

**ROLE OF SMALL AND MEDIUM ENTERPRISES ON EMPLOYMENT
PROVISION IN UGANDA. A CASE OF KABALE MUNICIPALITY**

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2020/A/MBA/2678/W

**A DISSERTATION SUBMITTED TO DIRECTORATE OF POSTGRADUATE
STUDIES IN PARTIAL FULFILMENTS OF THE REQUIREMENT FOR THE
AWARD OF A MASTER OF BUSINESS ADMINISTRATION OF KABALE
UNIVERSITY**

APRIL, 2023

Declaration

I, **Namanya Moreen**, hereby declare that this is my original dissertation titled “ROLE OF SMALL AND MEDIUM ENTERPRISES ON EMPLOYMENT PROVISION IN UGANDA. A CASE STUDY OF KABALE MUNICIPALITY” and to the best of my knowledge, it has never been presented to any institution of higher learning for the award of an academic qualification. Where other peoples’ work has been used, they were acknowledged in references.

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Approval

This is to certify that this research dissertation titled “ROLE OF SMALL AND MEDIUM ENTERPRISES ON EMPLOYMENT PROVISION IN UGANDA. A CASE STUDY OF KABALE MUNICIPALITY” has been done under my supervision and is now ready for submission.

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(2nd Supervisor)

Dedication

I dedicate this work to my beloved husband Mr. Edwin Ashaba Batuma, children Kateeba Ethan Peter and Kagahe Jonathan Ashaba. to my parents; the late Tumusime Christopher Rutasikwa and Lydia Owobugabe.

Acknowledgement

In a special way, I would like to acknowledge my research supervisors Prof. Kaaya Siraje, and Mr. Kanyesiime Alex. Thank you for the academic support you rendered to me throughout the whole process of this dissertation.

I would also like to acknowledge my Husband Mr. Ashaba Edwin Batuma for the financial and support he rendered to me towards completion of this dissertation.

To Hon. Minister David Bahati and the entire NRM office Kabale for the encouragement and moral support rendered towards this accomplishment of this research dissertation.

To the town clerk Kabale municipality Ms. Justine Barekye for permitting me to collect data from Kabale municipality.

Further acknowledgement goes to my fellow students MBA (2020) class. The journey has not been easy but God willing, we have managed to see it through.

Finally, Ebenezer - Ebenezer. The Lord has brought me this far, the Glory and Honor goes back to Him.

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List of Abbreviations and Acronyms

KDLG	Kabale District Local Government
MFI	Micro-Finance Institutions
OECD	Organization for Economic Cooperation and Development
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UBOS	Uganda Bureau of Statistics
UIA	Uganda Investment Authority
UNFPA	United Nations Population Fund

Abstract

The study was about Role of small and medium enterprises on employment provision in Uganda. A case study of Kabale Municipality. Objectives of the study were; to examine the financial capacity of SMEs in relation to employment provision in Kabale Municipality, to establish the management of SMEs in relation to employment provision in Kabale municipality, and lastly; to assess the nature of SMEs in relation to employment provision in Kabale municipality. The study was carried out in Kabale municipality, found in Kabale district. The study adopted a cross sectional research design with both quantitative and qualitative approaches. Out of 127 target sample expected to participate in the study, a total of 90 respondents actually participated back giving a response rate of 70.8%. from objective one, the correlation coefficient $r = .572^{**}$ shows that there is a positive relationship between Financial capacity of SMEs and Employment Provision in Kabale municipality. The implication of the correlation coefficient is that with a stable strong financial capacity of SMEs there are many jobs created. Regarding The second objective of the study which aimed at establishing the management of SMEs in relation to employment provision in Kabale municipality, the study findings revealed that there was a significant positive relationship between management of SMEs and employment provision in Kabale municipality at Pearson's Correlation Coefficient ($r = .836^{**}$). The researcher therefore concluded that improvement in management of SMEs in Kabale municipality leads to increase in employment provision. Lastly, Regarding the last objective of the study, findings revealed a positive relationship between nature of SMEs and employment provision in Kabale municipality at Pearson correlation coefficient ($r = .681^{**}$). The researcher therefore concluded that the nature of SMEs especially in terms of creditworthiness, and size of the SME determines the number of people to employ in Kabale municipality.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This is an introductory chapter that details the background to the study, problem statement, purpose of the study, objectives of the study, research questions, scope of the study and significance of the study.

1.1 Background to the study

The background of the study is presented in four different perspectives namely; historical, theoretical, conceptual and contextual perspectives.

1.1.1 Historical perspective

The history of Small and Medium Sized Enterprises can be traced back over 500 years, in Roman Times, the Middle Ages, and the Medieval Period where everybody was running a small business of some form or another (Christopher, 2006). Farmers, for example, were running small businesses selling grain to merchants in the cities. Merchants were running a small businesses buying grains from farmers and flipping it for a profit at markets. Market owners were running a business by renting out stalls to merchants.

According to Johnson (2002), prior to the industrial revolution, Europe was dominated by small workshops and small businesses. This pre-industrial society powered most of its machinery using falling water, wind, animals, or human labor. While small business provided local jobs and powered the local economy, they also constricted the nation's economy overall. Countries weren't using their resources efficiently. Water-powered manufacturing, for example, was only available in areas with falling water. Wind-powered manufacturing was subject to weather-related interruptions.

The lack of man-power meant there was little motivation to launch larger factories: with limited supplies of power, there was little reason to concentrate manufacturing processes in large workshops. Small businesses provide the fuel for the engine of modern economies and as of today, some of the world's largest corporations started out as small businesses.

In 2003, the Government of Uganda (G.o.U) introduced several economic measures to restructure the economy as a way to increase the role of both the public and private businesses. The deregulation of the economy was aimed at altering the incentive structures faced by the small and medium scale sector. Such policies included; the payment and trade liberalization, interest rate liberalization, and appropriate pricing of public goods and the reduction of government involvement to enhance production and performance. Most of these policies directly and indirectly affect producers and employees in an economy as put forward by United Nations Population Fund (UNFPA 2005).

The Government of Uganda (GoU) introduced several economic measures to restructure the economy as a way to increase the role of both the public and private businesses. The deregulation of the economy was aimed at altering the incentive structures faced by the small and medium scale sector. Such policies include the payment and trade liberalization, interest rate liberalization, and appropriate pricing of public goods and the reduction of government involvement to enhance production and performance. Most of these policies directly and indirectly affect producers and employees in an economy as put forward by United Nations Population Fund (UNFPA 2005).

Small and Medium Enterprises are a major component of the business sector in Kabale Municipality that sustains the municipality through the hard times when all the different sectors of the economy are in disequilibrium. In 1986, Kabale Municipality and Uganda at large undertook economic reforms through the IMF/World Bank funded Structural Adjustment Programs (SAPs) (Opio, 2006). Like in many districts in Uganda, these reforms were meant to change the economy from an inefficient, import dependent economy to one that is more diversified, efficient and export oriented (Byamukama, 2008). The Small and Medium Sized enterprises had a role to play in support of the production and import sectors to achieve the goals of the SAPs at the time.

Approaches to employment provision all over the world have taken different forms depending on the Municipality's specific objectives. Most significantly, emphasis has been put on skills development through education and training as put forward by the United Nations Population Fund (UNFPA 2005). This has also attracted large investments by various SMEs in Kabale Municipality to the general academic, technical and vocational training so as to prepare mainly the youth for work, most of them find it difficult or have failed to secure employment in the labour market (World Bank, 1993; BoU/UNFPA, 2005). Therefore, in reflection to the many difficulties people

face to secure employment, several governments and other service providers are devising new approaches to address unemployment especially among the youth and other social groups. In here, they believe in combining education and training for wage employment or self – employment, the promotion of small and medium sized enterprises in Kabale Municipality (GOU/UNFPA, 2005)

1.1.2 Theoretical Perspective

1.1.2.1 Social Capital theory (1975)

The theory contends that individuals and organizations will always engage in social networks in order to generate profits (Lin, 1999). Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition (Bourdieu & Wacquant, 1992). Social capital is multi-dimensional and occurs at both the individual and organizational levels (Nahapiet & Ghoshal, 1998). As explained by Schmid & Robison (1995), the concept of social capital includes: obligations, expectations, and trustworthiness of structures; information channels; and norms and effective sanctions.

The theory of social capital that was adopted for this study was propounded by Becker (1975). It refers to the ability of the actors to gain benefits from their social network, personal relationships and the quality of association (Portes, 1998). The theory contends that individuals and organizations will always engage in social networks in order to generate profits (Lin, 1999). Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition (Bourdieu & Wacquant, 1992). The theory is relevant to this study in a way that;

For the purposes of this study, the Theory of Social Capital was adopted because it is relevant in the following ways;

- The more the networking, the greater the social capital.
- The greater the social capital, the higher the priority of the norm of equality.
- The greater the social capital, the easier to mobilize support for problem solutions.

Social capital is multi-dimensional and occurs at both the individual and organizational levels (Nahapiet & Ghoshal, 1998). As explained by Schmid & Robison (1995), the concept of social

capital includes: obligations, expectations, and trustworthiness of structures; information channels; and norms and effective sanctions. All these have a positive impact on the growth of SMEs.

All these have a positive impact on the growth of SMEs. According to the theory, SMEs which develop and maintain strong social networks are likely to raise finance to finance their operations and the reverse is true for SMEs which do not have social network programmes.

1.1.2.2 Human Capital Theory

The second theory is the Human Capital Theory which posits that individuals with more or higher quality human capital achieve higher performance at a particular task. Education teaches workers valuable skills that make them more productive and enables them to earn high wages. Becker (1975) distinguishes between general and specific human capital. Importantly, human capital variables include knowledge, education, skills and experience, and these variables are relevant to this study in a way that they are likely to influence the growth of the firm. Specifically, human capital attributes (education, experience, skills), in particular those of the business owner, have been argued to be a critical resource in small firms influencing overall performance and growth of the firm (Pfeffer, 2006).

1.1.3 Conceptual background

There is no universally accepted definition of Small and Medium Enterprises (SMEs) (Oteh, 2010). Every country or region has developed its definition which varies across national statistical systems according to Organization for Economic Cooperation and Development (OECD, 2000). This has surrendered SMEs to the subjective definitions of convenience and sentiments. For example, scholars like Kurokawa, Tembo, & Velde, (2008) maintain that the definition of an SME depends on number of employees, firm size, total assets, sales and investment level.

The World Bank defines SMEs as enterprises with up to 300 employees and total annual sales of up to US\$15 million (Zavatta, 2008). This definition may not apply to all economies. This therefore calls for a definition tailored to the economic situations of developing countries. From the Africa perspective, an SME is a firm employing 0-250 employees (Ayyagari, Meghana, Thorsten, *etal*, 2005).

For the case of Uganda, Kabale Municipality in particular, however much discrepancy exists in the definitions of SMEs, according to Mbaguta (2003), an SME is that firm that employs a maximum of 50 employees, with a working capital of about 50 million Uganda shillings and the turnover value of 10-50 million Uganda shillings. This definition is in agreement with that of Kasekende and Opondo (2003).

However, Uganda Investment Authority (UIA) (2008) defines SMEs as firms or enterprises which employ 50 or more people with a revenue turnover of maximum Ugandan Shillings 360 million and total assets of maximum Ugandan Shillings 360 million.

International organizations such as the World Bank and the International Finance Corporations (2002), define SMEs as those that require small amounts of capital to establish, small number of employees or in most cases personally handled by the owner, and referred to as "mini businesses" or "Bop businesses". The European Union (EU) definition is based on the parameters of development, turnover and asset size and Organization for Economic Cooperation and Development (OECD) on employment and sales turnover. This implies that they play a vital role in alleviating poverty and increasing employment attributed to their promotion of competition and dynamism, since they augment government efforts in rural and urban areas thereby improving the household incomes which enables them to access various items for daily use at affordable costs.

For this research, operational definition for SMEs refers to as businesses that employ a small number of workers and does not have a high volume of sales. Such businesses are generally privately owned and operated sole proprietorships, and corporations. The contribution of SMEs will be measured in terms of the number of jobs created, skills, competences and experiences gained by the employees.

Employment provision refers to the act of giving employment or making employment available to people who need it or want it (Mbabazi, 2012). Employment is a relationship between two parties, usually based on a contract where work is paid for, where one party, which may be a corporation, for profit, not-for-profit organization, co-operative or other entity is the employer and the other is the employee.

Employees work in return for payment, which may be in the form of an hourly wage, by piecework or an annual salary, depending on the type of work an employee does or which sector she or he is

working in. Employees in some fields or sectors may receive gratuities, bonus payment or stock options. In some types of employment, employees may receive benefits in addition to payment. Benefits can include health insurance, housing, disability insurance or use of a gym (Kasekende & Opondo, 2003).

Conceptual framework

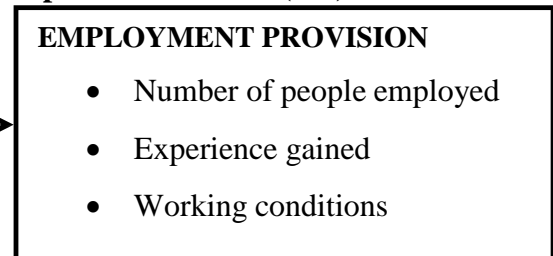
A conceptual framework is a diagrammatic representation of the relationship between the variables of the study. Kasekende (2003).

Figure 1.1.3 shows the conceptual framework adopted for this study

Independent variables (IV)



Dependent variable (DV)



Source: *Adopted from Mehta, (2010) and modified by researcher 2022*

The conceptual framework above demonstrates the relationship between independent variables; small scale business, which consists of financial capacity, management and nature of the enterprise. Then the dependent variable; employment provision which consists of number of people employed, experience gained and working conditions.

1.1.4 Contextual perspective

According to the International labor organization Report (2013), SMEs provide two thirds of all formal jobs in developing countries in Africa, and 80 percent in low income countries mainly in sub – Saharan Africa. More important than holding majority of jobs in low income emerging economies, SMEs make a key contribution to the creation of jobs, especially smaller and young

firms (ILO, 2013). According to this report, percent of total employment provision comes from enterprises with less than 100 employees. Job growth not only comes from existing companies but also from newly created firms especially those that grow very fast in the first years of activity. These new start – ups amount to relatively small share of all companies, but it is estimated that they account for quite a large share of the total job creation (UBOS Statistical Abstract, 2018).

Kabale Municipality is in Kabale district. Today, Kabale Municipality has morphed into a busy trading area with businesses, small industries, retail shops and a thriving farmers market. Behind the thriving business environment along the main road, lies a sprawling slums with all the challenges that come with crowded, poor, urban living (Luyimbazi, 2013).

The major economic activities of the area include, SMEs dealing in bakery, wood work, grain milling, micro finance institutions, shops, super markets, metal works and fabrications, saloons (Hair dressing), Garages, which all form the informal sector. These Small and Medium enterprises provide employment breeding ground for innovation in all sectors of the economy like the agriculture, and others (Uganda Bureau of Statistics, 2007).

However, Flavior Lanyero (2009) observed that unemployment rates are high among youth graduates noting that close to 36% of all University graduates living in Kabale municipality are facing unemployment. These statistics were recently revealed by the Ministry of Public Service which estimated that 22% of all youth country wide cannot access jobs. With these trends on going, the catastrophe that is likely to happen if this state of unemployment continues is that poverty will worsen resulting into hopelessness and in ability to access the basic needs of life (Kinobe, 2010).

Government and other stakeholders like NGOs and private people have attempted to put in place opportunities like establishment of SMES, provision of capital through micro finance institutions and support to different youth-oriented development projects and activities but even the educated have remained unemployed or underemployed and many other projects initiated to address the unemployment predicament have not had success (Uganda Investment Authority, 2016).

1.2 Statement of the Problem

Small and Medium Enterprises in Kabale Municipality are competitive and dynamistic in nature (Lyomoki, 2010). According to KDLG Report (2017), Kabale Municipality had 1200 SMEs dealing in bakery, wood work, grain milling, micro finance institutions, shops, super markets, metal works and fabrications, saloons (Hair dressing), Garages, among others. Despite the mushrooming of SMEs in Kabale Municipality, many people are still trapped in a very difficult situation of unemployment which has always caused them untold suffering and living under poor conditions (Byalugaba, 2015). Records from all the three divisions in Kabale Municipality (2017-2018) indicated that young people aged 12-30 years constituted around 60% of the total population of Kabale Municipality during the day but most of them were either unemployed or underemployed in a way yet some had attained university education but failed to secure jobs, many uneducated and unemployed are drug addicts and pick-pocketers making them criminal characters (UBOS, 2016). The current study, therefore, sought to investigate the effect of small and medium enterprises on employment provision in Kabale Municipality.

1.3 General objective of the study

The general objective of the study was to examine the contribution of SMEs to job provision.

1.4 Objectives of the study

- i. To examine the financial capacity of SMEs in relation to employment provision in Kabale Municipality
- ii. To establish the management of SMEs in relation to employment provision in Kabale municipality
- iii. To assess the nature of SMEs in relation to employment provision in Kabale municipality

1.5 Research questions

- i. What is the financial capacity of SMEs in relation to employment provision in Kabale Municipality?
- ii. Is there any relationship between management of SMEs and employee retention in Kabale Municipality?
- iii. What is the nature of SMEs in relation to job provision in Kabale municipality?

1.6. Scope of the study

1.6.1 Content scope

The study sought to examine the effect of Small and Medium Enterprises in the provision of employment in Uganda a case of Kabale Municipality. The independent variable of the study was Small and Medium Enterprises and the dependent variable was employment provision.

1.6.2 Time scope

The study covered a period or from 2015 -2021. This is the time when the government of Uganda was at its helm in boosting job creation through innovation in small and medium scale businesses.

1.6.3 Geographical scope

The study was limited to Kabale Municipality. Kabale Municipality is located in Kabale District which is in Western Uganda. The study was limited to this area because it has sufficient literature to provide data related to the topic of the study to enable the researcher conduct her research.

1.7 Significance of the Study

1.7.1 Policy makers

The study would help the policy makers to recognize the importance of Small and Medium Enterprises in the provision of employment to the labor force for economic development. This shall further guide them to make trade policies to enhance the performance SMEs as regards their activities to accommodate the mushrooming population that is attributed to high birth and fertility rates as well as rural urban migration within the country.

1.7.2 Researchers

To students and other scholars who intend to widen their knowledge in the study of the role of SMEs, this study shall be a basis of reference since it focuses on the causes of the establishments, how the unique characteristics of the Businesses have facilitated their role in the provision of employment, challenges they face and the solutions that are being undertaken to harness their activities.

The study contributed to the partial fulfillment of the requirement for the award of master of business administration of Kabale University

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a review of the literature on the impact of Small and Medium Enterprises on employment provision. It includes the theoretical review, conceptual framework and the review of the related literature.

2.1 Theoretical review

Various scholars have utilized different theories to investigate small and medium business growth and entrepreneurship, among them includes the theory of social capital and Human capital theory developed by Becker, 1975).

2.1.1 Social Capital Theory

The theory of social capital which refers to the ability of the actors to gain benefits from their social network, personal relationships and the quality of association (Portes, 1998). The theory contends that individuals and organizations will always engage in social networks in order to generate profits (Lin, 1999). Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition (Bourdieu & Wacquant, 1992). Social capital is multi-dimensional and occurs at both the individual and organizational levels (Nahapiet & Ghoshal, 1998). As explained by Schmid & Robison (1995), the concept of social capital includes: obligations, expectations, and trustworthiness of structures; information channels; and norms and effective sanctions. All these have a positive impact on the growth of SMEs. According to the theory, SMEs which develop and maintain strong social networks are likely to raise finance to finance their operations and the reverse is true for SMEs which do not have social network programmes.

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(1975) distinguishes between general and specific human capital. Importantly, human capital variables include knowledge, education, skills and experience, and these variables are likely to influence the growth of the firm. Specifically, human capital attributes (education, experience, skills), in particular those of the business owner, have been argued to be a critical resource in small firms influencing overall performance and growth of the firm (Pfeffer, 2006).

2.2 Financial capacity of SMEs in relation to employment provision

According to Kalibbala and Ngobo (2014), the number of people employed by the small scale businesses varies from country to country. To them in Uganda the figure was put to between 5-50, in India between 30-100. On the other hand, Stoner et al (1996), small-scale businesses are those which employ less than 500 people while in Kenya Kibera and Kibera (1997) say such businesses employ fewer workers and are usually referred to as micro enterprises since they employ 11-50 people while the medium enterprises employ 51-100. This is based on the resource capacity of the enterprise. For instance, Uganda being a labor-surplus economy due to its rapid rate increase, labor intensive approach for commodity production has been adopted so as utilize the labor power for the production of goods. As the small-scale businesses adapt to labour-intensive approaches, they employ more labour per unit of capital for a given output compared to the large-scale industries. This is evident from the fact that the small-scale sector accounts for as much as 70% of the total employment in the industrial sector thereby scaling down the extent of unemployment as well as poverty (UBOS 2007).

Data estimates from the Labor survey of United Kingdom shows that the number of people employed has increased and the number of unemployed people decreased and the number of people aged from 16 to 64 years working and not working was little changed, The working population rate was 75% higher than earlier 2017 which was 745% and the highest in history (Labour Division 2018) This is in line with the number of employed persons in India which shows in 2018 an increased number to the tune of 29650 thousand in 2012 from 28999 thousand in 2011, Employed Persons in India averaged to 25169.51 thousand from 1971 until 2012, reaching an all-time high of 29650 thousand in 2012 and a record low of 17491 Thousand in 1971.

The U. S statistic shows the number of employees has been having an increasing trend from 1990 to up to date totaling to 153.34 million people. Employed persons consist of persons who did any

work for pay or profit during the survey reference week, persons who did at least 15 hours of unpaid work in a family-operated enterprise; and persons who were temporarily absent from their regular jobs because of illness, vacation, bad weather industrial dispute, or various personal reasons (Statistical Portal 2018).

Youth unemployment remains a serious policy challenge in many sub-Saharan African countries, including Uganda, in 2013, youth (aged 15 to 24) in sub-Saharan Africa were twice likely to be unemployed compared to any other age cohort, For Uganda, in 2012, the Uganda Bureau of Statistics revealed that the share of unemployed youth (national definition, 18-30 years) among the total unemployed persons in the country was 64 percent. Given the rapid growth of the Ugandan population three quarters of the population are below the age of 30 years coupled with the fact that the youth are getting better educated through higher access to primary and secondary education, a stronger focus on job creation for this cohort of people cannot be overemphasized (Ahaibwe & Mbowa 2013),

According to Hillary Musoke the private secretary to the president of Uganda, youth unemployment in Uganda is high with over 70% of the youth aged below 30years and the major drive to curb down youth unemployment and enhance national development is by offering free land to the theme This statement forced the government to assigned Betty Kamya, the minister for Kampala to identify land where artisans could be relocated in order to enable them acquire some pieces in the capital to invest, work and earn money and this would help reduce the rate of unemployed people in Uganda (NW 2017).

The census report indicates that Uganda's population between the productive age of 14 and 64 is slightly over 18mz With 58% of this population group unemployed, it means that Uganda's total non-utilized labour potential is 10.4m as of 2014 and in line with the above, results indicate that 58% of Ugandans are not working for reasons other than pursuing studies which, according to the report, captures the country's non-utilized labour potential which the majority of those unemployed are women with 65.2% (over 11m) of them redundant (UBOS 2014).

According to the New Vision (2016), With this trend in the rise of Unemployment experts have raised apprehensions about Uganda's youth bulge warning that failure to channel its energy into productive ventures through gainful employment can turn out to be a poisoned chalice,

2.3 Management of SMEs in relation to employment provision

From a sociological perspective, management of any business whether small or medium can fully be enhanced through various employee developments in businesses for the firm success in the long run.

According to Karns (2018), promotion of employees in firms is a means of examining the managers' competencies that are essential for effective job performance / business success. Managerial competencies can be improved through promotion of employees which is less expensive than transferring or hiring which in turn has a positive effect on business success. In so doing, the firm institutes a culture among the work team that promotable insiders are also proven resources (Stoner, 2015). This also has a positive Motivational impact on their competencies that will also boost the business success.

Experience has shown that people tend to work harder when they believe there is a possibility of being promoted which limits social in-breeding and creates a better positive feedback at work (Drejer, 2010).

According to Karns (2018), what should not be negotiable between the manager and the team is the firms goals and objectives.

Management should strive not to completely give up control of the organizational goals and objectives because they must make sure the team members' goals too align with those of the business to enhance the firms' success (Balunywa, 2003).

To help empower the team, managerial competencies must become a resource of the team to enhance business success. A pivotal skill that allows a leader to do this is good communication (Blake, 2016). The more the team and management communicate, the more interdependence there will be and this in turn creates a participative relationship between the two. The upward communication allows employees to gain more information and solve problems easier. They would also be motivated to work knowing that they have an influence or say on what goes on above them in the organization which would also help them to take chances with minimal risk (Blake, 2016).

According to Myers (2017), the knowledge of the industry within which an enterprise operates is an important determinant of its access to loan because this knowledge helps to predict business trends and to create employment to people, moreover, usually required by lending institutions before extending loan finance. At the same time, this knowledge helps to know how to position

the business in the market, thereby attracting customers, sales revenue and subsequent business growth (Pearce & Robinson, 2016).

World Bank (2004) pointed out the educational level and managerial experience of the people constituting the management of an enterprise as another determinant of access to loan finance; yet Zhang 1. *et al.*, (2002) noted that this level and experience also determine the extent to which the enterprise grows in business.

In a study conducted by the National Bureau of Statistics (NBS), unemployment rose to 19.7% with about 17 million Nigerians unemployed as of march 2019, from 14.9% in 2018 and 13.1 % in 2000, Although it may not be in an overwhelming majority, small scale industry still represents a significant proportion of Nigerian workforce. It is evidenced that small and medium scale enterprises have greater impact on employment opportunity and the study emphasized that it is important to make the industry attractive for young entrepreneurs who intend to go into small scale businesses and help improve the industry to assist in employment due to the rate of unemployment and its continuous rise (NBS 2017)

SMEs (small and medium-sized enterprises) account for 60 to 70 per cent of jobs in most OECD countries, with a particularly large share in Italy and Japan, and a relatively smaller share in the United States. Throughout they also account for a disproportionately large share of new jobs, especially in those countries which have displayed a strong employment record, including the United States and the Netherlands (OECD 2016).

Some evidence points also to the importance of age, rather than size, in job creation: young firms generate more than their share of employment However, less than one half of start-ups survive for more than five years and only a fraction develops into the high-growth firms which make important contributions to job creation. High job turnover poses problems for employment security; and small establishments are often exempt from giving notice to their employees. Small firms also tend to invest less in training and rely relatively more on external recruitment for raising competence (N. Bibiana 2012).

Evidences abound that in regions or economies where enterprises have been actively promoted and encouraged, their poverty rates have declined. This is especially true of Asia whereas in sub Saharan Africa, more and more people have sunk deep into poverty.

2.4 Nature of Small and Medium scale Enterprises in relation to employment provision

Generally, the nature of SMEs in terms of labor intensive, community based and shoe-string budget characteristics are the characteristics which most of them possess (Bohnstedt, 2010). For instance, talking about shoe-string budget, a sole proprietor or a small group of people operate small businesses. These businesses often run on 'shoestring budget' meaning that small businesses function on a very tight budget. Budget terms are important in that they help lenders to reduce risks of default and to operate profitably in the lending business (Ditcher & Kamuntu, 2017).

Creditworthiness

Creditworthiness, from a lender's view, refers to the extent to which a borrower qualifies for a loan applied for (Martin, Reyna & Jorgensen, 2016). It is determined based on a borrower's ability to secure the required loan as gauged from the level of presented collateral or group guarantee as well as trustworthiness and cooperation that lenders have in and with the borrower (Kagwa-Pafula, 2010; Meeker, 2018; Micro Finance Forum, 2004; Martin, 2016).

In practice, creditworthiness is a measure used by many financial institutions to determine the capacity of the project and its promoters to meet loan obligations (Van Horne, 2016). It is normally established by considering the previous, present and/or projected business performance of a project or business for which a loan is being applied (Van Horne, 2012).

According to Klapper *et al.* (2014), the importance to financial institutions of establishing creditworthiness is rooted in the fact that they base their lending decision on the ability of the proprietor to service and repay the extended loan finance.

The business performance of any enterprise is established using its balance sheet(s), income statement(s) and cash flow statement(s). Indeed, the balance sheet indicates the current financial position of a business enterprise in form of comparing the SMEs asset base to its liabilities (ACCA, 2016c). It therefore indicates to the lenders the financial strengths and weaknesses of the enterprise and therefore its ability to secure, service, and repay the loan (Pandey, 2016). The income statement indicates the summary of the promoters business operations in form of revenue inflows, expenses or costs incurred and profits or losses made during a given period of time. It therefore shows the financial decisions and experiences of the SMEs promoters in the field of business (UNDP, 2017). Cash flow statement indicates the way cash flows in and out of the enterprise (Uganda Micro Finance Union, 2014). It thus shows the cash position of an SME.

According to Pandey (2015), an enterprise preparing and keeping each of the above described financial statements is at an advantage because its financial strengths and weaknesses can easily be established and a decision taken to either extend a loan to it or not.

However, Kaggwa-Pafula (2010) noted that such statements are normally non-existent in various SMEs and this makes it difficult to assess their creditworthiness and thus extend required loans to them. In fact, SMEs that do not prepare financial statements have been earmarked as the enterprises that find it difficult to meet the criteria for accessing loan finance needed to enable them achieve their goals and objectives and grow in business (Berger, Klapper & Udell, 2011).

Nature of Small and Medium scale enterprises make significant economic contributions to the livelihoods and well-being of a significant number of poor people both in rural and urban regions in Uganda. Because the enterprises tend to be labor-intensive, they provide significant employment especially to the youth and women. Within the wood industry sector small scale furniture production alone provides employment up to 2500,000 persons (FAO, 2006). They also constitute a reasonably big percentage of downstream wood users consuming approximately 245,000m³ of wood (Odokonyero, 2005).

Today, at a growth rate of 6.5% per year for the last ten years, the economy of Uganda has steadily recovered (MFEPD, 2008). During this period, the construction sector which is also the leading user of timber and furniture has experienced tremendous growth (UBOS, 2006). At an average growth rate of 5 % per year, the furniture industry has experienced a tremendous recovery over the last 10-15 years (Odokonyero, 2005). The industry has also witnessed technological advancements as well. There has been a progressive shift from old technology and traditional practices to modern wood working technology and craftsmanship (Calvalho, 1999).

At present, the furniture industry is perhaps the most vibrant sector within the wood industry in Uganda. Mainly dominated by the small and micro scale producers (Auren and Krassowska, 2004) the industry is expanding fast and making significant contribution to the economy. According to UBOS report (2006), the furniture sub sector is employing 25% of the urban population especially the low income groups, youth, semi-literate and women.

Although still a few, medium scale producers are also slowly taking the stage in furniture production in Uganda. A recent study by the Department of Forest Products Engineering of

Makerere University (2007), reports up to 20 medium sized furniture producing firms producing for the Kampala market. The most prominent ones include; Hwang Sung Furniture Company, Elimu furniture company, Lotus Arts, Kaava Furniture Company, Kapkwata Furniture Works and Master Wood Furniture Company. These enterprises are based on high technology machinery from Europe and Asia conferring high value addition and wood recovery.

According to the Uganda Bureau of Statistic (UBOS) business report (2006), there are about 300 registered furniture businesses that sell office and household furniture in Uganda most of which are employing Ugandans. The market is mainly serving the domestic demand. Only 10% of furniture produced is exported mainly to Rwanda, Kenya Sudan and Democratic Republic of Congo (DRC). Furniture sales are by majority made along streets (in show rooms) and through roadside displays in Kampala city and its suburbs. The showrooms are mainly used by bigger furniture companies for high value products and less by small scale producers' because of the high rental tariffs.

Lack of savings and capital make it difficult for many poor people to undertake productive employment generating activities. In response to missing credit markets for the unemployed, microfinance institutions (MFIs) have attempted to bridge the gap by extending small loans for income generating purposes. Informal finance involves savings, borrowing and lending activities. It also involves short term small loans and deposits, operates without collateral, provides easy entry and quick access to credit and is not regulated by formal laws. Informal finance caters to specific needs of clients, and the funds are locally generated and circulated within the group or community. In most low-income countries, informal finance thrives because formal financial systems often exclude the poorer unemployed sections of the society (Mpuga, 2004).

The majority of the poor unemployed in Uganda lack access to the basic financial services which are essential for them to manage their lives. The unemployed are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool break the vicious circle of poverty which is characterized by low incomes, low savings and low investment through providing employment to the unemployed. According to Hulme et al (2016:1) most institutions regard low-income households as “too poor to save”. In order to generate higher incomes, savings and more investment, there is need to inject

capital in the form of microfinance. However, capital is only one ingredient in the mix of factors necessary for a successful enterprise.

Small and Medium Enterprises (SMEs) play a key role in the industrialization and development of countries worldwide (Muritala, Awolaja & Bako, 2012). They make considerable contributions to creation of self-employment as well as to the aggregate output and export base of many countries, thereby occupying a place of strategic importance in the world economy (Kadiri, 2012; Aremu & Adeyemi, 2011; Kyokutamba, 2011). SMEs also support the economy by facilitating the transformation of many entrepreneurial ideas, skills and innovations into business reality, thereby promoting competition and efficient allocation of scarce resources (Ayozie & Latinwo, 2010; Ayesha, 2007; Kasekende & Opondo, 2003). In Uganda, SMEs are increasingly playing a central role in job creation and income generation, and are, therefore, considered as one of the key instruments for attaining the overall objective of the Poverty Eradication Action Programme (PEAP) that guides Uganda's socioeconomic development agenda (Byaruhanga, 2012; Kwagala, 2011; UIA, 2008; FAO, 2007)

Despite playing such a well-recognized role in the global and national economies, SMEs have been grappling with and continue to face a challenge of inadequate financial capital (Vitez, 2014; Osotimehin, Jegede, Akinlabi & Olajide, 2012; Lawson, 2007; Anyawu, 2003; Carpenter, 2001; Owualah, 1999). This challenge is fuelled by the fact that many SMEs find it difficult to access the financial services that would have enhanced their ability to raise the necessary business funding (Makumbi, Singh & Kwagala, 2013; Komunitas, 2004; Mullineux & Murrinde, 2002; Watson & Everett, 1999). Financial services are provided by banking, microfinance and other lending organizations (Masudur-Rahman & Laila-Arjuman, 2009), but the financial services covered in this paper are those provided by microfinance institutions. Savings services are some of these services, others being those related to asset management (Oduyoye, Adebola & Binuyo, 2013; Ugoani & Dike, 2013).

Savings are defined as income not spent or deferred consumption (Price, 2011). Consequently, any service provided by financial institutions for the purpose of increasing this income and its subsequent utilization by clients is referred to as a savings service (Suberu, Aremu & Popoola, 2011; Kalala & Ouedraogo, 2001). These services are particularly provided by microfinance

institutions, especially when they are intended for low income earners and SMEs that cannot afford commercial banking terms (Anyanwu, 2004; Pickens, 2004; Kalala & Ouedraogo, 2011). Savings services of particular importance to these categories of clients tend to include those offered in terms of set minimum account balance, return on savings, ease of opening savings accounts, depositing and withdrawals, facilitating money transfers, remittances, and realization of the goals for which they save (Asian Development Bank, 2014; Zeller, 2013). The specific savings services microfinance institutions tend to provide range over a wide spectrum that covers current savings services, demand savings or demand deposits services, special regime demand savings services, and entrepreneurial savings services, to mention but a few (Kalala & Ouedraogo, 2011).

According to Matovu (2016), these services can enable clients to deal with severe business crises, cope with the shocks and to reduce vulnerability. The Asian Development Bank (2014) added that these services have potential to enable SMEs to accumulate capital needed to pursue desired growth in business.

Owner-managed businesses usually prefer retained profits because they want to maintain the control of assets and operations (Makhbul, 2011). Preferring to use retained profits alludes to the fact that the owners of these businesses want to use savings; for savings are what essentially constitutes retained profits-that is, money that remains after a business has cleared all its expenses, including payments to its operators and employees (Fabayo, 2019). Savings services generate equity funds that not only boost the capital base of the SMEs but also maintain high levels of leverage that give owners' enough clout over their business assets and decisions (Whonderr-Arthur, 2019). Accessing these services is therefore very vital to every SSB.

According to Ismawan (2000:4) the real idea of microfinance is to help the weakest member of civil society who in this case is the poor. However, Roth (2017:6) has another view. He argues that microfinance programmes often treat the symptoms and not the causes of poverty. Poverty is frequently the result of powerlessness. The proponents of microfinance programmes as a panacea of poverty ignore the complex matrix of power relations that circumscribe the capacities of the poor to run micro enterprises.

2.5 Research gap

Various research have been carried out on SMEs and employment creation. For instance, Mwesigye et al (2013) Small and Medium Enterprises and Employment Creation in Uganda.

Nakazibwe (2014) also carried out research on Small and Medium Enterprises and Employment Creation in Uganda: Evidence from Kampala City"

Nanyombi (2017) carried out research on Small and Medium Enterprises and Employment Creation in Uganda: A Case Study of Wakiso District

For instance, it is unclear how the local business environment, including factors such as infrastructure, access to finance, and government policies, affects the capacity of SMEs to create employment opportunities in Kabale Municipality. Additionally, there is limited understanding of the types of SMEs that are prevalent in the municipality, as well as the specific industries that are more likely to create employment opportunities.

Therefore, future research could focus on examining dimensions of SMEs and employment provision in Uganda to better inform policies and interventions aimed at promoting inclusive economic growth.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter provides the description of how the study was conducted. It highlights the research design, target and accessible population, sampling design and size, data collection methods and instruments, procedure for data collection data analysis methods ethical considerations and limitations of the study.

3.1 Research Design

Amin (2005) defines a research design as the plan for carrying out a research project. The study adopted a cross sectional research design. A cross sectional research design helps in studying a phenomena and relating two or more variables (Oso & Onen, 2008). It is basing on this that SMEs in Kabale Municipality were chosen as case study area. This design was chosen in order to provide information on this particular study and also have in-depth study in the area under investigation (Kothari, 2005).

Both quantitative and qualitative research approaches were chosen because they are more reliable and objective and also can use descriptive statistics and qualitative judgements to generalize the findings.

3.2 Study Population

Oso and Onen (2008) describe study population as the number of subjects or the environment of interest to the researcher. The study population consisted of 155 respondents. These include owners of Small and Medium Enterprises, local leaders and employees in these enterprises. The researcher believed that this category of people would be knowledgeable enough about the topic.

3.3 Sample size

Sample size represents the number of items selected from the population (Kothari, 2007). Out of the total population of 155 a sample of 127 respondents was selected to participate in the study which comprised of 24 business owners, 11 local leaders and 92 employees from different businesses in Kabale Municipality using a statistical table of Krejcie & Morgan (1970) as cited by Amin (2005). Once the sample size was determined, stratified sampling was used to classify the population in different strata after which simple random sampling was used to get the needed respondents. Purposive sampling was used to select business owners.

Table 3.1: Population and sample size distribution

Respondents	Population	Sample size	Sampling Technique
Business owners	24	24	Purposive sampling
Employees of selected wholesale shops	70	45	Simple random sampling
Employees of furniture business	20	19	Stratified sampling
Employees of supermarkets	30	28	Stratified sampling
Local leaders			
Area councilors	2	2	Purposive sampling
Leaders from KMC	8	8	Purposive sampling
Municipal Commercial Officer	1	1	Purposive sampling
Total	155	127	

Source: Secondary data KMC (2017), modified by researcher 2023 with the help of Morgan & Krejcie's table (1970) of sample size determination

3.4 Sampling Techniques

Kothari (2007) defines sampling design/technique as a definite plan for obtaining a sample from the sampling frame. The researcher used both probability and non-probability random sampling techniques where stratified random sampling and purposive sampling techniques were applied in the selection of the respondents. Purposive sampling involved identifying and selecting individuals or groups that were knowledgeable about or experienced in the matter of interest (Creswell & Plano, 2011).

Stratified sampling technique was used whereby the population was divided into different strata that is, employees from selected small scale businesses; local leaders of Kabale Municipality. Then simple random sampling will be used to get the specific members to be studied from each stratum until the required population was achieved.

Purposive sampling was used to get population members from local leaders and business owners who were expected to give information concerning employment provision and how it has been affected by SMEs.

3.5 Data sources

The researcher used data from both primary and secondary sources. A primary data source is an original source, that is, one in which the data are collected firsthand by the research (Sekaran, 2003). Primary data was obtained through face-to-face interviews and questionnaires. According to Amin (2003), primary data helps the researcher to directly interact with the source of information and get the data that is original and not analyzed to suit specific premises. Secondary data included second hand information. Secondary data was obtained from a review of documents such as journals, internet, books and others.

3.6 Data collection Methods

3.6.1 Questionnaire method

A questionnaire is a document containing questions designed by the researcher which the respondents answer. The questionnaire was mainly used to capture data from the employees of SMEs in Kabale Municipality. The questionnaire had close ended questions with likert scale ranging from strongly agree to strongly disagree.

3.6.2 Interview method

These are questions asked orally. It is a one-on-one conversation with one person acting on the role of interviewer and the other as interviewee. Interviewing method was used which made it easy for collecting relevant and meaningful information. Face to face interviews were conducted by the researcher with the aid of the research assistants. This was mainly for obtaining the primary data.

3.7 Data collection tools

Data for this study was collected through several tools namely self-administered questionnaires and interview guide.

3.7.1 Self-administered Questionnaire

A Questionnaire is a carefully designed instrument for collection of data (Bell, 2010). A self-administered questionnaire was used to collect data from the respondents. This instrument was used because it is less expensive and does not require the researcher to be present for the

respondents to complete it. The questionnaire mainly captured data from the employees of various businesses in Kabale Municipality. The questionnaire also captured socio demographic characteristics of the respondents and their opinions on SMEs and it was administered to the respondents by the researcher with the help of four research assistants. The questionnaire had close ended questions. The interval Like Scale questionnaire was used, designed on values assigned and ranked 5 to 1 in order of; 5- strongly Agree, 4- Agree, 3- Neutral, 2- Disagree and 1- Strongly Disagree.

3.7.3 Interview Guide

An interview guide is a set of questions that the researcher asks during the interview (McNamara, 2009). An interview guide was used to collect data from Key informants who included business owners and local leaders. Interview guide was developed to help obtain data through seeking clarity on the structured questions in the questionnaires. Face to face interviews were also conducted by the researcher in the presence of the research assistants. This tool was used because it allowed the researcher to obtain more detailed information from respondents regarding the subject under study.

3.8 Quality of Data Collection Instruments

In order to ensure that quality and relevant data was collected, the researcher ensured that procedures were taken for acceptable levels of validity and reliability of the instruments.

3.8.1 Validity

According to Amin (2005), Validity of an instrument is the extent to which an instrument accurately measures what it is intended to measure. Validity is the extent to which a concept, conclusion or measurement is well-founded and corresponds accurately to the real world. Amin (2005) maintains that validity can be measured by both content and face validity. Face validity is a property of a test intended to measure something. A test is said to have face validity if it looks like it is going to measure what it is supposed to measure. Content validity measures the extent to which the content of the instrument corresponds to the content of the theoretical framework of the study. Validity of the instruments was ensured by the researcher giving some instruments to two lecturers (supervisors) who were asked to comment on the relevance of the items in the instruments.

Content validity index was calculated using the formula

$$\text{CVI} = \frac{\text{No. of items rated valid}}{\text{Total No. of items on an instrument}} = \frac{20}{24} = 0.83$$

The CVI got was 0.83 which is above recommended CVI of 0.7 for an instrument to be considered valid. Amin (2003). Therefore, the research instrument was considered valid.

3.8.2 Reliability

Reliability is the degree to which an assessment tool produces stable and consistent results. For qualitative data, the researcher during data collection exercise will ensure that the data recorded from interviews reflect the actual facts, responses, observations and events. The researcher will also take multiple measurements and samples and also check the truth of the record with 2 lecturers to verify response consistency and customize questions so that only appropriate questions are asked. The lecturers will also help to confirm responses against previous answers where appropriate and detected questions likely to elicit inadmissible responses.

In order to understand whether the questions in the questionnaire all reliably measure the same latent variable, a Cronbach's alpha was run on a sample size of 60 workers using a 24 question questionnaire with each question having a 5 point likert scale from strongly disagree to strongly agree. According to Cronbach (1990), an alpha coefficient of 0.92 was got which according Amin (2005) was considered acceptable since it was above recommended 0.7.

3.9 Data Collection Procedures

After obtaining an introductory letter from the directorate of graduate studies Kabale University, the researcher made the required introduction of herself to the selected Small and Medium Enterprises in Kabale Municipality, clearly explaining the objectives of the study. Upon receiving permission from the Small and Medium Enterprises' authorities, the researcher formally began the process of data collection. Questionnaires were delivered to the staffs with the help of 6 research assistants. Respondents were encouraged to fill the questionnaire immediately when they are given to them. Interviews were organized and consequently held at the several business premises. Respondents who were not willing to be part of the study in the businesses were also respected.

3.10 Data Analysis

3.10.1 Quantitative Data Analysis

The collected data was statistically analyzed, using the Statistical Package for Social Sciences software (SPSS) version 22.0. Representations like tables containing descriptive statistics were used to ensure easy and quick interpretation of data. Responses were expressed in frequencies percentages, mean and standard deviation. Data from the completed questionnaire was checked for consistency. The items were grouped based on the responses given by the respondents and was coded for easy usage of the Statistical Package for Social Sciences (SPSS). This method was used because it is the best instrument to identify, compare, describe and reach a conclusion. Using SPSS, the data was cleaned and analyzed according to the research questions where frequency tabulations were generated to present the results of the sample characteristics and item means, Pearson correlation was generated to present the results of the objectives of the study.

3.10.2 Qualitative Data Analysis

Qualitative data was classified into broad themes and categories and closely examined and compared for similarities and differences. During the course of presenting the qualitative data, narratives were included from interviews to emphasize certain basic facts/opinions.

3.11 Data Presentation

3.11.1 Qualitative data

Qualitative data from interviews was organized by transcribing the interviews. Before sorting and arranging this data into different themes and categories, the researcher read through the qualitative data to obtain a general sense of the information and reflect on its overall meaning.

3.11.2 Quantitative Data

Quantitative data from the closed ended questionnaire items was converted into numbers, one for each value for easy entry into the data analysis computer package.

3.12 Research Ethical Considerations

The major ethical challenge encountered in the study was privacy and confidentiality of the respondents. Anonymity was however used as a tool to overcome this challenge. The researcher ensured that no names were required anywhere on the instrument for data collection.

The researcher also ensured that the objectives of the study are clearly explained to all the respondents. She also sought consent from the participants. Those who wished not to participate or those that changed their minds later were respected.

3.13 Limitations of the study

The researcher anticipated the following challenges which were considered as constraints to the study.

Covid-19 constraints. Since the covid-19 pandemic is still in existence, the researcher anticipated that respondents might be hard to engage for the fear of chances of contracting the disease. However, the researcher ensured to observe all Covid-19 SOPs while engaging respondents to participate in the study.

Information concealment; This was caused by the respondents mistaking the researcher as a revenue agent from the Uganda Revenue Authority since most of the SMEs lacked the necessary documents like trade licenses and tax slips that authorize them into business. The researcher endeavored to explain to the respondents that the purpose of the study was purely academic.

Most respondents had no time to answer questions since they were busy attending to customers yet this was the core of the research study. However, the researcher informed the business bosses about participation in the study in advance.

Other respondents were engulfed with a fear of being victimized for releasing some information. The researcher convinced the respondents that the information gathered was purely for academic purposes.

In spite of all the above setbacks, the study was carried out and the best possible solutions were adopted to ensure that it is completed for instance the use of the University Identity Cards to provide identity as a student rather than tax agent.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the findings of the analyzed data that was collected from the respondents. The findings are presented in a tabulated form according to study objectives and explained using frequencies and percentages. Analysis of relationships was done using correlations.

4.1 Response rate

This focuses on expected sample size and actual response that participated in the study.

Table 4.1: Response Rate

Item	Sample distributed	Actual sample returned	Percentage (%)
Questionnaire	92	60	65.2
Interview guide	35	30	85.7
Total	127	90	70.8

Source: primary data, 2023

As seen in table 4.1, out of 127 target sample expected to participate in the study, a total of 90 respondents actually participated back giving a response rate of 70.8%. This response rate was adequate and representative for the study population because according to Amin (2003), a response rate of 60% and above is adequate for analysis and reporting.

4.2 Demographic Characteristics of the Respondents

This section provides results of the demographic characteristics of the respondents. It was important that the researcher collect this information to gain some background knowledge about the respondents.

4.2.1 Gender of the Respondents

Respondents were asked to select their gender. The distribution of the responses on gender is shown in table 4.2.1

Table 4.2.1: Respondents by gender

Respondent category	Frequency	Percentage (%)
Male	36	40
Female	54	60
Total	90	100

Source: Primary data, 2023

Table 4 shows that majority of the respondents 60% were female while 40% were male. This implied that there were more female respondents than males in the study. It also implied that gender distribution in SMEs in Kabale Municipality is composed of more females than males.

4.2.2 Respondents by Age category

Respondents were required to select their age group. The distribution of the age groups of the respondents is shown in table 4.2.2

Table 4.2.2: Age group of the respondents

Respondent category	Frequency	Percentage (%)
15-35	30	33.3
36-55	44	48.9
56 and above	16	17.8
Total	90	100

Source: Primary data, 2023

The findings in table 4.2.2 show that majority of respondents 48.9% (44 respondents) were between 36 – 65 years, 33.3% (30 respondents) were between 15 – 35 years, 17.8% (16 respondents) were between 56 years and above. This implies that all the target age categories were represented.

4.2.3 Respondents by highest level of education attained

The results on the respondents who participated in the study by the highest level of education are summarized in table 4.2.3 below.

Table 4.2.3 showing Level of Education

Category	Frequency	Percentage (%)
No schooling	06	6.7
Primary	13	14.4
Secondary	32	35.6
Diploma	12	13.3
Degree	20	22.2
Masters	05	5.6
Others	02	2.2
Total	90	100

Source: primary data, 2023

The findings in table 4.2.3 above shows that majority of the respondents 35.6% (32 respondents) had secondary as their level of education, followed by degree education at 22.2%, primary level holders were 14.4% and diploma level had 13.3%, no schooling had 6.7%, masters level 5.6% and lastly others category (2.2%). This implied that respondents had at least the knowledge required to answer the questions in the questionnaire and respond to the interview.

4.3 To examine the financial capacity of SMEs in relation to employment provision in Kabale Municipality

Table 4.3 showing descriptive statistics on financial capacity of SMEs in relation to employment provision in Kabale municipality N=60

Statement	SA	A	NS	D	SD	Mean	Std. dev
I am aware that my company involves itself in serious manpower planning	24 (40%)	16 (26.7%)	3 (5%)	12 (20%)	5 (8.3%)	4.53	.69

I am aware that my company is careful on where to deploy her staff	(15 25%)	33 (55 %)	-	8 (13. 3%)	4 (6.7 %)	4.01	.75
I am aware that my company does all it can in terms of finance to attract potential employees	20 (33.3 %)	25 (41. 7%)	10 (16. 7%)	-	5 (8.3 %)	3.72	.63
I am aware that my company has enough resources to retain her employees	12 (20%)	16 (26. 7%)	2 (3.3 %)	23 (38. 3%)	7 (11. 7%)	3.01	.85
We are provided with meals and transport to cater for daily expenses	10 (16.7 %)	13 (21. 7%)	-	28 (46. 7%)	9 (15 %)	2.68	.49
My company is opening up outlets across the country	29 (48.3 %)	10 (16. 7%)	4 (6.7 %)	9 (15 %)	8 (13. 3%)	3.99	.61
My company is using modern and advanced technologies	15 (25%)	21 (35 %)	7 (11. 7%)	17 (28. 3%)	1 (1.7 %)	4.23	.35
My company is diversifying her product line	23 (38.3 %)	15 (25 %)	-	8 (13. 3%)	14 (23. 3%)	2.78	.83
We have enough resources to keep our enterprise operating	19 (31.7 %)	11 (18. 3%)	6 (10 %)	15 (25 %)	9 (15 %)	3.36	.72

Source: primary data, 2023

As seen in table 4.3 above, statement one required respondents to give their view on whether they are aware that their company involves itself in serious manpower planning in Kabale municipality, 40% representing 24 respondents strongly agreed and 26.7% representing 16 respondents agreed. 5% of the respondents were undecided to the statement, whereas 20% and 8% disagreed and strongly disagreed respectively. This implies that small and medium enterprises businesses in Kabale municipality involve themselves in serious manpower planning which has created employment to the people.

Statement two required respondents to state whether they are aware that their company is careful on where to deploy her staff, majority of the respondents 55% (33 respondents) agreed, followed

by 25% (15 respondents) strongly agreed to the statement. 13.3% (8 respondents) disagreed to the statement and only 6.7% (4 respondents) strongly disagreed to the statement. This implied that employees of SMEs in Kabale municipality are aware of their companies being careful on where to deploy their staff. Mean to support the statement above is 4.01

The findings above were complimented by the findings from one of the business owners when asked about the same question. He said:

“Some of the employees especially those involved in the practical work such as making chairs, beds, cupboards, among others in my company are all aware that we are always careful on where to deploy them on daily basis. We have routine schedules provided to them”.

To the statement requiring respondents to state whether they are aware that their company does all it can in terms of finance to attract potential employees, 41.7% (25 respondents) agreed, 33.3% (20 respondents) strongly agreed, 16.7% (10 respondents) were neutral and only 8.3% (5 respondent) strongly disagreed to the statement. The number of respondents who agreed is bigger than those who disagreed, this implied that respondents are aware that their company does all it can in terms of finance to attract potential employees.

Respondents were required to state whether they are aware that their company has enough resources to retain their employees, 38.3% (23 respondents) disagreed, 26.7% (16 respondents) agreed. To this 20% (12 respondents) strongly agreed, 11.7% strongly disagreed and only 3.3% (2respondents) were neutral to the statement. This implied that employees are not aware whether their SMEs has enough resources to retain their employees.

To the statement regarding whether respondents are aware that their SMEs has enough resources to retain their employees, majority respondents 38.3% (23 respondents) disagreed, 26.7% agreed with the statement, 20% strongly agreed, 7% strongly disagreed and lastly, 3.3% were undecided with the statement. This implied that on average, SMEs have enough resources to retain their employees. Supporting mean for the above statement is 3.01

In supplement to the above, one of the local leaders interviewed said that:

“The standard of living of the people employed in these businesses has improved. He pointed out that such employees earn wages and salaries and are in position to cater

for their needs such as paying school fees for their children and meeting other daily expenses”.

Likewise, the statement regarding whether SMEs in Kabale municipality use modern and advanced technology, to this statement, 35% (21 respondents) agreed, 28.3% (17 respondents) disagreed, 25% (15 respondents) strongly agreed and only 11.7% (7 respondents) were neutral. The number of respondents who agreed is much bigger than those who disagreed implying that SMEs use modern technologies in their operations.

The findings above were complimented by one of the key informants when asked during interviews on the same subject matter, she purported that:

“nowadays I use WhatsApp, and other business management soft wares to manage this business”.

On whether their SMEs diversify their product line, a bigger percentage of respondents 38.3% strongly agreed with the statement, this was followed by 25% who agreed, then 13.3% and 23.3% disagreed and strongly disagreed respectively.

4.3.1 Correlation analysis on the effect of financial capacity of SMEs in relation to employment provision in Kabale Municipality

For purposes of establishing the effect of financial capacity of SMEs in relation to Employment provision in Kabale Municipality, Pearson Correlation was used. The test was used to show the linear relationship between the two variables. The results of the test are shown in table 4.3.1 below.

Table 4.3.1 showing correlation analysis on the effect of financial capacity of SMEs and Employment provision in Kabale municipality

Correlations

		Financial capacity of SMEs	Employment Provision
Financial Capacity of SMEs	Pearson	1	
	Correlation		.572**
	Sig. (2-tailed)		.000
	N	60	60
Employment Provision	Pearson		1
	Correlation	.572**	
	Sig. (2-tailed)	.000	
	N	60	60

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

Source: Primary Data May 2023

Table 4.7 shows the matrix of Pearson’s correlation coefficient for the two variables of financial capacity of SMEs and Employment Provision in Kabale Municipality. Each variable is perfectly correlated with itself and thus $r = 1$ along the diagonal of the table. The correlation coefficient $r = .572^{**}$ shows that there is a positive relationship between Financial capacity of SMEs and Employment Provision in Kabale municipality. The implication of the correlation coefficient is that with a stable strong financial capacity of SMEs there are many jobs created.

4.4 To establish the management of SMEs in relation to employment provision in Kabale municipality

In order to establish the management of SMEs in relation to employment provision in Kabale municipality, the researcher presented a number of questions which required the respondents to do a self-rating on a likert scale ranging from strongly agree, agree, neutral, disagree, strongly disagree. The results are presented in table 4.4 below.

Table 4.4: Descriptive statistics on management of SMEs in relation to employment provision in Kabale municipality

Statement	SA	A	NS	D	SD	Mean	Std. dev
I feel secure at my job	27 (45%)	17 (28.3%)	2 (3.3%)	9 (15%)	5 (8.3%)	4.16	.77
My enterprise management uses various management skills to manage employees and resources	(25 41.7%)	23 (38.3%)	1 (1.7%)	7 (11.7%)	4 (6.7%)	4.01	.75
The management team at my workplace is experienced enough to achieve organization goals and objectives	15 (25%)	30 (50%)	2 (3.3%)	8 (13.3%)	5 (8.3%)	3.72	.63
Fellow Employees have gained skills in the SME business enabling them to start their own	6 (10%)	26 (43.3%)	- (3.3%)	16 (26.7%)	12 (20%)	3.58	.34
I have acquired experience regarding cereal milling	10 (16.7%)	16 (26.7%)	-	21 (25%)	13 (21.7%)	3.68	.52
I have gained competence in packaging products into finished goods from cereal milling business	29 (48.3%)	10 (16.7%)	4 (6.7%)	9 (15%)	8 (13.3%)	3.99	.61
I earn a living through cereal milling in Kabale Municipality	11 (18.3%)	26 (43.3%)	5 (8.3%)	16 (26.7%)	2 (3.3%)	3.75	.26
New SMEs are emerging in the market who provide employment to people in Kabale Municipality due to good management capacity	29 (38.3%)	13 (25%)	-	9 (13.3%)	9 (23.3%)	2.53	.97

Source: *Primary data, 2023*

From table 4.4 above, statement one required respondents to state whether they feel secure at their job, majority of the respondents 45% (27 respondents) strongly agreed, and 28.3% (17 respondents) agreeing. Only 15% (9 respondents) disagreed and 8.3% of the respondents strongly disagreed to the statement and lastly 3.3% were neutral. This implied that employees of SMEs feel secure at their workplaces.

The above findings were complemented by an interviewee who said that:

“I have job security here, leaving other factors constant. What I am only lacking is enough collateral security to get some loan to boost my business but as business grows slowly, I hope I will be even more secure”.

Respondents were asked whether their enterprise management uses skills to manage employees, majority of the respondents 41.7% (25 respondents) strongly agreed, followed by 38.3% who agreed and then 11.7% (7 respondents) who disagreed agreed. 16% (4 respondents) disagreed and 4% (1 respondent) strongly disagreed. This implied that most SMEs in Kabale municipality use various management skills to management skills to manage employees and resources.

Respondents were required to state whether management team at their workplace is experienced enough to achieve organizational goals and objectives, 50% (30 respondents) agreed and 25% (15 respondents) strongly agreed. To this statement, 13.3% (8 respondents) disagreed, 8.3% (5 respondents) strongly disagreed and only 3.3% (2 respondent) were neutral with the statement.

To the statement requiring the respondents to state whether fellow employees have gained skills in the SME business enabling them to start their own, 43.3% (26 respondents) agreed and 10% (6 respondents) strongly agreed. However, 26.7% of respondents disagreed and 20% of the respondents strongly disagreed. This implied that employees in various SMEs in Kabale municipality have gained the skills of starting up their own businesses.

The findings above were supplemented by one of the business owners interviewed who said that:

“The employees have gained experience which can be seen by the quality products they produce. He further said that wastage in production is reduced since employees have gained the required experience in the production processes”

Respondents were required to state whether they have gained competence in packing products into finished goods, 35% (21 respondents) disagreed, 26.7% (16 respondents) agreed, 21.7% (13 respondents) strongly disagreed and 10% (16 respondents) strongly agreed. Majority of the respondents disagreed to the statement which implied that employees working in most SMEs in Kabale municipality have not gained competence in packaging products into finished goods.

In supplement to the above, one of the business owners of maize milling business interviewed purported that:

“Employees are trained in packaging produces from maize floor of all brands to packaging of maize cobs. He further said that packaging is emphasized since it acts as a brand of the company, however, most of our employees still lag behind and haven’t gotten required skills to come up with finished quality products”.

To the statement requiring respondents to state whether new SMEs are emerging in the market who provide employment to people in Kabale Municipality due to good management capacity, majority of the respondents 48.3% (29 respondents) strongly agreed, 21.7% (13 respondents) agreed and 15% strongly disagreed and disagreed with the statement respectively. Majority of the respondents agreed to the statement which implied that new SMEs are emerging in the market who provide employment to people in Kabale municipality due to good management capacity.

4.4.1 Correlation analysis on management of SMEs in relation to employment provision in Kabale municipality

To the relationship between management of SMEs in relation to employment provision in Kabale municipality, Pearson Correlation was used. The test was used to show the linear relationship between the two variables. The results of the test are shown in table 4.4.1 below.

Table 4.4.1: Correlation analysis on management of SMEs in relation to employment provision in Kabale municipality

Correlations

		Management of SMEs	Employment Provision	
Management of SMEs	Pearson	1	.836**	
	Correlation			
	Sig. (2-tailed)			.000
	N			60
Employment Provision	Pearson	.836**	1	
	Correlation			
	Sig. (2-tailed)			.000
	N			60

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

As indicated in table 4.4.1 above, there was a significant positive relationship between management of SMEs and employment provision in Kabale municipality at Pearson’s Correlation Coefficient ($r = .836^{**}$). This implied that improvement in management of SMEs in Kabale municipality leads to increase in employment provision.

4.5 Nature of SMEs in relation to employment provision in Kabale Municipality

To establish the nature of SMEs in relation to employment provision in Kabale municipality, the researcher presented a number of questions which required the respondents to do a self-rating on a likert scale ranging from strongly agree, agree, neutral, disagree, strongly disagree. The results are presented in table 4.5 below.

Table 4.5: Descriptive statistics on Nature of SMEs in relation to employment provision in Kabale Municipality

Statement	SA	A	NS	D	SD	Mean	Std. dev
My enterprise operate on a shoe-string-budget	12 (20%)	16 (26.7%)	2 (3.3%)	23 (38.3%)	7 (11.7%)	3.52	.65
Most SMEs in Kabale municipality are mainly labor intensive	10 (16.7%)	13 (21.7%)	-	28 (46.7%)	9 (15%)	2.68	.49
Many staff employed by this enterprise have been able to go further education in higher institutions of learnings	20 (33.3%)	25 (41.7%)	10 (16.7%)	-	5 (8.3%)	3.72	.63
The skills of most of our staff has improved because of the on-job training and capacity building available for them	12 (20%)	16 (26.7%)	2 (3.3%)	23 (38.3%)	7 (11.7%)	3.01	.85
Health conditions of this enterprise are good	15 (25%)	30 (50%)	2 (3.3%)	8 (13.3%)	5 (8.3%)	3.72	.63
There is a strong link between nature of SMEs and employment provision	29 (48.3%)	10 (16.7%)	4 (6.7%)	9 (15%)	8 (13.3%)	3.99	.61
New SMEs are emerging which provide employment to People in Kabale Municipality (about 3-4 people)	15 (25%)	21 (35%)	7 (11.7%)	16 (26.7%)	1 (1.7%)	4.23	.35
SMEs in Kabale Municipality use indigenous technology which has widened employment creation	10 (16.7%)	16 (26.7%)	-	21 (25%)	13 (21.7%)	3.68	.52

Source: Primary data, 2023

Respondents were asked to state whether their enterprise operate on a shoe string budget, 38.3% (23 respondents) disagreed, 26.7% (16 respondents) agreed. To this 20% (12 respondents) strongly agreed, 11.7% strongly disagreed and only 3.3% (2 respondents) were neutral to the statement. A bigger percentage of the respondents agreed to the statement which implied that most SMEs in Kabale municipality operate on small budgets.

To the statement which required respondents to state whether most SMEs in Kabale municipality are mainly labor intensive, 46.7% (28 respondents) disagreed, 21.7% (13 respondents) agreed and 16.7% (10 respondents) agreed and lastly, 15% (9 respondents) strongly disagreed. Most respondents disagreed to the statement which implied that a number of the employees attend training which has enhanced their skills.

The statement was supported by one of the business owners interviewed who said:

“my business is predominantly capital intensive”.

Respondents were required to state whether many staff employed by this enterprise have been able to go for further education in higher institutions of learning, majority of respondents (41.7%) agreed to the statement and 33.3% strongly agreed and 16.7% were neutral to the statement. This implied that most SMEs owners and employees are willing to go for further studies if they get financial support.

To the statement regarding whether the skills of most of the staff working with SMEs in kabale municipality has improved because of the on-job training and capacity building available for them, 38.3% disagreed, 26.7% agreed and 20% strongly agreed to the statement. The number of respondents who disagreed is slightly bigger than those who agreed, this implied that most of the SMEs employees have not improved their skills despite working for many years.

During the interviews, one of the interviewees pointed out that:

“our employees in this SME actually work hard but their skills still lack despite getting exposed to managers. I think there need to improve on motivation”

Respondents were required to state whether health conditions of their SMEs are good, 50% agreed, 25% of the respondents strongly agreed, 13.3% disagreed, and lastly 8.3% of the respondents strongly disagreed to the statement. This implied that the health conditions in SMEs are good.

Respondents were asked whether new SMEs are emerging which provide employment to the people in Kabale municipality, majority of the respondents 35% agreed and 25% strongly agreed. 26.7% of the respondents disagreed to the statement. And lastly, 26.7% disagreed with the statement.

Likewise, majority of respondents 26.7% agreed with the statement that SMEs in Kabale municipality use indigenous technology which has widened employment creation. 25% disagreed to the statement and lastly 21.7% strongly disagreed, which implied that a balanced number of respondents neither agreed nor disagreed with the statement that SMEs in Kabale municipality use indigenous technology which has widened employment creation in the region.

In supplement to the above one of the local leaders interviewed said that: *“We move with modern technologies in order to ensure that there is efficiency in running our businesses. This has also created some jobs especially in the IT field “*

4.5.1 Nature of SMEs in relation to employment provision in Kabale Municipality.

In order to establish the nature of SMEs in relation to Employment provision in Kabale municipality, Pearson Correlation was used. The test was used to show the linear relationship between the two variables. The results of the test are shown in table 4.5.1 below.

Table 4.5.1: Relationship between Nature of SMEs in relation to employment provision in Kabale Municipality

Correlations

		Nature of SMEs	Employment provision
Nature of SMEs	Pearson Correlation	1	.681**
	Sig. (2-tailed)		.000
	N	60	60
Employment provision	Pearson Correlation	.681**	1
	Sig. (2-tailed)	.000	
	N	60	60

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

From the table above, findings show that there is a positive relationship between nature of SMEs and employment provision in Kabale municipality at Pearson correlation coefficient ($r = .681^{**}$). This implied that there is a link between nature of SMEs and employment provision in Kabale municipality.

CHAPTER FIVE
DISCUSSION AND SUMMARY OF FINDINGS, CONCLUSIONS AND
RECOMMENDATIONS

5.0 Introduction

This chapter is divided into four main sections: discussion, summary, conclusions and recommendations drawn from the study objectives, and the suggested areas for further research. The objectives that guided the study were: to examine the financial capacity of SMEs in relation to employment provision in Kabale Municipality, to establish the management of SMEs in relation to employment provision in Kabale municipality, to assess the nature of SMEs in relation to employment provision in Kabale municipality.

5.1 Discussion and Summary of Findings

5.1.1 Financial capacity of SMEs and Employment Provision

The first objective was to examine the financial capacity of SMEs in relation to employment provision in Kabale Municipality. The correlation coefficient $r = .572^{**}$ shows that there is a positive relationship between Financial capacity of SMEs and Employment Provision in Kabale municipality. The implication of the correlation coefficient is that with a stable strong financial capacity of SMEs there are many jobs created.

The study findings further revealed that there is an increase (80%) in employment provision due to stable financial capabilities of SMEs in Kabale municipality. According to the study findings, new Small and medium businesses are emerging, some of which have financial support from the government of Uganda in form of emyooga schemes, youth livelihood projects, and parish development model among many others in Kabale municipality which provide employment to the people within the municipality and the district at large. The study findings are in agreement with UBOS report (2018) which opined that for SMEs to boost employment provision, their financial capacity must be strong. The SME sector is currently employing 25% of the urban population especially the low income groups, youth, semi-literate and women. According to report, there are about 300 registered furniture businesses that sell office and household furniture in Uganda most of which are employing Ugandans (UBOS report, 2006).

Secondly, the study findings revealed that employees (53.3%) have acquired skills, competences and experience in furniture making business. Employees are involved in the practical work such as making chairs, beds, cupboards, among others through which they gain skills and experience.

The study findings further revealed that 64% of employees earn a living through working in SMEs businesses in Kabale municipality. Employees earn wages and salaries and are in position to cater for their needs such as paying school fees for their children and meeting other daily expenses thus the standard of living of the people employed in these businesses has improved.

5.1.2 Management of SMEs in relation to employment provision in Kabale municipality

The objective two was to establish the management of SMEs in relation to employment provision in Kabale municipality. Several key findings are discussed as below.

Firstly, the study findings revealed that there was a significant positive relationship between management of SMEs and employment provision in Kabale municipality at Pearson's Correlation Coefficient ($r = .836^{**}$). This implied that improvement in management of SMEs in Kabale municipality leads to increase in employment provision.

This finding concurs with Karns (2018) who clarifies that from a sociological perspective, management of any business whether small or medium can fully be enhanced through various employee developments in businesses for the firm success in the long run.

According to Karns (2018), promotion of employees in firms is a means of examining the managers' competencies that are essential for effective job performance / business success. Managerial competencies can be improved through promotion of employees which is less expensive than transferring or hiring which in turn has a positive effect on business success. In so doing, the firm institutes a culture among the work team that promotable insiders are also proven resources (Stoner, 2015). This also has a positive Motivational impact on their competencies that will also boost the business success.

Experience has shown that people tend to work harder when they believe there is a possibility of being promoted which limits social in-breeding and creates a better positive feedback at work (Drejer, 2010).

According to Karns (2018), what should not be negotiable between the manager and the team is the firms goals and objectives.

Secondly, the study findings revealed that the management of SMEs in Kabale municipality is good and therefore, it has attracted many workforce, employees in various SME businesses in Kabale municipality have acquired skills, gained experience and competence and thus can even employ themselves in case their jobs are no longer there. Employees gain skills in production, packaging, sales and distribution of the final products such as maize flour, millet flour, wheat flour, sorghum flour, among others.

5.1.3 Nature of SMEs in relation to employment provision in Kabale municipality

The study findings (68.1%) revealed a positive relationship between nature of SMEs and employment provision in Kabale municipality at Pearson correlation coefficient ($r = .681^{**}$). This implied that there is a link between nature of SMEs and employment provision in Kabale municipality.

Additionally, this implies that (68.1%) size of Small and medium enterprise, and the type of business they deal in determines how many people to employ in that business.

Most of SMEs (60%) in Kabale municipality were actually employing 3 to 4 people on average due to the fact that most of them were small in size.

This is in line with posses (Bohnstedt, 2010) who concurs that; generally, the nature of SMEs in terms of labor intensive, community based and shoe-string budget characteristics are the characteristics which most of them. For instance, talking about shoe-string budget, a sole proprietor or a small group of people operate small businesses. These businesses often run on 'shoestring budget' meaning that small businesses function on a very tight budget. Budget terms are important in that they help lenders to reduce risks of default and to operate profitably in the lending business (Ditcher & Kamuntu, 2017).

Secondly, Martin et al, (2016) also agrees claims that Creditworthiness of an SME determines employment provision of an individual, company or organization. Creditworthiness, from a lender's view, refers to the extent to which a borrower qualifies for a loan applied for. It is determined based on a borrower's ability to secure the required loan as gauged from the level of presented collateral or group guarantee as well as trustworthiness and cooperation that lenders have in and with the bon-ower (Kagwa-Pafula, 2010; Meeker, 2018; Micro Finance Forum, 2004; Martin, 2016).

In practice, creditworthiness is a measure used by many financial institutions to determine the capacity of the project and its promoters to meet loan obligations (Van Horne, 2016). It is normally established by considering the previous, present and/or projected business performance of a project or business for which a loan is being applied (Van Horne, 2012).

5.2 Conclusions

Premised on the study findings, the following conclusions were made;

Regarding the first objective which aimed at examining the financial capacity of SMEs in relation to employment provision in Kabale Municipality. The correlation coefficient $r = .572^{**}$ shows that there is a positive relationship between Financial capacity of SMEs and Employment Provision in Kabale municipality. Therefore, the researcher can conclude that the implication of the correlation coefficient is that with a stable strong financial capacity of SMEs there are most like to be many jobs created.

Regarding The second objective of the study which aimed at establishing the management of SMEs in relation to employment provision in Kabale municipality, the study findings revealed that there was a significant positive relationship between management of SMEs and employment provision in Kabale municipality at Pearson's Correlation Coefficient ($r = .836^{**}$). The researcher therefore concluded that improvement in management of SMEs in Kabale municipality leads to increase in employment provision.

Regarding the last objective of the study, findings revealed a positive relationship between nature of SMEs and employment provision in Kabale municipality at Pearson correlation coefficient ($r = .681^{**}$). The researcher therefore concluded that the nature of SMEs especially in terms of creditworthiness, and size of the SME determines the number of people to employ in Kabale municipality.

5.3 Recommendations

From the study findings, the following recommendations were made under the themes as follows:

Basing on objective on of the study, which aimed at examining the financial capacity of SMEs in relation to employment provision in Kabale Municipality, the researcher recommends the government should provide a hand of support to the SMEs financially if these SMEs are to increase on employment capacity within Kabale municipality. This

Regarding the management of SMEs in relation to employment provision, the study recommends use of management techniques such as planning, organizing, staffing and controlling in order to widen the employment base in Kabale municipality. In addition, the study recommends training of employees to enable them gain skills required in the running of SMEs.

Regarding nature of SMEs in relation to employment provision, the study found out that most SMEs (80%) were small in size and thus were employing a few employees. The study therefore recommends expanding SMEs to increase on employment capacity.

5.4 Suggested Areas for further research

The study was only limited to Nature of SMEs, Management of SMEs, and Financial capacity of SMEs in relation to employment provision, future researchers can widen the scope to include other concepts in Small and Medium Enterprises such as, Technical SMEs, Hybrid SMEs, Instructional SMEs, Functional SMEs, Sentinel SMEs.

Future research should also be done on the effect of SMEs on household incomes in Uganda.

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Appendix i: Questionnaire for employees in selected small Scale and Medium Businesses

Dear Respondent,

I'm Namanya Moreen, a student of Kabale University pursuing a Master of Business Administration. I am conducting a study on the effect of Small and Medium Enterprises on employment provision in Kabale District, using a case of Kabale Municipality. You have been scientifically sampled to participate in this study. The information obtained will be kept confidential for academic purposes.

SECTION A. BIO -DATA

INSTRUCTIONS

Tick the appropriate code/response

1. Sex

a) Male b) Female

2. Respondents age bracket

a) 14 - 23 b) 24-33
c) 34-45 d) 44-53
e) Above 53

3. Level of education

a) No schooling b) Primary
c) Secondary d) Diploma
e) Degree

4. For how long have you been in this area?

a) 1-4 years b) 5-7 years c) 8-10 years
d) Above 10 years

SECTION B

A) To examine the financial capacity of SMEs in relation to employment provision in Kabale Municipality

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

No	Statement	SA	A	NS	D	SD
1	I am aware that my company involves itself in serious manpower planning					
2	I am aware that my company is careful on where to deploy her staff					
3	I am aware that my company does all it can in terms of finance to attract potential employees					
4	I am aware that my company has enough resources to retain her employees					
5	We are provided with meals and transport to cater for daily expenses					
6	My company is opening up outlets across the country					
7	My company is using modern and advanced technologies					
8	My company is diversifying her product line					
9	We have enough resources to keep our enterprise operating					

B) To establish the management of SMEs in relation to employee retention in Kabale Municipality

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

No	Statement	SA	A	NS	D	SD
1	I feel secure at my job					
2	My enterprise management uses various management skills to manage employees and resources					
3	The management team at my workplace is experienced enough to achieve organization goals and objectives					
4	Fellow Employees have gained skills in the SME business enabling them to start their own					

5	I have acquired experience regarding cereal milling					
6	I have gained competence in packaging products into finished goods from cereal milling business					
7	I earn a living through cereal milling in Kabale Municipality					
8	New SMEs are emerging in the market who provide employment to people in Kabale Municipality due to good management capacity					

C. To assess the nature of SMEs in relation to job provision in Kabale municipality

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

No	Statement	SA	A	NS	D	SD
1	My enterprise operate on a shoe-string-budget					
2	Most SMEs in Kabale municipality are mainly labor intensive					
3	Many staff employed by this enterprise have been able to go further education in higher institutions of learnings					
4	The skills of most of our staff has improved because of the on-job training and capacity building available for them					
5	Health services of this enterprise are good					
6	There is a strong link between nature of SMEs and employment provision					
7	New SMEs are emerging which provide employment to People in Kabale Municipality					
8	SMEs in Kabale Municipality use indigenous technology which has widened employment creation					

THANK YOU FOR YOUR CO-OPERATION

Appendix ii. Interview guide

1. Does your company does all it can in terms of finance to attract potential employees?
Briefly explain
2. Has your company opened up outlets across the country?
3. Is the management team at your workplace is experienced enough to achieve organization goals and objectives?
4. Most SMEs in Kabale municipality are mainly labor intensive
5. There is a strong link between nature of SMEs and employment provision
6. Have new SMEs emerged which provide employment to People in Kabale Municipality

Appendix III. Table for sample size determination

15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3200	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382

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DIRECTORATE OF POSTGRADUATE TRAINING

February 18th, 2023

To whom it may concern

This is to certify that *Ms. Namanya Moreen Reg. No. 2020/A/MBA/2678/W* is a postgraduate student of Kabale University studying for a *Masters of Business Administration* in the department of *Management sciences, Procurement and Business Studies*.

She has successfully defended her Research Proposal for a study entitled, *"Role of small and medium enterprises on employment provision in Uganda. A Case of Kabale Municipality."*

The student is now ready for field work to collect data for her study. Please give the student any assistance you can to enable her accomplish the task.

Thanking you for your assistance,

Yours sincerely

Assoc. Prof. Sekiwu Denis
DIRECTOR, POSTGRADUATE TRAINING