

**TAXATION AND BUSINESS PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN MAKINDYE EAST DIVISION, KAMPALA DISTRICT,
UGANDA**

BY

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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE
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DECLARATION

I Ndoleriire Patience hereby declare that "this Research Report is my original work and has never been presented for a degree or any other academic award in any higher institution of learning"

Signature.....

Date.....

APPROVAL


I confirm that this research report has been done by the candidate under my supervision and it is ready to be submitted to the Department of Finance and Accounting for the award of Bachelors degree in Business Administration.

Supervisor's name

Signature

Date

MR. MUGUME TOM

A handwritten signature in blue ink, consisting of a large, stylized 'M' followed by a horizontal line and a vertical stroke.A handwritten date in blue ink, written as '02/07/2019'.

DEDICATION

I dedicate this research Report to my mother Mrs. Ndoleriire Fridah, My elder brother Mr. Kaizire Charles and my sister Ms. Ndoleriire Elizabeth for supporting me financially, morally, socially throughout my long term academic journey.

ACKNOWLEDGEMENT

I would like to thank the Almighty God, for providing me with his grace and opportunity to finish this academic journey. I would also like to extend my sincere gratitude to all those who have contributed towards the successful completion of this research report.

My sincere appreciation to my elder brothers and guardian Mr. Kaizire Charles and Mr. Ndoleriire Kenneth for their commitment, financial support and guidance, they have willingly offered to me, through my academics because without them, it would not have been a success.

My special thanks go to my Supervisor Mr. Mugume Tom for his time and patience he spared to supervise this research report and for his valuable, intellect and tireless guidance accorded to me, may the almighty God I serve bless him and his family abundantly.

I owe much gratitude to all my friends especially; Sarah, Collins, Diana and Maureen and the entire College of Economics and management of Kampala International University. Lastly to all those who made my life difficult during my academic journey I pray that you may reflect back and seek God's mercy and change for the better in future.

ABSTRACT

This study embarked on "Taxation and Business performance of Small and Medium enterprises in Makindye east division, Kampala district, Uganda". The study was made up of three objectives and these include; to determine the level of taxation imposed on SMEs in Uganda, to determine the level of business performance of SMEs in Uganda and to establish whether there is a relationship between taxation and business performance of SMEs in Uganda. The study used correlation and descriptive design and statistical package for social scientists (SPSS) was used for data analysis. The study findings revealed that the level of taxation imposed on SMEs was high (58%) and the study findings on the level of business performance of SMEs was fluctuating due to taxes but also the findings further revealed that there is a significant relationship (99%) between taxation and business performance of SMEs in Uganda. The researcher recommended that SMEs should be given incentives, business community should be trained, business community should be protected against counterfeiters, smugglers, URA should engage in social corporate responsibilities, government should embark on infrastructure development and government should protect infant industries against imported goods. The researcher also recommends that government should create a conducive credit market environment for SMEs to easily access credit at very low interest rate for the business community to grow and expand their businesses. The researcher suggested the following areas for further research; Taxation and Growth of SMEs, The contribution of taxes to the growth of SMEs, The contribution of SMEs to job creation, Infrastructure development and performance of SMEs in Uganda.

ACRONYMS

SMEs; Small and Medium Enterprises

URA; Uganda Revenue Authority

SPSS; Statistical package for social scientists

VAT; Value Added Taxes

EU; European Union

ANOVA; Analysis of Variance

UNBS; Uganda National Bureau of Standards

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CHAPTER ONE

1.0 Introduction

According to Kinga (2015), performance is very important in all areas and activities. It is very easy to determine performance in certain activities but also can be more difficult in others. There may be physical, mental, work, study, sport, artistic, scientific and other types of performance. The concept of performance shows a quite different character in each country and it is different in each language, not to mention the performance in different disciplines and the individual interests.

Taxation as understood today was introduced in East Africa by the early British colonial administrators through the system of compulsory public works such as road construction, building of administrative headquarters and schools as well as forest clearance and other related works.

1.1 Background to the study

According to Ananda (2016), business performance is an indicator which measures how well an organization accomplishes its objectives. In the 1950s, the view was rather simple and mainly concerned the effectiveness of an organization, meaning that the optimal performance was achieved when the actual result exactly corresponded to the aimed result. As the complexity of the business environment increased for each decade, more criteria were included into the performance term. Senior executives understand that traditional financial accounting measures like return on investment and earnings per share can give misleading signals for continuous improvement and innovation. The need to adopt a balanced range of

financial and nonfinancial performance measures is now widely accepted. Business performance is defined to consider multiple financial and nonfinancial objectives under the influence of fuzzy and uncertain external environment involving outside-in perspective for mobilizing diverse resources by way of open information flow.

In the Hungarian language, the term performance appeared first in the Hungarian language magazine in 1853 and 1991. Later it was defined in various fields such as pedagogy (Nagy, 1979), sports (Nadori, 1986), economics (Akos, 1968) physics (J. Juhasz et al, 2001) and (Sajtos, 2004).

According to the study conducted by Tebogo et al (2016), organisational performance is best measured by profitability, sales growth and return on assets. In addition, Tobin's Q was found to be the most favoured market based financial measure of organisational performance. The study further indicates that market share, customer satisfaction and productivity are the most popular non-financial based measures of organisational performance.

Referring to Terrell (2004), the origin of the income tax on individuals is generally cited as the passage of the 16th Amendment, passed by Congress on July 2, 1909, and ratified February 3, 1913; however, its history actually goes back even further. During the Civil War Congress passed the Revenue Act of 1861 which included a tax on personal incomes to help pay war expenses.

Passant (2016) conducted a study called "The history of taxation is written in letters of blood and fire". The study indicated that the move from slavery to feudalism, from feudalism to capitalism and from capitalism to socialism led to the increase in the demands for social services from the states thus leading to introduction of

income tax in Great Britain to fix capitalism. The demands for equity and freedom for example no taxation without representation and taxing the rich for part, express the political representation and taxing the rich for part and express the political revolution the society is undergoing.

Tracey (2014) conducted a study called "Historical perspective of income tax in USA". The study shows that during the first fifty years the income tax has been in effect, the major concerns of policy makers were efficiency (the most convenient way to collect revenue without any inconvenience the taxpayers), equity (how the tax burden is distributed across economic classes) and fiscal restraint (how best to balance the budget and reduce public debt). Since 1964, the income tax has increasingly been used to stimulate economic growth. Efficiency has been achieved at the expense of equity as well as fiscal prudence. Whether this is an appropriate trade off depends on if the income tax is an effective measure for promoting growth. This was the key question in 1964 and it remains a key question today. Unfortunately most tax policy analysis is not directed to answering this question.

According to URA (2011), the first formal tax "hut tax" was introduced in 1900 and this is when the first common tariff arrangements were put in place between Kenya and Uganda. Through this, Ugandans began paying customs duty as an indirect tax which involved imposition of an advalorem import duty at a rate of 5% on goods entering East Africa through the port Mombasa and heading to Uganda. The same arrangement was also made with German East Africa (Tanzania) for goods going to Uganda that entered East Africa through Dar- es - salaam and Tanga ports. This led to the increase in the revenue that was given to Uganda.

A number of studies have been conducted in Uganda linking business performance to taxation and these include; a study conducted by Ngabirano (2011) on local revenue collection and performance of small scale businesses in Uganda, Nambozo (2011) conducted a study on income tax administration and profitability of small scale enterprises in Uganda and Odongo (2011) conducted a study on the impact of taxes on performance of small scale business enterprises in Ntungamo town council in Uganda. This study therefore seeks to fill the contextual gap left out by these studies since none of them focused on Makindye east division as a case study, time scope gap whereby none of these studies is latest and theoretical gap whereby this study will adopt a different theory that will explain the link between taxation and business performance in Uganda.

The Hungarian concise dictionary (1985) defines performance as "the measurable result on an activity", according to the Hungarian science and everyday language concise dictionary ([www. Meszotar.hu](http://www.Meszotar.hu)) performance is "how the business effectively implements the action program in the business life according to the previous formulated plans, which leads to business effectiveness", Nelly et al (1995) defined the term performance with two dimensions such as effectiveness, compliance to the organisation goals and efficiency which expresses the economic efficiency of the resources used to reach the goals and in Rolstadls' (1995) opinion, business performance has three dimensions; the effectiveness which shows the consumer needs satisfaction degree, the economic efficiency shows how efficiently the company uses its resources and the changing ability indicates how much the company is prepared for the future.

According to Lorino (1995, 1997) business performance is considered to be the contribution to the value or cost ratio improvement and achievement of strategic objectives, Niculescu and Lavallette (1999) business performance shows the company's competitive position reached with productivity and efficiency and that will ensure long term survival. Whereas Verboncu and Zalman's (2005) view, performance is determined by the whole coordinated activity of the enterprise and for Albu and Albu (2005), performance is an abstract expression and its definition is linked to other concepts such as economic efficiency and value.

To Korom (2007) performance means the difference between the starting point and the target point in the dimensions of capabilities, opportunities, organisation, activities, space and time whereas Bocske and Fekete (2012) states that business performance is determined by economic efficiency and Szuts (1983) interprets the efficiency of the business performance with two components; achievement of goals like the quality component and the ratio of the result expenses like the quantitative component. In his view, the activity has efficiency if the goals are reached.

The lack of international consensus is revealed by two French writers Jacot and Micaelli (1996) for performance interpretation, showing the difficulties in coordination with the English terminology. The categories they propose are; efficiency of the assets used, the relationship between the assets used and the results obtained as well as the relationship between the used assets, results obtained and the predetermined goals.

The Vocabulary.com Dictionary (2019) defines taxation as the practice of collecting taxes from citizens based on their earnings and property. The money raised from

taxation supports the government and allows it to fund police and courts, have military, build and maintain roads, along with many other services. Taxation is the price of being a citizen though politicians and citizens often argue about how much taxation is too little or too much. While McClure et al defines taxation as the imposition of compulsory levies on individuals or entities by governments.

According to Encyclopaedia dictionary (2019) taxation is the process whereby charges are imposed on individuals or property by the legislative branch of the federal government and by many state governments to raise funds for public purposes. While the Webster's New World College Dictionary (2010) defines taxation as the system by which a government takes money from people and organisations and spends it on things such as education, health and defence.

This study adopted Ibn Khaldun's theory of taxation to validate the link between taxation and business performance. In this theory, Ibn relates taxation with government expenditure and he argued for low tax rate so that incentive to work is not killed and taxes are paid happily. According to him at the beginning of a dynasty, taxation yields a large revenue from small assessment but at the end of a dynasty taxation a small revenue from large assessment. Khaldun advocates for a policy of wise and productive public expenditure. By these economic insights, Ibn has been considered as the forerunner of modern recommendations that high tax rates shrinks the tax base because they reduce economic activities (Azim Islahi).

It has been indicated that the level of business performance in Uganda is persistently declining and this decline is partly attributed to the increase in tax rates as well as the introduction of new taxes by the government. Taxes such as Value

added tax, exercise tax, import tax, license among others have denied the growth and expansion of businesses in Uganda. Some of the studies that have been conducted in Uganda on the problem of business performance are all outdated, all dated 2011 but also they all focused on Small scale business enterprises specifically. It is upon this background that the researcher sought to carry out a study on taxation and business performance in Makindye East division Kampala district, Uganda.

1.1.2 Statement of the problem

According to Daily Monitor of Wednesday, September; 27.2017, the private sector foundation Uganda indicated that despite all right things being done, a lot more remain to be implemented. The current economic stance depicts a slow economic activity strongly correlated to the population's weak purchasing power which is driving financial distress and moral decay in the population hence discouraging investment by reduced production and inefficiencies. It is upon this background that this study seeks further to Identify and address the problem of low business performance of small and medium enterprises in Makindye East division, Kampala district, Uganda.

1.1.3 Purpose of the Study

The purpose of this study was to validate the theory that link taxation to business performance in Makindye East division, Kampala district, Uganda.

1.1.4 Objectives of the Study

1.1.4.1 Specific Objectives

- (i) To determine the level of taxation imposed on small and medium enterprises in Uganda
- (ii) To determine the level of business performance of small and medium enterprises in Uganda
- (iii) To establish whether there is a relationship between taxation and business performance of small and medium enterprises in Uganda

1.1.5. Research Questions

- (i) What is the level of taxation imposed on the small and medium enterprises in Uganda?
- (ii) What is the level of business performance of small and medium enterprises in Uganda?
- (ii) Is there a relationship between taxation and business performance of small and medium enterprises in Uganda?

1.1.6. Scope of the Study

1.1.6.1 Geographical Scope

The study was conducted in Makindye East division, Kampala Uganda. Makindye East division is one of the divisions that make up the major business town of Kampala district which is also known as the capital city of Uganda.

1.1.6.2 Theoretical Scope

This study was guided by Ibn Khaldun's theory of taxation to explain the link between taxation and business performance.

1.1.6.3 Content Scope

The content of this study was comprised of the level of taxation on businesses, level of business performance and the effect of taxation on business performance SMEs in Uganda.

1.1.6.4 Time Scope

The researcher developed the research proposal from the month of February, 2019 to March, 2019 then embarked on data collection in the month of April, 2019 and in the month of May, 2019, the researcher cleaned and coded data as well as entered them in the computer for analysis in June, 2019. The researcher interpreted and reported the findings of the study as well as submitted the final research report to the Department of Accounting and Finance in June, 2019.

1.1.7. Significance of the Study

This study will enable government to formulate appropriate tax policies that promote business performance in Uganda.

This study will equip the business community with knowledge of determining the performance of their businesses.

The findings of this study will encourage and guide future researchers to conduct new studies on other factors that affect business performance in Uganda apart from taxation.

This study will avail the library of Kampala International University with findings on taxation and business performance of SMEs in Uganda as well as the recommendations of the researcher.

1.1.8. Definitions of Key Terms Used in the Study

Taxation. In this study, the term "taxation" refers to the process of imposing taxes on people, entities, properties and business.

Business performance. In this study, the term "business performance" means how the business is performing in terms of production, profits, quality as well as growth.

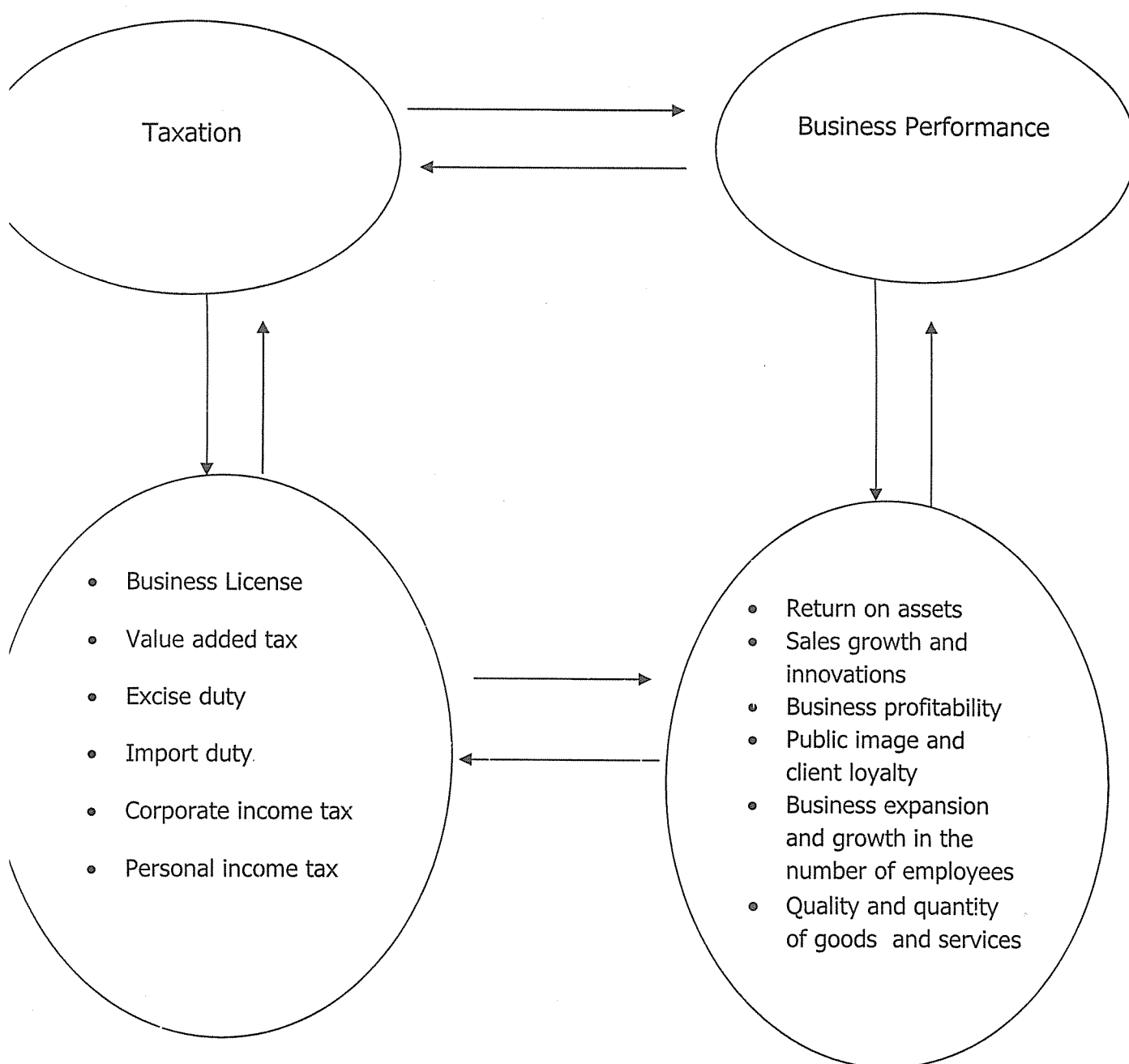
Revenue. In this study, the term "revenue" refers to the amount of income generated by government after the collection of taxes.

Business efficiency. This term measures the quality of goods produced by the business firms.

Business effectiveness. This term measures the amount of inputs and time spent to produce a given amount of output.

Small and Medium Enterprises. These are businesses that do not require huge sums of capital and more advanced production machines as well as highly skilled labour for one to start and manage.

1.1.9 Conceptual Framework of Taxation and Business Performance of Small and Medium Enterprises



Source; Ajay & Rene (2014)

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

This chapter is concerned with conceptual definitions of variables, review of theories, concepts and empirical findings on the linkage between taxation and business performance of small and medium enterprises.

2.1 Conceptual definition of Variables

According to Encyclopaedia dictionary (2019) taxation is the process whereby charges are imposed on individuals or property by the legislative branch of the federal government and by many state governments to raise funds for public purposes. While the Webster's New World College Dictionary (2010) defines taxation as the system by which a government takes money from people and organisations and spends it on things such as education, health and defence.

According to Lorino (1995, 1997) business performance is considered to be the contribution to the value or cost ratio improvement and achievement of strategic objectives, Niculescu and Lavallette (1999) business performance shows the company's competitive position reached with productivity and efficiency and that will ensure long term survival. Whereas Verboncu and Zalman's (2005) view, performance is determined by the whole coordinated activity of the enterprise and

for Albu and Albu (2005), performance is an abstract expression and its definition is linked to other concepts such as economic efficiency and value.

A small and medium enterprise (SME) is defined in the European Union as a firm, the number of employees in which does not exceed 250 people; which has an annual value of sales that does not exceed 7 million ECU (small enterprise), or 40 million ECU (medium enterprise) and that fulfils the criterion of independence, i.e. a big part (at least 25%) of the capital of the firm does not belong to an enterprise that is not small or medium. (Recommendations of European Union #96/280/EU 1996).

Business license is a business permit issued by government agencies that allow individuals or companies to conduct business within the government's geographical jurisdiction. It is the authorisation to start a business issued by the local government. (https://en.wikipedia.org/wiki/Business_license)

A value added tax (VAT) is a consumption tax placed on a product whenever value is added at each stage of the supply chain from production to the point of sale. (<https://www.investopedia.com/terms/v/valueaddedtax.asp>)

Excise duty is a tax on consumption of specified goods and services. It is imposed in respect of supply of specified locally manufactured goods and provision of specified services in Uganda. It is also imposed on specified imported goods. (URA; 2011)

Import duty is a tax collected on import and some exports by a country's customs authorities. It is usually based on the imported goods' value. Depending on the

context, import duty may also be called customs duty, tariff, and import tax or import tariff. (<https://www.investopedia.com/terms/i/import-duty.asp>)

A corporate tax is a levy placed on the profit of a firm to raise taxes. After operating earnings are calculated by deducting expenses, including the cost of goods sold and depreciation from revenue.

(<https://www.investopedia.com/terms/c/corporatetax.asp>)

Personal income tax is a tax paid by people on the money they earn as opposed to a tax that a company pays on its profits.

(<https://dictionary.cambridge.org/dictionary/english/personal-income-tax>)

Return on assets is a financial ratio which shows the percentage of profit a company makes in relation to its overall resources. This is sometimes defined as net income divided by total assets. Net income is derived from the income statement of the company and is the profit after taxes. (Encyclopaedia Business terms. Inc.com)

According to CIO white papers Review, sales growth refers to the amount a company derives from sales compared to a previous corresponding period of time in which the latter sales exceed the former. For example, a company has experienced sales growth when its sales were \$1 million in Q1 2009 and are \$1.2 million in Q1 2010. Sales growth is considered positive for a company's survival and profitability. It may result in increased dividend for shareholders and higher stock prices.

According to Ward (2018), a good business innovation is the process of developing new products or improving existing technologies, processes, designs and marketing to solve problems, increase efficiency, reach new customers and ultimately increase profits.

Maverick (2019) defines business profitability as the revenue after the expenses related to the manufacture, production and selling of products are deducted. Profit is money in the bank. It goes directly to the owners of a company or shareholders or it is reinvested in the company. Profit for any company is the primary goal, and with a company that does not initially have investors or financing, profit may be the corporation's only capital.

Public image is the perception people have of your business when they hear your company name. A business' image is composed of an infinite variety of facts, events, personal histories, advertising and goals that work together to make an impression on the public. (Entrepreneur small Business Encyclopaedia) while Client loyalty is when they consistently purchase a certain product or brand over an extended period of time (Lexicon.ft.com/term = customer- loyalty).

Business expansion or is a stage where the business reaches the point for expansion and seeks additional options to generate more profits. Business growth is a function of the business lifecycle, industry growth trends and the owners' desire for equity value creation (<http://www.attractcapital.com/business-growth.html>)

According (Gaurav; 2013), Product quality means to incorporate features that have a capacity to meet consumer needs (wants) and gives customer satisfaction by

improving products (goods) and making them free from any deficiencies or defects whereas product quantity simply means the amount of goods that a given company is able to produce in a given period of time.

2.1.1 Review of Related studies

Muganya et al (2012) conducted a study on Tax system impact on the Growth of small and medium enterprises in Tanzania using descriptive analysis and the findings were presented in terms of frequencies and percentage analysis and the findings of the study indicated that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest for reforming the tax policies in the country.

Ochen (2015) conducted a study on the Impact Analysis of tax policy and Performance of small and medium scale enterprises in Nigerian economy using descriptive survey research design. The findings of the study revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria and that there is also no significant difference in the mean opinion scores of managers and accountants of the implications of tax policy on SMEs growth.

Sitharam and Hoque (2016) conducted a study on Factors affecting the performance of small and medium enterprises in Kwazulu Natal, South Africa using descriptive analysis. The results of the study revealed that technological advancement would

improve the performance of the business and with regards to challenge, the majority of the respondents viewed competition as a major challenge.

Ngima (2014) conducted a study on Factors affecting the performance of small and medium enterprises in the Jua Kali Sector in Nakuru Town, Kenya using descriptive and inferential analysis presented through figures, tables and percentages. The findings of the study indicate that access to finance had the potential to positively affect performance of SMEs; management skills were found to positively and significantly affect performance and infrastructure did not significantly affect performance of SMEs in the study area. The study results also indicated that as number of years in operations increased the performance increased.

Adebisi and Gbegi (2013) conducted a study on the Effect of Multiple Taxation on the performance of Small and Medium scale business enterprises in West African ceramics Ajeokuta, Kogi state. The data were quantitatively analysed with simple percentages and the hypothesis was tested with ANOVA. The study findings revealed that multiple taxation has negative effect on SMEs survival and the relationship between SMEs size and its ability to pay taxes is significant.

Tee et al (2016) carried out a study on the Effect of Tax payment on the performance of SMEs in Ga West Municipality Assembly using descriptive analysis method, correlation and regression analysis and findings of the study were presented in terms of frequencies and percentage analysis. The findings of the study

indicated that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest for reforming the tax policies in the country.

Ojochogwu and Ojeka (2012) carried out a study on the Relationship between Tax Policy, Growth of SMEs and the Nigerian Economy. The hypothesis was tested using Spearman's Rank Correlation. The study findings revealed a significant negative relationship between taxes and the business' ability to sustain itself and to expand.

2.1.2 Theoretical Review

2.2.1 The theory of Small Business Tax Neutrality

According to Bret (2016) Tax minimization by multinational firms creates the potential for an effective tax rate differential in relation to small business where both operate in the domestic economy. A structural differential may arise irrespective of the legal entity form of small business or the tax statutory rate. Such a differential in domestic taxation is not economically neutral and was initially posited by Musgrave as a potential intra- state economy inefficiency particularly where large firms accumulate capital and are not subject to shareholder level taxation. The tax rate differential to multinational firms is averred here to be the underlying cause of the domestic crowding out effect of foreign direct investment. As such tax systems designed to attract mobile capital fail to take into account such crowding out externality in the domestic economy and would tend to reduce the relative proportion of innovative small businesses in the overall economy. This theory

proposes a policy of small business tax neutrality where targeted tax incentives are made available to small business sufficient to offset the effective tax rate differential available to multinational firms.

2.2.2. The Ability to pay theory of Taxation

This theory was advocated by Swiss philosopher Jean (1712 – 1778) together with the French political economist Jean Baptiste Say (1767- 1832) as well as the English economist Mill (1806 – 1873). The theory states that the taxation should be imposed to individual's income or ability to pay. Thus progressive taxation where the tax rate increases by the increase in taxable amount (Jones et al, 2011). This theory is the most equitable tax system since people with greater wealth afford to pay more taxes and those with less wealth should pay low taxes. Thus this theory should apply to SMEs as well.

2.2.3 The Ibn Khaldun's theory of Taxation

In this theory, Ibn relates taxation with government expenditure and he argued for low tax rate so that incentive to work is not killed and taxes are paid happily. According to him at the beginning of a dynasty, taxation yields a large revenue from small assessment but at the end of a dynasty taxation a small revenue from large assessment. Khaldun advocates for a policy of wise and productive public expenditure. By these economic insights, Ibn has been considered as the forerunner of modern recommendations that high tax rates shrink the tax base because they reduce economic activities (Azim Islahi).

2.1.3. Research Gaps

2.1.3.1 Empirical gap

The researcher has observed that most of the earlier related studies conducted have indicated that taxation has adverse effects on business performance of small and Medium enterprises such studies include; a study conducted by Ngima (2014) on factors affecting the performance of small and medium enterprises in the jua kali sector in Nakuru Town, Kenya, a study conducted by Ojochogwu (2012) on the Relationship between tax policy, growth of SMEs and the Nigerian economy, a study conducted by Tee (2016) on the effect of tax payment on the performance of SMEs in Ga West Municipal Assembly and a study conducted by Adebisi (2013) on the effect of multiple taxation on the performance of SMEs in West African Ceramics Ajeokuta, Kogi State. None of these studies indicated that taxation has appositive effect on business performance of Small and Medium enterprises hence prompting the researcher to conduct a new study to fill this gap.

2.1.3.2 Contextual Gaps

The researcher has found out that none of the available related and empirical studies has been conducted in Makindye East division, Kampala, Uganda thus prompting the researcher to conduct the study on taxation and business

performance of Small and medium enterprises in this geographical area so as to fill this contextual left out by the earlier researchers.

2.1.3.3 Theoretical Gaps

The researcher discovered that none of the related studies reviewed in this study adopted the Ibn Khaldun's theory of Taxation to explain the link between Taxation and business performance of small and medium enterprises and the theory of small business tax neutrality advocated by Professor Musgrave as well as the ability to pay theory of taxation advocated by Swiss Jean, Jean Baptiste Say and Stuart Mills. Thus, prompting the researcher to conduct this study using these theories so as to fill theoretical gap.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

This chapter is comprised of the research design, data type and sources, data analysis, ethical consideration, measurement of validity and reliability, sample size and limitations of the study.

3.1. Research design

This study used a correlation and descriptive design as part of the non-experimental research design. The reason it is non-experimental is because it did not involve manipulation of the variables of interest. The correlation design simply aims to determining the effect between two variables, as well as how strongly these variables relate to one another and descriptive design was used to describe the words.

3.2. Nature and Sources of data

Data attained through primary data sources was used. The data used was collected using questionnaires with likert scale and interview guides which were comprised of closed ended questions.

3.3. Measurement of Validity and Reliability of the instruments

The validity and reliability of the instruments was determined by developing two different questionnaires and by distributing a sample of them to the respondents at the same time and when analysed they gave the same results then the instruments were declared valid and reliable and they had given differing results then they would not be declared valid and reliable. The researcher would be compelled to develop new instruments.

The validity of the findings of the study was estimated by the some factors out of the researcher's control such as personal bias and environmental bias. The margin of error was set to 5% and the researcher took the necessary measures to minimize the errors.

3.4 Data analysis

The Statistical package for social sciences (SPSS) was used to analyse the data with respect to the specific objectives. Objectives one, two and three, were analysed using graphs, pie charts and frequency tables. Also the researcher used correlation analysis and regression analysis.

3.5. Target Population

The researcher targeted a population of 200 respondents from the business community of Makindye East division, Kampala district.

3.6 Sample size

The researcher considered a sample size of about 100 respondents out of the targeted population of 200 respondents from the business community of Makindye

East division, Kampala district. This was determined by Slovene's formula of computing sample size and is shown as;

$$n = N / (1 + Ne^2)$$

n = Number of samples

N = Total population

e = error margin

$$n = 200 / (1 + 100)$$

$$n = 200 / (1 + 100)$$

$$n = 1.9801980198 = 1 \text{ person was sampled per every interval}$$

3.7. Ethical consideration

The principle underlying research ethics regarding confidentiality, honest, and respect for individual rights was highly observed. The researcher got the introduction letter introducing her to the respondents from whom the data was collected and referenced. The works of the other researchers were used in the study were fully recognized through quoting them and referencing them.

3.8. Limitations of the study

There was an expected difficulty in collecting data since some people in the business community were not willing to reveal information regarding their businesses. The researcher found it difficult during the period of distributing questionnaires to the respondents as well as collecting them due to high transport costs and limited time.

Despite of all the above challenges, the researcher made efforts to adequately address them so as not to compromise the findings of the study in any way.

CHAPTER FOUR

RESULTS AND DISCUSSION OF FINDINGS

1A. Gender of respondents

Figure 1: showing the gender composition of respondents who participated in the study.

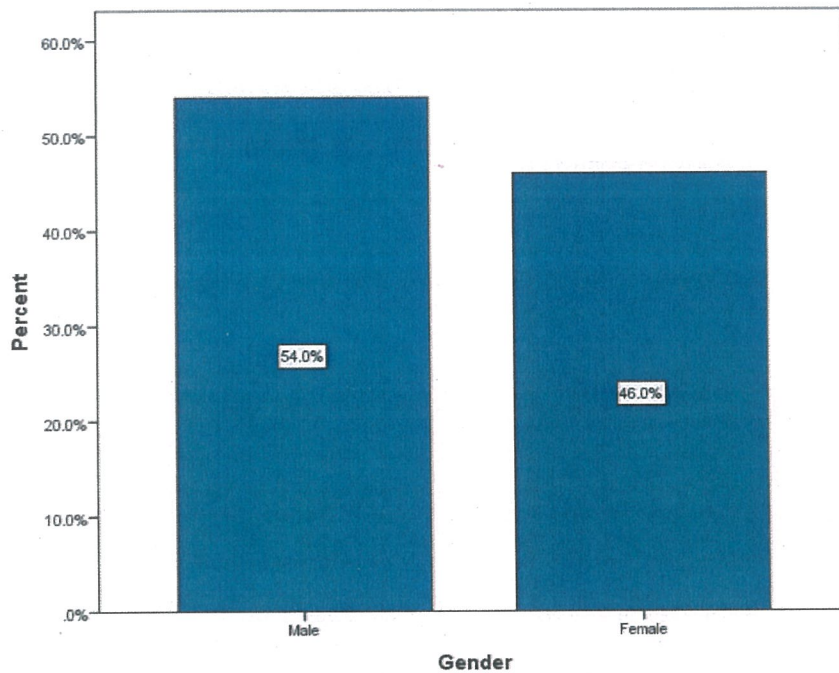


Figure 1.shows that males dominated the gender composition of the respondents in this study with 54% participation percentage whereas 46% was made up of female participation percentage making a total of 100%.

A2. Age of respondents

Figure 2: Pie chart showing the age of respondents who participated in the study

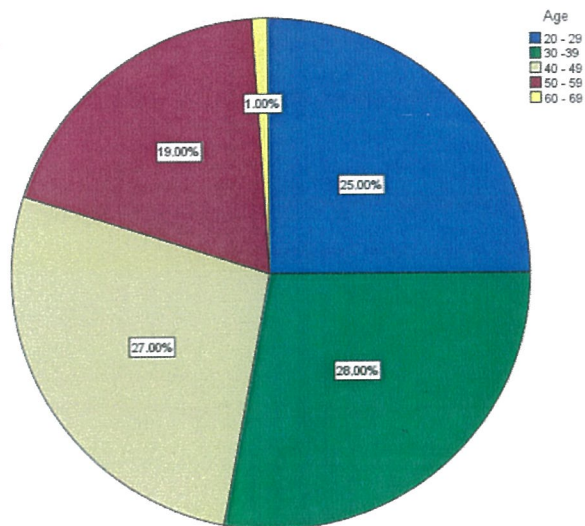


Figure 2. Shows the age range of the respondents who participated in the study. The results revealed that the study was dominated by respondents in the age range of 30-39 which is made up of 28%, followed by respondents in the age range of 40- 49 which is made up of 27%, followed by respondents in the age range of 20 - 29 which is made up of 25%, followed by respondents in the age range of 50 -59 which is made up of 19% and lastly followed by respondents in the age range of 60- 69 which is made up of 1% as indicated in figure 1.1 above.

3A. Education level of respondents

Figure 3: A graph showing the education level of respondents who participated in the study

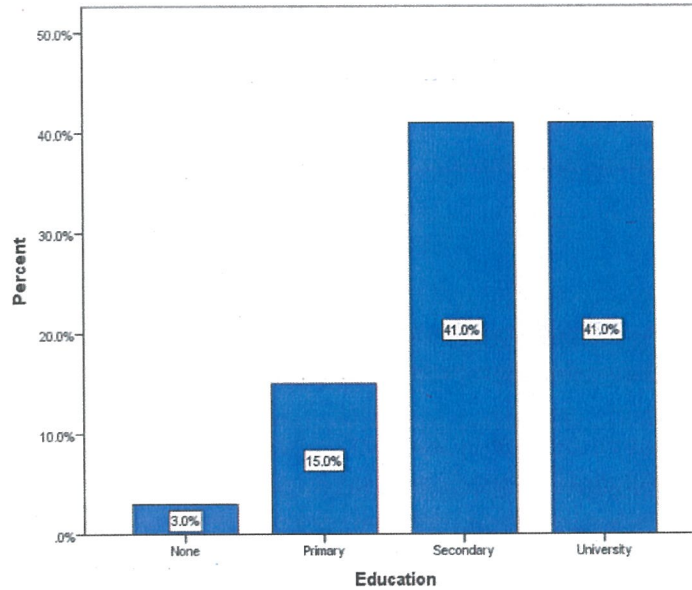


Figure 3. shows the results from the analysis conducted on education level of respondents who participated in the study. The results revealed that the study was dominated by respondents who were university graduates with a percentage of 41% as well as secondary school graduates whose percentage is also 41% whereas primary graduates were only 15% and those who without any formal education level (none) were 3% respectively.

A4. Occupation of respondents

Figure 4: A graph showing the occupation of respondents who participated in the study

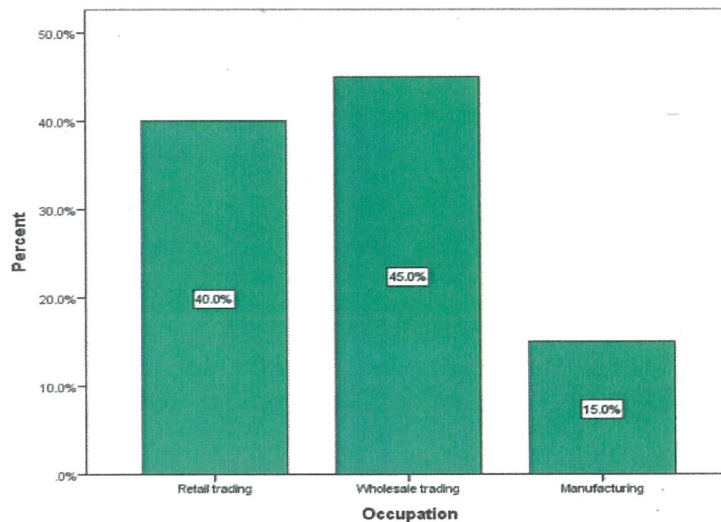


Figure 4; indicates that the study was dominated by wholesale traders whose participation percentage is 45%, whereas the participation percentage of retail traders was made up of 40% and that of manufacturers who participated in the study is 15% respectively.

Objective one

To determine the level of taxation imposed on small and medium enterprise in Uganda

Table 1: showing the amount of money paid to URA as a license equivalent to the size of the business.

The amount of money i pay to URA as license is equivalent to the size of my business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	7	7.0	7.0
	Disagree	62	62.0	69.0
	Undecided	6	6.0	75.0
	Agree	18	18.0	93.0
	Strongly agree	7	7.0	100.0
	Total	100	100.0	

Table1 shows the results from the analysis conducted which revealed that a total of 100 respondents participated in the study, whereby 7 respondents strongly disagreed when asked if the amount of money they pay to URA as license is equivalent to the size of their business thus represented by a participation percentage of 7.0% whereas 67 respondents with the participation percentage of 62% disagreed, 6 respondents were undecided with the participation percentage of 6.0%, the results also revealed that 18 respondents agreed that the amount of money they pay to URA as license is equivalent to the size of their business with the participation percentage of 18.0% and 7 respondents strongly agreed with the statement thus giving the participation percentage of 7.0%.

Table 2: **showing the payment of license as a requirement**

I am required to pay the license annually		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	3	3.0	3.0
	Disagree	6	6.0	9.0
	Undecided	1	1.0	10.0
	Agree	46	46.0	56.0
	Strongly Agree	44	44.0	100.0
	Total	100	100.0	

As shown in table 2; the results indicated that a total of 100 respondents participated in the study thus, 3 of them strongly disagreed when asked if they are required to pay license annually and their participation percentage is 3.0%, 6 respondents simply disagreed and their participation percentage is 6.0%, 1 respondent was undecided and this is represented by 1.0% whereas 46 respondents agreed with the statement and their participation percentage is 46%, 44 respondents strongly agreed with the statement and their participation percentage is

44.0% hence confirming that most of the respondents are required to pay license annually.

Table 3: showing how government has been supportive to the success of businesses

The government has been supportive to the success of my business since i pay my license annually on time		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	17	17.0	17.0
	Disagree	55	55.0	72.0
	Undecided	8	8.0	80.0
	Agree	16	16.0	96.0
	Strongly agree	4	4.0	100.0
	Total	100	100.0	

Table 3 shows that a total of 100 respondents participated in the study whereby 17 respondents strongly disagreed with the statement which stated that government has been supportive to the success of their business since they pay their licenses annually on time and their participation percentage is 17.0%, 55 respondents disagreed with the statement and their participation percentage is 55%, 8 respondents were undecided with the participation percentage of 8%, 16 respondents agreed with the statement giving the participation percentage of 16% and only 4 respondents strongly agreed with the statement thus 4%. This implies that most of the respondents strongly believe that government has not been supportive to the success of their businesses despite of paying their licenses annually on time.

Table 4: showing how I am not inconvenienced while paying my business license

I am not inconvenienced while paying my business license		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	18	18.0	18.0
	Disagree	55	55.0	73.0
	Undecided	4	4.0	77.0
	Agree	16	16.0	93.0
	Strongly agree	7	7.0	100.0
	Total	100	100.0	

Table 4 indicates that a total of 100 respondents participated in the study giving a participation percentage of 100% however, 18 respondents out of 100 strongly disagreed that they are not inconvenienced while paying their business licenses and this is given by the percentage of 18%, 55 respondents disagreed with the statement giving a percentage of 55%, 4 respondents were undecided giving the percentage of 4%, 16 respondents agreed with the statement thus 16% participation percentage whereas 7 respondents strongly agreed with the statement and this is represented by 7%. This simply means that most of the respondents disagreed that they are not inconvenienced while paying their business licenses.

Table 5: Showing goods or services at relatively higher prices because of the high taxes

I sell goods or services at relatively higher prices because of the high taxes levied on them i pay to government		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	4	4.0	4.0
	Disagree	13	13.0	17.0
	Undecided	1	1.0	18.0
	Agree	67	67.0	85.0
	Strongly agree	15	15.0	100.0
	Total	100	100.0	

Table 5 shows that 100 respondents participated in the study with a percentage of 100% and out of this total, 4 respondents strongly disagreed that they sell their goods and services at relatively higher prices because of the high taxes levied on them hence paid to government and this is represented by 4%, however, 13 respondents simply disagreed with the statement thus making 13% of respondents' participation, 1 respondent was undecided with the statement and this is equivalent to 1% respondent's participation, 67 respondents agreed with the statement thus 67% and 15 respondents strongly agreed with the statement thus 15%. This therefore means that 67 respondents out of 100 agreed that they sell their goods and services at relatively higher prices because of high taxes levied on them.

Table 6: showing how increased taxes have reduced the demand for goods

Increased taxes have reduced the demand for my goods		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	3	3.0	3.0
	Disagree	12	12.0	15.0
	Undecided	9	9.0	24.0
	Agree	62	62.0	86.0
	Strongly agree	14	14.0	100.0
	Total	100	100.0	

Table 6 demonstrates the total of 100 respondents who participated in the study whereby 3 respondents strongly disagreed with the statement which stated that increased taxes have reduced the demand for goods and this is represented by the participation percentage of 3%, 12 respondents disagreed with the statement leading to the participation percentage of 12%, 9 respondents were undecided about the statement and these are reflected by 9% whereas 62 respondents agreed

with the statement and this is reflected by 62% and 14 respondents strongly agreed with the statement thus being reflected by 14%. This means that most of the respondents agreed that increased taxes have reduced the demand for their goods.

Table 7: Showing how the stock of goods has been decreasing because of increasing taxes

My stock of goods has been decreasing because of increasing taxes on goods		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	4	4.0	4.0
	Disagree	17	17.0	21.0
	Undecided	4	4.0	25.0
	Agree	58	58.0	83.0
	Strongly agree	17	17.0	100.0
	Total	100	100.0	

According to table 7, a total of 100 respondents were involved in the study giving a participation percentage of 100%. The results obtain from the analysis revealed that 4 respondents strongly disagreed with the statement which stated that "my stock of goods has been decreasing because of increasing taxes on goods" and their participation percentage is 4.0%, 17 respondents disagreed with the statement and these are reflected by the participation percentage of 17%, 4 respondents were undecided about the statement thus reflected by the participation percentage of 4.0% whereas the overwhelming 58 respondents agreed with the statement and these were reflected by the participation percentage of 58% and the remaining 17 respondents strongly agreed with the statement. This implies that most of the respondents who participated in the study agreed that their stocks have been decreasing because of increasing taxes on goods.

Table 8 : **showing how profits have been reducing due to high tax rates**

My profits have been reducing due to high tax rates on goods		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	4	4.0	4.0
	Disagree	8	8.0	12.0
	Undecided	4	4.0	16.0
	Agree	57	57.0	73.0
	Strongly agree	27	27.0	100.0
	Total	100	100.0	

From table 8, a total of 100 respondents participated in the study as reflected by their participation percentage of 100%. The results clearly indicated that 4 respondents with the participation percentage of 4% in the study strongly disagreed with the statement which stated that "my profits have been reducing due to high tax rates on goods", 8 respondents with the participation percentage of 8.0% simply disagreed with the statement, 4 respondents with the participation percentage of 4.0% were undecided about the statement while 57 respondents with the participation percentage of 57% agreed with the statement and 27 respondents with the participation percentage of 27% strongly disagreed with the statement. This implies that most of the respondents in the study agreed and strongly agreed that their profits have been reducing due to high tax rates on goods.

Table 9: showing the high taxes paid to the goods exported to other countries

I pay high taxes for the goods I export to other countries		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	1	1.0	1.0
	Disagree	4	4.0	5.0
	Undecided	59	59.0	64.0
	Agree	30	30.0	94.0
	Strongly agree	6	6.0	100.0
	Total	100	100.0	

From table 9 a total of 100 respondents participated in the study with the participation percentage of 100% as shown above. 1 respondent with the participation percentage of 1.0% strongly disagreed with the statement which stated that "I pay high taxes for the goods I export to other countries", 4 respondents with the participation percentage of 4.0% simply disagreed with the statement, 59 respondents with the participation percentage of 59 were undecided about the statement, 30 respondents with the participation percentage of 30% agreed with the statement and 6 respondents with the participation percentage of 6.0% strongly agreed with the statement. This therefore implies that most of the respondents who participated in the study were undecided with the statement which stated that they pay high taxes for the goods they export to other countries.

Table 10: Showing how taxes on exports have limited the level of my supplies

The taxes on exports have limited the level of my supplies		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	2	2.0	2.0
	Disagree	3	3.0	5.0
	Undecided	58	58.0	63.0
	Agree	30	30.0	93.0
	Strongly agree	7	7.0	100.0
	Total	100	100.0	

Figure 10 shows that a total of 100 respondents with the participation percentage of 100%. 2 respondents with the participation percentage of 2% strongly disagreed with the statement which stated that "The taxes on exports have limited the level of my supplies", 3 respondents with the participation percentage of 3% disagreed with the statement, 58 respondents with the participation percentage of 58% were undecided about the statement, 30 respondents with the participation percentage of 30% agreed with the statement and 7 respondents with the participation percentage of 7% strongly agreed with the statement as indicated above. This means that most of the respondents who participated in the study were undecided whether the taxes on exports have limited the level of their supplies.

Table 11: showing how government has supported export trade business

Government has supported my export trade business with some financial incentives due to excise duties i pay		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	4	4.0	4.0
	Disagree	26	26.0	30.0
	Undecided	59	59.0	89.0
	Agree	9	9.0	98.0
	Strongly agree	2	2.0	100.0
	Total	100	100.0	

Table 11 shows that a total of 100 respondents with the participation percentage of 100% in the study, 4 respondents with the participation percentage of 4.0% strongly disagreed with the statement which stated that "Government has supported my export trade business with some financial incentives due to excise duties I pay", 26 respondents with the participation percentage of 26% disagreed with the statement, 59 respondents with the participation percentage of 59% were undecided about the statement, 9 respondent with the participation percentage of 9% simply agreed with the statement and 2 respondents with the participation percentage of 2.0% strongly agreed with the statement. This therefore implies that majority of the participants in this study were not sure whether government has supported export trade business with some financial incentives due to excise duties the pay.

Table 12: showing how excise duties have reduced the demand of goods and profits

Excise duties have reduced the demand of my goods and profits		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	2	2.0	2.0
	Disagree	8	8.0	10.0
	Undecided	59	59.0	69.0
	Agree	27	27.0	96.0
	Strongly agree	4	4.0	100.0
	Total	100	100.0	

Table 12 above shows that a total of 100 respondents with the participation percentage of 100% in the study. 2 respondents with the participation percentage of 2.0% strongly disagreed with the statement which stated that "excise duties have reduced the demand of my goods and profits", 8 respondents with the participation percentage of 8.0% simply disagreed with the statement, 59 respondents with the participation percentage of 59.0% were undecided about the statement, 27 respondents with the participation percentage 27% agreed with the statement and 4 respondents with the participation percentage 4.0% strongly agreed with the statement. This therefore means that most of the respondents were not sure whether excise duties have reduced the demand of their goods and services.

Table 13 : Showing how taxes on imported goods increase the prices of goods

Taxes on imported goods increase the prices of goods		Frequency	Percent	Cumulative Percent
Valid	Disagree	1	1.0	1.0
	Undecided	47	47.0	48.0
	Agree	42	42.0	90.0
	Strongly agree	10	10.0	100.0
	Total	100	100.0	

Table 13 indicates that a total of 100 respondents with the participation percentage of 100%. According to the results above 1 respondent with the participation percentage of 1.0% disagreed with the statement which stated that "Taxes on imported goods increase the prices of goods", 47 respondents whose participation percentage is 47% were undecided about the statement, 42 respondents whose participation percentage is 42% simply agreed with the statement and 10 respondents with the participation percentage of 10% strongly agreed with the statement. This implies that most of the respondents were not sure whether taxes on imported goods increase the prices of goods.

Table 14 : showing how taxes on imported goods have reduced my stock

Taxes on imported goods have reduced my stock		Frequency	Percent	Cumulative Percent
Valid	Disagree	8	8.0	8.0
	Undecided	53	53.0	61.0
	Agree	29	29.0	90.0
	Strongly agree	10	10.0	100.0
	Total	100	100.0	

Table 14 shows a total of 100 respondents whose participation percentage is 100%. 8 respondents with the participation percentage 8.0% disagreed with the statement which states that "Taxes on imported goods have reduced my stock", 53 respondents with the participation percentage of 53% were undecided about the statement, 29 respondents with the participation percentage of 29% agreed with the statement and 10 respondents whose participation percentage of 10% strongly agreed with the statement. This implies that majority of the respondents were not sure about whether taxes on imported goods have reduced their stocks.

Table 15: showing how taxes on imports have promoted businesses

Taxes on imports have promoted my business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	8	8.0	8.0
	Disagree	32	32.0	40.0
	Undecided	52	52.0	92.0
	Agree	7	7.0	99.0
	Strongly agree	1	1.0	100.0
	Total	100	100.0	

Table 15 shows a total of 100 respondents whose participation percentage is 100%. According to the results from the analysis 8 respondents whose participation percentage is 8.0% strongly disagreed with the statement in the study which stated that "Taxes on imports have promoted my business", 32 respondents with the participation percentage of 32% disagreed with the statement, 52 respondents with the participation percentage of 52% were undecided about the statement, 7 respondents with the participation percentage of 7.0% agreed with the statement and only 1 respondent with the participation percentage of 1.0% strongly agreed with the statement. This therefore implies that majority of the respondents were

either not sure or disagreed whether taxes on imports have promoted their businesses.

Table 16: showing how taxes on import goods are determined according to the stock

The taxes i pay on import goods are determined according to my stock		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	5	5.0	5.0
	Disagree	27	27.0	32.0
	Undecided	52	52.0	84.0
	Agree	13	13.0	97.0
	Strongly agree	3	3.0	100.0
	Total	100	100.0	

A total of 100 respondents with the participation percentage of 100% according to table 16 participated in the study whereby 5 respondents whose participation percentage is 5% strongly disagreed with the statement which stated that " The taxes I pay on import goods are determined according to my stock", 27 respondents with the participation percentage of 27% disagreed with the statement, 52 respondents with the participation percentage of 52%, 13 respondents with the participation percentage of 13% agreed with the statement and 3 respondents with the participation percentage of 3% strongly agreed with the statement. This therefore implies that majority of the respondents were not sure about whether the taxes they pay on import goods are determined according their stocks.

Table 17 : showing the profits made after selling goods or services subjected to tax

The profits that i make after selling goods or services are subjected to tax		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	3	3.0	3.0
	Disagree	15	15.0	18.0
	Undecided	25	25.0	43.0
	Agree	54	54.0	97.0
	Strongly agree	3	3.0	100.0
	Total	100	100.0	

According to table 17 a total of 100 respondents with the participation percentage of 100 participated in the study that was conducted, 3 respondents whose participation percentage is 3% strongly agreed with the statement which stated that "The profits that I make after selling goods or services are subjected to tax", 15 respondents with the participation percentage of 15% agreed with the statement, 25 respondents with the participation percentage of 25% were undecided about the statement, 54 respondents with the participation percentage of 54% agreed with the statement and only 3 respondents with the participation percentage of 3% strongly agreed with the statement. This therefore implies that majority of the respondents in this study agreed that the profits that I make after selling goods or services are subjected to tax.

Table 18 : Showing the income that remains after deducting the tax from profits

Having deducted the tax from the profits i remain with enough income to re-invest in my business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	8	8.0	8.0
	Disagree	43	43.0	51.0
	Undecided	27	27.0	78.0
	Agree	16	16.0	94.0
	Strongly agree	6	6.0	100.0
	Total	100	100.0	

Figure 18 indicates that a total of 100 respondents whose participation percentage is 100% were involved in the study, 8 respondents with the participation percentage of 8% strongly disagreed with the statement which stated that "Having deducted the tax from the profits I remain with enough income to re-invest in my business", 43 respondents with the participation percentage of 43% disagreed with the statement, 27 respondents with the participation percentage of 27% were undecided with the statement, 16 respondents with the participation percentage of 16% agreed with the statement and 6 respondents with the participation percentage of 6.0% strongly agreed with the statement. Which means that most of the respondents disagreed that the profits they remain with enables them to have enough income to re-invest in their businesses having deducted taxes.

Table 19: **showing how the profits after tax sustain the business**

The profits i remain with after tax enables me to sustain my business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	6	6.0	6.0
	Disagree	41	41.0	47.0
	Undecided	28	28.0	75.0
	Agree	23	23.0	98.0
	Strongly agree	2	2.0	100.0
	Total	100	100.0	

According to table 19 a total of 100 respondents whose participation percentage of 100% were involved in the study as shown above. It clearly indicated that 6 respondents with the participation percentage of 6% strongly disagreed with the statement with the statement which stated that "The profits I remain with after tax enables me to sustain my business", 41 respondents with the participation percentage of 41% disagreed with the statement, 28 respondents with the participation percentage of 28% were undecided with the statement, 23 respondents with the participation percentage of 23% agreed with the statement and 2 respondents with the participation percentage of 2% strongly agreed with the statement. This therefore means that most of the respondents disagreed that the profits that they remain with after tax enables them to sustain their businesses.

Table 20 : showing whether the tax charged on profits is fair and convenient

The tax charged on the profits is fair and convenient		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	11	11.0	11.0
	Disagree	55	55.0	66.0
	Undecided	23	23.0	89.0
	Agree	9	9.0	98.0
	Strongly agree	2	2.0	100.0
	Total	100	100.0	

Table 20 indicates that a total of 100 respondents with the participation percentage of 100% were involved in the study as shown above. The results after the analysis showed that 11 respondents with the participation percentage of 11% strongly disagreed with the statement which stated that "The tax charged on the profits is fair and convenient", 55 respondents with the participation percentage of 55% simply disagreed with the statement, 23 respondents with the participation percentage of 23% were undecided with the statement, 9 respondents with the participation percentage of 9% agreed with the statement and 2 respondents with the participation percentage of 2% strongly agreed with the statement. This therefore implies that most of the respondents disagreed that the taxes charged on the profits are fair and convenient.

Table 21: showing how income after tax enables business expansion

The taxes deducted from my monthly income enables me to remain with enough income to save and expand my business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	11	11.0	11.0
	Disagree	70	70.0	81.0
	Undecided	4	4.0	85.0
	Agree	13	13.0	98.0
	Strongly agree	2	2.0	100.0
	Total	100	100.0	

Table 21 above indicates out 100 participants, a total of 11 percent of respondents strongly disagreed that the taxes deducted from their monthly income enables them to remain with enough income to save and expand their business. This was followed by 70 percent disagreeing, 4 percent undecided, while a total of 13 percent and 2 percent agreed and strongly agreed respectively. This implies that the majority of respondents disagreed that the taxes deducted from their monthly income enables them to remain with enough income to save and expand their businesses.

Table 22 : showing the fairness of the taxes charged based on the monthly income

The tax charged is fair according to my monthly income		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	19	19.0	19.0
	Disagree	53	53.0	72.0
	Undecided	4	4.0	76.0
	Agree	23	23.0	99.0
	Strongly agree	1	1.0	100.0
	Total	100	100.0	

From table 22 above, the majority of respondents disagreed that the taxes charged are fair according to their monthly incomes. This implies that in Makindye East, taxes

are so high for the business community to afford. A total of 53 percent of respondents disagreed, in addition a total of 23 percent agreed, followed by 19 percent who strongly disagreed while only 1 percent strongly agreed.

Table 23: Showing the income that remains to spend after tax

I remain with enough income to spend after tax		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	15	15.0	15.0
	Disagree	53	53.0	68.0
	Undecided	13	13.0	81.0
	Agree	16	16.0	97.0
	Strongly agree	3	3.0	100.0
	Total	100	100.0	

Table 23 above indicates that majority of respondents disagreed that they remain with enough income to spend after tax with a total percent of 53, followed by 16 percent who agreed, 15 percent strongly disagreed, followed by 13 percent being undecided and only 3 percent strongly agreed that they remain with enough money to spend after tax.

Table 24 Showing the convenience and simplicity while paying income tax

I find it convenient and simple while paying income tax		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	7	7.0	7.0
	Undecided	5	5.0	12.0
	Agree	52	52.0	64.0
	Strongly agree	5	5.0	69.0
	Total	100	100.0	

From table 24 above, a total of 100 respondents with participation percentage rate of 100% were involved in the study, majority of respondents represented by 53 percent agreed that they find it convenient and simple to pay their income tax. This

was followed by 7 percent who strongly disagreed while 5 percent were undecided and strongly agreed respectively.

Objective Two. To determine the level of Business performance of small and medium enterprises in Uganda

Table 24: Showing how initial business capital has been increasing over time

My initial business capital has been increasing over time since i began this business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	2	2.0	2.0
	Disagree	39	39.0	41.0
	Undecided	7	7.0	48.0
	Agree	43	43.0	91.0
	Strongly agree	9	9.0	100.0
	Total	100	100.0	

From table 24 above, the total participation rate was 100 percent, 2 percent of respondents disagreed that initial business capital were increasing over time since they began their business. This was followed by 39 percent disagreeing, 7 percent undecided, 43 percent agreed and 9 percent strongly agreed. Based on this findings, it's clear that majority of respondents agreed that initial business capital has been increasing over time since they began their businesses.

Table 25 : Showing how business profits have increased over the past years

My business profits have increased over the past years		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	10	10.0	10.0
	Disagree	39	39.0	49.0
	Undecided	9	9.0	58.0
	Agree	33	33.0	91.0
	Strongly agree	9	9.0	100.0
	Total	100	100.0	

From table 25 a total of 100 respondents with the participation percentage of 100% were involved in the study and the results of the analysis indicated that 10 respondents with the participation percentage of 10% strongly disagreed with the statement which stated that " my business profits have increased over the past years", 39 respondents with the participation percentage of 39% disagreed with the statement, 9 respondents with the participation percentage of 9% were undecided with the statement, 33 respondents with the participation percentage of 33% agreed with the statement and 9 respondents with the participation percentage of 9% strongly agreed with the statement. This therefore means that majority of the respondents disagreed that their business profits have not increased over the past years.

Table 26 : showing how the value of business assets has increased over the past years

The value of my business assets has increased over the past years		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	2	2.0	2.0
	Disagree	32	32.0	34.0
	Undecided	15	15.0	49.0
	Agree	40	40.0	89.0
	Strongly agree	11	11.0	100.0
	Total	100	100.0	

From table 26 a total of 100 respondents with the participation percentage of 100% were involved in the study shown above. The results from the analysis showed that 2 respondents with the participation percentage of 2% strongly disagreed with the statement which stated that "The value of my business assets has increased over the past years", 32 respondents with the participation percentage of 32% disagreed with the statement, 15 respondents with the participation percentage of 15% were

undecided with the statement, 40 respondents with the participation percentage of 40% agreed with the statement and 11 respondents with the participation percentage of 11% strongly agreed with the statement. This means that majority of the respondents agreed that the value of their business assets increased over the past years.

Table 27 : **shows the profits after paying taxes**

I remain with enough profits after paying taxes		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	7	7.0	7.0
	Disagree	62	62.0	69.0
	Undecided	6	6.0	75.0
	Agree	21	21.0	96.0
	Strongly agree	4	4.0	100.0
	Total	100	100.0	

Table 27 shows that a total of 100 respondents with the participation percentage of 100% were involved in the study as shown above. The results revealed that 7 respondents with the participation percentage of 7% strongly disagreed with the statement which stated that " I remain with enough profits after paying taxes", 62 respondents with the participation percentage of 62% disagreed with the statement, 6 respondents with the participation percentage of 6% were undecided with the statement, 21 respondents with the participation percentage of 21% agreed with the statement and 4 respondents with the participation percentage of 4% strongly agreed with the statement. This therefore implies that most of the respondents disagreed that they do not remain with enough profits after paying taxes.

Table 28: showing how the daily sales have been increasing over the years

My daily sales have been increasing over the years		Frequency	Percent	Cumulative Percent
Valid	Disagree	43	43.0	43.0
	Undecided	10	10.0	53.0
	Agree	36	36.0	89.0
	Strongly agree	11	11.0	100.0
	Total	100	100.0	

Table 28 indicates that a total of 100 respondents with the participation percentage of 100% as indicated above. The results from the analysis revealed that 43 respondents with the participation percentage of 43% disagreed with the statement which stated that "my daily sales have been increasing over the years", 10 respondents with the participation percentage of 10% were undecided with the statement, 36 respondents with the participation percentage of 36% agreed with the statement and 11 respondents with the participation percentage of 11%. This therefore means that most of the respondents disagreed that their daily sales have not been increasing over the years.

Table 29 : shows different ways to attract many customers

I am using different ways to attract many customers such as giving them discount, rewards, transport		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	1	1.0	1.0
	Disagree	5	5.0	6.0
	Undecided	4	4.0	10.0
	Agree	67	67.0	77.0
	Strongly agree	23	23.0	100.0
	Total	100	100.0	

From table 29 it is well showed that a total of 100 respondents with the participation percentage of 1.0% strongly disagreed with the statement, 5 respondents with the participation percentage of 5%, 4 respondents with the participation percentage of 4% disagreed with the statement, 4 respondents with the participation percentage of 4.0% were undecided with the statement, 67 respondents with the participation percentage of 67% agreed with the statement and 23 respondents with the participation percentage of 23%. This means that most of the respondents agreed that they are using different ways to attract customers.

Table 30: shows whether there are more than one outlets where goods or services can be accessed

I have more than one outlets where my business goods or services can be accessed by my customers		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	16	16.0	16.0
	Disagree	38	38.0	54.0
	Undecided	3	3.0	57.0
	Agree	33	33.0	90.0
	Strongly agree	10	10.0	100.0
	Total	100	100.0	

From table 30 shows that a total of 100 respondents with the participation percentage of 100% participated in the study. The results from the analysis revealed that 16 respondents with the participation percentage of 16% strongly disagreed with the statement which stated that "I have more than one outlets where my business goods or services can be accessed by my customers", 38 respondents with the participation percentage of 38% disagreed with the statement, 3 respondents with the participation percentage of 3% were undecided with the statement, 33 respondents with the participation percentage of 33% agreed with the statement and 10 respondents with the participation percentage of 10% strongly agreed with

the statement. This implies that majority of the respondents disagreed that they do not have more than one outlets where their goods or services can be accessed by their customers.

Table 31 : shows whether the business books of account are managed electronically

I manage my business books of account electronically		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	13	13.0	13.0
	Disagree	50	50.0	63.0
	Undecided	4	4.0	67.0
	Agree	21	21.0	88.0
	Strongly agree	12	12.0	100.0
	Total	100	100.0	

From table 31 a total of 100 respondents with the participation percentage of 100% were involved in the study that was conducted. The results from the analysis that was done revealed that 13 respondents with the participation percentage of 13% strongly disagreed with the statement which stated that "I manage my business books of account electronically", 50 respondents with the participation percentage of 50% simply disagreed with the statement, 4 respondents with the participation percentage of 4% were undecided with the statement, 21 respondents with the participation percentage of 21% agreed with the statement and 12 respondents with the participation percentage of 12% strongly agreed with the statement. This implies that most of the respondents disagreed that they do not manage their business books of account electronically.

Table 32: showing whether the profits made are enough to sustain the business

The profits i am making are enough to sustain my business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	6	6.0	6.0
	Disagree	60	60.0	66.0
	Undecided	5	5.0	71.0
	Agree	27	27.0	98.0
	Strongly agree	2	2.0	100.0
	Total	100	100.0	

Table 32 a total 100 with the participation percentage of 100% were involved in the study that was conducted. The results from the analysis indicates that 6 respondents with the participation percentage 6.0% strongly disagreed with the statement which stated that "The profits I am making are enough to sustain my business", 60 respondents with the participation percentage of 60% disagreed with the statement, 5 respondents with the participation percentage of 5.0% were undecided about the statement, 27 respondents with the participation percentage of 27% agreed with the statement and 2 respondents with the participation percentage of 2.0% strongly agreed with the statement. This therefore means that majority of the respondents disagreed that the profits they make are not enough to sustain their businesses.

Table 33: Shows whether the business entirely depends on the profits made

My business depends entirely on the profits I make		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	11	11.0	11.0
	Disagree	56	56.0	67.0
	Undecided	4	4.0	71.0
	Agree	25	25.0	96.0
	Strongly agree	4	4.0	100.0
	Total	100	100.0	

Table 33 shows a total of 100 respondents with the participation percentage of 100% who were involved in the study. The results from the analysis revealed that 11 respondents with the participation percentage of 11% strongly disagreed with the statement which stated that "my business depends entirely on the profits", 56 respondents with the participation percentage of 56% simply disagreed with the statement, 4 respondents with the participation percentage of 4.0% were undecided about the statement, 25 respondents with the participation percentage of 25% agreed with the statement and 4 respondents with the participation percentage of 4.0% strongly agreed with the statement. This means that majority of the respondents disagreed that their business does not on depend entirely on the profits.

Table 34: shows how the profits made cover all business costs

The profits i make have enabled me to cover all my business costs		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	5	5.0	5.0
	Disagree	35	35.0	40.0
	Undecided	3	3.0	43.0
	Agree	53	53.0	96.0
	Strongly agree	4	4.0	100.0
	Total	100	100.0	

Table 34 shows a total of 100 respondents with the participation percentage of 100% who were involved in the study. The results from the analysis revealed that 5 respondents with the participation percentage of 5% strongly disagreed with the statement which stated that "The profits I make have enabled me to cover all my business costs", 35 respondents with the participation percentage of 35% simply disagreed with the statement, 3 respondents with the participation percentage of 3.0% were undecided about the statement, 53 respondents with the participation

percentage of 53% agreed with the statement and 4 respondents with the participation percentage of 4.0% strongly agreed with the statement. This means that majority of the respondents agreed that the profits they make have enabled them to cover all their business costs.

Table 35: Shows how business profits have been changing over the years

My business profits have been changing over the years		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	4	4.0	4.0
	Disagree	11	11.0	15.0
	Undecided	6	6.0	21.0
	Agree	66	66.0	87.0
	Strongly agree	13	13.0	100.0
	Total	100	100.0	

From table 35 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 4 respondents with the participation percentage of 4% strongly disagreed with the statement which stated that “my business profits have been changing over the years”, 11 respondents with the participation percentage of 11% simply disagreed with the statement, 6 respondents with the participation percentage of 6.0% were undecided about the statement, 66 respondents with the participation percentage of 66% agreed with the statement and 13 respondents with the participation percentage of 13% strongly agreed with the statement. This means that majority of the respondents agreed that their business profits have been changing over the years.

Table 36: Shows how the number of customers who consume goods or services has been increasing

The number of customers who consume my goods or services is increasing on a daily basis		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	3	3.0	3.0
	Disagree	42	42.0	45.0
	Undecided	9	9.0	54.0
	Agree	38	38.0	92.0
	Strongly agree	8	8.0	100.0
	Total	100	100.0	

From 36 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 3 respondents with the participation percentage of 3% strongly disagreed with the statement which stated that "The number of customers who consume my goods or services is increasing on a daily basis", 42 respondents with the participation percentage of 42% simply disagreed with the statement, 9 respondents with the participation percentage of 9.0% were undecided about the statement, 38 respondents with the participation percentage of 38% agreed with the statement and 8 respondents with the participation percentage of 8% strongly agreed with the statement. This means that majority of the respondents disagreed that the number of customers who consume their goods or services is not increasing on a daily basis.

Table 37 : Shows how the business is well known in almost all parts of Makindye East division

My business is well known in almost all parts of Makindye East division		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	8	8.0	8.0
	Disagree	49	49.0	57.0
	Undecided	4	4.0	61.0
	Agree	27	27.0	88.0
	Strongly agree	12	12.0	100.0
	Total	100	100.0	

From table 37 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 8 respondents with the participation percentage of 8% strongly disagreed with the statement which stated that " My business is well known in almost all parts of Makindye east division", 49 respondents with the participation percentage of 49% simply disagreed with the statement, 4 respondents with the participation percentage of 4.0% were undecided about the statement, 27 respondents with the participation percentage of 27% agreed with the statement and 12 respondents with the participation percentage of 12% strongly agreed with the statement. This means that majority of the respondents disagreed that their businesses are not well known in almost all parts of Makindye east division.

Table 38 : shows the interaction with customers

I personally know most of my customers and interact with them freely		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	2	2.0	2.0
	Disagree	8	8.0	10.0
	Undecided	4	4.0	14.0
	Agree	68	68.0	82.0

Strongly agree	18	18.0	100.0
Total	100	100.0	

From table 38 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 4 respondents with the participation percentage of 4% strongly disagreed with the statement which stated that "my business profits have been changing over the years ", 11 respondents with the participation percentage of 11% simply disagreed with the statement, 6 respondents with the participation percentage of 6.0% were undecided about the statement, 66 respondents with the participation percentage of 66% agreed with the statement and 13 respondents with the participation percentage of 13% strongly agreed with the statement. This means that majority of the respondents agreed that their business profits have been changing over the years.

Table 39: showing customers' reliability

I have reliable customers that support my business by buying goods or services		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	1	1.0	1.0
	Disagree	10	10.0	11.0
	Undecided	5	5.0	16.0
	Agree	62	62.0	78.0
	Strongly agree	22	22.0	100.0
	Total	100	100.0	

From table 39 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 1 respondents with the participation percentage of 1% strongly disagreed with the statement which stated that "I have reliable customers that support my business by buying goods or services ", 10 respondents with the participation percentage of 10%

simply disagreed with the statement, 5 respondents with the participation percentage of 5.0% were undecided about the statement, 62 respondents with the participation percentage of 62% agreed with the statement and 22 respondents with the participation percentage of 22% strongly agreed with the statement. This means that majority of the respondents agreed that they have reliable customers that support their businesses by buying goods or services.

Table 40: Showing whether new business outlets have been established in different parts of Makindye east division

I have established new business outlets in different parts of Makindye east division		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	16	16.0	16.0
	Disagree	48	48.0	64.0
	Undecided	5	5.0	69.0
	Agree	22	22.0	91.0
	Strongly agree	9	9.0	100.0
	Total	100	100.0	

From table 40 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 16 respondents with the participation percentage of 16% strongly disagreed with the statement which stated that "I have established new business outlets in different parts of Makindye east division ", 48 respondents with the participation percentage of 48% simply disagreed with the statement, 5 respondents with the participation percentage of 5.0% were undecided about the statement, 22 respondents with the participation percentage of 22% agreed with the statement and 9 respondents with the participation percentage of 9% strongly agreed with the statement. This means that majority of the respondents disagreed that they have not established new business outlets in different parts of Makindye east division.

Table 41: showing the number of employees working with businesses over time

I have been increasing the number of employees working with me in my business over time		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	6	6.0	6.0
	Disagree	55	55.0	61.0
	Undecided	2	2.0	63.0
	Agree	26	26.0	89.0
	Strongly agree	11	11.0	100.0
	Total	100	100.0	

From table 41 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 6 respondents with the participation percentage of 6% strongly disagreed with the statement which stated that "I have been increasing the number of employees working with me in my business over time", 55 respondents with the participation percentage of 55% simply disagreed with the statement, 2 respondents with the participation percentage of 2.0% were undecided about the statement, 26 respondents with the participation percentage of 26% agreed with the statement and 11 respondents with the participation percentage of 11% strongly agreed with the statement. This means that majority of the respondents disagreed that they have not been increasing the number of employees working with them in their businesses over time.

Table 42 Shows whether the business began as retail and grew to wholesale

My business began as retail and grew to wholesale business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	14	14.0	14.0
	Disagree	35	35.0	49.0
	Undecided	6	6.0	55.0
	Agree	38	38.0	93.0
	Strongly agree	7	7.0	100.0
	Total	100	100.0	

From table 42 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 14 respondents with the participation percentage of 14% strongly disagreed with the statement which stated that " My business began as retail and grew to wholesale business", 35 respondents with the participation percentage of 35% simply disagreed with the statement, 6 respondents with the participation percentage of 6.0% were undecided about the statement, 38 respondents with the participation percentage of 38% agreed with the statement and 7 respondents with the participation percentage of 7% strong agreed with the statement. This means that majority of the respondents agreed that their businesses began as retail and grew to wholesale businesses.

Table 43 : shows whether the business assets have increased over years since this business started

My business assets have increased over years since i started this business		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	4	4.0	4.0
	Disagree	31	31.0	35.0
	Undecided	10	10.0	45.0
	Agree	44	44.0	89.0
	Strongly agree	11	11.0	100.0
	Total	100	100.0	

From table 43 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 4 respondents with the participation percentage of 4% strongly disagreed with the statement which stated that "My business assets have increased over the years since I started this business ", 31 respondents with the participation percentage of 31% simply disagreed with the statement, 10 respondents with the participation percentage of 10.0% were undecided about the statement, 44 respondents with the participation percentage of 44% agreed with the statement and 11 respondents with the participation percentage of 11% strong agreed with the statement. This means that majority of the respondents agreed that their business assets have increased over the years since they started their businesses.

Table 44: shows whether packaging of goods or services has been transforming

I have been transforming the packaging of my goods or services over time		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	7	7.0	7.0
	Disagree	40	40.0	47.0
	Undecided	3	3.0	50.0
	Agree	37	37.0	87.0
	Strongly agree	13	13.0	100.0
	Total	100	100.0	

From table 45 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 7 respondents with the participation percentage of 7% strongly disagreed with the statement which stated that "I have been transforming the packaging of my goods or services over time", 40 respondents with the participation percentage of 40% simply disagreed with the statement, 3 respondents with the participation percentage of 3.0% were undecided about the statement, 37 respondents with the participation percentage of 37% agreed with the statement and 13 respondents with the participation percentage of 13% strong agreed with the statement. This means that majority of the respondents disagreed that they have not been transforming the packaging of their goods or services over time.

Table 45 : shows whether the stock of goods or services has been increasing over time

My stock of goods or services has been increasing over time		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	4	4.0	4.0
	Disagree	32	32.0	36.0
	Undecided	4	4.0	40.0
	Agree	50	50.0	90.0
	Strongly agree	10	10.0	100.0
	Total	100	100.0	

From table 45 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 4 respondents with the participation percentage of 4% strongly disagreed with the statement which stated that "my stock of goods or services has been increasing over time ", 32 respondents with the participation percentage of 32% simply disagreed with the statement, 4 respondents with the participation percentage of 4.0% were undecided about the statement, 50 respondents with the participation percentage of 50% agreed with the statement and 10 respondents with the participation percentage of 10% strong agreed with the statement. This means that majority of the respondents agreed that their stock of goods or services have been increasing over time.

Table 46: Shows all the goods or services meet the requirements of Uganda National bureau of standards

All the goods or services in my business meet the requirements of Uganda National bureau of standards		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	1	1.0	1.0
	Disagree	9	9.0	10.0
	Undecided	4	4.0	14.0
	Agree	56	56.0	70.0
	Strongly agree	30	30.0	100.0
	Total	100	100.0	

From table 46 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 1 respondents with the participation percentage of 1% strongly disagreed with the

statement which stated that "All the goods or services in my business meet the requirements of Uganda National bureau of standards ", 9 respondents with the participation percentage of 9% simply disagreed with the statement, 4 respondents with the participation percentage of 4.0% were undecided about the statement, 56 respondents with the participation percentage of 56% agreed with the statement and 30 respondents with the participation percentage of 30% strong agreed with the statement. This means that majority of the respondents agreed that all the goods or services in their businesses meet the requirements of Uganda National Bureau of standards.

Table 47: Shows whether there has been an increase in the new types of goods or services

I have been increasing the new types of goods or services in my business over time		Frequency	Percent	Cumulative Percent
Valid	Strongly disagree	3	3.0	3.0
	Disagree	25	25.0	28.0
	Undecided	2	2.0	30.0
	Agree	50	50.0	80.0
	Strongly agree	20	20.0	100.0
	Total	100	100.0	

From table 47 a total of 100 respondents with the participation percentage of 100% were involved in the study. The results from the analysis revealed that 3 respondents with the participation percentage of 3% strongly disagreed with the statement which stated that "I have been increasing the new types of goods or services in my business over time ", 25 respondents with the participation percentage of 25% simply disagreed with the statement, 2 respondents with the participation percentage of 2.0% were undecided about the statement, 50 respondents with the participation percentage of 50% agreed with the statement and 20 respondents with the participation percentage of 20% strong agreed with the statement. This means that majority of the respondents agreed that they have been increasing the new types of goods or services in their business over time.

Objective three: To establish whether there is a relationship between taxation and business performance of SMES in Uganda

Table 48: showing the business performance of SMES in Uganda

descriptive statistics	N	Mean	Standard Deviation	Rank	Interpretation
the amount of money I pay to URA as license is equivalent to the size of my business	100	2.56	1.08544	2	Disagree
I am required to pay the license annually	100	4.22	0.9595	4	Agree
the government has been supportive to the success of my business	100	2.35	1.06719	2	Disagree
I am not inconvenience while paying my business license	100	2.3900	1.16250	2	Disagree
I sell goods or services at relatively higher prices because of the taxes levied on them I pay to the government	100	3.7600	0.99615	3	Undecided
Increase taxes have reduced the demand for my goods	100	3.72	0.99615	3	Undecided
My stock of goods has been decreasing because of increasing taxes on goods	100	3.6700	1.07360	3	Undecided
My profits have been reducing due to high tax rates on goods	100	3.9500	0.99874	3	Undecided
I pay high taxes for goods I export to other countries	100	3.36	0.70381	3	Undecided
High taxes on exports have limited the level of my supplies	100	3.3700	0.74745	3	Undecided
The government has supported my export trade business with some financial incentives due to exercise duties I pay	100	2.7900	0.7425	2	Agree
Exercise duties have reduced the demand of my goods and profits	100	3.230	0.73656	3	Undecided
Taxes on imported goods increase the prices of goods	100	3.6100	0.68009	3	Undecided
Taxes on imported goods have reduced my stock	100	3.4100	0.77973	3	Undecided
Taxes on imports have promoted my business	100	2.6100	0.7793	2	Disagree
The taxes I pay on my import goods are determined according to my stock	100	2.8200	0.83339	2	Disagree
The profits that I make after selling goods or services are subjective to tax	100	3.3900	0.88643	3	Undecided
Having deducted the tax from the profits I remain with enough income to re-invest in my business	100	2.69	1.03177	2	Disagree

he profits I remain with after tax enables me to sustain my business	100	2.7400	0.94943	2	Disagree
he tax charged on the profits is fair and convenient	100	2.3600	0.87062	2	Disagree
he taxes deducted from monthly income enables me to remain with enough income to save and expand my business	100	2.2500	0.89188	2	Disagree
he tax charged is fair according to my monthly income	100	2.3400	1.06572	2	Disagree
remain with enough income to spend after tax	100	2.3900	1.0239	2	Disagree
find it convenient and simple while paying income tax	100	3.1700	1.13756	3	Undecided

On this objective, the researcher intended to establish whether there is a relationship between the level of taxes levied and the performance of the businesses in Makindye east division.

In payment of the license to Uganda Revenue Authority in proportion of the business, majority of the respondents agreed that they are required to pay license annually. Furthermore, they disagreed that the government has been supportive to the success according to the figure above. Furthermore, the findings also indicate that majority of respondents disagreed that the amount of money they pay as license annually to Uganda Revenue Authority is equivalent to the size of the business of their business and that they are not inconvenienced while paying their business taxes.

The findings further indicated that when it comes to selling goods or services at relatively higher prices because of the taxes levied on them by the government, increased taxes have reduced the demand for their goods, stock of goods decreasing because of increasing taxes on goods, profits reducing due to high taxes rates on goods, paying higher taxes for goods exported and taxes on imports limiting the

level of supplies, majority were undecided because the study focuses on foreign trade.

When it comes to the government supporting the export trade business with some financial incentives due to the excise duty they pay, majority of respondents agreed that the government provides support.

In addition, on the issue of the exercise duty reducing demand of goods and profits, taxes on import goods increasing prices, taxes on imported goods reducing stock, majority of respondents were undecided. On the other hand, there was disagreement on taxes imposed on imports and promotion of business and the determination of the import taxes according to the stock but when it comes to the profits that they make after selling goods or services being subjected to tax, the majority of respondents were undecided. Furthermore, the findings indicate that majority of the respondents disagreed that having the tax deducted from their profits make them remain with enough income to re-invest in their business, the profits that remain after tax enables them to sustain their business, the taxes charged on the profit is fair and convenient, the taxes deducted from monthly income enables them to remain with enough income to save and expand their business, taxes charged are fair according to the monthly income and that they remain with enough income to spend after tax while on the other issue of finding it convenient and simple paying income tax.

Objective three: To establish whether there is a relationship between taxation and business performance of SMES in Uganda

Table 49 : showing the relationship between taxation and business performance of SMES in Uganda

Descriptive statistics	N	Mean	Standard Deviation	Rank	Interpretation
Initial business capital has been increasing over time since I began this business	100	3.18	1.11	3	Undecided
Business profits have increased over the past years	100	2.92	1.2203	2	Disagree
The value of my business assets has increased over the past years	100	3.62	1.08823	3	Undecided
I remain with enough profits after paying taxes	100	2.53	1.02942	2	Disagree
Daily sales have been increasing over the years	100	3.15	1.104	3	Undecided
I am using different ways to attract new customers such as giving them discounts, rewards, transport, etc	100	4.06	0.749	4	Agree
I have more than one outlets where my business goods or services can be accessed by my customers	100	2.83	1.31852	2	Disagree
I managed my business books of account electronically	100	2.69	1.27679	2	Disagree
The profits I am making are enough to sustain my business	100	2.59	1.01598	2	Disagree
My business depends entirely on the profits I am making	100	2.55	1.10440	2	Disagree
The profits I make have enabled me to cover all my business cost	100	3.160	1.10755	3	Undecided
Business profits have been changing over the years	100	3.73	0.96248	3	Undecided
The number of customers who purchase my goods or services is increasing on a daily basis	100	3.06	1.11754	3	Undecided
My business is well known in almost all parts of Makindye east.	100	2.86	1.24738	2	Disagree
I personally know most of my customers and interact with them freely	100	3.92	0.849	3	Undecided
I have reliable customers that support my business by buying goods and services	100	3.94	0.87409	3	Undecided
I have established new business outlets	100	2.6000	1.24722	2	Disagree

different parts of Makindye division					
have been increasing the number of employees working on my business over time	100	2.81	1.21185	2	Disagree
business began as retail and grew into whole sale business	100	2.89	1.25	2	Disagree
business assets have increased over the years since I started this business	100	3.27	1.3579	2	Undecided
have been transforming the packaging of my goods or services over time	100	3.09	1.25445	3	Undecided
stock of goods or services has been increasing over time	100	3.3	1.14150	3	Undecided
the goods or services in my business meet the requirements of Uganda National Bureau of Standards	100	4.0500	0.89188	4	Agree
have been increasing the new types of goods or services in my business over time	100	3.5900	1.15553	3	Undecided

In order to further understand the relationship between business performance of SMEs and taxation level, the study investigated the level of performance of SMEs in Makindye division and the following were the findings.

Majority of respondents were undecided when asked if their initial business capital has been increasing over time since they began their business and they disagreed that their profits have increased over the past years. On the issue of the value of business asset increasing over the past years, majority of respondents were undecided. Furthermore, majority of respondents disagreed that they remain with enough profits after paying taxes but were undecided when it comes to the daily sales increasing over the years. The study findings also indicate that majority of respondents use different ways to attract many customers such as giving them discounts, rewards and transport.

On the other hand, majority of respondents disagreed that they have more than one outlets where goods and services may be accessed by their customers. They also

disagreed that the profits they are making are enough to sustain their business and the business depends entirely on the profits they make.

Furthermore, on the issues of whether the profits they make have enabled them to cover all business cost, business profit changing over the years, the number of customers who consume goods and services increasing on a daily basis, majority of respondents were undecided, on the issue of the business being well known in almost all parts of Makindye East, majority of respondents disagreed.

On the other hand, when asked whether they personally know most of their customers, interact with them fairly and have reliable customers that support the business by buying goods and services, majority of respondents were undecided. Furthermore, majority disagreed when asked if they have established new business outlets in different parts of Makindye, the business increasing the number of employees working on the business over time and the business beginning as retail and growing to whole sale business. On the issue of business assets increasing over years since starting the business, transforming the packaging of goods or services over time and the stock of goods increasing over time, majority of respondents were undecided but majority agreed that all goods and services in their business meet the requirements of the Uganda Bureau of Standards while majority were undecided whether they have been increasing the new types of goods or services in their business.

CHAPTER FIVE

SUMMARY OF DISCUSSION, CONCLUSIONS, RECOMMENDATIONS AND AREAS OF FURTHER RESEARCH

5.0. Introduction

This chapter presents the summary of the findings, conclusions and recommendations on the study variables with emphasis put on the indicators of business performance of small and medium enterprises as drawn from the findings but also Identifies areas of further research.

5.1 Summary of findings

The purpose of this study was to validate the theory that link taxation to business performance in Makindye East division, Kampala district. The study used a sample of one hundred respondents out of the target population of two hundred respondents, the gender of the respondents was comprised of male who were fifty four (54%) in number and forty six (46%) female respondents and the age range of the respondents was described as; twenty eight respondents were in the age range of thirty to thirty nine (28%), twenty seven respondents were in the age range of forty to forty nine (27%), twenty five respondents were in the age range of twenty to twenty nine (25%) , nineteen respondents were in the age range of fifty to fifty nine (19%) and one respondent was in the age range of sixty to sixty nine (1%).

The education level of the respondents that were involved in the study was comprised of three respondents who had not attained any formal education level (none), forty one respondents attained university education, forty one respondents attained secondary education and fifteen respondents attained primary education

and the occupation of the respondents was comprised of forty retail trading, forty five wholesale trading and fifteen manufacturing.

The findings of the study revealed that majority of the business community disagreed that the amount of money they pay to URA as licenses is not equivalent to the size of their businesses (figure; 1.4) but the findings also revealed that government has not been supportive to the success of their businesses (figure; 1.5) and that the business community is aware of their obligation to pay the licenses annually (figure; 1.4).

The study findings have also indicated that the business community is not inconvenienced while paying their business licenses (figure; 1.6) and that the business community sell their goods and services at relatively higher prices because of high taxes levied on them (figure; 1.7). The findings went on to indicate that the increase in sales taxes, export and import duties have reduced the demand for the goods and services (figure; 1.8).

The study findings revealed that the stocks of the business community have been reducing because of increasing taxes (figure; 1.9), their profits as well have been reducing due to high taxes on goods and services (figure; 2.0). The findings also revealed that most of the business community were not sure whether they pay high taxes for the goods they export to other countries (figure; 2.1).

The findings of the study further indicated that majority of the business community are not sure whether taxes on exports have limited the level of their supplies (figure; 2.2), the study further revealed that majority of the business community are not sure whether government has supported export trade business with some financial

incentives due to excise duties they pay (figure;2.3) and the findings went on to indicate that the business community is also not sure whether excise duties have reduced the demand of their goods and services (figure; 2.4).

The findings of the study have revealed that the majority of business community are not sure whether taxes on imported goods increase the prices of their goods increase the prices of goods and services (figure; 2.5) and they are also not sure whether taxes on imported goods have reduced their stocks (figure; 2.6). The findings further revealed that majority of the business community are not sure whether taxes on imports have promoted their businesses (figure; 2.7).

The study findings indicated that majority of the business community are not sure whether the taxes they pay on import goods are determined according to their stocks (figure; 2.8) and the findings also showed that majority of the business community agreed that the profits they make after selling their goods or services are subjected to taxes (figure; 2.9). The findings further revealed that majority of the business community disagreed that the profits they remain with enables them to have enough income to re-invest in their businesses having deducted taxes (figure; 3.0).

The findings of the study showed that most of the business community disagreed that the profits they remain with after taxes do not enable them to sustain their businesses (figure; 3.1), the findings further revealed that most of the business community disagreed that taxes charged on profits are not fair and convenient (figure; 3.2). The findings also indicated that the taxes deducted from the monthly

income of the business community does not enable them to remain with enough income to save and expand their businesses (figure; 3.3).

The study findings indicated that majority of the business community do not remain with enough income to spend after taxes (figure; 3.5), the findings also revealed that the business community find it convenient and simple while paying income taxes (figure; 3.6).

The study findings indicated that majority of the business community believe that their initial business capital has been increasing over time since they began their businesses (figure; 3.7), the findings also revealed that majority of the business community do not believe that their profits have increased over the past years (figure; 3.8) and the findings further showed that the business community agreed that the value of their business assets increased over the past years (figure; 3.9).

The study findings showed that majority of the business community do not remain with enough profits after paying taxes (figure; 4.0), the findings further revealed that the daily sales of the business community have not been increasing over the years (figure; 4.1) and that the business community use different ways to attract customers (figure; 4.2).

The study findings indicated that majority of the business community do not have more than one outlets where their goods and services can be accessed by their customers (figure; 4.3), the findings further revealed that majority of the business community do not manage their business books electronically (figure; 4.4) and that the findings also showed that majority of the business community disagreed that the profits they make are not enough to sustain their businesses (figure; 4.5).

The study findings indicated that majority of the business community do not depend entirely on the profits to sustain their businesses (figure; 4.6), the findings also revealed that the profits made by the business community have enabled them to cover all their business costs (figure; 4.7) and lastly it was indicated that the business profits of the business community have been changing over the years (figure; 4.8).

The study findings have revealed that majority of the business community disagreed that the number of customers who consume their goods and services is increasing on a daily basis (figure; 4.9), the findings also indicated that their businesses are not well known in almost all parts of Makindye east division (figure; 5.0).

The findings further indicated that the business profits of the business community have been changing over the years (figure; 5.1), the findings also showed that the business community have reliable customers that support their businesses by buying their goods and services (figure 5.2) and that the business community have not established new business outlets in different parts of Makindye east division (figure; 5.3).

The study findings have revealed that they have not increased the number of employees to work with them in their businesses over time (figure; 5.4), the findings also showed that majority of business community began as retailers and grew to wholesalers (figure; 5.5) but also the study findings indicated that the business assets of the business community have increased over the years since they started their businesses (figure; 5.6).

The study findings have revealed that majority of the business community have not transformed the packaging of their goods and services over time (figure; 5.7), the findings also indicated that the stock of goods and services of the business community have been increasing over time (figure; 5.8).

The study findings have indicated that majority of the business community believe that all their goods and services meet the requirements of Uganda national bureau of standards (figure; 5.9), the findings also showed that majority of the business community have been increasing the new types of goods and services in their businesses over time (figure; 6.0).

The findings of the study has revealed that there is a significant relationship between taxation and business performance of SMEs since the findings have indicated that the profits of the business community have not been increasing over the past years as a results of the increase in business taxes thus limiting the growth and expansion of the SMEs in Makindye east division, Kampala, Uganda.

5.2 Conclusions

In conclusion the study found out that the male respondents were majority amongst the participants and the highest age range (28%) of the majority respondents was thirty to thirty nine years making a total of twenty eight respondents whereas the education level was dominated by university and secondary levels of which was comprised of forty one respondents and occupation was dominated by wholesale trade respondents who were forty five (45%) in number. The researcher has also concluded that the level of taxation imposed on SMEs in Uganda is high thus affect their growth and expansion whereas the level of business performance of SMEs is

fluctuating as well as the researcher noted that there is a significant relationship between taxation and business performance of SMEs since when the level of taxation on goods and services produced and supplied on the market is high the level business performance reduces and when the level of taxation is low business performance increases.

5.3 Recommendations

The researcher recommends that SMEs should be given incentives by government such as soft loans, no taxes, advisory services and machinery to use in the production process so as to enhance their growth and expansion.

The researcher recommends that the new researchers should put more emphasis on filling the empirical, contextual and theoretical gaps that have been left by several earlier scholars.

The researcher recommends that the business community should be trained on the need to pay taxes to government and business management skills.

The researcher recommends that the business community should be protected against counterfeiters, smugglers and theft by the government security agencies.

The researcher recommends that URA should engage in corporate social responsibility as one way of appreciating the contributions of SMEs in Uganda.

The researcher recommends that government should embark on infrastructure development such as roads, bridges, canals, railway lines, airlines so as to facilitate the work of SMEs in Uganda.

The researcher recommends that government should protect infant industries against imported goods by use of some fiscal policies.

The researcher recommends that government should create a conducive credit market environment for SMEs to easily access credit at very low interest rate for the business community to grow and expand their businesses.

5.4 Areas for further research

- Taxation and Growth of Small and Medium Enterprises in Uganda
- The contribution of taxes to the growth of Small and Medium Enterprises in Uganda
- The contribution of Small and Medium Enterprises to job creation in Uganda
- Infrastructure development and performance of Small and Medium Enterprises in Uganda

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APPENCIES

3.1. APPENDIXI: QUESTIONNAIRE

DATE.....

SERIAL NO.....

SELF ADMINISTERED QUESTIONNAIRE ON TAXATION AND BUSINESS PERFORMANCE OF SMALL & MEDIUM ENTERPRISES IN MAKINDYE EAST DIVISION, KAMPALA DISTRICT

Dear Sir/Madam,

My name is Ndoileliire Patience a student at Kampala International University, Uganda pursuing a bachelor's degree in Business Administration specialised in Finance and Accounting. As part of requirement for the award, I am conducting an academic study on "Taxation and Business performance of Small and Medium Enterprises in Uganda; a case study of Makindye East division, Kampala district".

You have been identified to be the most useful respondent to participate in this study, the researcher kindly request you to spend your most valuable time and fill this research questionnaire.

PART A: Respondent's Details

- **Tick the most Appropriate option below;**

A1. Gender: 1. Male..... 2. Female.....

A2. Age Range

1. 20 – 30, 2. 35 – 40, 3. 45 – 50, 4. 50 – 55, 5. 60 – 65

A3. Level of Education attained

1. None..... 2. Primary..... 3. Secondary..... 4. University.....

A4. Occupation

1. Retail trading..... 2. Wholesale trading..... 4. Manufacturing.....

PART B: Independent Variable: Taxation

Using the Likert scale given below please tick the best opinion about
Taxation

1 = Strongly disagree; 2 = Disagree; 3 = Undecided; 4 = Agree; 5 = Strongly agree

B1. Business License	1	2	3	4	5
B1.1.The amount of money I pay to URA as license is equivalent to the size of my business					
B1.2. I am required to pay the license annually					
B1.3 The government has been supportive to the success of my business since I pay my license annually on time					
B1.4. I am not inconvenienced while paying my business license					
B2. Value Added tax	1	2	3	4	5
B2.1 I sell goods or services at relatively higher prices because					

of the high taxes levied on them I pay to government					
B2.2 Increased taxes have reduced the demand for my goods					
B2.3 My stock of goods has been decreasing because of increasing taxes on goods					
B2.4 My profits have been reducing due to high tax rates on goods					
B3. Excise duty	1	2	3	4	5
B3.1 I pay high taxes for the goods I export to other countries					
B3.2 The taxes on exports have limited the level of my supplies					
B3.3 Government has supported my export trade business with some financial incentives due to excise duties I pay					
B3.4 Excise duties have reduced the demand of my goods & profits					
B4. Import duty	1	2	3	4	5
B4.1 Taxes on imported goods increase the prices of goods					
B4.2 Taxes on imported goods have reduced my stock					
B4.3 Taxes on imports have promoted my business					
B4.4 The taxes I pay on import goods are determined according to my stock					
B5. Corporate income tax	1	2	3	4	5
B5.1 The profits that I make after selling goods or services are subjected to tax					
B5.2 Having deducted the tax from the profits I remain with					

enough income to re-invest in my business					
B5.3 The profits I remain with after tax enables me to sustain my business					
B5.4 The tax charged on the profits is fair and convenient					
B6. Personal income tax	1	2	3	4	5
B6.1 The taxes deducted from my monthly income enables me to remain with enough income to save and expand my business					
B6.2 The tax charged is fair according to my monthly income					
B6.3 I remain with enough income to spend after tax					
B6. 4 I find it convenient and simple while paying income tax					

PART C: Dependent Variable: Business Performance of SMEs

Using the Likert scale given below please tick the best opinion about Business performance of SMEs

1 =Strongly disagree; 2 = Disagree; 3 = Undecided; 4 = Agree; 5 =Strongly agree

C1. Return on Assets	1	2	3	4	5
C1.1 My initial business capital has been increasing over time since I began this business					
C1.2 My business profits have increased over the past years					
C1.3 The value of my business assets has increased over the past years					
C1.4 I remain with enough profits after paying taxes					

C2. Sales growth & Innovations	1	2	3	4	5
C2.1 My daily sales have been increasing over the years					
C2.2 I am using different ways to attract many customers such as giving them discounts, rewards, transport etc.					
C2.3 I have more than one outlets where my business goods or services can be accessed by my customers					
C2.4 I managed my business books of account electronically					
C3. Business profitability	1	2	3	4	5
C3.1 The profits I am making are enough to sustain my business					
C3.2 My business depends entirely on the profits I making					
C3.3 The profits I make have enabled me to cover all my business costs					
C3.4 My business profits have been changing over the years					
C4. Public image & Client loyalty	1	2	3	4	5
C4.1 The number of customers who consume my goods or services is increasing on a daily basis					
C4.2 My business is well known in almost all parts of Makindye East division					
C4.3 I personally know most of my customers and interact with them freely					
C4.4 I have reliable customers that support my business by buying goods or services					
C5. Business expansion & growth in the number of	1	2	3	4	5

employees					
C5.1 I have established new business outlets in different parts of Makindye east division					
C5.2 I have been increasing the number of employees working with me in my business over time					
C5.3 My business began as retail and grew to whole sale business					
C5.4 My business assets have increased over the years since I started this business					
C6. Quality & Quantity of goods & services	1	2	3	4	5
C6.1 I have been transforming the packaging of my goods or services over time					
C6.2 My stock of goods or services has been increasing over time					
C6.3 All the goods or services in my business meet the requirements of Uganda National bureau of standards					
C6.4 I have been increasing the new types of goods or services in my business over time					

Thanks a lot for your valuable time

3.2. Appendix II: PROPOSED BUDGET FOR THE RESEARCH

PARTICULARS	QUALITY	AMOUNT
Stationary	5 Reams	40,000/=

	Ink 2 Cartridges	80,000/=
	10 Binding materials	100,000/=
Transport costs		150,000/=
Data Analysis		100,000/=
Miscellaneous		100,000/=
Total	17	570,000/=

3.3. Appendix III: TIME FRAME FOR RESEARCH ACTIVITIES

YEAR	2019	2019	2019	2019
Months	February to March. 2019	April to May. 2019	June. 2019	July.2019
Proposal Writing &Making corrections				
Letter to collect data from the field				
Data cleaning				

& coding				
Data Analysis				
Report Writing				
Submission of the Report to the Department of Finance & Accounting				

**COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE**

MARCH, 25TH 2019

To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR NDOLERIIRE PATIENCE 1163-05014-06673

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration, Third year Second semester.

The purpose of this letter is to request you avail herwith all the necessary assistance regarding her research.

Topic: - TAXATION AND BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

CASE STUDY: - MAKINDYE EAST DIVISION KAMPALA UGANDA

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,


125/03/2019
DR. JOSEPH B.K. KIRABO
HOD – ACCOUNTING AND FINANCE
0772323344