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Business



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Uganda: A Case Study from Bushiness and Embarrass Towns[1] Charles

Tuscaloosa-Kabob Print/Download PDF Version Abstract: The prevarication

drive and the Civil and Public Service reforms that began In the early sass in

Uganda laid a foundation for an increased number of small business

enterprises.

By 2002, small scale enterprises were employing approximately , 000, 000,

and serving about 6, 000, 000 people at business and household level. The

entrepreneurs that set up these enterprises lacked business management

skills and capital, and as such, many of them faced a number of problems,

most of which were of a startup nature.

A survey was carried out to establish the causes of small business failures in

Uganda using businesses in Embarrass and Bushiness towns as case studies.

In-depth interviews and questionnaire methods were mainly used to collect

data from 133 small business enterprises.

It is concluded that the causes of small businesses failure are

multidimensional and diverse. They include poor management as well as

political, economic, social, cultural and environmental factors. In practice,

many of these are interrelated.

The survey revealed that the startup factors posed a greater threat than

those that are encountered once the business has been established. As such,

business people who successfully negotiate the initial startup hurdles have

greater chances of future success in their businesses. Despite the solutions

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sought over the years, the business community in Uganda is still hampered by the challenges.

The study concludes by making a number of practical suggestions against business failure. INTRODUCTION ere prevarication drive, which started in the early sass, made the Government of Uganda relinquish its position as the number one employer. The Civil and Public Service reforms downsized the public service, reducing staff employed by central government from 320, 000 in 1990 to 191, 324 in March 2001, a reduction of As a result, tens to thousands to retrenched civil servants Joined the private sector as small scale business owners.

This led to the mushrooming of small scale business enterprises, most of which employed fewer than five persons and as many as 90% of he non-farm private sector workers. Since then, the number of small scale businesses in Uganda has grown from 800, 000 in 1995 to about 2, 000, 000 in 2002. These serve about 6, 000, 000 people at business and household level of the 26. 3 million population. [3] Small scale business is defined as one which is independently owned and operated, and not dominant in its field of operation.

[4] It can also be defined in terms of sales meme and by the number of employees in the business.

In Uganda, these businesses are very small employing up to a maximum of 50 people, who in most cases are members of the same family. They have working capital of less than USED 26, 882 and revenue value of USED 5, 376 – 26, 882 throughout each year of operation. [5] In addition, they have an <https://assignbuster.com/african-micro-industry-case-studydoc/>

asset base of up to USED The major activities of small scale businesses in Uganda are farming, buying produce, market vending, catering and confectionery, shop keeping, second hand clothing, health/herbal services, secretarial services, telephone services, handicraft, transport, and many others.

The majority of these operate in shared premises and are set up before they get licenses. Ownership and management is on family basis and as such has a small call operation.

It is labor intensive and skills are acquired on the Job, often using adapted technology. According to John Chough, more than 50 percent of them fight an uphill battle from the start and fail in the first five years. [7] This is a common scenario for Uganda small businesses, as most of them ‘ never celebrate their first anniversary. ‘ ere purpose of this survey was to investigate the reasons for small business enterprise failure.

Another reason for the survey was to determine the financial impact of “ load shedding” to the businesses that use electricity as a source of energy. Case studies of businesses in two towns in Uganda were made and for the businesses studied, causes of failure and some practical measures suggested are outlined.

This knowledge could help in mapping out strategies for solving the number of problems faced by these businesses, thereby contributing to poverty alleviation, one of the Millennium Development Goals (Meds). A version of this survey is to be translated in the local languages in order to be available to a wider audience.

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METHODOLOGY Study area and population This was a descriptive survey of the startup causes of business failure and other issues faced by small enterprises. Embarrass and Bushiness are located in Southwestern Uganda. These are the district headquarters of Embarrass and Bushiness respectively in what was formerly called Ankle region. The two districts neighbor each other.

Bushiness town has a population of 22, 259 people of which 10, 429 are male and 11, 830 are female. It covers an area of 44 square kilometers. On the other hand, Embarrass town has a population of 6 08 people, to which 3 1 are male and 35, 017 female. 8] The total land area of the town is approximately 51. 47 square kilometers.

The economic activities of both towns includes but is not limited to crop and animal farming and trade, trade in retail and wholesale, workshops of carpentry and metal fabrication, hotels and food kiosks, brokerage, brick making, water vending, telephone operating, lodging and bars, taxi operating and milk processing. Embarrass and Bushiness have both informal and formal business enterprises. In most cases, they engage in the same products, reducing opportunities for internal domestic markets within the region. In addition, Embarrass has 9, 171 (5. %) of the total national businesses and employs 19, 946(4. 4%) of the total national workforce.

On the other hand, Bushiness has 1, 225(0. %) businesses out of 160, 883 in the whole country and employs 3, 599 people. Most of these businesses fall in the category of trading. [9] These two particular towns were chosen for three reasons: 1) because of their close proximity; 2) the observed increase

of economic activity in terms of new buildings, schools, hotels, petroleum products gas stations; 3) viable small businesses have sprung up in the recent past in these towns but most of them have not survived for more than a year.

Data collection Data was collected from 133 business enterprises by interviewing the owners. Of those businesses, 1 were from Embarrass and the remaining 20(1.5%) from Bushiness.

The number of businesses in Embarrass compared to those in Bushiness is in ratio of seven to one, and this dictated the numbers chosen from each town. The numbers were also determined based on the numerous socio-economic activities in Embarrass compared to Bushiness town. Businesses were chosen by random sampling, Judgmental analysis, and partly purposive decisions in order to have a wide representation of business activities in the sample.

Business activities that were similar in nature were grouped together for sampling purposes. Two methods were mainly employed in primary data collection.

These are in-depth interviews and questionnaire methods. Data from Bushiness town was collected in two days and all the 20 respondents were interviewed with a research assistant who was taking notes of the proceedings of the Interview. The duration of these interviews varied between one to two hours. For those in Embarrass town, data was collected mainly using a field-tested questionnaire. 10th structured and unstructured questions were administered to the proprietors.

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A special questionnaire was designed to collect information on the financial impact of dad shedding on businesses in Embarrass town. This was administered to the proprietors of gas stations, bars, saloons, computer training services, hotels, and milk coolers that accounted for 28(21 of the respondents. Data collected was cross-tabulated to show the different variables. The entry and analysis of data were done using Pep-leno version 6. Bib statistical package.

This generated truculence tables tort socio-economic and demographic data, taking into account the relationship between independent and dependent variables of different enterprises.

The qualitative data was collected, transcribed, and grouped. Double data entry and checking were used to minimize errors. Oral consent to participate in the study was obtained from all respondents. In addition, the researcher received approval from the town council leadership of Bushiness and Embarrass. FINDINGS ere response rate for the survey was high.

One hundred thirty three (133) representing 95% questionnaires were returned out of the 140 distributed, of which 20(14%) were from the respondents in Bushiness and the rest 113(81%) from Embarrass town.

The high response rate was due to the fact that most of the questions were asked directly to the respondents. Of the responses received from the survey, 128 196%) also gave suggestions on how they overcame common causes of business failure they encountered during startup or after they had established their businesses. These suggestions formed the basis for the practical action against business failure proposed in table 3.

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Over ten different types of small businesses were sampled and studied from the two towns (see table 1). Of these businesses, 24(18%) were involved in general merchandise and 31(23. 4%) were restaurants, hotels and bars.

The other businesses studied were gas stations, milk cooling plants, maize milling, Juju kali and saloons. Other activities studied included garages, hardware, clinics, pharmacies and those Involved in selling second hand clothes. Also included in the study were business activities like security services and computer services (these are included under ‘ others”).