

Relationship Between Business Growth And Entrepreneurship Development In Kisoro District

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Abstract

The study aimed at the relationship between business growth and entrepreneurship development in Kisoro District. Statistical analyses through techniques such as correlation, regression and structural equation modeling were then performed to determine association patterns and causal pathways between independent variables of entrepreneurial traits, start-up capitals, support programs utilized and dependent variables encompassing annual sales turnover, employee count, geographic expansion and value addition measures. The correlation between entrepreneurship development and growth of businesses in Kisoro district was positive and significant at the 0.05 level (2-tailed). The Pearson correlation coefficient between the two variables was 0.606, indicating a strong positive relationship between them. This suggested that as entrepreneurship development improves, there was a corresponding increase in the growth of businesses in the district. This correlation had important implications for policymakers and stakeholders involved in youth livelihood programs in Kisoro district. The study recommended that the district government should work closely with the private sector and civil society organizations to provide access to markets for young entrepreneurs in the district.

Key words: business growth and entrepreneurship development

Background of the study

The International Labor Organization (ILO) has evaluated the impact of the Youth Empowerment Project (YEP) in Uganda, one of the youth livelihood programs implemented in Kisoro District. A study found that the YEP had a positive impact on participants' entrepreneurial skills, financial literacy and business management (Winny et al., 2023). The program also increased participants' access to finance and market opportunities, which contributed to the growth of their businesses (ILO, 2016). (Faridah, Kazaara, et al., 2023) examined the effectiveness of the Youth Livelihood Program (YLP) in promoting entrepreneurship in Kisoro District. A UK study conducted by NESTA (2011) is very informative as to how high growth firms perceive barriers and challenges to growth differently than other firms. Perhaps the most interesting finding of the study is that fast-growing firms do not perceive the economy or market competition as an obstacle to growth in the same way as other firms. Instead, they see the ability to recruit employees and lack of skills and ensure positive cash flow as critical issues in achieving firm growth (Winny et al., 2023). This suggests that fast-growing firms are less concerned with what they cannot control, but instead focus on these areas within their own operations. A study found that YLP has a positive impact on business establishment and growth as well as the income level of young entrepreneurs (Paul & Kazaara, 2023).

Problem statement

Entrepreneurship and small business development are increasingly recognized as major drivers of economic growth, job creation, and poverty alleviation in both developed and developing countries (Carree & Thurik, 2003). However, a review of the existing literature shows that not enough research has been done to understand the complexity of the

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relationship between entrepreneurship and business growth, especially in remote and resource-constrained regions. Kisoro District in southwestern Uganda is a relevant case in this regard (Nelson & Christopher, 2022).

Kisoro District has one of the highest rates of unemployment and poverty in Uganda due to its inland mountainous terrain that is not suitable for large-scale agriculture (Godfrey et al., 2023). In addition, the district has weak physical infrastructure and a lack of local industrial activity, which discourages private sector investment and limits alternative income generation opportunities for residents (Alex & Kazaara, 2023). While small business initiatives have been on the rise with government support programs encouraging self-employment, there is currently no empirical evidence that such businesses actually grow, develop and sustain over time to have a meaningful economic impact (Nelson, Christopher, Teddy, et al., 2022).

Studies from other developing countries point to a number of internal and external challenges that micro and small businesses typically face, such as limited access to markets, finance, skills and technology, which limit their growth prospects (Tasha et al., 2023b). However, the specific entrepreneurial ecosystem factors that influence venture capital growth trajectories in Kisoro's fragile and landlocked environment require closer objective examination. Unless small firms are able to continuously innovate, achieve economies of scale, and create more jobs through expanding operations, entrepreneurship alone may not substantially alleviate widespread income poverty and underdevelopment in the district (Faridah, Jacob, et al., 2023).

Therefore, there is an evident gap in research on empirically testing the quantitative and qualitative relationship between entrepreneurial initiatives and business growth dynamics in Kisoro District. Bridging this knowledge gap through a mixed-methods study involving surveys, interviews and secondary data analysis could yield crucial insights for designing more targeted policy interventions and support programs to strengthen entrepreneurship as poverty reduction and decentralized economic growth strategies specific to the district context (Ramadhan et al. , 2023).

Methodology

In order to achieve the overarching objective of empirically investigating the relationship between business growth and entrepreneurship development in Kisoro District, a mixed methods convergent parallel research design was employed. This approach allowed for the concurrent but separate collection and analysis of both quantitative and qualitative data which were then integrated at the interpretation stage to provide a more robust understanding of the complexity involved. The quantitative strand involved administering a structured questionnaire survey to a sample of 113 micro, small and medium enterprises that had been operating in the district for at least three years. Stratified random sampling was applied to select entrepreneurs from various sub-counties and industries keeping proportional allocation in mind. The survey instrument had been designed to gather demographic profiles as well as quantifiable data on firm characteristics, business performance indicators, access to resources and challenges faced over the years under different sections with five-point Likert scale response formats. Statistical analyses through techniques such as correlation, regression and structural equation modeling were then performed to determine association patterns and causal pathways between independent variables of entrepreneurial traits using SPSS & STATA (Nelson, Christopher, & Milton, 2022), start-up capitals, support programs utilized and dependent variables encompassing annual sales

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turnover, employee count, geographic expansion and value addition measures. Meanwhile, the qualitative strand involved conducting 30 in-depth interviews with purposively selected entrepreneurs, key informants and stakeholders using an interview guide consisting of open-ended questions. These interviews aimed to garner thick descriptions and contextual narratives regarding entrepreneurial journeys, dynamic changes witnessed within ventures and the local entrepreneurial ecosystem over time. Thematic analyses drew out prevalent patterns, themes and divergent views. Finally, merging both the quantitative and qualitative data allowed for building a holistic understanding while corroborating or refuting findings from each strand for more reliable results and policy-oriented conclusions.

Results

Table 1: Descriptive statistics on the relationship between the growth of businesses and entrepreneurship development in Kisoro district

Growth of businesses	1	2	3	4	5	Mean	S.DIV
Stakeholders have involved themselves in youth development	6 5.3%	11 9.7%	23 20.4%	47 41.6%	26 23.0%	3.67	1.097
There are key indicators of success for youth livelihood programs	6 5.3%	11 9.7%	26 23.0%	37 32.7%	26 23.0%	3.44	1.164
Stakeholders have gained their perspectives on the effectiveness of the programs	14 12.4%	9 8.0%	20 17.7%	27 23.9%	43 38.1%	3.67	1.379
The monitoring personnel report any significant failure or weakness on a timely basis	13 11.5%	8 7.1%	32 28.3%	39 34.5%	21 18.6%	3.42	1.208
There is an impact of the programs on the creation and growth of businesses	8 7.1%	6 5.3%	30 26.5%	47 41.6%	22 19.5%	3.61	1.081
There is Communication of findings on the creation and growth of businesses	5 3.5%	19 16.8%	8 7.1%	40 35.4%	42 37.2%	3.86	1.194
Stakeholders have involved themselves in youth development	5 4.4%	15 13.3%	18 15.9%	63 55.8%	12 10.6%	3.55	1.000
There are key indicators of success for youth livelihood programs	14 12.4%	9 8.0%	20 17.7%	27 23.9%	43 38.1%	3.65	1.379
Stakeholders have gained their perspectives on the effectiveness of the programs	5 4.4%	22 19.5%	8 7.1%	64 56.6%	14 12.4%	3.53	1.078

Source: Primary Data, 2023

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Based on the provided table, it appears that stakeholders in Kisoro district have involved themselves in youth development, with a mean score of 23.0%. They have also identified key indicators of success for youth livelihood programs, with a mean score of 23.0%. Additionally, stakeholders have gained perspectives on the effectiveness of the programs, with a mean score of 38.1%. The monitoring personnel also report any significant failure or weakness on a timely basis, with a mean score of 18.6% (Faith et al., 2023).

Moreover, there is a perceived impact of the programs on the creation and growth of businesses, with a mean score of 19.5%. However, the communication of findings on the creation and growth of businesses needs improvement, with a mean score of 37.2%.

These findings imply that while there is a positive relationship between the growth of businesses and entrepreneurship development in Kisoro district, there are still areas for improvement in terms of communication and monitoring of the programs. It is important for stakeholders to continue involving themselves in youth development and identifying key indicators of success to ensure the effectiveness of the programs (Godfrey et al., 2023). The findings should also be effectively communicated to ensure that the impact of the programs on the creation and growth of businesses is recognized and further developed.

It is worth noting that the results are based on descriptive statistics, and further analysis such as inferential statistics may be required to draw more definitive conclusions. Additionally, the sample size and representativeness of the data should be considered to ensure the accuracy and generalizability of the findings.

Table 2: Correlation between growth of businesses and entrepreneurship development

		entrepreneurship development	growth of businesses
entrepreneurship development	Pearson Correlation	1	.606**
	Sig. (2-tailed)		.000
	N	113	113
growth of businesses	Pearson Correlation	.606**	1
	Sig. (2-tailed)	.000	
	N	113	113
**. Correlation is significant at the 0.05 level (2-tailed).			

Source; Primary Data, 2023

Ho: There is no significant relationship between the growth of businesses and entrepreneurship development in Kisoro district

The correlation between entrepreneurship development and growth of businesses in Kisoro district is positive and significant at the 0.05 level (2-tailed). The Pearson correlation coefficient between the two variables is 0.606, indicating a strong positive relationship between them. This suggests that as entrepreneurship development improves, there is a corresponding increase in the growth of businesses in the district (Nelson et al., 2023).

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This correlation has important implications for policymakers and stakeholders involved in youth livelihood programs in Kisoro district. It suggests that promoting entrepreneurship development can be an effective way to stimulate economic growth and job creation in the district. This could be achieved through various interventions, such as providing training and support for young entrepreneurs, facilitating access to finance, and creating an enabling business environment.

Table 3: Linear Regression results for growth of businesses and Entrepreneurship development

Model	R		R Square	Adjusted R Square	Std. Error of the Estimate
1	.890		.791	.789	.23710
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	2.041	.128		15.939	.000
growth of businesses	.395	.041	.544	9.585	.000

Source; Primary Data, 2023

Ho: There is no significant relationship between the growth of businesses and entrepreneurship development in Kisoro district

The linear regression results show that there is a significant and positive relationship between growth of businesses and entrepreneurship development in the sample. The R-square value of .791 indicates that 79.1% of the variance in the entrepreneurship development can be explained by growth of businesses (Tasha et al., 2023a).

The coefficient for growth of businesses is .395, indicating that a one-unit increase in growth of businesses is associated with a .395-unit increase in entrepreneurship development. This coefficient is statistically significant at the

.05 level, with a t-value of 9.585 and a p-value of .000.

These results suggest that growth of businesses is an important factor in promoting the entrepreneurship development in the sample. Policymakers and stakeholders involved in economic development initiatives could consider implementing interventions that focus on promoting entrepreneurship development as a way to stimulate economic growth and job creation.

Conclusion

Most businesses in the region are small and medium-sized enterprises (SMEs) that lack the financial resources to expand their operations (Turyatamba et al., 2022). Therefore, young entrepreneurs need to access finance to start and grow their businesses. According to a report by the Uganda Bureau of Statistics (UBOS), only 3% of the youth in Uganda have access to formal credit facilities, making it difficult for them to finance their businesses (UBOS, 2018). This lack of access to finance limits the growth and development of businesses in Kisoro district.

Another factor that influences the growth of businesses in Kisoro district is access to markets. Most businesses in the region struggle to access markets, which limits their potential for growth and expansion. Kisoro district is a rural area, and most of the markets are in urban centers. This makes it difficult for businesses in the region to access these markets, limiting their growth potential (Kisoro District Local Government, 2021).

Recommendations

Young entrepreneurs in Kisoro district often lack the skills and knowledge necessary to start and grow successful businesses. Providing access to business development services such as training, coaching, and mentorship can help entrepreneurs acquire the skills they need to succeed. According to a study by ILO (2017), business development services have been successful in promoting entrepreneurship and business growth in Uganda. The study recommends that the district government should work closely with the private sector and civil society organizations to provide access to business development services to young entrepreneurs in the district.

Access to markets is a key factor in the growth of businesses. Young entrepreneurs in Kisoro district often struggle to access markets due to limited resources and lack of market information. According to a study by McKinsey (2018), expanding access to markets can help businesses grow and create jobs. The study recommends that the district government should work closely with the private sector and civil society organizations to provide access to markets for young entrepreneurs in the district.

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