

An Evaluation of Causes of failure of Micro and Small Businesses in Uganda

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Abstract

This study examines the underlying factors behind the high rate of failure for micro and small businesses in Uganda and the effectiveness of the current government interventions in enhancing the survival of these businesses. A survey method was used to gather data from 85 micro and small businesses drawn from six urban centres selected on a regional representation basis namely; Kampala (Central), Mbale (East), Gulu (North), Arua (North West), Mbarara (West) and Kabale (South West). Data was collected with a structured questionnaire and analysed with several descriptive statistics to identify the underlying causes of failure of micro and small businesses in Uganda, and examine the effectiveness of the current government interventions in enhancing the survival of these businesses.

The survey was exploratory, descriptive and qualitative in nature. The results of the study revealed that the most serious causes of failure of micro and small business in Uganda are Inflation, inadequate capital, Poor infrastructure, Cash flow problems, High cost of capital, Stringent legal framework and regulatory system, Inadequate entrepreneurial and Business Management Skills, and Poor location. The study also revealed that the provision of Sector-specific soft Loans by government to micro and small businesses, improving national-wide Infrastructure especially Roads and Electricity, reducing Taxes and Licenses, Entrepreneurial and Business Management Training, regulating Inflation, relaxing lending conditions i.e. conditions of qualifying for Loans and other Credit facilities, and reducing Commercial Bank lending rates are considered to be the most effective strategies in enhancing the survival of micro and small businesses. The study therefore recommends that Government should, as matter of urgency allocate more resources to the implementation of more of these interventions to enhance the survival of micro and small businesses in the country.