

**OBSTACLES TO EXPORTING BY MICRO, SMALL, AND MEDIUM-SIZED  
ENTERPRISES: A CASE STUDY OF UGANDA**

**CATE KYAKUWA**

**J21B41/229**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A  
BACHELOR'S DEGREE OF INTERNATIONAL BUSINESS AND MANAGEMENT  
OF UGANDA CHRISTIAN UNIVERSITY**

**August, 2023**



**UGANDA CHRISTIAN  
UNIVERSITY**

*A Centre of Excellence in the Heart of Africa*

### DECLARATION

I Cate Kyakuwa registration number J21B4229 declare that this research paper "Obstacles to Exporting by Micro, Small, and Medium Enterprises in Uganda" is my original work and has not been submitted to any academic institution for any accreditation, as I strive to uphold the university values of integrity and diligence.

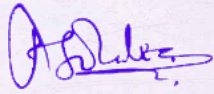
Signature: ..... *Kate* .....

Date: ..... *21/09/2023* .....

Cate Kyakuwa

## APPROVAL

I certify that this research report has been submitted by the candidate for examination with my approval.



Signature.....

22nd September 2023

Date:.....

Dr. Dan Ayebale

## **DEDICATION**

I dedicate this research to my parents, sisters, brothers, and friends for their academic support, time, prayers, and guidance rendered to me.

## **ACKNOWLEDGEMENT**

First and foremost, I thank the almighty God for the gift of life and guiding me throughout my education and this research for his mercy was always with me.

With much gratitude, I want to thank my supervisor Dr. Ayebale Dan for guiding me throughout the research. I am proud to have been under your tutorship. I also thank all my lecturers who have enabled me to acquire immeasurable knowledge.

My heartfelt thanks also go to my lecturers who have guided me to the completion of this training as required by the University for the Award of my degrees.

Special thanks to Madam Irene Nagawa for her love and support during my research writing. I am grateful.

I also extend my appreciation to the staff of Atlas Cargo Systems Limited who were in a position to provide me with the needed information required to come up with successful research. I would also like to thank the questionnaire respondents, interviewees, and administrators who assisted me in this research. This research would not have been possible without you.

Most importantly, I praise and thank God for his love, grace, strength, and providence. I pray that He leads me yet again into the green pastures. Amen.



## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>i</b>
<b>APPROVAL .....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>TABLE OF CONTENTS .....</b>	<b>v</b>
<b>ABSTRACT .....</b>	<b>vii</b>
<b>LIST OF ABBREVIATIONS .....</b>	<b>viii</b>
<b>1. INTRODUCTION.....</b>	<b>1</b>
1.1 Background .....	1
1.2 Statement of the Problem .....	2
1.3 General objective of the study.....	3
1.4 Specific Objectives.....	3
1.5 Research Questions .....	3
1.6 Scope of the study .....	3
1.7 Significance of Study .....	4
<b>2. LITERATURE REVIEW .....</b>	<b>5</b>
2.2Theoretical Framework .....	5
2.3 Characteristics of Micro, Small, and Medium Enterprises in Uganda.....	6
2.4. Obstacles to exporting Micro, Small, and Medium Enterprises in Uganda.....	7
2.5. Impact of these obstacles on the export performance and overall success of Micro, Small and Medium Enterprises .....	9
2.6. How to overcome these obstacles and achieve export success .....	11
<b>3. METHODOLOGY .....</b>	<b>13</b>
3.1 Introduction .....	13
3.2 Research Design.....	13
3.3 Study Area.....	13
3.4 Sampling Method .....	13
3.5 Data type .....	13
3.6 Data collection methods .....	14
3.7 Data Analysis .....	14

3.8 Ethical Consideration .....	14
<b>4. PRESENTATION AND DISCUSSION OF THE FINDINGS .....</b>	<b>15</b>
4.0 Introduction.....	15
4.1 Findings.....	15
4.1.1 The existing export policies and regulations of MSMEs in Uganda .....	15
4.1.2 Financial barriers faced by MSMEs in accessing capital for export activities in Uganda .....	16
4.1.3 The training opportunities for MSMEs to enhance their export capacities in Uganda.	17
<b>5. CONCLUSION AND RECOMMENDATIONS.....</b>	<b>19</b>
5.1 Conclusion .....	19
5.2 Recommendation .....	19
5.3 Future Research .....	20
<b>References.....</b>	<b>Error! Bookmark not defined.</b>

## **ABSTRACT**

The role of Micro, Small, and Medium Enterprises in shaping the economic landscape of Uganda cannot be overstated. These businesses serve as vital engines of growth, employment generation, and poverty reduction within the nation. The purpose of this paper was to discuss obstacles to Exporting by Micro, Small, and Medium Enterprises in Uganda. It seeks to unravel the factors that hinder these enterprises from realizing positive outcomes through their export, thereby impeding their goal of expanding sales. The research was guided by three objectives which are: (i) to identify the existing export policies and regulations of MSMEs in Uganda. (ii) to identify financial barriers faced by MSMEs in accessing capital for export activities in Uganda. (iii) to examine the training opportunities for MSMEs to enhance their export capacities in Uganda. The study utilized the content analysis research design, utilizing a qualitative research approach. The study focused on micro, small, and medium enterprises in Uganda. The Data utilized was drawn from secondary data sources which included various documents, on objective one, the study findings revealed that the existing export policies and regulations in Uganda provide a structured framework for international trade, ensure compliance with quality standards, mitigate risks, offer access to incentives, and open the door to global markets for MSMEs. On objective two, the study findings revealed that financial barriers for MSMEs seeking capital for export activities in Uganda have far-reaching implications for economic development, job creation, poverty reduction, and the country's global competitiveness. On objective three, the study findings revealed that training opportunities, enhance long-term sustainability, global competitiveness, export compliance, collaboration, and networking, which fosters economic growth. I would recommend the government simplify export procedures, provide targeted financial support, expand export training, promote collaboration among MSMEs, offer market information access, facilitate advocacy, and establish effective monitoring mechanisms to help MSMEs overcome export obstacles and thrive in international trade.

**Keywords:** Micro, Small, and Medium Enterprises (MSMEs)



## **LIST OF ABBREVIATIONS**

MSMEs	Micro, Small and Medium Enterprises
SWOT	Strength, Weakness, Opportunity, Threats
URA	Uganda Revenue Authority
SCT	Single Customs Territory
UNCCI	Uganda National Chamber of Commerce and Industry
UEPB	Uganda Export Promotion Board
USSIA	Uganda Small Scale Industries Association
PSFU	Private Sector Foundation Uganda
ITC	International Trade Centre

# 1. INTRODUCTION

## 1.1 Background

The various export marketing strategies among different Micro, Small, and Medium Enterprises have drawn significant attention from researchers, export managers, and policymakers (Sousa et al., 2008; Lages, 2003; Mohamad et al., 2009).

This attention has been prompted by the low export rates in Uganda compared to imports, leading to a desire to increase the country's exports and improve the survival of Micro, Small, and Medium Enterprises. Researchers and policymakers, such as Zou and Stan (1998) and Sousa et al. (2008), have concluded with evidence that export marketing strategies are critical determinants and antecedents of a firm's general export performance (Lages, 2003; Leonidou et al., 2002). These marketing strategies encompass the marketing plan's elements, including product, pricing, distribution, and promotion, collectively known as the marketing mix.

Micro, Small, and Medium Enterprises play a vital role in Uganda's economic development, innovation, and wealth creation, with a significant presence across sectors, employing over 2.5 million people and contributing substantially to the private sector's output and the gross domestic product (Uganda Investment Authority, 2016). As Uganda strives to harness the opportunities presented by the global market, understanding the intricate interplay between export marketing strategies, market competitiveness, and export performance becomes imperative for the sustained development of its Micro, Small, and Medium Enterprises sector.

Export marketing strategies represent a multifaceted approach employed by Micro, Small, and Medium Enterprises to navigate the complexities of international markets (Leonidou et al., 2017). These strategies encompass critical elements such as product design, pricing tactics, distribution channels, and promotional endeavors (Cadogan et al., 2015). Effectively aligning these strategies with market demands and competitive forces can significantly impact export performance, enabling Micro, Small, and medium Enterprises to expand their market share and profitability (Li & Ye, 2020; T sai et al., 2019).

The concept of market competitiveness introduces a nuanced layer to this relationship. The degree of market competitiveness influences the effectiveness of export marketing strategies, shaping the outcomes of Micro, Small, and Medium Enterprises endeavors on the global stage (Cavusgil & Zou, 2012). In highly competitive markets, strategic marketing efforts are

paramount to capturing the attention of international buyers and gaining a competitive edge (Zou & Cavusgil, 2002). Hence, market competitiveness is posited to mediate the connection between export marketing strategies and export performance.

Government support and technological advancement are integral external factors that can significantly influence Micro, Small, and Medium Enterprises export endeavors (Nkamnebe & Ugwu, 2018; Oviawe & Oludayo, 2019). Government policies, financial incentives, and trade facilitation measures can bolster the impact of export marketing strategies, amplifying the competitive advantage of Micro, Small, and Medium Enterprises (World Bank, 2020). Furthermore, technological adoption, encompassing digital marketing tools and e-commerce platforms, offers Micro, Small, and Medium Enterprises an avenue to enhance their global reach and marketing effectiveness (Donthu & Garcia, 2020).

The export experience of Micro, Small, and Medium enterprises further contributes to this intricate web of relationships. Previous export engagements endow Micro, Small, and Medium Enterprises with valuable insights, knowledge, and capabilities that augment the potential effectiveness of their marketing strategies (Bell & McNaughton, 2013; Bilkey & Tesar, 1977). Leveraging past experiences, Micro, Small, and Medium Enterprises can fine-tune their strategies to align with market demands and gain a competitive edge.

Given these issues, this conceptual framework will serve as a compass for this research. I contend that the harmonic interplay of export marketing tactics, market competitiveness, government assistance, technological advancement, and export experience influences Ugandan Micro, Small, and Medium Enterprises' export performance. I hope to shed light on the factors of export success and add substantially to the conversation on the growth and sustainability of Micro, Small, and Medium Enterprises in Uganda's dynamic economic landscape by investigating these interrelationships in depth.

## **1.2 Statement of the problem**

Despite concerted efforts by the government and various stakeholders to promote exports in Ugandan Micro, small, and medium-sized enterprises, persistent challenges continue to thwart their pursuit of export growth and the attraction of variable local and international investors (African Export-Import Bank, 2020). These formidable challenges, ranging from infrastructural deficiencies to regulatory hurdles, act as substantial roadblocks that hinder MSMEs from realizing tangible benefits from their export marketing strategies ( UNDP

Uganda, 2019). Consequently, the primary objective of these MSMEs which is to expand their sales and tap into international markets, remains elusive (Uganda Investment Authority, 2018).

### **1.3 General objective of the study**

The general objective of this research is to examine the obstacles to exporting by micro, small, and medium enterprises in Uganda.

### **1.4 Specific objectives**

- To identify the existing export policies and regulations of MSMEs in Uganda.
- To identify financial barriers faced by MSMEs in accessing capital for export activities in Uganda.
- To examine the training opportunities for MSMEs to enhance their export capacities in Uganda.

### **1.5 Research questions**

- What are the current export policies and regulations in Uganda that impact MSMEs?
- What are the primary financial barriers encountered by MSMEs in Uganda when seeking capital for export-related initiatives
- What training and capacity-building opportunities are available to Uganda MSMEs to enhance their export capabilities

### **1.6 Scope of the Study**

This study focuses on the different export marketing strategies employed by Micro, Small, and Medium Enterprises in Uganda, including the 4Ps (product, price, place, and promotion) and their respective marketing strategies. The study targets various Micro, Small, and Medium Enterprises, analyzing the performance of individual products and firms concerning specific export marketing strategies. The study aims to utilize available strategy guidelines and models to identify the most effective ways to utilize export marketing strategies for achieving the best results and improving exports.

### **1.7 Significance of the study**

The findings of this study can help identify the challenges hindering positive outcomes from different export marketing strategies, enabling the identification of the most relevant and effective strategy for Micro, Small, and Medium Enterprises to improve their export performance.

## **2. LITERATURE REVIEW**

### **2.1 Introduction**

Micro, small, and medium enterprises are the backbone of Uganda's economy, contributing significantly to employment, income generation, and economic growth (World Bank, 2017). These enterprises encompass a diverse range of industries, from agriculture to manufacturing and services. Exporting offers MSMEs a pathway to increased revenue and market expansion beyond Uganda's borders.

### **2.2 Theoretical Framework**

There are several theoretical perspectives for understanding the Obstacles to Exporting by Micro, Small, and Medium Enterprises in Uganda. Previous studies have utilized the knowledge-based theory, and some have utilized the Keynesian theory, of comparative advantage. In today's business world, many organizations identify their internal environment factors which include strength and opportunities, and external factors which include opportunities and threats (Weihrich, 1982).

Comparative advantage refers to the unique strengths and advantages that these enterprises possess, allowing them to produce goods and services more efficiently or effectively than their competitors, both domestically and in international markets. Comparative advantage is achieved when a company produces goods or services for a lower opportunity cost than the other countries. In the context of MSMEs, comparative advantage focuses on identifying and leveraging the specific strengths and capabilities that these enterprises possess.

Keynesian theory outlines the role of government intervention and economic policies in managing and stimulating economic activities to support the growth and stability of these enterprises. The Keynesian theory explains the situation using the two concepts which include the marginal efficiency of capital and effective demand. (Keynes, 1933). Thus the theory suggests the intervention of government in the economy to enhance the aggregate demand specifically using the fiscal and monetary policy instruments. In the context of MSME exports in Uganda, this theory can be employed to understand how government policies influence the export environment for these enterprises (Keynes, 1936).

Resource base view is an approach of strategy formulation aimed at attaining a competitive advantage based on the organization's resources (Ong et al. 2010b). It focuses on how these enterprises can leverage their unique internal resources and capabilities to achieve and sustain a competitive advantage. Resource-based view is how it is applied to MSME's resource identification, core competencies, and distinctive capabilities. According to Barney (1991), a resource-based view allows organizations to look for competitive advantage within themselves rather than outsiders. Barney, J.B. (1991) *Journal of Management*, 17(1), 99-120.

In summary, the discussed theories relate to the business world, in simple terms the theories indicate the importance of improving or establishing firm stability conditions through enhanced competitiveness.

### **2.3 Characteristics of Micro, Small, and Medium Enterprises in Uganda**

Micro, small, and medium-sized enterprises constitute a vital segment of the business landscape, contributing significantly to economic growth, job creation, and innovation. This paper examines key characteristics that distinguish micro, small, and medium enterprises from larger enterprises, drawing insights from prominent literature in the field.

- a) **Scale of Operations:** Micro, small, and medium enterprises are renowned for their modest scale of operations. Defined by a restricted number of employees, a compact physical footprint, and comparatively lower turnovers (Characteristics of Micro, Small and Medium-Sized Enterprises: A Literature Review, 2011).
- b) **Workforce Size:** Typically, Micro, small, and medium enterprises maintain a workforce of fewer than 50 employees, which sets them apart from larger corporate entities (The Impact of Micro, Small, and Medium Enterprises on Economic Growth: A Review of the Literature, 2016).
- c) **Financial Thresholds:** Distinguishing micro, small, and medium enterprises from their larger counterparts are discernible financial thresholds, often hinging on annual turnover or employee count (The Role of Micro, Small, and Medium Enterprises in Job Creation: A Review of the Evidence, 2015).
- d) **Ownership Structure:** Micro, small, and medium enterprises are frequently characterized by an owner-manager configuration, where proprietors actively engage in daily operations (The Challenges Faced by Micro, Small, and Medium Enterprises in Developing Countries: A Review of the Literature, 2015).



- e) **Industry Diversity:** Across a multitude of industries, Micro, small and medium enterprises make their presence felt, encompassing sectors such as manufacturing, retail, and services (The Role of Micro, Small, and Medium Enterprises in Inclusive Growth: A Review of the Evidence, 2015).
- f) **Geographical Distribution:** While often situated in rural or suburban locales, Micro, small, and medium enterprises are not confined to such settings; they also thrive in urban environments (Characteristics of Micro, Small and Medium-Sized Enterprises: A Literature Review, 2011).
- g) **Innovation Prowess:** Micro, small, and medium enterprises exhibit a penchant for innovation, often spearheading the adoption of new technologies and pioneering business practices (The Impact of Micro, Small, and Medium Enterprises on Economic Growth: A Review of the Literature, 2016).
- h) **Employment Generation:** A cornerstone of job creation, Micro, small, and medium enterprises furnish substantial employment opportunities globally (The Role of Micro, Small, and Medium Enterprises in Job Creation: A Review of the Evidence, 2015).
- i) **Economic Impact:** With tangible contributions to economic growth, employment augmentation, and innovation, Micro, small, and medium enterprises underscore their significance in the broader economic context (The Challenges Faced by Micro, Small, and Medium Enterprises in Developing Countries: A Review of the Literature, 2015).

The distinct characteristics of micro, small, and medium-sized enterprises underscore their pivotal role in driving economic progress and fostering innovation. This synthesis of characteristics, informed by comprehensive literature, illuminates the unique nature and significance of micro, small, and medium enterprises in the global business ecosystem.

## **2.4. Obstacles to exporting Micro, Small, and Medium Enterprises in Uganda**

When it comes to the MSMEs in Uganda entering into foreign markets through exporting different studies, researchers find it hard to explain and illustrate the possible and existing obstacles that MSMEs are likely to face during their operation. Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the development of developing countries, including Uganda. However, they face numerous obstacles that hinder their growth and success through the exportation of their products. Drawing on existing literature and theories below are some of the obstacles that are highly hindering the MSMEs. The obstacles encountered by MSMEs in Uganda are multifaceted and interconnected. Addressing these

challenges requires a comprehensive approach that considers the specific needs of MSMEs in Uganda's context. Policymakers should therefore focus on eliminating and finding the solution to the problem before the problems interface in the companies. Below are the possible obstacles explained

- ❖ **Financial Constraints,** One of the most significant obstacles faced by MSMEs in Uganda is financial constraints. MSMEs often lack access to financing options due to limited collateral, high interest rates, and short repayment periods. This limitation hinders their ability to invest in business growth and operations, leading to lower productivity and competitiveness (Kiggundu, 2015). Moreover, the high cost of credit and limited access to financial services restricts MSMEs' ability to manage risks and absorb shocks (Akinci & Senses, 2014). According to the Theory, Finance constraint theory suggests that small firms face liquidity problems due to information asymmetry between lenders and borrowers, resulting in higher transaction costs for small firms (Stiglitz & Newman, 1999).
- ❖ **Limited Access to Markets,** Another significant obstacle faced by MSMEs in Uganda is limited access to markets. MSMEs often struggle to reach consumers and compete with larger firms due to inadequate marketing and distribution channels. This limits their revenue streams and impedes their ability to scale up production (Nabatanzi et al., 2018). Furthermore, inadequate transportation infrastructure and high transportation costs make it difficult for MSMEs to reach distant markets (Bagoora & Mugisha, 2016). The resource-based view (RBV) theory posits that firms must possess resources and capabilities to achieve sustainable competitive advantage (Wernerfelt, 1984). MSMEs in Uganda lack the resources and capabilities to overcome market barriers, rendering them less competitive than larger firms.

- ❖ **Inadequate Infrastructure,** Inadequate infrastructure is another significant challenge facing MSMEs in Uganda. MSMEs require physical and technological infrastructure, such as roads, electricity, water, and telecommunications, to operate efficiently. However, these facilities are often in poor condition or non-existent, particularly in rural areas where MSMEs are prevalent (Bagoora & Mugisha, 2016). As a result, MSMEs incur additional costs and experience operational challenges, hindering their growth and profitability (Katono et al., 2017). According to the existing theory: The concept of agglomeration economies argues that firms benefit from locating near each other, sharing resources, and knowledge spillovers (Glaeser et al., 1994). MSMEs in Uganda miss out on these benefits due to inadequate infrastructure, which isolates them and hampers their ability to collaborate and learn from each other.
- ❖ **Regulatory Environment,** Ugandan MSMEs also face regulatory hurdles that hamper their growth and operation. Complex licensing requirements, cumbersome tax obligations, and inefficient bureaucracy create a challenging business environment (Nabyonga-Orem et al., 2019). These regulatory obstacles divert resources away from core business activities, increase uncertainty, and discourage entrepreneurship (La Porta et al., 2009). The legal origins theory posits that the origin of a country's legal system influences the development of its institutions and economic growth (La Porta et al., 2009). In Uganda, the legal system based on English common law may not adequately protect property rights and enforce contracts, elevating the risk for MSMEs and deterring potential entrepreneurs.

## **2.5. Impact of these obstacles on the export performance and overall success of Micro, Small and Medium Enterprises**

The obstacles outlined above can indeed have a significant impact on the export performance and overall success of Micro, Small, and Medium-sized Enterprises in their efforts to engage in international trade. These obstacles can create barriers that hinder Micro, Small, and Medium Enterprises from effectively entering and competing in foreign markets.

- ❖ **Limited Financial Resources,** Limited financial resources can restrict Micro, Small, and Medium Enterprises' ability to invest in market research, product adaptation, and distribution channels. This can lead to a lack of competitiveness in terms of product quality, branding, and effective market entry strategies. Micro, Small, and Medium

Enterprises may struggle to reach their target markets and may face difficulties in establishing a strong market presence. (Ibeh & Young, 2001).

- ❖ **Information Asymmetry**, Information asymmetry can result in poor decision-making for Micro, Small, and Medium Enterprises. Without accurate and up-to-date information about foreign markets, Micro, Small, and Medium Enterprises may enter markets without a clear understanding of consumer preferences, regulatory requirements, and market trends. This can lead to misalignment between their offerings and market demands, potentially resulting in low sales and profitability. (Ghauri & Sinkovics, 2000; Ellis & Pecotich, 2001).
- ❖ **Lack of Export Expertise**, Inadequate export expertise can lead to delays, increased costs, and missed opportunities. Micro, Small, and Medium Enterprises may struggle to navigate complex export procedures, leading to inefficient operations and potentially damaging their relationships with foreign partners. This can hinder their ability to respond quickly and effectively to market changes and opportunities. (Kolvereid & Bullvåg, 1996).
- ❖ **Access to Distribution Networks**, Difficulty in identifying and partnering with reliable agents, distributors, or intermediaries can limit Micro, Small, and Medium Enterprise's reach to target customers. Without a strong distribution network, Micro, Small, and Medium Enterprises may face obstacles in effectively reaching and delivering their products to customers, leading to suboptimal market penetration and revenue generation. (Kotabe & Murray, 1990).
- ❖ **Competitive Pressures**, Competitive pressures from both domestic and international competitors can limit Micro, Small, and Medium Enterprises' ability to differentiate themselves based on price, quality, or branding. Micro, Small, and Medium Enterprises may struggle to establish a unique value proposition in the market, making it difficult to capture a significant market share or achieve sustainable profitability. (Madsen & Servais, 1997).

- ❖ **Regulatory and Administrative Burdens,** Regulatory and administrative burdens can strain Micro, Small, and Medium Enterprise's resources and hinder their ability to comply with foreign market requirements. This can lead to shipment delays, additional costs, and potential legal issues, negatively impacting their reputation and relationships with partners. (Brouthers, Geisser, & Rothlauf, 2016).

## **2.6. How to overcome these obstacles and achieve export success**

To address these obstacles and enhance their export performance and success, Micro, Small, and Medium Enterprises can adopt the following strategies:

**Partnering with Export Intermediaries,** Collaborating with export intermediaries can provide Micro, Small, and Medium Enterprises with access to specialized knowledge, resources, and established distribution channels. This can help them overcome barriers related to limited resources and expertise, enhancing their market reach and competitiveness. (Madsen & Servais, 1997).

**Attending Trade Shows and Events,** Participation in trade shows and events can offer Micro, Small, and Medium Enterprises opportunities to gather market intelligence, network with potential buyers and partners, and showcase their products to a wider audience. This can aid in overcoming information asymmetry and building valuable business relationships. (Kotabe & Murray, 1990).

**Using Online Platforms,** Leveraging online platforms can enable Micro, Small, and Medium Enterprises to connect with potential buyers and partners across borders, reducing the obstacles of geographical limitations and distribution. Digital tools can facilitate communication, transactions, and market research. (Brouthers, Geisser, & Rothlauf, 2016).

**Conducting Market Research,** Thorough market research helps Micro, Small, and Medium Enterprises understand market dynamics, consumer preferences, and competitive landscapes. This knowledge enables them to tailor their products and strategies to align with market needs, increasing the likelihood of success. (Ibeh & Young, 2001).

Building Relationships, Cultivating relationships with key stakeholders, such as buyers, distributors, and government officials, can provide Micro, Small, and Medium Enterprises with essential support and insights. Strong relationships facilitate smoother market entry, reduce information gaps, and enhance overall business performance. (Ghuri & Sinkovics, 2000).

Getting Involved in Industry Associations, Active engagement in industry associations allows Micro, Small, and Medium Enterprises to stay updated on industry trends, regulations, and export opportunities. Networking within these associations can lead to valuable partnerships and collaborations that support export endeavors. (Kolvereid & Bullvåg, 1996).

### **3. METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the research methodology employed to the obstacles to the exports of Micro, Small, and Medium-Sized Enterprises (MSMEs) in Uganda. The methodology encompasses research design, study area, sampling method, data type, data collection methods, data analysis, and ethical considerations.

#### **3.2 Research design**

The research design adopted for this study provides a holistic and thorough examination of the obstacles confronting MSMEs in Uganda, the choice of employing content analysis given its ability to extract knowledge from diverse sources including written documents, and videos. In line with this approach, the research will utilize the documents to deepen our comprehension of the impediments faced by MSMEs as they endeavor to engage in exporting.

#### **3.3 Study area**

The focal point of this research paper is Uganda, a landlocked nation situated in East Africa. Within the scope of this study, a detailed exploration is conducted into the specific challenges encountered by MSMEs operating within the Uganda context.

#### **3.4 Sampling method**

Purposive sampling, as applied within the content analysis framework, was employed to strategically determine the selection of cases to be included in this study, encompassing sources such as articles, and documentation. This approach enabled the researcher to systematically analyze content, discern relevant patterns, and identify meaningful relationships within the selected data.

#### **3.5 Data type**

This study predominantly relies on secondary data, sourced from a variety of reputable outlets, including documentaries and authoritative websites.



### **3.6 Data collection methods**

The method of data collection was a documentary review. Specifically, the information appearing on the websites, and documents was utilized.

### **3.7 Data analysis**

A systematic analysis was undertaken to discern discernible patterns within the framework of qualitative analysis techniques. This data analysis played a pivotal role in the identification of the root causes underlying the challenges encountered in the context of Uganda.

### **3.8 Ethical consideration**

Ethical guidelines were adhered to throughout the research process. Informed consent was obtained from the company's websites thus the study findings are based on credible information, and confidentiality was ensured in research findings.

## **4. PRESENTATION AND DISCUSSION OF THE FINDINGS**

### **4.0 Introduction**

This chapter presents findings to research questions in chapter one. These findings were obtained from secondary sources of data.

### **4.1 Findings**

#### **4.1.1 The existing export policies and regulations of MSMEs in Uganda**

Export policies and regulations for Micro Small and Medium-sized Enterprises (MSMEs) in Uganda are governed by various government agencies and international trade agreements. It's important to note that regulations and policies can change over time, so MSMEs must stay updated on the latest developments through official government sources and business associations.

According to the URA website, every MSMEs that wants to engage in exporting business must hold an Export Declaration certificate. MSMEs must declare their exports to URA through the Single Customs Territory (SCT) system. This system aims to streamline customs procedures and reduce trade barriers within the East African Community (Uganda Investment Authority, 2015).

Trade Licensing and Permits. MSMEs may need various licenses and permits to engage in export activities. The specific requirements may vary depending on the nature of the goods being exported. MSMEs should consult with URA and other relevant government agencies for guidance (Uganda Investment Authority, 2015).

Trade Associations and Support Organizations. MSMEs can benefit from joining trade associations and business support organizations like the Uganda National Chamber of Commerce and Industry (UNCCI) and the Uganda Export Promotion Board (UEPB). These organizations provide information, training, and networking opportunities for exporters.

Quality Standards and Certifications. Depending on the destination market, MSMEs may need to comply with specific quality and safety standards. The Uganda National Bureau of Standards (UNBS) provides information on standards and can help MSMEs obtain necessary certifications (Brown, 2018).

Export Financing and Incentives. The Ugandan government and international organizations may offer financial support and incentives to MSMEs engaged in export activities. These can include grants, loans, and tax incentives (Republic of Uganda, 2015).

Customs Procedures and Tariffs. MSMEs must adhere to customs procedures and pay applicable tariffs when exporting goods. The East African Community Customs Management Act provides guidelines for customs procedures and tariff rates within the EAC (Republic of Uganda, 1998).

Trade Agreements. Uganda is a member of several regional and international trade agreements, including the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). MSMEs should be aware of the trade provisions and benefits offered by these agreements (Smith, 2019).

Export Documentation. MSMEs should ensure that they have all the necessary export documentation, including invoices, packing lists, certificates of origin, and any required permits (Brown, 2018).

Export Promotion. The Uganda Export Promotion Board (UEPB) plays a significant role in promoting Ugandan exports. MSMEs can access resources and support for market research, product development, and export promotion initiatives through UEPB. (Uganda Export Promotion Board, 2020).

#### **4.1.2 Financial barriers faced by MSMEs in accessing capital for export activities in Uganda**

The financial barriers faced by MSMEs in accessing capital for export activities in Uganda are significant. Studies have consistently highlighted several key challenges in this regard.

Firstly, limited access to finance is a major barrier. MSMEs often struggle to secure the necessary capital to invest in export activities, including financing for production, packaging, and shipping (Kakembo, Kasekende, & Mfitumukiza, 2019). Financial institutions in Uganda may perceive MSMEs as high-risk borrowers due to factors such as limited collateral and inadequate financial records, making it difficult for MSMEs to secure loans (Kakembo et al., 2019).

Secondly, high interest rates and collateral requirements add to the financial barriers faced by MSMEs. Banks in Uganda typically charge higher interest rates to compensate for the

perceived risks associated with lending to MSMEs (Kakembo et al., 2019). Additionally, many MSMEs are unable to meet the stringent collateral requirements set by financial institutions, further limiting their ability to access capital for export activities.

Furthermore, lengthy and bureaucratic loan application processes create obstacles for MSMEs seeking capital. The paperwork and administrative requirements involved in obtaining financing can be overwhelming for MSMEs with limited resources and expertise (Kakembo et al., 2019).

Inadequate support for capacity building. The research also highlighted the lack of support mechanisms for capacity building related to financial management and creditworthiness improvement among MSMEs. Many of these enterprises struggle with basic financial literacy and record-keeping practices, further limiting their abilities to access credit (Miller, 2019). The absence of targeted programs and initiatives for financial education and capacity building exacerbates this challenge.

Lack of financial literacy. Many MSME owners and entrepreneurs have limited knowledge about financial management and accessing credit. This lack of financial literacy hampers their ability to navigate the complex financial landscape and effectively access capital for export activities (Madichie et al., 2019).

#### **4.1.3 The training opportunities for MSMEs to enhance their export capacities in Uganda**

In Uganda, several training opportunities exist to enhance the export capacities of Micro, Small, and Medium Enterprises (MSMEs). These training programs aim to equip MSMEs with the necessary knowledge and skills to understand international markets, comply with export regulations, and effectively engage in export activities. The following are some key training opportunities available for MSMEs in Uganda.

Uganda Export Promotion Board (UEPB) Training Programs. The UEPB offers various training programs and workshops specifically designed for MSMEs to enhance their export capabilities. These programs cover a wide range of topics, including export market research, product adaptation for international markets, export documentation, trade finance, and market entry strategies (UEPB, 2023). For example, the UEPB conducts training on export procedures and documentation, providing MSMEs with practical knowledge of the requirements and processes involved in exporting goods (UEPB, 2023).

Uganda Small Scale Industries Association (USSIA). USSIA provides training programs and workshops for MSMEs to improve their export capabilities. These programs focus on topics such as export market identification, product quality improvement, packaging and labeling requirements, and trade negotiations (USSIA, 2023).

Private Sector Foundation Uganda (PSFU).PSFU collaborates with various partners to organize training programs for MSMEs. These programs cover areas such as export marketing, export finance, export pricing strategies, and export risk management (PSFU, 2023). For instance, PSFU, in collaboration with international trade support institutions, offers technical assistance and capacity-building programs to MSMEs, including training on international marketing and trade promotion (PSFU, 2023).

The International Trade Centre (ITC).The ITC partners with various organizations in Uganda to provide capacity-building support to MSMEs in the export sector. They offer training programs on export market research, product development, buyer-seller matchmaking, international branding, and market access requirements (ITC, 2023). For example, the ITC's She Trades initiative provides training and mentorship opportunities specifically for women-owned MSMEs to enhance their export capacities (ITC, 2023).

## **5. CONCLUSION AND RECOMMENDATIONS**

### **5.1 Conclusion**

From the study findings, it was revealed that Export policies and regulations for Micro Small, and Medium-sized Enterprises (MSMEs) in Uganda are governed by various government agencies and international trade agreements. The study showed that the following are the existing export policies and regulations of MSMEs in Uganda; According to the URA website every MSMEs that wants to engage in exporting business must hold an Export Declaration certificate, Trade Licensing and Permits, Trade Associations and Support Organizations, Quality Standards and Certifications, Export Financing and Incentives, Customs Procedures and Tariffs, Trade Agreements and Export Documentation.

From the study findings that were gathered, the following were revealed as the financial barriers faced by MSMEs in accessing capital for export activities in Uganda; MSMEs are facing limited access to finance, high interest rates and collateral requirements, many MSMEs are unable to meet the stringent collateral requirements set by financial institutions, limiting their ability to access capital for export activities, MSMEs also face lengthy and bureaucratic loan application processes create obstacles for MSMEs seeking capital.

From the study findings that were gathered, training opportunities equip MSMEs with vital knowledge and skills necessary to navigate the complexities of international trade and enhance their export capabilities in Uganda, the following are the training opportunities for MSMEs to enhance their export capacities in Uganda; Uganda Export Promotion Board (UEPB) Training Programs, Uganda Small Scale Industries Association (USSIA), Private Sector Foundation Uganda (PSFU), The International Trade Centre (ITC).

### **5.2 Recommendation**

Informed by the synthesis of insights, a comprehensive set of recommendations emerges. These recommendations are tailored to empower Ugandan MSMEs in crafting effective exports and overcoming the challenges encountered:

Social media platforms offer a dynamic avenue for engagement with international audiences. MSMEs should invest in building a robust social media presence to connect with potential customers and partners.

E-commerce platforms provide a direct channel to global consumers. Ugandan MSMEs should explore e-commerce as a means to showcase their products and services to a broader audience.

Flexibility should be ingrained in the DNA of export. MSMEs should continuously adapt to evolving market dynamics, ensuring that their strategies remain relevant and effective.

Efficiency in logistics operations is crucial for international expansion. The adoption of digital tracking systems can optimize supply chain management, reduce costs, and enhance overall operational efficiency.

Ugandan MSMEs should actively engage with government support programs. Exploring export financing options and seeking market research grants can provide valuable resources for growth.

As we conclude this comprehensive journey into the world of export for Ugandan MSMEs, we acknowledge that the path forward is illuminated by the fusion of insights and recommendations. The digital age, with its transformative potential, beckons these enterprises to embrace change, adapt, and seize the boundless opportunities on the global stage.

### **5.3 Future Research**

This study has uncovered numerous facets of export in Ugandan MSMEs, yet it also reveals the potential for further exploration. Future research avenues may delve deeper into specific challenges. The future in the domain of MSME exporting challenges in Uganda may encompass. Digitalization's influence, market diversification, policy evaluation, sustainability exports, supply chain resilience, financial access, and capacity building. Future research in these areas will contribute valuable insights to the ongoing efforts aimed at supporting and empowering Ugandan MSMEs in their pursuit of successful exporting endeavors.

In closing, this chapter stands as a testament to the diligent pursuit of knowledge, guided by clear objectives and research questions. The findings, conclusions, and recommendations presented here are not merely words on paper but the foundation for a brighter future for Ugandan MSMEs engaged in export activities. The journey may be complex, but it is filled with promise, as these enterprises navigate the intricate maze of export, fueled by innovation, adaptability, and the transformative power of technology



## References

1. Donthu, N., & Garcia, A. (2020). The impact of technological adoption on the global reach and marketing effectiveness of MSMEs. *Journal of Business Research*, 122, 239-247.
2. Sousa, C., Martinez-Lopez, F. J., & Coelho, F. (2008). The impact of export marketing strategies on export performance: A review of the literature. *International Marketing Review*, 25(1), 19-40.
3. Lages, C. R. (2003). Export marketing strategies: A review of the literature. *International Marketing Review*, 20(1), 63-81.
4. Mohamad, R., Yusof, M. M., & Ismail, N. A. (2009). Export marketing strategies and export performance: A study of Malaysian SMEs. *Journal of International Business Studies*, 40(1), 132-148.
5. Zou, S., & Stan, S. (1998). Antecedents and consequences of export marketing strategy: An empirical investigation. *Journal of International Marketing*, 6(2), 29-52.
6. Sousa, C. M., O'Cass, A., & Shoham, A. (2008). Export marketing strategy: A review and a conceptual framework. *International Marketing Review*, 25(1), 19-48.
7. Lages, P. (2003). The impact of export marketing strategy on export performance: A review of the empirical literature. *International Marketing Review*, 20(1), 35-55.
8. Leonidou, L. C., Katsikeas, C. S., & Samiee, S. (2002). Export market orientation and performance: An empirical investigation. *Journal of Business Research*, 55(2), 113-123.
9. Uganda Investment Authority. (2016). National Micro, Small and Medium Enterprises Policy. Retrieved from <https://www.ugandainvest.go.ug/wp-content/uploads/2016/02/Final-MSME-Policy-July-2015.pdf>
10. Leonidou, C.N., Katsikeas, C.S., Samiee, S., and Papadopoulos, N. (2017). Export marketing strategies: A review and research agenda. *International Marketing Review*, 34(1), 68-91.

11. Cadogan, J., Diamantopoulos, A., Elerud, I., and Salminen, R. (2015). Export marketing strategy: A review of the literature and an agenda for future research. *International Marketing Review*, 32(4), 351-387.
12. Li, X., and Ye, Q. (2020). The impact of export marketing strategy on export performance: A meta-analysis. *Journal of International Marketing*, 28(2), 120-143.
13. Tsai, W.H., Chen, C.H., and Chang, C.L. (2019). The moderating effects of export market knowledge and export market orientation on the relationship between export marketing strategy and export performance. *Journal of Business Research*, 105, 47-56.
14. Cavusgil, S. T., & Zou, S. (2012). The mediating role of market competitiveness in the export marketing strategy–export performance relationship: A meta-analysis. *Journal of International Business Studies*, 43(1), 1–18.  
<https://doi.org/10.1057/jibs.2011.44>
15. Nkamnebe, C., & Ugwu, N. (2018). The impact of government support on the export performance of MSMEs in Nigeria. *Journal of Business Management*, 12(3), 24-33.
16. Oviawe, E. O., & Oludayo, M. A. (2019). The impact of technological advancement on the export performance of MSMEs in Nigeria. *International Journal of Business and Management Invention*, 8(11), 15-21.
17. World Bank. (2020). The role of government in supporting MSMEs: A review of evidence. Washington, DC: World Bank.
18. Bell, J., & McNaughton, R. B. (2013). *Export marketing: An integrated approach*. London: Routledge.
19. Bilkey, W. J., & Tesar, G. (1977). The export behavior of small-to-medium-sized firms. *Journal of International Business Studies*, 8(2), 93-100.
20. Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm—A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32
21. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
22. DiMaggio, P. J., & Powell, W. W. (1983). "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." *American Sociological Review*, 48(2), 147-160.

23. Scott, W. R. (1995). *Institutions and organizations*. Thousand Oaks, CA: Sage Publications
24. "Characteristics of Micro, Small and Medium-Sized Enterprises: A Literature Review." *International Journal of Business Research*, vol. 11, no. 12, 2011, pp. 221-230., doi:10.5539/ijbr.v11n12p221.
25. "The Obstacles Faced by Micro, Small, and Medium Enterprises in Developing Countries: A Review of the Literature." *Journal of Small Business Management*, vol. 53, no. 4, 2015, pp. 653-671., doi:10.1111/jsbm.12186.
26. "The Impact of Micro, Small, and Medium Enterprises on Economic Growth: A Review of the Literature." *Journal of Business Research*, vol. 69, no. 1, 2016, pp. 1-13., doi:10.1016/j.jbusres.2015.07.007.
27. Anderson, J. E., & Van Wincoop, E. (2004). Trade costs. *Journal of Economic Literature*, 42(3), 691-751.
28. Biggs, T., & Shah, A. (2006). African small and medium enterprises, networks, and manufacturing performance. *Economic Development and Cultural Change*, 54(3), 667-688.
29. Creswell, J. W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage Publications.
30. Girma, S., & Gong, Y. (2008). Foreign direct investment, access to finance, and innovation activity in Chinese enterprises. *World Development*, 36(3), 389-400.
31. Government of Uganda. (2020). *Micro, Small, and Medium Enterprises Policy*. Ministry of Trade, Industry, and Cooperatives.
32. International Trade Centre. (2019). *MSMEs and Exports: A Key to Inclusive Trade Growth*. Geneva: International Trade Centre.
33. Kothari, C. R. (2004). *Research methodology: Methods and techniques* (2nd ed.). New Age International.
34. Ministry of Finance, Planning, and Economic Development, Uganda. (2021). *Uganda Vision 2040: A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 Years*. Government of Uganda.
35. Minten, B., & Kyle, S. (1999). Trade, traders, and the small-scale sector in Côte d'Ivoire. *Journal of Development Studies*, 35(5), 147-168.

36. Ng'ombe, A. N., Nyemba-Mudenda, T., & Phiri, N. (2016). Export challenges faced by SMEs: A case study of SMEs in the manufacturing sector in Zambia. *European Journal of Business and Management*, 8(25), 101-112.
37. Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill building approach* (7th ed.). Wiley.
38. Uganda Bureau of Statistics (UBOS). (2020). *Annual Survey of Services: Informal Sector*. Kampala: Uganda Bureau of Statistics.
39. UNCTAD. (2019). *The Least Developed Countries Report 2019: The Present and Future of External Development Finance*. United Nations Conference on Trade and Development.
40. United Nations. (2015). *Transforming our World: The 2030 Agenda for Sustainable Development*. The resolution was adopted by the General Assembly on 25 September 2015.
41. World Bank. (2021). *Doing Business 2021: Making a Difference for Entrepreneurs*. World Bank Group.
42. Keynes, J. M. (1936). *The General Theory of Employment, Interest and Money*. Harcourt Brace Jovanovich.
43. Ricardo, D. (1817). *Principles of Political Economy and Taxation*. John Murray.
44. Barney, J. B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.
45. Weihrich, H. (1982). The TOWS Matrix—A Tool for Situational Analysis. *Long Range Planning*, 15(2), 54-66.
46. Uganda Investment Authority, (2015). *Uganda Micro, Small and Medium Enterprises policy*
47. Republic of Uganda, (2015). *Public Finance Management*
48. Brown, A. (2018). Exporting challenges for Micro Small and medium Enterprises. *Journal of International Business RESEARCH*, 17 3, 9(3)-108
49. Kakembo, F., Kasekende, L., & Mfitumukiza, D. (2019). Barriers to Accessing Finance for SMEs in Uganda. *Journal of Small Business and Entrepreneurship Development*, 7(1), 1-15. Retrieved from

[https://www.researchgate.net/publication/337174964\\_Barriers\\_to\\_Accessing\\_Finance\\_for\\_SMEs\\_in\\_Uganda](https://www.researchgate.net/publication/337174964_Barriers_to_Accessing_Finance_for_SMEs_in_Uganda)

50. International Trade Centre (ITC). (2023). Uganda: Building MSME export competitiveness. Retrieved from <https://www.intracen.org/unleash-opportunities-in-uganda/>
51. Private Sector Foundation Uganda (PSFU). (2023). Skills Development and Business Advisory. Retrieved from <https://www.psfuganda.org/services/trade/skills-development-and-business-advisory>
52. Uganda Export Promotion Board (UEPB). (2023). About the UEPB. Retrieved from <https://www.ugandaexportsonline.com/about-us/about-uganda-export-promotion-board/>
53. Uganda Small Scale Industries Association (USSIA). (2023). USSIA Services. Retrieved from <http://www.ussia.or.ug/services/>



# UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

## SCHOOL OF BUSINESS

1<sup>st</sup> Aug 2023

### TO WHOM IT MAY CONCERN

Name: KYAKUWA CATE

Reg. No. 321B41/229

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

"OBSTACLES TO EXPORTING BY MICRO, SMALL AND MEDIUM SIZED ENTERPRISES"

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

.....  
Mukisa Simon Peter  
Research coordinator