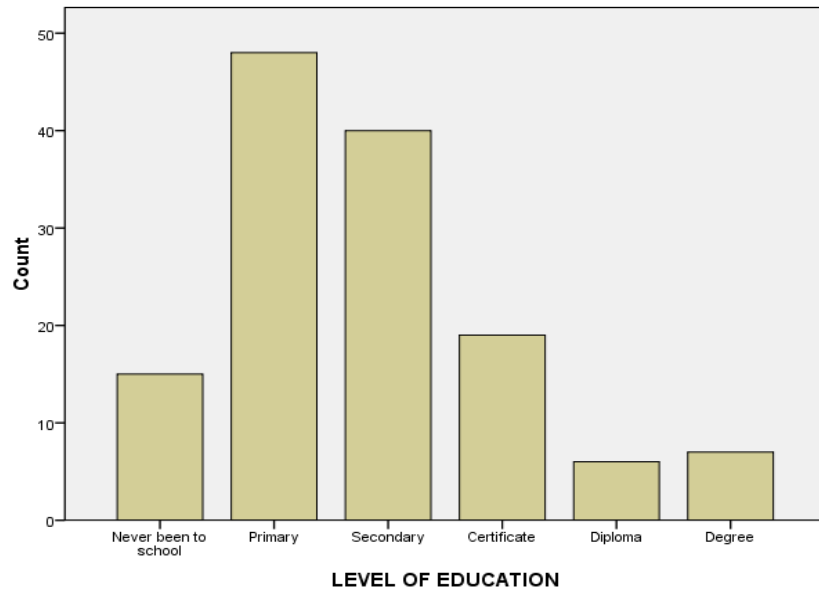
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Never been to school	15	11.1	11.1	11.1
Primary	48	35.6	35.6	46.7
Secondary	40	29.6	29.6	76.3
Certificate	19	14.1	14.1	90.4
Diploma	6	4.4	4.4	94.8
Degree	7	5.2	5.2	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

Table 4.5 above shows that fifteen (15) respondents representing 11.1% of the sample size have never been to school, forty eight (48) respondents representing 35.6% of the sample stopped in Primary level, forty (40) respondents representing 29.6% of the sample size were secondary dropouts, nineteen (19) respondents representing 14.1% of the sample size were certificate holders while another six (6) respondents representing 4.4% of the sample size were diploma holders. The remaining seven (7) were degree holders representing 5.2% of the sample size. Thus, majority of the respondents were primary school leavers. This implies that there is a lot of unskilled labor in this area.

**Figure 4.4:**

**A bar graph showing the level of education of the respondents**



*Source: Primary data 2015*

### 4.3 Effect of factor input of rural small scales manufacturing industry on employment creation

During the study, the researcher also analyzed the relationship between RSSNI factor requirements and employment creation and the results of the findings are as below

#### 4.3.1 Employment status of the respondent

**Table 4.6:**

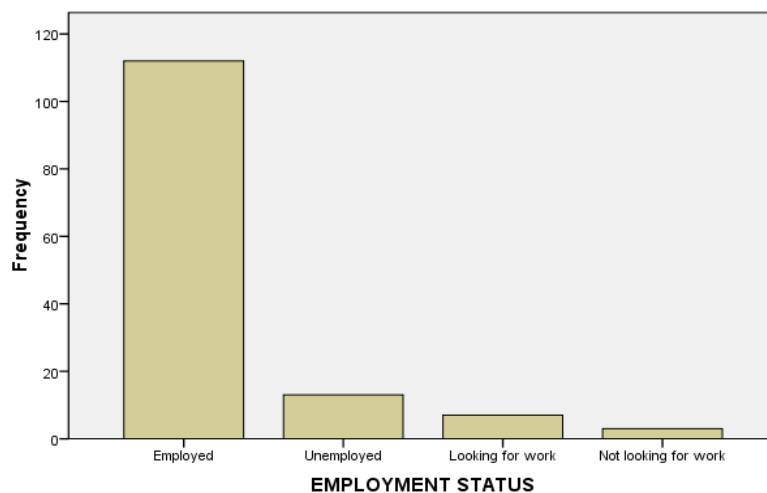
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Employed	112	83.0	83.0	83.0
Unemployed	13	9.6	9.6	92.6
Looking for work	7	5.2	5.2	97.8
Not looking for work	3	2.2	2.2	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

Table 4.6 above shows that majority 83% of the respondents were employed by the industry, the unemployed respondents were 9.6% the people looking for a job had 5.2% and then those who are not looking for work had the percentage of 3%. According to the information in the table, the majority of the respondents are employed representing 83%. This agrees with Morawets (1974) who noted that more than half the industrial labor in developing countries engage in small scale enterprise. This helps to understand the employment. This information is further explained by the figure below.

**Figure 4.5:**

**A bar graph showing the employment status of the respondents**



*Source: Primary data 2015*

### 4.3.2 Type of occupation

**Table 4.7:**

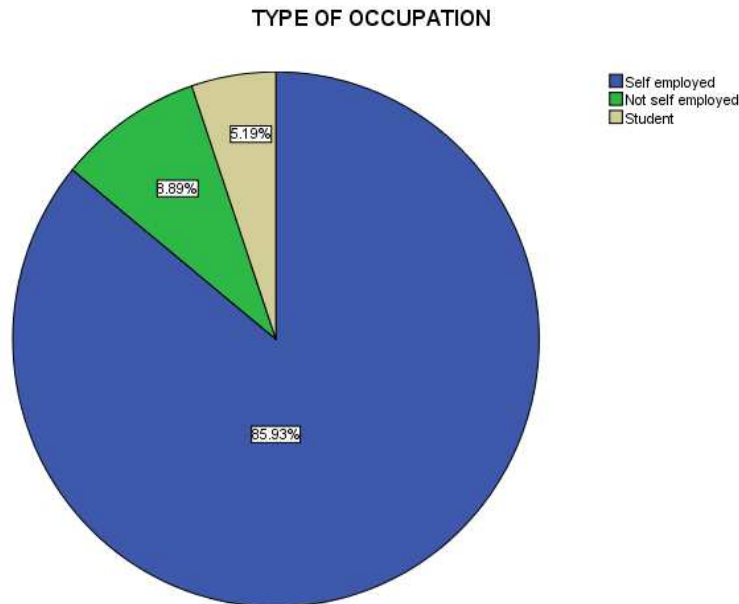
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Self employed	116	85.9	85.9	85.9
Not self employed	12	8.9	8.9	94.8
Student	7	5.2	5.2	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

Table 4.7 above shows that 85.9% respondents are self-employed and undertake different types of trade activities. About 8.9% are not self-employed and are working with the factory. However, 5.2% are students not working nor looking for employment also trade in their farm produce. According to the information in the Table 4.7 above, majority of the respondents agreed to the statement inputs of rural small scales manufacturing industry creates self-

employment with 85.9%. This agrees with Akumbomi (2011) that self-employment in small-scale business presents a constructive option for income generation

**Figure 4.6:**



*Source: Primary data 2015*

### 4.3.3 Work place of the respondents

**Table 4.8:**

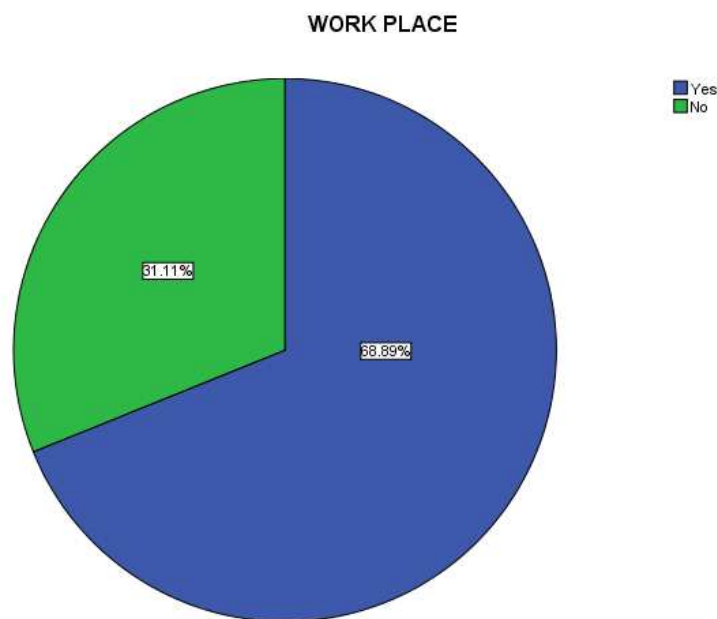
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	93	68.9	68.9	68.9
No	42	31.1	31.1	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

The researcher asked the respondent if they worked at or with Guru Nanak. The majority said yes constituting of 68.9%. The remaining 42 respondents did not work at the factory. They specified that most of them were teachers, builders, carpenters and a few students. According

to the information in the Table 4.8 above, most of the respondents agreed with the statement small scale manufacturing industry creates employment. This is noted by a 68.8% of the respondents being employed by the industry. This agrees with Oguntoye (1990) who says since small scale industries are fairly labor intensive, they are better coping with problem of unemployment and poverty. They create more employment opportunity at a relative low capital cost; for instances while it will take N26, 000(Ug. Sh 401,440) to create one employment in a large enterprise; it takes about N8, 500(Ug. Sh 131,240) in a small scale industry.

**Figure 4.7:**



*Source: Primary data 2015*

#### 4.3.4 Work done by the respondent

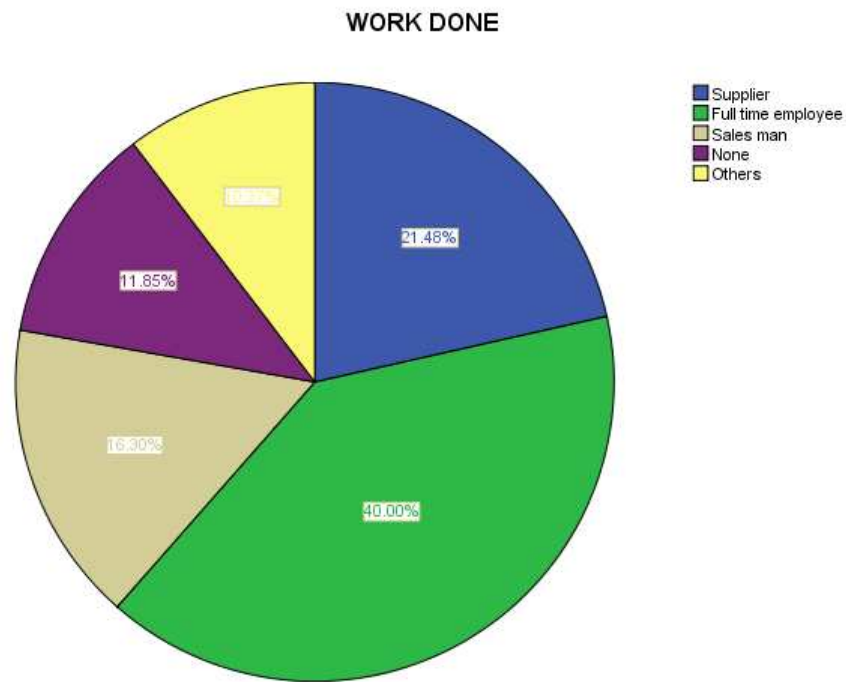
**Table 4.9:**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Supplier	29	21.5	21.5	21.5
Full time employee	54	40.0	40.0	61.5
Sales man	22	16.3	16.3	77.8
None	16	11.9	11.9	89.6
Others	14	10.4	10.4	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

Twenty nine (29) respondents representing about 21.5% are suppliers and undertake different types of trade activities including supply of inputs like raw materials, shear nut, and feeds. About 90% of the suppliers are. However, 54% of the respondents were employed by the factory on full time basis. Most of them are contract suppliers, but a few are laborers, machine operators and managers. Twenty two are sales men representing 16.3% which include people who sale products from the industry. Sixteen respondents did not work with the industry, this represented 11.9%. 14 other people did other activities with the industry representing 10.4%. Mainly engaged in advisory services, board members and seasonal works.

**Figure 4.8:**



*Source: Primary data 2015*

#### 4.3.5 The time spent by the respondents at work

Respondents were further asked to reveal the time period they have spent in business. This was intended to give a clear picture on whether there was business progress or not and data about this was analyzed as follows;

**Table 4.10:**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 1 year	27	20.0	20.0	20.0
1-5 years	54	40.0	40.0	60.0
6-10 years	48	35.6	35.6	95.6
Above 10 years	6	4.4	4.4	100.0
Total	135	100.0	100.0	

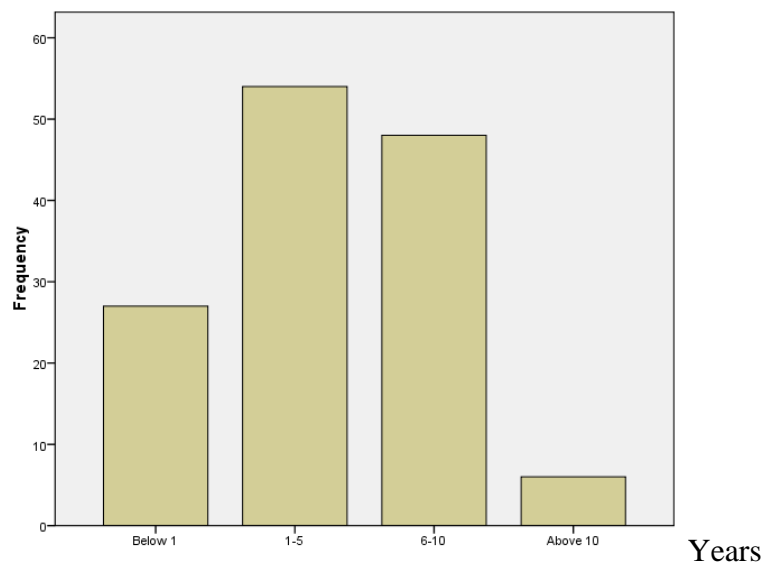
*Source: Primary data 2015*



In the study, 40% of the respondents had been working with the industry for a period between 1-5 years. Those who worked a period between 6-10 years covered 35.6%. 20% worked for a period between below 1 year and finally those who had been worked for a period above 10 years who also had a percentage of 4.8%. From the information in Table 4.10, the majority are employed for above a year and this clearly means that most of the respondents agreed with the statement that business has lasted for a long period of time and this statement is proved by the background of the case study which states that RSSMIs provide sustainable employment and income to the community. This information is further explained by the figure below.

**Figure 4.9:**

**A bar graph showing the years a respondent has worked**



*Source: Primary data 2015*

#### 4.4 Rural small scale manufacturing industry and income generation

Many of the RSSMI projects set out to boost family incomes or smooth incomes over the year. Some sought to improve agricultural yields. Others promoted additional business activity to supplement agricultural incomes or to raise urban incomes. The community at large, were a key target the projects focusing specifically on the needs of the people. This is the analysis of the income received by the community from the industry and the time of payment, the time spent at work and other benefits to the community.

##### 4.4.1 Income earned

**Table 4.11:**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid None	10	7.4	7.4	7.4
Below 150000	61	45.2	45.2	52.6
150000-350000	54	40.0	40.0	92.6
350000-500000	10	7.4	7.4	100.0
Total	135	100.0	100.0	

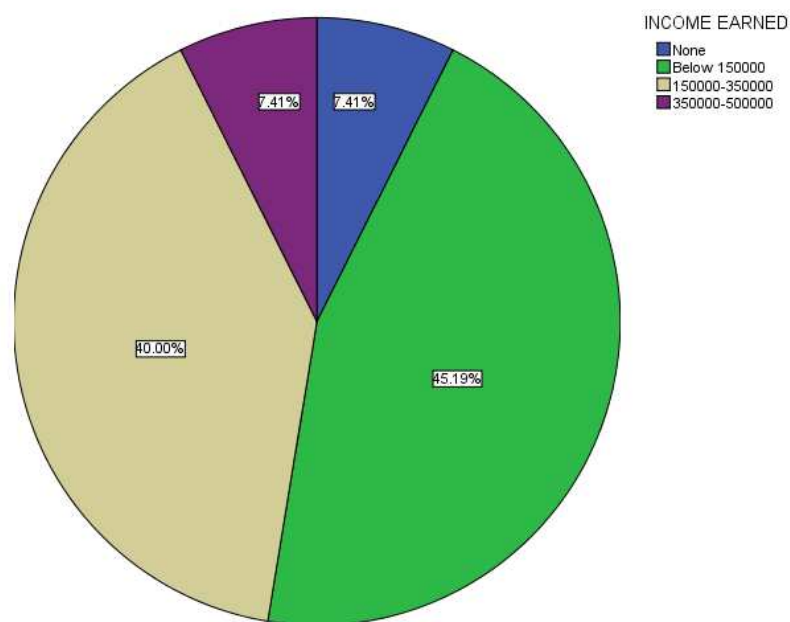
*Source: Primary data 2015*

In the study, the researcher found out that ten respondents were none income earners representing 7.4%, majority 61 respondents earned income below Ug. Sh. 150000 monthly from the industry, comprising of 45.2%. A total of 54 people earned income between Ug. Sh 150000-350000, this represented 40% of the sample size and then those who earned income Ug. Sh. 350000-500000 were 10 and this represented 7.4% of the sample size. No respondent earned income above Ug. Sh. 500000. This agrees with the fact that small scale manufacturing industry generates more income to the community since the majority earn income above Ug. Sh 150000 every month. This agrees with statement of IRBD

(International Bank for Reconstruction and Development) 1978 that apart from employment generation, another major objective of a small scales industry is to increase domestic or value added that rebounds as higher income for the owner and the households/employees. This information is further explained by the figure below

**Figure 4.10:**

**A pie chart showing the income earned by the respondents**



*Source: Primary data 2015*

#### 4.4.2 Time taken to pay the employees

**Table 4.12:**

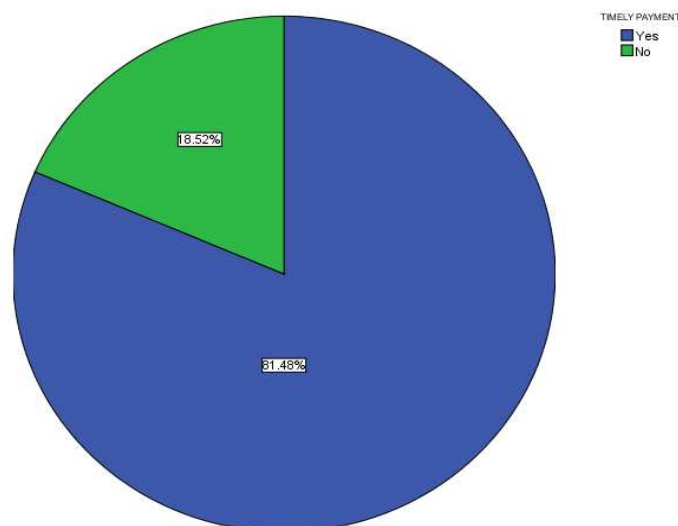
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	110	81.5	81.5	81.5
No	25	18.5	18.5	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

One hundred ten respondents agreed that Guru Nanak pays them timely representing 81.5% of the sample size but twenty five respondents denied this claim and this represented 18.5% of the sample size. This means that the respondents are able to meet their requirements from the timely pay hence improving the welfare of the community. This does not agree with Watenga (2000) who says that small scale industries could be generating some little income to the community but their financial capacity renders them unable to pay their workers in time hence forcing them not to be able to meet their initiate promise to provide income in time to the community. This agrees with Savita (2014), that the objectives of SSIs are to, creation of employment opportunity, improvement of output, income and better standard of living, elimination of economic backwardness of rural and underdeveloped areas, to reduce regional imbalance, to provide employment and means of a regular source of income to the needy people living in rural and semi-urban areas.

**Figure 4.11:**

**A pie chart representing timely payment**



*Source: Primary data 2015*

#### 4.4.3 Benefits received by the employees

**Table 4.13:**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Credit facility	20	14.8	14.8	14.8
Housing allowances	14	10.4	10.4	25.2
Health services	6	4.4	4.4	29.6
Agricultural extension services	67	49.6	49.6	79.3
Electric power supply	9	6.7	6.7	85.9
Food supply	11	8.1	8.1	94.1
Others	8	5.9	5.9	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

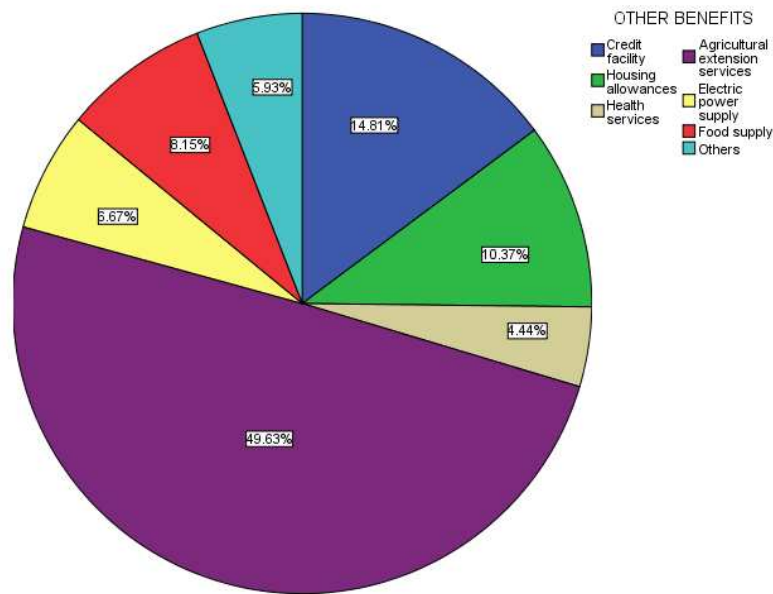
From the Table 4.13 above, 14.8% of the respondents have acquired credit facilities from the industry and this could be inform of loans, credit sales and credit purchases. About 10.4% also received housing allowances from the industry. Other 4% of the respondents received health related services offered by the industry. This included insurance, ambulance and transport to the health centers. However, about 49.6% of respondents said agricultural extension services were provided by the industry. This means majority agreed that the industry provided agricultural extension services.

Only nine respondents 6.7%, representing agreed that the industry helped provide electricity to the people. This is so because electricity is only limited to staff, else were, the community uses other sources of power for lighting and cooking. Eleven respondents 8.1% argued that the industry offered food supplies to the community. This is so because the industry offers eggs and milk to the workers on a monthly basis. Eight (8) respondents said the industry offered other benefits to the community. These included leisure, transport and

communication services. This was represented by minority 5.9%. This means that the industry provides numerous benefits to the community most of it being agricultural extension services. This agrees with Okore 2002, who stated that small scales industries do not only provide money to the community but also other benefits that help to sustain the level of growth in the community. He argued that these industries are majorly oriented to supporting the people’s needs and demands. They provide additional food supplement and housing to workers, they offer credit purchase to their products and agricultural extension services that benefits the community.

**Figure 4.12:**

**A pie chart showing the benefits to the community**



*Source: Primary data 2015*

#### 4.5 Effect of RSSMI on standard of living of the people

Standard of living of people is determined by the social and economic welfare of the community. This means that community income and expenditure is improved. The expenditure should be on consumer goods and socially acceptable goods.

##### 4.5.1 Expenditures of the community

**Table 4.14:**

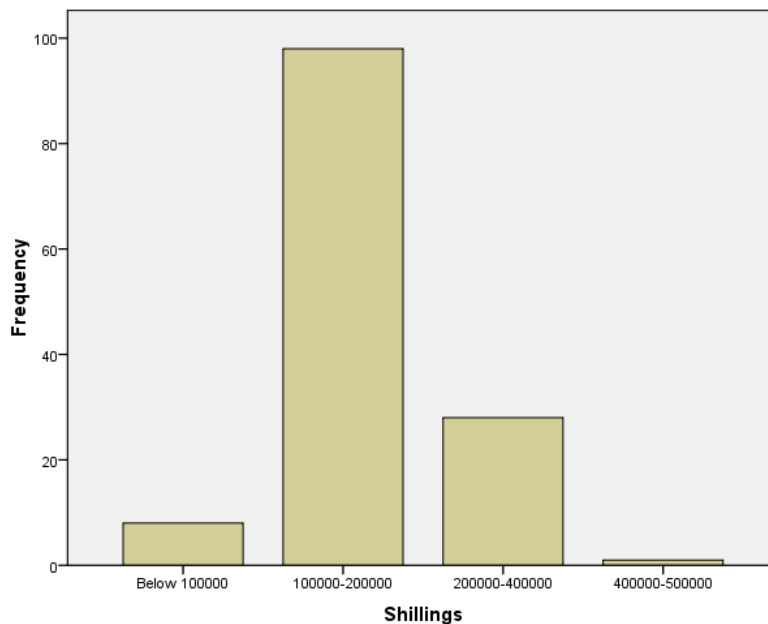
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 100000	8	5.9	5.9	5.9
100000-200000	98	72.6	72.6	78.5
200000-400000	28	20.7	20.7	99.3
400000-500000	1	.7	.7	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*

As shown in Table 4.14 above, approximately 5.9% of the respondents spent less than Ug.sh 100000 per month. Majority 72.6% of total sample size spent in between Ug. Sh 100000-200000. On the other hand, 20% spent an income of between Ug. Sh 200000-400000. About 0.7% of the respondents spent between Ug. Sh 400000-500000. The results suggest that while some local people employed in the industry obtain direct income from industry, non-direct employees increase their income through different socio-economic activities, including sales from products of the industry and supply of raw material to the industry.

**Figure 4.13:**

**A bar graph showing expenditure**



*Source: Primary data 2015*

#### 4.5.2 Expenditure pattern of the community

**Table 4.15:**

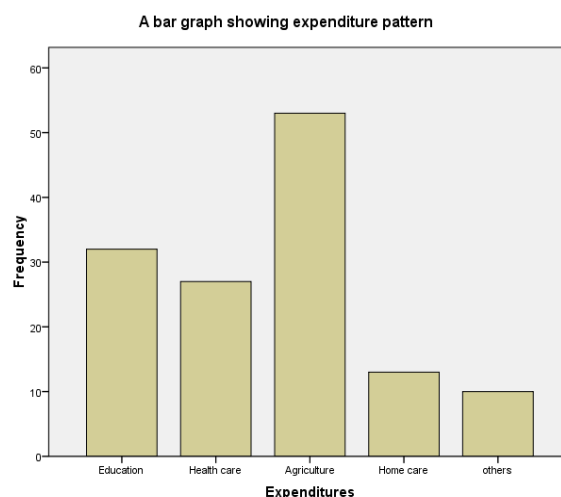
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Education	32	23.7	23.7	23.7
Health care	27	20.0	20.0	43.7
Agriculture	53	39.3	39.3	83.0
Home care	13	9.6	9.6	92.6
others	10	7.4	7.4	100.0
Total	135	100.0	100.0	

*Source: Primary data 2015*



Within the community, 32 respondents representing 23.7% of respondent spent their income on education; 20% on basic health care, 39.3% spend most of the income obtained from the industry on agricultural activities; and 9.6% on home care. It was found that only 7.4% of respondents in community spend their income on other uneconomically and socially enhancing activities. This means that the community expenditure pattern is health and enhances welfare improvement of the majority. This agrees with Sekitoleko 2010, who says that the role of small scale businesses in the provision of employment to the labor force, small-scale businesses are important for welfare reasons. This in turn increases their income-levels and quality of life; as such these businesses help in reducing poverty in the country. Further, they promote equitable distribution of income among vast number of persons throughout the country; it is through this that they help in the reduction of regional economic disparities. The small scale businesses are specialized in the production and sale of consumer commodities this encourages individuals to increase their participation in the labor market thereby upgrading their lives. The freedom to work, self-reliance, self-confidence, enthusiasm to achieve and all such traits of a healthy nation can be built around the activities performed in these businesses. All these benefits flow from the fact that these businesses are highly labour-intensive, and that these can be set up anywhere in the country with small resources.

**Figure 4.14:**



*Source: Primary data 2015*

#### 4.6 Effect of RSSMI on infrastructure and institutional development

Here the respondents were expected to answer the questions basing on the linear scale that was given on the questioner and it was running from one to five and it had sections including strongly affected, slightly affected, don't know and not affected and highly not affected respectively.

**Table 4.16:**

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
EDUCATION	135	1	5	3.31	1.123	1.261
HEALTH	135	1	5	3.56	1.256	1.577
WATER	135	1	5	1.80	.968	.937
EXTENTION SERVICES	135	1	5	1.90	.948	.900
ROADS	135	1	5	1.90	.964	.929
ELECTRICITY	135	1	5	2.46	1.386	1.922
Valid N (list wise)	135					

*Source: Primary data 2015*

##### 4.6.1 RSSMI and education promotion

According to the information in the table above, for the question, does RSSMI have an effect on education, the mean is 3.31 and therefore this means that the respondents did not agree to the statement that it has an impact on education because they did not know of the effect. This agrees with the prerogative that only small large scales industries for example Kakira sugar works, are able to provide educational services to the people of the community as stated by Bukenya, 2005.

#### **4.6.2 RSSMI and health service promotion**

According to the information in the Table 4.16 above, majority of the respondents did not agree to the statement RSSMI have an impact on health services and this is shown by the average of 3.56. They did not agree with Paoli 1992 who says, like all other aspects of SSIs, their working conditions vary widely depending on the general nature of the enterprise, the type of production, the ownership and location. In general, the occupational health and safety hazards are much the same as those encountered in larger enterprises, but as noted above, the exposures to them are often substantially higher than in large enterprises. Occasionally, however, the working conditions in SSEs may be much better than those in larger enterprises with a similar type of production therefore; they often provide health insurance policies to their workers and construct small clinics around the villages to cater for the needs for health services.

#### **4.6.3 RSSMI and water supply to the community**

According to the information in the table above, the mean is 1.8 so this means that most of the respondents agree to the statement that RSSMI enhances clean water supply to the community. This agrees with Deborah et al., 2011, of Policy Studies Institute and School of Oriental and African Studies that impact of big Funding of Community Enterprise Overseas, says around one third of small scales industrial projects have secured infrastructural investment into the area they are operating in, whether roads, water or energy supplies. Several projects included infrastructural development as one of their core aims, in particular irrigation systems, bore holes and other water access schemes. Around one fifth have also experienced an increase in local private investment in business activities linked to the project, for example, suppliers of materials or onward sales activities.

#### **4.6.4 RSSMI and extension services**

From the information in the above table above, the mean is 1.9 and there this means that the respondents agree to the statement RSSMI provide agricultural extension services to the people. They indicated that the industry provides services like, training and advice of farmers, career development projects in agriculture, free seed distribution and insecticides to farmers. This agrees with Mwang'ombola 2014 who says, a common system for providing a wide range of assistance by small-scale enterprises is through extension services. These help the community in identifying opportunities, diagnosing problems, assessing their own capabilities and weaknesses, and providing timely advice in all matters. The emphasis of extension services, their organization, and degree to which they are associated with follow-up technical or financial assistance vary widely.

#### **4.6.5 RSSMI and road construction in the community**

From the information in the Table 4.16 above, the mean is 1.9 and therefore this means that majority of the respondents agreed with the statement RSSMI helps improve road network. This agrees with scholars like Herald 1998 who say institutions like National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), National Bank for Agricultural and Rural Development (NABARD), and Small Industries Development Bank of India (SIDBI) were set up to promote and assist small scale industries in backward or rural areas of the country. The Government has created the Rural Infrastructure Development Fund in NABARD to create infrastructure such as irrigation, roads, bridges, and market yards in rural areas. This in turn benefits the community at large.

#### **4.6.6 RSSMI and electricity supply to the community**

From the information in the Table 4.16 above, the mean is 2.46 and this means that majority of the respondents agreed with the RSSMI enhance electricity supply to the community. This also agrees with Dividedi (1985) who argues that the infrastructural facilities created by government helps the growth of small scale business by facilitating the accusation of required inputs, these facilities are the essential infrastructures that assist and promote investment. Some of them are, provision of access roads, increased improvement in communication facilities like telephone, postal services, provision and expansion of electricity, water expansion schemes to service industrial of business sites, construction of industrial layouts/estates, establishment and maintenance of an Export Processing Zone (EPZ). The provision of all these facilities help the small scale business to expand through quick movement of goods and services, expansion of markets for products and lead to a relatively investment cost. Therefore, the existence of a small scale industry will always attract such an initiative by the government forcing it to develop infrastructures in rural and disadvantaged areas of the country

#### **4.7 Challenges faced by RSSMI in development enhancement**

After a careful interaction and discussion with the respondents, it was revealed that the activities of the industry have a positive effect on the community. Some however, had a different view, as they indicated that they usually cannot account for monies spent in purchasing raw materials. This meant that they recorded more cost than profit. Others, especially those in the rice and shear butter business, mentioned competition from other firms and weather conditions as some problems they face that lead to the inability to make profit. Lack of market was one of the problems confronting their inability to meet their profit levels.

Further discussions with respondents revealed that credit facilities provided by supporting organizations are inadequate and sometimes delay. Weather vagaries, ill health, inadequate agricultural inputs and inadequate support from families to undertake their businesses are some problems militating against their low development. They also confirmed that the problem with inadequate credit results from the fact that some people in the community are not able to pay back loans on time and some do default. This agrees with Thomi and Yankson, Centre on Regulation and Competition (1985) who identified the main constraints facing the small-scale industries in Ghana to be inadequate credit, input supply, and depressed domestic demand for their products and services.

**Extreme competition.** The industry faces ruthless competition from the large domestic firms and multinationals armed with improved technology, managerial ability, skilled workers, marketing skills, better product quality, and wide range of products. The small firms find it difficult to maintain their existence as the cases of merger and acquisition are continuously increasing.

**Lack of infrastructure.** Infrastructural lacking includes inadequate power supply, transportation, water supply etc. Small firms cannot bear the cost of setting up independent power supply unit. They have to depend on irregular power supply from the electricity boards. Inadequate transportation system increases cost of production. The industry producing shear nut products faces the problem of inadequate water supply.

**Lack of Skilled workers.** Though the community has no shortage of human resource, most of them are unskilled workers. Large firms pay higher remuneration and employ skilled workers. The industry has to operate with unskilled or semi-skilled workers. Thus having it suffer from low managerial capabilities.

**Marketing and Distribution Problems.** Marketing is probably the most neglected and less explored problem for Micro and Small firms. Most of them do not have any well formulated marketing strategy, market research programs, innovative advertisement techniques etc. Most of the SSIs do not have adequate monetary support to develop marketing section and many are not aware of modern low-cost marketing techniques (blogging, sending mails, developing website for the company).

**Delayed payments.** The small firms find it difficult to recover their dues from the large firms and even from Govt. departments due to complex payment procedure and corruption. Due to lack of funds, they cannot employ credit collection machineries (like factoring services). The large firms force them to offer long credit period and even pay advance to ensure timely supply of materials

These are in line with Sowa et al, 1992 and Aryeetey et al., 1994 who say that it therefore raises the puzzle "do SMIs have a dynamic economic role?" The arguments strongly favor the views that SMEs have great potentials to serve as engines of economic growth. However, SMEs face a number of constraints, which includes: financial, technical, raw materials, managerial, legal, regulation and competitive policies. SMIs in Ghana have been acknowledged to face many obstacles in their development and this is often linked to the absence of a clear vision of the roles in development and the clear lack of a credible policy framework and distinct credible interventions to promote their growth and expansion

The RSSMI faces a tough situation due to extreme competition from large industries due to withdrawal of subsidy, lack of infrastructure, anti-dumping policy, challenges on product standardization, total quality management etc. Though Globalization has increased competitiveness in RSSMI to certain extent, still Ugandan RSSMIs are not adequately prepared to compete with the global players. There has been a definite change in attitude of

the government from protection to promotion of the RSSMIs. The government has taken several policy initiatives but needs to ensure proper co-ordination and implementation of such schemes. The RSSMIs must convert the threats of globalization into opportunities through increased productivity, product diversification, supply chain management, Research and Development activities.



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter focuses on the summary of major findings of the study in consonance with the objectives stated and draws conclusions from these findings. The main objective of the study was to assess the effect of rural small scale manufacturing industry on the socio-economic development of the community under Railway Division, Lira municipality, Lira District. The district is located in the Northern Region of Uganda. The study employed descriptive research design with various sampling procedures. A total of 135 people were sampled for the study.

#### 5.1 Summary

The small scale industry is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Basem 2008). Small scale industry is a driving force for economic growth, job creation and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Ogechukwu and Latinwo 2010, Cook and Nixon, 2005).

The researcher answered the three research questions mentioned below: What is the relationship between small scale rural manufacturing industry and standard of living, Why are small scales industries so important to the development of the community, What are impacts of the small scales manufacturing industries on the income level of the rural population, What challenges do small scales industries face, What impact do small scales

manufacturing industries have on the employment creation. In the course of the study, he found out:

### **5.1.1 Effect of rural small scale industry on employment level in the community**

Uganda's micro and small firms (MSMEs) account for 90% of the country's private sector and according to the World Bank's Uganda Economic Update (2013) MSMEs are the biggest source of employment, employing around 30% of Uganda's workforce.

The study results revealed that though, the community has a lot of constraints, the little income they make from the small scale industrial activities has contributed significantly to their livelihoods and general development of the community. The study revealed that majority of the community members were employed and these had a percentage of 83%, unemployed respondents comprised of 9.6% then the remaining 5.2% and 3% were either looking for a job or not respectively. About 68.9% of the study population is employed by the industry either directly as an employee or indirectly as a supplier and sales person most of them being female represented by 54.6%.

### **5.1.2 Effect of rural small scale manufacturing industry input requirement on income of the community**

The findings indicated that there is a significant relationship between rural small scale inputs and income levels of the community. Most of the respondents obtain income from the industry and have experienced a substantial increment in their income levels in the years they have worked with the industry. This is represented by the fact that ten respondents were none income earners representing 7.4%, majority of the respondents earned income below Ug. Sh. 150000 monthly from the industry, comprising of 45.2%. About 40% earned income between Ug. Sh 150000-350000 and then those who earned income Ug. Sh. 350000-500000 was 10

and this represented 7.4%. This means that the majority of the population earns sustainable income from the industry. Hence stating an impact on income levels by the industry.

### **5.1.3 Effect of rural small scale industry on infrastructural and institutional development**

The study indicates that rural small scale industry has an effect on some infrastructural and institutional development in the community although to a small extent, other aspects are not affected by the industry. The study revealed that RSSMI has an impact on roads construction, water supply electricity supply, and extension services. On the other hand, the study revealed that RSSMI has no impact on education and health services in the area.

### **5.1.4 Effect of rural small scale industry on standards of living of the community**

The respondents confirmed that the income obtained from the industry positively affected their life styles and about 5.9% of the respondents spent less than Ug.sh 100000 per month. Majority 94.1% of the population spends an income above Ug. Sh. 100000. This implies that they the majority leave above a dollar per day hence a better standard of living

## **5.2 Conclusion**

Essentially, developing and underdeveloped countries like Uganda lack good policies that favor SSIs development. Until the attitudes of our government, ministry and agencies associated with the industry change, industrialization will be a mirage. There is need for policy effectiveness, which has been undermined by policy instability and inconsistency over time. Policies favoring infrastructural development, market enlargement and communication will boost the activities in implementing development.

Since the findings from the study indicated a positive and insignificant impact of RSSMI inputs on employment, a positive and insignificant effect of RSSMI inputs on income, a

positive and significant effect of RSSMI outputs on standards of living and also a positive and significant effect of RSSMI on infrastructural development, therefore, this study concludes that there is a positive and insignificant effect of rural small scale manufacturing industry on the socio-economic development of the community.

### **5.3 Recommendations**

Improving gender balance is critical. The study revealed that RSSMI operation was dominated by women. This state of affairs is not in contrast with Uganda Government's policy and that of global policy on empowerment of women. Therefore, there is need to maintain the level of women employment in the manufacturing sector through a series of affirmative actions and encourage men to join productive activities too. Government's development partners should be equally encouraged to take the aspect of women in the manufacturing sector as a matter of priority.

Since a good number are illiterate, this is not a welcome development. Adult literacy needs however to be taken up by the ministry responsible for trade and industry in Uganda much more seriously than ever before so that more individuals may be brought on board to benefit from SSE operations and benefits. Government of Uganda needs to establish community education programs that will target the promotion of entrepreneurship and business. This will improve household economic security, create wealth within the community in the context of Government's policy and slogan of prosperity for all as championed by President Yoweri Museveni of Uganda in his (2011 -2016) manifesto.

Support towards small scale industries is critical. In this regard, the central Government should put in place a framework of policies and actions designed at supporting the establishment and growth of RSSMIs through subsidies and tax waivers. The end result of this will significantly improve the performance of small scale industry; improve SSI chances

to breakeven, as well as increasing the profitability margin thereby enabling re-investment, resulting into business expansion and broadening employment opportunities in the country and the region at large.

Improving collaboration and knowledge sharing is imperative. RSSMIs should be encouraged to open up more opportunities for collaboration and alliances which would lower costs, save time, reduce on the intensity of capital demanded, and improve effectiveness and quality as they will be contracting out to people with expertise in those fields. The main reason for this is that overtime as RSSMIs mature, they create or refine knowledge and ways of doing business, and this may have positive impact on the overall cost levels of production.

#### **5.4 Suggested areas for further research**

From the study, the findings and recommendation given, the researcher urges further researcher in the following areas:

Financial constraint and the performance of rural small scale manufacturing industry.

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## Appendices

### Appendix I: Questionnaire

**Dear Respondent,**

My name is OPONGGOGA OSCAR LEO, a student at Uganda Martyrs University Nkozi faculty of Science pursuing a Bachelor of Science Majoring in Economics and Statistics. I am conducting a study on the effect of rural Small Scale manufacturing industry on the socio-economic development of the community. The information obtained will help me fulfill the requirement for the Award of the Degree and will be kept confidential for academic purposes only. Thank You

#### Part 1

Age

1. Below 18  2. 18-25  3. 26-35  4. 36-45  5. Above 45

Sex

1. Male  2. Female  3. Others

Marital status

1. Single
2. Married
3. Divorced
4. Windowed/widower

Level of education

- 1. Never been to school
- 2. Primary
- 3. Secondary
- 4. Certificate
- 5. Diploma
- 6. Degree

**Part 2**

Employment Status.

- 1. Employed
- 2. Unemployed
- 3. Looking for work
- 4. Not looking for work

Occupation type

- 1. Self-employed
- 2. Not self-employed
- 3. Student

Are you employed by Guru Nanak?

- 1. Yes
- 2. No

What work do you do?

- 1. Supplier
- 2. Full time employee
- 3. Sales man
- 4. None
- 5. Others (Specify)  .....

How long have you been employed by Guru Nanak?

- 1. Below 1 year
- 2. 1-5 years
- 3. 6-10 years
- 4. Above 10 years

Do you have any other work other than Guru Nanak?

1. Yes  2. No

If yes, specify.....

**Part 3**

How much income do you earn from Guru Nanak in a month? (Ug. Shillings)

1. None  2. Below 150000  3. 150000-350000   
4. 350000-500000  5. Above 500000

What other benefits do you get from Guru Nanak?

1. Credit facility(Loan)   
2. Housing allowances   
3. Health service   
4. Agricultural extension service   
5. Electric power supply   
6. Food supply   
7. Others (Specify).....

Are you paid on time?

1. Yes  2. No

What do you use your income for?

1. Education   
2. Health care   
3. Agriculture   
4. Home care   
5. Others. (Specify) .....

What is your monthly expenditure in a month? Ug Sh.

1. Below 100000     2. 100000-200000     3. 200000-400000   
 4. 400000-500000     5. Above 500000

**Part 4**

How has the Industry affected this social service provision? (Tick in the box. 1. HA= highly affected, 2. SA= slightly affected, 3. DK= don't know, 4. NA= not affected, 5. HN highly not affected)

SERVICE	HA	SA	DK	NA	HN
EDUCATION					
HEALTH					
WATER					
EXTENTION SERVICE					
ROADS					
ELECTRICITY					

Comment.

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**Part 6**

What challenges do you think the industry faces?

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What should be done to overcome these challenges?

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**\*\*\*\*\*END\*\*\*\*\***