

**ROLE OF SMALL AND MEDIUM SIZED ENTERPRISES (SMES) IN THE
PROVISION OF EMPLOYMENT TO LABOUR FORCE;
A CASE STUDY OF NAMAYINGO TOWN COUNCIL, NAMAYINGO DISTRICT**

**BY
BAKIZA BOSCO
1163-0514-08743**

**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS
AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF BACHELORS'
DEGREE IN BUSINESS ADMINISTRATION
OF KAMPALA INTERNATIONAL
UNIVERSITY**

SEPTEMBER, 2019

DECLARATION

I, **BAKIZA BOSCO** declare that this work is original and has never been submitted to any institution/University for any Award of a Degree.

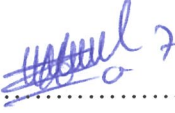

Signature.......... Date..........

BAKIZA BOSCO

1163-0514-08743

APPROVAL

I certify that this work has been produced under my supervision and is now submitted with my approval.

Signature.......... Date..........

Mr. TIMBIRIMU MICHEAL

SUPERVISOR

DEDICATION

This work is dedicated to my parents Nabirye Monica and Mukolobya John and my wife Tibaidukira Zam for their love, moral and financial support they have rendered to me.

ACKNOWLEDGEMENT

Special thanks to **Dr. Timbirimu Micheal** who provided unreserved comments and guidance for the completion of this research paper. Not forgetting the time that you always foregone, this work would not have been finished. Indeed, I am who I am because of you.

I also grant special acknowledgement to all the respondents in that I appreciate for all your support in the process and provision of information for my study.

I wish to express my gratitude to my parents i.e. Nabirye Monica and Mukolobya John for the care, moral and financial support you have always provided throughout my study. Indeed you owe me a lot as this is a challenge put before me; I appreciate for your readiness to facilitate me in whatsoever incidence that challenged me.

Special appreciation also goes to my wife; Tibaidukira Zam and my son Mario Joseph Mukolobya, together with my brothers and sisters; Nabirye Jenipher, Muwaza Mathias, Mukolobya Joseph, Kawara Resty, Tibaisanya Justin and Byeibula Rose

I would like to heartily thank all those who have collectively helped to make this study a success my Lecturers at the college of economics and management, Kampala International University for their guidance and support during the course of my study.

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ACRONYMS	x
ABSTRACT	xi
CHAPTER ONE: INTRODUCTION	1
1.0 Background	1
1.1 Statement of the Problem	3
1.2 Objective of the study	3
1.2.1 Specific objectives	3
1.2.2 Research questions	4
1.3 Purpose of the study	4
1.4 Scope of the study	4
1.5 Significance of the Study	4
CHAPTER TWO: LITERATURE REVIEW	6
2.0 Introduction	6
2.1 Definition and nature of SSBs	6
2.2 ADVANTAGES OF SMALL SCALE BUSINESSES	8
2.3 NATURE AND CATEGORIZATION OF ACTIVITIES OF SSBs IN NAMAYINGO SUB COUNTY TRADE CENTER	9
2.4 REASONS FOR SMALL AND MEDIUM SIZED ENTERPRISES (SMES) IN THE AREA OF STUDY	10
2.4.1 Government Policies:	11
2.4.2 Trade liberalization policy:	11
2.4.3 Foreign Aid Donations:	12
2.4.4 Low start-up capital:	13
2.4.5 Population growth:	14

2.5.1 Poor Infrastructure:.....	15
2.5.2 Financial Problems:	15
2.5.3 Improper business Feasibility:	16
2.5.4 Lack of Managerial Knowledge:	16
2.5.5 Poor Educational Background or Lack of Education:	16
2.5.6 Out-Dated Technology:	17
2.5.7 Poor Marketing Strategy:.....	17
2.5.8 Increasing Competition:.....	17
2.6 SOLUTIONS UNDERTAKEN TO ENHANCE SMALL SCALE BUSINESSES....	18
2.6.1 Traditional guarantee Associations:	18
2.6.2 Financial sector development:	19
2.6.3 Diversification and markets expansion:.....	20
2.6.4 Corporate governance:.....	20
2.6.5 Human and Cultural Capital Development:	21
2.7 Conclusion:	21
CHAPTER THREE: METHODS AND PROCEDURES.....	22
3.0 Introduction.....	22
3.1 Research design	22
3.1.1 Study area and Target population	22
3.1.2 Sampling method	22
3.1.3 Sample size and sample selection	22
3.2 Key Informants	23
3.2.1 Focus groups.....	23
3.2.2 Data Collection.....	23
3.2.3 Observation	23
3.2.4 Questionnaire	23
3.3 Editing.....	23
3.3.1 Coding.....	24
3.4 Problems encountered during the field research.....	24
CHAPTER FOUR: DATA PRESENTATION AND INTERPRETATION OF FINDINGS	
25	
4.0 Introduction.....	25

4.1 Background information of respondents	25
4.2 The different classifications and activities of the Small Scale Businesses.....	27
4.3 The challenges that limit the contribution of Small and Medium Sized Enterprises (SMEs) towards development:	30
4.4 The impact of employment opportunities provided by the SSBsto household welfare:	32
CHAPTER FIVE:CONCLUSIONS AND RECOMMENDATIONS	34
5.0 Introduction.....	34
5.1 Conclusions of the study.....	34
5.2 Recommendations.....	35
5.3 Areas for Further Research	36
REFERENCES	37
APPENDICES.....	37

LIST OF TABLES

TABLE 1: NUMBER OF PEOPLE WHO OWN A BUSINESS	25
TABLE 2: NUMBER OF RESPONDENTS EMPLOYED BY SSBs	25
TABLE 3: LEVEL OF EDUCATION.....	26
TABLE 4: SIZE OF THE BUSINESS AND LEVEL OF EMPLOYMENT	28
TABLE 5: SOURCE OF STARTUP CAPITAL	29
TABLE 6: NUMBER OF BUSINESSES WITH CHALLENGES	30
TABLE 7: CHALLENGES TO THE SSBs	31
TABLE 8: RELATIONSHIP BETWEEN THE KIND OF ACTIVITIES DONE BY THE BUSINESSES AND EMPLOYMENT OPPORTUNITIES	33

LIST OF FIGURES

FIGURE 1: UGANDA POPULATION GROWTH TREND	14
FIGURE 2: LEVEL OF EDUCATION	27
FIGURE 3: CATEGORIES OF SMALL SCALE BUSINESSES.	27
FIGURE 4: LEVEL OF EMPLOYMENT BY THE SSBs.....	29

LIST OF ACRONYMS

COMESA	– Common Market for East and Southern Africa
EAC	– East African Community
EU	– European Union
FY	– Financial Year
GDP	– Gross Domestic Product
GNP	– Gross National Product
GoU	– Government of Uganda
MDGs	– Millennium Development Goals
MGAs	– Mutual Guarantee Associations
OECD	– Organization of Economic Cooperation and Development
PEAP	– Poverty Eradication Action Plan
PSF	– Private Sector Foundation
SSBs	– Small Scale Businesses
TASBI	- Transatlantic Small Business Initiative
UBI	– Uganda Business Inquiry
UBOS	– Uganda Bureau of Statistics
UIA	– Uganda Investment Authority
UNHS	– Uganda National Household Survey
USSIA	– Uganda Small Scale Industries Association

ABSTRACT

The purpose of the study was to examine the nature of small scale businesses that provide employment to the labour force in Namayingo Sub-County, Namayingo District. The objectives of the study were the to identify the different activities of the Small and Medium Sized Enterprises (SMEs) in which the labor force is employed. The second objective was to identify how the SSBs contribute to development and growth of developing economic. Last objective was to identify the size of businesses that provides employment to the labor force. The study used a case study design to conduct the study in Namayingo Sub-County. Simple random sampling technique was used to select 240 respondents from 25 business settings into the study. Findings revealed that majority of the different classifications and activities of the businesses were tied shop businesses that operated at a small scale, were managed by own boss and support staffs, had their source of startup capital from own savings, and do not provide opportunities to a great number of the people since they mostly employ less than 5 people compared to the labor force available. Most business owners had challenges that hindered their business operations, taxes and other regulations. Problems in the context acquisition of licenses for registration, duplication of products have been attributed to competition. This has culminated into the widening of markets, emphasizing of the Traditional Guarantee Associations as KACITA, PSF, 360 Network and USSIA so as to focus on the issues that hinder trade and business operations. Lastly, small scale business mostly improve incomes and welfare of individuals, from their businesses knowledge or skills and business partners, competition for jobs associated with social responsibilities encouraged most business people to start businesses, the kind of activities engaged in by the businesses have enabled them to absorb labor force through the provision of employment opportunities.

CHAPTER ONE: INTRODUCTION

1.0 Background

Small scale enterprises are a major component of the Ugandan business sector that sustained the economy through the hard times when all the different sectors of the economy were in disequilibrium. In 1986, Uganda undertook economic reforms through the IMF/World Bank Funded Structural Adjustment Programs (SAPs). Like in many developing countries these reforms were meant to change the Economy from an inefficient, import dependent economy to one that is more diversified, efficient and export oriented (Ajibefun and Daramola, 2003). The Small and Medium Sized Enterprises (SMEs) had a role to play in support of the production and import sectors to achieve the goals of the SAPs at the time.

In Uganda, Small and Medium Sized Enterprises (SMEs) have been a critical source of support to the struggling economy that formerly depended on the agricultural sector and remittances. The Small and Medium Sized Enterprises (SMEs) (SSBs) led to an increase in the employment levels to 70% of the non farm labor force, thereby contributing to 80% of the manufactured output and 20% of total Gross Domestic Product (World Bank 2009). This reduced poverty amongst the people in the rural and urban areas of the country which encouraged government to undertake more action in support for such investments since they needed less capital per job created, offering a rather inexpensive way of accommodating the labor force for equitable wealth distribution.

The Government of Uganda (GoU) introduced several economic measures to restructure the economy as a way to increase the role of both the public and private businesses. The deregulation of the economy was aimed at altering the incentive structures faced by the small scale sector. Such policies include the payment and trade liberalization, interest rate liberalization, and appropriate pricing of public goods and the reduction of government involvement to enhance production and performance. Most of these policies directly and indirectly affect producers and employees in an economy.

The GoU is currently centered on minimizing its intervention in economic activities so that it encourages private sector participation for increased production and incomes thereby leading to economic self sufficiency and reliance. The efficient role played by the Small and Medium

Sized Enterprises (SMEs) in the utilization of resources as labor has led to poverty reduction for broad based economic growth.

The large informal sector which is mostly comprised of the Small and Medium Sized Enterprises (SMEs) offer great potential for employment generation therefore a good target for policy to eradicate poverty. By creating employment opportunities for the unskilled labor, they could increase incomes as a way to reduce poverty. However this potential can only be achieved if the Small and Medium Sized Enterprises (SMEs) highly absorb the labor force to boost production.

According to the Background to Budget 2008/09, Uganda's economy was composed of the Small Scale Business sector that were categorized into wholesale and retail trade estimated to be 46%, manufacturing at 31% as restaurants and Hotels constitute 7% during Financial Year (FY2007/08). Small and Medium Sized Enterprises (SMEs) have played a great role in the provision of employment opportunities to the labor force since they are many in numbers, owned and operated with low volumes of working capital.

In many developing countries, the growth of Small and Medium Sized Enterprises (SMEs) (SSBs) is a wide spread concern due to their contribution to Economic growth and Development because they compose the larger informal sector that is significant in the provision of employment in an Economy. It should be noted that Small and Medium Sized Enterprises (SMEs) are highly diverse in terms of division of labor through which they create opportunities for productive work that leads to an increase in the labor participation rate thereby contributing to poverty reduction, economic growth and development.

According to the Uganda Bureau of Statistics (UBOS 2007), between 2002 and 2006, the proportion of workers in self employment increased from 13% to 22% for the non agriculture activities in which the employment population ratio for men increased overwhelmingly to 82% compared to 79% for women thereby enabling more people to find jobs in SSBs not only out of the need to increase and diversify incomes but in the face of reducing Poverty through employment provision. It was reported in 2006/2007 by Uganda Bureau of Statistics (UBOS) that the total number of businesses registered in Kampala was nearly 26,000 of which those employing 5 or more persons were 17,084 hence showing a growth of over 60% of Small Scale Businesses.

The Government of Uganda (GoU) with the support of International development partners as the World Bank through the Foreign Direct Investments (FDI) to promote the informal sector as a way to reduce unemployment (a key variable for measuring the performance of an Economy). This has led to the influx of unemployed work force to Kampala which is the major trade center in the country; households increased their willingness to participate in the labor market by setting up Small and Medium Sized Enterprises (SMEs) to meet the social and economic responsibilities associated to their families leading to competition.

It is against this justification that Small and Medium Sized Enterprises (SMEs) in Namayingo sub county Trade Center have been set up to provide substantial and sustainable employment opportunities trigger development and economic growth.

1.1 Statement of the Problem

Small and Medium Sized Enterprises (SMEs) are competitive and dynamistic nature. This makes them a fundamental cause for Economic growth and Development through their contribution to income redistribution, and Unemployment reduction in developing economies. However, there are no clear indicators that unemployment rates have reduced. Unemployment consistently remains a key concern that needs the attention of major economic decisions to focus on the promotion of Small and Medium Sized Enterprises (SMEs) activities.

1.2 Objective of the study

The study attempted to examine the nature of SSBs that provide employment to the labor force in Namayingo sub county trading centre in Kampala District.

1.2.1 Specific objectives

- i. To identify the different activities of the Small and Medium Sized Enterprises (SMEs) in which the labor force is employed.
- ii. To identify how the SSBs contribute to development and growth of developing economic.
- iii. To identify the size of businesses that provides employment to the labor force.

1.2.2 Research questions.

The study investigated the following questions;

- i. What reasons have led to the growth of Small Scale entrepreneurial businesses in the region of study?
- ii. What challenges have limited the activities of the Small and Medium Sized Enterprises (SMEs) in their role to provide employment opportunities?
- iii. Is there space for the expansion of the SSBs?

1.3 Purpose of the study

The purpose of the study is to identify the various activities in which the Small and Medium Sized Enterprises (SMEs) absorb the labor force.

1.4 Scope of the study

The study was confined to Small Scale Businesses since they engage the labor force in various activities that require little capital to sustain the possibility of retail, wholesale shops, hardware and general merchandise, restaurants to mention but a few as a way to reduce unemployment levels

The study focused on the reasons for the growth of SSBs towards the provision of employment to the labor force. Through this the role of SSBs with the support of government and other International partners is recognized thereby encouraging small scale trade for employment and improved household earnings.

1.5 Significance of the Study

The study shall help the policy makers to recognize the importance of Small and Medium Sized Enterprises (SMEs) and industries in the provision of employment to the labor force for economic development. This shall further guide them to make trade policies to enhance the performance SSBs as regards their activities to accommodate the mushrooming population that is attributed to high birth and fertility rates as well as rural urban migration within the country.

To students and other scholars who intend to widen their knowledge in the study of the role of Small Scale Businesses, this study shall be a basis of reference since it focuses on the causes of the establishments, how the unique characteristics of the Businesses have facilitated their role in the provision of employment, challenges they face and the solutions that are being undertaken to harness their activities.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter aims at reviewing the relevant literature about the Small and Medium Sized Enterprises (SMEs) and its role in the provision of employment opportunities.

2.1 Definition and nature of SSBs

According to De Gobbi (2003), the Small and Medium Sized Enterprises (SMEs) refer to small and micro enterprises that lack sufficient collateral to cover the particularly high risks involved yet they operate with high transaction costs. To her they represent the large proportion of the economic sector in every country. They sometimes operate in the informal sector since many micro entrepreneurs are illiterate and have limited access to information, they are vulnerable and neglected group commonly composed of home working women.

However, international organizations such as the World Bank and the International Finance Corporations(2002), define Small and Medium Sized Enterprises (SMEs) as those that require small amounts of capital to establish, small number of employees or in most cases personally handled by the owner, and referred to as micro businesses hence to them they are "mini businesses" or "Bop businesses".

The European Union (EU) definition is based on the parameters of development, turnover and asset size and Organization for Economic Cooperation and Development (OECD) on employment and sales turnover. This implies that they play a vital role in alleviating poverty and increasing employment attributed to their promotion of competition and dynamism, since they augment government efforts in rural and urban areas thereby improving the household incomes which enables them to access various items for daily use at affordable costs. It is from this perspective that Small and Medium Sized Enterprises (SMEs) are dubbed as the small scale establishments since they operate at the least levels investment.

In Latin America, Small and Medium Sized Enterprises (SMEs) are characterized by the dependence on family labor and limited technical and managerial skills. They are commonly not registered, maintain no business records and do not have access to credit from formal credit institutions. They are relatively small, flexible, require low capital needs, modest educational

requirements with informal structures that are high labor intensive and do depend on local raw materials.

According to Susanjoeke(1995), the small scale business sector in India has been accorded as a priority sector of the national economy by the national decision makers since it is protected and promoted in various ways by government policies and measures to enhance their growth potential. Small and Medium Sized Enterprises (SMEs) generate employment at relatively small capital costs, mobilize resources at micro levels and meet the rising demand for various goods and services required by the economy. To the decision makers, Small and Medium Sized Enterprises (SMEs) constitute nearly 40% of the total output in the private sector. Much more significant was the employment generation capacity of 70%.

In Ghana, small scale enterprises are officially considered together. Small enterprises are defined as business units that employ a labor force of not more than 9 persons (Mensah et al, 2007, Kwasi Bruks et al, 2005; OECD, 2005). This is so because they augment government efforts to achieve economic growth and reduce poverty in the rural and urban areas through the promotion of competition and dynamism to enhance the development of low and middle income economies and individual.

According to Ayozie Daniel Ogechukwu(2009), Small and Medium Sized Enterprises (SMEs) are a seedbed of innovations, inventions and employment since they assist in promoting the growth of a country's economy. Hence at all levels of government policies which promote the growth and sustenance of Small and Medium Sized Enterprises (SMEs) have been emphasized to enhance economic development.

In Uganda, UBOS (2006) defines them as components of the informal sector that make up the National economy since they operate with low level of organization, low capital, low technology and often temporary premises. They are not registered with the government and not supported by formal financing institutions. Further these are classified as household enterprises which are economic units owned by the households but without an identifiable location. It is an informal establishment that usually employs about 10 employees as evidenced that 56% of the urban households were operating informal businesses (UNHS 2002).

Small Scale Industries are characterized by the unique feature of labor intensiveness. The importance of Small and Medium Sized Enterprises (SMEs) increases manifold due to immense employment generating potential that is accompanied by fast decision making due to less staff and more control of an entrepreneur, availability and dependence on local raw materials leads to innovation of products which cater for the needs of individuals in a particular region hence their significance.

In conclusion, Countries characterized by acute unemployment are putting emphasis on the model of Small and Medium Sized Enterprises (SMEs) so as to absorb the excess labor and further highlights the advantages of such set ups to Economic development in the country (Balunywa 2002).

2.2 ADVANTAGES OF SMALL SCALE BUSINESSES

The Small and Medium Sized Enterprises (SMEs) contribute a lot to the progress of the economy. In Uganda, they have a great potential for future development through their role towards the economy as discussed below;

Large Scope for Employment:

According to Kalibbala and Ngobo (1994), the number of people employed by the Small and Medium Sized Enterprises (SMEs) varies from country to country. To them in Uganda the figure was put to between 5-50, in India between 30-100. On the other hand Stoner et al (1996), small-scale businesses are those which employ less than 500 people while in Kenya Kibera and Kibera (1997) say such businesses employ fewer workers and are usually referred to as micro enterprises since they employ 11-50 people while the medium enterprises employ 51-100. Uganda being a labor-surplus economy due to its rapid rate increase, labor intensive approach for commodity production has been adopted so as to utilize the labor power for the production of goods. As the small-scale businesses adapt to labour-intensive approaches, they employ more labor per unit of capital for a given output compared to the large-scale industries. This is evident from the fact that the small-scale sector accounts for as much as 70% of the total employment in the industrial sector thereby scaling down the extent of unemployment as well as poverty (UBOS 2007).

Large Production: Kilby(1969) referred Small-scale businesses to as a quasi sponge for urban employment and provider of inexpensive consumer goods with little or no imports content that enhances industrial output of the country. To him this also contributes to long run industrial growth by producing an increasing number of firms that grow up and out of the small scale sector. For instance out of the total output of the manufacturing sector, as much as 40% comes from these industries where as total supplies of industrial consumer goods are a major part originated from the small-scale sector. The adequate availability of consumer goods plays an important role in stabilizing and developing the economy. To him the emergence of wholly modern small or medium scale industries is the prerequisite for any economy that endures industrialisation.

Promoting Welfare: The small-scale businesses are important for welfare reasons. This in turn increases their income-levels and quality of life. As such these businesses help in reducing poverty in the country. Further, they promote equitable distribution of income among vast number of persons throughout the country; it is through this that they help in the reduction of regional economic disparities.

Social and Economic responsibilities: The Small and Medium Sized Enterprises (SMEs) are specialized in the production and sale of consumer commodities this encourages individuals to increase their participation in the labor market thereby upgrading their lives. The freedom to work, self-reliance, self-confidence, enthusiasm to achieve and all such traits of a healthy nation can be built around the activities performed in these businesses. All these benefits flow from the fact that these businesses are highly labour-intensive, and that these can be set up anywhere in the country with small resources.

2.3 nature and categorization of activities of SSBS in Namayingo Sub County

Small and Medium Sized Enterprises (SMEs) in the area of study mostly deal in hardware materials, electricity appliances, and water materials as pipes, water joints, and foodstuffs. Note that there are some businesses that specialize in the purchase of secondhand products to cater for local needs through self employment to generate incomes;

Tied shop businesses are those that confine whatever they sell in common with what their producers supply directly to them. The manufacturers ensure reliability and consistency in the provision of the products as a way to support their sales. Tied shops in the area of study sell already manufactured products as electricity appliances, paint, building materials, water pipes to mention but a few.

Street retailing is another category of business where traders display their goods along major streets or urban areas. These traders are different from hawkers because they operate from a particular point. Some of these retailers go as far as raising temporary structures in form of stores to protect themselves and their goods from rain and sun not forgetting thieves and robberies. Their products may range from clothing, motor spare parts and food items.

Hawking is a rampant form of business where goods are carried from one place to another, either on hands or by carts. Hawking is the most cheapest and popular means of business trading as the would be capital for rent is used for the purchase of goods as clothes, herbal medicines, simple edibles as maize, ground nut, peas to mention but a few. People who involve in hawking are called hawkers.

Mobile shop businesses are moved from one place to another in motor vans, cars, Lorriessell almost all types of hard ware goods and they reach consumers easily in the area of study. These shops use all sorts of advertising methods like playing music, use of microphones to shout their waves so as to bring the existence of their goods to the knowledge of the consumers and they include, traditional herbalists, film and video producers to mention but a few.

Market place business is where traders come together in a common meeting place known as the local market to exchange goods in form of sales and purchases. Each trader has his own store or lock up store. The amount of capital required for this type of business depends mainly on the type and quantity of goods sold. All forms of goods in this type of market range from food stuffs to hard wares.

2.4 Reasons for small and Medium Sized Enterprises (SMEs) in the area of study

This section of the study focused on the reasons for the growth and increased number of Small and Medium Sized Enterprises (SMEs) as a way to provide employment opportunities to the labor force.

2.4.1 Government Policies:

Alila and Mc Cormick (1994), emphasized that government should put more affirmative and positive action towards the promotion of SSBs in any country. To them they highlighted an example from Kenya, where the government supported the Juakalis as an avenue of industrializing and developing the country.

According to Bagadawa (2002), the Government of Uganda (GoU) has made great efforts to provide attractive and appropriate environment for the Small and Medium Sized Enterprises (SMEs) through its adoption of sound macroeconomic policies and its implementation of structural reforms. The GoU set up Medium Term Competitive Strategy (MTCS) that aim at improving the business environment, increasing competitiveness and promoting the private sector since in particular they address infrastructural improvement, strengthening the financial sector for SME accessibility and the reformation of the commercial justice sector as specific elements for SME development.

GoU has also become involve in venture capital infusion or issued guarantees to the private individuals that provide angel funds for small scale establishments. It is these that have shifted the mindset and adopt innovative qualifying processes and operational mechanisms for venture capital programmes that enhance development. According to the World Bank (2005), for firms and Small and Medium Sized Enterprises (SMEs) to invest productively, expand are largely dependent on how government shapes its investment climate thus GoU has implemented a wide range of economic and institutional reforms all intended to create a more conducive investment climate for both local and foreign investors as well as promoting increased participation in private sector development. It has been noticed that these reforms have resulted in GDP growth averaging to 6.3% from 1992/93 to 2006/07 with a peak of 10% (UBOS 2009).

2.4.2 Trade liberalization policy:

According to Kilimani (2007), Government policy of liberalization of trade, deregulation, privatization, and participation in regional trade agreements, specifically the Common Market for East and Southern Africa (COMESA), East African Cooperation (EAC) have played a role in the contribution to poverty reduction, creation of employment through the entrepreneurial drive for the establishments in which surplus labor is absorbed, diversification and promotion

of exports to increase their effect on the aggregate output growth. This was adopted to cast a view on the importance of government policy under trade liberalization and its potential for resurgence in terms of employment, export drive that consisted of import tariffs, exchange rate controls within the framework of a liberal trading system in view to increase aggregate output, provide an opportunity to expand the market beyond the domestic, generating economies of scale and externalities from trade.

There has been a degree of recovery attributed to this policy as manifested by the low employment rates in the agricultural sector to 46% in 2004/05 (DTIS, 2006) as compared to the upward trend in private Small and Medium Sized Enterprises (SMEs) as the main areas of investment attributed to diversification policy. Through this structural deficit is eliminated for better macroeconomic stability and economic growth since this emerges the economy away from external shocks.

2.4.3 Foreign Aid Donations:

According to Lele and Meyers (1989), Holtham and Hazlewood (1976) foreign donor participation in public and private sector projects increases small scale business settings for employment provision. This has played a positive role in fostering Entrepreneurship for Development through their emphasis of more Foreign Direct Investments and Official Development Assistance funds to risky and innovative projects despite evidence of failure. They have made negotiations with the Government upon fiscal incentives and poverty alleviation programmes in which they put an upper hand to ease financial constraints to those who need additional working capital other than technical assistance.

The GoU adopted a number of structural adjustment Programmes (SAPS) which include: introduction of a new investment code and establishment of the Uganda Investment Authority (UIA), liberalization of foreign exchange market, control of inflation, return of Asian Properties, and liberalization of trade regimes to promote investment as a key policy issue (PEAP 2007/08). The purpose of these policy reforms was to attract private foreign investment to supplement the locally mobilized resources as well as encouraging competition in small scale business.

The programmes with an overall objective of reducing extreme poverty to less than 10% have emphasized the attempt to formulate a comprehensive employment policy that is attached to the creation, protection and promotion of employment opportunities that absorb surplus labor force available in the country.

According to the Poverty Eradication Action Plan (PEAP 2007/08) through its pillars of Economic management, Production, competitiveness and incomes, Governance, Conflict resolution and disaster management as well as Human development have emphasized infrastructural development as roads, electricity, railways to maintain macroeconomic stability as well as boosting private sector and small, micro entrepreneur skills and business development through community empowerment and improved health attributed to formal education and adult literacy. It's to this that Government aims to boost economic growth from 6.5 to 7% over the medium term due to the changing structure of the economy as reveals the share of agriculture since 1991/92 to 2002/03.

2.4.4 Low start-up capital:

According to the Briefing paper 11 (CED 2004) Small and Medium Sized Enterprises (SMEs) operate in the informal sector because many entrepreneurs and proprietors are illiterate and have limited access to information. This implies that they lack sufficient collateral to cover risks involved for the high transaction costs and can easily be set up since they require low start up costs in form of capital.

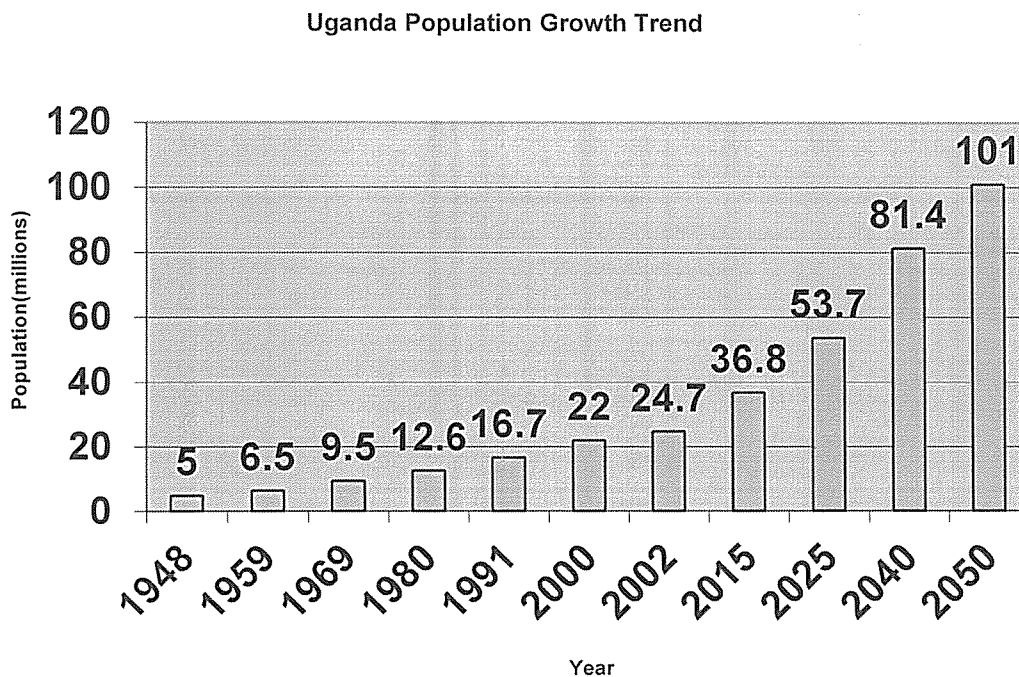
According to UBOS (2006), the informal sector is becoming an increasing important component of the National economy since it comprises of SSBs usually with self employed activities with or without hired labor. They operate with low capital as they are never supported by formal financial institutions but only rely on Own savings.

The low income levels of Business owners, own savings invariably impose an upper limit to the size of Business that can be operated and limit their potential to sustain the population in the jobs created. Indeed UNHS 2002/03 revealed that one major source of hindrance to business earning and productivity is access to capital. Microfinance Institutions are starting up to bridge the gap but there are still concerns that the terms are not favorable due to high interest rates and short maturity periods that are alluded as major problems.

2.4.5 Population growth:

According to the (UBOS 2007), the population has an increasing trend for every 20 years as revealed since 1948 from 5 million to 9.5 million by 1969, 12.6 million in 1980 to 24.2 million by 2002 while in 2007 population projection stood at 28.2 million thereby implying a population growth rate of 3.2% per annum as compared to 2.4% of the sub-Saharan Africa. UBOS revealed that National unemployment rate would be more pronounced at 16% in the urban areas of Kampala. The population growth rate is highlighted below;

Figure 1: Uganda Population growth trend



Source: Population Secretariat Database

It is from this point of view that the presence of unemployment in families other than dependence on individuals has induced the participation of labor force into the labor market owing to the associated socio-economic responsibilities has led to reliable availability of labor since this is at an increasing trend based on the projection.

2.5 Challenges faced by Small Scale Businesses

Despite the nation's economic recovery, a number of serious constraints have hampered the role of Small and Medium Sized Enterprises (SMEs) to adjust towards globalization and this has restricted them to making low quality products for low returns in the markets. The following factors account for the poor performance of these businesses in the area of study.

2.5.1 Poor Infrastructure:

The major barrier to business success is the lack of infrastructure and the high costs associated to its development for the administration and location of the business activities nevertheless the ones available are also expensive in terms of rent as some are not easily accessible especially for the case of roads in more remote areas (Barney, 1991; Peteraf, 1993). Minimal efforts are being undertaken as improvements for the potential to stimulate business development in Kampala, including a public transport system that would allow people to move more easily within the areas of operation for the businesses.

2.5.2 Financial Problems:

Small enterprises make an important contribution to economic output and employment in developing economies. While estimates vary greatly depending on definitions, the World Bank suggests that almost 30% of employment in low-income countries is generated by the informal economy, while an additional 18% is provided by (formal) small and medium enterprises. Together these two groups contribute 63% of the GDP (Ayyagari, M., T. Beck and A. Demirguc-Kunt, Small and medium enterprises across the globe: A new database, World Bank Policy Research Working Paper 2007). Finance is lifeblood of any enterprise irrespective of its size. Small businesses face more problems in raising finance, as the provider of finance may not find the return on investment interesting as compared to large enterprise, and also the entrepreneurs are skeptical about repayment.

Chijoriga and Cassiman (1997) pointed to finance as a key constraint to the growth of small scale businesses. Ngobo (1995) further made analysis of finance as a constraining factor for lack of working capital, wrong choice of financiers, high interests payments, frauds, corruption, lack of financial control, an absent of costing systems and delay in release of funds by banks or financiers. Obviously, the professional approach is missing on the part of

owners/managers and promoters, hence there are no concepts to monitor and control the financial affairs of these businesses with time.

2.5.3 Improper business Feasibility:

This factor acts mainly at the initial stages of the project and is based on the decisions of the entrepreneurs. Many projects and businesses are affected at birth because of inadequate feasibility reports regarding the demand of product in various markets, wrong choice of technology, improper forecasting of financial requirements, delayed in supply of plant and machinery or in their installation or release of funds by financiers. No clear vision, goals and objectives. The root of all these problems may be traced to the lack of expertise in business planning and management on behalf of entrepreneurs and promoters (Lockett and Thompson, 2001; Jacobides and Winter, 2007).

2.5.4 Lack of Managerial Knowledge:

According to Harper (1994), the formation of Small and Medium Sized Enterprises (SMEs) the owners can easily run the business but as it grows and ages, managerial demands rise. These are in the form of operational managerial requirements like production, sales and finances and most importantly the ability to deal with them yet this is a hunch to them. Harper clarifies that entrepreneurship goes beyond management since entrepreneurial skills are part of managerial skills.

The majority of entrepreneurs are unaware about the knowledge of managerial field. Therefore, they are performing the non-managerial tasks rather than the tasks of managerial functions such as planning, organizing, leading and controlling (Barney, 1991). Indeed, in this dynamic world the informal sector needs qualified professionals to handle the various activities of business affairs more effectively and efficiently. It is clear that, the sound knowledge of managements is a key to success which is lacking in the Small and Medium Sized Enterprises (SMEs) (Sleuwaegen and Goedhuys, 2002).

2.5.5 Poor Educational Background or Lack of Education:

The research study reveals that most of owners/managers have a very poor educational background, as majorities are un-educated. In this scenario, entrepreneurs of the Small and

Medium Sized Enterprises (SMEs) in the region of study are never comfortable at their business units since they lack suitable training, and leadership skills to sustain their operations in the various areas of accounting, marketing, technological processes and development as well as administration and management. It should be noted that SMEs are never facilitated at the cost of development hence operational shortcomings (Fafchamps and Minten, 2002).

2.5.6 Out-Dated Technology:

The methods of production which the small businesses use are old and inefficient. This results into low productivity, poor quality of products and high costs. The entrepreneurs lack information about modern technologies and training opportunities which concerns them. There is little research and development in the field yet the pace of change has developed new innovations and introduced new technology that is basically mechanized and requires less labor as a concern which is much faster today small scale business units cannot survive and withstand the global competition since they depend on cheap labor, adopt simple labor intensive technologies and keep the pace with changing situations because they cannot afford to purchase the highly expensive mechanized machines for their productive activities but rather sustain their competitive advantages (Lockett and Thompson, 2001).

2.5.7 Poor Marketing Strategy:

The small-scale businesses also faced the acute problem of marketing their products. The problems arises from such factors as small stocks, lack of standardized products, inadequate market knowledge, competition from technically more efficient units, deficient demand, etc. Apart from the inadequacy of marketing facilities, the cost of promoting and selling their products too is high. The result is large and increasing subsidies which impose heavy burden on the government budgets.

2.5.8 Increasing Competition:

Some businesses possess dynamic capabilities that give them a comparative advantage in innovations (Barney, 1991; Lockett and Thompson, 2001; Jacobides and Winter, 2007). Competition from large scale businesses gains them credibility with licensing and taxation and enhances their access to rationed resources; can easily out-price and out-sell the small businesses thus contributing to improved performance (Sleuwaegen and Goedhuys, 2002).

SMEs can benefit from networking effects, better infrastructure and larger markets relative to their rural counterparts (Fafchamps, 2003; Fafchamps and Minten, 2002; Bogetic and Sanogo, 2005; Shields, 2005; McPherson and Mead, 1996; Mead and Liedholm, 1998).

It suggests that business performance depends not only on the returns of specific strategies, but also on the cost of implementing those strategies. This explains, for example, behavior and decision making such as diversification, market entry and exit and innovation, among others. This is usually attributed to the formal enterprises since it is difficult for competitors to know the causes of other businesses' efficiency and they face costs associated with efforts that exhibit superior performance that retains their position over others for a given period (Hawawini et al 2003). This also implies that, within a set of business units operating in the same industry/sector, there will be intrinsic differences in business performances due to their overwhelming strategies implemented (Barney, 1991; Peteraf, 1993; Lockett and Thompson, 2001).

2.6 Solutions undertaken to enhance Small Scale Businesses

Despite the challenges faced, GoU is adopting a strategy of economic management as a way to recognize the contributions of small businesses through this they have emphasized the maintenance of macroeconomic stability, fiscal consolidation as well as boosting private investment in various ways;

2.6.1 Traditional guarantee Associations:

According to De Gobbi (2003), the Mutual Guarantee Associations (MGA) is a viable solution to the problem of access to credit from Banks for the small scale entrepreneurs who cannot offer sufficient collateral. By definition, MGAs are associations that are comprised of entrepreneurs who join together to create an organization that establishes a dialogue with Banks. It plays the role of an intermediary between artisans and banks; small scale enterprises join the associations that negotiate with banks to secure loans for its members. Successful MGAs strengthen private initiatives and SMEs which are widely regarded as a key ingredient to development and poverty alleviation in most countries.

MGAs are built on social capital that is defined as the institutions, relationships and norms that shape the quality and quantity of a society's social interactions (World Bank, 2002). It is marked by the expressions of trust and reciprocity among a community network (Rankin, 2002). This social capital characterized by the special relationship existing between the members of the association is seen in its structure where each member is required to contribute to a common fund which is then used as a guarantee to for the accessibility of credit from traditional banks thereby linking them through a notion of solidarity hence become liable to each other's debt.

The MGAs build a bridge between traditional financial institutions and small entrepreneurs since they help them reduce administrative costs and level of risk through its analysis of loan applications. Nevertheless they provide capital for expansion to the businesses that otherwise could not have grown yet they play a significant role in the creation of new jobs that absorb labor. A clear example of such association in Uganda is the Private Sector Foundation (PSF), Uganda Small Scale Industries Association (USSIA), 360 Network and Enterprise Uganda that have greatly advocated for the strengthening of the small and micro entrepreneur businesses.

2.6.2 Financial sector development:

This is a government strategy undertaken to improve the modalities of external support by focusing on commercial banks as there is a limited sector of non bank financial institutions. This is intended to reduce commercial bank holding of Government securities so as to widen the monetary base upon which loans to private sector businesses are to be obtained.

A credit reference bureau is being advocated through the promotion of microfinance institutions as a way to enhance private sector investment due to reliable and fair lending terms since the clients to the micro finance institutions are low-income persons that do not have access to formal financial institutions with a relatively unstable source of income as the self-employed, often household-based entrepreneurs and small scale entrepreneurs for instance in rural areas, they are usually small farmers and others who are engaged in small income-generating activities such as food processing and petty trade. In urban areas, micro finance activities are more diverse and include shopkeepers, service providers, and street vendors, to mention but a few.

According to Zeller and Sharma(1998), Micro finances can help to establish or expand small scale enterprises thereby potentially making a difference between grinding poverty and economically securing life since they not only stabilize but also increase incomes for the small scale establishments that work in the informal sector and comprise of social institutions like cooperatives, Self Help Groups, Micro Finance Institutes in the Economy hence they provide small and simple loans (micro credit) to help them engage in productive activities or grow their businesses thereby enhancing their performance as well as increasing their savings for the improvement of entrepreneurial welfare.

Micro finance Institutions have therefore made significant contribution to creation of employment in the process of boosting SSBs that absorb labor to an approximation of 90% of the school drop-outs, retired and retrenched civil servants, the skilled unemployed women and army veterans(Wamasembe 2001).

2.6.3 Diversification and markets expansion:

Trade liberalization and the openness of borders is a strategy the Government has undertaken as a way to boost economic activities. COMESA, EAC are regional integrations that have played a vital role in the contribution to poverty reduction, creation of employment through the entrepreneurial drive for the SSBs since they promote exports, low tariffs have been put forward with minimal bureaucracies thereby increasing their effect on the aggregate output growth.

This endures a competitive market place whose actions depend on the participants since they will be able to set the terms of trade for the commodities and services offered to the market. Participants are free to negotiate prices and conditions of exchange among themselves, broad rules defining the structure of the market and dynamics of negotiation tend to be set by a formal regulatory mechanism to ensure fair dealing among the competitors. Hence various products shall be produced to widen the small scale participation in the labor and product markets due to the assured markets that are beyond the domestic levels.

2.6.4 Corporate governance:

According to Roy Crum and Itzhak Goldberg (1998), corporate governance is a multi-dimensional aspect of authority that covers the political set up of formal and informal

institutions for efficiency, effectiveness and accountability so as to achieve sustainable development, personal freedom and welfare of the population through its emphasis to strengthen national planning and resource allocation for poverty eradication.

Insecurity is consistently being put to halt as a way to create a more conducive climate for small scale and private investment. Political structures as democratization, decentralization, human rights and better judicial systems have been undertaken to make them significantly affordable for SSB's productivity and enhance their performance (PEAP 2007/08). Likewise the form of Organization most appropriate for the so called Greenfield investments or new Ventures may be the most effective structure for the large state owned businesses that are being transformed into private owned businesses (Roy Crum and Itzhak Goldberg 1998).

2.6.5 Human and Cultural Capital Development:

Throughout the region, formal training facilities based on specialized training have been emphasized to be incorporated into the curricula so as to impart knowledge and skills as regards curatorial, marketing, managerial and administration (Fafchamps and Minten, 2002, Sleuwaegen and Goedhuys, 2002). This will lead to the integration of women and low income entrepreneurs to enhance their performance in the competitive world of business as they will have acquired initiatives for understanding the production and management process, ability to respond to the current practices and environment shall be obtained through the formal and informal skills transfer education system as a focus on the entrepreneur approach.

2.7 Conclusion:

The working conditions in the Informal sector that encompass the Small and Medium Sized Enterprises (SMEs) are extremely poor due to the traditional apprenticeship system that is used which does not facilitate the evolution towards a more efficient Organization of the Businesses. Hence training should be imparted on the jobs through repetitive practices to increase productivity.

CHAPTER THREE: METHODS AND PROCEDURES

3.0 Introduction

This section describes the methods that were used for conducting the research. It dealt with the research design, area of study, sample selection, data management procedure, data collection, data analysis, and the anticipated constraints.

3.1 Research design

The study was designed in a way that it employed both exploratory and descriptive tools. The qualitative and quantitative methods of data collection were adopted so as to explore and obtain viable data as regards the extent to which SSBs provide employment opportunities despite the challenges they face.

3.1.1 Study area and Target population

The study was carried out in Namayingo sub county in Namayingo district where Small and Medium Sized Enterprises (SMEs) have been developed as a way to alleviate poverty through employment provision to the labor force that operates with the business entrepreneurs.

3.1.2 Sampling method

Snowball sampling method was used since involved asking the key informant to identify the other business owner to be contacted for information as regards the issue under study. This method was used since business owners worked as a network and were difficult to identify in the area of study.

3.1.3 Sample size and sample selection

Simple random sampling as the basis for sample selection and size was undertaken because the business units were clustered in the same vicinity. This also determined the sample size of 240 respondents from 25 business settings that were contacted in the process of data collection.

3.2 Key Informants

The key informants were those people who owned business in the area of study and are responsible for all business operations as recruitment, administration and management were purposively selected to provide information.

3.2.1 Focus groups

During the study, 2 groups with only 4 respondents from each business unit were interviewed in the process of data collection. Each focus group was comprised of the business owner, 3 employees and this was conducted with the help of a research assistant and the researcher.

3.2.2 Data Collection

Data collection was based on the field visits to Namayingo sub county by the use of observation, and interview questionnaires. The interview questionnaire was designed and pre-tested for minor adjustments and corrections to clarify some questions and ensure that relevant information is gathered.

3.2.3 Observation

The researcher used this method especially to learn about things that the respondents could not be aware of and not willing to discuss in the interview or as regards the activities of their businesses towards their provision of employment to the labor force.

3.2.4 Questionnaire

This method was used in the study, since questionnaires were administered and interpreted to the business owners and their employees with the guidance of the researcher and a research assistant so as to obtain reliable data.

3.3 Editing

Data was edited immediately after each interview so as to ensure completeness and uniformity into meaningful categories for easy interpretation.

3.3.1 Coding

Coding was done in order to control the data which was collected; in this case all that did not conform to the subject matter was left out.

3.4 Problems encountered during the field research

During the research study, many problems were encountered among which included the following;

Information concealment; This came about by the respondents mistaking me and my assistants as a revenue agent from the Uganda Revenue Authority since most of the SSBs lacked the necessary documents like trade licenses and tax slips that authorize them into business.

Most respondents did not have time to answer questions yet this was the core of the study. This was because of fear from the “Bosses” (Business Owners) who reserve the rights to take on any action for the control of employee activities. Nevertheless, the need to attend to customers also limited my study since they are taken to be “the utmost Bosses of the business” as explained by the statement *“The customer is my Boss.”*

For data about the SMEs in the libraries for review was so old and sparse since it was only information far back as 10 years ago yet there are so many changes that have taken place that render the information inapplicable to current situations.

In spite of all the setbacks, the study was carried out and the best possible solutions were adopted to ensure that it is completed for instance the use of the University Identity Cards to provide our identity as students rather than tax agents.

CHAPTER FOUR: DATA PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter highlights the presentations, interpretations and discussions of collected data in tables, graphs and charts among others where 240 respondents were interviewed to provide information about the subject of study.

4.1 Background information of respondents

Table 1: Number of people who own a business

RESPONSE	FREQUENCY	PERCENTAGE
Males	149	62.1
Females	91	37.9
TOTAL	240	100

Source: Primary Data

From the table above, it is indicated that there are more males than females that are participating in the small scale business operations. This is so because the males have a greater share of 62.1% as regards the ownership of the business compared to women. This implies that most of the Small and Medium Sized Enterprises (SMEs) are operated by men for purposes of supplementing on their incomes to enable them sustain an improved standard of living.

Table 2: Number of respondents employed by SSBs

RESPONSE	FREQUENCY	PERCENTAGE
5 to 10 people	157	65.5
10 to 15 people	41	17.1
15 to 20 people	42	17.5
TOTAL	240	100

Source: Primary Data

According to the table above, SSBs are those businesses that use more labor to sustain their activities. In Namayingo sub county, for every business there are about 5 to 10 people being employed this implies that the businesses are labor intensive hence contribute to 65.5% of the

labor force that is provided with employment. It is from this that the poor benefit since they can easily access the opportunities generated by these small business units in the area of study.

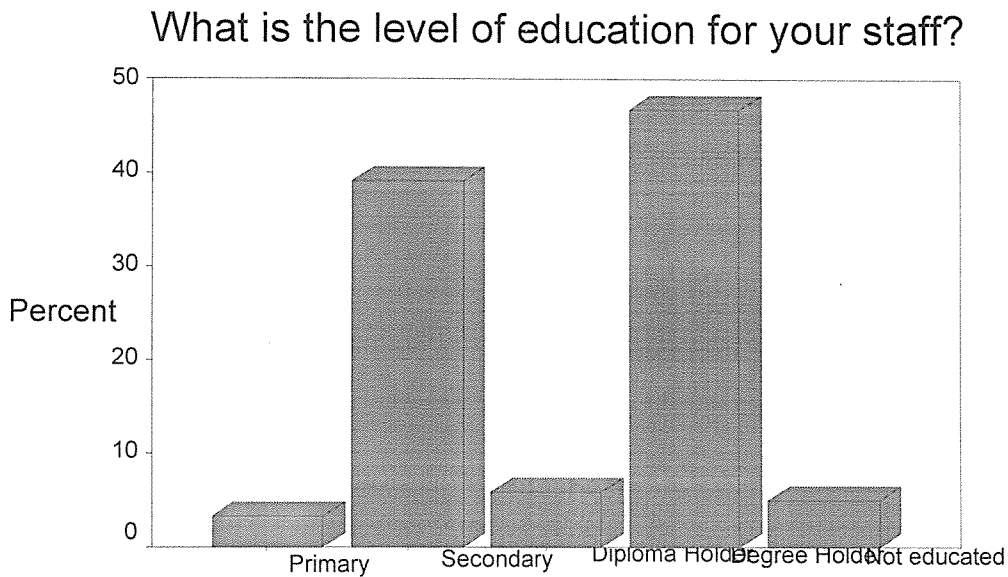
Table 3: Level of Education

LEVEL OF EDUCATION	FREQUENCY	PERCENTAGE
Primary	8	3.3
Secondary	94	39.2
Diploma holder	14	5.8
Degree holder	112	46.7
Not educated	12	5.0
TOTAL	240	100

Source: Primary Data

From the table above, it is showed that 46.7% of the business entrepreneurs are Degree holders, 39.2% are Secondary certificate holders as 5.8% are Diploma holders compared to 5% with no education and 3.3% at Primary level of education. According to the analysis it is showed therefore that the level of education is positively related to the growth potential of business. This is because only the educated entrepreneurs are in position to start up and manage the business operations so as to cope up with the changing technology and competition in the labor market. This is further showed by the figure below;

Figure 2: Level of Education

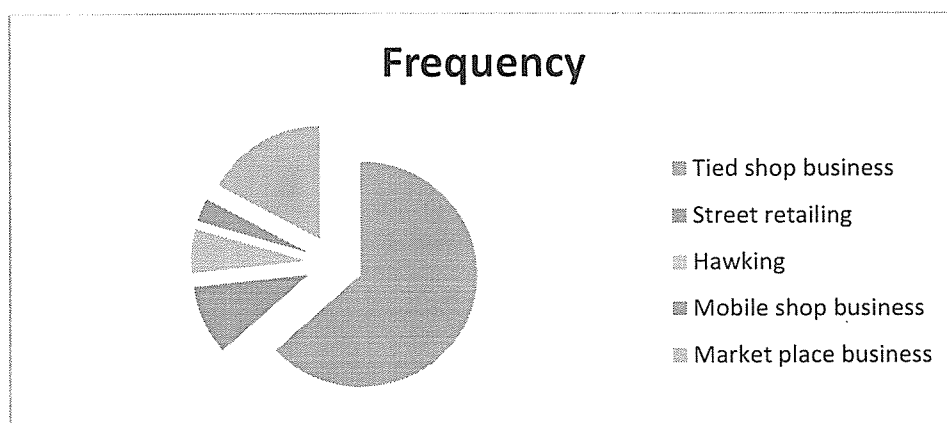


What is the level of education for your staff?

4.2 The different classifications and activities of the Small Scale Businesses

Findings on the different classifications and activities of the Small and Medium Sized Enterprises (SMEs) were considered as evidenced below;

Figure 3: Categories of small scale businesses.



Source: Primary Data

Analysis shows that the businesses are small due to their marketing strategy that is bounded to only customers who are already used to the place since they are tied to in place where every client finds them that are Namayingo sub county. This is so because majority of the Small and Medium Sized Enterprises (SMEs) in the area of study are involved in the tied shop business with a higher percentage of 63.3% compared to 17.1% in the market place business, 6.3% in the hawking business, and 7.5% in the street retailing.

Table 4: Size of the business and level of employment

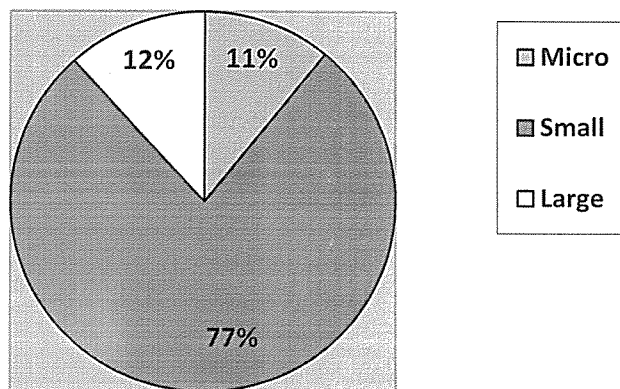
SIZE OF BUSINESS	FREQUENCY	PERCENTAGE
Micro	26	10.8
Small	186	77.5
Large	28	11.7
TOTAL	240	100

Source: Primary Data

The size of the business was dependable on the structural set up of the management. All businesses that had a clear managerial structure that composed of a single Boss who is also the entrepreneur and the support staff was categorized to be operational at a small level and this is showed by a greater percentage of 77.5% in Namayingo sub county while those that had only Own boss at the highest level of administration operated at a micro level with 10.8%, and those with the Board of directors and support staff operated at large scale as indicated by 11.7% in the table. This therefore implies that Small and Medium Sized Enterprises (SMEs) have limited bureaucracies that run there administration of activities.

This implied that most businesses that operate at small scale with Own boss and support staffs provided more employment opportunities to the labor force since they needed little technical skills because the support staff is under the direct supervision of the business proprietor as showed by the figure below;

Figure 4: Level of employment by the SSBs



Source: Primary Data

Table 5: Source of startup capital

SOURCE OF CAPITAL	FREQUENCY	PERCENTAGE
Did not need any money	12	5.0
Own savings	160	66.7
Loans	28	11.7
Friends and relatives	16	6.7
Others	24	10.0
TOTAL	240	100

Source: Primary Data

It is indicated that the major source of startup capital for most businesses was own savings. This is because most of the entrepreneurs in the area of study were previously employed by larger businesses from where they were able to secure personal savings that accumulated over time and enabled them to start up their own businesses at a small scale since these require little startup capital.

However, others obtained their startup capital in form of simple loans from financial institutions that are accompanied with interest rates over a specified period as others from

friends and relatives at negotiable terms of repayment. Note that there are some businesses that never needed any capital because of the marketing skills adopted by the large scale businesses in the process of widening the market base by opening up other branches within the same place.

4.3 The challenges that limit the contribution of Small and Medium Sized Enterprises (SMEs) towards development:

Findings on challenges that limit the contribution of Small and Medium Sized Enterprises (SMEs) towards development were identified according to the responses from the various business units that were contacted;

Table 6: Number of businesses with challenges

RESPONSE	FREQUENCY	PERCENTAGE
Yes	224	93.3
No	16	6.7
TOTAL	240	100.0

Source: Primary Data

According to the analysis, 93.3% of the business community accepted that they were limited by for other reasons other than managerial and structural set up of their businesses compared to 6.7% who support the cause to be attributed to the above factors. Therefore various challenges were put forward as below since they need attention so as to induce the contribution of Small and Medium Sized Enterprises (SMEs) to development.

Table 7: Challenges to the SSBs

CHALLENGES	FREQUENCY	PERCENTAGE
Taxes and regulations	132	55.0
Competition	46	19.2
Lack of storage facilities	12	5.0
Inflation	23	9.6
Transportation costs	7	2.9
Others	20	8.3
TOTAL	240	100

Source: Primary Data

From the table, 55% of the business units noted that taxes and regulations is the most challenge to their businesses these are usually so high yet they are also price takers and have no influence in determining the prices of their products. One would however recommend them to follow the law of demand and supply but still this is under the control of price flows and ceilings. Rather it would be better if the GoU revises its policies as regards business so as to ensure incentives and tax holidays are provided some products.

Competition is another limitation that is faced by the businesses. According to analysis, 19.2% of the respondents agree that this is a challenge brought about by those businesses that possess dynamic capabilities, credible with licensing, taxation and enhances their access to rationed resources such businesses can easily out-price and out-sell the small businesses thus contributing to improved performance for development. SSBs can therefore reduce on the effect of competition by networking with medium and large businesses, better infrastructure and larger markets.

Lack of storage facilities is also a limitation by the business units in Namayingo sub county. This is especially to those that hardly afford the costs to rent tied shops and rather resort to street retailing and hawking the fact that they have little startup capital that cannot sustain them to possess' stores for their products. Suggestions are mostly referred to Government to improve on the infrastructural development in the form of huge stores managed by the government to be rented at subsidized amounts in the favor of the business fraternity.

Inflation contributed to 9.6%, this is in reference to the persistent increase in the prices of the product that the SSBs deal with. This limits their decisions on which price level to sell their products since this is attributed with high taxes. Inflation to them can only be reduced by widening the market base for the large and medium businesses abroad so as not to compete with the small scale businesses. In this way they will be generating foreign incomes that will help improve the value of a shilling against a Dollar and this will endure Small and Medium Sized Enterprises (SMEs) to increase in the provision of employment opportunities to the labor force.

Transportation costs with a minor percentage of 2.9% are attributed to poor roads for accessibility purposes in the process of widening their markets. This has increased on their costs since access to rural areas is difficult and this to the business fraternity in the area of study would only be solved by construction of better road networks to the industrialized areas where the SSBs obtain their products.

However, other solutions have been put forward in support of the Small and Medium Sized Enterprises (SMEs) so as to sustain their activities as they provide employment to the labor force. These included;

- i. Traditional Guarantee Associations such as PSF, KACITA, 360 Network
- ii. Financial Sector Development
- iii. Market expansion and diversification
- iv. Good Governance
- v. Human and cultural capital development

4.4 The impact of employment opportunities provided by the SSBs to household welfare:

In the process of providing employment opportunities to the labor force, household incomes have been enhanced for better welfare. However there are other benefits attributed to this as highlighted below;

- i. Equitable distribution of incomes amongst nationals that engage in the small scale business operations.

- ii. Industrial developments among the different sectors of the economy are also a result of small scale initiatives.
- iii. Poverty reduction which is a basis towards the accessibility to basic needs like food, education, housing and medical care.
- iv. Social network in form of interrelationships keeps a wide and open mind to development through knowledge and skills development.
- v. Access to financial institutions to widen the capital base for the Small and Medium Sized Enterprises (SMEs) is also a benefit from the activities of the small scale businesses

Table 8: Relationship between the kind of activities done by the businesses and employment opportunities

		Employment opportunities	What kind of activities does your business do?
Employment Opportunities	Pearson Correlation	1.000	0.838**
	Sig. (2-tailed)		0.000
	N	240	240
What kind of activities does your business do?	Pearson Correlation	0.838**	1.000
	Sig. (2-tailed)	0.000	
	N	240	240

** . Correlation is significant at the 0.01 level (2-tailed).

From the findings, there is a strong positive relationship between employment opportunities and the kind of activities done by the businesses at Pearson correlation coefficient at 0.838. This implies that for every kind of activity involved in such businesses increases on the employment opportunities generated by the businesses. For instance, each activity done in the Small and Medium Sized Enterprises (SMEs) is an opportunity to the labor force hence more efforts should be done to enhance their performance so as to increase on their contribution to development.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter involves a summary of the findings, discussions, and recommendations that are based on the objectives, the problem statement, and well as the recommendations are based on the findings.

5.1 Conclusions of the study.

Findings revealed that majority of the different classifications and activities of the businesses were tied shop businesses that operated at a small scale, were managed by own boss and support staffs, had their source of startup capital from own savings, and do not provide opportunities to a great number of the people since they mostly employ less than 5 people compared to the labor force available.

The study revealed that most business owners had challenges that hindered their business operations, taxes and other regulations. Problems in the context acquisition of licenses for registration, duplication of products have been attributed to competition. This has culminated into the widening of markets, emphasizing of the Traditional Guarantee Associations as KACITA, PSF, 360 Network and USSIA so as to focus on the issues that hinder trade and business operations.

That small scale business mostly improve incomes and welfare of individuals, from their businesses knowledge or skills and business partners, competition for jobs associated with social responsibilities encouraged most business people to start businesses, the kind of activities engaged in by the businesses have enabled them to absorb labor force through the provision of employment opportunities.

The study revealed that most people owners used own savings as a startup capital for their businesses hence operating at a small level with a structural hierarchy of own boss and support staffs thus leading most businesses to be tied shop businesses with less than 5 employees.

Despite the challenges faced by the Small and Medium Sized Enterprises (SMEs) as taxes and other regulations, competition from similar operations, transportation costs, efforts have been

undertaken to increase the role of such businesses in the provision of employment to the labor force.

5.2 Recommendations

Small and Medium Sized Enterprises (SMEs) need to employ professionals to manage their businesses this will improve on their performance since these will establish and strengthen the internal controls as regards financial resources to reduce on mismanagement and misappropriations. It is through this that small businesses whose startup capital is based on own savings will easily access financial institutions for loans to enhance their business operations towards employment provision.

Small scale business operators should widen their markets so as to reduce competition this should be done by integrating market information into the planning process because marketing is the life blood of a competitive marketplace as it is driven towards the needs and desires of customers in the production decisions. This should be done with the help of the Government through tax exemption strategies for investment and direct financial support to small scale businesses.

Government should introduce motivation incentives in support of the small scale business operations for examples increased salaries, wage tax holidays and other non-monetary rewards. This would improve on the performance of businesses towards development and employment provision.

The decision makers of the Small and Medium Sized Enterprises (SMEs) should adopt the best form of organization that can address the following issues with help of updated technology;

- i. The life and continuity of the business
- ii. The operating flexibility of the employees
- iii. The ease and expense of making the business recognized
- iv. The ease with which capital can be acquired to support business operations
- v. The ability to control the business without jeopardizing other activities in which they are involved

Government should involve draft policy frameworks for Small and Medium Sized Enterprises (SMEs) that focus on the legal and regulatory conditions, capacity building in support of improving the business environment to increase competition and promote the private sector. Emphasis should be on enabling accessibility through the development of better infrastructure in form of roads for transportation, administrations buildings as well as communication systems.

5.3 Areas for Further Research

Further research should be carried out on the following;

The effect of information technology on the performance of Small scale businesses

The role of financial and non-financial Institutions in the development of Small scale businesses

The effect of procurement ethics on the performance of Small scale businesses

REFERENCES

- African Development Review, Revue Africaine de D'veloppement, African Development Bank, Volume 15, Number 1 pages 23-34, June/Juin 2003
- Susanjoekes (1995), *Trade related employment for women in Industry and Services in Developing countries*, United Nations Research Institute for Social Development
- UBOS (2007), Volume 1, *Projection of Demographic Trends in Uganda 2007 to 2017*
- Mlatsheni C and Rospabe S, University of Cape Town: *Why is Youth Unemployment so high and unequally spread in South Africa?*
- Kilimani N, Uganda Programme for Trade Opportunities and Policy (UPTOP 2007), *The Impact of Uganda's Trade Liberalization Policy on Economic Growth*
- UBOS (2007), *Report on the Labor Market conditions in Uganda*
- UNHS (2002/03), *Report on the Labor force Survey 2003*
- Ministry of Finance, Planning and Economic Development, Discussion paper 19(June 2009), *Employment and job creation in Uganda: Status and Growth prospects*
- Ministry of Finance, Planning and Economic Development, *Poverty Eradication Action Plan 2004/5 to 2007/8*
- Roy L Crum and Itzhak Goldberg (1998), *Restructuring and Managing the Enterprise in Transition*, Economic Development institute of the World Bank
- Mumtaz Ali Junejo, Chandan Lal Rohra and Prof Dr. Ghulam Murtaza Maitlo, *Sickness in Small Scale Industries of Sindh: Causes and Remedies. A case study of Larkana Estate Area*
- Uma Lele and Ijaz Nabi (1990), *Transitions in Development: The Role Aid and commercial flows*

Asaf Adebua and Okurut N Fransis (September 2004 Working Paper):*The role of the informal financial sector in small and medium scale industries in Uganda: The case of Kampala district*

Briefing Paper 11, Solidar (2004):*The Economic Crisis and its Impact on Developing Countries*

Balunywa W (2002), Background: *Entrepreneurship and Small scale Enterprise growth in Uganda*

Professor V.K. Sapovadia, BK School of Business Management, Gujarat University India, *Micro finance-The Pillars of a tool to Social Economic Development*

The Trinity Session (ILO), *Promoting the Culture Sector through Job Creation and Small Enterprise Development in SADC Countries, Crafts and Visual Arts.*

Okurut F. Nathan, Banga .M, Mukungu A (2004), EPRC, *Microfinance and Poverty Reduction in Uganda: Achievements and Challenges*, Research series No.41

Enterprise Development Series (UNCTAD 2002), *Proceedings of the Symposium on Modalities for Financing SMEs in Uganda.*

Uganda Bureau of Statistics (2006/07), *Report on the Uganda Business Register*

APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRES

THE ROLE OF SMALL AND MEDIUM SIZED ENTERPRISES (SMES) IN THE PROVISION OF EMPLOYMENT OPPORTUNITIES TO SURPLUS LABOR

Dear Respondent,

My name is **BAKIZA BOSCO** a student at Kampala International University pursuing a Bachelors Degree of Business Administration. I am conducting a study in the role of Small and Medium Sized Enterprises (SMEs) in the provision of employment to surplus labor, a case of Namayingo Sub-County, Namayingo District. The information obtained will help me fulfill the requirement for the Award of the Degree and will be kept confidential for academic purposes only.

Thank in advance

SECTION A: BIODATA OF RESPONDENTS

Please, give your appropriate view by ticking in the given boxes.

1. Sex/ Gender

a) Male

☐

b) Female

☐

2. What is the level of education for your staff?

a) Primary

☐

b) Secondary

☐

c) Diploma Holder

☐

d) Degree Holder

☐

e) Not educated

☐

3. Do you have/own a business?

a) Yes

☐

b) No

☐

4. What is the physical address of your business?

.....

.....

5. Does your business employ other people?

a) Yes

☐

b) No

☐

6. If yes, how many people?

a) Less than 5 people

☐

b) 5 to 10 people

☐

c) 10 to 15 people

☐

d) 15 to 20 people

☐

7. What is the size of your business?

a) Small

☐

b) Medium

☐

c) Large

☐

8. In what way is your business managed?

a) Own Boss, employees/support staff

☐

b) Own Boss

☐☐

c) Directors, Managers, Support staff

☐

d) Directors, Secretary, Accountant, Support staff

The following questions are directed towards Business and its Operations as well as activities.

9. What was the source of startup capital for your business?

a) Did not need any money

☐

b) Own savings

☐

c) Loans from micro finance institutions

☐

d) Friends and Relatives

☐

10. What kind of activities does your business do?

a) Hawking

☐

b) Tied shop Business

☐

c) Street retailing

☐

d) Market place Business

☐

e) Manufacturing

☐

f) Mobile Shop Business

☐

11. Small and Medium Sized Enterprises (SMEs) provide work to the unemployed persons.

a) I agree

☐

b) I disagree

☐

c) I strongly agree

☐

d) I strongly disagree

☐

12. Which of the following is a role played by Small Scale Businesses?

- a) Distribute Money amongst workers
- b) Develop other industries in the country
- c) Improve your income
- d) Reduce poverty

☐
☐
☐
☐

13. Please give any other benefits you get from your Business

- i).....
- ii).....

14. Which of the following is a reason that encouraged you to start such a business?

- a) Poverty alleviation programmes like NAADS, PEAP
- b) Little money required by the Business
- c) Competition for jobs
- d) Donations
- e) Open boarder trade like COMESA, EAC
- f) Government policies like tax regulations, Licenses

☐
☐
☐
☐
☐
☐

15. Do you have any other reason(s) that is specific to you?

- a) Yes
- b) No

☐
☐

16. Give 2 of those reasons above

- i)

ii)

17. Do you have any challenges in your business?

a) Yes

b) No

18. If yes, Please give any 3 of those challenges

i)

ii).....

iii)

19. What have you done to overcome them?

i)

ii)

20. Do you think these would also be solutions to the above?

a) Traditional Guarantee Association e.g. Private sector foundation, Kampala City Traders Association (KACITA)

b) Financial sector development

--

c) Market expansion and diversification

--

d) Good Governance

--

e) Human and cultural Capital Development

--

--

SECTION B: ACTIVITIES, NATURE AND SIZE OF SMALL AND MEDIUM ENTERPRISES

No	Statement	1	2	3	4	5
1	The businesses follows a specific business plan to implement its plans					
2	The customers of the business are treated with high esteem					
3	Appropriate decisions have helped SMEs competitiveness					
4	Management capacity building has enable the SMEs to continue existing					
5	Refresher courses in management have enabled the business improve its operations					
No	Statement	1	2	3	4	5
1	SMEs are well versed with accounting techniques					
2	Does management of SMEs have formal training in book keeping and accounting?					
3	SMEs have hired qualified people to help in giving financial advice					
4	Management have the necessary skills to undertake the Preparation of financial statements					
5	accounting software have made our work easy					
No	Statement	1	2	3	4	5
1	There is increase in equity of the business.					
2	There has been an increase on return on assets.					
3	The firm has a good investment policy.					
4	The firm's net profit margin is above average.					
5	There is increase in equity of the business.					

Thanks a lot, God Almighty bless you!

APPENDIX II: INTERVIEW GUIDE

- i. Does your business keep books of accounting? If yes, has this had any effect on your labour force as a business?
- ii. Do your customers respond to your calls in case of any credit? Has it had any effect on your business growth?
- iii. Do you as the proprietor of this business have any accounting knowledge?
- iv. Does your business employ qualified staff to help in financial issues? If yes, has it had any impact on the business' provision of employment to labour force?
- v. Do you as an entrepreneur have any skills on how you organise your business activities, say a business plan?
- vi. Can you please give me your overall view on how you think entrepreneurship skills can affect employment of labour force?
- vii. Does management/owner have formal training in business management? How has it had any impact on your employment of labour force?