

**ENTREPRENEURIAL EFFICIENCY AND DEVELOPMENT OF SMALL  
BUSINESS ENTERPRISES IN MENGO, LUBAGA DIVISION, KAMPALA  
UGANDA**

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**A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF BUSINESS AND  
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## DECLARATION

I **Ibrahim Poti Paschal** declare to the best of my knowledge that, this dissertation has never been presented for any award of a Bachelor Degree of Business Administration in Accounting and Finance in any Institute or University.

**Student**

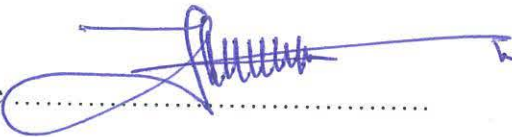
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Date..... 8/11/2016

### APPROVAL

This is to certify that this research report is a result of **Ibrahim Poti Paschal** research work, done under my supervision and is ready for submission to the School of Business and Management Sciences with my approval.

Supervisor

Signature  .....

Date  .....

MR. MUZAMIL MASEMBE

## **DEDICATION**

This report is dedicated to my beloved Wife Alexia Luambano, my Mother bernadetha Poti, to my brother Makongo charles, Kelvin Nyanja Poti, and GDB Mwakanyamale Chief Accountant RAS Shinyanga for their endless financial and non-financial support, on the success of this report.

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## **ABSTRACT**

The study was on the entrepreneurial efficiency and development of small business enterprises and the research was conducted at Mengo, Lubaga division, Kampala Uganda.

The research covers five chapters as summarized below;

Chapter one is on the introduction of the problem, Background of the problem statement of the problem, Research objectives, Significant of the Study, Scope and limitation of the study.

Chapter two is on literature Review which is Theoretical literature review

Chapter three is about research methodology, research design, Data collection Methods ,Population, Sample size.

Chapter four is on presentation of data and interpretation of the findings. Also Chapter five is on research conclusions, recommendations together with bibliography and list of appendices

## **CHAPTER ONE:**

### **INTRODUCTION**

#### **1.0 Introduction**

The chapter covered the background of the study problems statements, purpose of the study, objective of the study, research questions, and scope and significant of the study.

#### **1.1Background of Study**

Within the Ugandan government, especially Mengo at Lubaga Division, there has also been a realization and acknowledgement that Small Business Enterprises (SBE) have a role to play in any economy. Numerous authors have recognized entrepreneurship as important to Small Business Enterprises (Ligthelm, 2008:367; Kongolo, 2010: 2291; Sebikari, 2014b:12). Kongolo (2010:2289) suggested that both small business and entrepreneurship form the hub of economic development by absorbing productive resources at all levels of the economy. Beyond what has been said, Rafi, Arzu, Khan, Kashif (2013:320) indicate that starting new businesses is the most form of entrepreneurship. According to Walter, Balunywa, Rosa, Sserwanga, Barabas, Namatovu (2004) entrepreneurship focuses on the startup of new firms and ventures. In order for SBEs to thrive and perform to their full potential, various factors have to operate in harmony.

Entrepreneurship capital, entrepreneurial knowledge and capacity factors can be major determinants of entrepreneurial efficiency. Adding further point, the realization that a sufficient level entrepreneurial activity enhances efficiency and development has caused many governments to pay special attention to entrepreneurship (International Labor Organization, 2011).Entrepreneurial knowledge and capacity factors such as the resource configuration for the small businesses, government policy, human capital, business structure, processes, core competencies can determine whether the business can perform or not in a competitive business environment. The small business also has to deal with certain entrepreneurship capital factors in the general environment that could either hinder or support efficiency of the enterprise. Such factors include: resource availability, business start-ups, access to markets, regulation, competitive forces, buying power of the consumers

## **1.2 Problem statement**

Ugandan large corporations which are located at Mengo in Lubaga Division have not created enough jobs to absorb more citizens into the workforce and the government itself as an employer has limited capacity and cannot create employment opportunities for all (Ministry of Finance, Planning and Economic Development, 2012). Scholars have suggested that low entrepreneurial capacity and the cost of accessing initial capital remains high in Mengo, Uganda (Balunywa *et al.* 2010:10). The creation of Small Business Enterprises may help to stimulate the economy (Liang & Dunn, 2010:1; Osotimehin, Jegede, Akinlabi & Olajide, 2012). The number of Small Business Enterprises has been increasing over the years in the places around Mengo, Uganda (Nuwagaba & Nzewi, 2013:26); entrepreneurial efficiency has followed a converse trend. According to Ishengoma & Kappel (2011) poor efficiency and low investment by entrepreneurs in Mengo, Uganda is attributed to the unfavorable business environment affecting the small businesses.

## **1.3 Purpose of the Study**

The purpose of the study was to investigate the relationship between entrepreneurial efficiency and development of small business enterprises in Mengo, Lubaga division, Kampala Uganda.

## **1.4 Research objectives**

To answer the research question, the proposal was focus on the following main objectives:

- i) To investigate the three fundamental factors affecting entrepreneurial efficiency among Small Business Enterprises in Mengo ,Lubaga Division in Uganda (entrepreneurship capital, entrepreneurial knowledge and capacity);
- ii) To identify the strategies of empowering Small Business Enterprises with entrepreneurial skills.
- iii) To examine the patterns of entrepreneurial efficiency in Small Business Enterprises at Mengo.

## **1.5 Research questions**

- i) What are the three fundamental factors affecting entrepreneurial efficiency among Small Business Enterprises in Mengo at Lubaga Division, Uganda?

- ii) What strategies should be used to empower entrepreneurial skills to Small Business Enterprises in the Mengo area?
- iv) What are the patterns of entrepreneurial efficiency in Small Business Enterprises at Mengo?

### **1.6 Importance of the study.**

The research was able to help the economic policy makers especially Ministry of finance, planning and economic development. This was because the government was always interested in identifying these entrepreneurial huddles that was addressed in this research hence facilitating policy making and formulation so that to curb down the problem.

Literature existence was avail for the reference. Many related studies in this area have been made, but to our knowledge, an econometric understanding of the relation between entrepreneurship capitals, entrepreneurial knowledge, capacity and efficiency in Uganda have not been conducted so far, hence, the empirical findings was contribute to the literature existing on emerging economies in Mengo at Lubaga Division.

The research was of help to the researcher himself/herself as it enabled him/her attain the Degree of Business Administration in Accounting and Finance of Kampala International University.

### **1.7 The Limitation of Study**

Financial inability; The study was not able to cover the large area of Mengo, 100% coverage due to the financial inability to cover transportation costs, communication cost, stationery costs among other expenses.

A time constraint of about four months was not enough to investigate in all small businesses in Mengo public and private sectors. The samples of 6 businesses may not reflect true and fair view of the general Small Businesses in Mengo and Uganda as a whole.

Another limitation included poor co-operation between the researcher and staff who fear losing their employment as a result of giving information.

Also lack of enough data due to little knowledge of the respondents, some time they may give wrong information.

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

The following justifications were frame:

- Entrepreneurship capital enhances the level of entrepreneurial efficiency.
- Higher entrepreneurial capacity achieve a higher level of entrepreneurial efficiency; and
- A high level of entrepreneurial knowledge is critical to entrepreneurial efficiency;

### **1.9 Scope of the study**

#### **1.9.1 Theoretical context**

The researcher focused on the three factors affecting the entrepreneurial efficiency among Small Business Enterprises in Mengo, the strategies of empowering small business enterprise with entrepreneurial skills, contributing to limited literature written on Small Business Enterprises and examining the patterns of entrepreneurial efficiency in Small businesses.

#### **1.9.2 Geographical location**

The study was carried out in Mengo, Lubaga Division, Kabaka Anjagala Road, at Team and Company, which is among the Small Business Enterprises in the area to represent other small businesses in Mengo, Lubaga Division, Kampala and Uganda at large.

#### **1.9.3 Time scope**

The study was cover within a period of estimated of 4 months. This period of time may enable the researcher for conceptualization, proposal writing, data collection, analysis and dissertation.

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.1 Fundamental factors affecting Entrepreneurial efficiency in Mengo, Lubaga Division, Kampala, Uganda**

According to Van Vuuren (1997:3) entrepreneurial efficiency is the achieving of set entrepreneurial goals. In addition, Ladzani & Van Vuuren (2002:156) argues entrepreneurial efficiency utilizes the available opportunities to grow the business idea. However, entrepreneurial efficiency can be measured subjectively and objectively; absolute efficiency is used to measure objective values using quantitative data while subjective values uses qualitative data by asking perceptive views about efficiency. Moving the argument along, Efficiency measurement uses multi-dimensional set of efficiency measures that include both financial and non-financial, which quantify what has been achieved as well as predict the future (Alhyari *et al.* 2013).

The entrepreneurial efficiency model was ensuring that small business enterprise set objectives are attainable and actions are taken in future to improve or enhance entrepreneurial efficiency. We propose the conceptual model for this paper, which is used to investigate how entrepreneurial knowledge, entrepreneurial capacity and entrepreneurship capital contribute to increasing entrepreneurial efficiency as shown in Figure 1 below which was act as a conceptual framework for the dissertation. Managerial skills not only influence owners perceptions regarding their business, but various literature sources (Watson, 2004) acknowledge that a lack of managerial skills and training is an important cause of enterprise failure (Naicker, 2006) complimented by lack of experience and lack of organizational culture acting as an impediment to the establishment of Small Business Enterprises.

The owner manager's characteristics (O'Gorman, 2001) can also act as a barrier to growth in that the personality, managerial skills and style including the entrepreneur's and/or management's negative attitude towards change can negatively influence an enterprise (Leopoulos, 2006; Naicker, 2006). South African bankers are less inclined to finance Small Business Enterprises (Pretorius and Shaw, 2004), due to their perceived high level of capital risks and a weak

expected return (St-Pierre and Bahri, 2006) and this is emphasized by the South African micro enterprise surveys, with the inaccessibility to finance listed as one of the primary external constraints faced by Small Business Enterprises. Some of the factors that contribute to the complex financing problem are the insufficient knowledge of the Small Business Enterprises, for example, their inability to draw up a business plan; the entrepreneur's inability to determine the Small Business credit efficiency attributed to their lack of enterprise information; and general communications issues (Berry et al., 2002) leading to low levels of entrepreneurship and a high failure rate (Kotze and Smit, 2008) of South African Small Business Enterprises (Rajaram, 2008).

It is therefore important to develop an effective and efficient process whereby all Small Business Enterprises dimensions is evaluated when measuring the entrepreneurial's efficiency. The development of a more inclusive Small Business Enterprises capacity measurement framework was enable entrepreneurs to make rapid and objective decisions based on the actual business environment, while Small Business Enterprises management cannot criticize the banking environment of over-evaluating the risk. At present, few risk evaluation models exists that allows for an overall evaluation of Small Business Enterprises risk. The lack of suitable risk models is emphasized by the banking sectors continued reliance on financial models where information is derived by way of financial statements, as this information is considered more objectives than information obtained from other sources.

## **2.2 Small Business Enterprises empowerment strategies in Mengo, Lubaga Division, Uganda**

Studies have identified a number of empowerment techniques that influence enterprise expansion and success. A fundamental element (McGrath and King, 1996; Rogerson, 2001a) that has a positive impact on an organization's growth is the depth of "human capital" or "brain power". The importance of human capital as a critical success factor was also confirmed in a study conducted on Kabaka Small Business Enterprises where it was determined that successful entrepreneurs more likely have education and training beyond the primary school level (Rogerson, 2001a).The merit of this finding is based on the argument that entrepreneurs with a



greater level of education and training are more able to adapt their business to the ever changing small business environment. In a study conducted on small business enterprise success factors in Small Business Enterprise's( Gauteng),around Mengo, Lubaga Division, it was concluded that empowerment of technical and managerial skills (Brink et al., 2003;Rogerson, 2008) impedes on business development. Research conducted on Small Business Enterprises failures in Mengo, Lubaga Division, Uganda revealed that business prospect was primarily caused by empowering small businessmen with management skill and training. This finding is confirmed (Rogerson, 2008) by 90% of a sample of 1000 entrepreneurs who believe that Small Business Enterprises failure is due to a lack of managerial skills.

However, taking the importance of training and skill into account, it is cautioned by Rogerson (2008) that skills are not the only or even primary answer to the challenges facing Small Business Enterprises development. It can be gleaned from various literature sources (Berger and Udell, 2001; Reynolds and Lancaster, 2006; Bank of England, 2001) that a high percentage of small organizations fail in the first five years of trading, often as a result of over trading and financial strain. Access to finance has therefore featured prominently in a number of studies as a constraint on Small Business Enterprises development. According to Rogerson (2001b) and Skinner (2005), a lack of credit is a major constrained experienced by emerging African Small Business Enterprises entrepreneurs, who is depended on personal savings or loans from relatives and friends, as the source of their start-up capital. Finance, skills, business training and less rigid regulations are the key elements to promote entrepreneurial strategies of empowering enterprise environment, to improve competitiveness and capacity in the Small Business Enterprises (Rogerson, 2008).

A structured entrepreneurial management approach enables an enterprise to pursue its strategies aggressively and efficiently as management can anticipate the entrepreneurial exposure of each activity engaged in, thus achieving more acceptable results at a reduced cost (Ntlhane,1995).Entrepreneurial empowerment strategies are a major concern for all companies, especially small and medium sized enterprises which are particularly sensitive to business competition (Alquier and Lagasse, 2006). In Small Business Enterprises, the empowerment management function usually resides with the owner's assessment of threats and opportunities

pertaining to the enterprise (Watt, 2007). Although strategic management principles are common to all types of enterprises, the owner-manager's empowerment strategies perception and his attitude towards strategic management influences the adequacy of the entrepreneurial efficiency deployed (Ntlhane, 1995). Implied in Small Business Enterprises, risk management is the core principle that entrepreneurial or management focus should be focused at recognizing future uncertainty, deliberating empowerment strategies, possible manifestations and effects, and formulating plans to address these strategies and reduce or eliminate its impact on the enterprise (Ntlhane, 1995). One of the skills required of entrepreneurs is the ability to identify and analyses small business enterprises empowerment strategies to ensure that advantage is taken of calculated entrepreneurial efficiency strategies (Watson, 2004).

According to Watt (2007), Small Business Enterprises owner-managers should take regard of the following steps in their entrepreneurial efficiency process:

- i. Establishing the Small Business Enterprises empowerment strategies
- ii. Determining the Small Business Enterprises empowerment strategy's appetite
- iii. Identification and assessment of Small Business Enterprises empowerment strategies
- iv. Prioritizing and managing empowerment strategies

Entrepreneurs operate in a macro, micro and market environment that is affected by numerous internal and external influences which continuously change. These 'change factors' enable an entrepreneur to identify opportunities and threats (Watson, 2004). It is therefore essential that an entrepreneur has the capability to evaluate decisions to determine the enterprise's future empowerment strategy (Watson, 2004). Strategic entrepreneurial management enables Small Business Enterprises owner-managers to objectively evaluate their actions.

One of the difficulties encountered in strategic entrepreneurial management is that most entrepreneurial efficiency assessments in Small Business Enterprises are linked to a specific discipline which is not necessarily known by owner -managers. Furthermore, owner-managers may be able to identify the obvious strategies of entrepreneurial, but their depth of risk knowledge may impede on their activities to identify indirect empowerment strategies, or to take cognizance of the inter-connecters of empowerment strategies (Watt, 2007). Watson (2004) emphasizes that owner-managers should develop an empowerment strategy to avoid, reduce or

respond to potential entrepreneurial challenges. It is therefore essential that owner-managers are equipped with the necessary skills to compare empowerment strategies in entrepreneurial activities and to identify appropriate entrepreneurial efficiency in adequately addressing these small businesses challenges. Depending on the specific circumstances, owner-managers should engage in actions limiting the probability of occurrence, or if need be, to plan strategies that maximize the probability of recovery (Watt, 2007). By embedding a strategic entrepreneurial management strategy in the Small Business Enterprises processes, significant advantages can be achieved, such as (Watt, 2007):

- i. It ensures that the Small Business Enterprises activities are aligned to its mission and objectives, and not diverted by external influences.
- ii. It ensures that organizational activities comply with small business industry best practices and that regulative compliance is achieved.
- iii. It may provide legal protection of small business enterprises if difficulties occur.
- iv. It may result in cost savings by reducing unnecessary expenses.

Strategic entrepreneurial management facilitates an efficient entrepreneurial approach by prioritizing empowerment strategies, thereby reducing surprises, and directing the focus on important strategies. This has the effect of reducing the possible over-management of insignificant risks. In the small business empowerment strategy process, management should be aware that entrepreneurial efficiency actions should be tailored to the specific needs of the enterprise taking into account its resources, needs and opportunities that prevail. Although entrepreneurial efficiency assessment should be a comprehensive function, guard should be taken into devising an excessive empowerment strategy (Watt, 2007).

Given the size and managerial structure of Small Business Enterprises, the process of establishing and using a strategic entrepreneurial management function is relatively simple given the close relationship between owners, managers and operators of the enterprise. Compared to larger enterprises, it is easier for Small Business Enterprises executive management to embed a risk management policy and to be routinely and actively involved in the application of the strategic risk management policy, especially if these activities is seen as a performance enhancing processes (Watt, 2007). In a study conducted by Friedrich (2004) on South African

Small Business Enterprises, it is emphasized that personal initiative consisting of the owner's characteristics such as being a self-starter, having a proactive approach, specifically regarding strategic entrepreneurial management among other small business empowerment strategies and persistent actions, is a vital key to enterprise success. In addition to a proactive business approach, innovation and learning, goal setting and achievement orientation was linked to enterprise success. Where Small Business Enterprises owners follow reactive business approach including reactive strategic entrepreneurial management practices, the enterprise was more likely to win. Small Business Enterprises owner managers need to be aware that through joint discussion of empowerment strategies with Small Business Enterprises employees, which include an effective feedback process and an entrepreneurial efficiency valuation process, organizational trust is established.

The way of conducting empowerment strategies in small businesses, that is, the shape of the empowerment strategy process was depend on all the participants' entrepreneurial propensity as well as the situational control that is exercised at present. Therefore, entrepreneurial efficiency tolerant participants may prefer an informal efficiency review process, while adverse participants were favor comprehensive contractual arrangements (Beckett, 2005). Through experience, it has been gleaned that:

- i. The creation of a positive organizational entrepreneurial efficiency culture whereby all participants concerns are understood and experiences are shared, is facilitated through a constant evolving process of three factors identification and the planning of containment strategies.
- ii. Through joint proactive identification of entrepreneurial strategies, and by employing holistic entrepreneurial management practices, management can establish a positive environment to deal with all issues. Regardless of the entrepreneurial propensity of the participants, a structured approach to entrepreneurial management was assist in providing a goal orientated and consistent small business empowerment strategies process (Beckett, 2005).

### **2.3 Entrepreneurial efficiency patterns in Small Business Enterprises in Mengo, Lubaga Division, Uganda**

According the census of business establishments in the year 2010/2011 showed a growth of 185

Percent since 2001/2002. The small businesses was in the following sectors; sole proprietor , partnership, multinational company, private company, others (Uganda Bureau of Statistics, 2012). The findings are in agreement with (Sebikari, 2014b:14) who found that Mengo's economic success is its small sized enterprises. Within the country, Small Business Enterprises create wealth, employment opportunities, poverty alleviation and stimulate wider prosperity (Mugisha, Wamono & Kikabi, 2012:10). Therefore, provide a means of survival and unlock entrepreneurial potentials (Matovu, 2006; Guha-Khasonobis & Kanbur, 2006). For that reason, the contribution of Small Business Enterprises in Mengo is huge and extremely important because they create employment and promote entrepreneurial skills (Stefanovic, Milosevic & Miletic, 2009). Below is summary of characteristics of small businesses in Uganda: they promote entrepreneurial spirit; have limited resources; more flexible thus quick to respond to customer demands and are controllable.

Small Business Enterprises operate in the same environment as their larger counterparts, but without the associated benefits such as adequate capital and extended human resources of the larger organizations. Small Business Enterprises encounter increasing competitive pressure fuelled by globalization, legislation and the relaxing of trade barriers, as well as an increase in market expansion due to emerging technologies and innovation. Small Business Enterprises often flourish on their adaptability and agility such as their close proximity to their customers, their openness towards new ways of working, and their risk taking approach, but many micro, small and medium enterprise are susceptible to major external shocks (Berry, 2002; Laforet and Tann, 2006).

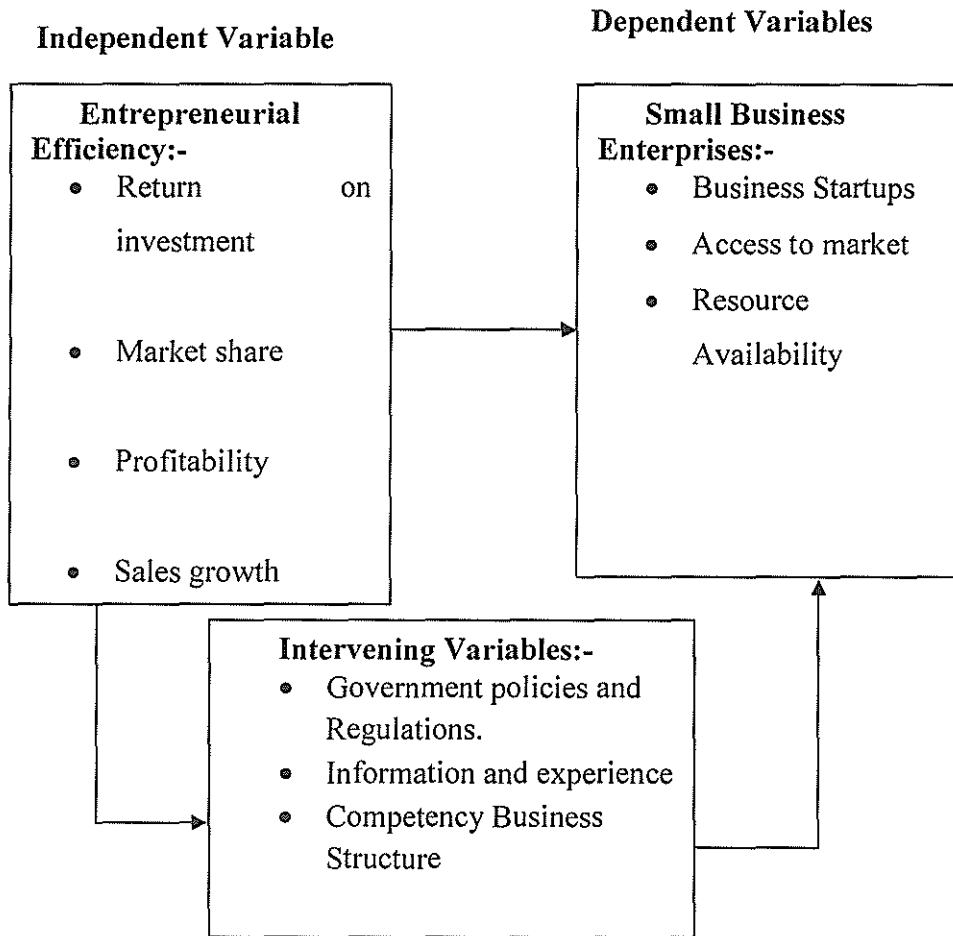
Although Small Business Enterprises experience difficulties in absorbing and coping with these obstacles, they need to develop an ability to deal with the ever increasing challenges, that is, risks faced by the organization. Although the Small Business Enterprises sector is responsible for 75% of new jobs, largely due to the emergence of new micro enterprise formations, it compares poorly to Asian countries where Small Business Enterprises employment contribution is estimated at 80% (Friedrich, 2004; Watson and Godfrey, 1999). Even in countries less developed than South Africa, their Small Business Enterprises sector contributes a much higher proportion to the Gross Domestic Product and employment (United Nations Development Program, 2003;1,

1997 cited by Watson and Godfrey, 1999). It is noted that the majority of South African Small Business Enterprises are micro and survivalist enterprises which show no signs of enterprise growth due to inadequate firm dynamics, resulting in Small Business Enterprises conservative contribution to employment compared to other countries. Even in dynamic South African Small Business Enterprises, it seems that a 'jobless growth' strategy (Kesper, 2000) is employed. The South African government has identified the Small Business Enterprises sector as the means to achieve accelerated economic growth. However, this objective was not achieved partly due to the high failure rate of 80% of enterprises (Watson, 2004; Van Niekerk, 2005) in the Small Business Enterprises sector. As Small Business Enterprises growth depends to a larger extent on the macro economic growth, it can be said that the slack micro economic growth of the past few years has inhibited entrepreneurial performance and therefore Small Business Enterprises to grow to their full potential (Watson, 2004; Berry et al., 2002).

Small Business Enterprises failure can further be partly ascribed to the lack of management skills. South African Small Business Enterprises do not aspire to corporate governance best practices such as the non-compulsory implementation of King III (King, 2009). Risk management, a component of King III, is therefore, also regarded as an optional organizational activity, and not as a vital component to organizational success. The importance of small businesses is recognized in numerous African countries such as Togo, Uganda, Ghana, Cote d'Ivoire, Nigeria, Kenya, Malawi, Burkina Faso, as well as others. According to Rwigema and Karungu (1999), Small Business Enterprises are dominant in numbers in most economies. In First World countries like the United States of America and the United Kingdom, small enterprises play an important role in the economy, accounting for an estimated one third of industrial employment and a lower percentage of output.

In Third World countries where Small Business Enterprises dominate economically active enterprises, the Small Business prosperity is considered far more important than in First World countries (Rwigema and Karungu, 1999). The activities of Small Business Enterprises in Africa (Rogerson, 2001a), is of vital importance for the promotion of economic growth, job creation and the mitigation of poverty.

## 2.4 Conceptual Framework.



Source: Primary Data

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This research highlighted on the research design used, data collection methods and sample technique and procedure of the study. The methodology point out clearly how data was obtain from respondents analyzed and presented in the report to be made later.

#### **3.1 Research Design**

A mixed method using quantitative and qualitative approach (personal interviews) was employ. Qualitative research involved the use of case studies making a little bit of numerical data or statistics. Quantitative research involved the use of both numerical data and discrete variables to get the respondents level of understanding about the topic under study. Questions that required direct answers was included in the questionnaire to help quantify some variables like profitability of small businesses, age, and number of small businesses among others.

#### **3.2 Data Collection methods**

##### **3.2.0 Primary sources.**

##### **3.2.1 Personal interviews**

Interviews was conduct from October – November, 2016 approximately 20 face-to-face interviews with the entrepreneurs in an attempt to ascertain “how entrepreneurial knowledge, entrepreneurial capacity and entrepreneurship capital are good for entrepreneurial efficiency?” was be carried out. Each interview lasted for 20 minutes. Pre-testing the research instrument was done through a pilot study covering 6 entrepreneurial businesses within and around Mengo .

##### **3.2.2 Questionnaire**

The primary data was collect from small business owners/entrepreneurs in and around Mengo in Lubaga Division, Uganda. A questionnaire was designed and distributed to entrepreneurs. An



interview was conducted with respondents randomly. The Likert scale of (1) strongly disagrees to (4) strongly agree was used because they are convenient, more applicable and easy to interpret (Cooper & Schindler, 2011:299).

### **3.2.3 Observation.**

The researcher was able to use participant observation whereby he involved fully in the lives and activities of the subjects. The data which was collect was highly reliable for dissertation writing.

### **3.3 Secondary sources**

Journal of Economics and Sustainable Development, International Journal of Small Business and Entrepreneurship Research; International Journal of Entrepreneurship and Small Business; Journal of Developing Country Studies; Journal of Business Venturing; The Small Business Economics Journal; Journal of Small Business Management; Academic Research Library (Proquest); Academic Search Premier (Ebsco Host); Entrepreneurship Theory and Practice; Emerald; Harvard Business Review; International Small Business Journal and Entrepreneurship and regional development was used to help the researcher to compare the information obtained through interviews and the written information to draw a conclusion in the final research report.

### **3.4 Research variables.**

The topic of the study was to investigate the effects of the entrepreneurial efficiency and small business in Mengo, Lubaga Division, and Uganda. The Independent variable is entrepreneurial efficiency, dependent variable is small business, Small businesses effects to the entrepreneurial efficiency.

### **3.5 Study Population**

The target population of the study in Mengo are 50 employees involving of the selected small business category from 50 selected target population, two which are sole proprietor and partnership , 33 owners or entrepreneurs, 17 partners from the two businesses category.

The researcher has selected two category of small businesses because they are the ones which has the required information.

### 3.6 Sample size

The sample of the study was be 33 respondent who was consist of all entrepreneurs and partners around Mengo, in Lubaga Division, .

The researcher got the sample size of the total population using Sloan`s formula (2000)

$$N = \frac{n}{1+n(e)^2}$$

Where N = Unknown

n = Population of the study

e = Level of significance which is 0.05

$$N = \frac{50}{1+50(0.05)^2}$$

N = 33 respondents.

### 3.7 Limitations of the study

In conducting the research, suspicions, speculations, negative attitude was seen on the eyes of the respondents. This hindered the researcher in the process of finding and collecting the data for further analysis.

Communications as a result of language barrier was a major obstacle for most respondents prefer vernacular and yet English is the official language.

The time allocated for conducting the research was limited. other academic and personal obligations. The researcher prioritized his schedule according to deadline.

### 8 Ethical consideration

The Researcher was able to seek permission from the officials at Mengo in Lubaga Division council in order to proceed with the study and assured the respondents that the studies was strictly academic and that utmost confidentiality and anonymity was to be observed. The

unresponsive respondents were not being forced to fill in the questionnaires, instead they were asking kindly.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION, DISCUSSION OF FINDINGS**

#### **4.0 Introduction**

This chapter presents the results, analysis and interpretation of the findings meant to investigate the entrepreneurial efficiency and Small Business Enterprises in Mengo Lubaga Division Kampala Uganda. This chapter is organized into two sections, the first section covers the background information, data of the respondents and the second section presents the finding discussions of the study. The chapter was be guided by related literatures of other scholars as presented in chapter two of the study. The study was particularly aimed at investigating the entrepreneurial efficiency and Small Business Enterprises in Mengo, Lubaga Division, Kampala, Uganda. The research specific objectives included;

- To investigate the three fundamental factors affecting entrepreneurial efficiency among Small Business Enterprises in Mengo ,Lubaga Division in Uganda (entrepreneurship capital, entrepreneurial knowledge and capacity)
- To identify the strategies of empowering Small Business Enterprises with entrepreneurial skills
- To examine the patterns of entrepreneurial efficiency in Small Business Enterprises at Mengo.

The researcher managed to complete the study with the help of the following questions that guided the study to its objectives.

- What are the three fundamental factors affecting entrepreneurial efficiency among Small Business Enterprises in Mengo, Lubaga Division in Uganda (entrepreneurship capital, entrepreneurial knowledge and capacity)
- What are the strategies of empowering Small Business Enterprises with entrepreneurial skills
- What are patterns of entrepreneurial efficiency in Small Business Enterprises at Mengo.

#### **4.1 Data Analysis**

Factor analysis was used in determining the accuracy and measuring instrument. According to

Cooper & Schindler (2011:530) factor analysis looks for patterns among variables to discover if an underlying combination of the original variables (a factor) can summarize the original set and Reduce variables to a manageable size. In addition, (Kumara & Sahasranam, 2009:15; Lu & Yang, 2010:290; Cooper & Schindler, 2011:550) emphasizes that factor analysis is most and powerful interdependency technique used in multivariate technique.

A statistician was used to ensure validity and reliability. According to Kumara & Sahasranam (2009:14) reliability is the degree to which an instrument measures the same way each time it's used. Using the reliability test on the responses from entrepreneurs, Cronbach's Alpha statistic was determined (see table 1).

**Table 1: Reliability Tests**

<b>Factors</b>	<b>Cronbach's Alpha</b>
Entrepreneurial knowledge	0.70
Entrepreneurial capacity	0.80
Entrepreneurship capital	0.90

**Source: Primary Data 2016**

#### **4.2 Bio data of the respondents**

There was great need to collect data on biographic characteristics of respondents such as gender, age group and education. This was useful in establishing the distribution of knowledge about the entrepreneurial efficiency and Small Business Enterprises in Mengo, Lubaga Division, Kampala, Uganda among the respondents. This was done by putting option such as male and female in the questionnaire to capture the gender aspect of the respondents and the different educational levels were coded to capture the educational level of the employees. This was of great importance because the researcher wanted to investigate the entrepreneurial efficiency and small business enterprise in Makindye Mengo, Lubaga Division depending on the biographic characteristics of respondents. The findings were as shown in the proceeding tables.

**Table 2:** Demographic reported gender, age, sector of business and location of the business

Description		Percentage
Gender	Male	58
	Female	42
Age	Below 18 years	4
	18 - 25 years	19
	26 - 30 years	12
	31 - 35 years	25
	36 years and above	40
Education	Certificate	30
	Diploma	30
	Degree	13
	Masters	8
	Others	19
Business type	Sole proprietor	38
	Partnership	40
	Multinational company	0
	Private company	10
	Others	12

Source: Primary Data 2016

The findings indicated that the majority respondents constituting 58% (N=19) were male while female respondents contributed only 42%, (N=14). This supports UBOS (2012) research that the females accounted 44.3% for the Census of Business establishments (COBE). The findings also showed that 4% (N=1) respondent was in the age bracket below 18 years, those in the age bracket of 18 – 25 constituted the 19%, (N=6), while 12% of respondents, (N=4) were 26 – 30 years. Furthermore, 25%, (N=8) of the respondents were between 31 and 35 years old. Lastly, 40% of the respondents, who were majority (N=13) lie on 36 years old and above. The findings indicated 30% of the respondents were certificate and diploma holders, (N = 10), 13% possessed a degree, (N = 4), 8 % were masters holder, (N = 3) and 19 % (N = 6) were of other professional fields. According to the findings, the respondents from the sole proprietor businesses were 38

%,( N = 13), the respondents from the partnership businesses were 40%,(N=13),there was no respondent from a multinational company, private company respondents were 10 % (N = 3),and for other small business sectors, there were 12%,(N = 4) respondents.

Respondents were asked whether entrepreneurial knowledge contribute to entrepreneurial efficiency. Their responses are shown in (table 3) below;

**Table 3: Entrepreneurial knowledge is contributing to entrepreneurial efficiency**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	8	24	24	24
	Disagree	6	18	18	42
	Agree	9	28	28	70
	Strongly agree	10	30	30	100
	Total	33	100	100	

**Source: Primary Data 2016**

From table 3 above, 24% (N=8) of the respondents strongly disagreed that entrepreneurial knowledge is contributing to entrepreneurial efficiency; 18% (N=6) disagreed; 28% (N=9) agreed,30% ,(N=10) strongly agreed. This is supported by Fatoki & Asah (2011:173) study that argues knowledge of the business positively impact on the performance of Small is accepted Business Enterprises accordingly the null hypothesis .

Respondents were asked whether entrepreneurial capacity contribute to entrepreneurial performance. Their responses are shown in (table 4) below;

**Table 4:** Entrepreneurial capacity is contributing to entrepreneurial efficiency

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	6	18	18	18
	Disagree	5	15	15	33
	Agree	15	46	46	79
	Strongly agree	7	21	21	100
	Total	33	100	100	

Source : Primary Data 2016

From table 4 above, 18% (N=6) of the respondents strongly disagreed that entrepreneurial capacity contributes to entrepreneurial efficiency; 15% (N=5) disagreed; 46% (N=15) agreed and 21% (N=7) is accepted.???strongly disagreed. Accordingly the null hypothesis

Respondents were asked whether entrepreneurship capital contribute to entrepreneurial efficiency. Their responses are shown in (table 5) below;

**Table 5:** Entrepreneurial capital is contributing to entrepreneurial efficiency

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	2	6	6	6
	Disagree	3	9	9	15
	Agree	10	30	30	45
	Strongly agree	18	55	55	100
	Total	33	100	100	

Source: Primary Data 2016



From table 5 above, 6% (N=2) of the respondents strongly disagreed that entrepreneurship capital is contributing to entrepreneurial efficiency; 9% (N=3) disagreed; 30% (N=10) agreed and 55% (N=18) is accepted. strongly agreed. Accordingly null hypothesis

In addition, factor analysis was done to establish the correlation among the contributing factors:

Factor 1 - Entrepreneurial knowledge;

Factor 2 - Entrepreneurial capacity; and

Factor 3 - Entrepreneurship capital.

The findings regarding the factor analysis are provided in (table 6) below;

**Table 6:** Factor correlation for the rotated factors

Factor	Factor 1	Factor 2	Factor 3
Factor 1	0.89	0.68	0.70
Factor 2	0.60	0.79	0.65
Factor 3	0.64	0.66	0.84
Eigen value	1.5617	1.5221	1.6181
Percent of variance	52.057	50.737	53.967

Source : Primary Data

Table 6 shows the rotated factors. According to Cooper & Schindler (2011:545) factor analysis is a computational techniques used to examine more patterns of relationships among selected variables/factors. For factor 1, the Eigen is  $(.89^2 + .60^2 + .64^2)$ ; Percent of variance  $[(\text{Eigen value} / \text{Number of value factors}) * 100]$ . For factor 2 and 3 calculated as shown in the table respectively. Eigen values of all three factors are above 1.5 indicating that the variance explained by each factor is sufficient.

**Table 7:** Relationship between entrepreneurial capital, knowledge, capacity and efficiency

		Entrepreneurial capital	Entrepreneurial knowledge and capacity	Entrepreneurial efficiency
Entrepreneurial capital	Pearson	1	1.000**	.672**
	Correlation			
	Sig.(2-tailed)		.000	.000
	N	33	33	33
Entrepreneurial knowledge and capacity	Pearson	1.000**	1	.672
	Correlation			
	Sig.(2-tailed)	.000		.000
	N	33	33	33
Entrepreneurial efficiency	Pearson	.672**	.672**	1
	Correlation			
	Sig.(2-tailed)	.000	.000	
	N	33	33	33

**Source:** Primary Data

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

Findings in table 7 show that there a strong positive relationship between entrepreneurial capital, Knowledge, capacity and performance shown by Pearson correlation coefficient  $r=.672^{**}$ ,  $p=0.00$ . Therefore, this implies that as entrepreneurship capital, entrepreneurial knowledge and capacity increases, entrepreneurial performance was improve. Therefore, accordingly they are accepted. null hypotheses

Findings reveal that the factors contributing to efficiency can be improved to make Small Business Enterprises more effective in achieving set business goals. This is supported by Sebikari (2014b:14) who stated that fostering entrepreneurship and small business development leads to appropriate levels of entrepreneurial activities in Mengo, Lubaga Division, Kampala, Uganda.

### **4.3 Limiting factors of entrepreneurial efficiency in small business**

Limited research on entrepreneurial efficiency in Mengo, Lubaga, Division, Kampala Uganda was acknowledged; and

Furthermore, Cooper & Schindler (2011:550) says that factor stability is affected by both the sample size and number of variables/factors. Sample size was relatively small thus limits the generalization of the results.

Entrepreneurial performance is complex to measure due to its intangibility nature of existence.

Economic based problems: Small Businesses Enterprises success is tied in with the local economic conditions as the Small Business Enterprises sectors market growth is usually at the same rate as the macro economy as a whole, therefore, if there is an economic downturn; Small Business Enterprises was usually also experience difficulty (Berry et al., 2002). For Small Business Enterprises owner-managers it is important to identify the most problematic areas in managing their small enterprise. By identifying the problem areas, owner-managers can address problems through education, training and information gathering activities (Huang and Brown, 1999)

Enterprise based problems: Internal factors such as human resource problems encompassing poor staff planning, multi-functional management, high employee turnover rate, inadequate trained employees, low productivity and difficulties in recruiting quality staff (Rogerson, 2004; Beaver, 2002; Wasiamson, 2000; Lighthelm et al., 2002; Watt, 2007) are impediments to Small Business Enterprises success. It is argued that the role of labour, labour markets and skills levels are the most important factors contributing to small enterprise growth (Berry et al., 2002).

Small businesses related problems: According to Naicker (2006) and Haung and Brown (1999), market related factors that exerts the most negative influence on small enterprise success are increased competition, limited market size, low demand, inefficient marketing, poor competitor understanding, poor location and market understanding and the inability to identify the target market (Naicker, 2006; Watt, 2007). South African Small Business Enterprises are hampered by a structural problem, in that, South African Small Businesses, contrary to Small Businesses in other developing countries, do not complement larger organisations with specialized products or

services, but they compete with larger enterprises in the same product markets (Rogerson, 2004), albeit for different consumer segments.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY

#### 5.1 Summary

The findings revealed that majority (58%) of respondents were males who participated in this research and their age bracket was 36 and above. The findings also show that majority of the respondents interviewed were involved in partnership (40%) and an average number of employees were diploma and certificate holders which are good enough and are the most considered education levels to carry out small businesses activities efficiently. Results also reveal that there were many sole proprietors and some few private companies around running on small business enterprising among others who also participated in the research and held different positions of responsibility in Mengo, Lubaga Division, Kampala.

According to the respondents, findings obtained showed that there is a dire need to establish the socio-economic factors that influence entrepreneurial efficiency amongst Small Business Enterprises owners in the area. In another study by Ministry of Finance, Development and Economic Planning (2001), The total number of female involved in entrepreneurial activities, according to Ibrahim Poti Paschal (2016), only (42%) showed interest in the study, meaning low morale of doing business due to gender discrimination. In an account for the gender disparity in Small Business Enterprises, Nyanzi (2001) put forward that marriage; pregnancy and sickness are major causes of less participation of females in the Small Business activities. There were also challenges faced by the Small Business Owners in their businesses due to ready market for their finished goods and income differences as Fraser (1997) revealed a distinction between redistribution and recognition, affirming that both are needed to attain economic justice. The former involves equality of opportunity or the allocation of critical material resources; the latter implies an acceptance and respect of the differences among individuals.

The findings further discovered the challenges of small business entrepreneurs face, cases of financial constraints (43%), gender discrimination (25%), financial discipline (32%) were reported to be the predicaments faced by Small Business owners, this is in line with Crick et al., (1996) who argued that entrepreneurial capital, knowledge and capacity are more likely to exhibit entrepreneurial efficiency..

## 5.2 Conclusion

Entrepreneurship is imperative for Small Business Enterprises (Sebikari, 2014a:50; Wennekers & Amoros, 2011:7; Nangoli, Turinawe, Kituyi, Kusemererwa & Jaaza, 2013:284). There is no doubt that Small Business Enterprises contribute tremendously to Mengo, in Lubaga Division, Kampala and Uganda's development at large. This implies failure to create an entrepreneurial environment may mean an economic penalty (Edmiston, 2007; Zoltan, 2007:109). Thus, it is necessary for the government to provide support to entrepreneurs in order to succeed in their respective endeavors (Hanlon & Saunder, 2007). Evidence from this paper suggests that increasing entrepreneurial efficiency creates the majority of the business startups. It can be concluded that entrepreneurship capital, entrepreneurial knowledge and capacity has positive relationship with the entrepreneurial efficiency. However, further research is needed to assess the conceptual model for entrepreneurship efficiency.

## 5.3 Recommendations

From the findings the following recommendations were made:

Promoting entrepreneurial capacity among potential entrepreneurs is critical, this may include herentally disorganization obstacles such as poor managerial skills through providing business education and training to entrepreneurs, free of charge.

Small business development through support and advice are important; an entrepreneur's inability to understand market expectations, and poor market access; and economy-based obstacles such as interest rate fluctuations. Ignorance pertaining to the risks their enterprises face from internal and external sources can be intervened by the government through the Ministry of Finance, Economic and Development Planning

Create an enabling business environment and foster entrepreneurship (Sebikari, 2014a:53). The impediments to Small Business Enterprise success was be numerous and variously be witnessed, industry-related problems such as the Small Business Enterprises owner-managers are primarily responsible for the management of their enterprises' activities. Studies conducted confirmed Small Business Enterprises owner-managers' emanate efficiency from entrepreneurial actions. Small Business Enterprises management techniques are primarily limited to entrepreneurial activities, and to a lesser extent, risk transfer through insurance activities. Most

entrepreneurial activities tend to be construed reactively, thereby affecting the availability of enterprise resources in addressing these challenges. By embedding a structured approach to enterprise strategic management within Small Business Enterprises, potential benefits such as cost reductions, reducing the over-management of small businesses opportunities, and organizational alignment towards the Small Business Enterprise's mission and objectives can be realized.

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**APPENDIX 1: HOUSEHOLD SURVEY QUESTIONNAIRE KAMPALA**  
**INTERNATIONAL UNIVERSITY**  
**DEPARTMENT OF ECONOMICS AND MANAGEMENT SCIENCES**

**Introduction**

I am Ibrahim Poti Paschal a student of Kampala International University, main campus, carrying out a research on the entrepreneurial efficiency and small business enterprises in Mengo, Lubaga Division, Kampala. The research was lead into my dissertation report, which is a partial fulfillment for the award of a Bachelor Degree of Business Administration in Accounting and Finance of Kampala International University.

The information obtained was be used for academic purposes. Respondents are therefore assured that all information collected was being treated confidentially.

Your sincere response to all questions is very important and was to be of great help to me. I therefore hope that you were respond to all my questions correctly. Thank you in advance.

**SECTION A: PERSONAL INFORMATION**

1. Sex

- a) Male ☐
- b) Female ☐

2. Age of respondent

- a) Below 18 years ☐
- b) 18-25 years ☐
- c) 26-30 years ☐
- d) 31-35 years ☐
- e) 36 years above ☐

3. Level of Education

- a) Certificate ☐
- b) Diploma ☐
- c) Degree ☐
- d) Masters ☐
- e) Others, specify.....

4. Type of business

- a) Sole proprietor
- b) Partnership ☐
- c) Multinational company
- d) Private company
- e) Others specify.....

**SECTION B: Information on small businesses.**

5(a). Do small businesses require school knowledge to run them?

Yes ☐

No ☐

(b) If Yes, how?

.....

6(i) Which type of small businesses do you consider as the best of all as in entrepreneurship?

- a) Sole proprietor
- b) Partnership ☐
- c) Street vendors
- d) None of them

(ii) If any, why

.....

(b) What are the three factors affecting entrepreneurial efficiency in Mengo?

- a. Entrepreneurial capacity, capital and knowledge ☐
- b. Sales growth, profitability and market share
- c. Return on investment, payback period and net present value
- d. None of the above.

7. How many small business are running efficiently in total in and around Mengo?

(Approximate)

.....

.....

8. What measure(s) should the small business men consider in order to increase their capacity ?

.....

.....

.....

9. Does entrepreneurial capacity affect the level of entrepreneurial efficiency?

a. Yes ☐ b. No ☐

10. Do small business men capital affect entrepreneurial efficiency?

a. Yes ☐ b. No ☐

b) If yes, in what ways?

.....

.....

.....

11. a) Does the government contribute anything else towards empowering entrepreneurs with skills apart from taxing them?

a. Yes ☐ b. No ☐

b) If yes, what are these contributions?

.....

.....

.....

12. What has the government done to solve the problem of poor entrepreneurial involvement by the small businessmen?

.....

.....

.....

.....

## APPENDIX 2: TIME FRAME

TIME	ACTIVITY
AUGUST - SEPTEMBER	IDEA DEVELOPING AND PROPOSAL WRITING
OCTOBER – NOVEMBER	SUBMISSION OF FINAL PROPOSAL
OCTOBER – NOVEMBER	FIELD RESEARCH
NOVEMBER	DISSERTATION

### APPENDIX 3 : BUDGET ESTIMATES

During the research study the researcher have estimated the funds constraints which he was call for to accomplish the overall functions during the research study, to facilitate this financial plan which was cover the period from the research proposal designing up to the report writing (overall budget estimates was cover up) is identified in the following aspects:

ITEMS	SUB ITEMS	QTY	AMOUNTS (T SHS)	TOTAL (T SHS)
STATIONERIES EXPENCES	Reams of paper	2	@5000/=	18,500/=
	Note pads	3	1500/=	
	Ball pens	5	@400/=	
	Pencils	10	500/=	
TYPING & PRINTING	Typing		30000/=	195,000/=
	Printing		100000/=	
	Bindings		30000/=	
	Flash Disk		35,000/=	
TRANSPORT & COMUNICTIO	Transportation		150000/=	250,000/=
	Communication		100000/=	
MEALS & ACCOMODATION	Meals ( 17 weeks)	Per week	10,000/=	340,000/=
	Accommodation (17 weeks)	Per week	10,000/=	
MISLENEOUS EXPENSES	Sundry expenses		25000/=	70,000/=
	Caution money		45000/=	
TOTAL				812,500/=