

ENTERPRISES - AND - BUSINESS ASSOCIATIONS

A Research into the Role of Business Associations
in Enterprise Development with a Focus on the
Uganda Small Scale Industries Association



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**A Research into the Role of Business Associations
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Uganda Small Scale Industries Association**

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Title page: in the centre logo Uganda Small Scale Industries Association (USSIA), around it pictures of USSIA member enterprises and in the background the Ugandan flag.

Preface and acknowledgements

At the beginning of this thesis I, the author, want to give a personal comment. Last year, for follow-up of my completed Bachelor Programme Human Geography, I started with the Master Programme International Development Studies (IDS) at Utrecht University. After a number of preparatory courses I went to Uganda for a three-monthly internship at the Uganda Small Scale Industries Association (USSIA). It was a great and memorable period. During the internship I carried out a research into the role of USSIA in the development of its member enterprises. After three months of visiting and interviewing members in different districts of Uganda I think that I have got a reasonable comprehension of this topic. Following on the internship I have written this thesis, based on my findings during the research.

I would like to thank some people who have contributed to the completion of this dissertation. First of all I thank Ali de Jong, my IDS supervisor, for coaching me during preparation for my internship, during the actual internship and during the completion of this thesis. In addition I owe many thanks to the people of USSIA in Uganda. I thank the people who were present in the USSIA secretariat during my stay there. Further I thank the regional USSIA chairpersons who have brought me to the USSIA members. Moreover, I have to thank the USSIA members who have received me in their enterprise and completed the questionnaire. Without their assistance, I could not have presented the research findings which are actually presented in this thesis.

Now it only remains for me here to wish the reader satisfaction with reading the thesis.

Paul Segers

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List of used abbreviations

| | |
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| BAs | Business Associations |
| FTEs | Full-Time Employees |
| GDP | Gross Domestic Product |
| ISI | Import Substitution Industrialization |
| MCP | Master Craftsman Programme |
| MEs | Micro Enterprises |
| MSEs | Micro and Small Enterprises |
| NGO | Non-Governmental Organization |
| PAs | Professional Associations |
| PMA | Plan for Modernisation of Agriculture |
| PSFU | Private Sector Foundation Uganda |
| PTEs | Part-Time Employees |
| SEs | Small Enterprises |
| SMEs | Small and Medium sized Enterprises |
| TAs | Trade Associations |
| UBOS | Uganda Bureau of Statistics |
| UGX | Ugandan Shillings |
| UMA | Uganda Manufacturers Association |
| UNIDO | United Nations Industrial Development Organization |
| UNDP | United Nations Development Programme |
| USSIA | Uganda Small Scale Industries Association |

Executive summary

In developing country towns one can observe many small enterprises along the roads. Especially in Africa, because running an enterprise is the only possible livelihood for many people in this continent. Enterprises face a multitude of constraints on their development. To overcome these constraints some enterprises become member of a business association. In this thesis is focused on the Uganda Small Scale Industries Association (USSIA) in Uganda, with the objective to gain insight into how USSIA contributes to the development of its members.

Much literature about enterprise development in Africa has been published. African enterprises have faced many challenges, but nonetheless they have become important sources of employment and growth and are therefore high on the policy agenda. Their theorizing has begun in the seventies, when small industrial enterprises were seen as essential employment sources, and therefore the focus was on small enterprises and the constraints on their development. Enterprises were seen as each other's competitors, although there was also cooperation in organizations, but these organization got little attention as the focus was on the policy environment, until recently when more attention came for the influence of business associations on enterprise development. Also literature about this topic within the context of developing countries came after 2000.

In this thesis the word 'enterprises' is used, because this word is most often used in the literature and other names for enterprises contain misleading connotations. There are different classifications of enterprises, usually based on the number of employees. Every enterprise is passing through a development cycle, beginning with start-up that generally depends on the balance between costs and rewards, although in Africa many start-ups are enforced which results in inefficient micro-enterprises. In the past is assumed that support to small enterprises would lead to pro-poor growth, but recently this is questioned by evidence. Enterprises in developing countries face several constraints on their development, mainly corruption, inflation, insufficient financial means, policy instability and poor infrastructure. Location of an enterprise in a cluster of enterprises facilitates interaction. In Africa it has been found that clusters contribute to production process improvement.

A business association is a group of enterprises which are voluntary member and cooperate with each other. There are two types: trade associations and professional associations. A business association can function as a medium between enterprises and the state, but often is just a form of joint action of enterprises. Besides lobbying business associations offer their

members business development services. More specifically for industrial enterprises, industrial extension services are provided, which are based on the premises that the enterprise using these services will improve and that it is willing to pay for these services. The financial resources for the services are derived from membership fees or financial support from donors.

Business associations are considered to have a significant role in economic development. A business association provides business development services aimed on enterprise development and besides it fosters cooperation among enterprises. Cooperation among enterprises is seen as social capital that reduces transaction costs. Business association services are divided into market-supporting and market-complementing activities, which both involve the service of lobbying. Criticism on business associations is that a business association would display rent-seeking behaviour and that it would not look after public interest, but nevertheless empirical studies have shown that business associations have truly contributed to economic development.

This thesis is focusing on an industrial business association with member enterprises active in the industrial sector. Industrialization is necessary for development of a modern economy. Governments in developing countries have implemented import substitution industrialization to support industrial sector growth. Yet this strategy is inefficient. For industrialization human capital, good infrastructure and a supporting business environment are important. For many small industrial enterprises their market share has to be increased and the business environment has to be improved.

Uganda, the country where the research has taken place, is a landlocked country with several natural resources, a fast-growing young population living in rural areas for the most part but increasingly urbanizing, and a multi-party political system. The private sector is a main player alongside public sector, civil society and development partners, and consists of respectively services, agriculture and industry. The main constraints on private sector development in Uganda are inflation, exchange rate and poor electricity. Members of a business association are visited in four districts in Uganda: Mukono, Iganga, Masindi and Kasese.

The host organization is the Uganda Small Scale Industries Association (USSIA), an association formed in 1979 with members active in twelve industrial sectors. USSIA offers its members five main services: training, information gathering & dissemination, improving market access, building linkages among industrialists and policy advocacy. Together with a number of other Ugandan business associations, USSIA is joined in the Private Sector

Foundation Uganda (PSFU). The Ugandan government has promised it will continue with supporting private sector umbrella organizations like USSIA.

The specific research questions are concentrating on three aspects: appreciation of the USSIA services, solution of problems and growth of the USSIA member enterprises. It is assumed that the USSIA services via different ways will have positive effects on these aspects. Further it is assumed that membership length and extent of service use can have an intervening influence.

The theoretical concepts in the research questions and conceptual model have been translated into measurable variables. Then a questionnaire is made with a list of questions for people of enterprises which are USSIA member. The four districts with USSIA members are selected based on the criteria that the districts should be situated remote from each other and that they should be different from the districts examined in a recent comparable research. The regional USSIA chairpersons have selected a number of USSIA members within their district. It has resulted in a research sample with 63 respondents: 8 in Mukono, 18 in Iganga, 13 in Masindi and 24 in Kasese. The majority of respondents is located in the district capitals and have stated they are director or manager.

In the sample six industrial sectors are represented: metal fabrication, hand craft, food & beverage processing, wood works, textiles & garments and mechanical & technical works. On average the enterprises in the sample have six FTEs, three PTEs and nine employees in total. The average annual turnover per enterprise is $\pm 9,171,000$ UGX (± 3335 Euros). The average enterprise age is twelve years. A big majority joined USSIA after 2000.

All services are found important and are used at least sometimes by the majority of the respondents, particularly training and information gathering & dissemination. Younger and smaller enterprises attach more value to the services compared with older and larger enterprises. In the sector metal fabrication most respondents find training very important and in the sector wood works building linkages among industrialists is found most important. The majority of the respondents find that some services need to be improved.

A possible hindrance to enterprise development can be low product quality. A big majority of respondents in all districts and sectors have confirmed that the product quality of their enterprise has been improved ever since their enterprise is USSIA member. It has been found that generally it takes a short period after becoming member until product quality improvement is experienced. A positive statistical relationship between training use and quality improvement seems to exist, but this relationship can not be tested. Between the service information gathering & dissemination and product quality improvement no clear

relationship has been found. USSIA members who have participated in the Master Craftsman Programme have experienced far more improvement than members who have not.

Another constraint on enterprise development can be limited market access. A majority of respondents have confirmed that market access of their enterprise has been improved ever since it is USSIA member. In most industrial sectors market access has been improved. There seems to be a certain positive relationship between using the service improving market access and actual improvement of market access, but testing this relationship is not possible. Likewise a positive relationship seems to exist between using the service building linkages and market access improvement.

Other problems which have much negative impact on USSIA member enterprises appear to be cost of inputs, corruption, competition and inflation. Particularly in Mukono cost of inputs and inflation are perceived as big problems. No clear positive correlation between membership length and impact of cost of inputs, corruption and inflation has been found. A slight negative correlation between membership length and impact of competition has been found. The present crisis makes raw materials for production more expensive, is declining foreign investments and is decreasing demand for products of the USSIA members.

USSIA seems to contribute to more employment within its member enterprises, as most enterprises have got more employees ever since they have joined USSIA. Enterprises which are longer member have not been more grown in number of employees. Neither have they got a higher turnover, rather the opposite. A negative correlation exists between distance to input market and turnover. Likewise a negative correlation exists between distance to costumers and turnover. Enterprises which work together with other enterprises appear to have a higher average turnover compared with enterprises which never work together with other enterprises.

Overall it has appeared that USSIA has a large positive impact on its members. This supports the importance of business associations mentioned in much development literature. USSIA provides its members five non-financial services, while many members desire that USSIA will also provide financial services. The statistical analyses put the positive image of USSIA's influence into perspective, as it takes a short period before USSIA members experience improvement and as no clear positive correlation have been found between use of USSIA services and membership length and improvement or growth. Besides it can be questioned to what extent it will be thanks to USSIA that there has been improvement for the enterprises ever since they have joined USSIA. A business association can promote cooperation among enterprises and it has been shown that this cooperation has a positive

influence on turnover. The positive influence of USSIA in Uganda shown in this research can function as example in support for business associations in general.

In 2007 a comparable research has been performed in five other districts of Uganda. In this research training is perceived as most important service and power (energy), cost of loans, inadequate finance and accessing finance are seen as the four biggest problems by the USSIA members. These findings are supported by the findings of the present research.

The USSIA members are advised to cooperate with other enterprises, also financially, and to look for more nearby input markets and customers. USSIA is advised to continue the Master Craftsman Programme, to inform the government about inflation, to give information about cheaper inputs and ways of production to members who need it and to stimulate cooperation among members.

This research has been limited, because the internal and external validity of the research are small. Hence it can be questioned to what extent the research findings apply for the larger group of USSIA members and for the small-scale industrial enterprises which are not USSIA member. Therefore further research is recommended.

In conclusion, generally can be stated that the USSIA services are highly appreciated by the members. Product quality and market access of most enterprises in the sample have been improved ever since they are USSIA member, but no clear relationships have been found between using USSIA services or membership length and problem solution. In most enterprises the number of employees has been increased and the turnover level is found to be negatively correlated with distance to input market and customers and positively correlated with extent of cooperation with other companies. A certain discrepancy exists between the positive answers of the members to questions about USSIA's services and the outcomes of the statistical tests which give a less positive image, what can be explained by the fact that the number of respondents is small and that the respondents did want to deliver a good image of USSIA.

The Ugandan government is recommended to give business associations like USSIA more support. Besides the government is urged to take into account the problems of inflation, energy and corruption.

1 Introduction

All those who have traveled through a developing country town once, will have noticed it: the immense number of small enterprises along the roads. The many shops where people can buy very diverse merchandise: from vegetables to clothes, from newspapers to airtime. But also the many buildings where ‘value is added’ next to sale: dress stores where tailors are making or repairing clothes with sewing machines; metal fabrication workshops where workers are welding metal products which are simultaneously exposed for sale at the side of the road. Likewise impressive: the tremendous crowd walking up and down the street, looking for things they want to buy, bargaining about prices with the sellers, and so on.

The above sketched street scene is especially illustrative for many towns in Africa. A similar description of a town in Mali is given by Warms (1994). An important explanation for the fact that there are so many small enterprises in Africa, is that for many people in the continent running an enterprise is one of the few possibilities to survive. Plenty people can not find work in existing enterprises and do not get unemployment compensation from the state. So as to get an income somehow, they start an own enterprise. And although their enterprise is not running well and remains small because of low turnover, they keep trying because it is their only possible livelihood (Rogerson 2001).

Enterprises, particularly small enterprises in developing countries, face many problems and challenges which form constraints on their development. The five main constraints perceived by active managers of enterprises in developing countries are respectively corruption, inflation, insufficient financial means, policy instability and poor infrastructure (Batra et al. 2003). The present financial and economic crisis is making these constraints only heavier. It is argued that the crisis particularly and most severely hits the enterprises in developing countries. The World Bank (2009) reports that almost 40 percent of the 107 developing countries are highly exposed to the recession. Investment in many of these countries is falling disastrously. Besides, fewer loans are provided by financial institutions because of increased risks. Furthermore, demand for products from developing countries – and thus export – is shrinking and this means a decline of turnover in the developing world. All this is hampering the development of enterprises over there, especially the development of small enterprises which have growth potential, but yet very limited financial means to grow.

In order to overcome the above-mentioned problems, some enterprises become member of a business association. A business association is a union of enterprises that aims to support its

members by offering a number of services, e.g. information and advice (Bennett 1999). Besides, business associations have an important role in lobbying and policy advocacy of their members' needs (Knippels 2008). However, business associations have limited resources and therefore it is important to know the members' appreciation of the services and the main problems which hamper their development.

In this thesis will be focused on an industrial business association in Uganda, namely the Uganda Small Scale Industries Association (USSIA). The research objective is to gain an insight into how USSIA as a business association via various services contributes to the development of its member enterprises in Uganda. This leads to the following central research question:

How does USSIA contribute to the development of its member enterprises in Uganda?

In the fourth chapter this general research question will be specified and divided into a number of sub-questions. First, in the second chapter, a theoretical context of the research is given. The third chapter sketches the regional context of the research. The fourth chapter specifies the research and describes the research methodology. Then, in the fifth and sixth chapter, the research results are presented and discussed. Finally, in the conclusion, an answer on the central research question is given, including some policy recommendations.

2 Theoretical context

The topic of this thesis, the role of business associations in enterprise development, can be placed within a theoretical context in many conceivable ways. In this chapter is chosen for the following method. In the first section a review on the published literature, which is relevant for the subject, is given. Subsequently the concepts enterprise development and business associations are defined. Then the relation between business associations and enterprise development is discussed. Finally, in the last section, enterprise development in the secondary sector is more specifically analyzed.

2.1 Literature review

A lot of literature has been published about the topic of enterprise development in the past. When discussing this topic, many academics have focused on enterprise development in Africa (e.g. Helmsing & Kolstee 1993; Helmsing 1993; Steel 1993; Steel 1994; Fafchamps 1994; Manu 1998; Fafchamps et al. 2000; Rogerson 2001). Helmsing & Kolstee (1993) state that research on development of enterprises has actually started in Africa. This explains that studies on African small enterprises are somewhat overrepresented in the literature.

Steel (1994) notes that private enterprises in Asia have been much more successful than in Africa in the past. African entrepreneurs have faced more challenges, among which an unfavorable economic policy environment, with governments giving preference to the big firms and a lack of access to finances for smaller enterprises. Nonetheless, African enterprise development has become a potential source of employment and economic growth. Policy makers in Africa have observed this as well and therefore enterprise development is high on the policy agendas in Africa nowadays (Rogerson 2001).

The theorizing about African enterprises has begun in the seventies, when the informal sector received a lot of attention. Small industrial enterprises in the informal sector were seen as essential employment sources for the at that time growing number of people who could no longer find work in the agricultural sector (McCormick 1999). The general assumption has been that development of small enterprises could create jobs in developing countries, especially labour-intensive jobs, and hence could contribute to poverty alleviation (Fafchamps 1994; Rogerson 2001). Therefore in much literature authors have concentrated their attention on the development of small enterprises. Especially the internal and external constraints

which stand in the way of the development of small enterprises into larger, more modern enterprises have been examined.

In the seventies the enterprises were seen as each other's competitors at the market. Nevertheless, there was also cooperation among enterprises. Some enterprises in the same branch of trade were united in organizations and made agreements with regard to product quality, prices, etcetera. Yet in most literature not much attention was given to the role of these organizations. The majority of the writers focused on the role of the policy environment in the development of enterprises. Only recently, at the end of the twentieth century, there has come more attention for the influence of business associations (BAs) on enterprise development. In 1998 a paper written by Robert Bennett came out, entitled "Business associations and their potential contribution to the competitiveness of SMEs"¹. It was the first paper that explicitly linked business associations with the competitiveness of enterprises. Bennett himself states in the opening of the paper:

"Despite a considerable literature on the role of business associations, there has been little attention given to their role in influencing the competitiveness of their members or the sector from which they are drawn."

Bennett 1998a, p. 243

In 1999 another paper by Bennett is published, in which the service of a business association and its contribution to the growth of enterprises is more specifically analyzed (see Bennett 1999). In both papers Bennett has focused on the role of business associations in Britain. Although this may be certainly valuable, this thesis is focusing on the role of a business association in a developing country, where circumstances for the most part are quite different from a developed, West-European country. Fortunately there has been published literature on the role of business associations in developing countries as well. Doner & Schneider (2000) examine the contribution of business associations to economic development in developing countries. Reviewing the existing literature, they talk of a "scholarly neglect" of business associations within the context of developing countries (Doner & Schneider 2000, p. 261).

After 2000 a few other articles about business associations and their role in enterprise development have been published. In 2006, Kingsbury & Hayter published a paper about business associations and local development and in this article they note that businesses associations are "often mentioned but scarcely subjected to detailed inquiry or directly

¹ The abbreviation 'SMEs' stands for 'small and medium sized enterprises'.

theorized” (Kingsbury & Hayter 2006, p. 6). Finally, in 2007, a more detailed article about the contribution of business association to small and medium sized enterprises is published (see Bennett & Ramsden 2007).

Thus far an overview of the published literature about enterprise development and the role of business associations is given. The following sections will give more theory concerning the concepts of enterprise development and business associations and the relation between these concepts.

2.2 Enterprise and development

In the development debate a number of words are used which are synonymous with the word enterprise: business, company and firm. In this thesis the word ‘enterprise’ is consequently used, since this word is most accurate and most often used in the development literature. The word ‘business’ is a more indefinite concept, for it has the connotations of commerce and doing business, besides the meaning of an enterprise where production takes place. ‘Company’ can also be interpreted as companionship, a number of people being together. And the word ‘firm’ suggests a bigger firm and contains misleading connotations such as fixed and stable.

Then, there are different classifications of enterprises: micro-enterprises (abbreviated to MEs), small or small-scale enterprises (SEs), both micro and small enterprises (MSEs), small and medium sized enterprises (SMEs) and large enterprises. Usually the criterion for classification is the number of employees. According to Batra et al. (2003) small enterprises have 50 or fewer employees, medium enterprises 51-500 employees and large enterprises more than 500 employees. A micro-enterprise is usually seen as an enterprise with 10 or less employees (UNIDO 1992). However, in Uganda, the country where the research of this thesis has taken place, a micro-enterprise is defined as an enterprise with less than 5 employees and a small enterprise with 5-20 employees (Government of Uganda 2000a).

Every single enterprise is supposed to pass through a so-called development cycle with sequencing phases: (I) start-up, (II) growth and (III) survival or closure (Rogerson 2001; Shiferaw 2007). In general, the decision to start an enterprise depends on the balance between risks and costs on the one hand and the rewards – profit – on the other hand, as perceived by a starting entrepreneur. When the rewards of doing business seem to outweigh the risks and costs of entry and of doing business, starting an enterprise is reasonable (Tybout 2000; OECD 2004). Rogerson (2001) however states that in Africa the majority of start-ups are rather enforced than voluntary, because many start-ups are driven by the search for new livelihoods.

This often results in inefficient micro-enterprises managed by a single person or family. These micro-enterprises rarely grow up into larger, more viable enterprises (Shiferaw 2007).

In the past it is often assumed that small enterprises are more innovative and productive and that they generate more labour-intensive jobs, in comparison with larger enterprises. In this way it has been argued that direct government support to small enterprises would lead to pro-poor growth (OECD 2004). For example, financial and trade policies which support small enterprises have been recommended (Helmsing & Kolstee 1993).

Recently direct support for small enterprises is questioned and even criticized based on evidence. Actually small enterprises appear to pay lower wages and the jobs they generate seem less secure in comparison with larger enterprises (OECD 2004). Besides, the ways in which small enterprises combine production factors are often less efficient. For instance, small enterprises can apply less capital than larger enterprises, although applying more capital would be more efficient (Söderbom & Teal 2004). Moreover, direct government support to small enterprises will distort the market and thus competition, what is rather detrimental for economic growth (AIV 2006). Therefore, it is now argued that the government should not directly support small enterprises, except in cases where there exists clear discrimination against these enterprises (OECD 2004; AIV 2006).

Enterprises face several problems which hinder their development. Batra et al. (2003) give an overview of problems perceived by active managers. The main constraints to enterprise development in developing countries are respectively corruption, inflation, insufficient financial means, policy instability and poor infrastructure. In Africa these are in order of magnitude: insufficient financial means, corruption, poor infrastructure and inflation. The main explanation that insufficient financial means is seen as biggest constraint in Africa, is the disproportional high interest rate in this continent. Further, the low quality of the products/services of an enterprise and its limited access to markets – and thus a limited number of customers – can constitute problems for enterprises.

For all enterprises in general, but for small enterprises in particular, location matters. There are a lot of authors who prove this point (e.g. Porter 2000; Rogerson 2001; Newlands 2003; Bathelt et al. 2004). Most of these authors focus on the importance of clusters for the development of enterprises. A cluster is defined by Porter (2000, p. 16) as “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities”. The geographical proximity facilitates interaction, what can lead to mutually learning and exchange of information and technology among enterprises.

There is little literature available about enterprise clusters in Africa. Nevertheless, a number of clusters in Africa are identified and they give indication that clusters contribute to improvement of the production process of enterprises represented in the cluster (Rogerson 2001). Production can become more efficient for enterprises united in a cluster than for individual enterprises outside a cluster. This efficiency gain ensues from concentration of skilled labour, specialization of inputs and services, technological spillovers and joint action (McCormick 1999).

2.3 Business associations

When talking of joint action by enterprises, one can also think of enterprises joined in a business association. One of the first clear definitions of business associations is given by Bennett (1998a, p. 244), that runs as follows: “Business associations are collective bodies that are intermediary between individual business action and state action.” Bennett calls a business association a “collective body”: this implies that a business association is a group with members, and these members are businesses or enterprises. Membership of a business association is voluntary, what means that the members have chosen to be a member of a business association. This implies that they want that the business association is functioning and they are willing to support it financially (Bennett 2000). According to Kingsbury & Hayter (2006), a business association is a form of voluntary cooperation among the joined enterprises. This cooperation can consist of sharing knowledge, tools and employees, filling orders together, etcetera. Business association membership is not yet widespread in developing countries, but nonetheless rising, particularly in Africa (Helmsing 2006).

Business associations vary in type, size, resources and members (Bennett 1998b). Two types of business associations are identified: trade associations (TAs) and professional associations (PAs). Professional associations are usually larger than trade associations. Another difference is that members of TAs are enterprises, and members of PAs are individual managers. However, for small enterprises this difference is irrelevant, since the manager of a small enterprise usually represents that enterprise (Bennett & Ramsden 2007).

The above-mentioned definition of a business association by Bennett (1998a) suggests that a business association always functions as a medium between enterprises and the state, the government. However, this will not always be the case. Often a business association is just a form of joint, multilateral action of enterprises, without intervention by the state (McCormick 1999). Nevertheless, many business associations lobby for their members at the government and in this way are indeed an intermediary between the members and the state. For example, a

business association can lobby for change in taxes and other regulations which benefit its members. Lobbying and representation of the members at policy level is seen as one of the prime activities of business associations (Bennett 1998b).

Besides lobbying, business associations offer their members a number of other services (Bennett 1998a; Bennett 1998b; Doner & Schneider 2000). These services are aimed at business development and are therefore called 'business development services'. Schulpen & Gibbon (2002, p. 5) give an overview of possible business development services. The overview includes technical aid, vocational aid, export training, information provision, management provision and investment advice. Of course it depends on the kinds of enterprises involved, and their needs, and the capacity of the business association, to what extent which of these services will be offered by a business association.

More specifically for industrial enterprises, industrial extension services are provided by business associations. With industrial extension services the whole of technical and managerial advice given to an entrepreneur for the solving of a specific problem of his or her enterprise is meant. Industrial extension services are offered on the basis of a number of premises. First, when industrial entrepreneurs get more technical and managerial know-how, the performance and economic contribution of their enterprise is supposed to improve. Another premise is that those entrepreneurs who are willing to improve their know-how, are also willing to pay for these services. An industrial business association is in the right position to offer industrial extension services to its members (UNIDO 2008).

The financial resources needed to offer the services are usually derived from the membership fees paid by the members. If this resource is insufficient, the service provision will be suboptimal (Bennett 1998b). Therefore it is important that the membership fee is high enough to finance the services. However, the fee should be not so high, that it deters potential members from joining the association, or that members will cancel their membership. Another financial resource to finance the services can be financial support by donors.

2.4 The role of business associations in enterprise development

Business associations are considered to have a significant role in local economic development. They can promote cooperation and networks among enterprises, leading to more collective efficiency. Besides, business associations can also strengthen the positions of their member's enterprises in value chains and in global production systems. These positions are seen as key to small enterprise development success (Helmsing 2006).

As said, a business association provides business development services to its members. As the name implies, these services are aimed at development of the enterprises which are member of the business association. Bennett & Ramsden (2007, p. 49) call the membership of a business association a “source of external resources”, by which they mean that these resources do not result from an improvement within the enterprise, but they come from outside an enterprise. They result from cooperating with other enterprises. An entrepreneur is not able to get these resources when he/she acts individually. Examples of external resources are external advice (knowledge), social networks, collective marketing and purchasing, lobbying and representation of the interests of the joined enterprises at policy level. Being member of a business association provides the opportunity to exchange information with other members, to expand the network and hence to extend the clientele (Bennett 1998b; Kingsbury & Hayter 2006).

A business association enhances trust and in this way fosters cooperation among the members. The social capital theory is relevant in this regard. This theory sees interaction among enterprises within an association as a form of social capital. This social capital is very valuable, for it is reducing so-called transaction costs: costs of monitoring each other, costs of negotiating with each other, costs of formulation of contracts, and so on (Fukuyama 2001). For enterprises which are united in a business association, the maintenance of business relationships are a lot easier than for enterprises that are not. Furthermore, interaction among enterprises can reinforce collective efficiency, what makes the private sector more productive, what in turn leads to raising employment and increasing incomes in the private sector (Cypher & Dietz 2009).

Doner & Schneider (2000, p. 262) divide the services provided by a business association into “market-supporting” activities and “market-complementing” activities. Market-supporting activities contain putting pressure on government officials to take care of good property rights, regulations and infrastructure. Market-complementing activities are activities meant to overcome forms of market failure and market imperfection, like reduction of inflation and unfair competition. Both kinds of activities involve the service of lobbying, stimulating the government to set out policies which are favorable for the development of members of the business association.

There is also some criticism on the influence of business associations. It is assumed that a business association, as an interest group, displays rent-seeking behavior, which is unproductive. Besides a business association would often not look after the public interest, because it is mainly aiming at benefits for the development its own members and not for

wider economic development and poverty reduction (Olson 1982). Doner & Schneider (2000) refute this criticism by arguing that empirical studies have shown that business associations in many different ways and contexts have contributed to broad economic development as well as to the development of their members' enterprises.

2.5 Enterprise development in secondary sector

As the research of this thesis is focusing on an industrial business association with member enterprises which are active in the secondary – industrial – sector, in this section will be paid specific attention to enterprise development in this sector.

According to Cypher & Dietz (2009), reaching a higher level of development is inseparably linked with the industrialization of an economy. In other words, industrialization is a *condition sine qua non* for development. There are many reasons to substantiate this statement. Industrialization, expansion of the industrial – secondary – sector is altering diverse institutional arrangements, what is necessary for development of a traditional economy into a more modern economy. With industrialization nations become more homogeneous in terms of what is produced and consumed. In this way less-developed nations adopt an import and export pattern more similar to that of the already-developed nations and from then on the level of prosperity will also become more similar. Besides, many observers see the industrial sector as an engine of economic growth by creating jobs and spillover effects and modernizing the economy (Bigsten & Söderbom 2006). Moreover, it is proved that the GDP per capita rate in a country is positively correlated with the manufacturing value-added level (Tybout 2000). This implies that economic growth is linked with industrialization.

The foregoing makes clear why development of the industrial sector is important. Therefore industrial sector development has been an attractive policy matter for policy makers in developing countries. Historically, governments in developing countries have tried to support the industrialization process with import substitution industrialization (ISI). ISI means that domestic enterprises are going to produce at least a part of the industrial goods which are formerly imported. In this way domestic enterprises substitute for import. The motive for this policy is that the domestic industrial sector grows because it will produce and sell more products. The ISI strategy has been followed on an expanded scale in Latin America during the second half of the twentieth century (Cypher & Dietz 2009). Besides, the industrial sector is traditionally protected and promoted with tax concessions and low import tariffs for manufacturing machinery and equipment (Tybout 2000).

However, it has been found that a lot of disadvantages stick to ISI and protection of the industrial sector. First, protection helps moribund enterprises to survive and this is harmful for the efficiency of the industrial sector. Besides, it will hamper the adoption of new, more productive technology and knowledge from the developed world. Therefore it is now argued that governments should set out a policy of trade liberalization instead of ISI. In the short term trade liberalization is detrimental for the competitive position and profit margins of enterprises, but in the long term it will generate many benefits because of increasing trade (Tybout 2000).

Yet for industrialization a sufficient presence of human capital – technicians, scientists, etc. – and a proper infrastructure network is necessary. Besides a supporting business environment is important. Many observers state that the maze of business regulations is dense and unpredictable in developing countries, and that this is hampering industrialization (Tybout 2000). Moreover, manufacturing enterprises operate in a very risky business environment, with low security and a high prevalence of crime. Particularly in Africa this is the case (Fafchamps et al. 2000).

In developing countries many small industrial enterprises are functioning inefficiently, with low market shares and low turnover in relation to production level. For many entrepreneurs of these enterprises there is no reasonable income-generating alternative, so closing the enterprise is no option for them (Tybout 2000). A solution for this problem would be an increase of the market share of the enterprises and through that an increase in turnover. For a growth of market share of small industrial enterprises a substantial part of the output of industrial enterprises should be exported to foreign markets, because in developing countries the domestic market for industrial goods is traditionally very small. Besides, the industrial business environment has to be improved, by decreasing main constraints on development of industrial enterprises, like inadequate financial institutions and poor infrastructure (Bigsten & Soderbom 2006).

3 Regional context

In this chapter the regional context of the thesis research is sketched. The country where the research takes place, Uganda, is considered in general first. Next the private sector and economy of Uganda is examined. Then more detailed information about the research regions is given. Finally a section with information about the host organization is given.

3.1 Uganda

3.1.1 General information

Uganda is a country situated in Eastern Africa, lying at the equator and landlocked since it is enclosed by Sudan in the north, Kenya in the east, Tanzania and Rwanda in the south and the Democratic Republic of the Congo – former Zaire – in the west. The country covers approximately 240,000 square km, from which about 200,000 is land and 40,000 is water. The land terrain is mainly plateau, surrounded by a ring of mountains. The big share of water is because Uganda owns a large part of Lake Victoria and besides it has a large number of smaller lakes and rivers inland (see Figure 3.1).

Figure 3.1 - Map of Uganda



Source: CIA 2009

Uganda contains several natural resources: copper, cobalt, hydropower, limestone and salt. Around 21.5% of the land is arable and around 9% is used for permanent crops. Uganda is a fruitful country thanks to the many lakes and rivers and a tropical climate with two dry seasons – from December to February and from June to August. Main current environmental issues are the draining of wetlands for agricultural use, deforestation, overgrazing and soil erosion (CIA 2009). Especially on agriculture this environmental degradation is having a big negative impact (UNDP 2007).

The transport infrastructure in Uganda is composed of airports, railways, roadways and waterways. Uganda has got 32 airports from which just 5 have paved runways. The main airport is the international airport of Entebbe. There are in total 70,746 km of roadways, while just about 23% is paved (CIA 2009). The railways are not in use currently, at least not for trains, rather as footways – in the capital Kampala one can see many people who are walking over the railways. Because Uganda is landlocked, the transport infrastructure is crucially important for access to international markets and needs to be further developed (UNDP 2007).

The population in Uganda has grown enormously in the past and numbers around 32 million people currently (see Table 3.1). The Uganda Human Development Report 2007 (UNDP 2007) reports that the Ugandan population has been doubling almost every 20 years from 1948. With a rate of more than 3% per annum Uganda has got one of the highest population growth rates in the world. Reasons for this are a high fertility rate, low prevalence of family planning methods and a high inflow of refugees. Lately the *Monitor*, a Ugandan newspaper, has predicted that Uganda's population will explode from the 32 million now to 130 million in 2050. Together with rising prosperity, this is putting big pressure on the food stocks in the country. Therefore there has been warned for the risk of food shortage, if the population growth will continue at such a high rate (Monitor 2009).

Uganda also has a very young population. Half of the people are younger than 15 years of age. About 48% is between 15 and 64 and just 2% is over-65 (CIA 2009). The big majority of the population – more than 85% - lives in rural areas (Tanzarn 2003; Government of Uganda 2000b). In the remote eastern and western regions even more than 90% lives in rural areas. Actually central Uganda – Kampala and surroundings – is the one and only large urban area (UNDP 2007). However, just like in most developing countries, more and more people in Uganda are migrating to the cities, with an annual urbanization rate of 4.4% (CIA 2009).

Uganda has got a multi-party political system nowadays (UNDP 2007). Not so long ago, until 2006, just one party has been in power, but in 2005 an amendment was accepted that legalized multi-party elections every five years. One year later the first national multi-party

elections were held. The party of Yoweri Museveni, in power since 1986 already, achieved an absolute majority. Therefore Museveni is still the president of Uganda (CIA 2009). However, the support for opposition parties grows and there has come more freedom for the media, freedom of speech and freedom of association (UNDP 2007).

Table 3.1 - Uganda in a nutshell: basic indicators

| | |
|--------------------------------------|------------|
| Total population | 32,369,558 |
| Average life expectancy | 53 years |
| GDP per capita: | \$ 1,100 |
| Labour force composition per sector: | |
| • agriculture | 82% |
| • industry | 5% |
| • services | 13% |

Source: CIA 2009

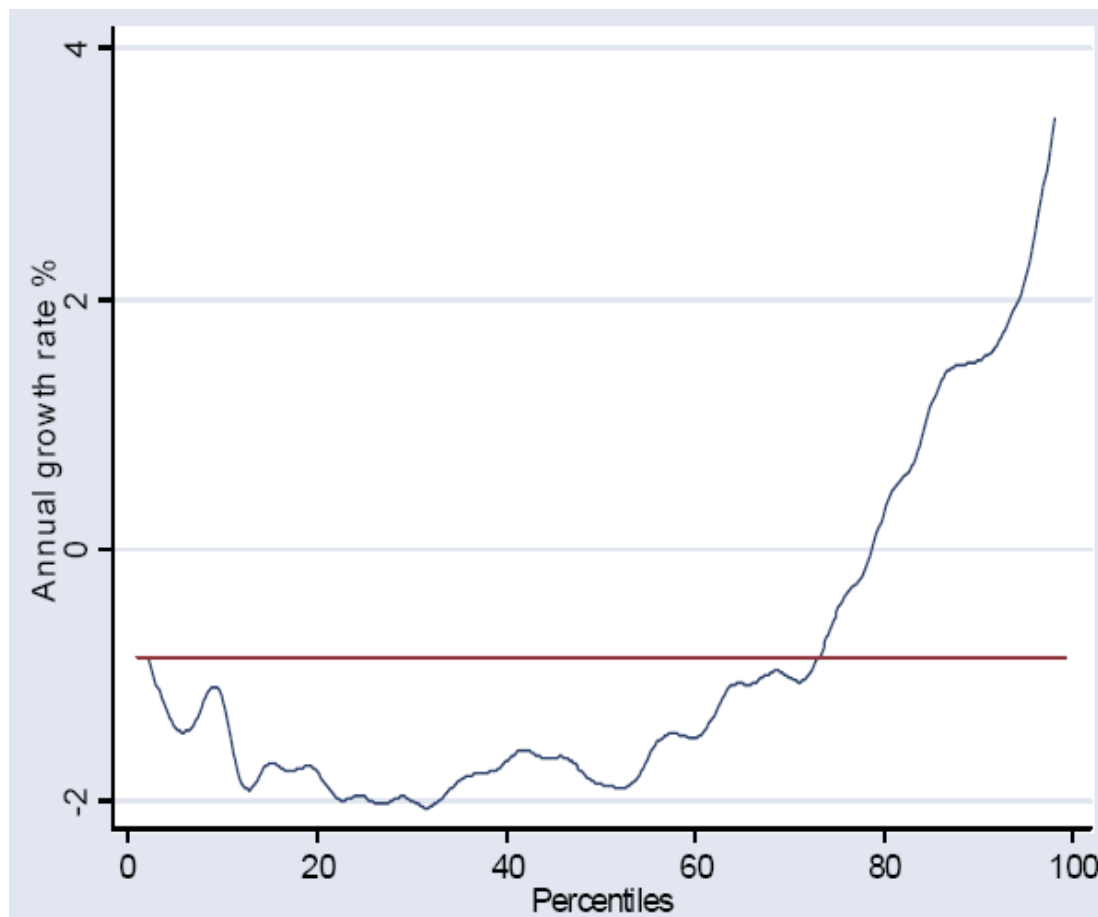
3.1.2 Private sector and economy

The private sector in Uganda is identified as one of the main players alongside the public sector, the civil society and the development partners (Muhumuza 2003). The three sectors agriculture, industry and services contribute 29.0%, 24.8% and 46.2% to GDP respectively. The major part of the active labour force (82%) is employed in agriculture. 13% is employed in services and the remaining 5% in industry (CIA 2009; see Table 3.1). The fact that the majority of the labour force is employed in agriculture, can be explained by the above-mentioned information that over 85% of the population is living in rural areas, and agriculture is the main sector in these areas.

In 2008 the GDP per capita is measured at \$ 1,100 (CIA 2009). In the nineties, GDP per capita grew with more than 3% per annum (Government of Uganda 2000a). Since 2000 the GDP per capita has still been growing, but less fast than the population growth, which partly explains an increase of poverty in the country since 2000 (Okidi et al. 2005). Particularly for the subsistence farmers poverty has increased. The more modern sectors - commercial agriculture, services etcetera - have performed much better recently (UNDP 2007). Between 2000 and 2003, the richest 20% of the population experienced an increase in consumption expenditure, while the rest of the Ugandans experienced a declining consumption expenditure. This is clearly visualized with the national growth incidence curve in Figure 3.2. The horizontal axis is the mean percentile growth rate. The red horizontal line shows the mean growth rate overall. With the blue line is shown that the richest 20% of the population at the

right-hand side of the figure has experienced a growth between 0 and 3.5%, and the rest of the population a decline between 1 and 2%. This rising welfare inequality between 2000 and 2003 is also visible in the Gini coefficient rising from 0.40 to 0.43 in the same period (Okidi et al. 2005).

Figure 3.2 - National income growth distribution over income groups in Uganda 2000-2003



Source: Okidi et al. 2005

Uganda's agriculture can be divided in three categories of farmers: subsistence, semi-commercial and commercial. Most farmers are subsistence farmers, who mainly produce on a small scale for the private household (Government of Uganda 2000b; Muhumuza 2003). Usually these smallholder farmers are illiterate and have very limited access to potential markets, which are both retarding production increase (Pali et al. 2007).

The Uganda government has implemented a plan called 'Plan for Modernisation of Agriculture' (PMA). With this plan the government aims to accelerate economic growth, not only in the agricultural sector but also in the industrial sector. The idea behind the PMA is that technological change in agriculture will decrease food prices, thereby raising real

incomes. Then demand for industrial products will increase and this stimulates the growth of industrial enterprises (Government of Uganda 2000b).

Between 1990 and 2000 the Ugandan government also has implemented a number of broad economic reforms in a sequencing number of phases. In the first phase the government has repaired and stabilized the economy. During the second phase it has implemented reforms to remove structural distortions, while new constraints emerged. During the third phase it has tried to eliminate these new constraints by improving public service delivery, improving infrastructure – roads, electricity and internet – and removal of impediments to private sector growth (Government of Uganda 2000a).

The above-mentioned government interventions have been successful in some respects. Investment in roads has improved access to markets, trading opportunities, farm inputs and consumer goods (Tanzam 2003). The number of internet users in Uganda has increased from 1.6 per 1,000 inhabitants in 2000 to 7.2 per 1,000 inhabitants in 2004. Internet is now available in almost all Ugandan cities (Ybarra et al. 2006; see figure 3.3).

Figure 3.3 - Youth using the internet in one of the many internet cafes in Uganda



Photo: Arne Hoel, World Bank 2005

In 1996 total investments were almost 17% of GDP. Foreign investment, which has historically been quite low, amounted to more than 2% of GDP in 1996 (Government of Uganda 2000a). In 2002 total investments were increased up to 20.7% (Okidi et al. 2005). This indicates that the policy environment and investment climate in Uganda has been improved. The government sees increasing private investment as the key way to poverty

reduction. The idea is that more investments will create more employment for the poor (Government of Uganda 2000a).

Currently the main constraints on private sector development in Uganda are inflation and the exchange rate, which have hampered international competitiveness. Besides the availability of affordable credit financing is seen as inadequate (Okidi et al. 2005). In addition the competitiveness of the private sector is undermined by the high cost and poor delivery of public services like electricity (Government of Uganda 2000a). According to Okidi et al. (2005), electricity is one of the main constraints to growth of firms in Uganda, because it is impeding the application of electrical machines which can increase production. Further constraints identified by Ugandan entrepreneurs are the high taxes, interest rates and cost of inputs, access to finance and corruption (Government of Uganda 2000a).

According to the government, Uganda has a very active and dynamic MSE sector. With more than 800,000 MSEs employing about 90% of the non-farm economically active population and contributing about 20% to GDP, it is a very important source of employment and income (Government of Uganda 2000a). The World Bank (2005) has stated that business development services are important to improve the competitiveness of micro, small and medium sized enterprises in Uganda.

In the late 1980s, growth of the industrial sector was a high priority for the Ugandan government. To achieve industrial growth, the government has implemented a policy that as a matter of fact could be compared with the ISI strategy. The government restored domestic industrial enterprises in order to decrease Uganda's dependence on imported industrial goods. This policy had some success, for the industrial output in Uganda grew by more than 25 percent. Nevertheless, this growth stagnated because Uganda lacked skilled workers and people with management experience (Country Studies US 2009). Especially the textile sector suffered from a lack of skilled labor. This sector has been supported by international donors like the EU (Advameg 2009). In contrast with the agricultural sector and service sector, the industrial sector in Uganda has grown steadily in the past. Its share in total GDP increased from 4.7% in 1986 to 9.0% in 1997 and to 24.8% at present (Government of Uganda 2000a).

As already said, Uganda is a landlocked country and therefore good relations with neighboring countries are vital for access to international markets (UNDP 2007). Therefore the Ugandan government is aiming to enhance regional integration and to intensify cooperation with surrounding countries via international organizations like the East African Community (Government of Uganda 2000a). Recently Uganda's president Museveni has argued in favour of regional integration with the following words:

“[T]he central challenge of African development is the transformation of the continent from a largely primary commodity and peasant driven agriculture to an industrial and service-based economy. This transformation will only happen when our countries and our regions take the bold step of developing a large single market that can stimulate and absorb the products of robust industrialization, spur investments and promote production and trade.”

President Museveni cited in *The New Vision* 2009, p. 6

With this quote from the Ugandan president the section on the private sector and economy of Uganda is wrapped up. So far information is given about Uganda in general. Now the regions within Uganda, where the research of this thesis has taken place, will be considered.

3.1.3 Research regions

In the research for this thesis members of a business association are visited in four districts in Uganda: Mukono, Iganga, Masindi and Kasese respectively. The locations of these districts can be found in Figure 3.4.

Mukono is a district located in central Uganda, nearby capital Kampala. The total population in the district is estimated at well over 800,000 people. Agriculture is the main economic activity, with as main food crops cassava, sweet potatoes and maize. Because Mukono is situated on Lake Victoria, fishing is also an important economic activity over there. The district capital, like most district capitals in Uganda, has the same name as the district, namely Mukono. The town is located just 23 km east of Kampala. It is a fast-growing place with currently approximately 130,000 inhabitants. In Mukono town one can find many small industrial enterprises, particularly metal fabricators.

The second district, Iganga, is located in the south-east of Uganda, about 25 km to the north of Lake Victoria. The total population is estimated at 660,000 people. Most people in Iganga districts are subsistence farmers, with maize as main crop. The district capital Iganga has got about 60,000 inhabitants. It is quite a densely populated town, with most houses and enterprises located close to the highway between Kampala to Kenya that is crossing Iganga. In the town many maize milling enterprises – enterprises producing flour from maize – can be found.

The third district, Masindi, is located in the north-west of Uganda, and accommodates approximately 570,000 people. Although the climate in the region is quite dry, agriculture is the main economic activity here as well. The district capital Masindi is a small market town with around 30,000 inhabitants, located approximately 214 km to the north-west of Kampala.

The main road between Kampala and Murchison Falls National Park, a famous wildlife reserve, is crossing the town.

Figure 3.4 - Map of Uganda with districts; research regions are encircled



Source: <http://international.egmont-hs.dk/nudipu/uganda.jpg>

The fourth and last district is called Kasese and is located in western Uganda, at the border with the Democratic Republic of the Congo. The district has around 530,000 inhabitants. Most of them are peasant farmers. The district capital Kasese is quite a fast-growing town with currently well over 100,000 inhabitants. Close to the town several mines can be discovered, including mines where copper is extracted. However, most of the mines are owned by the government and currently not in use. Because of the location nearby Congo, many former Congolese refugees are living in Kasese, who have found work in several industrial enterprises in Kasese. An apparent example is a metal fabrication workshop named 'Balikongo', what literally means 'people from Congo'.

3.2 Host organization: Uganda Small Scale Industries Association

The Uganda Small Scale Industries Association (USSIA) is, as the name implies, an association of small-scale industrial enterprises. It is a grassroots based NGO established in 1979. At the start it had members in just a few districts of Uganda. Gradually it has enlarged its familiarity and nowadays it has members and offices in 25 districts, mainly in the southern central, eastern and western regions of Uganda. USSIA as a private sector umbrella organization has got approximately 1400 registered small scale industries members, which are active in the following twelve industrial sectors:

- hand craft
- food and beverage processing
- wood works
- building materials and construction
- chemicals and pharmaceuticals
- metal fabrication
- electrical and electronics
- ceramics and pottery
- textiles and garments
- mechanical and technical works
- printing and graphics
- recycling and catering

Figure 3.5 - USSIA's logo



Source: USSIA 2009

USSIA offers its members a number of services and activities, which are mostly demand-driven and differentiated according to the needs of the enterprises per industrial sector. The

activities and services are ultimately aimed at promoting the growth of USSIA's members. Most of these services and activities provide direct support to the businesses, such as training, information gathering & dissemination, improving access to trade markets and building linkages among the industrialists. Besides USSIA also tries to influence the Ugandan government via policy advocacy, in order to make government institutions and policies more beneficial for their members (USSIA 2009).

The training is given in the fields of business management skills and technical skills. An important training programme, supported by the United Nations Industrial Development Organization (UNIDO) and implemented by USSIA, is the so-called Master Craftsman Programme (MCP). This programme is meant to improve the production skills and product quality of the participants. The service information gathering and dissemination concerns exchange of information being relevant and useful for the members. The market access of the members is improved by mobilizing and organizing the members for trade fairs and exhibitions. And the service building linkages among industrialists contains development of collaboration networks among industrial businesses.

Besides USSIA there are a number of other business associations in Uganda. A well-known example is the Uganda Manufacturers Association (UMA). UMA is, just like USSIA, a business association with members which are active in the industrial sector. Yet UMA has a membership comprising of small, medium sized as well as large enterprises (UMA 2009). USSIA has a membership with only micro and small enterprises. Both UMA and USSIA are joined in a broad private sector umbrella organization named the Private Sector Foundation Uganda (PSFU). This organization is maintaining a dialogue with the Ugandan government in order to implement projects aimed at developing and strengthening the private sector (PSFU 2009).

The Ugandan government has promised in its *Medium-term competitive strategy for the private sector* (Government of Uganda 2000a) that it will continue with supporting private sector umbrella organizations like USSIA, by mobilizing donor support to streamline support programmes for the sector at the national level and to improve the private sector's system.

4 Research specification and methodology

In this chapter a number of specific research questions are formulated, followed by the presentation of a conceptual model, an operationalization of concepts and a discussion of the research methodology.

4.1 Specific research questions

The specific research questions which will be answered in this thesis are the following:

- To what extent are the services of the Uganda Small Scale Industries Association (USSIA) appreciated by the USSIA members?
- How are the services contributing to the solution of problems which hamper the growth of USSIA member enterprises?
- Are the services leading to an increase of the number of employees and the turnover level of the USSIA member enterprises?

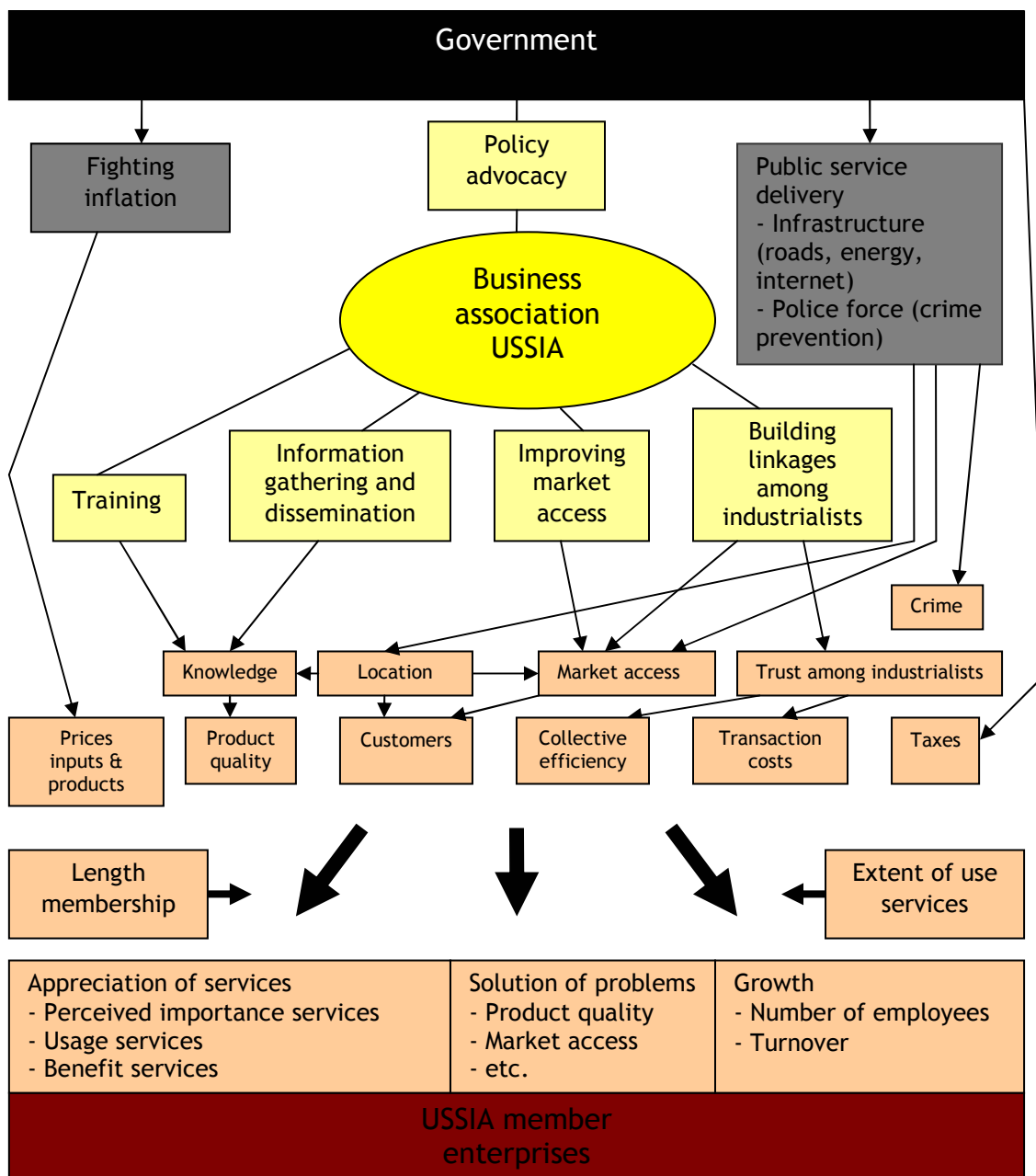
4.2 Conceptual model and assumptions

On the basis of the concepts in the research questions and the preceding theoretical and regional context the conceptual model in Figure 4.1 is designed. In the model one can identify the two main actors: the business association USSIA in dark yellow and the group of USSIA member enterprises in dark red. USSIA is offering five main services: (i) training, (ii) information gathering and dissemination, (iii) improving market access, (iv) building linkages among industrialists and (v) policy advocacy. It is assumed that the services via many different ways will have positive effects on the many different aspects of the USSIA member enterprises, which are represented in pale red. In the end three main aspects of the USSIA member enterprises are supposed to improve because of the services of USSIA: the appreciation of the services, the solution of problems and the growth in terms of number of employees and turnover. These three aspects can be recovered in the three research questions.

The arrows in the conceptual models represent a number of theoretical suppositions or assumptions. First the arrows in the top of the model will be explained. It is supposed that the service ‘policy advocacy’ will have an effect on the government policy and/or institutions, especially the policy and institutions which have impact on affairs which are directly relevant for the USSIA member enterprise. These are assumedly macro-economic policy for fighting

inflation, public service delivery – among other things infrastructure and police force – and tax policy. When USSIA advocates that the government fights inflation, and the government complies with this call, it is assumed that inflation will decrease indeed and this will lead to lower prices for inputs (raw materials) and products. Second, there is also the advocacy for improvement and enlargement of the infrastructure, which will lead to improvement of location and market access of the USSIA member enterprise. Third, USSIA will lobby for prevention of crime which is bothering its members, what is supposed to lead to a reduction of crime. And fourth, USSIA advocates cutting taxes for the USSIA member enterprises.

Figure 4.1 - Conceptual model



Two other services, 'training' and 'information gathering and dissemination', are supposed to have a positive effect on the knowledge (about production strategies, technology etc.) of people active in the USSIA member enterprises. Next it is assumed that the increase of knowledge will lead to improvement of the quality of the enterprises' products.

The service 'improving market access' will logically lead to improvement of the market access of the USSIA member enterprises. Further it is assumed that the service 'building linkages among industrialists' also has a positive effect on the market access, because more relations with other industrial enterprises will presumably contain the gathering of information about possible markets and about possible ways of access to these markets. More market access will supposedly lead to more customers for the enterprise. Building linkages among industrialists will probably also increase the trust among industrialists. Subsequently this trust will increase the collective efficiency and reduce the transaction costs for the industrial enterprises.

The concept location, the location of the USSIA member enterprise, is not directly influenced by the services of USSIA, but nevertheless it plays an important role, as explained earlier in the theoretical context. When an USSIA member enterprise is located close to other, comparable enterprises, it is assumed that this will have a positive effect on the knowledge within this enterprise, because it will learn from those other enterprises through cluster effects. Besides the location will also largely determine the degree of market access and the number of (nearby) customers.

To sum up, it is assumed that all services offered by USSIA will somehow assist in: (1) increasing the extent of appreciation of the services by the USSIA member enterprises, (2) the solution of problems which USSIA member enterprises face, and (3) the growth of USSIA member enterprises in number of employees and turnover level. The research will for the most part focus on the direct relationships between the services and the above-mentioned three main aspects. The intermediate concepts will be largely left out of consideration.

When assessing the relationships between the services and the mentioned three main aspects, it is important to take into account the length of membership of the USSIA member enterprises and the extent of use of the services by the USSIA member enterprises. It is reasonable to assume that the relationships for an USSIA member enterprise that is just member and/or has not yet used the services of USSIA often will be weaker than for an USSIA member enterprise that is longer member and/or has used the services more often. Therefore the intervening influence of the membership length and service use will be checked as well.

4.3 Operationalization of concepts

Now the theoretical concepts in the research questions and conceptual model have to be translated into concrete, measurable variables. The result of this operationalization is the questionnaire in Appendix 1. Below is explained how the questionnaire has come into being.

The first research question that has to be answered is to what extent the services of USSIA are appreciated by the USSIA members. To investigate the appreciation one can ask the USSIA members how important they find the services. In the questionnaire the respondents are given the choice to choose one of the following five answers per service: (1) 'totally unimportant', (2) 'unimportant', (3) 'neutral', (4) 'important' and (5) 'very important'.

Even when a respondent finds a service very important, it is not yet known whether the service is also used by the enterprise of the respondent. It can happen that the service is not offered to the respondent, because the distance between his/her enterprise and the USSIA headquarters is too big, for example. Therefore the respondent is also asked how often his/her enterprise is actually using the services of USSIA, with as possible answers per service: (1) 'never', (2) 'almost never', (3) 'sometimes', (4) 'often' and (5) 'very often'.

Then a few open questions are asked, first about how the respondent benefits from the services. Next is asked what services need to be improved. And finally, the respondent is asked whether he/she wants to see new services introduced by USSIA in the future. These questions make clear to what extent the respondent is satisfied with the current package of services and which changes they would like to see.

The second research question contains two main concepts: the problems which hamper the growth of enterprise and the contribution of the services to solution of these problems. In the questionnaire a list is given with 28 factors, which can possibly have a negative impact on the growth of enterprises. These factors are derived from theory in the literature. The respondent is asked to indicate per factor to what extent it has a positive or negative impact on the growth of his/her enterprise. They can select one of the following five possible answers: 'big negative impact', 'small negative impact', 'no impact', 'small positive impact' and 'big positive impact'. At the bottom of the list, the respondent is given the possibility to mention a factor that is not on the list, in case the respondent misses a factor in the list that nonetheless has a big impact on his/her enterprise.

Next to the list, the following open question is asked: "What are the key problems experienced that limit the growth of your company?" This question is added in order to find out what the most important problems for the growth of the respondent's enterprise are, in the eyes of the respondents, and why.

The contribution of the services to the solution of the problems can possibly also be derived from the answer to the question how the respondent benefits from the services. In addition the respondent is asked whether the quality of the enterprise products/services, targeted market and market access have been improved since his/her enterprise is member of USSIA. After a 'yes' or 'no' the respondent is asked for an explanation. If a low product quality or low degree of market access is perceived as problem by the respondent, and he/she says the product quality and market access have been improved since joining USSIA, one can conclude that the services of USSIA have contributed to solution of the problems.

In the last research question is asked for the effect of the services on the number of employees and turnover level of the USSIA member enterprises. In the questionnaire is asked for the number of full-time and part-time employees both at the time joining USSIA and at present. In this way one can observe whether the number of employees has increased since joining USSIA or not. Besides also is asked for the current average wage per hour per employee. Further is asked for the current average monthly turnover. The turnover at the time joining USSIA has not been asked, because during pilot interviews has been observed that the latter information is very hard to give for the respondent.

In addition to the above-mentioned demanded information that is directly needed to answer the research questions, for some additional information is asked. In order to measure the influence of the concept location, asked is for the distance from the enterprise to a main road, distance to main input market and distance to main customers. Besides it is asked whether there is energy (electricity) in the enterprise building and whether the enterprise has access to internet. Then there are also questions asked about sources of finance, about the extent of cooperation with other companies and about the reasons for this cooperation. At the beginning of the questionnaire is asked for the respondent's name, address and responsibility within the enterprise, the enterprise name, the district, industrial sector, type of company, ownership, main company products, year of start-up, year of joining USSIA and main reason for joining USSIA.

4.4 Research methodology

In order to test the above-mentioned theoretical assumptions, a research has been carried out from February until April 2009 in Uganda. This section will describe the research methodology.

As said, a questionnaire has been made, with a number of questions for people of enterprises which are member of the business association USSIA. After having drafted a

provisional questionnaire, first a number of pilot interviews with the help of the questionnaire have been performed, to practise and to see whether the respondents are able to answer the questions. Thereupon the questionnaire is adjusted, what has resulted in the definitive questionnaire that can be found in Appendix 1.

A selection has been made from a number of regions where USSIA members are located, because visiting all the regions, where USSIA members are located, has been assessed too much for the limited time period (three months) in which the research should take place. In consultation with the National Chairman of USSIA a district in the centre, east, north and west of Uganda is selected. A criterion in this regard has been that the districts should be situated remote from each other, as this gives the possibility to make interesting geographical comparisons between the districts. Another criterion has been that the districts should be different from the districts examined in a comparable research carried out by Knippels (2008) two years ago. The chosen districts are – as earlier mentioned in the chapter on the regional context – Mukono, Iganga, Masindi and Kasese.

The regional USSIA chairpersons are informed about the visit and they have selected a number of USSIA members within their district. They have been suggested that together these members should give a representative picture of all USSIA members in their district. The enterprises of these members are visited by the researcher and the regional chairperson together. After some small talk with the attendant people in the enterprise, there is asked for participation in the research. Always one supervising person of each enterprise, mostly the director or manager, is asked to complete the questionnaire. Sometimes there was no supervising person present during the visit, or he/she said not to have time to complete the questionnaire immediately. In that case a questionnaire is left behind and collected later. Otherwise busy directors or managers who are often outdoors would be underrepresented in the research sample.

The above-mentioned research methods have resulted in a research sample with 63 respondents – and a similar number of enterprises. 8 respondents (12.7%) are located in Mukono, 18 (28.6%) in Iganga, 13 (20.6%) in Masindi and 24 (38.1%) in Kasese (see map in Figure 3.4). The variation in the number of respondents per district is partly due to the differences in the total numbers of active USSIA members per district. Kasese has got more active USSIA members than Mukono, for instance. Another reason for the variation is that the circumstances per district have been different. In the districts Iganga and Kasese the USSIA members were more willing to complete the survey compared with the districts Mukono and Masindi.

In Figure 4.2 the proportion between the research population and the research sample is visualized. The research population contains the total number of approximately 1400 USSIA members in entire Uganda. 4 out of 25 districts where USSIA members are located are selected. And finally a number of respondents within the selected districts are selected.

Figure 4.2 - Schematic visualization of selection respondents



5 Presentation of the research results

In this chapter the research results are presented. First some characteristics of the research sample are shown, to give the reader an image of the research width. Then, in view of the research questions, attention is paid to successively the appreciation of the USSIA services, the solution of problems faced by USSIA member enterprises and the growth of USSIA member enterprises.

5.1 Research sample characteristics

As already said in the previous chapter, the research sample consists of 63 respondents – and enterprises. They are divided over four different districts in Uganda. 8 are located in Mukono, 18 in Iganga, 13 in Masindi and 24 in Kasese (for district locations, see map in Figure 3.4).

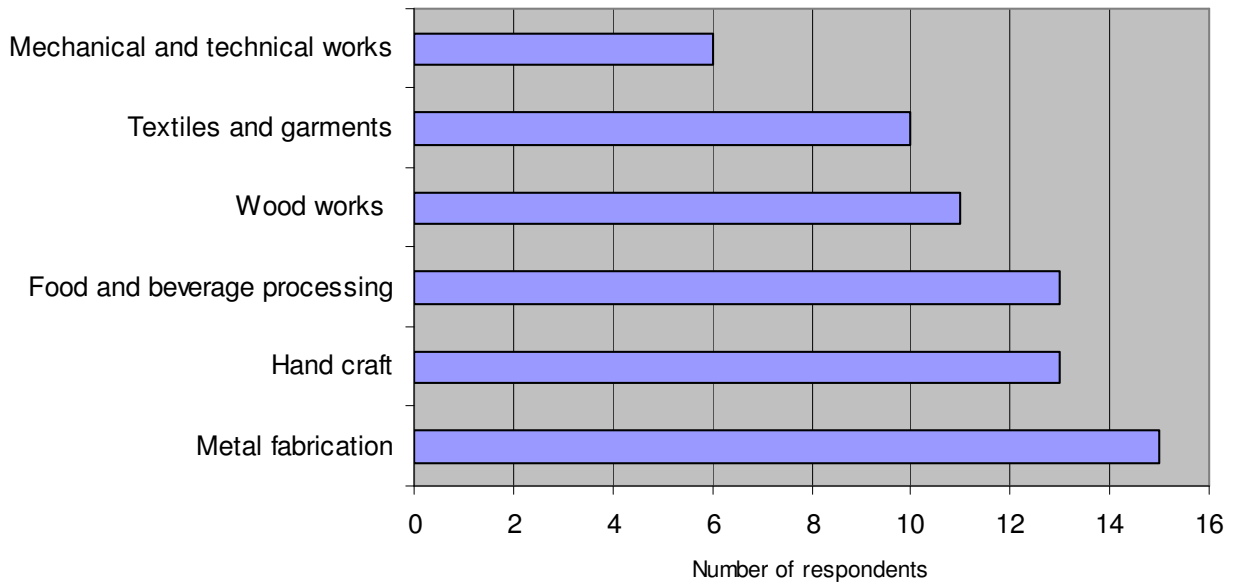
The majority of the respondents – and their enterprises – are located in the district capitals, although also some are located in other towns or villages within the districts. Most respondents have stated that they are director or manager of the enterprise involved. The majority of the enterprises in the sample (46; 73%) are owned by men. This appears to be the case for most industrial sectors and types of companies. An exception is the textiles and garments sector, with nine out of ten companies owned by women.

Notwithstanding that USSIA has members in twelve different industrial sectors, in the sample only six of these twelve industrial sectors are represented, because of the selection of a limited number of respondents. Most respondents have one single enterprise that is involved in just one sector, but there are also some (five) respondents who have indicated that they are running enterprises in two different sectors. Respectively there are fifteen respondents active in the sector metal fabrication, thirteen in hand craft, thirteen in food & beverage processing, eleven in wood works, ten in textiles & garments and six in mechanical & technical works (see Figure 5.1).

In the metal fabrication sector the main enterprise products are metal doors, windows and agro-processing machines like mills. For the hand craft sector these are leather goods such as shoes and surface design. In the food & beverage processing sector the main products are maize, maize flour, fruit, juice, coffee and water. The wood works sector produces particularly wooden doors and furniture. For the textiles & garments sector, clothes and fabrics including school uniforms constitute the main products. And the sector mechanical &

technical works is mainly occupied with reparation of motor vehicles and supply of spare parts for these vehicles.

Figure 5.1 - Number of respondents per industrial sector



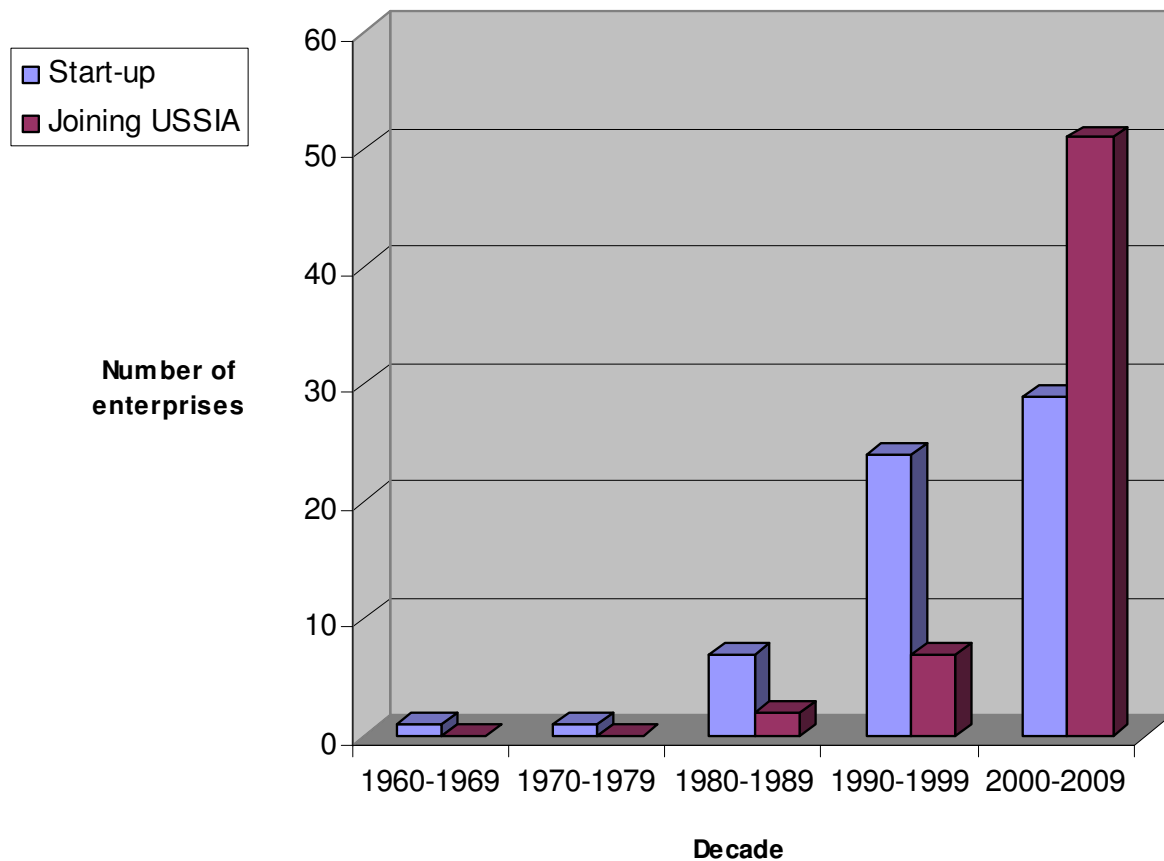
With respect to size of the enterprises in the sample, the number of employees and turnover level can be taken into account. The current number of full-time employees (FTEs) of the enterprises in the sample ranges from 0 to 20 and for the current number of part-time employees (PTEs) the range is from 0 to 15. The FTEs and PTEs are added up to get the total number of employees for each enterprise, ranging from 0 to 35 employees. Some enterprises in the sample do not have any employees, because in these enterprises only the owner is working. On average the enterprises in the sample have around six FTEs, three PTEs and nine employees in total.

The respondents have been asked for the current average monthly turnover of their enterprise. Only 47 of the 63 respondents have answered this question. The answers vary from 10,000 to 5,000,000 Ugandan Shillings (UGX). Converted into euros this is approximately €4 to €1820. The average of all answers is $\pm 764,255$ UGX ($\pm \text{€}278$). Since the annual turnover will tell the reader probably more, the preceding numbers are multiplied by twelve. This gives a range from 120,000 to 60,000,000 UGX ($\pm \text{€}40$ to $\text{€}22000$), with an average of $\pm 9,171,000$ UGX ($\pm \text{€}3335$).

From all the enterprises of the respondents who answered the question about the starting year of their enterprise, the oldest company is a woodwork company in the district of Iganga, which has been started up in 1967. This is the only enterprise in the sample that has been

started in the sixties. One other enterprise has been started in the seventies, seven in the eighties, twenty-four in the nineties and twenty-nine in the new millennium (see Figure 5.2). The average enterprise age is around twelve years.

Figure 5.2 - Number of enterprises in sample starting up and joining USSIA per decade



From all the companies of the respondents who answered the question about the year of joining USSIA, a big majority (51; 85.0%) has joined USSIA after 2000, as one can see in Figure 5.2. Six of these have joined USSIA in this year (2009). That most companies joined USSIA quite recently is because in the investigated regions – Iganga, Kasese, Masindi and Mukono – USSIA has just recently started with attracting new members there.

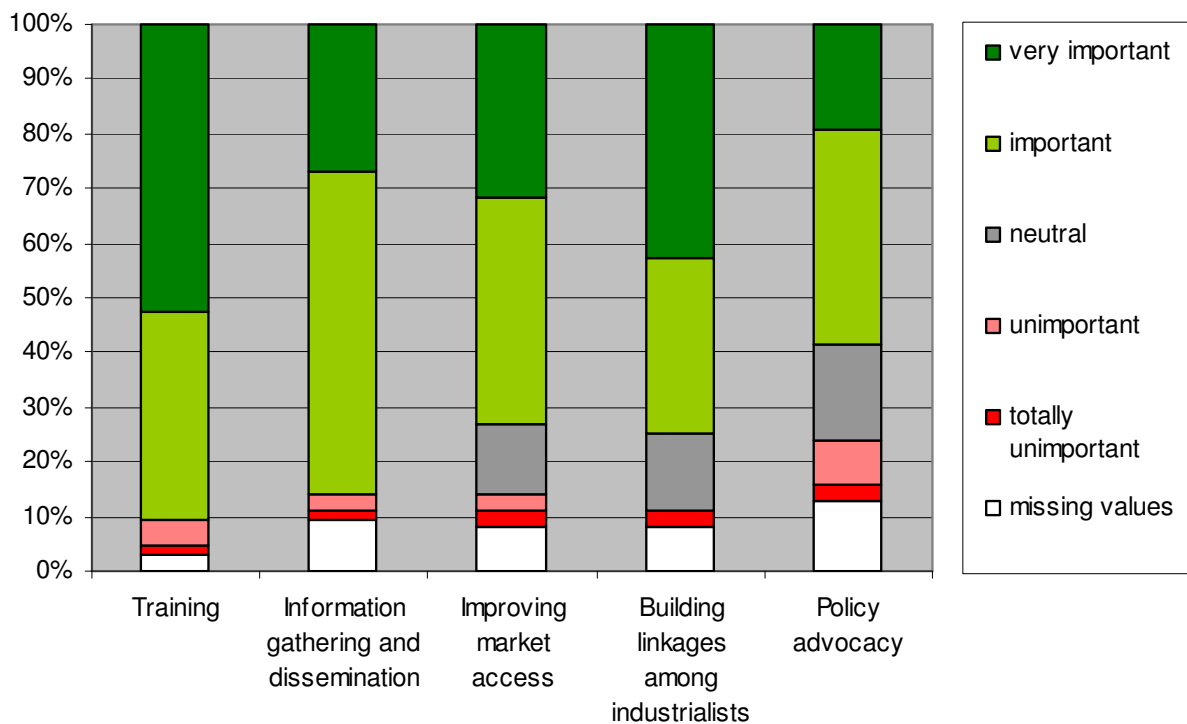
Almost 50% of the respondents (31 out of 63) have been participants of the Master Craftsman Programme (MCP), the training programme supported by the United Nations Industrial Development Organization (UNIDO) and implemented by USSIA.

5.2 Appreciation of services

As already mentioned in the previous chapters, the business association USSIA in Uganda offers its members five different services: training, information gathering & dissemination,

improving market access, building linkages among industrialists and policy advocacy. In chapter 3 section 2 has been told what these services imply. In order to measure the appreciation of the USSIA members for the USSIA services, the respondents have been asked how important they find the services. In Figure 5.3 the response to this question is visualized. It appears that all services are found important or even very important by the majority of the respondents. The services training and information gathering & dissemination are found most important. This can be explained by the fact that most members have said that their main reason for joining USSIA was to acquire more skills and/or knowledge. The services training and information gathering & dissemination supply these needs. All services are used at least sometimes by the majority of the respondents anyway.

Figure 5.3 - Perception of importance USSIA services



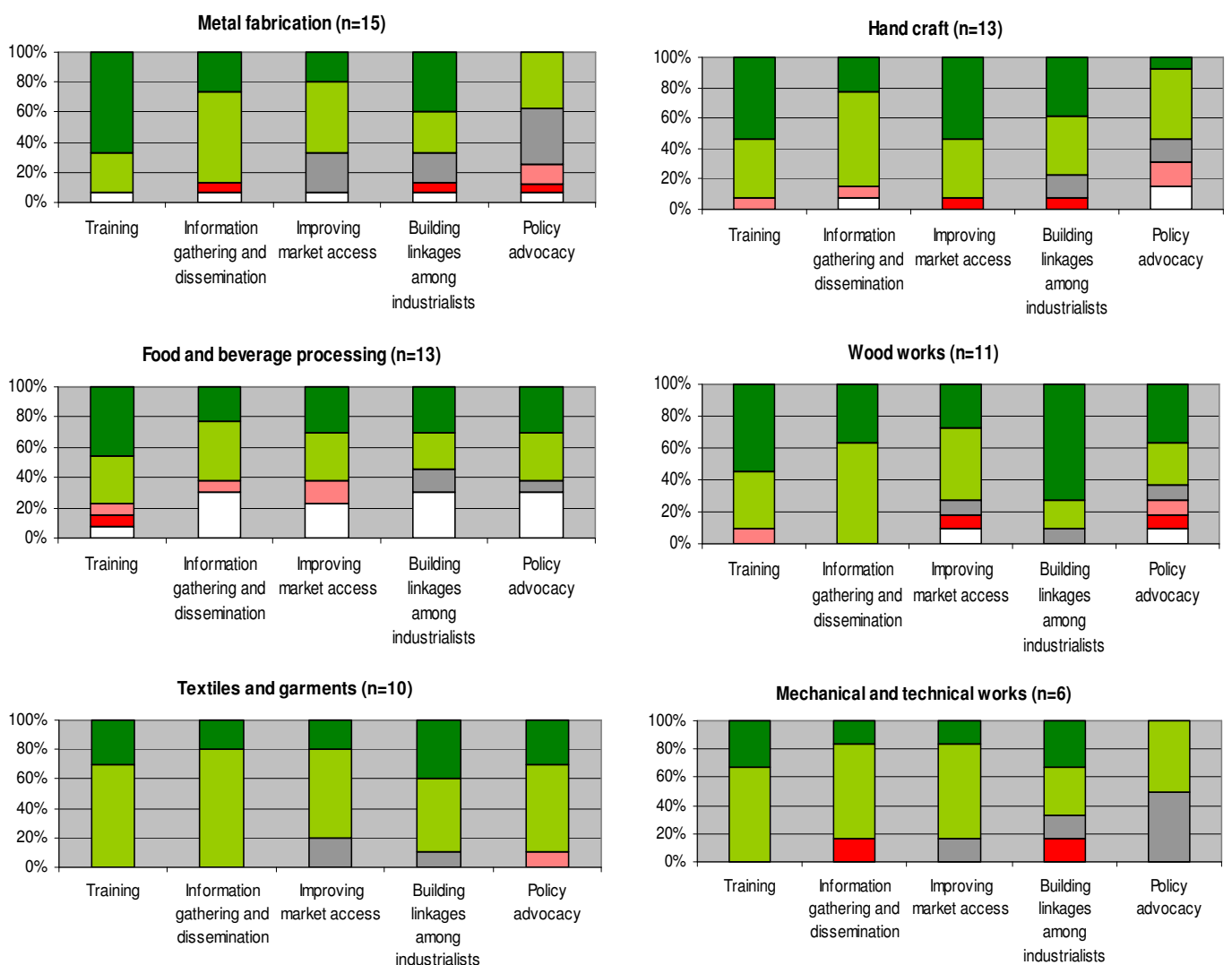
Possible differences are investigated between micro-enterprises (with less than 5 FTEs) and small enterprises (with 5-20 FTEs) with regard to appreciation of the services. For all services the percentage of respondents who find the services important or very important appears to be higher in the group of micro-enterprises than in the group of small enterprises. Apparently micro-enterprises generally attach more value to the services than small enterprises. Besides, it is found that younger enterprises attach more value to the services than older enterprises, especially to training. This can be explained by the fact that, broadly speaking, older

enterprises already have acquired necessary skills for production and usually do not need further training.

In Figure 5.4 the perception of importance of the USSIA services is represented per industrial sector. It appears that in the sector ‘metal fabrication’ most respondents can be found who find the service training (in skills) very important. This service is also quite often used in this sector, but in the sector ‘mechanical and technical works’ as well. In both sectors respondents say they improve their skills thanks to the training. In the sector ‘wood works’ the service of building linkages among industrialists is found most important. This service is also most often used in this sector. As reason for the high valuation a respondent says that thanks to more linkages among industrialists his enterprise receives information from other industrialists about sources of raw materials and about possible customers.



Figure 5.4 - Perception of importance USSIA services per sector



Despite the high appreciation of all services, most respondents still think that some services need to be improved. Especially extension and specialisation of the existing training programmes is requested. Besides many respondents also ask for introduction of new services, especially financial assistance, in the form of loans. However, USSIA has no intention to provide financial services in the near future, because they want to remain a business association and do not want to become like a bank or microfinance institution. Nevertheless, they can expose their members to banks and microfinance institutions and facilitate the borrowing of money.

It would have been interesting to know the opinion of the members about the amount of the membership fee and whether they think they get ‘value for money’, but unfortunately for this information has not been asked in the questionnaire, so no pronouncements upon this can be given.

Box 5.1 - A close look at a metalwork enterprise in Iganga

Apolo Nawondyo is company director of a metalwork enterprise in Iganga. His enterprise has been established in 1990 and is producing metal windows, doors and other metal goods. Since 2000 the enterprise is USSIA member. Nawondyo is quite happy about USSIA’s services, especially about the service training. “The trainings have been quite beneficial”, he states. Yet he is experiencing a few serious problems. “The energy supply is not constant and the tariff is too high. Besides raw material costs are high”. He hopes that USSIA can facilitate him with obtaining a loan to improve his enterprise.



5.3 Solution of problems

In this section is examined which problems the USSIA members face and to what extent the services of USSIA are contributing to solution of these problems. First the problem of low product quality is considered. Then is looked at the problem of limited market access. Finally other possible problems for the USSIA members are viewed.

5.3.1 Product quality

As already shown in the chapter on the theoretical context, a possible hindrance to the development of enterprises can be a low quality of their products/services. In the questionnaire the respondents are asked whether the quality of the products/services of their enterprise has been improved ever since their enterprise is member of USSIA.

51 out of the total number of 63 respondents in the research (81.0%) have confirmed that the quality of their enterprises' products/services has been improved ever since their enterprise is member of USSIA. They have given various explanations for the improvement. Many have mentioned the USSIA training programmes, which result in more skills and hence lead to better quality of their products/services and to production increase. Others have mentioned the sharing of information about production with other USSIA members as explanation. In all districts and industrial sectors a large majority has confirmed that there has been improvement. Only in the industrial sector 'food and beverage processing' a considerable number (3 out of 12; 25%) has said that there has occurred no improvement. They have given as explanation that USSIA has not yet helped them (yet) or that they lack finances to improve their products.

In order to test whether the length of the USSIA membership matters in the relationship between USSIA membership and improvement of product quality, the enterprises which have become member since 2006 (n=30) and the enterprises who have become member before 2006 (also n=30) are compared². There appears to be no difference between these groups, as in both groups 26 respondents (86.7%) state that the products/services of their enterprise have been improved since they have joined USSIA. However, in 2 out of the 6 enterprises (33.3%) which have just, in 2009, joined USSIA, the products/services quality has not been improved, compared with just 5 out of the 54 enterprises (9.3%) who have joined USSIA before 2009. Apparently it takes generally a short period (a few years at most) after becoming member until an enterprise reaps the fruits of membership in the form of product quality improvement.

The conceptual model in the preceding chapter (Figure 4.1) has shown that, theoretically, improvement of product quality stems from increasing knowledge and this increasing knowledge is brought about by the USSIA services of training and information gathering and dissemination. It can be assumed that respondents, who are using the service training more often, will more likely experience improvement of product quality. To test this assumption one can make use of a cross tabulation, as both variables are categorial variables. The cross tabulation is shown in Table 5.1.

The expected counts in the table are the counts which are expected if there is completely no statistical relationship between training use and quality improvement. Because the expected counts differ from the observed counts, a statistical relationship seems to exist. The observed count of respondents who use training sometimes and have experienced

² Both groups contain 30 respondents, so combined there are 60 respondents in this analysis. The remaining 3 respondents have not answered the question for the year of joining USSIA.

improvement is *higher* than the expected count. Conversely, the observed count of respondents who use training sometimes and have experienced no improvement is *lower* than the expected count. Therefore a positive statistical relationship between training use and quality improvement seems to exist.

Table 5.1 - Cross table showing relationship between training use and product improvement

| | | | Training use | | | | | Total |
|-------------------------------------|---------------------------|----------------|--------------|--------------|------------|-------|------------|--------|
| | | | never | almost never | some-times | often | very often | |
| Product quality improved? Yes / No. | Yes | Count | 4 | 6 | 14 | 10 | 17 | 51 |
| | | Expected Count | 5.3 | 6.2 | 12.3 | 10.6 | 16.7 | 51.0 |
| | % within Quality improved | | 7.8% | 11.8% | 27.5% | 19.6% | 33.3% | 100.0% |
| | % within Training use | | 66.7% | 85.7% | 100.0% | 83.3% | 89.5% | 87.9% |
| No | Count | Count | 2 | 1 | 0 | 2 | 2 | 7 |
| | | Expected Count | .7 | .8 | 1.7 | 1.4 | 2.3 | 7.0 |
| | % within Quality improved | | 28.6% | 14.3% | .0% | 28.6% | 28.6% | 100.0% |
| | % within Training use | | 33.3% | 14.3% | .0% | 16.7% | 10.5% | 12.1% |

However, the differences between expected counts and observed counts are small in all cells. To test whether the statistical relationship is significant, a Chi-Square test is executed with SPSS. The outcome of the test can be found in Table 5.2. The Chi-Square value is 4.792. But the table notes that 5 from the 10 cells (50%) have an expected count of less than 5. The maximal allowed percentage to use the Chi-Square is 20%. Besides, the lowest expected count is 0.72 and this should be at least 1 to be able to use the Chi-Square, according to statistical requirements stated by Vocht (2005).

Table 5.2 - Outcome Chi-Square test

| | Value | df | Asymp. Sig. (2-sided) |
|------------------------------|--------------------|----|-----------------------|
| Pearson Chi-Square | 4.792 ^a | 4 | .309 |
| Likelihood Ratio | 5.742 | 4 | .219 |
| Linear-by-Linear Association | .679 | 1 | .410 |
| N of Valid Cases | 58 | | |

a. 5 cells (50.0%) have expected count less than 5. The minimum expected count is .72.

A solution would be to merge some cells in the cross table, but in this case it will not help, since all cells with too low values are in the bottom table row. There are simply not enough respondents which have experienced no quality improvement to test the statistical relationship between training use and product quality improvement.

As said, the improvement of product quality can also accrue from the service information gathering and dissemination. However, no clear direct statistical relationship between the use of this service and product quality improvement has been discovered.

It has been found that there is a clear difference between the USSIA members who have participated in the Master Craftsman Programme (MCP) – an important training programme of USSIA, see chapter 3 – and the members who have not (See Table 5.3). Almost 100% of the respondents from enterprises which have participated in the MCP, have experienced improvement of the products/services quality, while just 65.6% of the non- MCP participants have experienced this. With regard to improvement of market access there appears to be an obvious difference as well. However, the statistical significance of the relationship between MCP and improvement could not be proved.

The next subsection will take a closer look at the problem of limited market access.

Table 5.3 - MCP participants and non- MCP participants compared

| | MCP participants | Non- MCP participants |
|--|------------------|-----------------------|
| Number of respondents | 31 | 32 |
| % quality products / services and targeted market improved since joining USSIA | 96.8 | 65.6 |
| % better market access since joining USSIA | 93.5 | 78.1 |

5.3.2 Market access

As told in the theoretical context, a limited market access can be an important constraint on the development of an enterprise as well. The respondents in the research have been asked whether their enterprise has got better market access ever since their enterprise is member of USSIA. A big majority of the respondents (54 out of 63; 85.7%) have confirmed that the market access of their enterprise has been improved ever since the enterprise is USSIA member. In all districts more than 80% of the respondents have stated that their enterprises have got better market access. Common explanations for this are the USSIA activities aimed at the improvement of market access, such as making the member's products known by more people and making the members more aware of market possibilities, through advice on marketing for example.

In most industrial sectors the market access has been improved, but somewhat limited in the sector ‘textiles and garments’: 3 out of 7 respondents (42.9%) in this sector have said that their enterprise has got no better market access ever since it is USSIA member. Given explanations for this are that the production is still low or that USSIA has simply not improved the market access of their business. An additional explanation can be that they are just member and have not yet been helped by USSIA, as 33.3% of the members who have joined USSIA in 2009 say their market access has not been improved, compared with just 9.3% of the members who are longer member.

In the previous chapter, chapter 4, is explained that the USSIA services of both improving market access and building linkages among industrialists can enhance the market access of the USSIA member enterprises. In order to test the relationship between the use of the service improving market access and the actual improvement of market access, the two variables are placed in a cross table (see Table 5.4).

Table 5.4 - Cross table showing relationship between use service improving market access and market access improvement

| | | | Improving market access use | | | | | |
|------------------------------------|--------------------------------------|----------------|-----------------------------|--------------|------------|--------|------------|--------|
| | | | never | almost never | some-times | often | very often | Total |
| Better market access? Yes / No. | Yes | Count | 2 | 8 | 11 | 19 | 9 | 49 |
| | | Expected Count | 4.4 | 9.6 | 10.5 | 16.6 | 7.9 | 49.0 |
| | % within Better market access | | 4.1% | 16.3% | 22.4% | 38.8% | 18.4% | 100.0% |
| | % within Improving market access use | | 40.0% | 72.7% | 91.7% | 100.0% | 100.0% | 87.5% |
| No | Count | Count | 3 | 3 | 1 | 0 | 0 | 7 |
| | | Expected Count | .6 | 1.4 | 1.5 | 2.4 | 1.1 | 7.0 |
| | % within Better market access | | 42.9% | 42.9% | 14.3% | .0% | .0% | 100.0% |
| | % within Improving market access use | | 60.0% | 27.3% | 8.3% | .0% | .0% | 12.5% |

The expected counts of respondents who are using the service improving market access often or very often and have experienced market access improvement, amount to respectively 16.6 and 7.9. These figures are *lower* than the observed counts 19 and 9. On the other hand, the expected counts of respondents who never or almost never use the service improving market access and have experienced market access improvement, are *higher* than the observed counts. This proves that there is a certain positive statistical relationship between the use of

the service improving market access and actual improvement of market access. Testing the significance of this relationship is not possible unfortunately, because the requirements for execution of the Chi-Square test (a maximum of five cells less than five and a minimum expected count of 1) are not met.

In order to examine the relationship between the use of the service building linkages among industrialists and market access improvement, a cross table with these two variables has been put out (Table 5.5). This table tells the same story as the preceding table. The expected counts of respondents which are using the service building linkages among industrialists often or very often and have experienced market access improvement, are with 13.4 and 9.8 *lower* than the observed counts of 14 and 11. The expected counts of respondents who use the service never or almost never are *higher* than the observed counts. This shows a positive statistical relationship between use of the service building linkages among industrialists and market access improvement. Again the requirements for testing the relationship with a Chi-Square test are not met however. Therefore no Chi-Square test is executed here.

Table 5.5 - Cross table showing relationship between use service building linkages among industrialists and market access improvement

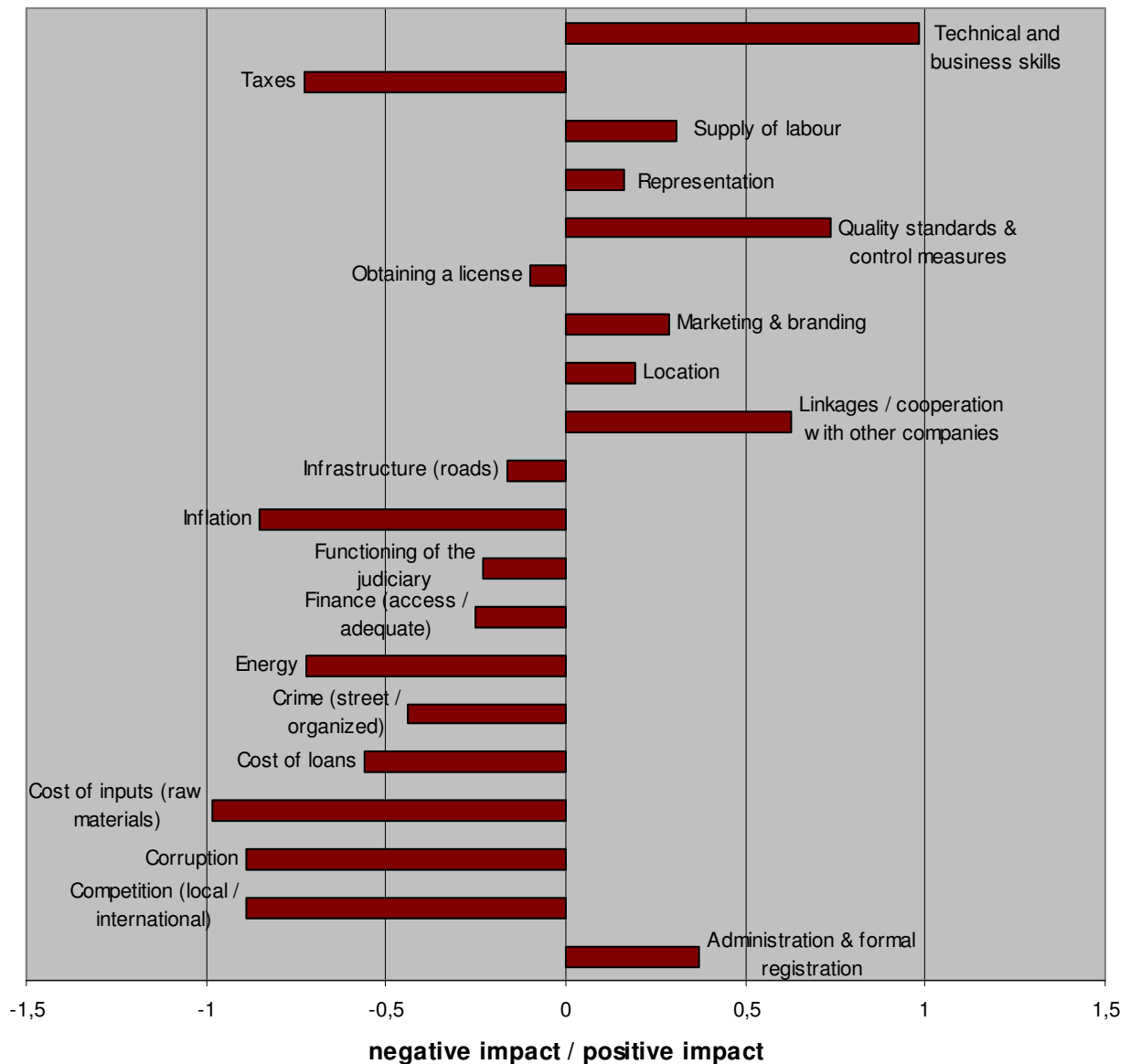
| | | | Building linkages among industrialists use | | | | | |
|------------------------------------|-----|---------------------------------------|--|--------------|------------|-------|------------|--------|
| | | | never | almost never | some-times | often | very often | Total |
| Better market access? Yes / No. | Yes | Count | 3 | 5 | 17 | 14 | 11 | 50 |
| | | Expected Count | 4.5 | 7.1 | 15.2 | 13.4 | 9.8 | 50.0 |
| | | % within Better market access | 6.0% | 10.0% | 34.0% | 28.0% | 22.0% | 100.0% |
| | | % within Building linkages among ind. | 60.0% | 62.5% | 100.0% | 93.3% | 100.0% | 89.3% |
| No | | Count | 2 | 3 | 0 | 1 | 0 | 6 |
| | | Expected Count | .5 | .9 | 1.8 | 1.6 | 1.2 | 6.0 |
| | | % within Better market access | 33.3% | 50.0% | .0% | 16.7% | .0% | 100.0% |
| | | % within Building linkages among ind. | 40.0% | 37.5% | .0% | 6.7% | .0% | 10.7% |

5.3.3 Other problems

Next to a low product quality and a limited market access there are a number of other problems for enterprises experienced by the USSIA members. The respondents have been shown a list of possible influencing factors and have been asked to what extent these factors

have a positive or negative impact on their enterprise. They have been given the possibility to select per factor one of the following four possible answers: big negative impact (-2), small negative impact (-1), no impact (0), small positive impact (1) and big positive impact (2). Figure 5.5 shows the results.

Figure 5.5 - Average perception of impact factors on enterprise



It appears that the following four factors have the most negative impact, according to the respondents: cost of inputs, corruption, competition and inflation. A closer look will be taken at these factors. It can be assumed that respondents who are USSIA member for a longer period, will experience these factors as a problem to a lesser degree, because USSIA has helped them to overcome these problems. The correlation between the length of membership

and the perceived impact of the four factors is tested with Pearson Correlation tests. The tables with the outcomes of these tests can be found in Appendix 2.

The Pearson Correlation coefficients for the correlations between on the one hand the membership length and on the other hand the perceived impacts of cost of inputs, corruption and inflation are all slightly positive (respectively 0.069, 0.033 and 0.067). This implies that there exists a very weak positive correlation between membership length on the one hand and perceived impact of cost of inputs, corruption and inflation on the other hand. The Pearson Correlation coefficient for the correlation between membership length and perceived impact of competition amounts to -0.222. This implies that there exists a slight negative correlation between length of membership and competition. Apparently enterprises which are USSIA member for a longer time experience competition as more negative.

Particularly in district Mukono the factors inflation and cost of inputs are experienced as factors with large negative impact on enterprises. A cause for this can be the fast-growing population in Mukono town mentioned in the chapter on the regional context. Population growth means more demand for products, what is forcing up the purchase prices and hence leads to inflation and higher costs of inputs.

Some respondents have been asked whether, and so yes how, the present financial and economic crisis has got a direct impact on their companies. They have mentioned that importing machines and/or raw materials for production is becoming more expensive, due to the weaker Ugandan currency (the Ugandan Shilling) compared with foreign currencies. This problem for Ugandan enterprises is also observed by Muskens (2009). In addition, some respondents have said they feel the impact of the declining foreign investments. And it is also found that the demand for their products is decreasing, locally as well as nationally. The relationship between these problems and the USSIA membership is not examined.

Box 5.2 - A close look at a metalwork enterprise in Kasese

Joseph Mambo is company director of 'Balikongo metal fabricators and designers', a metalwork enterprise in Kasese. The enterprise is established in 1998 and USSIA member since 2005. It is producing and repairing various agricultural machinery. Mambo says that because of USSIA's services his skills have been improved and hence the productivity of its enterprise has been improved. Thanks to this his enterprise has got better market access. However, he still has to cope with the high costs of inputs, taxes and transportation costs. He requests USSIA to assist the members more in the fields of marketing and business management.



5.4 Growth

In this section is looked at the relationship between the USSIA services and the growth of the USSIA member enterprises. First the growth in number of employees will be investigated, followed by an examination of the growth in turnover.

5.4.1 Employment growth

In general, USSIA seems to contribute to more employment within the enterprises of its members. 35 out of the 60 respondents who have answered questions about the number of employees (58.3%), have indicated that their enterprises have got more employees ever since they have joined USSIA. For just thirteen enterprises (21.7%) the number of employees has decreased and for twelve (20.0%) the number of employees has remained equal. In all districts most enterprises have got more employees. Also in most industrial sectors this appears to be the case. Only in the sector 'wood works' the number of employees has decreased in most enterprises (6 out of 11; 54.5%).

In order to examine whether the length of the membership is contributing to the employment increase, the mean membership length of the group of enterprises which have experienced an increase of employees, the group of enterprises which have experienced a decrease of employees and the group of enterprises where the number of employees has remained equal are computed (see Table 5.6). The mean membership length of enterprises which have experienced a decrease of employees is with 7.08 years higher than the mean membership length of enterprises which have experienced a decrease of employees (which is 5.49 years). Apparently enterprises which are member for a longer time have not grown more in number of employees than enterprises which are member for a shorter while, rather the other way round.

Table 5.6 - Mean membership length per enterprise group

| Employment change | Mean | N | Std. Deviation |
|-------------------|------|----|----------------|
| increase | 5.49 | 35 | 4.680 |
| decrease | 7.08 | 13 | 6.357 |
| even | 2.82 | 11 | 3.459 |
| Total | 5.34 | 59 | 5.016 |

5.4.2 Turnover growth

Looking at turnover, it can be assumed that enterprises, who are USSIA member for a longer time, have got a higher turnover compared with enterprises which are member for a shorter while. To test this assumption, a Pearson Correlation test has been used. Table 5.7 shows the results.

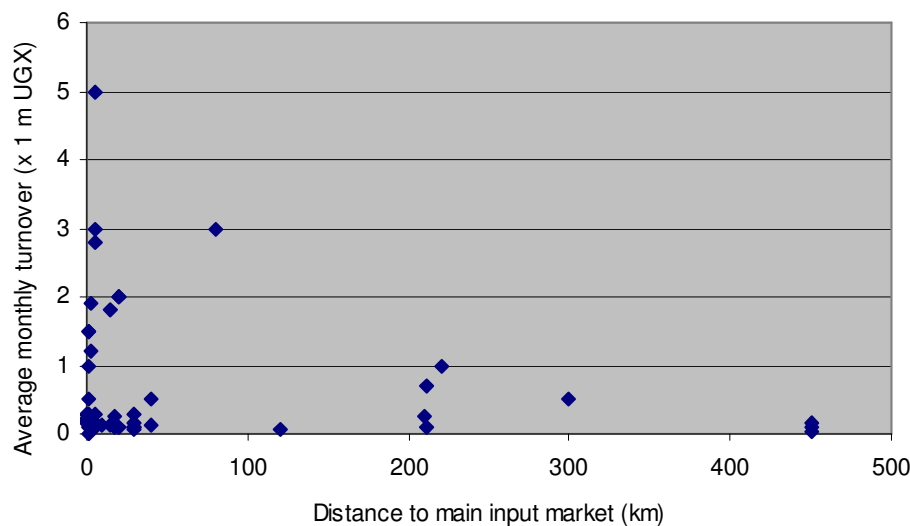
Table 5.7 - Correlation between membership length and turnover

| | | Length membership | Current average monthly turnover |
|----------------------------------|---------------------|-------------------|----------------------------------|
| Length membership | Pearson Correlation | 1.000 | -.082 |
| | Sig. (2-tailed) | | .594 |
| | N | 60 | 45 |
| Current average monthly turnover | Pearson Correlation | -.082 | 1.000 |
| | Sig. (2-tailed) | .594 | |
| | N | 45 | 47 |

The Pearson Correlation's value appears to be -0.082. This points to a weak negative correlation between membership length and turnover. Evidently enterprises who are member for a longer time do not have a higher turnover, rather the opposite.

The turnover level seems to be influenced by the distance from enterprise to main input market, because generally enterprises with a nearby main input market appear to have a bigger monthly turnover than enterprises with a more remote main input market. The scatter diagram in Figure 5.6 shows this.

Figure 5.6 - Scatter diagram showing correlation between distance to input market and turnover



In the diagram one can observe a descending line of points, indicating that a certain negative relationship exists between distance to main input market and turnover. In order to test this presumed relationship statistically, a Pearson Correlation test has been executed. The Pearson Correlation value is -0.194, what assures that a slight negative relationship between distance to main input market and turnover indeed exists.

Likewise the distance to main customers seems to be negatively related with the turnover level of an enterprise, since enterprises with their customers nearby, appear to have a high monthly turnover, and *vice versa*. The Pearson Correlation for the variables distance to main customers and turnover amounts to -0.218. This assures a slight negative relationship between distance to main customers and turnover.

Lastly, an important finding is that enterprises which sometimes or often work together with other enterprises have got a higher turnover on average compared with enterprises which never work together with other enterprises. The main reason for working together has been found to be the sharing of knowledge and/or tools: enterprises exchange information with each other or borrow tools from each other. Another common reason for cooperation is sharing large orders: enterprises join forces by producing a large order from a customer together and sharing the profits.

6 Discussion of the research results

In this chapter the research results, which are presented in the preceding chapter, will be discussed. In the first section the findings will be placed within the theoretical context. Then a comparison with earlier, comparable research will be made. Subsequently the implications of the research will be mentioned, by giving recommendations to the USSIA members and to the business association USSIA. Finally, in the last section, the limitations of the research are discussed.

6.1 Findings within theoretical context

It has been demonstrated in the theoretical context that development of the industrial sector is crucial for broader development of an economy. In Uganda the government has made many attempts to stimulate the industrial sector. It has devoted itself to improvement of public service delivery, improvement of infrastructure and removal of impediments to industrial sector growth. However, these attempts have not produced every desired result. Therefore now attention and hope is directed at the contribution of business associations to industrial sector development.

From the analysis of the outcomes of the questionnaires it appears that, overall, USSIA as an industrial business association has a large positive impact on the development of its members. Every USSIA service is found (very) important and is used at least sometimes by the majority of the respondents. The specific training programme MCP appears to have a clear positive impact on product quality and market access improvement. In most investigated enterprises the product quality and market access have been improved ever since they have joined USSIA. Furthermore, in most enterprises the number of employees has been increased ever since they are USSIA member.

The foregoing supports the assumed importance of business associations for the development of enterprises, mentioned in much development literature (see e.g. Bennett 1998; Bennett 1999; Helmsing 2006; Kingsbury & Hayter 2006). More specifically it supports the assumed importance of business development services. Several researchers have already argued that business development services are very important for stimulation of innovation and self-sustaining growth (Rogerson 2001). Business development services are known as non-financial aid instruments, because they are providing aid to enterprises without giving

money. They have been standing on the private sector development donor programs for a long time, alongside financial aid instruments (Schulpen & Gibbon 2002).

As said, USSIA nowadays provides its members five main types of services: training, information gathering and dissemination, improving market access, building linkages among industrialists and policy advocacy. All these services are non-financial aid instruments and can all be seen as business development services. Many members desire that USSIA will also provide financial services in the future, but USSIA has no intention to do this for the time being.

Helmsing (2006) argues that a business association, next to service provision, can promote different forms of cooperation among enterprises, which improves the collective efficiency and hence contributes to enterprise development. Examples are exchanging knowledge and imitation of good production and management practices. Kingsbury and Hayter (2006) add that enterprises united in business associations are solving collective problems such as a lack of market access. The foregoing has been found to be the case with the USSIA members as well. Many USSIA members are cooperating with each other. They are exchanging information about with other members about possible sources of raw materials and customers. This cooperation has a positive influence on the turnover of the enterprises. Besides they are solving collective problems. They inform each other about possible ways of product quality improvement and about enlarging the market access.

However promising the facts about USSIA mentioned above, the executed statistical analyses put the very positive image of USSIA's influence into perspective. First, it has been found that in general it takes a short period after becoming member before USSIA members experience improvement in product quality and market access. Secondly, no clear direct positive statistical relationships have been found between the extent of use of the USSIA services and improvement. Neither such a relationship has been found between membership length and improvement or growth.

It has to be noted here, however, that the number of respondents is small and hence the chance that statistical tests will give significant results are small as well. Nevertheless, the test results show that the answers of the respondents to the questions about USSIA's influence are more positive than the actual influence of USSIA. This raises the question whether the respondents have been trying to please the researcher, who might have been seen as someone from USSIA, by giving positive answers to the questions concerning the usefulness of USSIA's services.

Besides, it can be questioned to what extent will it be thanks to USSIA that the quality of products/services, targeted market, market access and number of employees of its members have been improved since the members joined USSIA. Will industrial enterprises in Uganda which are not USSIA member not have been improved as well? According to a report from the Uganda Bureau of Statistics (UBOS) manufacturing enterprises with five or more employees have increased with 32% on average between 2001 and 2007 (UBOS 2007). This indicates that the Ugandan industry has been flourishing this decade. This discovery suggests that the improvement of industrial enterprises, also the improvement of the enterprises which have joined USSIA, is rather normal in this decade and is not by definition thanks to business association membership. However, the members of USSIA are all very small enterprises. No member has more than twenty full-time employees and many have even less than five full-time employees. Rogerson (2001) has pointed out that for many small enterprises in Africa it is very hard to survive solely. Conversely, small enterprises united in a business association are more likely to survive.

Basically, business associations like USSIA exist because they yield benefits for involved enterprises which would not be there if the businesses would act separately. An enterprise can not exchange knowledge with other enterprises if it is acting separated from other enterprises, for instance. Business association membership is not yet widespread, but nonetheless rising in Africa (Helmsing 2006). The positive influence of the business association USSIA in Uganda, demonstrated in this thesis' research, can function as an example in support for the establishment of more business associations, the enlargement of existing business associations and the financial support from bilateral and multilateral donors for business associations.

6.2 Comparison with earlier research

In 2007 a similar research into the development of USSIA's members has been performed (see Knippels 2008). That research has taken place in five other districts of Uganda: Jinja, Kabale, Kampala, Mbale and Mbarara (see map in Figure 3.4 for district locations).

Knippels (2008) reports that training – in skills – is perceived as the most important task of USSIA. 47% of the respondents see training as most important task. This fits in with the finding of the current research that training is perceived as (very) important by the majority of the respondents. Knippels' research proves that especially young companies see training as most important task. The explanation given for this finding is that younger companies see acquirement of new skills as more important than older companies which already have acquired the necessary skills and do not desire extra training. Next to training, a substantial

part of the respondents (24%) sees policy advocacy as most important task. The main topic to discuss at government level according to the respondents appears to be access to finance, followed by reduction of taxes.

The research of Knippels further shows that power (energy), cost of loans, inadequate finance and accessing finance are the four biggest problems of the USSIA members in the five districts combined. Besides corruption is mentioned as a problem that needs to be addressed by the government. This corruption is most experienced in the district of Kampala, the capital. In the food processing sector crime is experienced as a much bigger problem compared with other industrial sectors investigated in the research. The cost of inputs is most experienced as problem in the metal fabrication sector. The factor location plays an important part in the sector hand craft. This can be explained by the fact that a hand craft enterprise is focusing mainly on tourists or other people who walk past the enterprise. Therefore location is very important for this branch.

The results of the current research support the finding by Knippels that energy, (access to) finance and corruption are widespread problems for USSIA members. However, the magnitude of the problems is measured in a different way; therefore no exact comparison can be made.

6.3 Research implications

Having read the main findings in the previous chapter, it is not hard to mention a few advices for the USSIA members. First cooperation between enterprises should be encouraged, as it has been found that enterprises which sometimes or often work together with other enterprises have a larger turnover than enterprises which do not. The enterprises who actually are working together already, can possibly improve and extend this cooperation. Current common ways of working together are the sharing of knowledge and/or tools and the sharing of large orders. Alongside these existing ways of cooperation, USSIA members – especially the members who have stated they miss financial assistance – should consider the possibility of cooperating financially. There are many examples of financial cooperation among small enterprises available, like collective funds and saving clubs (see e.g. Rutherford 1999). In some districts of Uganda this 'self-help' form of financing is already practiced among USSIA members, but not yet in the investigated districts.

Further, it has been found that there exists a negative relationship between distance to main input market and customers on the one hand and turnover on the other hand. This implies that using more nearby input markets and customers will have a positive influence on turnover.

Therefore USSIA members – insofar as they have not done this already – are advised to look for opportunities more nearby their enterprise. USSIA's service of improving market access can help them by getting to know more nearby markets.

The business association USSIA can be contented with the fact that most respondents say they find the services of the association important and that they benefit from these services. However, there are always improvements possible, also in this case. It has been found that especially members involved in the Master Craftsman Programme (MCP) benefit from the services of USSIA. This finding supports the continuation of that programme. Further, it has been found that inflation and cost of inputs are serious problems for the members. With regard to inflation, USSIA has to inform the government about the negative impact of inflation on the development of small-scale industries. When it comes to cost of inputs, USSIA can perhaps gather information about cheaper inputs and cheaper ways of production and pass this information to members who need it. Finally, USSIA can stimulate the above recommended (financial) cooperation among the members by strengthening linkages and enhancing trust.

6.4 Research limitations

This research on the role of USSIA in the development of its member enterprises has been limited in certain respects. In the research a questionnaire has been used, and although all members have completed the same questionnaire, the mode of completion has been different per respondent. When asked to complete the questionnaire, many respondents requested to do it later when they would have time, while others were willing to complete the form directly, in the presence of the researcher. This difference may have implications for the answers, because in the latter situation the respondent can possibly ask questions with regard to the questionnaire, and the researcher will then answer the questions and will give extra information. This may alter the respondent's interpretation of the questionnaire.

It can thus be questioned to what extent the answers of individual respondents can be compared with each other. Anyway, it can be doubted to what extent the very different enterprises in the sample can be compared with each other. A metal fabrication enterprise with twenty employees is completely different from a clothes store with just two employees, for example. All this makes the internal validity of the research findings limited.

Besides, the external validity of the research is small. First, USSIA members in just four districts are involved in the research, while USSIA has members in a lot more districts of Uganda. In the second place, within the investigated districts a limited number of members

are asked to participate in the research. In the end just about 5% (63 out of the approx. 1400 members in total) have been interviewed. Therefore the statistical power of the research findings is small, and generalization – pronounce upon the members at large – is valid to a very limited extent. Hence it can be questioned to what extent the research findings apply for the larger group of USSIA members. Besides, the findings only refer to the enterprises which have joined USSIA and not to small-scale industrial enterprises which are not USSIA members.

Because of the above-mentioned research limitations further research is recommended, research that investigates possible differences in development between enterprises which are members of USSIA and enterprises which are not USSIA members. This may reveal whether USSIA actively assists enterprises in their development. Certainly USSIA does assist its members, this is beyond discussion, but the question is whether the USSIA activities contribute to the development of the enterprises and the industrial sector in Uganda as a whole. Besides, apart from interviews with USSIA members, it is important to discuss developments with non-members in comparable situations and compare the outcomes in order to be able to attribute improvements to USSIA's services.

7 Conclusion

In this last chapter the thesis is concluded. First reply to the research questions is made. Then a number of policy recommendations for the Ugandan government are given.

7.1 Reply to research questions

This thesis has been started with as point of departure the following central research question:

How does USSIA contribute to the development of its member enterprises in Uganda?

Further on in the thesis this general question has been divided into three specific sub-questions:

- To what extent are the services of the Uganda Small Scale Industries Association (USSIA) appreciated by the USSIA members?
- How are the services contributing to the solution of problems which hamper the growth of USSIA member enterprises?
- Are the services leading to an increase of the number of employees and the turnover level of the USSIA member enterprises?

In answer to the first sub-question, generally can be stated that the five services of training, information gathering and dissemination, improving market access, building linkages among industrialists and policy advocacy are highly appreciated by the members. All services are perceived as (very) important and are used at least sometimes by the majority of the respondents. Especially the service training is perceived as very important and is very often used, particularly in the industrial sector metal fabrication.

The second sub-question asks for the contribution of the services to problem solution. It has been found that the product quality and market access of most enterprises in the sample have been improved ever since they are member of USSIA. Yet it takes generally a short period after becoming member until an enterprise is experiencing this improvement. Next to low product quality and market access the USSIA members experience a number of other problems, in particular cost of inputs, corruption, competition and inflation. No clear direct

positive statistical relationships have been found between the extent of use of the USSIA services and problem solution, neither between membership length and problem solution.

In answer to the last sub-question, it can be concluded that in most USSIA enterprises the number of employees has been increased since the time they have joined USSIA. No clear positive relationship between membership length and employment growth is found. Neither a positive relationship between membership length and turnover level is discovered. The turnover level appears to be negatively correlated with the distance from enterprise to main input market and main customers. Besides, a certain extent of cooperation with other companies is found to have a positive impact on turnover level.

In conclusion a methodological issue should be taken into account, which is putting the above-mentioned findings into perspective. It is found that a certain discrepancy exists between on the one hand the positive answers of the members to questions about USSIA's influence, and on the other hand the outcomes of the statistical tests which give a less positive image of USSIA's influence. The most obvious explanation for this is that the number of respondents in the research is small and consequently the chance on significant test outcomes is limited. Therefore not many clear positive relationships between USSIA's services on the one side and solution of problems or growth on the other side could have been found. But alongside this explanation there is another explanation. Presumably the respondents want to be positive about USSIA's influence, because they are part of USSIA themselves. They have perceived the researcher – their interviewer – not as an independent researcher but rather as an USSIA employee and hence have given positive answers in order to deliver a good image of USSIA.

7.2 Policy recommendations

At the end of this thesis some recommendations for the Ugandan government remain, in order to make the results of this research practical and effective. Having seen the general positive influence of the business association USSIA in this research, the government is advised to give business associations like USSIA more attention and support. As already told in chapter 3, the government has promised in its *Medium-term competitive strategy for the private sector* (Government of Uganda 2000a) that it will support private sector umbrella organizations in Uganda like USSIA. It is important that the government will redeem this promise, especially when the present financial support from donors will be withdrawn due to the deteriorating international economic recession.

As already said, inflation is found to be a big problem for the USSIA members. Inflation hampers the development of enterprises in general and small-scale industrial enterprises in particular, because it leads to increasing cost of inputs and it discourages demand for products. Therefore the government is urged to counteract inflation by stabilizing prices and improving macro-economic policy. In addition, energy appears to be a widespread problem. The inconstant and thus unreliable supply and high costs of energy increase the costs of doing business and hamper the enterprises' development. Further, the respondents in this research have indicated that corruption has a substantial impact on the growth of their enterprises. The government should take note of all this seriously, if they wish that the small-scale industrial sector will grow and provide more employment to more Ugandans and in this way contribute to the development of Uganda.

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Appendix 1 – Questionnaire member survey USSIA

Member survey USSIA

Introduction

Dear Mister / Madam,

For the Uganda Small Scale Industries Association (USSIA) I am doing a research internship from February to May 2009, in the framework of International Development Studies at Utrecht University of the Netherlands. During the research internship I visit and interview several members of USSIA in different districts of Uganda: Iganga, Kalangala, Kampala, Kasese, Masindi and Mukono. The research is about the influence of USSIA's services and the characteristics of USSIA's members on the growth of USSIA's members. The goal of this research is to get more insight on the factors which influence the growth of USSIA's members, to identify the needs and expectations of USSIA's members and hence to examine how the product quality, market access, turnover and employment of USSIA's members can be improved.

Since your company is one of USSIA's members, this research can be beneficial for your company as well. Anyway, that will be the ultimate purpose of this research: to benefit USSIA's members. Therefore I kindly ask you for your participation. In the following survey I will ask a number of questions about you, your company and USSIA's services. I assure you that this research is strictly confidential and that your answers will only be shown to USSIA and not to any third party. After completion of my research an interim report of the research results as well as my final thesis will be given to USSIA and will be available for all respondents at the USSIA secretariat.

I hope you are able and willing to participate in this research.

Best regards,

Paul Segers

In case you want to get more information concerning the research, please contact the USSIA secretariat or the researcher himself.

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Survey

Survey number:

Date:

Respondent

1. Name:

2. Address:

3. Responsibility within the company

Company

4. Company name:

5. Geographical location:

- Kampala
- Mukono
- Kalangala
- Kasese
- Masindi
- Iganga

6. Industrial sector:

- Hand craft
- Food and beverage processing
- Wood works
- Building materials and construction
- Chemicals and pharmaceuticals
- Metal fabrication
- Electrical and electronics
- Ceramics and pottery
- Textiles and garments
- Mechanical and technical works
- Printing and graphics
- Recycling and catering

7. Type of company:

- Limited
- Sole proprietor
- Partnership
- Cooperative
- Family
- Other, namely

8. Ownership: Male Female

9. Main company products:
10. Year of start-up:
11. Year of joining USSIA:
12. What was the main reason for joining USSIA?
13. Has the quality of the company product(s) / services and targeted market improved ever since your company is member of USSIA? Yes / No. Please explain:
14. Has your company got better market access ever since your company is member of USSIA? Yes / No. Please explain:
15. Number of *full-time* employees (FTEs) at the time joining USSIA:
16. Number of *part-time* employees at the time joining USSIA:
17. Current number of *full-time* employees (FTEs):
18. Current number of *part-time* employees:
19. Current average wage per hour per employee: Ugandan Shillings (UGX)
20. Current average monthly turnover: Ugandan Shillings (UGX)
21. Are there differences in turnover between different seasons? Yes / No. So yes, please explain:
22. Company size at the time joining USSIA:m²
23. Current company sizem²
24. Distance from main road:m
25. Distance from main input market (where you buy inputs / raw materials): km
26. Distance from main customers: km
27. To what extent is there energy in your company building?
- Always
 - Sometimes
 - Never
28. To what extent does your company have access to internet?
- Always
 - Sometimes
 - Never

29. Please indicate to which of the following sources of finance your company has access (more than one answer is possible):

- Own savings
- Family / friends
- Microfinance institutions
- Supplier credit
- Local commercial banks
- Foreign banks
- Other, namely

30. To what extent does your company work together with other companies?

- Never (please skip question 31)
- Sometimes (please answer question 31)
- Often (please answer question 31)

31. Please indicate the main reason for working together:

- Nearby location
- Friendly / family relations
- Sharing knowledge / tools
- Sharing large orders
- Joint market promotions
- Other, namely

32. Please indicate to what extent the following factors have a positive or negative impact on the growth of your company. (-2 = big negative impact, -1 = small negative impact, 0 = no impact, 1 = small positive impact, 2 = big positive impact)

| Factor | - 2 | - 1 | 0 | 1 | 2 |
|--|-----|-----|---|---|---|
| Administration & formal registration | | | | | |
| Competition (local / international) | | | | | |
| Corruption | | | | | |
| Cost of inputs (raw materials) | | | | | |
| Cost of loans | | | | | |
| Crime (street / organized) | | | | | |
| Energy | | | | | |
| Finance (access / adequate) | | | | | |
| Functioning of the judiciary | | | | | |
| Inflation | | | | | |
| Infrastructure (roads) | | | | | |
| Linkages / cooperation with other companies | | | | | |
| Location | | | | | |
| Marketing & branding | | | | | |
| Obtaining a license | | | | | |
| Quality standards & control measures | | | | | |
| Representation (at policy / decision making level) | | | | | |
| Supply of labour | | | | | |
| Taxes | | | | | |
| Technical and business skills (training / advice) | | | | | |
| Other, namely | | | | | |

33. What are the key problems experienced that limit the growth of your company?

.....

Services of USSIA

34. Please indicate how important you find the following services of USSIA for your company. (1 = totally unimportant, 2 = unimportant, 3 = neutral, 4 = important, 5 = very important)

| Service | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Training | | | | | |
| Information gathering and dissemination | | | | | |
| Improving market access | | | | | |
| Building linkages among industrialists | | | | | |
| Policy advocacy | | | | | |

35. To what extent does your company actually use the following services of USSIA? (1 = never, 2 = almost never, 3 = sometimes, 4 = often 5 = very often)

| Service | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Training | | | | | |
| Information gathering and dissemination | | | | | |
| Improving market access | | | | | |
| Building linkages among industrialists | | | | | |
| Policy advocacy | | | | | |

36. How do you benefit from these services?

.....

37. What services need to be improved?

.....

38. What new services need to be introduced by USSIA in the future?

.....

39. Do you have questions and/or comments on this survey or the research in general?

.....

Thank you for your participation!

Appendix 2 – SPSS tables

Correlation between length USSIA membership and perceived impact cost of inputs

| | | Length membership | Cost of inputs |
|-------------------|---------------------|-------------------|----------------|
| Length membership | Pearson Correlation | 1.000 | .069 |
| | Sig. (2-tailed) | | .632 |
| | N | 60 | 50 |
| Cost of inputs | Pearson Correlation | .069 | 1.000 |
| | Sig. (2-tailed) | .632 | |
| | N | 50 | 51 |

Correlation between length USSIA membership and perceived impact corruption

| | | Length membership | Corruption |
|-------------------|---------------------|-------------------|------------|
| Length membership | Pearson Correlation | 1.000 | .033 |
| | Sig. (2-tailed) | | .817 |
| | N | 60 | 51 |
| Corruption | Pearson Correlation | .033 | 1.000 |
| | Sig. (2-tailed) | .817 | |
| | N | 51 | 53 |

Correlation between length USSIA membership and perceived impact competition

| | | Length membership | Competition |
|-------------------|---------------------|-------------------|-------------|
| Length membership | Pearson Correlation | 1.000 | -.222 |
| | Sig. (2-tailed) | | .110 |
| | N | 60 | 53 |
| Competition | Pearson Correlation | -.222 | 1.000 |
| | Sig. (2-tailed) | .110 | |
| | N | 53 | 55 |

Correlation between length USSIA membership and perceived impact inflation

| | | Length membership | Inflation |
|-------------------|---------------------|-------------------|-----------|
| Length membership | Pearson Correlation | 1.000 | .067 |
| | Sig. (2-tailed) | | .642 |
| | N | 60 | 51 |
| Inflation | Pearson Correlation | .067 | 1.000 |
| | Sig. (2-tailed) | .642 | |
| | N | 51 | 53 |