

Conceptual Framework on Resource Availability and Performance of MSE in Africa: A Case of Jinja District, Uganda

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Abstract

Micro and Small-Scale Enterprises (MSE) are important in almost all developing economies in the world, characterized by unemployment, import dependency and income distribution challenges. Establishing Micro and Small-Scale Enterprises (MSE) is not blowing pressure through a basket; rather it is about having innovations, inventions and sharing ideas. It takes more than what we think about an idea of establishing a startup. It is significantly important that excellent planning and management of the available resources is critical for start-up success. We look forward to discussing about availability and performance of MSE.

Keywords

MSE Performance, Resource Availability, Human, Financial, Material

1. Introduction

In many economies of the world, majority of jobs are provided by MSE. Therefore, the contribution of MSE to the economic development of all countries, regardless of their level of development, is no longer a debate. Domingo Martin, Isidoro Romero, & Douglas Wegner (2019) observed that Micro and Small-scale enterprises promote economic development.

Similarly, Levakova (2012) noted that MSE serve as incubators for entrepreneurship, job creation and innovation. MSE is an opportunity to accelerate the country's sustainable economic growth (Beck et al., 2005; MTIC, 2015). It can therefore be claimed that MSE development is closely linked with growth.

In a related study Mugambi (2013), it was established that there is a robust,

positive relationship between the relative size of the MSE sector and economic growth, when controlling growth determinants.

According to [Taiwo et al. \(2012\)](#), Micro and Small enterprises are fundamental channels for economic development in many developing economies. The World Bank had estimated that around 600 million additional jobs need to be created by 2020 in order to maintain employment levels at par with the growing population of lower and middle-income countries.

It is evident that this measure is simply to keep current employment and underemployment levels are constant and are not sufficient to lift people out of poverty according to International Labour Organization (ILO).

Despite the current level of employment, almost 50% of all workers globally live below the 2 US\$ a day, implying a huge portion of people living below the poverty line [ILO \(2015\)](#). As a strategy to alleviate this challenge, Micro and Small-Scale enterprises (MSE) could provide the solution to the employment-poverty dilemma if well utilized ([de Kok et al., 2013](#); [ILO, 2015](#)). MSE in low and medium-income economies make up the largest portion of private sector enterprises and provide the bulk of employment for the population ([Ayyagari et al., 2011, 2014](#); [ILO, 2015](#)). Although majority of the micro and small enterprises are informal (medium-sized enterprises are also known to operate partly informally), they are responsible for most job creation in both low- and middle-income countries ([Ayyagari et al., 2014](#)). Micro and small enterprises, however, are disreputable for their low productivity. The employment capacity provided is low in terms of productivity and they remunerate these job holders with low incomes characterized by poor employment conditions. Thus, while MSEs are undoubtedly significant drivers of job creation in LMICs, they are not necessarily providers of decent work in these economies. Against this background, this paper will explicitly focus on micro and small enterprises in LMICs and will attempt to address the following two questions for policy makers and governments alike: How do we create new jobs? And, how do we increase the quality of jobs that provide decent work?

We begin with a few definitions. We define micro and small enterprises (MSEs) as formal and informal enterprises with up to 19 regular employees ([de Kok et al., 2013](#); [Kushnir et al., 2010](#)). Surprisingly many Micro enterprises cannot operate for more than five years in Uganda, because most of them are family-owned businesses. Many have been victims of stunted growth and development resulting into its loss of credibility in the event that misunderstandings erupt.

Other families have excessive powers over the initiators, coupled with the lack of education. The businesses fail in the long run. Additionally, other families need immediate gains and, in the process, they end-up taking away a sizeable portion of capital for some other purposes.

Simba seeds Ltd., a Ugandan registered company still lags behind the curtain due to power struggles among family members, capital drain for personal gains,

cultural beliefs, government workers and politicians with conflicts of interest who use legal positions to grab the company and transfer legal powers into their hands.

On the contrary, MSE contribute 90% to employment, 20% to GDP and 32% to export earnings as observed by [Ssempala et al. \(2018\)](#). They further assert that there is some set back in the growth and development of MSE, and consequently, the contributions of MSE to GDP in Uganda is low (at 33%), to employment (at 45% and export (44%) is low compared to other countries.

According to their findings only 5% - 10% of new start-up MSE continue to survive up to 5 years, implying that 90% - 95% collapse and disappear completely. [Turyahikayo \(2015\)](#) mentioned that 50% of all business establishments close before they celebrate their second birth day.

These observations are supported by [Hassan, Hannatu, Ogundipe, & Adeyemi \(2017\)](#), who testified that several MSE failed in their early five years of establishment.

The poor MSE performance has led the closure of the businesses, losing of business properties, increase in level of unemployment, low contribution to employment, GDP and export earnings for the country ([Aminu & Shariff, 2015](#); [Otache & Mahmood, 2015](#); [Shehu, 2014](#); [Samson, 2015](#)).

Thus, to enhance MSE performance, this study focuses on critical resources that can help MSE in a rapidly changing external environment.

This indicates the intensity of problems facing MSE in Uganda. Therefore, it constitutes issues of great concern to researchers and stakeholders that need immediate attention. This calls for more research being conducted especially on factors that might tremendously have a positive impact on achieving high MSE performance in Uganda. Despite several studies that have been conducted in this field, the need for a concerted effort to study the impact of performance of MSE that still remains a challenge. The Empirical study is still scarce in the academic literature and little about performance of MSE is known.

Similarly, little available research has put less attention on performance of MSE especially in developing economies like Uganda. We undertake this study to explain performance of MSE and the availability of Human, Financial, and Material resources.

2. Literature Review

MSE performance, Availability of resources, Human, Financial and Material.

2.1. MSE

There is no single definition of MSE around the world. We define micro and small enterprises (MSE) as formal and informal enterprises with up to 19 regular employees ([de Kok et al., 2013](#); [Kushnir, Mirmulstein, & Ramalho, 2010](#)). This employment threshold is based on empirical evidence in LMICs that suggest that

few MSEs manage to grow beyond 19 employees and operate into a more complex and systematically organized firm.

We use the World Bank's definition of jobs as "activities that generate actual income, monetary or in kind, and do not violate fundamental rights and principles at work" World Bank (2000).

As such, there is no standard and universally recognized definition for decent work. It is observed that MSE, especially micro enterprises with less than 9 employees, comprise the majority of all enterprises and create the bulk of employment in LMICs (see also de Kok et al. 2013; World Bank, 2013) (Table 1).

Relatedly, a financial perspective for European union for the period 2021-2027 involved a survey that was carried out by the commission on entrepreneurship and MSE among enterprises in order to change MSE definition status as part of the activities. European Commission (2016) states that the results seem to be helpful in the evaluation of the programming, 2020 mid-term and construction of guidelines.

It therefore emphasized that the definition is identical (Kulawik-Dutkowska, 2014: p. 75). MSE definition was summarized as below Table 2.

However, this definition does not provide information on the size of jobs or number of employees in the MSE.

It neither tells the audience about the size of the total asset for the MSE nor differentiate between manufacturing (industry) and services.

2.2. Performance

Qrunfleh and Tarafdar (2014) see performance as how well an organization achieves its financial and market-oriented goals as well as being health in terms of successfully meeting its SOPs in a manner that is economically sound. Performance is an activity accomplished successfully, where results are realized in a promising way, from the level at which it has been initially to the next level of its

Table 1. MSE definition in Uganda.

Category	Number of people	TO/TA
Micro	≤4	≤10 million
Small Scale	≤50	≤100 million

Conceptual model of the study. Source: <https://www.ugandainvest.go.ug/sme/>.

Table 2. MSE definition in EU.

category	Number of people	Turn over	B/Sheet Total
Micro	≤10	≤2m	≤2m
Small scale	≤50	≤10m	≤10m

birth day celebrations with viable growth in capital, profits and size. This performance definition is not common for all scholars.

Global entrepreneurship monitor (GEM) defined performance as the act of performing and doing something successfully; using knowledge as distinguished from merely possessing. However, performance can be conceptualized, operationalized and measured in different ways thus making cross-comparison difficult.

The definition of performance of MSE remains controversial among scholars, arguably due to the fact that small firm performance measures are multi-dimensional (Simpson et al., 2012). Business performance is gauged by measuring the success or failure of the organization in achieving its goals and can therefore be defined in number of ways. Chittithaworn et al. (2011) argued that performance of the firm can be described as its ability to create, accept outcomes and action Chittithaworn et al. (2011) & Emmanuel (2013), confirmed evidence that small firms' performance is termed to be the firms' success in the market which may have different outcomes.

Blackburn et al. (2013) noted that firm growth is a proxy measure of small firm performance. Blackburn et al. (2013) conquer with Chittithaworn et al. (2011), by alluding that performance of firm can be described as a firm's ability to create acceptable outcomes and action.

This literature therefore justifies that firm performance is synonymous to success and growth, and thus they are assumed to be synonyms due to the fact that they are measured using similar indicators such as survival, profits, etc. Ayanda and Laraba (2011) studied the performance of SMEs in Nigerian economy and observed that after the attainment of independence, the Nigerian government gives much importance to SME and thus incidence of poverty and unemployment in Nigeria have reduced to an extent. Another researcher Kumar (2010) views Small Scale Industries as an engine of equitable economic growth and poverty alleviation.

Several theories have been advanced to describe relationship between resource availability and performance of MSE. It is eminent that resource-based theory centres on the firm diverse collection of internal resources. Performance is simply defined in output terms and achievement of quantifiable objectives. Performance of small firms is multidimensional in its nature and should be measured with diverse parameters as suggested by Jamil & Mohamed (2011), and Blackburn et al. (2013) to mention but few.

This is due to the fact that there is no single overarching measure of small firm performance because small firms which may pursue multiple objectives, perhaps, performance measurement vary according to the objectives pursued Simpson et al. (2012). Hybrid measures (financial and non-financial) were suggested as better indicators of firm performance, strong enough to capture various performance approaches than single approach (Simpson et al., 2012; Black-

burn et al., 2013).

Contrary to Simpson et al. (2012), and Blackburn et al. (2013), there are scholars that revealed single measure of reliable indicators in the business performance depending on objectives of the firm.

There is no or little consensus on how to measure performance of small firm, which is best for a particular business organization Jamil & Mohamed (2011); Simpson et al. (2012). Basing on the above, we hypothesize that:

H1. Performance of MSE is positively related to resource availability.

Resource availability

Availability specifies number of resources available at any one time to do a job Seidman (2008). Availability of credit ensures smooth operation of firms as it injects working capital. Thus, the likelihood of firm failure is low if there is access to finance (Victoria et al., 2011). As observed by Leza et al. (2016), MSEs which have access to finance grow better than those which have shortage of capital.

In other words, enterprises with limited debt financing growth potential are lower than those enterprises having access to debt financing (Abbey et al., 2014). In business finance, firms are established to operate into the foreseeable future. As such, business enterprises are able to survive based on the business experience of their operators, surprisingly; financial management practice is at the heart of the entire undertaking (Attom, 2013).

Although lack of financial resources is the biggest problem in MSSEs, good financial management practice is most important and unquestionable, absence of which results in financial management inefficiencies which translates into poor financial performance and eventually leads to firm failure Jennifer & Dennis (2015). Firms may fail if they do not manage their establishment like business, irrespective of their size. It is believed that better financial information sharing means better control and therefore improve chance of success. Thus, enterprises should adopt and use sound financial management practices so that failure of businesses can be prevented (Gawali & Gadekar, 2017). Education is presumably related to knowledge and skills, motivation, self-confidence, problem solving ability, commitment, and discipline. In this regard, higher education is expected to increase the ability to cope with problems and seize opportunities (Papadaki & Chami, 2002). The role of education in growth is explained through its effect on exposure to new information and processing that could have positive impact on production and distribution of goods and services (Leza et al., 2016, 8(12), 43177-43186). It is believed that operators with higher educational standard are expected to make better decisions to manage a firm in a way that reduces the likelihood of failure (Victoria et al., 2011). Therefore, firms owned and managed by entrepreneurs of higher formal education experience higher growth than their counterparts (Yeboah, 2015).

Evidently, business operating in premises assigned by government agencies

had better chances of survival compared to those set ups in privately rented premises [Leza et al. \(2016\)](#). According to [Drucker \(1954\)](#), as cited in [Medlin \(2012\)](#), availability of resources (human, financial and material) is very important because of its role in the attainment of organizational or business objectives. Human resources (labour) are a unique input necessary for the overall development of skills. Labour refers to all categories of employees in the business. The researcher will measure labour in terms of number of employees and number of hours worked. This measure will reflect the actual amount of input used.

However, literature demonstrates a contradictory finding whether MSE performances survive past the fifth birthday.

There is a lack of universally accepted standards of measure that makes the door open to business organizations to decide on measures that might not truly reflect their sustainable performance such as market share, sales volume company reputation, number of years in operation and profitability. We therefore hypothesize that:

H2. Resource availability is positively related to MSE performance.

2.3. Human

[Kelley et al. \(2010\)](#) promulgated that within any society it is important to support all people with “entrepreneurial mindsets”, not just the entrepreneurs, but also all those with the potential to inspire others to start a business. The source further argues that any educational training should enable people not just to develop skills to start a business but also to be capable of behaving entrepreneurial ability in whatever role they take in life.

A study conducted by [Orser \(1997\)](#), established that of the firms studied in the research, those firms whose owners had stated that five years previously had wanted to grow their business were now more successful, while the majority of firms owned by entrepreneurs who did not prioritize growth had either not grown or had failed. In examining the key skills required of entrepreneurs, [O’Hara \(2011\)](#), identified a number of key elements which are believed to feature prominently in entrepreneurship: the ability to identify and exploit a business opportunity; the human creative effort in developing a business or building something of value; a willingness to undertake risk; and competence to organize the necessary resources to respond to the opportunity.

[Ejaz et al. \(2011\)](#) have analyzed the spatial determinants of entrepreneurship in India in the context of manufacturing and services sectors. Among general outstanding traits, quality of physical infrastructure and workforce education were the strongest predictors of entry, with labor laws and household banking quality also playing important roles.

Current definition considers human capital and asset as the main measures of micro and small enterprise to address limitations of the old definition as proposed by Federal Micro and Small Enterprises Development Agency ([FeMSEDA, 2011](#)).

2.4. Financial

Haftu et al. (2009) posit that lack of finance and working space rank high as the major constraints faced by a large proportion of the enterprises.

This result is supported by Hailemicheal (2014) & Admasu (2012) who assert that working premises, marketing and financial factors were the major factors significantly affecting performance of MSE in Addis Ababa. Deverenx and Sharp (2006), as cited in Zeleke (2009), and Mbonyane and Ladzani (2011), also noted that lack of access to finance is the most influential factor from among all adverse factors hindering the growth and development of the MSE sector in most countries. They further pinpointed that inadequate infrastructure facilities, inadequate finance, poor managerial and technical skills, and inadequate working premises were the major challenges to MSE successful operations followed by marketing problems, low support from respective institutions, inadequate supply of raw materials, and regulatory issues. In a study carried out by the Commission on Legal Empowerment of the Poor (2006), most MSE in Ethiopia face critical constraints both at the operation and start-up level. Some of these constraints include lack of access to finance, access to premise, infrastructure, training in entrepreneurial and management skills, information on business opportunities, coupled with social and cultural factors particularly those related to deficient entrepreneurial culture and excessive corruption were singled out.

According to Akinruwa et al. (2013), finance and performance in MSEs are significantly related with 0.000 at 5% significant level. This emphasizes that finance has a significant effect on the business overall performance. Most MSEs failed in most developing international locations because of their incapability to gain access to credit score facilities. Access to finance is considered as an important tool to high MSE performance, but despite its improvement for several occasions, it has turned to be poor presenting a major hurdle to development.

2.5. Material

National Research Council (1975) defines materials as ubiquitous, so pervasive that we often take them for granted, yet they play a central role in much of our daily lives, in practically all manufacturing industries, and in much of the research and development of physical and engineering sciences.

Materials have a generally comparable stake to that of energy and information, and the three together comprise nearly all technology.

For COSMAT purposes, we define materials as substances having properties which make them useful in machines, structures, devices, and products (Google search, June 24, 2021.14:30).

Looking at these critically, we hypothesize that:

H3. Resources have positive relationship with the performance of MSE.

3. Conceptual Framework

The conceptual framework will be as follows (Figure 1):

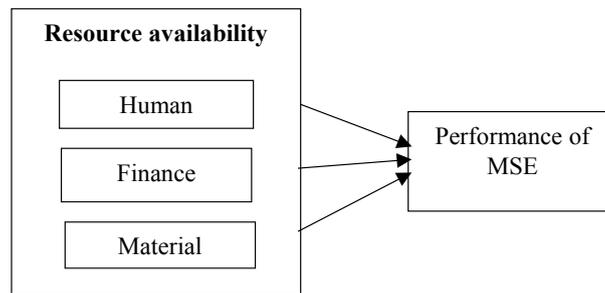


Figure 1. Conceptual model of the study.

Conceptual framework and Underpinning Theories

The framework will be made up of resource availability (human, financial, material) as independent variables, and performance of SME as dependent variable.

Therefore, this work will be built on resource base view (RBV) theory. According to Barney et al. (2011); Barney et al. (2001); Barney (1991) and Chien (2014), for a firm to achieve competitive advantage and performance, it has to depend on the bundles of resources at its disposal.

Firm's resources/competencies/capabilities help it to attain competitive advantage and also realize superior performance. According to RBV, the firm's resources/competencies/capabilities hold some qualities that make them have value, rare, imperfectly imitable and not substitutable resources. The resources of a firm are divided into two; these are intangible resources (VRIN) and tangible resources (non-VRIN, Wu & Chen, 2014). But, according to RBV, intangible (VRIN) resources are for competitive advantage and performance. We propose that at this level, availability will include, human, finance and materials which present a basis for sound performance of MSE. Wu and Chen (2014) stressed that knowledge resources are gradually dislodging the role and importance of natural resources, capital and labour that used to be the necessary economic resources in any given economy. Therefore, it is argued that if human (technical expertise), financial and materials are valuable, rare, inimitable and non-substitutable resources it can lead to the achievement of competitive advantage and firm performance as contained and explained in RBV (Barney, 1991; Karkouliau et al., 2013).

4. Method

The study proposes to employ a mixed methods methodology where a convergent approach will be adopted for data collection and eventual analysis. The qualitative and quantitative data will be collected using semi-structured questionnaire, soliciting for information on the study variables. Qualitative data will be analyzed using content analysis while quantitative data will be analyzed using statistical software packages where descriptive and inferential statistics will be drawn to inform conclusions and recommendations, and sample size will be determined based on the analysis plan as guided by Fowler (2014).

5. Implication of the Study

Theoretically, this work will contribute to the expansion of the performance of MSE, and resource availability (human, financial, material) as explained in theory. Tangible resources are the sources of competitive advantage and high performance of SME (Barney, 1991). Consequently, Barney (1991) argued that for firms to achieve high performance. Their resources have to possess some features, for example, the firms' resources must be valuable, rare, inimitable and non-substitutable (VRIN) resources (Barney, 1991). Thus, performance and resource availability are sources of competitive advantage of performance of SME.

Moreover, the practical implications of this research to entrepreneurs/managers are that it would provide them with insights on the appreciation MSE performance, resource availability, information flow and moderating effect on SMEs competitive advantage and overall performance.

In this regard, it would be useful to government support agencies, the NGOs who are concerned with SMEs growth and development, potential entrepreneurs and other stakeholders to provide them better understanding and importance of this framework in improving SMEs performance capable of providing employment opportunities, growth in GDP and balance of trade. Moreover, the study provides opportunities to researchers to build on this work, to further test it empirically in a real situation.

6. Conclusion and Recommendations

In conclusion therefore, the research seeks to expand the understanding and provide a framework for achieving a better performance of MSE through utilization of resources. There is hope that this will recommend use ideas and insight for future empirical research study to be conducted and tested to establish the relationship between resource availability (Human, Financial and Material) and performance of MSE which will incorporate more research variables into the framework.

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The author, Baligeya Tom, personally undertook this research paper. The author also read and approved the final manuscript.

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Ethics Approval and Consent to Participate

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Consent for Publication

The authors personally approve that the paper should be published in your journal.

Conflicts of Interest

The authors declare that there is no competing interest.

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Abbreviations

MSE: Micro and small-scale enterprises

LMICs: Low- and Middle-income countries

GDP: Gross Domestic Product

GEM: Global entrepreneurship monitor