ANALYSIS OF THE CONTRIBUTION OF INSURANCE COMPANIES TO THE GROWTH OF SMEs. A CASE OF NATIONAL INSURANCE CORPORATION

BY

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DECLARATION

I, Nakasagga Gloria, declare that this research report is my original work and it has not been submitted in this form or any other form to this or any other institution for examination purposes. Any quotation made has been referenced accordingly.

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ABSTRACT

The purpose of this study was to establish the relationship between the contributions of insurance companies and the growth of SMEs in NIC basing on the following objectives; to examine major factors that affects the growth of SMEs; to assess the contribution of insurance companies to the growth of SMEs; to investigate the factors inhibiting the purchase of insurance cover by SME operators and to determine the strength of the relationship between insurance companies and growth of SMEs.

The research was descriptive in nature involving quantitative methods which was administered through questionnaires. The total sample comprised of 65 respondents of all the managers and employees of National Insurance Corporation. Simple random sampling was used whereby the researcher went to NIC and administered questionnaire to the sampled or selected employees. Primary data was obtained from the library materials, textbooks, NIC brochures, internet and journals. Data analysis was carried out using SPSS and frequency distribution tables.

Findings revealed that innovation is strong empirical evidence for fast growing SMEs, competition has a great effect on SMEs industry and credit remains a great challenge to the growth of SMEs. Besides that insurance companies mitigate risks and enhance loan acceptability by SMEs sector with banks. However low income earned by SMEs, high premium cost and paperwork and experience and beliefs inhibit the purchase of insurance cover by SMEs. Nevertheless, there is a strong positive relationship between insurance companies and the growth of SMEs at Spearman Correlation Coefficient.

It was concluded that improvement in business skills increases the performance of SMEs. However insurance companies do not lowers insurance rates and offer protection to SMEs income statements. In addition SMEs being small in size and their inability to fully understand the document limits them to get insurance cover. It was recommended that management of NIC need to build a great relationship with SMEs as their customers in orders to develop and grow them in trust and also lower the premium rates to SMEs in order to improve on their performance. Also NIC need to have a fresh look at the scope and spectrum of services provided to SMEs and has a better understanding on the scale of enterprise sector

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

This chapter is a representation of the Background of the study, problem statement of the study, objectives of the study, research questions of the study, scope of the study, significance of the study, and definition of key terms.

1.1 Background of the study

The substantial growth of small and medium enterprises (SMEs) activity clearly marks SME as one of the most remarkable economic phenomena. SME is a business that is privately owned and operated with a small number of employees and relatively moderate volume of sales. The definition of SMEs varies from country to country depending on the level of development and the strength of the economy. The lower limit for small scale enterprises is set at between five and ten workers and the upper limit is set at between fifty and one hundred workers. The upper limit for medium scale enterprises is set between one hundred and two hundred and fifty workers (Hallberg, 2000).

In Uganda there are approximately 1,069,848 SMEs currently in operation and they comprise over 90% of the private sector. They contribute to employment, provision of basic goods and services, and generation of export and tax revenues for national socio-economic development. Their Gross Domestic Product (GDP) contribution to the economy is 75% and they employ about 2,500,000 nationals. The location of these SMEs is mostly in urban areas with 80% located therein. They operate business like restaurants, accountants, hairdressers, conveniences stores and guesthouses (Hatega, 2007).

On the other hand insurance is a contract by which one party undertakes in consideration of a payment called premium to secure the other against pecuniary loss by payment of a sum of money in the event of destruction or damage to property, fire, accidents or death of a person. Economy, investment and finance reports (2010) defines insurance as a policy from a large financial institution that offers a person, company, or other entity reimbursement or financial protection against possible future losses or damages.

For example, National Insurance Corporation Limited (NIC) is an insurance company in Uganda. The company is a leading provider of insurance and risk management services with 19 branches spread throughout the country (Robinson, 2009). NIC was established by Act of Parliament in 1964. The basic function of NIC insurance is to provide security and protection against risks to business. NIC has also undertaken several projects aimed at empowering the development and growth of SMEs in Uganda.

However, besides NIC contributions to the growth of SMEs, it’s unfortunate that most of the SMEs are badly run due to lack of knowledge and skills in insurance policies, (Ocici, 2007),lack of professional and networking, limited knowledge of business opportunities, poor compiled records and accounts and low level of technical and management skills (UNCTAD 2002). In addition, high premium cost is also a major effect on growth of SMEs. It is therefore against this background that the researcher deems it worthy to find out by analyzing the relationship between contributions of insurance companies to the growth of SMEs.

1.2 Statement of the problem

Despite the contribution of insurance corporations to the growth of SMEs in economic development, failure and slow growth still exists and the public doubts its management (Ocici, 2007). Research suggest that 80% of the businesses affected by major incident close down within 18 month, and 90% of those who lose data close down within 2 years. This is due to the failure of small businesses to have adequate insurance cover and proper business continuity plans (cover sure, 2007). However literature has shown that insurance companies are not willing to insure SMEs and it was the aim of this research to establish whether a relationship between these two variables exists.

1.3 Objective of the study

1.3.1 General Objective

The main objective of the study was to investigate the contribution of insurance companies in the growth of SMEs in Uganda.

1.3.2 Specific Objectives

i. To examine major factors that affects the growth of SMEs.
ii. To investigate the factors inhibiting the purchase of insurance cover by SME operators.
iii. To determine the strength of the relationship between insurance companies and growth of SMEs.

1.4 Research question

i. What are the major factors affecting the growth of SMEs?
ii. What factors inhibit SME operators from purchasing insurance cover?
iii. How strong is the relationship between insurance companies and growth of SMEs?

1.5 Scope of the study

1.5.1 Geographical scope

The study focused on Insurance companies in Uganda- National Insurance Corporation Limited (NIC) which is an insurance company in Uganda. The company is a leading provider of insurance and risk management services with 19 branches spread throughout the country (Robinson, 2009).

1.5.2 Content scope

The study focused on the efforts that are made by National insurance company to raise the growth of SMEs. Contribution that insurance companies play in the growth and development of SMEs and the relationship between insurance companies and SMEs was also studied. The study targeted the employers and employees of NIC.

1.6 Significance of the study.

- This research will be undertaken as an academic requirement by Muteesa I Royal University before the degree of Bachelor of Commerce can be awarded. The researcher places prestige in the successful completion of the study.

- It’s only through research that ideas and approaches will be developed and tested. This research will generate information to be used as basis for further research in to the contribution of insurance in other business segments.
- The study will increase public awareness on the operations of National Insurance Corporation hence making it convenient for the public when dealing with the corporation.
- This research will provide data to policy makers that will assist towards formulating for appropriate policy for policy makers operation. This will permit specific plans and policies geared towards promoting SMEs.

1.7 Justification of the study

Only a small proportion of acts reported and investigated and few perpetrations held account in many posts of the world, there are no systems responsible for recording, investigating, and reports of the factors responsible for Insurance Companies and Customer satisfaction. There are various reasons for this lack of reporting many factors which are talked of in this lack capacity to report.

1.9 Definition of key terms

Customer. In this study, this term refers to members of Insurance companies, who are the respondents in this study. According to Oliver (2009) a customer is someone who has purchased a product or a service as consumer or as a member of a group.

Insurance Company. This is a company that provides and sells insurance. "The insurance company will only pay out a percentage of the replacement cost"

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter review related literature on study variables as put forward by different scholars. It focuses on contribution of insurance companies as independent variable and growth of SMEs as dependent variable.

2.1 Meaning of SMEs

SMEs are considered to be the engine for the growth in both developed and developing countries. They have the potential to play a crucial role in supporting balanced growth across the economy (Bannock and Albach, 2000). The benefits of a vibrant SMEs sector include; the creation of employment opportunities, the strengthening of industrial linkage, the promotion of flexibility and innovation (Harvie and Lee, 2001). To sustain an economy needs to be supported by its SMEs because large scale enterprises might have negative as well as positive effects on the stability of the country (Moy and Lee, 2002).

However it is difficult to give a precise and universally acceptable definition of SMEs because various countries and scholars use yardsticks such as employment levels, capital outlay and energy to define SMEs. They include a wide variety of firms ranging from village handcrafts makers, small machine shops to restaurants and computer software firms. They require a wide range of skills and operate in very different markets and social environment (Hallberg, 2000).

Statistically, SMEs are defined basing on the number of employees and or the value of assets. The lower limit for small scale enterprises is set at five-ten workers and upper limit at fifty –one hundred workers. The upper limit for medium scale enterprises is set at one hundred to two hundred fifty workers (Hallberg 2000). These statistics however vary from country to country depending on the level of development and prevailing economic conditions.

The sustainable growth of the Ugandan economy is directly related to the rate of enterprise creation and development. This is in turn depending on ease with which SMEs can be started and financed given their large contribution to the national economy (UNCTAD, 2002). Uganda is one of the many countries in Africa whose economy is predominantly covered with SMEs. Kasakende and Opondo, (2003) stated that a small scale enterprise in Uganda employ less than 5 but a maximum of 50 employees with the value of asset (excluding land, building), working capital of less than 50 million and a turnover of between 10-50 million. On the other hand, a medium sized enterprise is considered to be a firm that employs between 50-100 workers.

Hatega (2007) reveals that there are approximately 1,069,848 SMEs currently in operation and they comprise over 90% of the private sector. Their Gross Domestic Product (GDP) contribution to the economy is 75% and they employ about 2,500,000 nationals. He also states that SMEs are mostly in urban areas with 80% of the total located therein and have an annual growth rate of 15% to 20%. They operate business like restaurants, accountants, hairdressers, conveniences stores and guesthouses. Uganda investment authority, (2008) has also tried to promote SMEs in the country by linking them to big corporation organization that provides market and employment.

2.2 Factors affecting the growth of SMEs

The business sector has expanded in recent decades stimulated by changes in the industrial structure and government commitment to encourage new forms of economic enterprises. Throughout, SMEs have also increased in number and are now regarded as a vital element in the attempt to increase the rate of job creation, improve competitiveness and exploit new technologies. This growth is attributed by some factors which include:

Innovation

Due to the continuous development of technology, the market is changing every day. Therefore, entrepreneurs have to conduct continuous innovation to adopt the changeable market, which is crucial for their firms to grow quickly (Miller, 2005). Innovation means new or improved products, new production techniques, new process, new markets, new channels of distribution and promotions, new or improved services, new method of financing, new technologies, new organizational structure and new method management. All these result in more comparative advantage and they appear to be strong empirical evidence that fast growing SMEs are more innovative than non-entrepreneurs (Muelier and Thomas, 2001).

SMEs propel long term growth by facilitating innovation and its diffusion across local, national, regional and international economies. Innovation begets intellectual property and the economitant urgent need to address intellectual property rights. Hence to realize the maximum value of innovation, SMEs recognizes, understands, and manages intellectual property in order to protect their IPR and thereby accelerating their innovations towards commercialization. This will in turn not only improve their business revenue flow but ultimately raise the standard of living in their respective country as well as increase their growth rate (Miller, 2005)

Management skills and actions

Good management skills in SMEs are recognized as an acute solution worldwide. In 2003, organization for economic operation and development (OECD) published a report entitled management training in SMEs indicating that there is a positive correlation between the degree of management training and the bottom-line performance of SMEs. It also refers to the preliminary evidence that formal management training increases the growth speed of small firms. According to survey conducted by Cant and Kotze (2005) a larger percentage of entrepreneurs hold the view that without management qualifications, the lack of management training and skills impacted negatively on the growth of their business.

Bennins (2000) states four features of competencies that a business manager ought to develop for faster growth of business. This include becoming a visionary and inspiring people to look to the future, learning how to effectively communicate your vision, building trust and believing in yourself. Delmar (2003) assertion means that managers would become more effective if they become more entrepreneurial since they would constantly be alert to new opportunities and proceed to exploit them.

Work experience

The insights gained through experience in a specific industry that is in the same industry as the one in which the entrepreneur starts his new venture can increase the probability of survival and high performance (Davidsson, 2000). Assimilating experience and learning from experience itself are beneficial for the SMEs growth (Delmar, 2003). Most SMEs operators have certain work experience before they start up new firms. Work experience gives them the relevant skills to identify business opportunity and the technical capabilities to produce the product or give the identified service. People lacking relevant work experience may result to poor business idea and the final failure of the business (Afolabi, 2007).

Market condition

Proper selection of growing Market environment issues are industry-specific factors associated with the industry in which the firm operates and they represent market conditions, the interest or actions of consumers, competitors, intermediaries and suppliers (Davidsson, 2000).

Market and similarly the growing industry is of utmost importance for SMEs (Kruger, 2000). Choosing a market segment with potential market growth means high profit, low competition, and is more likely to succeed. A poor market selection, for instance one with many market imperfections or a limited market size with poor growth prospects, can negatively affect the entrepreneurship process (Gordorn, 2001).

Competition

Most SMEs are ‘me too’ firms. They face fierce competition in the same industry. In addition, with the development of globalization, SMEs operate within a global context characterized by intensified competition and unknown competitive rivals (Greiner, 2000). Competitive concentration in conjunction with actions and strategies of competitors has a great effect on the entrepreneurial process (Kangasharju, 2000).

Delmar (2003) noted that a successful and a good competitor will tend to remain in control because he will not just be contented with making improvement on what exists but he will set for himself high targets which look for new and different values. Therefore, a clear understanding of the competition, right strategy and corresponding to the competition is crucial and has led to high growth of SMEs.

Inadequate education and skills

Afolabi (2007) defined skills as an expertness, practiced ability, facility in doing something, dexterity and tact. Skill encompasses experience and practice and the gaining of skill leads to unconscious and automatic actions. Education and skills are needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Uganda are not quite well equipped in terms of education and skills. Study suggests that those with more education and training are more likely to be successful in the SME sector (Kesper, 2000). As such, for small businesses to do well, people need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector have at least attained college level education (Wilkinson and Terri, 2003).

Lack of credit

Cressy and Olofsson (2002) find that smaller businesses have lower fixed to total ratios, higher ratios of current liabilities to total assets and financially more risky. Culp (2001) and Namaya (2002) suggest that smaller companies like SMEs limit their issuance of outside equity inorder not to reduce control of their firms. However, it is harder for the SMEs to access debt financing. For example, Berger and Udell (2002) argue that SMEs with generally shorter banking relationship pay higher interest rates and are more likely to be required to pledge collateral.

Longenecker and petty (2003) found that lack of capital availability for small firms and entrepreneurs is only an illusion considering the development programs. Further Mc Kenna (2004) and Davidsson (2000) argued that financial credit is the most important form of external support required for SMEs growth especially in developing countries.

National policy and regulatory environment

The National policy and regulatory environment have an important impact on technology decisions at the enterprise level. The structural adjustment programs (SAPs) implemented in many African countries is aimed at removing heavy policy distortions, which have been viewed as detrimental to the growth of the private sector. SAPs tend to severely affect vulnerable groups in the short run and have been associated with the worsening living conditions in many African countries (UNCTAD, 2002).

Technological Change

Rapid change in technology and the wide range of technologies available on the market entail difficulties in deciding efficient technology for the needs of many businesses (Longenecker and petty, 2000). Technology, a key component in strategic development is inevitable in the industrial development process (Thomas and Sparkes, 2000). The technology development is the driving force on enterprises to invest on novel technology more than their capacities (Kruger, 2000). In most of the African nations, Uganda inclusive, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists (Miller, 2005). There is digital divide between the rural and urban Uganda. With no power supply in most of the rural areas, it is next to impossible to have Internet connectivity and access to information and networks that are core in any enterprise.

Scanty Markets Information

Lack of sufficient market information poses a great challenge to small enterprises. Despite the vast amount of trade-related information available and the possibility of accessing national and international databases, many small enterprises continue to rely heavily on private or even physical contacts for market related information. This is due to inability to interpret the statistical data as expressed by Miller (2005) and poor connectivity especially in rural areas.

Information asymmetry describes the condition in which relevant information is not known to all parties involved in an undertaking (Ekumah and Essel, 2003). It has been used widely to explain a variety of concepts including those in different market situations (Constantiou, 2001). Information asymmetry causes markets to became inefficient and forces market participants to take risks because it is assumed that information which is provided is always inadequate, inaccurate, incomplete and untimely (Constantiou, 2001).

2.2.1 Performance indicators of SMES

Firm performance is a multi-dimensional concept; it may be financial or non-financial. Since the vast majority of SMEs are unable or unwilling to provide financial information, only perceived firm performance will be measured (Griffiths, 2002). Perceived firm performance can be measured by capital growth, sales growth, employment growth and development of new markets and products.

Sales growth

A sale is the pinnacle activity involved in selling products or services in return for money or other compensation. It is an act of completion of a commercial activity. Sales growth is often used as a measure of performance. The assumption is often made that if sales increase, profits will eventually follow (Thomas and Mason, 2007). A key determinant of success in a firms growth is sales, provided of course that the profits and cash flows generated from the sales are adequate to cover the costs incurred in generation of the revenues.

Capital growth

It is anxiomate that innovative firms focusing on the growth of their business will experience an expansion in their capital base. Therefore, it is imperative that the design of SMEs insurance method facilitate but not constrain such growth. More importantly, it is imperative that capital be as mobile as possible so that capital that has grown and accumulated in one business can be transferred to another business as part of a legitimate business growth strategy.

Employment growth

According to Wilner & Smith, (2009) one of the constrains to firm growth is manpower in terms of their skill and capabilities. Hargadon and Burns (2001) added that the starting point for a new analysis of the limits to small firm growth is emphasized on costs of organizational change within the growing firm, caused by the need to train and assimilate new managerial recruits' transactional efficiency and explanation. The same argument was advanced by Ocici (2003) in the theory of the growth of the firm which indicate a functional relationship between "organizational efficiency" of a firm and its rate of growth and that the former will decline after a point as the latter rises.

2.3 contributions of insurance companies to the growth of SMEs

According to Uganda Insurance Commission, the performance of the insurance industry is still low compared to other industries in the market but is gradually changing with years. The insurance industry continues to be dominated by general (short term) insurance which makes up 90% of the total premiums.

According to Uganda Insurance Company (2008), the contribution of insurance to the growth of SMEs continues to be low because of fundamental impediments to the development of insurance. This include; the inability to afford insurance due to low incomes of the majority of the prospective consumers; non possession of valuable insurance goods due to general poverty; the intangibility of insurance which makes its value and the role difficult to appreciate given the education level of the masses and the death of products which would be ideal for the rural prospective consumers who form the bulk of the population.

According to Uganda insurance Company (2008), there are a number of policies or products available for SMEs on the market and are classified as either non-life or life products. These include; **non-life products**: fire and special perils, burglary, workmen's compensation, motor comprehensive among others. **Life product**: group and individual life covers, group and individual mortgage.

Positive contribution

Mitigating business risks

SMEs owners incur certain business risks some which are unavoidable but others can be covered by insurance. In any business the possibility that those years of hard work might be lost due to theft, accidents or fire should not be ignored. Insurance is usually voluntary but nevertheless important (Kudakwashe, 2009).

Enhance loan acceptability by SMEs sector with banks

Insurance services help financial institution to serve as a common benchmark in credit analysis and lending by assessing the credit worthiness and integrity of SMEs. A reliable insurance company conducts mandatory checks to assess the credentials of the SMEs before extending a product or service thus enabling SMEs to get financial help from the multinational institution. Insurance companies also act as a source of funds to small businesses most especially real estate ventures. The SMEs owners can go directly to the insurance company or contact its agent or a mortgage banker for the resources (Kudakwashe, 2009).

Lowers the insurance rates for SMEs

According to Sentiba (2005) an insurance expert, stated that the country way out of issuing new tariff structures which insurance companies are expected to follow was in order to curtail them from taking advantage of unsuspecting customers to expand on micro insurance so as to accommodate the lucrative SMEs. For example, Singapore government announces lower interest rates, loan premium to help SMEs manage costs (Mthimkhulu, 2008).

Gives advice to SMEs

Sentiba (2005) stated that insurance companies for example Jubilee insurance advice small business concerning the introduction and control systems and new products and sales channels. It also supports the businesses in terms of risk analysis and well targeted training of the staff. For example, Simon Ball, CEO and founder of business insurance (2010) gave a finance and accountability advice for SMEs development.

Efficient utilization of financial resources

With the protection of insurance, SMEs need not to establish huge contingency funds to protect against the risks they face. Without insurance, the potential losses due to capital destruction must be met by a SMEs own internal funds. As a result, a bigger portion of the company's profits will have to be retained in the business instead of being distributed to its owners (Weinzimmer, 2000).

Insurance companies caters for SMEs specific insurance needs

For example, Dial Direct Business Insurance caters for SME-specific insurance needs. It is divided into four segments namely; Business, Office, Practice and Professional. Each segment has a specially-tailored product that provides cover relevant to the needs of the SMEs that fall within that category. (Saghana, 2009).

2.5 factors inhibiting the purchase of insurance by SMEs

High premium cost and paper work.

Insurance premium is the amount of money to be paid in monthly installments for an insurance policy as developed by Kimura (2000). The premium is determined by the insurance company depending on the degree of occurrence in that, usually insurable events that are likely to happen in the near future are subjected to high premiums while the latter may be subjected to low premium (Sentiba, 2000).

Surprisingly, approximately 70% of small businesses affected by major loss do not recover. This is of some concern as small businesses employ in excess of 2.5 million and represent 75% of the GDP (Hatega, 2007). High premium cost is primarily affected by the frequency and the size of losses relative to the values involved. Others are expense factors connected with inspection, underwriting, record keeping and cost connected to accident prevention. SMEs cannot afford to scrimp on premium and hope for the best. However, a smaller company has some natural limitations. Kudakwashe, (2009) reveals that SMEs does not have the time or manpower to cope with high premium costs and paper work.

Experience and beliefs

Experience in selling insurance services points out to the existence of a negative attitude in a substantial sector of society. Kimura (2000), states that some of the negative attitudes are based on experience and beliefs. People generally think that insurance companies only collect premiums and never pay at a time of loss (Daniels, 2003). This conviction is due to the various bureaucratic tendencies applied when losses occurs thus rendering many of the victims helpless in obtaining their claims.

Low insurance market penetration

Although SMEs in Uganda are exposed to a multiplicity of risks, they insure themselves against only a small number, on average 3 from a list of 10. According to UIC (2008) the level of insurance market penetration is low due to several factors. For example; inability to afford insurance due to low incomes of the majority of the prospective consumers (Daniels, 2003); non possession of valuable insurance goods due to general poverty (Kimura, 2000); the intangibility of insurance which makes its value and the role difficult to appreciate given the education level of the masses and the death of products which would be ideal for the rural prospective consumers who form the bulk of the population.

Low income earned by SMEs

The demand for insurance services is greatly limited because of low income earned by SMEs (Daniels, 2003). Kimura (2000), argued that poverty appear to have a firm grip on most Ugandans populations thus reducing their level of income. Thus, this has led to limited premiums incomes since majority of SMEs cannot take up the insurance policies.

According to Sentiba (2005), any extra cash requirements would trigger extra costs for each insured and eventually foster organizational set ups and behavior that are not in the best interests of policy holders and do not promote healthy developments of SMEs. Most specifically, the sequence of expected reactions to sizeable increase in cash requirements threatens to reduce business profitability.

Inabilities on the part of the insured to fully understand the policy document

Kudakwashe (2009) explains that most enterprises are run by experience and observation with little or absolutely no formal training in the areas of management and insurance development. Kesper (2000) also state that majority of those who run SMEs are ordinary lot whose educational background is lacking. Therefore, SMEs operators may not be well equipped with knowledge about insurance policies hence remaining un-insured.

Insurance awareness

According to UNCTAD (2002), lack of awareness of the benefits of the insurance is a serious handicap for the fire sectors. It is generally believed that a large number or perhaps the majority of simple risks belonging to individuals such as dwellings and small enterprises are without any insurance cover. Daniels (2003), states that the level of public awareness about insurance services is still low. He concluded that in Kampala, majority of SMEs had nothing to do with insurance companies while they could name a few products and companies. This shows that they do not know the uses of insurance companies.

Failure by lending authorities to properly advice the clients on a proper insurance program

A national survey of 1200 consumers found that 87% believed it was the duty policy holder's responsibility to decide on their level of insurance while 7% nominated the insurer and 5% a professional valuer (Manning, 2004). That's why SMEs will continue to remain uninsured. Also market practices have remained conservative and static. Sentiba (2000) noted that due to the observation that most SMEs are conducted by peasants thereby finding it difficult for some insurance policies to be practiced.

Under insurance

This means that the insured is only partially covered by the policy and is therefore vulnerable to the uncovered risks. The most common driver of under insurance is the perceived high cost of premiums. Whether the un affordability is real or perceived, this has been stated in many surveys as the most common reason as to why SMEs under insure (Manning, 2004). Therefore, for the proper estimation of risk and its cost, insurance companies and their clients ought to work hand in hand.

Cautionary advice on under insurance-SMEs and Trustees states that being under insured is nearly as bad as being un insured (Brink and Berndt, 2004). Also critical failures include not insuring your business and its assets for the correct replacement value and failing to anticipate how long it will take to get your business back.

2.6 relationships between insurance companies and SMEs

According to Kudakwashe (2009), the strength between insurance companies and SMEs is fair and the fact that SMEs view insurance companies as avoidable serves to show that insurance companies have got a lot to do in order to impact the playing field for the better. If a business has an insurance policy and a relationship with its insurer, it becomes easier for the company to overcome risks. However literature has shown that insurance companies are not willing to insure SMEs and it is the aim of this research to establish whether a relationship between these two variables exists. On the article entitled New Deal in the Offering for SMEs, the author stated that the insurance industry prefer to deal only with established businesses (Mthimkhulu, 2008).

It is prudent for insurance companies to formulate cheaper ways of insuring SMEs against their risks. Research commissioned by the British Insurance Brokers Association revealed that nearly one in five small businesses the in the UK suffers a major disruption every year. Further research suggest that 80% of the businesses affected by major incident close down within 18 month, and 90% of those who lose data close down within 2 years. This is due to the failure of small businesses to have adequate insurance cover and proper business continuity plans (cover sure, 2007).

There is need for insurance companies to build a relationship with SMEs as their customers. The success of a business relationship lies in the development and the growth of trust and commitment amongst partners (Brink and Berndt, 2004).

In Uganda, the collapse of several promising SMEs and other businesses in the business landscape in the last 4 decades is higher. This has been attributed by lack of awareness of business owners on the need to strengthen their risk taking ability and long term sustenance of their enterprise through adequate and appropriate insurance coverage for their investment (Saghana, 2009).

However, where the owner of a business can cover the risk they should try and prevent the risk. They can insure against all the threats that may affect the business. This is one of the important aspects that the SMEs owners need to give attention. SMEs owners need to realize the importance of having insurance policies. It is a paramount for them to view their business as a legacy that continues from generation to generation not a business that has no future (Kudakwashe, 2009).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the systematic process by which the study was conducted. It highlights the method used to establish a trend in the performance of the insurance industry over the years so as to find out its contribution to the growth of SMEs. This chapter also describes the sources of data and data collection methods.

3.1 Research Design

A blend of analytical cross-sectional survey, descriptive and explanatory research was adopted. Descriptive aspect of the study was laid in identifying the factors that affect SMEs and as much as possible showing their effect on insurance companies. Analytical cross-sectional was concerned with the establishment of the inter-relationship between SMEs and insurance. Quantitative methods were employed in the research to establish how many operators operate having insurance cover.

3.2 Survey Population

The study targeted the management and employees of NIC.

3.2.1 Sample Size

The sample size was one insurance company. Data was collected from 65 respondents picked from NIC. This number was selected using a simple random technique as developed by Sekaran (2000). The number was considered appropriate because of the nature of research, limited resources and taking into account the time the study was conducted. The number of employees enabled the researcher to get deeper, richer and more detailed information hitherto unrecorded.

Table 1 showing the targeted sample size

Category	Population	Sample size (50%)
Management	8	4
Employees	122	61
Total	130	65

Source; primary data, 2023

3.2.2 Sampling Design

Purposive sampling and simple random sampling were used as developed by Krejcie and Morgan (1970). Purposive sampling design was used for the selection of respondents. Preparatory work had revealed that insurance operations are of a highly technical nature and the information being in the study required contact with people who are knowledgeable in the insurance field. Simple random was used to select 65 respondents.

3.3 Data Sources

The researcher used both primary and secondary data. Primary data was collected from respondents of NIC using a questionnaire to obtain perceptions of the respondents. This was because the type of data sources was original and was collected specifically for the study. Literature was reviewed using secondary data sources from publications of Uganda insurance commission, journals, reports, insurance

Act, internet, research projects and from MUK library. Statistical figures were got from Uganda Insurance Commission.

3.4 Data Collection

3.4.1 Secondary sources

This involved visiting the libraries such as MUK library and NIC library for the analysis of important documents in the search for topic issues. The information gathered from secondary sources was very resourceful in preparing the study and giving the research a more defined perspective.

3.4.2 Primary sources

This involved visiting the field to collect data from selected respondents. The primary data collection methods involved were;

- Observation of certain official documents like certificates, letters and testimonials that business operators presented in relation to some elements of the study.
- Questionnaires. These were administered to most of the respondents. Questionnaires represented the most important instruments of this research. They were more legitimate because all the respondents were in managerial positions with an understanding of the problem. The researcher opted to use close-ended questionnaires because of his deep understanding of the problem. Besides, cases of non-response were minimized and coding / editing was made much simpler. All the instruments were used concurrently with respect of time, suitability and nature of the respondent.

3.5 Measurement of Variables

Contribution of insurance companies was the independent variable for the purpose of this study. A five-point likert scale was used to determine the degree of agreement and disagreement with the statement that defined the measures of contribution of insurance companies. This question scales was developed basing on the literature definitions of the qualitative characteristics attributes by Cooper and Schindler (2003).

3.6 Validity and Reliability of Instruments

To ascertain validity and reliability, the questions were tested using a sample to eliminate questions that were vague. The research instrument was tested using the content validity index (CVI) and a Cronbach Alpha co-efficient.

A CVI of greater or equal to 0.50 confirmed that the questions taken were relevant to the study variable. For reliability, Alpha co-efficient with values equal or greater than 0.5 were also considered to be relevant. This was done to build confidence that the instrument yield good results.

3.7 Data Analysis

This was the final stage in processing having compressed the data from tables to graphs. Data was edited to check the accuracy, consistency and completeness of the information. Data was collected from the primary survey using a questionnaire instrument and analyzed using a computerized data analysis tool. The SPSS package was used to come up with statistics that shows the relationship between the independent variable and dependent variable. Excel, correlation and measures of central tendencies like mean, mode and median were part of the analysis. Spearman correlation coefficient was used to determine the degree of relationship between variables. Data entry was done by Microsoft Word.

3.8 Limitation of the Study

- Financial constraints. The study was quiet costly to the researcher as she had to meet the costs herself.
- Delay in response. Some respondents took a lot of time filling the questionnaires. The researcher moved around checking on the respondents.
- Time. The study was time consuming as the researcher had a tight schedule, that is, reading for his exams, attending lectures as well as carrying out research.
- The busy schedule of the NIC employees made the researcher to reschedule appointments now and again which delayed the collection of data. This was overcome by making appointments within busy schedule.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTEPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the findings according to the data collected. The findings are analyzed, interpreted and presented according to the important variables, objectives of the study and the research question.

4.1 Response rate

The response rate was good; 50 questionnaires were filled, 11 were not filled and 4 were misplaced. Respondents responded positively.

4.2 Personal Data

To appreciate the reliability and the accuracy of the research findings, the researcher identified the respondents' bio data in respect of gender, age, level of education and the duration they have been in NIC.

Table 4.2.1 showing gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	29	58.0	58.0	58.0
	Female	21	42.0	42.0	100.0

	Total	50	100.0	100.0	

Source: primary data

According to the findings, 58% of the respondents were male and 42% were female. This implies that there was gender bias in the study.

Table 4.2.2 showing age range of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	14	28.0	28.0	28.0
	26-33	21	42.0	42.0	70.0
	34-41	7	14.0	14.0	84.0
	42-49	2	4.0	4.0	88.0
	50-57	2	4.0	4.0	92.0
	58 & above	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Source: Primary Data, 2023

The study findings indicated that 28% of the respondents were 18-25 years, 42% were 26-33years, 14% were 34-41, 4% were 42-49, 4% were 50-57 and 8% were over 58 and above years old. This indicates that respondents were mature enough to answer questions in the questionnaires.

Table 4.2.3 showing education level of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	3	6.0	6.0	6.0
	Degree	26	52.0	52.0	58.0
	2nd degree	16	32.0	32.0	90.0
	PhD	5	10.0	10.0	100.0
	Total	50	100.0	100.0	

Source: Primary Data, 2023

It was established that 6% had diploma, 52% degree, 32% 2nd degree and 10% had a PhD. Majority of the respondents are degree holders.

Table 4.2.4 showing of the respondents' length of service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than a year	6	12.0	12.0	12.0
	1-3 years	28	56.0	56.0	68.0
	4-6 years	13	26.0	26.0	94.0
	7 years & above	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

Source: Primary Data, 2023

The table shows that respondents who have worked for less than 1 year were 12%, 1-3years 56%, 4-6 years 26% and 7 years and above were 6%. This shows that majority of the employees have spend1-3 years.

4.3 Findings on factors affecting ICT on unemployment in Kampala

Findings on factors affecting ICT on un employment were evaluated in terms of education and empowerment, vocational opportunities, innovation and empowerment.

Table 4.3.1 showing findings on education and empowerment

	N	Minimum	Maximum	Mean	Std. Deviation
Innovation is a strong empirical evidence for fast growing SMEs	50	2.00	5.00	4.5800	.67279
Fast growing SMEs are more innovative than entrepreneurs	50	1.00	5.00	4.2000	.85714
Profitable firms are innovative	50	2.00	5.00	4.3200	.76772
Continuous innovation help SMEs to grow quickly	50	2.00	5.00	4.4000	.75593
Innovation increases public welfare	50	2.00	5.00	4.0600	.84298
Valid N	50				

Source: Primary Data, 2023

The result in table 4.3.1, shows innovation is strong empirical evidence for fast growing SMEs (Mean=4.5800), Fast growing SMEs are more innovative than non-entrepreneurs (Mean=4.2000), Profitable firms are innovative (Mean=4.3200), Continuous innovation helps SMEs to grow quickly (Mean=4.4000) and Innovation increases public welfare (Mean=4.0600).

Table 4.3.2 showing findings on Competition

	N	Minimum	Maximum	Mean	Std. Deviation
Competition has a great effect on SMEs industry	50	1.00	5.00	4.4200	.78480
The degree of competition in SMEs industry is strong	50	1.00	5.00	4.1400	.96911
Competition in SMEs can easily be managed	50	1.00	5.00	3.5000	1.05463
When expenses are matched with revenue, this can improve competitiveness of SMEs	50	1.00	5.00	3.5800	.97080
SMEs face fierce competition	50	1.00	5.00	4.0600	.97750
Valid N	50				

Source: Primary Data, 2023

Results in the table above show that competition has a great effect on SMEs industry (Mean=4.4200), the degree of competition in SMEs industry is strong with (Mean=4.4100), Competition in SMEs cannot be easily be managed (Mean=3.5000), SMEs face fierce competition (Mean=4.0600) and When expenses are matched with revenue, this can't improve the competitiveness of SMEs (Mean=3.5800).

Table 4.3.3 showing findings on Management skills and actions

	N	Minimum	Maximum	Mean	Std. Deviation
Improvement in business skills can increase the performance of SMEs	50	4.00	5.00	4.6800	.47121
Planning helps in managing growth of SMEs	50	3.00	5.00	4.5200	.57994
Lack of skills slows down the	50	1.00	5.00	4.3400	.82338

growth of SMEs					
Valid N	50				

Source: Primary Data, 2023

Results in the above table shows that Improvement in business skills can increase the performance of SMEs (Mean=4.6800), Planning helps in managing growth of SMEs (Mean=4.5200) and Lack of skills slows down the growth of SMEs (Mean=4.3400).

Table 4.3.4 showing findings on lack of credit

	N	Minimum	Maximum	Mean	Std. Deviation
SME with shorter banking relationship pay higher interest rates.	50	1.00	5.00	3.5800	1.17959
Credit remains a major challenge to the growth of SMEs.	50	2.00	5.00	4.2000	.78246
Lack of collateral security is a challenge to credit access.	50	1.00	5.00	4.3800	.77959
Banks perceive credit to SMEs as more risky.	50	2.00	5.00	4.0600	.81841
SMEs have reduced access to credit due to information asymmetries.	50	1.00	5.00	3.6200	1.06694
Valid N	50				

Source: Primary Data, 2023

From the table, results show that SMEs with shorter banking relationship pay lower interest rates (Mean=3.5800), Credit remains a major challenge to the growth of SMEs (Mean=4.2000), Lack of collateral security is a challenge to credit access (Mean=4.3800).Besides that, Banks perceive credit to SMEs as more risky (Mean=4.0600) and SMEs have increased access to credit due to information asymmetries (Mean=3.6200).

Table 4.3.5 showing findings on technological change

	N	Minimum	Maximum	Mean	Std. Deviation
Technology is a key component in strategic development	50	2.00	5.00	4.4600	.64555
Improved technology enhances market share for SMEs	50	2.00	5.00	4.1800	.80026

Technology pose a great challenge to SMEs	50	1.00	5.00	3.8800	1.15423
Technology advancement is not affordable by SMEs	50	1.00	5.00	3.1400	1.24556
Valid N	50				

Source: Primary Data, 2023

Results from the finding shows that Technology is a key component in strategic development (Mean=4.4600), Improved technology enhances market share for SMEs (Mean=4.1800),
Technology pose a minor challenge to SMEs (Mean=3.8800) and Technology advancement is affordable by SMEs (Mean=3.1400).

4.4 Contributions of insurance companies to the growth of SMEs
Findings on contributions of insurance companies were considered and can be evidenced below.

Table 4.4.1 showing contribution of insurance companies

	N	Minimum	Maximum	Mean	Std. Deviation
Mitigating business risks	50	1.00	5.00	4.3800	.87808
Gives advice to SMEs	50	2.00	5.00	3.8600	.94782
Lowers the insurance rates for SMEs	50	1.00	5.00	3.5400	1.16426
Protection of their income statement	50	1.00	5.00	3.4400	1.26427
Enhance loan acceptability by SMEs sector with banks	50	1.00	5.00	4.0400	1.02936
Insurance companies offer SMEs specific insurance needs	50	1.00	5.00	3.8600	.94782
Help in efficient utilization of financial resources	50	2.00	5.00	3.6800	.97813
Sensitization of clients about safety precautions	50	1.00	5.00	3.7600	1.28667
Orientation programs for clients	50	1.00	5.00	3.6400	1.22491
Valid N	50				

Source: Primary Data, 2023

Using a scale of 1-5 (SD-SA), it was found out that the respondents had varying understanding of the insurance contributions to the growth of SMEs. Therefore, the higher the mean the better the response, hence the table above show that the level of insurance company in mitigating business risks is high (mean=4.3800), gives advice to SMEs (Mean=3.8600), Does not lowers the insurance rates for SMEs (3.5400) and do not offer Protection to their income statement (Mean=3.4400). Besides that, insurance company enhance loan acceptability by SMEs sector with banks (Mean=4.0400), they offer SMEs with specific insurance needs (Mean=3.8600), they help SMEs in efficient utilization of financial resources (Mean=3.6800), Sensitization of clients about safety precautions (Mean=3.7600) and offer Orientation programs for their client (Mean=3.6400).

4.5 factors inhibiting the purchase of insurance cover

Table 4.5.1 showing factors inhibiting purchase of insurance cover.

	N	Minimum	Maximum	Mean	Std. Deviation
Low income earned by SMEs	50	1.00	5.00	4.4000	.94761
High premium cost and paper work	50	2.00	5.00	4.1800	.96235
Experience and belief	50	1.00	5.00	4.0400	.94675
Companies are still small in size	50	2.00	5.00	4.2800	.83397
Insurance awareness	50	1.00	5.00	3.8800	.89534
Under insurance	50	1.00	5.00	3.8400	.99714
Inability to fully understand the policy document	50	1.00	5.00	4.0000	.80812
Valid N	50				

Source: Primary Data, 2023

From the table, results show that Low income earned by SMEs (Mean=4.4000), High premium cost and paper work (Mean=4.1800), Experience and belief (Mean=4.0400), Companies still being small in size (Mean=4.2800) and Inability to fully understand the policy document (Mean=4.000) greatly inhibit the purchase of insurance cover. However Insurance awareness (Mean=3.8800), under insurance (Mean=3.8400) relatively inhibit the purchase of insurance cover.

4.6 Contributions of insurance companies and growth of SMEs

Findings on relationship between contribution of insurance companies and SMEs growth were determined by the use of Spearman correlation coefficient and can be evidenced in the table below,

Table 4.6.1 contribution of insurance companies and the growth of SMEs

			INSURANCE COMPANIES	SMES GROWTH
Spearman's rho	INSURANCE COMPANY	Correlation Coefficient	1.000	.387(**)
		Sig. (2-tailed)	.	.006
		N	50	50
	SMES GROWTH	Correlation Coefficient	.387(**)	1.000
		Sig. (2-tailed)	.006	.
		N	50	50

** Correlation is significant at the 0.01 level (2-tailed).

From the table above, findings show that there is a strong positive relationship between contribution of insurance companies and growth of SMEs at Spearman correlation coefficient r=0.387. This implies that contribution of insurance companies greatly affects the growth of SMEs.

CHAPTER FIVE

DISCUSSION AND SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, conclusions and recommendations arising out of the research findings in chapter four and suggested areas of further research.

5.1 Summary of the findings of the study

5.1.1 Factors affecting the growth of SMEs

Findings revealed that Innovation is strong empirical evidence for fast growing SMEs. This is because they use new production techniques, channels of distributions, good human resource management and technology compared to non-entrepreneurs. This relates with the findings of Muelier and Thomas (2001) who noted that innovation results in a more comparative advantage in SMEs and appears to be strong empirical evidence on its growth. Besides that, Fast growing SMEs are more innovative, Profitable firms are innovative and increases public welfare while Continuous innovation helps SMEs to grow quickly. This is in line with Miller (2005) findings that entrepreneurs have to conduct continuous innovation to adopt the changeable market which is crucial for their firms to grow quickly.

Findings showed that customer competition has a great effect on SMEs industry and they face fierce competition. This is due to the differences in product qualities, laid strategies and customer loyalty against others. This is in line with the findings of Greiner (2000) and Kangasharju (2000) who states that SMEs face fierce competition and competitive concentration in conjunction with actions and strategies of competitors has a great effect on SMEs process. However, results contradict with the statements that

Competition in SMEs can easily be managed and when expenses are matched with revenue, this can improve competitiveness of SMEs.

Findings revealed that Improvement in business skills can increase the performance of SMEs, Planning helps in managing growth of SMEs and Lack of skills slow down the growth of SMEs. Because enterprises run by unskilled people affect the growth, management and profitability of the enterprise hence diminishing their ability to contribute effectively to sustain its growth. This supports the findings of Weinzimmer (2000) who emphasized that naturally the firm can grow even though it is not the management's aim but in such a case a growth is not planned and may include many risks. Also this relates with a report published by OECD that there is a positive correlation between the degree of management training and the bottom line performance of SMEs.

Findings showed that lack of credit remains a major challenge to the growth of SMEs. This is in line with the findings of Afolabi (2007) who noted that small firms are the most credit constrained as a result of underdeveloped financial and legal systems and higher corruption. Besides that Lack of collateral security is also a challenge to credit access and Bank perceives credit to SMEs as more risky. This supports Wilkinson and Terri (2003) findings small firms are less prominent and are not so much accustomed and sometimes not even able to provide the required information and therefore banks perceive credit to SMEs as more risky. However SMEs with shorter banking relationship pay lower interest rates and also has higher access to credit due to information asymmetries. This contradicts with Berger and Udell (2002) findings that SMEs with shorter banking relationship pay higher interest rates and more likely to pledge collateral.

Findings revealed that Technology is a key component in strategic development and enhances market share for SMEs. This relates with the findings of Thomas and Sparkes (2000) who emphasize that technology, a key component is inevitable in the industrial development process of SMEs. However Technology poses a challenge to SMEs while Technology advancement is affordable by SMEs. This contradicts with the findings of Kruger (2000) who emphasized that technological development is the driving force on enterprises to invest on novel technology more than their capacities.

5.1.2 Contributions of insurance companies to the growth of SMEs

Findings revealed that insurance companies' gives advice to SMEs. This relates with the findings of Brink and Berndt (2004) which emphasized that there is a benefit of long term relationship with their clients and for many years they have became very active risk advisors.

Findings showed that organizations help in efficient utilization of financial resources', Sensitization of clients about safety precautions and provides orientation programs for clients. This is inconformity with Weinzimmer's (2000) findings that without insurance, the potential losses due to capital destruction must be met by a SMEs own internal funds. As a result, a bigger portion of the company's profits will have to be retained in the business instead of being distributed to its owners.

Besides that findings revealed that insurance companies enhance loan acceptability by SMEs sector with banks. This is line with the findings of Kudakwashe (2009) who noted that insurance companies also act as a source of funds to small business most especially real estate ventures. The SMEs owners go directly to the insurance company or contact its agent or a mortgage banker for the resources.

Nevertheless, findings showed that the rate of mitigating SMEs risks is very high. This relates with the findings of Weinzimmer (2000) who stated that insurance companies determine SMEs present, past and financial profile that help in mitigating risks. Also relates with the findings of Boone and Kurtz (2006) that SMEs buy insurance to transfer risk from themselves to insurance company. However findings revealed that insurance companies do not lower the insurance rates and offer protection of their income statement. This contradicts Mthimkhulu (2008) findings that lower interest rates and premium helps SMEs to manage costs.

5.1.3 Factors inhibiting the purchase of insurance by SMEs

Findings revealed that inability to fully understand the policy document make many SMEs not to be insured. This is in line with the findings of Kesper (2000) and Kudakwashe (2009) who noted that most SMEs are run by experience and observation with little or absolutely no formal training in the areas of management and insurance development. Therefore they may not be well equipped with knowledge about insurance policies hence remain uninsured.

Besides that finding showed that low income earned by SMEs and being small in size also inhibit the purchase of insurance cover. This is in line with the findings of Daniels (2003) who stated that the demand for insurance services is greatly limited because of low income earned by SMEs and people generally think that insurance companies only collect premiums and never pay at a time of loss.

More so high premium cost and paper work, experience and belief hinders adoption of insurance covers by SMEs. This relates with the findings of Kudakwashe (2009) who revealed that SMEs does not have time or manpower to cope with high premium costs and paperwork.

However Findings revealed that Insurance awareness and under insurance does not inhibit the purchase of insurance covers. This contradicts Daniels (2003) findings who state that the level of public awareness about insurance services is still low in Uganda. Also with the findings of Brink and Berndt (2004) which states that SMEs and Trustees being under insured is nearly as bad as being un insured.

5.1.4 Relationship between insurance companies and growth of SMEs

Findings showed that there is a strong positive relationship between contribution of insurance companies and the growth of SMEs at Spearman correlation coefficient $r = 0.387$. This implies that insurance companies greatly affect the growth of SMEs. This is in line with the findings of Kudakwashe (2009) who noted that the strength between insurance companies and SMEs is fair and the fact that SMEs view insurance companies as avoidable serves to show that insurance companies have got a lot to do in order to impact the playing field for the better. If a business has an insurance policy and a relationship with its insurer, it becomes easier for the company to overcome risks

5.2 Conclusion

It was concluded that improvement in business skills increases the performance of SMEs, innovation and technology are strong empirical evidence for fast growing SMEs, competition has a great effect on SMEs industry and credit remains a great challenge to the growth of SMEs.

Besides that insurance companies mitigate risks and enhance loan acceptability by SMEs sector with banks. They also give advice and offer SMEs specific insurance needs for their growth. However insurance companies do not lowers insurance rates and offer protection to SMEs income statements.

More so, low income earned by SMEs, high premium cost and paperwork and experience and beliefs inhibit the purchase of insurance cover by SMEs of which they contribute to their collapsing. In addition SMEs being small in size and their inability to fully understand the document limits them to get insurance cover.

Nevertheless, there is a strong positive relationship between insurance companies and the growth of SMEs at Spearman Correlation Coefficient.

5.3 Recommendations

Management of NIC need to lower the premium rates to SMEs in order to improve on their performance.

There is need for NIC to build a relationship with SMEs as their customers in order to develop and grow in trust among them.

NIC need to have a fresh look at the scope and spectrum of services provided to SMEs and has a better understanding on the scale of the enterprise sector and its role to the national development.

NIC need to take a centre stage in the facilitation of SMEs growth through various contributions to enhance its growth.

5.4 Areas for further research

- This study has brought out the need for research into the effectiveness of insurance Act in meeting the challenges of the contemporary business clients.
- There is also a need to carry out the effects of competition on the growth of SMEs in Uganda.

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APPENDICES

APPENDIX 1