Factors Affecting The Performance Of Small And Micro Enterprises In Rukiri Sub-County Ibanda District, Uganda

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Abstract: The importance of Small and Micro Enterprises (SMEs) in contributing to job creation and increased output is widely accepted in both developed and developing countries. Of particular interest is the process of expansion of these enterprises from very micro into small scale size, that they make tangible contribution to economic growth and job creation. However, in Uganda and other less developed countries (LDCs), there is evidence of a shortage of Small-sized growth-oriented SMEs that could make an important contribution to development. This is generally attributed to hidden and largely inadvertent biases in the economic policies of these countries that militate against the gradual and organic growth of their enterprises. This study assessed the factors that affect the performance of Small and Micro Enterprises (SMEs) in Rukiri Sub-county Ibanda District Uganda. The aim of this study was to provide the business owners in the locality with information on starting and managing their Small and Micro Enterprises by creating awareness on the factors that affect performance and sustainable management of SMEs. The factors tested were: Business characteristics, Managerial skills, financial accessibility and physical infrastructures. A descriptive and correlational research design using both descriptive and analytical methods were applied during the study. The study was conducted in Rukiri sub-county parishes of Bwenda, Rukiri, Katembe, and Mpunda. A sample size of 101 SMEs was selected using a purposive stratified random sampling technique. There was a positive correlation between; Physical infrastructure and SMEs performance ($r=0.507$, $p<0.05$ financial accessibility and SMEs performance ($r=0.462$ $p<0.05$) and between managerial skills and performance of SMEs ($r=0.396$ $p<0.05$). The independent variables significantly explained 60.7% of the variations in the dependent variable at 0.05% The study, recommends training for SMEs owners and establishment of free interest loans or grants with minimal conditions of access since most SMEs lack collateral security.

Keywords: Financial accessibility, Managerial skills, Performance, Physical Infrastructure, Small & Micro Enterprises.

1.0 INTRODUCTION

The growth of an economy largely depends on the spread and emergence of the Small and Micro Enterprises (SMEs). Over the decades Small and Micro Enterprises have spread across the world leading to industrialization (Mateev, 2010). Both less developed and developed states invested much in formulating policies and funding for entrepreneurs to realize their economic goals (EU, annual report 2011). More initiatives and new strategies were put in place to create or develop, maintain, and even enhance the business competitiveness in a globalized economy (Mateev and Anastasov, 2010). Small and Micro Enterprises (SMEs) account for over 95% of enterprises and 60 - 70 % of employment, and generate a large share of new jobs in Organization for Economic Co-operation and Development economies (OECD, seasonal report 2009). In the European Union, SMEs account for over 90 % of all enterprises. About, 91 % of these enterprises are small-firms with fewer than five workers. The growth of SMEs was essential for economic recovery and development from the 2008 crisis (EU, annual report 2011). According to Subhan (2013), SMEs are the driving force for the promotion of an economy. He also argued that, Small enterprises are considered as main drivers for innovation, poverty reduction, employment generation, and social integration. The SMEs sector may amplify the production capacity which has significant impact for the promotion of economic and social development. Avendano (2013) mentioned that, SMEs provide the vast majority of employment in developing countries and are keystones in the productive structures of emerging economies. The world-view of SMEs as a sign of industrial backwardness is changing tremendously. Indeed, in many developed and developing nations of the world, SMEs are now appreciated as a necessary complement to the industrial structure of any modern economy (AU, annual report 2011). During the past two decades the perception of SMEs and their roles in economic development has changed substantially. SMEs had some great resilience during the time of economic crisis or at times close up (Avendano, 2013). SMEs usually depend on local resources as a form of capital (family savings). This has enabled the owners acquire minimal skills required to utilize the local materials for production of various goods and services for local markets. Such entities are proven as dependable source of employment especially during the periods of economic crisis to many countries (Avendano, 2013). SMEs which are fairly labor-intensive, create employment opportunities at relatively low capital cost and they have been an important source of income not only to people who could not find employment in other sectors but they have also provided an important cushion to falling incomes of employees in the formal sector and are an important source of off-farm employment in different countries (Audretch and Fritsch, 1994). According to Zheng (2013), recent policy shift towards private sector development has given a new impetus to SMEs Development. Attitudes towards private sector have become positive and in this context the role of SMEs as a seed bed for a larger entrepreneurship has received greater recognition and increasing concern about the need to achieve high growth with shared and amenable to achieving human development. This is due to the fact that, SMEs tend to develop in different regions of the country, hence

contributing to reduction of enterprises in urban areas and promoting balanced economic growth. They are more amenable to spreading to small towns and rural areas but also, they have proved to be efficient and dynamic to countries which have given them opportunities to develop by providing appropriate support (Zheng, 2013). SMEs allow the rural poor including some of the most marginalized and vulnerable groups such as rural women, youth, and the landless to diversify their incomes, create new sources of economic growth and generate additional employment (including self-employment) in rural areas (OECD, seasonal report 2009). The same groups may also be reached through SMEs support to small-scale local entrepreneurs, whose business expansion can create new jobs for the rural poor (OECD, seasonal report 2009). Indeed, SMEs Development is closely associated with more equitable distribution of income and thus SMEs are important in poverty alleviation. SMEs serve as a training ground for emerging entrepreneurs (URT, Policy paper 2002). Small and Micro Enterprises have created a favorable economic ground in Uganda through job creation, improving the standards. of living, boosting the level of household income, closing up service gaps between large companies and customers but their performance in Ibanda has remained worrying. Some do not operate beyond a year after their commencement (Ibanda District financial report 2017). There is thus need to establish factors that affect performance of SME and their management for posterity. The study assessed the factors that affect the performance of small and micro enterprises in Rukiri subcounty Ibanda district. The specific objectives included; to establish the relationship between physical infrastructure and micro and small-scale enterprises, to access the relationship between financial accessibility and small and micro enterprises and to establish the relationship managerial skills and small and micro enterprises.

MATERIALS AND METHODS
Study area
The study was conducted in four of the seven parishes that make up Rukiri Sub County in Ibanda district. This was because there are several Small and Micro Enterprises in that locality that would give a fair representation of the entire sub county. These parishes included, Bwenda, katembe, Rukiri, Mpunda parishes. Ibanda district has a population of 269,625 (UPHS, 2014) largely comprised of persons aged 0-9 years and females dominating the male by ratio of 1.1:1. Its located in the northwestern region of Ankole, and neighbors Mbarara in the south, Kitagwenda in the west, Buhweju in the south west and Kamwenge in the North-west and Kirihura in the East. Its neighbors Kicuzi sub county in the west, Nyabwishikye SC in the south, Ibanda Municipality in East. Rukiri sub-county was originally inhabited by Banyankole who were subsistence farmers and kept a few herds of cattle. The batoro speaking people and bakinga people later migrated into the area in the late 1990's. Rukiri sub-county is a gently sloping with black loam soils. It has two rainy seasons a year which favour agriculture. As several tribes migrated to the areas the original subsistence agricultural practices were slightly abandoned to focus on income generating practices. In early 2000, several Small and Micro Enterprises emerged which included, dairy farms, cooling plants, retail businesses, ginneries, coffee processing plants, maize milling and packing, saloons, restaurants, hotels, gambling sites and brewing plants. With the government

programs such as Operation wealth creation, NAADS, Youth livelihood funds, Women Empowerment funds more businesses were started such as; whole sale shops, welding and metal fabrication, textile shops, commercial farming, savings and credit groups that aimed at boosting the household's economic status.
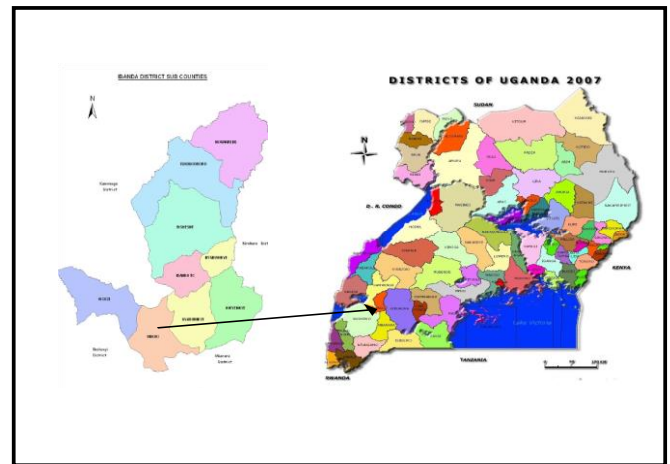

Fig 1. Map showing the Rukiri subcounty embedded in Ibanda district

Research Design.
The research design was descriptive and cross sectional based on questionnaires. Four out of seven parishes of Rukiri subcounty were purposively chosen as study sites due to the high number of Small and Micro Enterprises (UBOS, 2010; UNHPC, 2010). According to the UBOS statistics 2010, and UNHPC (2010) the number of SMEs in the four parishes in active operation were 402. Proportionate stratified random sampling was used to select 101 SMES out of the total of 402 SMES from the four parishes (Table 1). Mugenda (2003) suggest that this technique closes doubt of faith as when it is applied to sample below 1000. Also, it offers every member of the population an equal chance of being included in the sample.

Table 1: Study population

No.	Parish	No. Entities	Sample size
1	Bwenda	120	30
2	Mpunda	84	21
3	Katembe	102	26
4	Rukiri	96	24
Total		**402**	**101**

Data Collection Tools.
Both primary and secondary data were collected from the owners of the Small and Micro Enterprises. Both quantitative and qualitative data were collected using semi-structured questionnaires. The questionnaires sought to collect information on demographic characteristics such as age, level of education, period in running business and others factors, physical infrastructural, financial accessibility and managerial skills as factors affecting the performance of Micro and small enterprises in Rukiri Subcounty.

Data Analysis
The collected questionnaires were edited to remove inconsistencies and responses coded, and scores from the questionnaires summarized. Data was then organized

according the research questions and presented using tables and figures. The relationship between factors affecting the performance of Micro and small enterprises was established using Pearson rank correlation, Five point Likert scale was used to analyse the results from the factors affecting the performance of SME in Rukiri Subcounty such as the physical infrastructure, financial accessibility, managerial skills, interest rates, tax incentives and ease on registration of business. The Likert scale had abbreviation that included SD representing Strongly Disagree, D for Disagree, N for Note Sure, SA for Strongly Agree, A for Agree and s.d for Standard deviation.

RESULTS AND DISCUSSION

Response Rate.

Out of the 101 participants, 62 participants filled and returned the questionnaires hence giving 61.4% (Table 2). The response rate is fair and justifies a significant response rate for statistical analysis, which is established to be at minimal value of 50% (Mugenda and Mugenda 2003) The study had its participants as follows, Bwenda parish had 21 participants representing 21%, Mpunda, 14 participants representing 14%, Katembe 10 Participants with 10% and Rukiri had 17 Participants with 17%.

Gender

The study on gender distribution revealed that majority of the participants were male 61%. This implied that males were more into creating and doing business compared to females.

Age

The study looked at the age of the participants in the businesses. A majority of the participants were aged between 18 – 30 years thus implied that the youth were creating self-employment in way of starting MSEs in their localities.
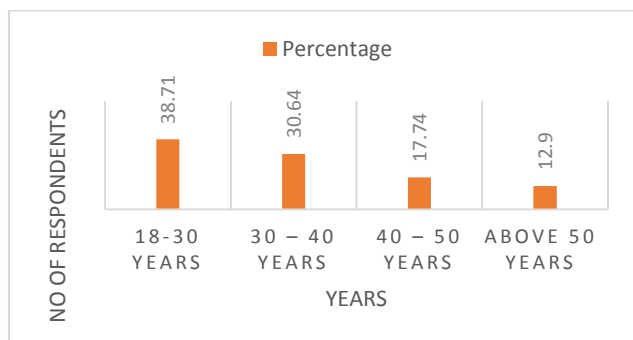

Figure 2: The Age distribution of the Participants

Marital status

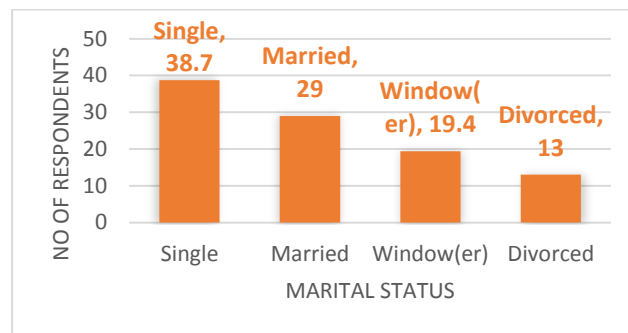The study revealed that single people mostly owned businesses (Figure.2) at 38.7%.

Figure 2: The Marital Status of the Participants

Educational level

The findings revealed that 29% of the participants had attained university level while 13% had achieved other levels of education. Implied that most MSEs owners hold University levels as the highest level of education.
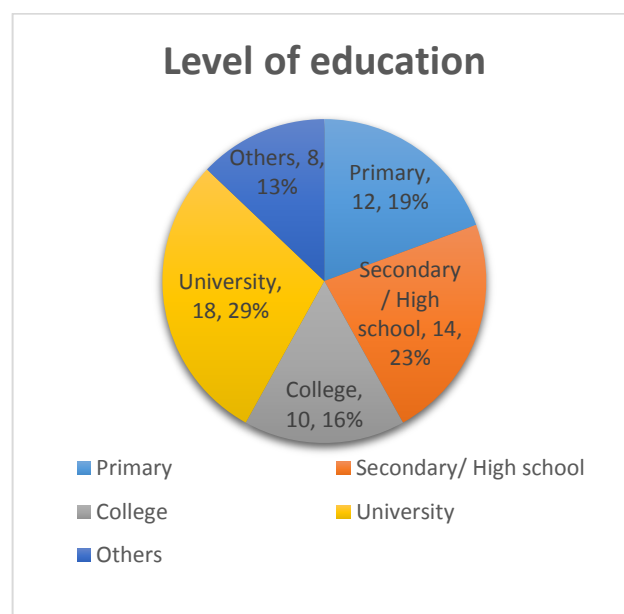

Figure 3: The Educational levels of the participants

Number of Employees and years spent in business.

This study also looked at the number of employees the businesses employ (Table 3)

Table 2: The number of employees and years spent in business.

Characteristics			
Number of Employees	status	Frequency	Percentage
	1 – 4 Employees	49	79.1
	5 – 20 Employees	11	17.7
	21 -50 Employees	2	3.2
	Above 51 Employees	0	0
Number of years in Business	Less than 1 year	28	45.2
	1year to 2 years	18	29
	2 years to 5 years	10	16.2
	5 years Above	6	9.6

The study revealed that majority of the businesses employ between 1 – 4 employees. More still the 45% were in business for less than 1(one) year. This therefore implied that the most of the business startup and close up in the first year of commencement.

Business Registration

A majority of the businesses (96.8%) are not legally registered with Uganda Registration services Bureau (URSB). However, all the businesses are licensed by the local authorities of the sub-counties to operate.

Relationship between Physical infrastructure on Performance of SMEs

Table 4 Physical Infrastructure

PHYSICAL INFRASTRACTURE	SD	D	N	SA	A	mean	sd
The government supports the business in running the operation	9 (14.5%)	12 (19.44%)	4 (6.45%)	30 (48%)	7 (11.3%)	7.70	10
The business can easily move its goods to market place for sale	3	8	1	38	12	19.44	14
There is close connection between the government bodies & business in terms of monitoring	5	25	20	7	5	7.85	2.7
Customers can easily access the business	0	0	4	48	10	4.60	19
Overall mean 9.9 Overall Standard Deviation 6.54							

Source: Primary data

Table 4 shows that when the participants were asked whether the government supports the business in running the operation affect SMEs (19.35%) Disagreed while (11.29%) agreed.

The mean of 9.9 implies that participants agreed that Physical Infrastructure affect SMEs and a standard deviation of 6.54 implies that participants were of the view that while some Physical Infrastructure affect SMEs, others did not.

Correlation Analysis on the Physical Infrastructure and Performance of SMEs

There was relationship between physical infrastructure and performance of SMEs was established using Pearson's correlations analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed to establish the amount of correlation, direction and significance. This indicated is a positive relationship r=0.562, p <0.05)

Table 5: Correlation Analysis on SMEs Performance

		Physical Infrastructure	SMEs Performance
	Pearson Correlation	1.000	0.562**
Physical Infrastructure	Sig. (2 tailed)	--	0.001
	N	62	62
	Pearson Correlation	0.562**	
SMEs Performance	Sig. (2 tailed)		1.000
	N	62	62

There was a strong positive correlation between physical infrastructure and performance of SMEs (r=0.562, p <0.05). This implies that an increase in a unit of Physical infrastructure shall relatively increase the performance of the SMEs.

Table 6 ANOVA analysis on the Physical infrastructure

Variables	Un standardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	T
Constant	1.922	0.82		1.602
Physical infrastructure	0.453	0.232	0.711**	0.793**
SMEs Performance		0.562		0.654

From the above ANOVA (analysis of variance) table (6) Physical infrastructure on the performance of the SMEs in Rukiri subcounty was 1.922. The ANOVA B (beta) means that there is an expected increase of 0.711 in SMEs Performance due to Physical infrastructure while interest rate and tax incentives are constant. This confirms that there is a positive relationship between performance of SMEs and the physical infrastructure.

The relationship between financial accessibility and Performance of MSEs

Table 7: Financial Accessibility

FINANCIAL ACCESSIBILITY	SD	D	N	SA	A	mean	S.I
The business can easily acquire funds from the bank	17 (27%)	34 (55%)	6 (9.6%)	1 (1.6%)	4 (6.4%)	18.66	24.
The business has access to government grants (Entrepreneurship grants)	20	31	1	2	8	21.17	11.
The business has accumulated enough assets to acquire external funds	34	16	12	0	0	2.17	1.2
The bank rates are favorable to business in terms of profit making	32	17	10	1	2	20.96	25.
Overall mean 15.74 Overall Standard Deviation 9.12							

Source: Primary data,

The above analysis, 60% of the participants Disagreed that there was financial accessibility to the business owners whereas 8.86% Agreed. The mean of 15.74 implies that Financial accessibility affect SMEs and a standard deviation of 9.12 implies that participants were of the view that while some Financial accessibility affect SMEs, others did not.

Correlation analysis of Financial accessibility on the Performance of SMEs

There was a significant strong positive relationship between the performance of SMEs and access of finance (r =0.462, P<,0.05). However, the positive relationships were relatively low compared with a threshold of 0.5. This implies that an increase in Financial accessibility shall significantly cause a boost in the performance of the SMEs.

Table 8: Correlation Analysis on SMEs Performance

		Access to Finance	SMEs Performance
Financial accessibility	Pearson Correlation	1.000	0.462**
	Sig. (2 tailed)	--	0.0001
	N	62	62
SMEs Performance	Pearson Correlation	0.462**	
	Sig. (2 tailed)		1.000
	N	62	62

Table 9: ANOVA Analysis on the SMEs performance

Variables	Un standardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	T
Constant	1.922	0.612*		1.472
Financial accessibility	0.462	0.139	0.591	0.612*
SMEs Performance		0.462		0.591

From the above ANOVA (Analysis of variance) table (4.7), Financial accessibility on the performance of the SMES in Rukiri subcounty was 1.922. The ANOVA B (beta) means that there is an expected increase of 0.612 in SMEs Performance due to Financial accessibility while keeping tax incentives, interest rates constant further confirming a positive relationship between performance of SMEs and the Financial accessibility.

The Relationship between Managerial skills on the performance of SMEs

Table 10: Managerial skills

MANAGERIAL SKILLS	SD	D	N	SA	A	Mean	sd.
The Owner has the required skills to manage the business	5 (8%)	19 (30%)	20 (32%)	8 (13%)	10 (16%)	6.54	1.50
I have the skills to easily solve the business problems and make a proper decision	8	18	28	2	6	10.95	11.2
I have the desired customer care to handle my clients	10	12	30	7	3	8.59	6.60
I can easily motivate the employees to work hard.	5	15	38	2	2	16.03	14.5
Overall mean 10.53 Overall Standard Deviation 4.09							

Source: Primary data

The above analysis indicated that 40% of the participants Disagree with business owners having the required managerial skills to run their business whereas 13% of the participants agreed. The mean of 10.53 implies that participants agreed that owners had required skills to manage SMEs and a standard deviation of 4.09 implies that participants were of the view that while some managerial skills affect SMEs, others did not.

Correlation analysis of Managerial skills on the performance of SMEs

There is a positive relationship between performance of SMEs and managerial skills, r=0.396,p<0.05) However, the positive relationships were very low as they lied below a threshold of 0.5 which might be due to the ordinal nature of the data collected since the magnitude of the respective factors could not be established

Table11: Correlation Analysis on SMEs Performance

		Managerial Skills	SMEs Performance
Managerial skills	Pearson Correlation	1.000	0.396
	Sig. (2 tailed)	--	0.001
	N	62	62
SMEs Performance	Pearson Correlation	0.396	
	Sig. (2 tailed)		1.000
	N	62	62

Table 12: ANOVA analysis on the SMEs performance

Variables	Un standardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	T
Constant	1.922	0.72		1.486
Managerial skills	0.396	0.186	0.721	0.521
SMEs Performance		0.396		0.604

From the above ANOVA (Analysis of variables) table (12), managerial skills on the performance of the SMES in Rukiri subcounty would be a constant of 1.922. The ANOVA B (beta) means that there is an expected increase of 0.486 in SMEs Performance due to managerial skills while keeping moderating factors constant. This confirms that there is a positive relationship between performance of SMEs and the Managerial skills.

Table 13 Intervening / Moderating factors

MODERATING VARIABLES	SD	D	N	SA	A	mean	S.D.
Ease of Registration/ License	12 (19.3%)	43 (69.3%)	5 (8.1%)	1 (1.6%)	1 (1.6%)	28.60	30.53
Tax incentives	45 (72.5%)	10 (16.1%)	5 (8.1%)	1 (1.6%)	1 (1.6%)	28.80	30.52
Interest rates	44 (70.9%)	8 (12.9%)	6 (9.6%)	2 (3.2%)	2 (3.2%)	16.30	14.50
Overall mean 24.57 Overall Standard Deviation 7.16							

Source: Primary data

Registration License

Table 4.10 shows that when the participants were asked whether it was easy to register their businesses, 69.3% while 1.6% agreed. The study established that majority of the entrepreneurs had not registered their businesses. The entrepreneurs acknowledged that regulations challenges such as Registration fees, the bureaucracy and required documents influenced their registration process. These propelled most the business owners to forego the registration but in-turn they have missed some benefits such as acquisition of loans from financial institutions.

Interest rates

The participants were asked whether the tax incentives affected the performance of business, and responses were; 16.1% disagreed while 1.6% agreed. The study established that interest rates had a high impact on the performance of these entities especially on the profit margin. The entrepreneurs acknowledged that the interest rates reduced the profit margin because of high loan interest rates. The high interests had drained small profit margins to the extent of affecting the business capital. The business owners revealed that money lenders often hide on loan repayment dates so as to swindle the collateral associated with the loan as well as leading to accumulated loan penalties.

Tax Incentives

The participants were asked whether tax incentives affected the performance of SMEs, 12.9%) Disagreed, 3.2% agreed. The study established that tax incentives had no impact on the performance and development of these entities since most of them were not legally registered. The Tax incentives termed under tax holiday; tax exemptions were not a benefit. Basing on the nature of their entities, the business owners noted that they were not exempted from the business taxes such as hotel tax, market tax, and transport tax among others. They attributed that the gradual increase also dwindled their Profit margins. Lastly, the mean of 24.57 implies that participants agreed that Registration license, interest rates and tax incentives had no effect on SMEs performance and a standard deviation of 7.16 implies that participants were of the view that while some moderating factors affected SMEs, others did not.

DISCUSSION

Managerial skills and performance of SMEs

The study established that there was a positive/ negative relationship between managerial skills and performance of the SMEs. The majority of the participants had achieved university level as their highest level of education but had no business managerial skills. These findings match those of Anderson (2007) who argued that many SMEs owners though with high qualifications lack business managerial skills. The business owners develop their own approaches of management, through a process of trial and error. King and McGrath (2002) adds to this by arguing that though the majority of operators of SMEs are highly educated, their educational background lacks business managerial concepts to effectively carry out routine operations for their enterprises. This could explain the reason why most of the businesses run by highly qualified people still collapse in the first year of commencement. More still, the high proportion of graduate business owner's is attributed to the rampant unemployment challenge the country currently faces Ministry of finance planning and Economic Development (MOFPED, report 2016). According to Bank of Uganda Statistical reports (2016 & 2017), creation of private businesses by graduates' results into employment creation. However, several government interventions on ensuring the longevity, stabilization and creation of a competitive ground for SMEs has not yielded positive results. According Abdel, Rowena and Robyn (2010) performing and competing entities require necessary financial and managerial skills to in order to have competitive edge. But lack of these skills leads to business closures. The youth (18 – 30 years) dominated ownership of SMEs in line with Len (2014), who

argues that youth owned businesses are bound to fail due to lack of clear direction and goals. He adds that the youth do not dedicate enough time to learn their businesses and always close them down as they search for white collar jobs. This was on the occasion that the age mates, friends and other colleagues shared experience on how it has been lively and effective starting business. These findings are consistent with those of Nanda, and Sorensen (2008) who established that most SMEs owners were influenced by their peers on the type of businesses to start which greatly affected the performance of their businesses as they all ended up opening similar business resulting into high levels of competition.

Physical infrastructure and performance of SMEs

The physical infrastructure greatly improved the business enterprise. These results are in line with findings of Hirschman (2009) who argued that infrastructures are those services without which primary, secondary and tertiary production activities cannot function and that these infrastructures can be extended to include education, public health to transportation, communication, power and water supply. Kessides (1993) posits that: infrastructure contributes to economic growth both through supply and demand channels by reducing cost of production, contributing to the application of modern technology and raising the economic returns of labour (by reducing workers" time in non-productive activities or improving health). Infrastructure contributes to rising quality of life by creating amenities, providing consumption goods (transport and communication services) and contributing to macroeconomic stability but does not create economic potential; only develops it where appropriate conditions (i.e. other inputs such as labor and private capital) exist.

Financial accessibility and performance of SMEs

Financial accessibility greatly affected the performance of the SMEs. The findings were agreement with (Cooley & Quadrini, 2001), and (Cabral & Mata, 2003), who showed that growth of new SMEs was hindered by the lack of finance and shortages of resources which are diverse in nature. The findings were also in agreement with (Baas & Schrooten, 2006), who showed that small firms do not have the adequate information necessary for obtaining loans from financial institutions. In this case most of the SMEs do not keep financial records. Lack of financial information disables Micro Entities from acquiring the loans from the financial institutions since they are viewed as being high-risk entities. Reid, (2003), found that for companies to achieve their performance goals, finance is essential, and lack of finance can hinder growth. Drever, (2006) argued that lack of finance affects the performance of SME as many do not enjoy the privileges availed to bigger organizations in terms of financial accessibility (Watson, 2006). The study also agrees with (Wanjohi & Mugure, 2008), that SMEs which are able to secure start-up finances find the cost of capital too expensive. Financial constraints remain a major challenge facing SMEs in Uganda hence affecting the development and growth rate of the entrepreneurship. The main difficulties that limit SMEs from accessing finance include lack of tangible collateral coupled with difficult legal and regulatory frameworks, absence of financial records and poor repayment records by business owners.

Conclusion

Physical infrastructure improved the performance of SMEs. Means of transport make customers access businesses without hardships. Most businesses are located alongside the roads, and easily accessible to customers. University qualification was not enough to enable businesses to prosper or perform to their expectations. Most of the graduates lacked the expertise; long term goals and objectives to expand their entities hence were bound to collapse. So, they required basic training in business management and sensitization to dwell much on their entities so as to enable them perform. Inability to access finance negatively affected the performance of SMEs. This was attributed to the lack of collateral, poor accounting records, illegal un registered businesses and high interest rates. Business owners were outcompeted by larger companies with enormous capital base. Interest rates negatively affected the performance of SMEs leading to their closure. Loan interests gradually encroached on the capital and at times resulted into lenders grabbing assets that were used as security. Hence business owners lost their businesses and had to work outside loan facilities. Tax incentives had no impact on the performance and development of SMEs. The tax incentives such tax holidays, tax exemptions were not applicable to the size of the entities. Since most of the businesses were micro entities that were paying local taxes that increased exponentially every year. SME owners shared business information with their friends and family. These business owners were influenced by their friends and family members to start business. However, the extent to which information about their businesses was shared was limited as some information was considered confidential and business secrets. The registration and licensing processes did not affect business performance.

Recommendations

The study found out that physical infrastructure, basically roads, power and water affected the performance of SMEs. It therefore recommends that government continues to establish a far-reaching road and electricity network and water systems to enable the business operate easily without challenges The study found out that managerial skills affected the performance of SMEs and most of whom did not have the required skills, to ably motivate, solve complex business problems, and offer the desired customer care. Its therefore recommended that training policies be introduced to the SMEs owners. As the government looks at SMES as the media of closing up unemployment. The study also revealed that accessing finance to the business was a major challenge affecting the performance of SMEs. It therefore recommends that government should establish free interest loans or grants with minimal conditions of access since most SMEs lack collateral.

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