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Financial Innovation for Survival among Micro-Enterprises with Declining Profit Margins

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Abstract

Micro enterprises are faced with the daunting task of having to survive after being established by individuals who may know little or nothing about planning in a formal way. These firms face challenges due to the limited planning knowledge and the pressure for quick profitability by those who establish them. This paper explores how financial innovation affects survival of micro-enterprises within an intensively competitive environment and declining profit margins. A case study approach was initially used focusing on five micro-enterprises within Kampala City selected from the five divisions of the City. However, after analyzing the collected data, a cross-sectional design was found appropriate and accordingly adopted. Key findings reveal that micro-enterprises succeed through product variation, efficient supply chain management, competitive pricing for standard products, and premium pricing for nonstandard products. These strategies enable them to stay relevant and profitable amidst intense competition and declining profit margins. The findings from the study indicate that there is a significant relationship between product innovation, cost saving innovation and survival of micro enterprises. However, it is only product innovation that has a significant effect on micro enterprise survival. Qualitative results of the study also indicate that micro enterprises operate within a largely unregulated environment. The results of the study have significant value to practitioners especially the policy makers who should take an interest in generating policies that support the survival of micro enterprises, given the critical contribution they make to the economy.

Keywords

Micro-Enterprises, Innovation, Business Survival, Street Food, Uganda

1. Introduction

Business survival is that the centre of the success of any organisation in a competitive environment. For firms to survive, Innovation has been fronted as a critical component to bolter up the competitiveness of businesses (Asheim et al., 2011). According to Le et al. (2023), innovation greatly contributes to the sustenance of competitive advantage among innovative firms. Indeed, Cheng et al. (2013) argued that among many drivers that affect Small and Medium Enterprises' (SME) performance, innovation is considered as the most important driver. The relationship between innovation and performance of a firm has been the subject of a number of studies with researchers such as Alam and Adeyinka (2021) establishing that innovation has a positive relationship with performance. The authors also concluded that the relationship between performance and innovation is reversible and not unidirectional. This implies that performance is influenced by innovation and vice versa. It is still important to note that some scholars have reached conclusions that are contradictory to those reached by Alam and Adeyinka (2021). Researchers such as Saliba de Oliveira et al. (2018) and Santos et al. (2014) indicated that innovation efforts do not significantly explain firm performance. Even with the abundant existing literature about innovation and firm performance that is readily available, the major focus of the previous studies has been around either large or SMEs with very limited attention being paid to micro enterprises that tend to form the bulk of firms at the base of the business pyramid. This study intends to close that gap by focusing on financial innovation that is conceptualised as product, pricing and cost innovation and how it affects not just performance but survival of such firms.

Micro enterprises have been defined in various ways by different countries, regions, and authors, with a number of definitions being embedded in the understanding of Micro, Small, and Medium enterprises. Regardless of how they are described or looked at, there is no doubt that micro-enterprises are, a dominant force and a major source of livelihood for a large section of society, especially in developing countries where there are high rates of unemployment and informality in business (Hassan & Ahmad, 2016; Endris & Kassegn, 2022). The firms that operate at the micro-enterprise level are largely owner-managed with negligible attention from the Government apparatus in terms of public service delivery as well as collecting taxes. The main reason is that, most micro-enterprises tend to operate informally. One can therefore argue that micro enterprises are largely unregulated and operate in an environment where it is survival for the fittest with no clear rules on the nature of competition amongst themselves. When you combine the unregulated environment within which these micro-enterprises operate together with a host of other attributes such as the inadequate capacity of the owners to manage them effectively, lack of support from Government agencies, and the low financial capacity of such enterprises (Turyahikayo, 2015), the numerous challenges faced by these entities bring to mind the question of how they manage to survive and make such an

enormous contribution to the economies of the countries where they are located.

Overall a number of studies that link innovation and performance of firms have concentrated on general and SMEs (Rosli & Sidek, 2013; Xayavong et al., 2016; Saliba de Oliveira et al., 2018; Calza et al., 2019; Lee et al., 2015; Na & Kang, 2019; Adam & Alarifi, 2021; Alam & Adeyinka, 2021), there is limited literature in the context of micro enterprises operating under declining profit margins. In this paper, the focus is to enrich the existing literature in the field of financial innovation and how it influences the survival of firms in the micro enterprise segment with special attention on street food stalls.

The remainder of this paper is as follows: Section two reviews literature starting with the theoretical literature before embarking on the conceptual literature on the Micro, Small and Medium enterprises, followed by innovation in its variations as conceptualised and its relationship with survival of micro enterprises. This is then followed by a brief on the methodology used under section three before the presentation of the results including the qualitative aspects in section four. Section five presents the implication of the study to research and practice. Section six and seven present the conclusions and areas for future research respectively.

2. Literature/Theoretical Underpinning

2.1. Theoretical Literature Review

This study was anchored on the Resource-Based View (RBV) theory. The theory posits that the unique resources and capabilities of a firm are critical to achieving and sustaining competitive advantage and, consequently, firm survival and success. This theory focuses on the internal resources of the firm, categorizing them as valuable, rare, inimitable, and non-substitutable as presented by Barney (1991). The RBV theory can be interpreted to imply that firms will reach sustainable competitive advantage if they have valuable, unique and rare resources, that are not easy to imitate by other competing firms. Accordingly, Barney (1991) argues that resources that are valuable, rare, inimitable and non-substitutable make it possible for businesses to develop and maintain competitive advantages towards superior performance.

In line with this study, resources are valuable if they provide strategic value to the firm by allowing the exploitation of market opportunities or reduction of market threats. This points to the ingenuity and creativity that innovation presents. The rare aspect of the resources points toward the difficulty to find similar minds among the existing and potential competitors of the firm. Under inimitability, making copies or imitating the resources is not feasible. Lastly, non-substitutability of resources implies that resources can't be substituted by alternative resources. Meaning that a competitor may not achieve the same performance by replacing resources with other alternative resources. In the context of the study, the main resources that the micro enterprises possess are the human resources as

a basis for innovation in terms of product, pricing and cost saving innovations.

For clear contextualization, there is a need to review existing literature about the micro enterprises and the environment within which they operate.

2.2. Micro, Small, and Medium Enterprises

Micro-enterprises are readily available in abundance wherever you go regardless of the country you are in. However, trying to prove the existence of the readily abundant micro-enterprises technically is a challenge due to the numerous ways of defining them. Defining micro-enterprises globally is a daunting task with many definitions being context-specific and quite a number of others hiding behind the common phrases used, Small and Medium Enterprises (SMEs) or Micro, Small and Medium Enterprises (MSMEs). It is for the above reason that in presenting the background to this study, the understanding is from the bigger picture of SMEs and MSMEs before zeroing down to the available definitions of micro-enterprises.

Micro, Small, and Medium Enterprises (MSMEs) have been defined in different ways from one region and country to another. What can be noticed clearly is that most definitions are based on factors such as the number of employees, annual turnover, and asset values (Kayanula & Quartey, 2000; Dalberg, 2011). According to Storey (1994), there is a danger that using size to define the status of a firm may lead to all firms in one sector being classified as micro or small while in others, there would be none qualifying as a micro or small firm.

In the African context, the African Development Bank (AfDB) defines MSMEs as enterprises with not more than 50 employees (Gibson & Van der Vaart, 2008). According to Nkonge (2013), in Kenya, micro, small and medium enterprises or small and medium-sized enterprises are companies whose personnel numbers, working capital and assets, and annual turnover fall below certain limits. He asserts that SMEs in Kenya are based on employment size; with micro-enterprises having no more than 10 employees, a small enterprise is defined as having between 11-50 employees and a medium enterprise with more than 50 employees.

In Uganda, just like other jurisdictions, there seems to be no widely accepted definition of MSMEs. According to the Ministry of Trade, Industry and Cooperatives (MTIC, 2015), MSMEs are defined as all types of enterprises irrespective of their legal form (such as family enterprises, sole proprietorships or cooperatives) or whether they are formal or informal enterprises. The same policy above cites the Uganda Bureau of Statistics' categorisation of enterprises based on the fulfilment of any two criteria of the three available; the number of employees, capital investment and annual sales turnover. According to the Uganda Bureau of Statistics (UBOS, 2011), micro-enterprises are those employing not more than 5 individuals and have a total asset base not exceeding UGX 10 Million, small enterprises employ between 5 and 49 employees and have an asset base of between UGX 10 million and UGX 100 million leaving the last category of medium

enterprises to cover those enterprises with 50 and above employees and an asset base of between UGX100 Million and UGX 360 Million.

Using the literature regarding the numerous definitions of MSMEs, one can conclude that MSMEs are generally independent firms operating with a relatively small asset base, individually with negligible market share, employing a relatively small number of workers and in some cases managed by the owners. However, reviewing the definitions of MSMEs presents a number of challenges and these can closely be looked at when each variable in the definition is isolated and analysed on its own.

The use of number of employees presupposes that the number of employees in an organisation is directly related to the actual economic size of the organisation. This may not be the case given the differences in the firms within different sectors with some being labour intensive while others are capital intensive. On the positive side, the number of employees may directly contribute to economic growth through the earnings of such employees. However, with the current technological advancement where robots are replacing humans, it may become a challenge to use this parameter to define MSMEs unless there is a continuous review of the same.

The use of assets as a basis for classifying MSMEs presents similar challenges to the use of employees where organisations are in different sectors with different levels of capital intensiveness. Additionally, the definition of capital may be ambiguous especially as economies advance with tangible and intangible assets causing confusion. Furthermore, in countries with high levels of inflation, the asset values may vary greatly within the same period leading to one firm belonging to two different categories within the same period.

The use of annual revenue which seems more realistic than the first two measures may also be faced with the challenge of inflation highlighted above and as such in two different periods, a firm may oscillate between micro, small and medium categories as turnover increases and/or reduces.

2.3. Micro Enterprises' Operating Environment in Uganda

Even when micro-enterprises are delineated from the broader categorisation of MSMEs that are said to contribute as much as 60% of the average employment opportunities globally (Ayyagari et al., 2005), they still contribute greatly to any economy. In Uganda, this can be evidenced by the Uganda Micro, Small and Medium Enterprise (MSME) policy developed by the Government of Uganda (Ministry of Trade, Industry and Cooperatives [MATIC], 2015). The policy highlights measures that are intended to support these firms while also acknowledging the weaknesses and threats to the enterprises especially the uncoordinated structure of the MSME sector. Indeed, the micro-enterprises operating in the country, operate within a largely uncoordinated sector with minimal to total lack of regulations governing their operations. The foregoing can be evidenced by the lack of statistics regarding the micro-enterprises in the country

which is largely explained by the informal nature of such enterprises and the opaqueness within the entire sector.

According to UBOS (2019), Uganda's labour force was estimated at over 16 million by August 2019. The same report indicated that the employment to population ratio was estimated at 51% which signals that just over half of the total population was in a form of employment. According to this report, the majority of the youths (94%) are employed in the informal sector including micro-enterprises. Given that the youths (18 - 30 years) form the biggest proportion of the productive population in Uganda, micro-enterprises employ millions of Uganda's labour force (Fiala, 2016). Generally, micro-enterprises in Uganda are diverse and inclusive of firms ranging from Agricultural production and its entire value chain, manufacturing and related craftsmen or artisans all the way to service-oriented enterprises such as the street food stalls.

2.4. Street Food Stalls as Micro-Enterprises

Street foods are ready to eat foods prepared and or sold by vendors on the street from pushcarts, buckets, balance poles, stalls, or shops with less than four permanent walls (FAO & WHO, 2005). The street food stalls are one of the most common micro-enterprises in the urban areas of Uganda. These stalls are usually manned by young men in some cases assisted by young women who serve other dishes in the same vicinity. These street food stalls provide employment to a reasonable number of youths in middle and low-income urban residential areas. The majority of these stalls are operated informally by the owners or individuals employed by the owners who in most cases are related to the owners. A close observation of the urban areas indicates that there are many such stalls within close proximity of each other without any legal restriction on the distance between stalls. A number of such micro-enterprises exist and survive in close proximity to each other under perfect competition in the form of a standard price for the product being sold as well as the cost of production. The survival and prosperity of these micro enterprises is a marvel under the operating environment with many of them selling the same products at the same prices over an extended period of time despite the increasing competition and cost of production. Generally, with the increasing level of competition among these enterprises coupled with static prices charged for the products they sell, causes one to wonder how they manage to survive in business.

2.5. Product Innovation and Survival of Micro-Enterprises

Innovation has been promoted as the introduction of new or improved processes, products or services based on new scientific or technology knowledge and/or organizational know-how (OECD, 2015). In their study that related innovation and firm performance, Na and Kang (2019) indicated that product innovation can either be radical or incremental, where radical product innovation leads to the creation of a completely new product while incremental innovation refers to

improvement of an existing product. Padilha and Gomes (2016) asserted that innovation improves products and processes within SMEs.

According to OECD/Eurostat (2018), innovation is characterized by a significant difference in a product, process or a combination of both, new or improved consumer yield and value. With product innovation, firms can effectively combine existing resources to create or manufacture new goods or services, new processes, means of distribution, new marketing techniques, and new Organisational or managerial structures (Rebound, 2008). Indeed Fu et al. (2018), state that a product or service that is new to a firm is an innovation even if it already exists in the market. The position adopted by Fu et al. (2018) agrees with a number of other authors such as Guiné et al. (2020) and Liu et al. (2022), where the authors referred to either creation of new products and services or improvement of existing products and services. According to Gunday et al. (2011), product innovation is an essential component of competitiveness, embedded in the organizational structure, processes, products, operations, and services within a firm.

In another study by Na and Kang (2019), the researchers related product and process innovation and performance in manufacturing firms in Southeast Asian Emerging Markets. The results indicated that product innovation is positively associated with performance measured in the form of sales growth. The foregoing conclusion agreed with the earlier findings of Rosli and Sidek (2013), who also reached a conclusion that for SMEs in the food and beverages, textiles and clothing and wood-based subindustry in Malaysia, product and process innovation significantly increase firm performance. In another study within Asia, Wadho and Chaudhry (2018), results indicating that product innovation improved labour productivity in Pakistan were obtained. It is however interesting to note that in a study with a title "effect of innovation on firm performance of supporting industries in Hanoi", researchers concluded that Product Innovation had no statistical influence on performance (Tuan et al., 2016).

The above available literature makes it clear that even if there are strong arguments in favour of the notion that product innovation affects performance, there is no direct connection of the same to business survival, let alone in the micro enterprise sphere. This study intends to enhance the existing body of knowledge by contributing to this particular gap. This forms the basis of the first hypothesis of the study, stated as follows:

H_1: *Product Innovation has a statistically significant effect on the survival micro enterprises.*

2.6. Pricing Innovation and Survival of Micro-Enterprises

Pricing is a critical component of the business strategies that support economic activities toward strategic positioning and achievement of business goals (Caregnato et al., 2014). Pricing Innovation therefore presents one of the major challenges to the survival and prosperity of any firm (Hinterhuber & Liozu,

2014; Shi et al., 2015). According to Simons et al. (2018), pricing helps a firm in differentiating itself from other competing firms and is a major determinant of the firm's profitability. A number of scholars have in different ways reached the conclusion that an appropriate pricing strategy must be based on a clear understanding of the customer's perception of pricing in order to develop customer perceived value and set appropriate prices that build competitive advantage (Mattos et al., 2021; De Toni et al., 2017). The customer perceived value that should be reflected in the price of a commodity must be supported by innovation so that the customers can perceive a difference between the product on offer and others offered by other suppliers. Hence the innovative component in pricing derives the perceived value pricing acceptable to the customers (Ingenbleek et al., 2010).

In their study, Hinterhuber and Liozu (2014), the authors concluded that pricing is fundamental in improving financial performance, which in the end supports Organisational survival. This is also supported by a study carried out by Füreder et al. (2014), who studied value-based pricing and reached a conclusion that the long-term success of a firm is based on the right approach to determining the price of its products. In an earlier study by Bregman (1995), the author argued that customers will opt for goods whose prices are lower but of the same or even better quality. This makes it imperative that with firms operating under intensive competition, their survival will greatly depend on the level of pricing innovation that suits the clients they serve. This agrees with the recommendations of Deshpande (2018), to the effect that setting an appropriate price may help the firm maintain their existence and doing the reverse may lead to loss of customers and hence face challenges of long-term survival. Despite the limited existing literature on pricing innovation and survival of micro enterprises pointing towards a clear research gap, the scanty available literature about the same, supports the idea that pricing innovation is an important consideration in determining the long-term survival of such firms. It is on this basis that the study conceptualised the hypothesis stated as follows:

H_2: *Pricing Innovation significantly affects the survival of Micro enterprises*

2.7. Cost Saving Innovation and Survival of Micro-Enterprises

In an environment where firms operate under intensive competition, they must actively search for innovative cost saving strategies due to the limited options for outcompeting other firms. According to Tuncel et al. (2005), without appropriate cost saving innovations, a firm cannot be competitive in any given market segment. Indeed Smith et al. (2001) argue that for such firms to survive and prosper, they must battle one another through competitive actions that enhance their relative competitive position. In a study on global sourcing for cost saving and innovation, Lin (2020), emphasized that innovative cost saving strategies through global sourcing can enhance a firm's competitive advantage and long-term sustainability. According to Coucke and Sleuwaegen (2008), cost saving innovations

have a significant effect on the long-term sustainability of a firm in the context of global sourcing. The authors indicate that this is largely realized through labour arbitrage, economies of scale and upfront investments. In their study on implementation of strategic cost management in manufacturing companies, Rounaghi et al. (2021), indicated that cost management is an important part of business management for sustainability. The authors argue that managing cost which by implications means cost saving innovations, is a key consideration in determining the performance of managers and their rewards. This in tandem influences their behaviour in situation regarding cost changes and how these relate with activity levels within a firm. Hesping (2017), in a study on tactics for cost reduction and innovation, provides insights into various cost reduction strategies and their impact on firm performance. It underscores the importance of cost management and innovation in maintaining the survival and growth of firms. Other studies such as Damanpour et al. (2009) and Boer and During (2001), also established a relationship between cost saving innovation and performance of a firm through reduced delivery time, increased operational flexibility and reduced cost of production.

The concept of cost saving innovation has also been studied in different forms including cost reduction as an equivalent concept. Askenazy et al. (2013), indicated that cost reduction allows firms to manage their resources in a dynamic way, thereby increasing their capacity to overcome crises. Much as cost saving innovation is desirable, it is important to note that it may be to the detriment of research and development activities (Klingenberg et al., 2013). Even if the foregoing may not be critical to a micro enterprise in its operating environment, it is important to take note of the same since it may actually limit product innovation over time. The above literature review helps in proposing the hypothesis stated as;

H_3: *Cost saving Innovation significantly affects the survival of Micro enterprises*

3. Methodology

Initially, the study was planned to adopt a case study design targeting five respondents. The purpose was to extract detailed case-based information about the operations of Micro enterprises operating street food stalls in the year 2022. Upon assessing the data obtained from the five cases, it was observed that it was not sufficient to provide a detailed analysis due to the nature of respondents that were targeted. The study then adopted a cross-sectional design using mixed methods in a sequential approach of QUAL QUAN (starting with a qualitative approach followed by a quantitative approach (Johnson and Onwuegbuzie, 2004). The study used a snow ball approach starting with the five cases earlier used to elicit data from the targeted respondents using interview and observation methods. The sufficiency of the number of respondents is supported by a number of scholars (Creswell, 1998; Bernard, 2013; Guest et al., 2006), who ar-

gue for a number of respondents ranging from 5 to 30 as appropriate for the interview method, basis of the extended study. The interview method was initially preferred due to the exploratory approach used to gain a level of understanding of the enterprises understudy and the limited clarity on the total population of the potential respondents caused by limited data as a result of the inadequate regulation of these firms. The use of the method was also motivated by the scanty information available on the operations of these micro-enterprises. The Interview method was employed at the same time as the observation method using an observation checklist to facilitate the process. All the methods used focused on the level of financial innovation that was conceptualised under the dimensions; Product, pricing and cost saving innovations. The constructs for the level of financial innovation were measured on a Likert scale ranging from Very low to Very high. The focus on business survival was based on the indicators of survival including, firm age, growth and firm size. All these constructs were measured on a scale as continuous variables. The study used ordinary least squares (OLS) regression to assess the effect of the independent variable constructs on the dependent variable due to the nature of these variables (Pohlmann & Leitner, 2003). The findings obtained from these enterprises are presented and discussed in the section that follows.

4. Results and Discussion

A total of 42 (forty-two) interviews were conducted across the five divisions of Kampala City with a target of at least eight (8) interviews per division. Of these, the most informative 30 (thirty) interviews (6 per division) were selected for further analysis. This was undertaken with the view of ensuring equal representation of the administrative areas within the city, which are five in number.

4.1. Basic Information about the Respondents/Enterprises

There was an equal representation of enterprises across all the divisions of Kampala City and unfortunately, all respondents were males even if through observations, there were a number of cases where the respondents were being supported by a lady in their operations. Table 1 below shows the basic facts about the respondents/enterprises.

From the above table, the majority of the enterprises (76.7%) where owner operated with 80% of them employing no more than 3 workers. Up to 40% of the enterprises had only existed for two years or a shorter period and the majority of the firms (73.3%) estimated the value of their total assets (including working capital) at less than UGX 6 m.

4.2. Reliability of Items

Before undertaking a detailed analysis, the internal consistency reliability of the items was tested using Cronbach's alpha test and the results are as summarised

Table 1. Basic data about the enterprises.

Dimension	Frequency	Percentage	Cumulative
Employment status of the respondent			
Owner	23	76.7%	76.7%
Employee	7	23.3%	100%
Number of workers			
1 worker	5	16.7%	16.7%
2 workers	14	46.7%	63.3%
3 workers	5	16.7%	80%
4 workers	4	13.3%	93.3%
5 workers	2	6.7%	100%
Years in Business			
1 year	6	20%	20%
2 years	6	20%	40%
3 years	1	3.3%	43.3%
4 years	2	6.7%	50%
5 years	1	3.3%	53.3%
6 years	1	3.3%	56.7%
7 years	4	13.3%	70%
8 years	1	3.3%	73.3%
9 years	1	3.3%	76.7%
10 years	1	3.3%	80%
11 years	1	3.3%	83.3%
12 years	2	6.7%	90%
13 years	1	3.3%	93.3%
20 years	2	6.7%	100%
Net Assets value			
Less than UGX 2 m	8	26.7%	26.7%
Above UGX 2 m but less than UGX 4 m	8	26.7%	53.3%
Above UGX 4 m but less than UGX 6 m	6	20%	73.3%
Above UGX 6 m but less than UGX 8 m	6	20%	93.3%
Above UGX 8 m but less than UGX 10 m	2	6.7%	100

Source: Primary data.

in Table 2 below.

Table 2. Cronbach's Reliability test results

Variable	Item (s)	Cronbach's alpha		Excluded Item (s)
		Value	Items	
Survival	Sur1, Sur2, Sur4, Sur5	0.962	4	Sur3
Product Innovation	Inn1, Inn2, Inn3, Inn4	0.918	4	-
Pricing Innovation	Pri1, Pri2, Pri3, Pri4	0.962	4	Pri5
Cost Innovation	Cos1, Cos2, Cos3, Cos4	0.922	4	-

Source: Primary Data.

From the above table, all factor loadings that returned a Cronbach alpha value within the acceptable range of 0.8 to 1 (Bonett & Wright, 2014) were used in the detailed analysis.

4.3. Product Innovations, Pricing Innovation, Cost Innovation and Survival of Micro Enterprises

Before testing the effect of product, pricing and cost saving innovations on the survival of micro-enterprises under the study, a correlation analysis was undertaken. This was meant to assist in understanding the relationship between the study variables and test for their statistical significance. The output table and interpretation are indicated in Table 3 below.

Table 3. Relationship between variables.

Correlations					
			Innovation		
		Survival	Product	Pricing	Cost Saving
Survival	Pearson Correlation	1			
	Sig. (2-tailed)				
Product Innovation	Pearson Correlation	0.844**	1		
	Sig. (2-tailed)	0.000			
Pricing innovation	Pearson Correlation	0.071	−0.093	1	
	Sig. (2-tailed)	0.710	0.623		
Cost Saving Innovation	Pearson Correlation	0.669**	0.751**	−0.203	1
	Sig. (2-tailed)	0.000	0.000	0.283	

**. Correlation is significant at the 0.01 level (2-tailed). Source: Primary data.

From the above table, there is a statistically significant positive relationship between the survival of a micro-enterprise and product Innovation indicated by

the Pearson correlation coefficient of 0.844. Similarly, there is a statistically significant positive relationship between the cost saving innovation by the micro-enterprise and its survival indicated by a Pearson correlation coefficient of 0.669. However, the relationship between the survival of a micro-enterprise and its pricing innovation is not statistically significant.

4.4. Effect Analysis of the Variables

In order to establish the cause and effect link between the variables, a regression analysis was conducted and the results are indicated in Table 4 below.

Table 4. Regression model summary.

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.861[a]	0.742	0.712	2.879	1.810

[a]Predictors: (Constant), Product, Pricing, Cost Saving; [b]Dependent Variable: Survival.

Table 5. Regression Result.

Coefficients[a]							
	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	−6.488	2.237		−2.900	0.007		
Product Innovation	1.273	0.254	0.760	5.012	0.000	0.432	2.313
Pricing Innovation	0.004	0.002	0.169	1.652	0.111	0.951	1.052
Cost Saving	0.336	0.389	0.133	0.863	0.396	0.418	2.391

[a]Dependent Variable: Survival.

Table 4 above, the predictor variables of product, pricing and cost saving innovations when regressed on survival of the micro-enterprises, results indicated that these explained up to 0.712 to every unit positive change in the survival. However, looking at the regression coefficients in Table 5, it is only one predictor variable (product innovation) that has such a contribution to the dependent variable since the other two were excluded because their contributions were not statistically significant despite passing the collinearity test as indicated by the tolerance scores. The results indicated that H_1 is accepted while H_2 and H_3 are not supported. The above findings are in line with previous studies such as Lee et al. (2015), as well as Tobiassen and Pettersen (2018), who indicated that with the limited resources at the disposal of SMEs, improvement of existing products is a better choice for survival because it cost less while allowing the firms to quickly realise gains, enhance competitiveness and performance. The arguments are based on the reasons that

improvement of existing products cost less and, at the same time, allows firms to quickly realize the gains from the improved products (Tobiassen & Pettersen, 2018), enhancing SMEs' competitiveness and performance.

4.5. Other Considerations for the Survival of Micro-Enterprises

Other interview and observation results indicate that the most relevant form of financial innovation for survival of the micro enterprises studied, lay in their product innovation and creativity levels. Majority of the enterprises operated under intensive competition which to them was largely defined by the ability of the nearest competing firm being able to clearly observe what they were doing. This was elaborated on as "b*eing able to observe the ingredients being used*", "*Being in the position to count one's customers*", and "*Being able to establish the amount paid by a customer*", among other similar phrases. The ability of the micro-enterprise to come up with innovative products was closely linked to its ability to charge a premium price to the customer.

In terms of pricing innovation, the basic or known products being dealt in, and the standard prices are largely driven by the location of the enterprise and to some extent the number of competitors within the area of operation.

On the cost saving innovation, almost all the micro-enterprises in the study had the same cost control measures including; *buying inputs in bulk*, *sourcing for inputs on credit and paying after selling the products* as well as *operating a loose understanding between suppliers of inputs and even competitors* who would close the gap where the micro-enterprise lacked the products required by the customer at the specific time of demand.

4.6. Challenges to the Survival of Micro-Enterprises

A number of challenges affecting survival were cited by the micro-enterprises in the study and the major ones repeatedly cited include;

- Low levels of trust among clients with some ordering for products and services that they lack the capacity to pay for.
- Inadequate demand from the market, leading to goods perishing before they are consumed on specific days.
- Increasing prices of inputs, coupled with limited room to increase prices for the output.
- Stiff competition among the micro-enterprises leads to declining business over time.
- The weather condition is unfavorable given the operating environment for the micro enterprises.
- The drive by the city authority to create a smart city has continuously displaced them from areas that have the potential for demand to less attractive areas.

5. Implication to Research and Practice

The implications for both research and practice are multifaceted and the key

ones are summarized based on the findings presented:

5.1. Research Implications

- The statistically significant effect of product innovation on micro-enterprise survival suggests that more research should be directed towards understanding how product innovation impacts different aspects of micro-enterprises. Researchers could delve into the specific types of product innovations that contribute most significantly to survival and explore the mechanisms through which innovation fosters resilience and growth in combination with the findings of Radas and Božić (2009). Radas and Božić (2009) in their study pose a similar question on how product innovation affects cashflows, profitability and long-term sustainability of firms. This may also help to break the barriers to product innovation cited by Freel (2000) through the provision of incentives towards innovation.
- While the effect of cost innovation on micro-enterprise survival is not statistically significant, additional research could delve into the specific cost factors that play the most critical roles. Understanding which cost measures are most impactful on survival could aid in developing targeted strategies for micro-enterprises. This may help to lower the high vulnerability faced by such firms as indicated by Beck et al. (2005) that are associated with cost high cost operation by these firms.
- Despite the lack of statistical significance, in the association of pricing innovation and micro-enterprise survival still warrants investigation. Further research could explore nuanced aspects of pricing strategies or contextual factors that may influence survival outcomes, thus providing a more comprehensive understanding of the dynamics at play. This is in line with the contribution of Ingenbleek and Van der Lans (2013), whose paper linked pricing strategies and pricing setting but with no clear understanding of how micro enterprises effectively implement differentiated prices in an innovative way. A review of the different pricing innovation similar to those suggested by Hinterhuber and Liozu (2014), may also facilitate a more critical analysis of how different facets of pricing innovation may influence the survival of micro enterprises in the long run.

5.2. Practical Implications

- Practitioners and policy makers in the field of micro-enterprise management should prioritize fostering a culture of product innovation within these organizations. Strategies aimed at encouraging and implementing product innovative practices can potentially enhance the survival prospects of micro-enterprises as observed in Malaysia (Rosli & Sidek, 2013).
- Given the practical significance cost innovation on micro-enterprise survival, practitioners should focus on measures that optimize cost structures while maintaining operational efficiency. This could involve scrutinizing expenses,

identifying areas for cost reduction or optimization, and implementing strategies to enhance cost-effectiveness among these enterprises. All interventions aimed at lowering the cost burden of these enterprises should be paid attention to as suggested by Bamiatzi and Kirchmaier (2014) in their study on the strategies for superior performance for Small enterprises under adverse conditions.

- Although the correlation between pricing innovation and survival was not statistically significant, practitioners should critically evaluate their pricing strategies. While pricing alone may not determine survival, it remains a crucial aspect of business strategy that can impact competitiveness and profitability. Micro-enterprises should continuously assess and adjust their pricing strategies in alignment with market dynamics and customer preferences. This is besides the fact that other studies such as Ingenbleek and van der Lans (2013) found that pricing innovation contributes towards survival of a firm.

In essence, the findings underscore the importance of financial related innovation on the micro-enterprise survival, while also highlighting the need for increased examination of pricing strategies. Researchers and practitioners can leverage these insights to inform future studies and strategic decision-making processes within the realm of micro-enterprise management.

6. Conclusion

Micro-enterprises in Uganda, exist in a very competitive environment with very limited regulation and a total lack of support from local and central Governments. These firms survive in the market with some remaining static in size for as many as 20 years. There are a number of factors that contribute to the survival of these enterprises within this challenging environment. An analysis of three factors; Product, Pricing and cost innovation among micro-enterprises dealing in street food indicates that it is only product innovation whose contribution to the survival of these firms is statistically significant. The other factors contribute, but the contribution is not statistically significant to the survival of these firms.

As a result of the above findings, there is a need for micro-enterprises to be regulated in such a way that they can be supported to grow and survive in business since they are a source of livelihood to a number of people within the City. The regulation suggested should facilitate fair competition among the providers but also provide protection to the micro-enterprises through the provision of safe and secure working space as well as provisions for sustainability and prosperity.

7. Future Research

The findings of this study present clear opportunities for further research as summarised below.

1) Exploring key drivers of Innovation: This may involve an investigation of

the specific drivers of innovation among the micro enterprises. Likely drivers may include competition, customer demands, operating environment, market dynamic, among many other possibilities. Research aimed at identifying the key drivers may facilitate or improve the survival prospects if these Organisations, thereby helping policy makers to design effective supportive interventions.

2) Cost measures and survival dynamics: This may involve exploring the interplay between cost structures and survival across different firms within the micro enterprises industry or geographical regions to identify sector-specific or context-specific cost appropriate management strategies.

3) Pricing strategy drivers in the industry: This may involve examining how factors such as firm maturity, market concentration, and regulatory environments influence the effectiveness of pricing strategies in sustaining micro-enterprises as well as how consumer behavior, competitive landscapes among others influence the relationship between pricing strategies and micro-enterprise survival

4) Longitudinal studies and causal relationship: This would involve Conduct longitudinal studies to track the evolution of innovation, cost management practices, and pricing strategies within micro-enterprises over time, allowing for a deeper understanding of causal relationships

By exploring these avenues for future research, scholars can further enrich our understanding of the complex interactions between innovation, cost management, pricing strategies, and the survival of micro-enterprises, ultimately informing more effective strategies for supporting and fostering the growth of these vital economic entities.

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Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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