

**THE CONTRIBUTION OF MARKETING MANAGEMENT ON THE GROWTH OF  
SMES IN KAMPALA**

**Case Study of St. Balikuddembe Market**

**BY**

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## **DECLARATION**

I do declare that the work provided in this book is of my original work and has never submitted to any higher institution of learning for the award of any academic qualification

Signature .....

Date ...../...../.....

**NAMAKULA SUZAN**

**APPROVAL**

This is to certify that the research proposal was under my supervision and is now ready for submission for examination.

**Supervisor's Name:**

**Signature:** .....

**Date:** .....

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# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This chapter presents the background of the study, problem statement, objectives, research questions and significances of the study.

### 1.1 Background of the study

Small and Medium Sized Enterprises (SMEs) are often seen as vital for the growth and innovation of dynamic economies as they help to diversify economies and at the same time create employment (Machacha 2002). Since the SME sector plays a major role in national economies, these benefits to individual SMES collectively translate into productive results in the form of job creation, revenue generation, and overall country competitiveness. The SMEs sector experienced substantive growth from 2000-2010 increasing to 2.8 million enterprises and SMEs employment of 5.1 million persons, accounting for 74.2 percent of the total employment in 2010. SMEs are spread widely across the country, with two-thirds of them located in rural areas (Gok 2006; ILO 2012). In Kenya significant number of SMEs engage in commerce with 74 percent and 66 percent in urban and rural areas respectively Liedholm (2002).

The socio-economic importance of small and medium enterprises (SMEs) is certainly unquestionable. SMEs are generally considered to be the mainstay of healthy economies and particularly the developing countries. SMEs comprise more than 40% of businesses globally and essentially serve as the main engine of job growth, often contributing 20-90% of employment (Kiraka, Kobia & Katwalo, 2013). In Uganda, it is estimated that SMEs employ over 80% of the population (Nangoli, Turinawe, Kituyi, Kusemererwa & Jaaza et. al, 2013), constitute up to 90 percent of the private sector, contribute over 70% to total gross domestic product (Asiimwe, 2017, p. 1) and contribute over 80% of manufactured goods output (Turyahikayo, 2015, p. 23). In spite of their contribution to economic growth, the survival rate of SMEs in Uganda remains very low (Asiimwe, 2017, p.1; Turyakira, 2012, p. 1). For instance, it is estimated that about 2 in every 3 start-ups in Uganda cannot enjoy their first anniversary (UBOS, 2012). As such, poor

saving culture, lack of entrepreneurial skills and their inability to exploit new opportunities for growth have been underscored as some of the main factors for the low survival rate (Nangoli et al., 2013).

The contribution of marketing strategy in the organization lies in the formulation of strategies to choose the right customer, build relationships of trust with them and create a growth. Therefore, for the organization to cope with the outside world of customers and competitors, it is necessary to train and motivate all staff within the organization to provide the appropriate level of service to customers. Having accurate and reliable information on customers is an essential ingredient in strategic marketing; with the aid of modern technology and appropriate software, organizations can develop a customer information file which is accessible and designed to aid decision making (MaCristina, Enrique and Ricardo, 2012).

## **1.2 Problem Statement**

SMEs comprise more than 40% of businesses globally and essentially serve as the main engine of job growth, often contributing 20-90% of employment (Kiraka, et.al, 2013). In Uganda, it is estimated that SMEs employ over 80% of the population (Nangoli, et. al, 2013), constitute up to 90 percent of the private sector, and contribute over 70% to total gross domestic product (Asiimwe, 2017, p. 1) and due to Covid 19 many smes have been affected and are not performing well at estimated and the growth is declining.

Despite different efforts that have been employed; help of the government programmes such as prosperity for all (Bonna Bagaggawale), supporting entrepreneurs through Savings and Credit Cooperative Societies (SACCOs), village saving and loan association (VSLA)s, cash rounds, getting assistance from microfinance institution like BRAC Uganda among others, enterprise Uganda support programs faith based poverty intervention, still SMES are not performing well in the sector.

The study therefore seeks to establish the contribution of marketing management on the growth of SMES in Kampala.

## **1.3 Objectives of the study**

### **1.3.1 General objective of the study**

To assess the contribution of marketing management on the growth of SMES in Kampala

### **1.3.2 Specific objectives**

- i. To find out the roles played by SMES towards Economic Development
- ii. To determine the challenges limiting the growth and development of SMES
- iii. To assess the relationship between marketing management and SMES growth

### **1.4 Research questions**

- i. What are the roles played by SMES towards Economic Development?
- ii. What are the challenges limiting the growth and development of SMES?
- iii. What are the relationship between marketing management and SMES growth?

### **1.5 Scope of the study**

#### **1.5.1 Content scope**

The study will consider and investigate the roles played by SMES towards Economic Development, **the** challenges limiting the growth and development of SMES, **and** the relationship between marketing management and SMES growth

#### **1.5.2 Geographical scope**

The study will be conducted in St. Balikuddembe Market which is located in Centre of Kampala city the capital city of Uganda which is surrounded by Kisenyi area in the south next Ham building and next Nakivubo stadium. St Balikuddembe Market shares a boundary with Nakivubo Stadium and is within working distance of the tax and bus terminals. It is in the centre of the central business of Kampala City



### **1.5.3 Time scope**

The study will be conducted with in a period of 3 months that is from the September 2024 to December, 2024.

### **1.6 Significance of the study**

1. The study will provide information to other researchers who will wish to carry out further research in the same field of marketing management and growth of small and medium enterprise in Uganda
2. Since the research findings will be submitted in partial fulfillment for the award of a bachelor's degree of science in marketing, this will help the researcher to attain his degree award.
3. The management of SMES will use the research findings to get new ideas and techniques of increasing usage of marketing management so as to enhance productivity.
4. The research findings will help the policy makers in SMES to identify the proper ways of implementing marketing management in their activities which will be applied to the organization for quality improvement and productivity.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents a review of related literature by various Researchers and Scholars over the years in relation with the marketing management and growth of SMES. Its main purpose is to examine what has been established by other Authors in this area of the study.

#### **2.1 The Role of SMES towards Economic Development**

The presence of SMEs in all sectors of the economic would signify their critical role in steering development. However, according to Fjose et al. (2010), there is very little information from literature on specific roles and contributes of SMEs toward economic growth. This could be associated by the fact that SMEs are visible in all sectors and it is difficult to single them out against a few large businesses. The problem of identifying the SMEs could also be associated on how they are defined since as seen above, their definitions vary with industry and whether they are formal or informal. However, Africa is primarily composed of informal microenterprises scattered across the continent (Benzing & Chu, 2012). It is left to individual countries or sectors to define what SMEs is, its composition and contribution. A small business in United States may be termed as big business in Kenya or South Africa.

According to Ayyagari, Beck and Demirgiic-kunt (2003), the contribution of SMEs correlates strongly with a country's Gross Domestic Product (GDP). A country with healthier and better GDP reflects great contribution of SMEs to the national economic (Harris & Gibson, 2006; Sauser, 2005). However, this relationship has not fully been identified in developing countries (Kamunge et al., 2014) although it can be derived that for struggling economies, as found in Africa, there are high level of unemployment which triggers large number of informal SMEs that may insignificantly contribute to the GDP of many economies.

It is generally agreed that SMEs contribute significantly to economic development Economic development. They are associated with discovering of new markets and exploiting them to their advantage. Similarly, they are the heart of founding new ventures and a source income and

employment for millions of Africans. This means that SMEs are central to wealth creation by stimulating demand for goods, investment and trade (GEM, 2006). Without SMEs, many African governments will experience financial and developmental constraints, all which would only worsen living standards of low income persons often served by the sector (Santrelli & Vivarelli, 2007).

Another important role played by SMEs is that of inventing and Innovation of new ideas, technology. The businesses provide room for pre-incubating, incubating and introducing and commercialising new products. In many SMEs originate and pioneer new knowledge and test it before it disseminate to large industries or macro economies. Through their entrepreneurial spirits and central locus, the business founders take the risk to identify and cease opportunities and turn them into workable and market driven products (Longenecker, William, et.al., 2012)

## **2.2 Challenges limiting the growth and development of SMES**

Much has been written and researched on SMEs success World-wide. However besides many studies on SMEs, few studies have given much attention to challenges experienced by these businesses in order to provide businesses owners and entrepreneurs with the right information and guidance to improve their businesses. SMEs operating in Africa face many challenges that deter their growth (Nikolic, et al., 2015). This is supported by Kamunge et al. (2014) and Beck, Asili, Luc and Vojislav (2006) who observed that beside their positive role to development, SMEs face many obstacles that restrict their long term survival. The rate of business failure is alarming with only a few businesses surviving a few months to one year (Kenya National Bureau of Statistics, 2007).

According to Adcorp (2014), the mortality rate of SMEs among African countries remains very high with five out of seven new businesses failing in their first year. For instance, in Uganda, one-third on new business start-ups not going beyond one year of operation while in South Africa, the failure is between 50% and 95% depending on the industry (Willemse, 2010).

A study by Yeboah (2015) also revealed that 75% of SMEs in South Africa do not become established businesses making the country to have the highest failure rate in the world. Chad has

also been named as a country with failure of 65% and one of the most difficult countries to do business due to unfavourable regulatory frameworks (World Bank, 2012).

**Access to financing:** The growth of SMEs in Africa requires adequate supply of financial capital. However, lack of finance has been termed as an impediment to such growth (Fjose et al., 2010). In fact, lack of access to finance or credit is universally recognised problem facing SMEs. In Africa, it is agreed among researchers that inability to access finances remains a major hindrance to SMEs survival and growth (Ariyo, 2004; Cook, 2001; Horn, 1998; Mambula, 2002). A survey by The Enterprise Surveys of the World Bank in a period of ten years and covering over 100 countries found that access to finance as the most important constraint hindering operations and growth of SMEs compared to other parts of the world where the problem was moderate (Beck & Cull, 2014). The study found that Africa's financial systems are not only small, shallow and costly, but they have very limited outreach thereby only reaching a small percentage of the total population. This forces many SMEs to do their own self-financing or depends on colleagues and friends to provide capital for their businesses. For instance, Inegbenebor (2006) study found that only 10% of Nigerian SMEs borrowed finances from banks while another study by Umoh (2001) had discovered that 61% of SMEs owners got their financing from friends and other informal settings rather than financial institutions or government. SMEs owners find it very difficult to access finance from financial institutions due their high comparative interest rates, demand for collateral and loan guarantees (Shah et al. 2013).

**Electricity supply:** Power supply is central of SMEs operating and cost efficiency. Lack of electricity or adequate power supply means that the businesses cannot operate in full capacity or it is very expensive to operate (Fjose et al., 2010; Hatega, 2007). A study by World Bank Enterprise Survey (2010) ranked problem of electricity as the most important (25%) hindrance facing African SMEs followed by access to capital which was cited by 18% of respondents. Compared to other world regions, Africa is the only continent where electricity still remains a major hindrance to business growth (Fjose et al., 2010).

**Poor management:** A major challenge facing businesses from different parts of the world is poor management. This arises from the fact that most SMEs operators or their managers lack managerial expertise. Since many business owners lack appropriate training and experience to

operate their businesses, their management style is basically on trial and error and driven by performance and short-term gains with little attention paid to strategic planning (Hill, 1987). It is notable that some entrepreneurs have workable ideas and are competent in their specific fields but lack any managerial skills or knowledge of how to run a business (Brink, Cant & Lightelm, 2003). The consequence has been poor management and performance of SMEs. The problem of poor management has dominated both developed and developing countries. As early as 1930s, the problem of poor management was noted as a major cause of business failure in the US and a major cause of retail bankruptcies (Cover, 1933).

Competency and capability: A major challenge facing many SMEs is their lack of managerial competency. This denotes business owner and managers' knowledge, skills and experience. Competency is developed from a managerial ability to combine both tangible and intangible resources to develop capabilities which upon excelling results to competencies (Muriithi, 2015). Hewitt and Wield (1992) goes beyond managerial competency and argues that the importance of human resource capabilities cannot be emphasised enough. SMEs with appropriate skills and educated workforce perform efficiently. The argument is further supported by Lee (2001) who observed that businesses with well-developed human resource capacities are the most successful. Such businesses also realise positive growth resulting from skilled and motivated employees, and eventually resulting to high productivity and long-term existence and sustainability of the businesses.

Negative perception: Another challenge facing SMEs is a negative perception from potential customers. The businesses are perceived to be unable to provide required quality products and services compared to large businesses (Amyx, 2005). It is notable that SMEs large recognition in the market place and often loss binds to competition with well know names and reputation (Bowen et al., 2009). To change the negative perception, SMEs must work very hard to excel in their services and product quality. They must also have well elaborated strategies to enable them stand the pressure from existing competitions and win loyal customers.

Access to reliable information: Another challenge faced by SMEs in Africa is lack of adequate business information from both governments and service providers. The problem arises from poor information environment resulting from underdeveloped technological and communication

infrastructures and inadequate business support systems (Kamunge et al., 2014; Oshikoya & Hussain, 2007).

Government support: The role of the government in facilitating and supporting SMEs remain critical worldwide. It is the government that creates the right or undesirable environment for businesses growth. When the government pays little attention to SMEs sector, then, the sectors is prone to suffer leading to many businesses being unable to survive. A government that does not support SMEs does not only hurt the sector but experiences negative growth in its economic development. The environment created by the government in terms of wages framework, taxation, licencing, opportunities, technological support and infrastructure pave the road to success or failure for the SMEs

Other challenges facing SMEs in Africa include: political instability, labour issues due to lack of established legal frameworks, lack of coordination, ethnic violence destructions and lack of qualified personnel (Bowen et al., 2009; Katua, 2014). Corruption is also cited as a major interference to smooth SMEs operations. In fact a World Bank report (2005) stated that 70 % of SMEs lamented that corruption is a major hindrance to their operations. Usually SMEs lack the capacity to cope with uncertainty and associated with upheavals that may results from conflict and political crisis and informal requirements like corruption making thereby subjecting them to major risks of failure.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter explains details of how the study will be conducted. It presents the research design, study population, sampling procedures and sample size, data collection methods and instruments, data analysis and processing, and the limitations of the study.

#### **3.1 Research Design**

Creswell (2003) defines a research design as the scheme, outline or plan that will be used to generate answers to research problems. The study will therefore use descriptive research design when collecting data and information from the respondents because it will help to describe the characteristics of population, the study will also adopt a correlation research design which is defined as the type of non-experimental research where the researcher will employ the data derived from pre-existing variables, this will be used since the study involves to investigate the relationship between marketing management and growth of SMEs (Simon & Jim Goes, 2011).

#### **3.2 Study Population**

A population is a complete set of individuals, cases or objects sharing some common characteristics from which a study sample is taken for the purpose of data collection (Mugenda, 1999). In this research, the total population of the study will comprise of vendors of St. Balikudembe Market Stalls and Lockup Shops Owners Association, working in over 1000 small businesses in market.

#### **3.3 Sample Size**

According to Morgan and Krejcie (1970), the study will use a total sample of 50 respondents that will be selected from vendors of St. Balikudembe Market from the association (Balikudembe Market Stalls and Lockup Shops Owners Association).

### **3.4 Sampling Technique**

According to Matthew (2012), sampling is the process of selecting a number of people or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group. Stratified random sampling method is defined as a method of sampling that involves the division of the population into smaller sub groups known as strata, it will be used to obtain appropriate data for the research, respondents was grouped into strata that will be later randomly selected to get sample size; this will ensure that each and every member of the population under consideration has an equal chance of being selected. The method rules out bias, simple to use, cheap and flexible to the researcher and does not have bias. The study will also use simple random sampling.

### **3.5 Data sources**

Data was got from both primary and secondary sources.

#### **Primary Data**

According to Drew (1980) Primary data is defined as information collected by researcher specifically for research assignment. Primary data will involve direct extraction of information from the respondents using self-administered questionnaires.

#### **Secondary Data**

According to Oschman (2009) Secondary data is defined as data collected by a party not related to the research study that collected these data for some other purpose and at different time in the past, Secondary data will be collected from journals, text books, management reports, previous dissertations and internet. These sources will help derive meaningful interpretation of findings.

### **3.6 Data Collection Instruments**

**Self-Administered Questionnaires;** A questionnaire is a research instrument consisting of a series of questions and other prompts for gathering information from respondents Abuja (2001). This technique will help to collect primary data through setting a number of questions, which give to a cross section of respondents. The questions will be open ended and closed ended



questions with the questionnaire mainly based on predetermined and standardized questions. Self-administered questionnaires will be used by the researcher because they are cheap to distribute and process. They will be more flexible and help to save time.

### **Interview Guide;**

According to Boyce (2006) this is the type of method where the researcher asks questions face to face the respondents. This method will be used to find information necessary information from the group more quickly just to allow individual self-expression. Interviews will be conducted on those respondents who will be busy attending to their customers, the researcher asked them questions while transacting their businesses.

### **3.8 Data processing, presentation and analysis**

#### **Data processing**

Data processing will include coding and editing all the responses collected from the field which will be edited with the view of completeness and accuracy to ensure that data is accurate and consistent. Coding will be done after editing which will be done manually and by the use of computer through word processing and Excel.

#### **Data Analysis**

According to Bailey (1994) data analysis is generally used to show how significant the data collected will be analyzed using different tables. The researcher will use qualitative methods by summarizing the responses from the key information into tables, percentages and others with the help of Microsoft excel spread sheets and SPSS (Special package for social scientists), the Microsoft excel sheet enable the researcher to derive table and charts whereas SPSS might specifically be used for data analysis.

Editing will be done by checking in the questionnaires to eliminate errors and detect omissions to all the questionnaires the researcher will focus on the information in the frequency tables to analyze and interpret the data.

collected and information.

### **3.10. Ethical Considerations**

The researcher will attain an introductory letter from the institute to be used for accessing different targeted respondents.

The researcher will also obtain informed consent of the respondents on the arrival at the data collection sites.

The researcher will observe and respect the privacy, confidentiality and anonymity of all the participants and respondents in this study.

### **3.11 Anticipated Limitation of the study**

- i. Disease Outbreak (Corona Virus); The study might be blocked by the Pandemic of Corona Virus (Covid 19) since it is risky to interact with people during this Corona Period which might lead to delay and postponement of respondent's appointment. But the researcher will use mask and sanitizers when approaching respondents and make sure social distance is maintained.
- ii. A lot of money might be required in this study. This will involve buying data for internet, photocopying of articles, making phone calls, word processing, binding, transport. These will increase the cost of the study. But the researcher plans to solicit for funding from the Guardians, friends, and in-laws
- iii. There might be a threat of time limit and deadlines that need attention considering the fact that the study will be carried out alongside other activities like course works, lectures and tests as well. But the researcher will follow a time frame designed for the study in order to complete in time.

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