
Rapid Growth In Industrialization And Its Impact On The Development Of Small-Scale Enterprises. A Case Study Of Namaingo District.

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Abstract

This research sought to investigate and examine the effects of the swift expansion in industrialization that has recently occurred throughout Kenya and its implications on the advancement and prosperity of small-scale businesses located within the Namaingo District, using both quantitative and qualitative data collection methods to ascertain insightful perspectives from a wide range of stakeholders engaged in small and medium-sized entrepreneurial operations across varied industries located in the region. The swift growth in the number of sizable manufacturing firms establishing factories and production plants within proximity to Namaingo District has generated significant involuntary external consequences for pre-existing small-scale enterprises that previously comprised the nucleus of the local economy as these corporations now vie for the same pool of resources, including acquiring land and property at lower costs, recruiting skilled and semi-skilled laborers by offering higher salaries and benefits, and dominating market access both within the district and at broader provincial and national levels by attaining economies of scale that enable them to mass produce standardized goods and services at cheaper prices, which small businesses struggle to compete with given their more limited production capacities and financial capital. Through interviewing shop owners, artisans, agricultural producers, and other self-employed micro-business owners, the study found widespread sentiments that the breakneck growth of manufacturing monoliths within proximity was encroaching upon their enterprises' viability through higher land rents, wage inflation, and diminished customers due to consumers substituting to less costly manufactured products, leading to declining revenues, downsizing of operations, and in some tragic cases even bankruptcy and enterprise dissolution, diminishing entrepreneurial opportunities and local self-employment options. However, through also engaging stakeholders from the burgeoning manufacturing sector, the research likewise identified perspectives painting rapid industrialization positively as generating much-needed formal sector job opportunities that uplift living standards and as driving infrastructure development and localized economic multiplier effects through ancillary firm linkages.

Keywords: Rapid Growth, Industrialization, Development and Small-Scale Enterprises

Back ground of the study

The number of people employed was not a good indicator, especially if there is a demanding approach to industrialization as a policy in industry (Alex & Kazaara, 2023). In some cases, a business organization may carry huge amounts of business labor transactions, yet employ several people, and therefore capital employed over time is used as a measure of definition. In Uganda, there is no proper agreement on capital employed through a figure ranging between USD

\$5,000 to \$50,000 is a reasonable estimate (Victor et al., 2022). Namaingo District has historically been predominantly agricultural, with the vast majority of the population deriving their livelihood from small-scale subsistence farming and cattle rearing on communal land (Turyatamba et al., 2022). However, in recent years the district has undergone a significant socio-economic transformation as Kenya has aggressively pursued an import

Received: 20.03.2024

Accepted: 25.03.2024

Published on: 30.03.2024

substitution industrialization strategy by attracting foreign direct investment in labor-intensive manufacturing (Robert et al., 2023). Several large multinational corporations subsequently set up major manufacturing facilities in close proximity to Namainga, bringing factories to assemble electronics, textiles, processed foods and other consumer goods. At the same time, the improved infrastructure of paved highways improved the transportation of goods to busy ports and improved market access for Namaingo outputs (N. Emmanuel et al., 2023).

While industrialization on a national scale accelerated Kenya's overall economic growth in a positive way, it remains an open question how smaller local businesses located near these emerging industrial zones coped with the involuntary shocks and externalities of rapid economic structural change (Paul & Kazaara, 2023). Many small farmers and entrepreneurs formerly involved in activities such as agro-processing, handicrafts, small engineering workshops and trading have formed the socio-economic fabric of Namainga for generations and supported livelihoods (Paul & Kazaara, 2023). But with industrialization came rising land and rent prices as factories occupied former agricultural or vacant land, pressures to raise wages that threatened the budgets of small operations, and difficulty competing with standardized factory-made goods that could offer lower consumer prices (Sarah & Richard, n.d.).

In this context, the proposed case study of Namaingo district is of current and policy relevance (Winny, Kazaara, et al., 2023). Through a detailed examination of the impacts through quantitative and qualitative data collection from stakeholder interviews across different levels of the district's economy, the research seeks to document the lessons learned about the real-world effects of industrialization on vulnerable micro and small businesses in order to identify challenges and opportunities that could maximize the benefits of economic modernization for all community members if properly mitigated and managed (Tasha et al., 2023). The Uganda Investment Authority estimated the figure at 50 million shillings (\$5,000 to \$50,000). However, the Ministry of Industry said that of course the number varies from country to country, but in Ugandan conditions, 5-50 million would be a reasonable amount. Sales turnover, other criteria to indicate what is a small business, annual sales turnover (Faridah, Jacob, et al., 2023). In the Ugandan context, in an attempt to define who was eligible to participate in value added tax (VAT) administrative structures, an amount of 20 million shillings was agreed upon as a threshold (E. Emmanuel et al., 2023).

Statement of problem

Despite government efforts to improve infrastructure, proper sensitization of tax collectors and ever-increasing rate of population growth in Namaingo Town Council, but small businesses have not seen any reasonable success (Annet et al., 2023). Although Namaingo Town Council was one of the areas with many small but continues to be poor or declining to expand to the required level according to the Annual Town Council Performance Report presented to the council in 2012 (Annet et al., 2023), the argument was not that they face huge interest rates on borrowed funds from financial institutions that force them to remain poor or small because most of the money is spent on clearing bank loans in addition to a low level of experience in using large sums of money (Collins et al., 2023). This may not be true; an investigation needs to be done to find out exactly what makes small businesses! Business not developing despite the government's efforts to provide better infrastructure and ever increasing

population growth which provides a ready market for manufactured goods in Namaingo Town Council (Joel & Kazaara, 2023). It is from here that the researcher intends to conduct a study to find out the causes of the low level of growth and development of small businesses. This is because if the problem is not addressed, the government's efforts would be a waste of time (Isaac et al., 2023)

Objectives of the study.

1. To find out the level of capital employed by small-scale enterprises.
2. To identify the cause of slow growth and development of small-scale enterprises.
3. To suggest possible solutions to the growth and development of small-scale enterprises.

Methodology

The researchers used descriptive and explanatory research design, to collect and analyze data. Descriptive research design focused on perception, verbal responses and thoughts was qualitative data. The study used an accessible total population of 50 respondents including clients or customers, employees, sub county tax revenue collectors and businessmen.

Table 1: sample size of the respondents

Population Category	Population	Sample	Sampling Technique
Clients or customers	10	10	Purposive
Employees	20	15	Simple random
Sub County tax revenue collectors	5	2	Simple random
Businessmen	15	10	Purposive
Total	50	37	

The study used probability and non-probability techniques. Probability sampling referred to methods of selecting individuals to include in a study where each member of the population had an equal chance of being selected while non-probability sampling technique was where selection of the sample was based on the subjective judgment of the researcher (Amin, 2005). As indicated in the table above, the study used simple random sampling to select employees and tax revenue collectors. In using the simple random sampling, the study used the lottery approach where names were written on a rag and one picked at a time until the required number was reached. The study used purposive sampling to select contract committee the remaining categories since they were presumed to possess specialized information and knowledge of microfinance institutions loans. The researcher used secondary data which were collected from small-scale enterprises books of accounts like end of year income statement, balance sheet, magazines, newspapers, books or original entry like cash books, journals were considered. Internet was also used. The main purpose of using data from these two sources was to help derive meaningful interpretation of findings. This was the main tool of data collection that will be used. It contains several questions items related to the topic of the study. The questionnaires shall be administered to the respondents selected within the sub-county to capture the opinion of the respondents and minimize bias. Data was presented manually, arranged, sorted and analyzed, interpreted using computer programs like excel and SPSS where graphs, tables charts was used' to manipulate the data (Nelson et al., 2022). The data was processed by editing, coding and tabulation. Editing data included crosschecking, filling questionnaires which enabled the researcher to realize if responses by respondents are correct or complete.

Results**Received: 20.03.2024****Accepted: 25.03.2024****Published on: 30.03.2024**

Table 2: showing the nature of capital employed.

Nature of capital	Number of respondents	Percentage %
Shs50, 000- 100,000	15	27.27
Shs200,000-shs 500,000	25	45.45
Shs 1,000,000-Shs 1,500,000	10	18.18
Shs 2,000,000 and a above	05	9.09
Total	55	99.99

Source; primary data 2023

Table 2 represents that the majority of the respondents had capital ranging from 200,000 500,000, represented by 50% whereas few of the respondents had capital; invested ranging from 2,000,000 and above and were represented by 10% (Nelson et al., 2023).

Table 3: showing the number of employees of the respondents

Category	Frequency	Percentage
2-3 employees	20	38.36
2-20 employees	15	27.27
10-50 employees	10	24.18
20-100 employees	05	11.09
Total	50	99.9

Source: Primary data 2023

Findings from the table above show that most of the small-scale enterprises in Namaingo town council employ 2-3 employees and this has been represented by 40% whereas some small-scale enterprises in Namayingo town council employ 20-100 employees as represented by 10% (Faridah, Kazaara, et al., 2023).

Causes of slow growth and development of small-scale enterprise.**Table 4: Presenting the cause of the slow enterprises in Namaingo town council.**

Growth and development of small-scale

Response	Number of respondents	Percentage
Inadequate industrial education and training by the business owners to their employees	10	18.18
Poor management and accounting practices	10	18.18
Higher transaction costs	02	
Lack of market opportunity	05	9.09
Lack of market opportunity	05	9.09

Lack of enabling environment like competition	02	3.63
Inadequate management like business knowledge, poor management	05	9.09
Low level of technology	02	3.63
Unfavorable government policies in form, of heavy taxes	06	10.9
Inadequate land for expansion	05	9.09
Lack of improved infrastructures in form of roads	02	3.63
Stiff competition among SMEs owners	01	1.81
Total	55	100%

Source: Primary data 2023

The table above shows that the majority of the respondents were of the view that proposed inadequate industrial education and training by the business owners to their employees was the major cause of the slow growth and development of small-scale enterprises represented by 20%, where 2% of the respondents argued that stiff competition among SMEs owners is the major cause of the slow growth and development of small-scale enterprises in Namayingo town council (Turyatamba et al., 2022).

Table 5 shows the strategies that can be used to improve on the development of small- scale enterprise by respondents.

Responses	Number of respondents	Percentage
Equitable allocation of raw-materials, improvement in techniques of production.	08	14.5
Encouragement of employee industrial education and training	10	18.18
Adequate funding through bank loans and subsidies	10	18.18
Ensuring customer retention through building customer loyalty	04	7.3
Improving the methods and techniques of production to replace automated equipment.	05	9.09
Improving on government policies like imposing appropriate, taxes, giving subsidies.	15	27.27

Government to emphasis export strategy to widen the market.	03	5.45
Total	55	99.97

Source: Primary data 2023

From the table above respondents recommend that there should be encouragement of employee training and education, equitable allocation of raw-materials, adequate financing through bank loans and government subsidies, and improvement in government policies such as taxation, government emphasizing export strategy to widen the market size, improving on the techniques of production in order strengthen the growth and development of small-scale enterprises (Winny, Ariyo, et al., 2023).

Conclusion

From the results of this research, it provides the factors that have hindered the growth and development of small-scale enterprise in Namaingo town council. Results were got from Narnaingo town council in Namaingo district and also examined the difference in the firm's financial conditions of different groups of SMEs and to estimate how the microfinance and firm characteristics determine SME development. The study suggested that firms that participate in micro financing see an increase in their revenues and net profits because MFIs play a very important role in generating out of SMEs. This further explained the relationship between participants of microfinance and the development of SMEs in terms of revenue growth and net profit and net profit growth.

Recommendations

The findings in the report indicated that MRs have to a larger extent played important role of the development of SMEs, Thus reducing slow growth of SMEs. However they should also implement the following recommendations;

The membership fee for the new applicants should be reduced so as to incorporate the very. Poor into the system this will enable them to get access to the products and services that these is just above the poverty line enjoy.

The mode of repayment should be revised so that the poorest can borrow without collateral. This should be done in a way that will increase the frequency of repayments and this is known to reduce the risk of nonpayment.

Group based lending should be encouraged. This will serve as a means to increase its depth since poor and or women cannot have information of a group, member of that group may apply for the services and members in the group act as guarantors for the others.

The government of Uganda should sensors SMEs on the operations of MFIs. This can be done through a wariness creation on the purpose and activities of MFIs and where they can be reached.

To further entrances the role of microfinance banks plays themselves should source for more funds by means of share subscription and appeal for more financial and operational support from government for the development and growth of SMEs.

Received: 20.03.2024**Accepted: 25.03.2024****Published on: 30.03.2024**

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