CONTRIBUTION OF INSURANCE COMPANIES TO THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN UGANDA: A CASE OF NATIONAL INSURANCE CORPORATION

BY

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DECLARATION

I, Deng Aleer, declare that this research report is my original work and it has not been submitted in this form or any other form to this or any other institution for examination purposes. Any quotation made has been referenced accordingly.

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APPROVAL

This is to certify that this research report has been produced by **Deng Aleer Leek** under my supervision and submitted to Kampala International University in partial fulfillment for the award of Bachelor of Economics and Applied Statistics

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MR MWEBESA EDSON.

DEDICATED

To My Entire Family

With the following heartfelt words

"Your guidance, support and love will always be treasured"

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GOD BLESS YOU ALL

ABSTRACT

The purpose of this study was to establish the relationship between the contributions of insurance companies and the growth of SMEs in NIC basing on the following objectives; to examine major factors that affects the growth of SMEs; to assess the contribution of insurance companies to the growth of SMEs; to investigate the factors inhibiting the purchase of insurance cover by SME operators and to determine the strength of the relationship between insurance companies and growth of SMEs.

The research was descriptive in nature involving quantitative methods which was administered through questionnaires. The total sample comprised of 97 respondents of all the managers and employees of National Insurance Corporation. Simple random sampling was used whereby the researcher went to NIC and administered questionnaire to the sampled or selected employees. Primary data was obtained from the library materials, textbooks, NIC brochures, internet and journals. Data analysis was carried out using SPSS and frequency distribution tables.

Findings revealed that innovation is a strong empirical evidence for fast growing SMEs, competition has a great effect on SMEs industry and credit remains a great challenge to the growth of SMEs. Besides that insurance companies mitigate risks and enhance loan acceptability by SMEs sector with banks. However low income earned by SMEs, high premium cost and paperwork and experience and beliefs inhibit the purchase of insurance cover by SMEs. Nevertheless, there is a strong positive relationship between insurance companies and the growth of SMEs at Spearman Correlation Coefficient.

It was concluded that improvement in business skills increases the performance of SMEs. However insurance companies do not lowers insurance rates and offer protection to SMEs income statements. In addition SMEs being small in size and their inability to fully understand the document limits them to get insurance cover. It was recommended that management of NIC need to build a great relationship with SMEs as their customers in orders to develop and grow them in trust and also lower the premium rates to SMEs in order to improve on their performance. Also NIC need to have a fresh look at the scope and spectrum of services provided to SMEs and has a better understanding on the scale of enterprise sector.

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LIST OF ACRONYMS

GDP – Gross domestic product

LTD – Limited

MOE – Ministry of education

KIU – Kampala International University

NIC – National Insurance Corporation

SMEs – Small and Medium enterprises

UIA – Uganda Investment Authority

UIC – Uganda Insurance Commission

CHAPTER ONE

INTRODUCTION

1.1 Background

The substantial growth of small and medium enterprises (SMEs) activity clearly marks SME as one of the most remarkable economic phenomena. SME is a business that is privately owned and operated with a small number of employees and relatively moderate volume of sales (United States Small Business Administration. "Size Standards". Retrieved 2011-08-21) the definition of SMEs varies from country to country depending on the level of development and the strength of the economy. The lower limit for small scale enterprises is set at between five and ten workers and the upper limit is set at between fifty and one hundred workers. The upper limit for medium scale enterprises is set between one hundred and two hundred and fifty workers (Hallberg, 2000).

Small and medium-sized enterprises (SMEs) represent over 90% of enterprises in most countries, worldwide. They are the driving force behind a large number of innovations and contribute to the growth of the national economy through employment creation, investments and exports. Despite the importance of SMEs for the vitality of the economy and the potential offered by the system for enhancing SMEs competitiveness, SMEs often underutilize the IP system. In October 2000, The Member States endorsed a proposal to establish a substantial new program of activities, focusing on the intellectual property-related needs of SMEs worldwide. If program of activities for SMEs aims to encourage a more effective use of the intellectual property system by SMEs worldwide. The program seeks to raise awareness of the relevance of intellectual property for small and medium-sized business and promotes initiatives to make the IP system more accessible, less cumbersome and more affordable for SMEs.There has been a noticeable increase in the widespread emergence of SMEs in sub-Saharan Africa. The Global Entrepreneurship Monitor (GEM) on South Africa, Uganda, Angola, Ghana and Zambia suggests that the number of small established businesses is high. As Figure 1 illustrates, the percentage of established owned businesses in selected African countries was the highest in Ghana (40%) and Uganda (27%) in 2010, which are both significantly higher than China and Brazil (under 15%). Meanwhile, countries that registered below 10% established business ownership, like South Africa and Angola, are comparable to France, the United Kingdom (UK) and the United States of America (USA). This suggests that while established business ownership is relatively high for some African countries it is relatively average in others (Corporation - Income Tax Guide - Chapter 4: Page 4 of the T2 return". Canada Revenue Agency. Retrieved 27 April)

However, while there are a large number of SMEs in African countries, start-up expectations for growth remain low. In 2010, when asked whether they expected to be employing over five individuals in the next five years, over 80% of respondents from Zambia, Ghana and Uganda said they did not. Meanwhile, respondents from start-ups in France, the UK and the USA showed greater expectations for their business' growth. This suggests that while start-ups and SMEs are common in selected African countries, entrepreneurs' expectations of how far their business can go are markedly lower than they are for other countries. To understand this better a closer look at the challenges to SME growth is required.(SMEs in Africa: Structure and Dynamics 2011", Page 10-11, Ministry of Economic Development)While there certainly are a growing number of SMEs on the continent, the environment that these are born into and nurtured in, varies greatly. Government's policy towards SMEs is one important factor to take into consideration when looking at the opportunities SMEs have for growth. Upon investigation, it becomes clear that Government support differs significantly across the continent. In some countries, Government creates numerous barriers to SME development in the form of excessive regulation and red-tape. Chad is one such example. The World Bank Doing Business Report named Chad the most difficult sub-Saharan African country to conduct business in (European Commission (2003-05-06). "Recommendation 2003/361/EC: SME Definition". Retrieved 2012-09-28) With a high tax rate of 65% and especially difficult insolvency regulations that demand 60% of the estate value and long processing times, business regulation in Chad makes it difficult for SMEs to operate and make profit. The especially high insolvency costs make it incredibly complicated and costly for entrepreneurs to allow their business to fail without giving them a fatal blow that would prevent them from trying again. Similarly, Eritrea ranks 43rd in Africa due to the absence of building permits issued to the private sector and the difficulty to access credit.(Annex of Recommendation 2003/361/EC) Long procedures, delays and waiting times mean that it takes 66 days to set up a business in Chad and 160 in the Republic of Congo. Furthermore, it is extremely costly to operate a business once it has been set up because of poor infrastructure. Problems of corruption, unreliable electricity and poor infrastructure mean that Nigeria ranks only 133rd in the world for ease of doing business, despite Government policy that attempts to encourage entrepreneurship. In 1999, the federal Government implemented a Small and Medium Enterprises Equity Investment Scheme (SMEEIS) which aimed to encourage a more productive SME sector. However, the policy objectives have not been met due to poor implementation. This has restrained SMEs from tapping into the market potential resulting from the country's young, large and growing middle class and population, thus slowing down economic growth and employment creation.

However, while countries like Chad, the Republic of Congo, Nigeria and Eritrea suffer from high levels of regulatory and institutional barriers with regards to SME growth and development, others like Mauritius, South Africa, Botswana, Ghana, Rwanda and Tanzania have made significant improvements in easing the cost of doing business in their countries. Indeed, the World Bank Doing Business Report 2012 shows that over the last few years, an impressive 78% of African countries undertook meaningful governmental regulatory reform as a means of improving the business climate and encouraging investment. In the World Bank's Economy Rankings 2012, Botswana ranks first on the continent for resolving insolvency and also features well regarding recovery rate .South Africa, ranks 2nd on the continent thanks to short processing times, high access to credit and the least amount of bureaucracy involved for obtaining construction permits. Likewise, Ghana, Rwanda and Tanzania have all made significantly strides toward easing regulation and creating an enabling environment for business development and growth. The picture is thus clearly a mixed one across the continent.

However, while difficult regulatory environments, poor infrastructure and limited Government support all make entrepreneurship a challenge, some success stories illustrate the potential of SMEs in Africa. Ruff n Tumble, a Nigerian clothing brand, started from the back of a car. The company has since grown significantly into one of the biggest African clothing brands, meeting the demand for a growing African middle class' desire for quality African sourced clothing. Meanwhile, the lack of Government support given to companies has seen a proliferation of Information and Communication Technology (ICT) hubs spread across the entire continent from

Kenya to Cameroon. There are currently over 50 such hubs all over the continent connecting entrepreneurs to investors and providing them with a space in which they can operate and undertake training. Even though some of these enjoy Government support, all were started independently of Government initiatives. This suggests that while Government support may be limited in most countries, it does not always hold SMEs back. Indeed, entrepreneurs create new opportunities in spite of difficult regulatory environments and are not entirely constrained by them. For this reason, this paper argues that while Governments can certainly do more to facilitate and encourage local business development in African countries, access to credit for entrepreneurs remains the key problem for SME development.

Illustrating this point, the African Development Bank (AfDB 2012) recently reported that only 20% of African SMEs had access to credit and that only 9% of the investments SMEs make are funded by a bank. This stands in stark contrast to South America and the Caribbean where 44% of SMEs reported access to credit, and to Europe were 23% of SMEs' investments are financed through bank loans. Lack of credit access places a heavy burden on entrepreneurs to raise large amounts of capital for business development themselves and makes it hard for ideas to growth into enterprise. Improving access to credit is thus crucial if SMEs are to reach their potential and allow businesses to move from start-ups to established businesses with growth potential. Credit is also essential for creating an entrepreneurship spirit as it allows businesses to fail and rebound rather than just fail. Indeed, it is common for a number of start-ups and small businesses to fail, and a climate that allows failure allows an entrepreneur to learn from that failure and start afresh. It is in such an environment that innovation and success can most thrive. Supporting this statement, Ernst & Young's recent survey on entrepreneurship found that most respondents were 'serial entrepreneurs' in that they have launched one or two other companies before achieving success. Notwithstanding this difficultly, there are a number of indicators that suggest that the situation is improving. With regards to access to credit, the AfDB report found that a number of banks in East Africa had a significant amount of clients in the SME sector and that all banks in Kenya and Zambia have created departments aimed at SMEs, while 75% of Tanzania's banks offer the same service. Meanwhile, over half of bank loans go out to SMEs. However, when lending to SMEs, banks favor long standing clients and insist on a 'deposit first' policy. This makes it difficult for SME owners without a credit history and without significant capital to access credit. Despite increasingly recognizing the importance of the sector, banks should thus further support SME development by creating better lending facilities aimed at lower income clients.

While African SMEs face significant obstacles that can affect their development and growth, these vary from country to country. Some Governments make it increasingly difficult for local businesses to flourish through burdensome regulation that lengthens important procedures and raises the stakes of failure. However, this is not the case across the continent and a number of countries have since made significant improvements to their business regulation. Furthermore, while regulatory barriers to growth can be damaging to start-ups and small businesses, they do not discourage innovation or business development on a wide scale. Indeed, impressive innovation continues to emerge from countries were regulation is cumbersome. What does make SME growth and development especially difficult, however, is lack of access to credit. If this can be improved, African designed innovations could provide local economies with substantial opportunities for growth and job creation by some and more affordable for SMEs.(United States Small Business Administration. "Size Standards". Retrieved 2011-08-21)

Small and Medium Enterprise Support, East Africa (SMES, EA) is engaged in the provision of Business Development Support Services (BDSS) in the small and medium enterprise sector covering the following areas, providing a platform for strategic linkages aimed at value addition to the SME's (Organizing technology based products exhibition, trade fares, market support services to the SME's, and offering referrals to assisting agencies) , Assist in growing small enterprises into efficient medium sized firms (i.e. assisting in the development of business plans, Organizing business skills seminars and workshops, creating a forum for exchange of ideas), Identify, expose, showcase and market national and regional SME's innovations, products and services, Compilation and publication of a SMEs service providers' handbook that lists organizations and other professional associations supporting SME's initiatives and programs by providing details of their activities, spearheading the creation of an award scheme for public and private sector institutions that support SME development in the region specialties, providing a platform for strategic linkages aimed at value addition to the SME's (Organizing technology based products exhibition, trade fares, market support services to the SME's, and offering referrals to assisting agencies(East African Journal of Social Sciences, Vol 4, No 9, p. 760-761.)

In Uganda there are approximately 1,069,848 SMEs (UBOS) currently in operation and they comprise over 90% of the private sector. They contribute to employment, provision of basic goods and services, and generation of export and tax revenues for national socio-economic development. Their Gross Domestic Product (GDP) contribution to the economy is 75% and they employ about 2,500,000 nationals. The location of these SMEs is mostly in urban areas with 80% located therein. They operate business like restaurants, accountants, hairdressers, conveniences stores and guesthouses (Hatega, 2007). On the other hand insurance is a contract by which one party undertakes in consideration of a payment called premium to secure the other against pecuniary loss by payment of a sum of money in the event of destruction or damage to property, fire, accidents or death of a person. Economy, investment and finance reports (2010) defines insurance as a policy from a large financial institution that offers a person, company, or other entity reimbursement or financial protection against possible future losses or damages. An insurance contract is an agreement by which the insurer promises, from a premium or assessment, to make a payment to a policy holder or a third person if an event that is the object of a risk occurs. SMEs often face a variety of problems related to their size. Frequent causes are bankruptcy, theft, fire, death, automobile accidents and workers injuries (Weltwirtschaftlichen Colloquium der Universität Bremen Nr. 101, Bremen).

For example, National Insurance Corporation Limited (NIC) is an insurance company in Uganda. The company is a leading provider of insurance and risk management services with 19 branches spread throughout the country (Robinson, 2009). NIC was established by Act of Parliament in 1964. The basic function of NIC insurance is to provide security and protection against risks to business. NIC has also undertaken several projects aimed at empowering the development and growth of SMEs in Uganda. Amongst these projects include; organizing public workshops and seminars aimed at enhancing techniques of small scale traders, for example the 2001 conference on marketing insurance, Publishing literature on insurance services covering issues like the need for business to be insured, business growth and financial discipline in business which are of importance to SMEs businessmen and supporting of SMEs in development and training of young businessmen in how to survive competently in the market place. (Mutesasira, Osinde, and Mule 2001). However, besides NIC contributions to the growth of SMEs, it's unfortunate that most of the SMEs are badly run due to lack of knowledge and skills in insurance policies, (Ocici, 2007),lack of professional and networking, limited knowledge of business opportunities, poor compiled records and accounts and low level of technical and management skills (UNCTAD 2002). In addition, high premium cost is also a major effect on growth of SMEs. It is therefore against this background that the researcher deems it worthy to find out by analyzing the relationship between contributions of insurance companies to the growth of SMEs.

1.2Statement of the problem

The growth of the SMEs have numerous contributions towards the economic growth, for example Foreign exchange, source of revenue through taxes, they avail variety of goods for citizens and improves the standard of living of all the members, however it has got a lot of challenges facing their growth for example some of the government policies are not favorable enough, acquisition of loans for expansion are hard, poor skill management. So this study is to find out the contribution of insurance companies towards the growth of small and medium scale enterprises in Uganda.

1.3 Purpose of the study

The study is to find out the contribution of insurance companies to the performance of SMEs in Uganda.

The study also sought:

1. To examine major factors that affects the growth of SMEs.
2. To assess the contribution of insurance companies to the growth of SMEs.
3. To determine the relationship between insurance companies and growth of SMEs.

1.4 Research question

1. What are the major factors affecting the growth of SMEs?
2. What are the contributions of insurance companies on the growth of SMEs?
3. What is the relationship between insurance and growth of SMEs?

1.5 Scope of the study

1.5.1 Geographical scope

The study focused on Insurance companies in Uganda- considering National Insurance Corporation Limited (NIC) which is an insurance company in Uganda. The company is a leading provider of insurance and risk management services with 19 branches spread throughout the country (Robinson, 2009).

1.5.2 Content scope

The study focused on finding out the major factors affecting the growth of the SMEs, Their contributions towards the growth of the SMEs, then the relationship between insurance companies and growth of the SMEs

1.6 Significance of the study.

This research will be undertaken as an academic requirement by Kampala International University before the degree of Bachelor of Economics and Applied Statistics can be awarded. The researcher places prestige in the successful completion of the study.

It's only through research that ideas and approaches will be developed and tested. This research will generate information to be used as basis for further research in to the contribution of insurance in other business segments.

The study will increase public awareness on the operations of National Insurance Corporation hence making it convenient for the public when dealing with the corporation.

This research will provide data to policy makers that will assist towards formulating for appropriate policy for policy makers operation. This will permit specific plans and policies geared towards promoting SMEs.

1.7 Operational Definitions

Contribution, this means the positive effects or results of insurance companies to the growth of SMEs

Insurance company, this is an institution which takes cover of the risks

Growth, this is the quantitative increase in the total output

SMEs, Small and medium scale companies they are not too small or too big

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter review related literature on study variables as put forward by different scholars. It focuses on contribution of insurance companies as independent variable and growth of SMEs as dependent variable.

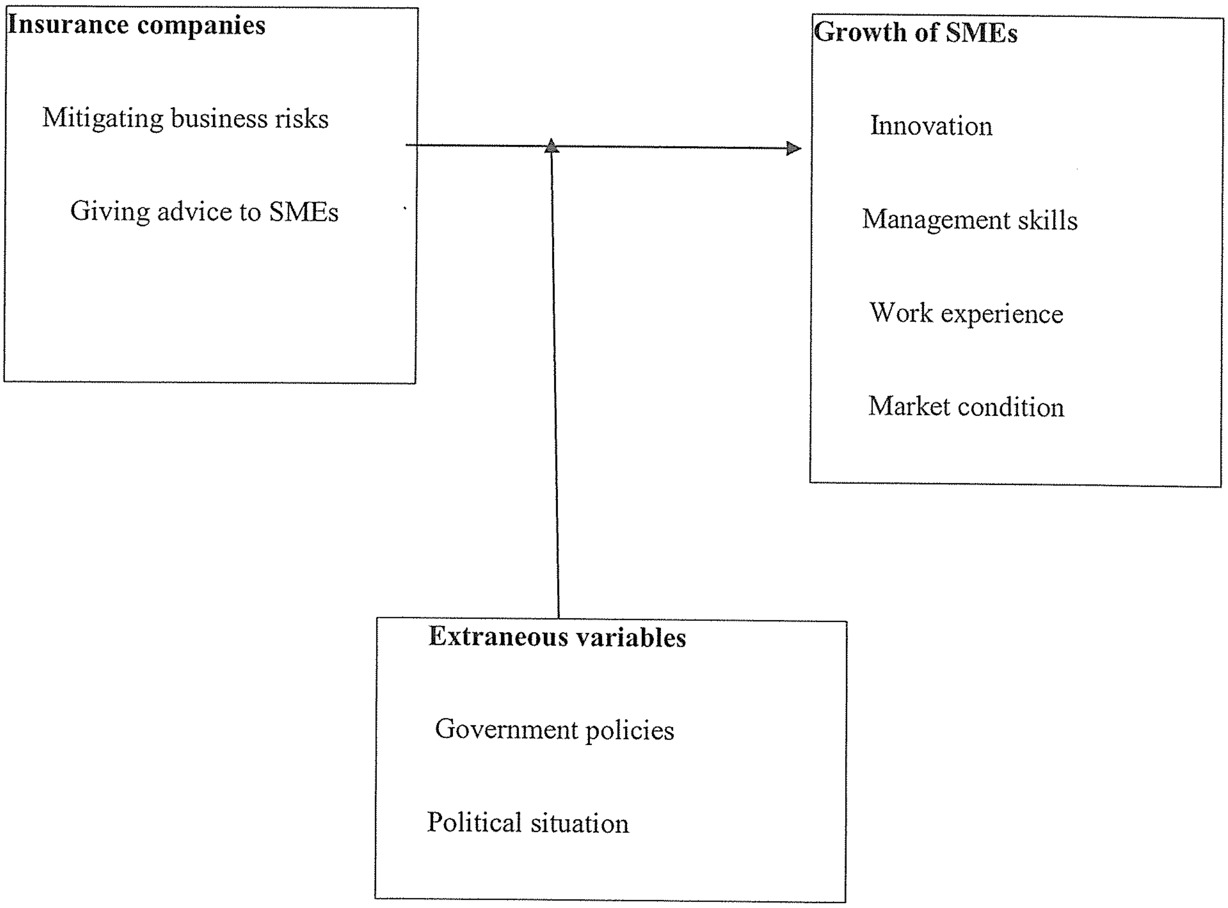
2.1 Theoretical Perspective

This study will be based on Growth model (Harrod-Dommar model) This was developed by Harrod and Dommar, the theory states that economic growth is is affected by capital accumulation, it's clearly brings the relationship between capital accumulation and economic growth, In this study it shows how the growth of the SMEs brings about the economic growth and insurance as one of the factors that leads to the growth of the SMEs. In other words, it is concerned with the condition required as smooth, uninterrupted steady growth of an economy's real output, it also determine the conditions under which the economy will grow or achieve full employment of all resources and thus the model states the role of aggregate demand and the real spending

2.2 Conceptual Framework

This is about the factors that are affecting the growth of the SMEs both main and minor then how the insurance companies affect their growth

Figure 1.0 .Showing the conceptual framework



Source. Researcher (2014)

The advantages of the insurance companies to the growth of the SMEs are mitigating business risks, giving advice to SMEs. The factors for the growth of the SMEs are Innovation, management Skills, work experience and market conditions while the extraneous variables are Government policies and political situation

2.3 Meaning SMEs

SMEs are considered to be the engine for the growth in both developed and developing countries. They have the potential to play a crucial role in supporting balanced growth across the economy (Bannock and Albach, 2000). The benefits of a vibrant SMEs sector include; the creation of employment opportunities, the strengthening of industrial linkage, the promotion of flexibility and innovation (Harvie and Lee, 2001). To sustain an economy needs to be supported by its SMEs because large scale enterprises might have negative as well as positive effects on the stability of the country (Moy and Lee, 2002). However it is difficult to give a precise and universally acceptable definition of SMEs because various countries and scholars use yardsticks such as employment levels, capital outlay and energy to define SMEs. They include a wide variety of firms ranging from village handcrafts makers, small machine shops to restaurants and computer software firms. They require a wide range of skills and operate in very different markets and social environment (Hallberg, 2000). Statistically, SMEs are defined basing on the number of employees and or the value of assets. The lower limit for small scale enterprises is set at five-ten workers and upper limit at fifty –one hundred workers. The upper limit for medium scale enterprises is set at one hundred to two hundred fifty workers (Hallberg 2000). These statistics however vary from country to country depending on the level of development and prevailing economic conditions. The sustainable growth of the Ugandan economy is directly related to the rate of enterprise creation and development. This is in turn depending on ease with which SMEs can be started and financed given their large contribution to the national economy (UNCTAD, 2002). Uganda is one of the many countries in Africa whose economy is predominantly covered with SMEs. Kasakende and Opondo, (2003) stated that a small scale enterprise in Uganda employ less than 5 but a maximum of 50 employees with the value of asset (excluding land, building), working capital of less than 50 million and a turnover of between 10-50 million. On the other hand, a medium sized enterprise is considered to be a firm that employs between 50-100 workers.

Hatega (2007) reveals that there are approximately 1,069,848 SMEs currently in operation and they comprise over 90% of the private sector. Their Gross Domestic Product (GDP) contribution to the economy is 75% and they employ about 2,500,000 nationals. He also states that SMEs are mostly in urban areas with 80% of the total located therein and have an annual growth rate of 15% to 20%. They operate business like restaurants, accountants, hairdressers, conveniences stores and guesthouses. Uganda investment authority, (2008) has also tried to promote SMEs in the country by linking them to big corporation organization that provides market and employment.

2.4 Factors affecting the growth of the SMEs

The business sector has expanded in recent decades stimulated by changes in the industrial structure and government commitment to encourage new forms of economic enterprises. Throughout, SMEs have also increased in number and are now regarded as a vital element in the attempt to increase the rate of job creation, improve competitiveness and exploit new technologies. This growth is attributed by some factors which include:

Innovation

Due to the continuous development of technology, the market is changing every day. Therefore entrepreneurs have to conduct continuous innovation to adopt the changeable market, which is crucial for their firms to grow quickly (Miller, 2005). Innovation means new or improved products, new production techniques, new process, new markets, new channels of distribution and promotions, new or improved services, new method of financing , new technologies, new organizational structure and new method management. All these result in more comparative advantage and they appear to be strong empirical evidence that fast growing SMEs are more innovative than non entrepreneurs (Muelier and Thomas, 2001). SMEs propel long term growth by facilitating innovation and its diffusion across local, national, regional and international economies. Innovation begets intellectual property and the economitant urgent need to address intellectual property rights. Hence to realize the maximum value of innovation, SMEs recognizes, understands, and manages intellectual property in order to protect their IPR and thereby accelerating their innovations towards commercialization. This will in turn not only improve their business revenue flow but ultimately raise the standard of living in their respective country as well as increase their growth rate (Miller, 2005) Delmar (2003) argued that innovation is a tool of SMEs. SMEs embrace continuous innovation in every aspect of an enterprise which includes: innovation in production system, distribution channels and human resource management among others. Once the various innovations are integrated, the end result will be a satisfied customer.

Management skills and actions

Good management skills in SMEs are recognized as an acute solution worldwide. In 2003, organization for economical operation and development (OECD) published a report entitled management training in SMEs indicating that there is a positive correlation between the degree of management training and the bottom-line performance of SMEs. It also refers to the preliminary evidence that formal management training increases the growth speed of small firms. According to survey conducted by Cant and Kotze (2005) a larger percentage of entrepreneurs hold the view that without management qualifications, the lack of management training and skills impacted negatively on the growth of their business.

Management actions refer to the task of planning, organizing, leading, coordinating and control and have a significance influence on business growth. Implementing effective management function is considered as the main character of SMEs growth. Effective management can save the cost incurred by companies and build their comparative advantage. As a result these companies grow faster. On the other hand, the behavior of entrepreneurs is strongly affected by intentions (Kruger, 2000). The firm? s strategic behavior and subsequent growth is understandable in the light of its growth intentions. Therefore, firms? growth is based not merely on chance but on the management conscious decision making and choice (Weinzimmer, 2000).naturally the firm can grow even though it is not the management? s aim but in such a case a growth is not planned and may include more risks. Planning helps in managing growth (Weinzimmer, 2000). Bennins (2000) states four features of competencies that a business manager ought to develop for faster growth of business. This include becoming a visionary and inspiring people to look to the future, learning how to effectively communicate your vision, building trust and believing in yourself. Delmar (2003) assertion means that managers would become more effective if they become more entrepreneurial since they would constantly be alert to new opportunities and proceed to exploit them.

Work experience

The insights gained through experience in a specific industry that is in the same industry as the one in which the entrepreneur starts his new venture can increase the probability of survival and high performance (Davidsson, 2000).Assimilating experience and learning from experience itself are beneficial for the SMEs growth (Delmar, 2003). Most SMEs operators have certain work experience before they start up new firms. Work experience gives them the relevant skills to identify business opportunity and the technical capabilities to produce the product or give the identified service. People lacking relevant work experience may result to poor business idea and the final failure of the business (Afolabi, 2007).

Mc Kenna (2004) stated that work experience which derives competence is not something that can be developed in isolation from its context but is a situation specifically reflecting the culture and environment in which these particular entities find them.

Market condition

Proper selection of growing Market environment issues are industry-specific factors associated with the industry in which the firm operates and they represent market conditions, the interest or actions of consumers, competitors, intermediaries and suppliers (Davidsson, 2000). Market and similarly the growing industry is of utmost importance for SMEs (Kruger, 2000). Choosing a market segment with potential market growth means high profit, low competition, and is more likely to succeed. A poor market selection, for instance one with many market imperfections or a limited market size with poor growth prospects, can negatively affect the entrepreneurship process (Gordorn, 2001).

Competition

Most SMEs are me too? firms. They face fierce competition in the same industry. In addition with the development of globalization, SMEs operate within a global context characterized by intensified competition and unknown competitive rivals (Greiner, 2000). Competitive concentration in conjunction with actions and strategies of competitors has a great effect on the entrepreneurial process (Kangasharju, 2000). A number of scholars have agreed that success in SMEs business is built on personal commitment of entrepreneurs. According to Davidsson, (2000) successful entrepreneurs easily realize that it is not just their ideas and capital which matters to succeed in a competition. Therefore, they dedicate themselves to hard work, remain goal and action oriented, and they embrace a systematic risk-taking attitude which ensures that they are continuously creative and be able to adapt to unforeseen contingencies. Delmar (2003) noted that a successful and a good competitor will tend to remain in control because he will not just be contented with making improvement on what exists but he will set for himself high targets which look for new and different values. Therefore a clear understanding of the competition, right strategy and corresponding to the competition is crucial and has led to high growth of SMEs. However, it's generally recognized that SMEs face unique challenges, which affect their growth and profitability and hence diminish their ability to contribute effectively to sustainable development. The following challenges are briefly discussed: Lack of Managerial Training and Experience, Inadequate Education and Skills, Lack of credit, National Policy and Regulatory Environment, Technological Change, Poor Infrastructure and Scanty Markets information.

Inadequate education and skills

Afolabi (2007) defined skills as an expertness, practiced ability, facility in doing something, dexterity and tact. Skill encompasses experience and practice and the gaining of skill leads to unconscious and automatic actions. Education and skills are needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Uganda are not quite well equipped in terms of education and skills. Study suggests that those with more education and training are more likely to be successful in the SME sector (Kesper, 2000). As such, for small businesses to do well, people need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector have at least attained college level education (Wilkinson and Terri, 2003).

Lack of credit

Cressy and Olofsson (2002) find that smaller businesses have lower fixed to total ratios, higher ratios of current liabilities to total assets and financially more risky. Culp (2001) and Namaya (2002) suggest that smaller companies like SMEs limit their issuance of outside equity inorder not to reduce control of their firms. However it is harder for the SMEs to access debt financing. For example, Berger and Udell (2002) argue that SMEs with generally shorter banking relationship pay higher interest rates and are more likely to be required to pledge collateral. International Labour Organization, (2000) showed that in general SMEs have higher costs and reduced access to financing because of the information asymmetries associated with newer SMEs firms. Furthermore, Levy (2000) concludes that restricted access to financial services slows the growth of SMEs.

Longenecker and petty (2003) found that lack of capital availability for small firms and entrepreneurs is only an illusion considering the development programs. Further Mc Kenna (2004) and Davidsson (2000) argued that financial credit is the most important form of external support required for SMEs growth especially in developing countries. Afolabi, (2007) showed that small firms are the most credit constrained as a result of underdeveloped financial and legal systems and higher corruption. Liedholm and Mead (2002) argue that majority of SMEs in Africa do not grow at all within their establishment of more than 3 years of existence. The major constraint for their failure was attributed to how credit is accessed from financial institutions. Credit constraints operate in variety of ways in Uganda where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. Small firms are less prominent and are not so much accustomed and sometimes not even able to provide the required information. Therefore Banks perceive credit to SMEs as risky. There are various other financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. Financial constraint remains a major challenge facing SMEs (Wilkinson and Terri, 2003)

National policy and regulatory environment

The National policy and regulatory environment have an important impact on technology decisions at the enterprise level. The structural adjustment programs (SAPs) implemented in many African countries is aimed at removing heavy policy distortions, which have been viewed as detrimental to the growth of the private sector. SAPs tend to severely affect vulnerable groups in the short run and have been associated with the worsening living conditions in many African countries (UNCTAD, 2002). The findings in the study by Wilkinson and Terri (2003) indicate that business environment is among the key factors that affect the growth of SMEs. Unpredictable government policies coupled with „grand corruption,? high taxation rates, all continue to pose great threat, not only to the sustainability of SMEs but also to the Ugandan economy.

Technological Change

Change of technology has posed a great challenge to small businesses. Since the mid-1990s there has been a growing concern about the impact of technological change on the work of micro and small enterprises. Even with change in technology, many small business entrepreneurs appear to be unfamiliar with new technologies. Those who seem to be well positioned, they are most often unaware of this technology and if they know, it is not either locally available or not affordable or not situated to local conditions. Foreign firms still remain in the forefront in accessing the new technologies. Rapid change in technology and the wide range of technologies available on the market entail difficulties in deciding efficient technology for the needs of many businesses (Longenecker and petty, 2000). Technology, a key component in strategic development is inevitable in the industrial development process (Thomas and Sparkes, 2000). The technology development is the driving force on enterprises to invest on novel technology more than their capacities (Kruger, 2000). Improved ability of SMEs to gain access to available knowledge and experiences will lead to increased competencies of the enterprises; can enhance their market share for global and local markets as rapid progress in technology constrains them to restructure their business process. In most of the African nations, Uganda inclusive, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists (Miller, 2005). There is digital divide between the rural and urban Uganda. With no power supply in most of the rural areas, it is next to impossible to have Internet connectivity and access to information and networks that are core in any enterprise. Thus technological change, though meant to bring about economic change even among the rural lot, does not appear to answer to the plight of the rural entrepreneurs.

Scanty Markets Information

Lack of sufficient market information poses a great challenge to small enterprises. Despite the vast amount of trade-related information available and the possibility of accessing national and international databases, many small enterprises continue to rely heavily on private or even physical contacts for market related information. This is due to inability to interpret the statistical data as expressed by Miller (2005) and poor connectivity especially in rural areas. Since there is vast amount of information and only lack of statistical knowledge to interpret and Internet connectivity, small enterprises entrepreneurs need to be supported. With connectivity being enhanced there is renewed hope for the SMEs. Information asymmetry describes the condition in which relevant information is not known to all parties involved in an undertaking (Ekumah and Essel, 2003). It has been used widely to explain a variety of concepts including those in different market situations (Constantiou, 2001). Information asymmetry causes markets to became inefficient and forces market participants to take risks because it is assumed that information which is provided is always inadequate, inaccurate, incomplete and untimely (Constantiou, 2001). For example, Timo and meththild (2005) revealed that reliable information on SMEs is rare and costly for insurance companies and this lack of information leads to comparably high interest rates even if a long term relationship between SMEs and insurance companies exists. In summary, Kudakwashe (2009) explains that most enterprises are run by experience and observation with little or absolutely no formal training in the areas of management and insurance development. Kesper (2000) also states that majority of those who run SMEs are ordinary lot whose educational background is lacking. Hence they may not be well equipped to carry out managerial routines for their enterprises. These observations are supported by prominent scholars like Mutesasira et al (2001) who testify that insurance is a central factor in the management of SMEs and those organizations that ignore it are bound to fail.

2.5. Performance indicators of the SMES

Firm performance is a multi-dimensional concept; it may be financial or non-financial. Since the vast majority of SMEs are unable or unwilling to provide financial information, only perceived firm performance will be measured (Griffiths, 2002). Perceived firm performance can be measured by capital growth, sales growth, employment growth and development of new markets and products.

Sales growth

Asale is the pinnacle activity involved in selling products or services in return for money or other compensation. It is an act of completion of a commercial activity. Sales growth is often used as a measure of performance. The assumption is often made that if sales increase, profits will eventually follow (Thomas and Mason, 2007). A key determinant of success in a firms growth is sales, provided of course that the profits and cash flows generated from the sales are adequate to cover the costs incurred in generation of the revenues.

Capital growth

It is anxiomate that innovative firms focusing on the growth of their business will experience an expansion in their capital base. Therefore, it is imperative that the design of SMEs insurance method facilitate but not constrain such growth. More importantly, it is imperative that capital be as mobile as possible so that capital that has grown and accumulated in one business can be transferred to another business as part of a legitimate business growth strategy.

Employment growth

According to Wilner & Smith, (2009) one of the constrains to firm growth is manpower in terms of their skill and capabilities. Hargadon and Burns (2001) added that the starting point for a new analysis of the limits to small firm growth is emphasized on costs of organizational change within the growing firm, caused by the need to train and assimilate new managerial recruits? transactional efficiency and explanation. The same argument was advanced by Ocici (2003) in the theory of the growth of the firm which indicate a functional relationship between "organizational efficiency" of a firm and its rate of growth and that the former will decline after a point as the latter rises. The research however tries to trace the relationship between insurance companies and the growth of SMEs in term of the level of employment.

2.6 Meaning of insurance

Insurance goes beyond its traditional objective of providing protection and safety against risk to encompass other fields such as life and health insurance. This trend in the industry arises from two major categorizations of insurance which are life insurance and general insurance (Mthimkhulu, 2008). Insurance is the protection against financial loss provided by an insurer. It also defined as a protection of policy holder against specific perils in exchange for premium that is proportionate to the likelihood and cost of the risk involved (UIA 2008).

General insurance is also referred as comprehensive because it covers almost each and every fathomable insurable risk. Life insurance also known as assurance specifically is designed to cover the unavoidable death factor and other health related issues like terminal illness. The life insurance industry has not been so developed in Uganda and is still evolving into a definite shape that can easily be recognized and appreciated. General insurance is still ahead in development as compared to life assurance as there are 18 general insurance companies licensed to operate for the year 2008 as compared to less than 10 of life insurance (UIC, 2008). In relation to insurance, scholars such as Chait (2006) and Saghana (2009) concluded that modern economy cannot survive without an organized insurance system. They therefore argue that insurance is one of the most important industries in the economy. In light of these views, SMEs in insurance enterprises would stimulate the growth of an economy especially as the state of the economy has a large impact on the demand and provision of insurance services; the poorer the country, the lower the demand for insurance (insurance news, September 1993, p.13) The insurance Act (cap 213 laws of Uganda, 2000) governs all business in Uganda.UIC is responsible for the supervision and regulation of the insurance sector and was established in1996 after the enactment in 1996 of the insurance statute. The Ugandan statute books have a salient and rather adamant towards the insurance industry, especially in so far as life insurance schemes are in Uganda are concerned. This is so because there is no statute to regulate and govern life insurance in Uganda since the life insurance Act 1774 was repealed (Sentiba, 2000). Insurance in Uganda is still majorly an elusive concept to many especially to the small scale businessmen and they tend to see the periodic premium as a burdensome cost (Mutesasira et al. 2001). Most business owners in Uganda feel insurance are for large enterprises and others feel it? s too expensive for them to afford. Insurance companies therefore have got a challenge to design packages that are pocket friendly to small and medium businessmen. Insurance in Uganda is still at a low level of development reflecting the low level of economic development of the country in general (Saghana, 2009). Similarly, Sentiba (2005) contends that the insurance industry in Uganda has still had a long way to go. He however credits it for having registered a steady growth in recent years since 2000. It is this phenomenon that attracted the researcher to consider the industry for scientific study. Though this recovery had a lot to do with SMEs, he wanted to find out the factors behind it.

2.7 Contribution of insurance companies to the growth of SMEs inform of insurance covers

According to Uganda Insurance Commission, the performance of the insurance industry is still low compared to other industries in the market but is gradually changing with years. The insurance industry continues to be dominated by general (short term) insurance which makes up 90% of the total premiums. According to Uganda Insurance Company (2008), the contribution of insurance to the growth of SMEs continues to be low because of fundamental impediments to the development of insurance. This include; the inability to afford insurance due to low incomes of the majority of the prospective consumers; non possession of valuable insurance goods due to general poverty; the intangibility of insurance which makes its value and the role difficult to appreciate given the education level of the masses and the death of products which would be ideal for the rural prospective consumers who form the bulk of the population. According to Uganda insurance Company (2008), there are a number of policies or products available for SMEs on the market and are classified as either non life or life products. These include;

Non life products: fire and special perils, burglary, workmen? s compensation, motor comprehensive among others.

Life product: group and individual life covers, group and individual mortgage.
However the insurance companies have positive and negative contributions towards SMEs.

These include;

Positive contribution

Mitigating business risks

SMEs owners incur certain business risks some which are unavoidable but others can be covered by insurance. In any business the possibility that those years of hard work might be lost due to theft, accidents or fire should not be ignored. Insurance is usually voluntary but nevertheless important (Kudakwashe, 2009). The analytical focus that an experienced insurance companies centers on is relative loopholes, strength and credibility in the particular business. Insurance companies determine SMEs present, past and financial profile that helps in mitigating the risks. A reliable insurance company resolves critical issues and asks for analytical concern (Weinzimmer, 2000). SMEs buy insurance to transfer risks from themselves to insurance company (Boone and Kurtz, 2006).

Enhance loan acceptability by SMEs sector with banks

Insurance services help financial institution to serve as a common benchmark in credit analysis and lending by assessing the credit worthiness and integrity of SMEs. A reliable insurance company conducts mandatory checks to assess the credentials of the SMEs before extending a product or service thus enabling SMEs to get financial help from the multinational institution. Insurance companies also act as a source of funds to small businesses most especially real estate ventures. The SMEs owners can go directly to the insurance company or contact its agent or a mortgage banker for the resources (Kudakwashe, 2009).

Lowers the insurance rates for SMEs

According to Sentiba (2005) an insurance expert, stated that the country way out of issuing new tariff structures which insurance companies are expected to follow was in order to curtail them from taking advantage of unsuspecting customers to expand on micro insurance so as to accommodate the lucrative SMEs. For example, Singapore government announces lower interest rates, loan premium to help SMEs manage costs (Mthimkhulu, 2008).

Gives advice to SMEs

Sentiba (2005) stated that insurance companies for example Jubilee insurance advice small business concerning the introduction and control systems and new products and sales channels. It also supports the businesses in terms of risk analysis and well targeted training of the staff. For example, Simon Ball, CEO and founder of business insurance (2010) gave a finance and accountability advice for SMEs development. British Insurance Brokers Association provides advice to businesses and consumers playing a key role in identification, measurement, management, control and transfer of risk. Bennins (2000) criticized business decisions and stated that "when you run your own business, you want to spend as much time as possible earning income and as little time as possible searching for the right insurance deal". There is a benefit of long term relationship with our clients and for many years we have became very active risk advisors (Brink and Berndt, 2004).

Efficient utilization of financial resources

With the protection of insurance, SMEs need not to establish huge contingency funds to protect against the risks they face. Without insurance, the potential losses due to capital destruction must be met by a SMEs own internal funds. As a result, a bigger portion of the company's profits will have to be retained in the business instead of being distributed to its owners (Weinzimmer, 2000). However Kimura, (2000) criticized that SMEs particularly struggle with the efficient and effective utilization of resources to achieve organizational objective. Research shows that concerns for insurance company practices and their impact on firm practices are still low. Unfortunately the available knowledge on insurance is highly descriptive and fragmented.

Insurance companies caters for SMEs specific insurance needs

For example, Dial Direct Business Insurance caters for SME-specific insurance needs. It is divided into four segments namely; Business, Office, Practice and Professional. Each segment has a specially-tailored product that provides cover relevant to the needs of the SMEs that fall within that category. Each product contains the correct combination of traditional policy sections to ensure that a small or medium business is adequately looked after from an insurance point of view. This means that there are no superfluous clauses, which in turn means that there are no unnecessary premium costs Information Centre (Saghana, 2009).

2.8 Factors inhibiting the purchase of insurance by SMEs

High premium cost and paper work.

Insurance premium is the amount of money to be paid in monthly installments for an insurance policy as developed by Kimura (2000). The premium is determined by the insurance company depending on the degree of occurrence in that, usually insurable events that are likely to happen in the near future are subjected to high premiums while the latter may be subjected to low premium (Sentiba, 2000). The payments obtained are put together to form a pool from which various people is compensated in events of loss hence fulfilling the duty of insurance. Surprisingly, approximately 70% of small businesses affected by major loss do not recover. This is of some concern as small businesses employ in excess of 2.5 million and represent 75% of the GDP (Hatega, 2007). High premium cost is primarily affected by the frequency and the size of losses relative to the values involved. Others are expense factors connected with inspection, underwriting, record keeping and cost connected to accident prevention. SMEs cannot afford to scrimp on premium and hope for the best. However, a smaller company has some natural limitations. Kudakwashe, (2009) reveals that SMEs does not have the time or manpower to cope with high premium costs and paper work.

Experience and beliefs

Experience in selling insurance services points out to the existence of a negative attitude in a substantial sector of society. Kimura (2000), states that some of the negative attitudes are based on experience and beliefs. People generally think that insurance companies only collect premiums and never pay at a time of loss (Daniels, 2003). This conviction is due to the various bureaucratic tendencies applied when losses occurs thus rendering many of the victims helpless in obtaining their claims.

Low insurance market penetration

Although SMEs in Uganda are exposed to a multiplicity of risks, they insure themselves against only a small number, on average 3 from a list of 10. According to UIC (2008) the level of insurance market penetration is low due to several factors. For example; inability to afford insurance due to low incomes of the majority of the prospective consumers (Daniels, 2003); non possession of valuable insurance goods due to general poverty (Kimura, 2000); the intangibility of insurance which makes its value and the role difficult to appreciate given the education level of the masses and the death of products which would be ideal for the rural prospective consumers who form the bulk of the population.

Low income earned by SMEs

The demand for insurance services is greatly limited because of low income earned by SMEs (Daniels, 2003). Kimura (2000), argued that poverty appear to have a firm grip on most Ugandans populations thus reducing their level of income. Thus, this has led to limited premiums incomes since majority of SMEs cannot take up the insurance policies. According to Sentiba (2005), any extra cash requirements would trigger extra costs for each insured and eventually foster organizational set ups and behavior that are not in the best interests of policy holders and do not promote healthy developments of SMEs. Most specifically, the sequence of expected reactions to sizeable increase in cash requirements threatens to reduce business profitability.

Inabilities on the part of the insured to fully understand the policy document

Kudakwashe (2009) explains that most enterprises are run by experience and observation with little or absolutely no formal training in the areas of management and insurance development. Kesper (2000) also state that majority of those who run SMEs are ordinary lot whose educational background is lacking. Therefore SMEs operators may not be well equipped with knowledge about insurance policies hence remaining un-insured.

Insurance awareness

According to UNCTAD (2002), lack of awareness of the benefits of the insurance is a serious handicap for the fire sectors. It is generally believed that a large number or perhaps the majority of simple risks belonging to individuals such as dwellings and small enterprises are without any insurance cover. Daniels (2003), states that the level of public awareness about insurance services is still low. He concluded that in Kampala, majority of SMEs had nothing to do with insurance companies while they could name a few products and companies. This shows that they do not know the uses of insurance companies.

Failure by lending authorities to properly advice the clients on a proper insurance program

A national survey of 1200 consumers found that 87% believed it was the duty policy holder? s responsibility to decide on their level of insurance while 7% nominated the insurer and 5% a professional valuer (Manning, 2004). That? s why SMEs will continue to remain uninsured. Also market practices have remained conservative and static. Sentiba (2000) noted that due to the observation that most SMEs are conducted by peasants thereby finding it difficult for some insurance policies to be practiced.

Under insurance

This means that the insured is only partially covered by the policy and is therefore vulnerable to the uncovered risks. The most common driver of under insurance is the perceived high cost of premiums. Whether the un affordability is real or perceived, this has been stated in many surveys as the most common reason as to why SMEs under insure (Manning, 2004). Therefore for the proper estimation of risk and its cost, insurance companies and their clients ought to work hand in hand. Cautionary advice on under insurance-SMEs and Trustees states that being under insured is nearly as bad as being un insured (Brink and Berndt, 2004). Also critical failures include not insuring your business and its assets for the correct replacement value and failing to anticipate how long it will take to get your business back.

2.9 Relationship between insurance companies and SMEs

According to Kudakwashe (2009), the strength between insurance companies and SMEs is fair and the fact that SMEs view insurance companies as avoidable serves to show that insurance companies have got a lot to do in order to impact the playing field for the better. If a business has an insurance policy and a relationship with its insurer, it becomes easier for the company to overcome risks. However literature has shown that insurance companies are not willing to insure SMEs and it is the aim of this research to establish whether a relationship between these two variables exists. On the article entitled New Deal in the Offering for SMEs, the author stated that the insurance industry prefer to deal only with established businesses (Mthimkhulu, 2008).It is prudent for insurance companies to formulate cheaper ways of insuring SMEs against their risks. Research commissioned by the British Insurance Brokers Association revealed that nearly one in five small businesses the in the UK suffers a major disruption every year. Further research suggest that 80% of the businesses affected by major incident close down within 18 month, and 90% of those who lose data close down within 2 years. This is due to the failure of small businesses to have adequate insurance cover and proper business continuity plans (cover sure, 2007). There is need for insurance companies to build a relationship with SMEs as their customers. The success of a business relationship lies in the development and the growth of trust and commitment amongst partners (Brink and Berndt, 2004). If there is a relationship that is created between short term insurance companies and SMEs, it will be easier for insurance companies to establish the insurance policy needs of SMEs. Manning (2004) in his research entitled "strategic management of crises in SMEs" provided a model for the management of crises particularly for SMEs. The crises management model for SMEs aims at assisting owners of SMEs to minimize the risk associated with losses caused by disaster. The model addresses the need for adequate insurance cover by SMEs and the need for business recovery plans. In Uganda, the collapse of several promising SMEs and other businesses in the business landscape in the last 4 decades is higher. This has been attributed by lack of awareness of business owners on the need to strengthen their risk taking ability and long term sustenance of their enterprise through adequate and appropriate insurance coverage for their investment (Saghana, 2009). Insurance companies need to have a fresh look at the scope and spectrum of services provided to SMEs. The need of SMEs sector should be clearly identified and linked with a better understanding of the scale of the enterprise sector and its role to the national development (Daniels, 2003). However, where the owner of a business can cover the risk they should try and prevent the risk. They can insure against all the threats that may affect the business. This is one of the important aspects that the SMEs owners need to give attention. SMEs owners need to realize the importance of having insurance policies. It is a paramount for them to view their business as a legacy that continues from generation to generation not a business that has no future (Kudakwashe, 2009). In such businesses faced by globalization, insurance companies need to develop their strategies based on the advancement of the e-commerce era. This is where business can have business transactions without necessarily meeting face to face but over the internet. Insurance companies need to invest in improving their technological support as some SMEs might prefer to conduct business over the internet.

2.10 Conclusion

The review of extant literature shows that limited research has been done concerning contribution of insurance companies. Subsequently, the existing body of knowledge on the same is highly appreciated and limited. Moreover, there is no conclusive agreement on the contribution of insurance companies to the growth of SMEs yet SMEs are unanimously considered to be critical in the economic development of any economy. However, Kudakwashe, (2009) reveals that the success of SMEs sector depends upon the establishment of a relationship between SMEs and insurance companies. In the event that SMEs faces a catastrophe like fire, strike or that employees are injured at work, they need to have insurance to cover such eventualities as such disaster may leave them vulnerable if they don't have insurance The emergency of globalization however seems to be changing the status quo as insurance companies are now going back to the drawing board and designing packages that are tailored for low income businesses especially Africa where SMEs are the majority. Globalization and structural adjustment by African governments especially Sub Saharan states like Uganda has greatly woken up the insurance sector. Once, government owned enterprises like NIC have been divested and are now at the fore front of innovation in the insurance world in Uganda.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the systematic process by which the study was conducted. It highlights the method that was used to establish a trend in the performance of the insurance industry over the years so as to find out its contribution to the growth of SMEs. This chapter also describes the sources of data and data collection methods.

3.1 Research Design

A blend of analytical descriptive cross-sectional survey was adopted. Descriptive aspect of the study was laid in identifying the factors that affect SMEs and as much as possible showing their effect on insurance companies. Analytical cross-sectional was concerned with the establishment of the inter-relationship between SMEs and insurance. Quantitative methods were employed in the research to establish how many operators operate having insurance cover.

3.2 Survey Population

The study targeted the management and employees of NIC the survey population of the study is 130 of which the sample was drawn.

3.2.1 Sample Size

The sample size was one insurance company, National Insurance Company. Data was collected from 97 respondents picked from NIC. This number was selected using a simple random technique as developed by Krejcie and Morgan.

$$S= \frac{x^2NP(1-P)}{d^2(N-1)+x^2P(1-P)}$$

Where,

$x^2 = Chi\ Square,\ S = Sample, N = population,\ P = population\ proportion$ 0.05,

$d^2 = degree\ of\ accuracy$ 0.05

The number was considered appropriate because of the nature of research, limited resources and taking into account the time the study was conducted. The number of employees was expected to enable the researcher to get deeper, richer and more detailed information hitherto unrecorded. The sample was 75% of the total population

Table 1 Showing the targeted sample size

Category	Population	Sample size (75%)
Management	8	5
Employees	122	92
Total	**130**	**97**

Source; primary data

3.2.2 Sampling Design

Purposive sampling and simple random sampling was used as developed by Krejcie and Morgan (1970). Purposive sampling design was also used for the selection of managerial respondents and simple random sampling was used to choose the other workers so as they can all have chances. Preparatory work had revealed that insurance operations are of a highly technical nature and the information being in the study required contact with people who are knowledgeable in the insurance field. Simple random was used to select 97 respondents.

3.2.3 Primary sources

This involved visiting the field to collect data from selected respondents. The primary data collection methods involved; Questionnaires was used where the respondents was given questions to fill in the spaces then later used for analysis

3.3 Validity and reliability of instrument

To ascertain validity and reliability, the questions was tested using a sample to eliminate questions that was vague. The research instrument was tested using the content validity index (CVI) and a Cronbach Alpha co-efficient.

A CVI of greater or equal to 0.50 confirmed that the questions taken are relevant to the study variable. For reliability, Alpha co-efficient with values equal or greater than 0.5 was also considered to be relevant. This was done to build confidence that the instrument yield good results.

3.4 Data Analysis

This was the final stage in processing having compressed the data from tables to graphs. Data was edited to check the accuracy, consistency and completeness of the information. Data was collected from the primary survey using a questionnaire instrument and analyzed using a computerized data analysis tool. The SPSS package was used to come up with statistics that shows the relationship between the independent variable and dependent variable. Excel correlation and measures of central tendencies like mean, mode and median will be part of the analysis. Spearman correlation coefficient was used to determine the degree of relationship between variables. Data entry was done by Microsoft Word.

3.5 Limitation of the study

Delay in response. Some respondents took a lot of time filling the questionnaires. The researcher moved around checking on the respondents.

The busy schedule of the NIC employees made the researcher to reschedule appointments now and again which delayed the collection of data. This was overcomed by making appointments within busy schedule.

Non response, some of the questionnaires were returned back not answered or even not brought back and that one made the researcher print more copies and distribute them again which was really so costly

Non valid response some respondents gave out information which is not dependable at all for the analysis to be done

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTEPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the findings according to the data collected. The findings are analyzed, interpreted and presented according to the important variables, objectives of the study and the research question.

4.1 Response rate

The response rate was good; 87 questionnaires were filled, 8 were not filled and 2 were misplaced. Respondents responded positively.

4.2 Demographic Profile of Respondents

To appreciate the reliability and the accuracy of the research findings, the researcher identified the respondents bio data in respect of gender, age, level of education and the duration they have been in NIC.

Table 4.2: Showing Demographic Profile of Respondents

Demography	Category	Frequency	Percentage
Gender	Male	60	69.0
	Female	27	31.0
	Total	87	100.0
Age Range	18-25	14	16.0
	26-33	30	34.5
	34-41	20	23.0
	42-49	10	11.5
	50-57	7	8.0
	58&above	6	7.0
	Total	87	100.0
Education Level	Diploma	17	19.5
	Degree	35	40.0
	2nd Degree	25	29.0
	PhD	10	11.5
	Total	87	100.0
Duration Of Work	Less than a year	20	23.0
	1-3 years	25	29.0
	4-6	27	31.0
	7 years &above	15	17.0
	Total	**87**	**100.0**

Source: Primary Data (2014)

According to the findings, 69% of the respondents were male and 31% were female. This implies that there was gender bias in the study. The study also indicates that 34.5% were 26-33 years, 23% were 34-41 years, 16% were 18-25 years, 11.5% were 42-49 years,8% were 50-57years and 7% were 57 years above. This indicates that the respondents were matured enough to answer questions in the questionnaires. It was also established that 40% had a Degree, 29% with a 2nd degree, 19% had Diploma and 11.5% with PhD, making Degree holders the majority workers.

The research also shows that people who have worked for 4-6 years are the majority with 30%, followed by the workers of 1-3 years with 29%, workers with less than a year comes third with 23%,then lastly workers with 7 Years &above with 17%

4.3 Findings on factors affecting SMEs growth

Findings on factors affecting SMEs growth were evaluated in terms of innovation, competition, management skills and actions, lack of credit and technological change.

Table 4.3.1 Showing findings on Innovation

Items	Mean	Std. Deviation	Rank	Interpretation
Innovation is a strong empirical evidence for fast growing SMEs	4.5800	.67279	1	Very High
Fast growing SMEs are more innovative than entrepreneurs	4.2000	.85714	4	High
Profitable firms are innovative	4.3200	.76772	3	Very High
Continuous innovation help SMEs to grow quickly	4.4000	.75593	2	Very High
Innovation increases public welfare	4.0600	.84298	5	High
Over all Mean	**4.312**			**Very High**

Source: Primary Data (2014)

The result in table 4.3.1, shows innovation is a strong empirical evidence for fast growing SMEs (Mean=4.5800) interpreted as very high with standard deviation (0.67279) ranked as First, Continuous innovation helps SMEs to grow quickly (Mean=4.4000) interpreted as very high with standard deviation of 0.85714 ranked as Second, Profitable firms are innovative (Mean=4.3200) interpreted as very high with standard deviation of 0.76772 ranked as third, Fast growing SMEs are more innovative than non entrepreneurs (Mean=4.2000) interpreted as high with standard deviation of 0.85714 ranked as fourth, and Innovation increases public welfare (Mean=4.0600) interpreted as high with standard deviation of 0.84298 ranked as fifth.

Table 4.3.2 Showing findings on Competition

Items	Mean	Std. Deviation	Rank	Interpretation
Competition has a great effect on SMEs industry	4.4200	.78480	1	Very High
The degree of competition in SMEs industry is strong	4.1400	.96911	2	Very High
Competition in SMEs can easily be managed	3.5000	1.05463	5	High
When expenses are matched with revenue, this can improve competitiveness of SMEs	3.5800	.97080	4	High
SMEs face fierce competition	4.0600	.97750	3	Very High
Over all Mean	**3.94**			**High**

Source: Primary data (2014)

Results in the table above show that competition has a great effect on SMEs industry (Mean=4.4200) interpreted as Very high with standard deviation of 0.78480 ranked as first, the degree of competition in SMEs industry is strong with (Mean=4.1400) interpreted as very high with standard deviation of 0.96911 ranked as second, SMEs face fierce competition with (mean=4.0600) interpreted as very high with standard deviation of 0.97750 ranked as third expenses are matched with revenue, this can't improve when competitiveness of SMEs (Mean=3.5800) interpreted as high with standard deviation of 0.97080 and rank fourth. the Competition in SMEs cannot be easily be managed (Mean=3.5000) interpreted as high with standard deviation of 1.05463 ranked fifth

Table 4.3.3 Showing findings on Management Skills and Actions

Items	Mean	Std. Deviation	Rank	Interpretation
Improvement in business skills can increase the performance of SMEs	4.6800	.47121	1	Very High
Planning helps in managing growth of SMEs	4.5200	.57994	2	Very High
Lack of skills slows down the growth of SMEs	4.3400	.82338	3	Very High
Over all Mean	**4.51**			**Very High**

Source: Primary data (2014)

Results in the above table shows that Improvement in business skills can increase the performance of SMEs (Mean=4.6800) interpreted as Very high with standard deviation of 0.47121 ranked as first , Planning helps in managing growth of SMEs (Mean=4.5200) interpreted as Very high with standard deviation of 0.57994 ranked as second and Lack of skills slows down the growth of SMEs (Mean=4.3400) interpreted as Very high with standard deviation of 0.82338 ranked as third.

Table 4.3.4 Showing findings on Lack of Credit

Items	Mean	Std. Deviation	Rank	Interpretation
SME with shorter banking relationship pay higher interest rates.	3.5800	1.17959	5	High
Credit remains a major challenge to the growth of SMEs.	4.2000	.78246	2	High
Lack of collateral security is a challenge to credit access.	4.3800	.77959	1	Very High
Banks perceive credit to SMEs as more risky.	4.0600	.81841	3	High
SMEs have reduced access to credit due to information asymmetries.	3.6200	1.06694	4	High
Over all Mean	**3.968**			**High**

Source: primary data. (2014)

From the table, results show that Lack of collateral security is a challenge to credit access (Mean=4.3800) interpreted as Very high with the standard deviation of 0.77959 ranked as first.Credit remains a major challenge to the growth of SMEs (Mean=4.2000) interpreted as high with standard deviation of 0.78246 ranked second, Besides that, Banks perceive credit to SMEs as more risky (Mean=4.0600) interpreted as high with standard deviation of 0.81841 ranked as third and SMEs have reduced access to credit due to information asymmetries (Mean=3.6200) interpreted as high with the standard deviation of 1.06694 ranked as fourth. SMEs with shorter banking relationship pay lower interest rates (Mean=3.5800) interpreted as high with standard deviation 1.17959 ranked as fiffth,

Table 4.3.5 Showing findings on Technological Change

Items	**Mean**	**Std. Deviation**	**Rank**	**Interpretation**
Technology is a key component in strategic development	4.4600	.64555	1	Very High
Improved technology enhances market share for SMEs	4.1800	.80026	2	High
Technology pose a great challenge to SMEs	3.8800	1.15423	3	High
Technology advancement is not affordable by SMEs	3.1400	1.24556	4	Neutral
Over all Mean	**3.915**			**High**

Source: primary data (2014)

Results from the finding shows that Technology is a key component in strategic development (Mean=4.4600) interpreted as very high with standard deviation of 0.64555 ranked as first, Improved technology enhances market share for SMEs (Mean=4.1800) interpreted as high with standard deviation of 0.80026 ranked as second, Technology pose a minor challenge to SMEs (Mean=3.8800) interpreted as high with standard deviation 1.124556 ranked third and Technology advancement is affordable by SMEs (Mean=3.1400) interpreted as neutral with standard deviation of 1.24556 ranked fourth.

4.4 Contributions of Insurance Companies to the Growth of SMEs

Findings on contributions of insurance companies were considered and can be evidenced below.

Table 4.4.1 Showing Contribution of Insurance Companies

Items	Mean	Std. Deviation	Rank	Interpretation
Mitigating business risks	4.3800	.87808	1	Very High
Gives advice to SMEs	3.8600	.94782	3.5	High
Lowers the insurance rates for SMEs	3.5400	1.16426	8	High
Protection of their income statement	3.4400	1.26427	9	Neutral
Enhance loan acceptability by SMEs sector with banks	4.0400	1.02936	2	High
Insurance companies offer SMEs specific insurance needs	3.8600	.94782	3.5	High
Help in efficient utilization of financial resources	3.6800	.97813	6	High
Sensitization of clients about safety precautions	3.7600	1.28667	5	High
Orientation programs for clients	3.6400	1.22491	7	High
Over all Mean	**3.8**			**High**

Source: Primary data (2014)

Using a scale of 1-5 (SD-SA), it was found out that the respondents had varying understanding of the insurance contributions to the growth of SMEs. Therefore, the higher the mean the better the response, hence the table above show that the level of insurance company in mitigating business risks is high (mean=4.3800) interpreted as very high with standard deviation of 0.87808 ranked first, insurance company enhance loan acceptability by SMEs sector with banks (Mean=4.0400) interpreted as high with standard deviation of 1.02936 ranked second, gives advice to SMEs (Mean=3.8600) interpreted as high with standard deviation of 0.94782 ranked as third, Besides that they offer SMEs with specific insurance needs (Mean=3.8600), Sensitization of clients about safety precautions (Mean=3.7600) interpreted as high with standard deviation of 1.28667 ranked as fifth they help SMEs in efficient utilization of financial resources (Mean=3.6800) interpreted as high with standard deviation of 0.97813 ranked as sixth, and offer Orientation programs for their client (Mean=3.6400) interpreted as high with standard deviation of 1.22491 ranked as seventh. Does not lowers the insurance rates for SMEs (3.5400) interpreted as high with standard deviation of 1.16426 ranked as eighth and do not offer Protection to their income statement (Mean=3.4400). Interpreted as neutral with standard deviation of 1.26426 and ranked last

4.5 factors inhibiting the purchase of insurance cover

Table 4.5 Showing Factors Inhibiting Purchase of Insurance Cover.

Items	Mean	Std. Deviation	Rank	Interpretation
Low income earned by SMEs	4.4000	.94761	1	Very High
High premium cost and paper work	4.1800	.96235	3	High
Experience and belief	4.0400	.94675	4	High
Companies are still small in size	4.2800	.83397	2	High
Insurance awareness	3.8800	.89534	6	High
Under insurance	3.8400	.99714	7	High
Inability to fully understand the policy document	4.0000	.80812	5	High
Over all Mean	**4.0885**			**High**

Source: Primary data(2014)

From the table, results show that Low income earned by SMEs (Mean=4.4000) interpreted as very high with a standard deviation of 0.94761 ranked as first, Companies still being small in size (Mean=4.2800) interpreted as high with the standard deviation of 0.83397 ranked second High premium cost and paper work (Mean=4.1800) interpreted as high with the standard deviation of 0.96235 ranked as third, Experience and belief (Mean=4.0400) interpreted as high with the standard deviation of 0.94675 ranked as fourth, and Inability to fully understand the policy document (Mean=4.000) interpreted as high with standard deviation of 0.80812 ranked fifth, greatly inhibit the purchase of insurance cover. However Insurance awareness (Mean=3.8800) interpreted as high with standard deviation of 0.89534 ranked sixth, under insurance (Mean=3.8400) relatively inhibit the purchase of insurance cover.

4.6 Contributions of insurance companies and growth of SMEs

Findings on relationship between contribution of insurance companies and SMEs growth were determined by the use of Spearman correlation coefficient and can be evidenced in the table below,

Table 4.6 Correlation analysis between the contribution of Insurance Companies and the Growth of SMEs

		INSURANCE COMPANIES	SMES GROWTH
INSURANCE COMPANY	Correlation Coefficient	1.000	.387(**)
	Sig. (2-tailed)	.	.006
	N	50	50
SMES GROWTH	Correlation Coefficient	.387(**)	1.000
	Sig. (2-tailed)	.006	.
	N	50	50

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

From the table above, findings show that there is a positive relationship between contribution of insurance companies and growth of SMEs at Spearman correlation coefficient r=0.387. This implies that contribution of insurance companies greatly affects the growth of SMEs.

CHAPTER FIVE

DISCUSSION AND SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, conclusions and recommendations arising out of the research findings in chapter four and suggested areas of further research.

5.1 Summary of the findings of the study with respect to study objectives.

5.1.1 Factors affecting the growth of SMEs

Findings revealed that Innovation is a strong empirical evidence for fast growing SMEs. This is because they use new production techniques, channels of distributions, good human resource management and technology compared to non entrepreneurs. This relates with the findings of Muelier and Thomas (2001) who noted that innovation results in a more comparative advantage in SMEs and appears to be strong empirical evidence on its growth. Besides that Fast growing SMEs are more innovative, Profitable firms are innovative and increases public welfare while Continuous innovation helps SMEs to grow quickly. This is in line with Miller (2005) findings that entrepreneurs have to conduct continuous innovation to adopt the changeable market which is crucial for their firms to grow quickly.

Findings showed that customer competition has a great effect on SMEs industry and they face fierce competition. This is due to the differences in product qualities, laid strategies and customer loyalty against others. This is in line with the findings of Greiner (2000) and Kangasharju (2000) who states that SMEs face fierce competition and competitive concentration in conjunction with actions and strategies of competitors has a great effect on SMEs process. However results contradict with the statements that Competition in SMEs can easily be managed and when expenses are matched with revenue, this can improve competitiveness of SMEs.

Findings revealed that Improvement in business skills can increase the performance of SMEs, Planning helps in managing growth of SMEs and Lack of skills slow down the growth of SMEs.

Because enterprises run by unskilled people affect the growth, management and profitability of the enterprise hence diminishing their ability to contribute effectively to sustain its growth. This supports the findings of Weinzimmer (2000) who emphasized that naturally the firm can grow even though it is not the management's aim but in such a case a growth is not planned and may include many risks. Also this relates with a report published by OECD that there is a positive correlation between the degree of management training and the bottom line performance of SMEs.

Findings showed that lack of credit remains a major challenge to the growth of SMEs. This is in line with the findings of Afolabi (2007) who noted that small firms are the most credit constrained as a result of underdeveloped financial and legal systems and higher corruption. Besides that Lack of collateral security is also a challenge to credit access and Bank perceives credit to SMEs as more risky. This supports Wilkinson and Terri (2003) findings small firms are less prominent and are not so much accustomed and sometimes not even able to provide the required information and therefore banks perceive credit to SMEs as more risky. However SMEs with shorter banking relationship pay lower interest rates and also has higher access to credit due to information asymmetries. This contradicts with Berger and Udell (2002) findings that SMEs with shorter banking relationship pay higher interest rates and more likely to pledge collateral.

Findings revealed that Technology is a key component in strategic development and enhances market share for SMEs. This relates with the findings of Thomas and Sparkes (2000) who emphasize that technology, a key component is inevitable in the industrial development process of SMEs. However Technology poses a challenge to SMEs while Technology advancement is affordable by SMEs. This contradicts with the findings of Kruger (2000) who emphasized that technological development is the driving force on enterprises to invest on novel technology more than their capacities.

5.1.2 Contributions of insurance companies to the growth of SMEs

Findings revealed that insurance companies? gives advice to SMEs. This relates with the findings of Brink and Berndt (2004) which emphasized that there is a benefit of long term relationship with their clients and for many years they have became very active risk advisors.

Findings showed that organizations help in efficient utilization of financial resources? ,

Sensitization of clients about safety precautions and provides orientation programs for clients. This is inconformity with Weinzimmer's (2000) findings that without insurance, the potential losses due to capital destruction must be met by a SMEs own internal funds. As a result, a bigger portion of the company's profits will have to be retained in the business instead of being distributed to its owners.

Besides that findings revealed that insurance companies enhance loan acceptability by SMEs sector with banks. This is line with the findings of Kudakwashe (2009) who noted that insurance companies also act as a source of funds to small business most especially real estate ventures. The SMEs owners go directly to the insurance company or contact its agent or a mortgage banker for the resources.

Nevertheless, findings showed that the rate of mitigating SMEs risks is very high. This relates with the findings of Weinzimmer (2000) who stated that insurance companies determine SMEs present, past and financial profile that help in mitigating risks. Also relates with the findings of Boone and Kurtz (2006) that SMEs buy insurance to transfer risk from themselves to insurance company. However findings revealed that insurance companies do not lower the insurance rates and offer protection of their income statement. This contradicts Mthimkhulu (2008) findings that lower interest rates and premium helps SMEs to manage costs.

5.1.3 Factors inhibiting the purchase of insurance by SMEs

Findings revealed that inability to fully understand the policy document make many SMEs not to be insured. This is in line with the findings of Kesper (2000) and Kudakwashe (2009) who noted that most SMEs are run by experience and observation with little or absolutely no formal training in the areas of management and insurance development. Therefore they may not be well equipped with knowledge about insurance policies hence remain uninsured.

Besides that finding showed that low income earned by SMEs and being small in size also inhibit the purchase of insurance cover. This is in line with the findings of Daniels (2003) who stated that the demand for insurance services is greatly limited because of low income earned by SMEs and people generally think that insurance companies only collect premiums and never pay at a time of loss.

More so high premium cost and paper work, experience and belief hinders adoption of insurance covers by SMEs. This relates with the findings of Kudakwashe (2009) who revealed that SMEs does not have time or manpower to cope with high premium costs and paperwork.

However Findings revealed that Insurance awareness and under insurance does not inhibit the purchase of insurance covers. This contradicts Daniels (2003) findings who state that the level of public awareness about insurance services is still low in Uganda. Also with the findings of Brink and Berndt (2004) which states that SMEs and Trustees being under insured is nearly as bad as being un insured.

5.1.4 Relationship between insurance companies and growth of SMEs

Findings showed that there is a strong positive relationship between contribution of insurance companies and the growth of SMEs at Spearman correlation coefficient $r = 0.387$. This implies that insurance companies greatly affect the growth of SMEs. This is in line with the findings of Kudakwashe (2009) who noted that the strength between insurance companies and SMEs is fair and the fact that SMEs view insurance companies as avoidable serves to show that insurance companies have got a lot to do in order to impact the playing field for the better. If a business has an insurance policy and a relationship with its insurer, it becomes easier for the company to overcome risks

5.2 Conclusion

It was concluded that improvement in business skills increases the performance of SMEs, innovation and technology are strong empirical evidence for fast growing SMEs, competition has a great effect on SMEs industry and credit remains a great challenge to the growth of SMEs.

Besides that insurance companies mitigate risks and enhance loan acceptability by SMEs sector with banks. They also give advice and offer SMEs specific insurance needs for their growth.

However insurance companies do not lowers insurance rates and offer protection to SMEs income statements.

More so, low income earned by SMEs, high premium cost and paperwork and experience and beliefs inhibit the purchase of insurance cover by SMEs of which they contribute to their collapsing. In addition SMEs being small in size and their inability to fully understand the document limits them to get insurance cover.

Nevertheless, there is a strong positive relationship between insurance companies and the growth of SMEs at Spearman Correlation Coefficient.

5.3 Recommendations

Management of NIC need to lower the premium rates to SMEs in order to improve on their performance.

There is need for NIC to build a relationship with SMEs as their customers in order to develop and grow in trust among them.

NIC need to have a fresh look at the scope and spectrum of services provided to SMEs and has a better understanding on the scale of the enterprise sector and its role to the national development.

NIC need to take a centre stage in the facilitation of SMEs growth through various contributions to enhance its growth.

5.4 Areas for further research

This study has brought out the need for research into the effectiveness of insurance Act in meeting the challenges of the contemporary business clients.

There is also a need to carry out the effects of competition on the growth of SMEs in Uganda.

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APPENDICES

APPENDIX I: QUESTIONNAIRES TO MANAGEMENT AND EMPLOYEES

KAMPALA INTERNATIONAL UNIVERSITY
BACHELOR OF ECONOMICS AND APPLIED STATISTICS

Dear respondent,

This is an academic research about contribution of insurance companies to the growth of SMEs in Uganda. It is being carried out as a partial fulfillment for the requirements of the award of a Bachelor of Economics and Applied Statistics of Kampala International University. As one of the respondents, your opinions are very important to this study. The information provided will only be used for academic purposes and will be treated with utmost confidentiality.

The researcher requests you to spend a few minutes of your time and answer the questions that are in this questionnaire. Your co-operation is highly appreciated.

Thank you very much for your co-operation and time in advance.

BACKGROUND

1. Job /Title /Rank..
2. Gender : Male ☐ Female ☐
3. Age of respondents

   18-25 ☐ 26-33 ☐ 34-41 ☐
   42-49 ☐ 50-57 ☐ 58-Above ☐

4. Educational level

O-level ☐ A-level ☐ Diploma ☐

Degree ☐ 2nd degree ☐ PhD ☐

5. For how long have you been working with National Insurance Company?

Less than 1 year ☐ 1-3years ☐

4-6years ☐ 7years and Above ☐

SECTION B

For each of the following statements, please tick where it is applicable the extent to which you agree using a likert scale.

SA-Strongly Agree A-Agree U-Uncertain

D – Disagree SD- strongly disagree

	SA	A	U	D	SD
Factor affecting growth of SMEs					
A. Innovation					
1.Innovation is a strong empirical evidence for growing fast SMEs					
2.Fast growing SMEs are more innovative than non entrepreneurs					
3.Profitable firms are innovative					
4.Continuous innovation helps SMEs to grow quickly					
5. Innovation increases public welfare.					
B. Competition					
1.Competition has a great effects on SMEs industry					
2.The degree of competition in SMEs industry is Strong					

3.Competition in SMEs can easily be managed					
4. When expenses are matched with revenue, this can improve competitiveness of SMEs.					
5.SMEs face fierce competition					
C. Management skills and actions					
1.Improvement in business skills can increase the performance of SMEs					
2. Planning helps in managing growth of SMEs.					
3.Lack of skills slows down the growth of SMEs					
D. Lack of credit	SA	A	U	D	SD
1.SMEs with shorter banking relationship pay higher interest rates.					
2.Credit remains a major challenge to the growth of SMEs					
3.Lack of collateral security is a challenge to credit access.					
4.Banks perceive credit to SMEs as more risky.					
5.SMEs has reduced access to credit due to information asymmetries					
E. Technological change					
1.Technology is a key component in strategic development.					
2.Improve technology enhances market share for SMEs.					
3.Technology pose a great challenge to SMEs					
4.Technology advancement is not affordable by SMEs					

Contribution of insurance companies to the growth of SMEs					
1.Mitigating business risks					
2.Gives advice to SMEs					
3.Lowers the insurance rates for SMEs					
4.Protection of their income statement					
5.Enhance loan acceptability by SMEs sector with banks					
6.Insurance companies for SMEs specific insurance needs					
7.Help in efficient utilization of financial resources					
8.Sensitization of clients about safety precautions					
9.Orientation programs for clients					
	SA	A	U	D	SD
Factors inhibiting the purchase of insurance cover.					
1.Low income earned by SMEs					
2.High premium cost and paper work					
3.Experience and belief					
4.Companies are still small in size					
5.Insurance awareness					
6.Under insurance					
7.Inability to fully understand the policy document					
Business growth of SMEs					
A.Sales growth					
1.There is an increase in the quantity of sales in SMEs					

2.SMEs sales revenue is growing					
3.Number of orders SMEs clients places keeps on increasing					
4.Increase in sales indicates business growth					
B. Capital growth					
1.Capital growth is limited among SMEs in Uganda					
2.Increase in capital indicates business growth					
3.SMEs largely rely on owned capital					
4.SMEs use capital growth as a measure of growth in their business.					
C. Level of employment					
1.Increase in number of employees indicates business growth.					
2.SMEs are capable of remunerating the employees					
3.Number of employees increases by less than 5 employees					

APPENDIX II: CURRICULUM VITAE

David Deng Aleer Leek

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Address

Nimra Talata, Juba.

Profile

Objective: To find a relevant interactive challenging position where my qualifications, abilities and experiences will be an asset to the organization

Availability: Immediately

Key Skills

- Ability to convey factual information clearly
- Highly competent, proactive and self-driven person
- Good verbal and written communication skills. Sincere and articulate.
- Excellent interpersonal skills, able to establish and maintain effective working relationship in a multicultural, multi ethnic environment with sensitivity and respect for gender and diversity.
- Able to establish priorities, plan, organize, coordinate, and implement one's own work plan.
- Ability to remain calm under pressure and not take criticism personally.
- Continuous Learner.
- Integrative and innovative, influencing and high level of initiative.
- Analytical and problem solving.

Professional (Economics and Statistical) Objectives

- Synchronizing all value-adding production and distribution activities.
- Eliminating activities that do not add value.
- Realising value for money.
- Executing Economics and statistical processes.
- Providing the highest possible levels of service.
- Achieving cost effectiveness.
- Conducting Economics and Statistical relation to the organisational set up/formalities,
- Achieving maximum productivity from resources expended or assets employed.

APPENDIX II: CURRICULUM VITAE

- **Optimizing company's profit through;**
  - ✓ **Segmenting the market,**
  - ✓ **Forecasting using trends,**
  - ✓ **Professional decision making,.**
- **Achieving maximum time compression.**

:ducation

2011 to 2014	**Bachelors in Economics and Applied Statistics** Kampala International University, Uganda
2011 to 2011	**Diploma in Quantitative Economics** **Dr John Garang Memorial University**
2005 to 2008	**Uganda Certificate of Education (U.C.E)** Mbogo Mixed Secondary School, Uganda.
1998 to 2004	**Uganda Primary Leaving Examination** Gulu Prison Primary school, Gulu, Uganda

\ctivities and Interests

Hobbies	Watching movies, Reading, Gym, Swimming,. Traveling and Making Friends.
Automobile	Cars in general, sports cars, racing.
Sports	Basketball, Football, Rugby and Table games.

.anguages

English (Fluent) **Arabic** (Oral) **Luo** (Fluent)

APPENDIX II: CURRICULUM VITAE

EFEREES

1. **Ms. Yar Tali**
   Marketing Manager ,
   Air Uganda
   Cell: +211957132996
   +256782112819

2. **Mr. Athiei Emanuel**
   Branch Manager ,
   Charter 1 Bank juba, Ltd
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3. **Ms Agany Riak**
   Director of Procurement and Logistics,
   Office of the President
   Cell: +211 954 17 25 58

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OFFICE OF THE HEAD OF DEPARTMENT
ECONOMICS AND APPLIED STATISTICS

Date: 6th June, 2014

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

SUBJECT: PERMISSION TO CONDUCT A RESEARCH STUDY IN YOUR ORGANIZATION.

With reference to the above subject, this is to certify that Mr. **DAVID DENG ALEER LEEK** REG.NO. **BEAS/35480/113/DF** is a bonafide student of Kampala International University pursuing a Bachelors Degree of Science in Statistics.

He is currently conducting a field research entitled "Contribution of Insurance Companies in the growth of small & medium scale enterprises".

This area has been identified as a valuable source of information pertaining to his research project. The purpose of this letter therefore is to request you to avail him with the pertinent information as regards to his study.

Any data shared with him will be used for academic purposes only and shall be kept with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours in truly,

Mfranklin

06 JUN 2014

MUHEREZA FRANKLIN
HOD - Economics and Applied Statistics.
Mobile: 0777094955 Email: muherezaf@yahoo.com.

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"Exploring the Heights"