

KAMPALA INTERNATIONAL UNIVERSITY

FACULTY OF ECONOMICS AND APPLIED STATISTICS

**THE CONTRIBUTION OF SMALL SCALE BUSINESSES AND PROVISION OF
EMPLOYMENT TO LABOR FORCE**

CASE OF MITYANA CENTRAL MARKET

BY

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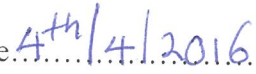
DECLARATION

I NAMAKULA RUTH declare that this research report is my own work and has not been previously done and has never been submitted to any other university for the award of the same or any other degree. Where work of others has been referred to an acknowledgement has been made.

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Date. 05th / 04 / 2016

DEDICATION

I warmly dedicate this research to the family of Mr. & Mrs. Mulindwa for the support and encouragement they gave me throughout my entire life.

ACKNOWLEDGEMENT

First and foremost, I thank the Almighty God for his love, care, mercy and mighty provisions and guidance that has enabled me complete this work.

I also wish to acknowledge my intimate and sincere gratitude to my family for their continued support both financially and morally without which I would not have been able to study.

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ACRONYMS

SSBs	Small scale businesses
GOU	Government of Uganda
UBOS	Uganda bureau of Statistics
FY	Financial year
GDP	Gross domestic product
OECD	Organization of economic cooperation and development
UBI	Uganda business inquiry
COMESA	Common market for East and Southern Africa
EAC	East African Community
PEAP	Poverty Eradication Action Plan
UNHS	Uganda National Household Survey
MGAs	Mutual Guarantee Associations
USSIA	Uganda Small scale Industries Association
GNP	Gross National Product
UIA	Uganda Investment Authority
EU	European Union

ABSTRACT

The study examined the various activities in which SSBs absorb the labor force of Mityana Central Market in Mityana district. The study was guided by four objectives which include: To identify the different activities of SSBs in which labor force is employed, to establish the relationship between SSBs and provision of employment to labor force, to identify the size of businesses that provide employment to labor force and to find out the challenges limiting activities of small scale businesses in their role to provision of employment to labor force.

The study also used data collection methods such as a questionnaire. Both qualitative and quantitative methods were used to analyze data.

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 Mityana Central Market.

The study revealed that most people who own businesses in the area of study 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 SSBs as taxes and other regulations, competition from similar operations, transport costs, efforts have been undertaken to increase the role of such businesses in the provision of employment to labor force. The study recommended SSB owners to employ workers who are qualified in certain fields like records keeping, good and well established infrastructures can help in the performance of SSBs and therefore better performance.

CHAPTER ONE: BACKGROUND TO THE STUDY

1.0 Introduction

This chapter presents the background, statement of the problem as well as key evidence prompting this study, purpose of the study, objectives of the study, research questions to be answered in the study, hypothesis. It also lays down the scope and the significance for carrying out the study.

1.1 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 International Monetary Fund (IMF) or World Bank funded Structural Adjustment Programs (SAPS). Like in any or many developing countries, these reforms were meant to change the economy from an inefficient and export oriented (Ajibefun and Danmola 2003). Therefore, small scale businesses 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 scale businesses have been a critical source of support to the struggling economy that formerly depended on the agricultural sector. Small scale businesses (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 the total Gross Domestic Product (World Bank 2009). This reduced poverty amongst 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 the economy.

The GOU is currently centered on minimizing its interventions in economic activities so that it encourages private sector participation for increased production and incomes thereby leading to economic self-sufficiency and reliance. This efficient role played by SSBs in the utilization of resources as labor has led to poverty reduction for broad based economic growth.

The larger informal sector which is mostly comprised of small scale businesses 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 of reducing poverty. However, this potential can only be achieved if small scale businesses highly absorb the labor force to boost production.

According to the Uganda's budget 2008/2009, Uganda's economy was composed of small scale business sector that were categorized into whole sale and retail trade estimated to be 46%, manufacturing at 31% as restaurants and hotels constitute 7% during financial year 2007/2008. Small scale businesses have played a greater role in the provision of employment opportunities to the labor force since they are many in number, owned and operated with low volumes of working capital.

In many developing countries, the growth of small scale businesses 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 scale businesses 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 UBOS 2007, between 2002 and 2006, the proportion of workers in self-employment increased from 13% to 22% for the non – agricultural activities in which the employment population ratio for men increased over whelming 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.

The Government of Uganda with the support of International Development Partners as the world bank through Foreign Direct Investments (FDI) to promote the informal sector as a way of reducing unemployment (a key variable for measuring the performance of an economy). This has led to the influx of unemployed labor force to Mityana from different sub counties of the district. Households increased their willingness to participate in the labor market by setting up small scale businesses to meet the social and economic responsibilities associated to their families leading to competition.

This study is based on Paul Roma and Robert Lucas' endogenous growth theory propounded in the late 1980's and 1990's which holds that economic growth is primarily as a result of exogenous capital, small scale businesses , agricultural production and knowledge accumulation. Therefore , it is against this justification that small scale businesses in Mityana Central Market has been set up to provide substantial and sustainable employment opportunities to trigger development and economic growth.

1.2 Statement of the problem

Despite the increasing number of schools and other institutions of higher learning, government policies such as UPE and USE, attraction of investors and Poverty Eradication Action Plan (PEAP) among others, unemployment remains the key contribution to the permanent state of poverty experienced by the majority of Ugandans (Najjuma and Mulindwa 2003).

Small scale businesses are competitive and dynamistic in 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 scale businesses.

Economic growth being one of the macro economic variables, it has got a series of relevance in the community because it leads to increased productivity, increased government revenue, increased levels of investment in an economy, reduction in the unemployment levels and improvement on people's standards of living which could result into development of the economy. However in Uganda, there has been relatively high levels of unemployment over a long period of time since they got their independence in 1962 which has resulted into the Ugandan government developing different measures to curb this problem like developing the industrial sector, improving on the agricultural sector, promoting the mining and fishing industries. The government has also encouraged and emphasized people to increase on their levels of innovations and inventions through increasing on their entrepreneurial skills by formulating small scale businesses which can help to employ the surplus labor force. This has resulted into growth of numerous small scale businesses all over the country hence the need to find out how their efficiency and effectiveness has led to provision of employment to the labor force in the country.

1.3 Purpose of the study

Basically, the purpose of this study is to identify the different activities in which small scale businesses absorb labor force of Mityana Central Market and to establish the relationship between small scale businesses and provision of employment to labor force.

1.4 Objectives of the study

To identify the different activities of small scale businesses in which labor force is employed.

To find out the challenges limiting activities of small scale businesses in their role to provision of employment to labor force.

To identify the size of businesses that provides employment to labor force.

To establish the relationship between small scale businesses and provision of employment to labor force.

1.5 Research questions

What are the different activities of small scale businesses in which labor force is employed?

What challenges have limited the activities of small scale businesses in their role to provision of employment opportunities?

What size of businesses provides employment to labor force?

What is the relationship between small scale businesses and provision of employment to labor force?

1.6 Hypothesis

Ho: There is no relationship between small scale businesses and provision of employment to labor force.

HA: There is a relationship between small scale businesses and provision of employment to labor force.

1.7 Scope of the study

1.7.0 Subject scope

The study was confined to small scale businesses as the independent variable and provision of employment to labor force as the dependent variable since SSBs engage labor force in various activities that require little capital to sustain the possibility of retail, wholesale shops, hard ware and general merchandise and restaurants as a way of reducing unemployment levels.

1.7.1 Geographical scope

The study was conducted from the district of Mityana where Mityana Central Market is located.

1.7.2 Time scope

The study was covered between the period of 2009 and 2015 since the activities of micro enterprises are believed to be more serious even since the commencement of the 21st century.

1.8 Significance of the study

The study will help policy makers to recognize the importance of small scale businesses and industries in the provision of employment to the labor force for economic development.

The study will further guide them to make trade policies to enhance the performance of small scale businesses as regard to their activities to accommodate the mushrooming population that is attributed to high birth rates and Rural Urban Migration with in the country.

The study will help the researcher to acquire practical skills and deep understanding of small scale businesses and its importance towards provision of employment to labor force.

The study will add knowledge and information in the area of small scale businesses and act as a base for further research.

The study will finally act as a base for future researchers in review of the related literature.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of literature related to small scale businesses and provision of employment to labor force resulting from studies done in Uganda and elsewhere, definition of concepts, conceptual frame work and theoretical review. It sets to appraise their findings and observations in as far as they relate to the present study and identify the gap to fill.

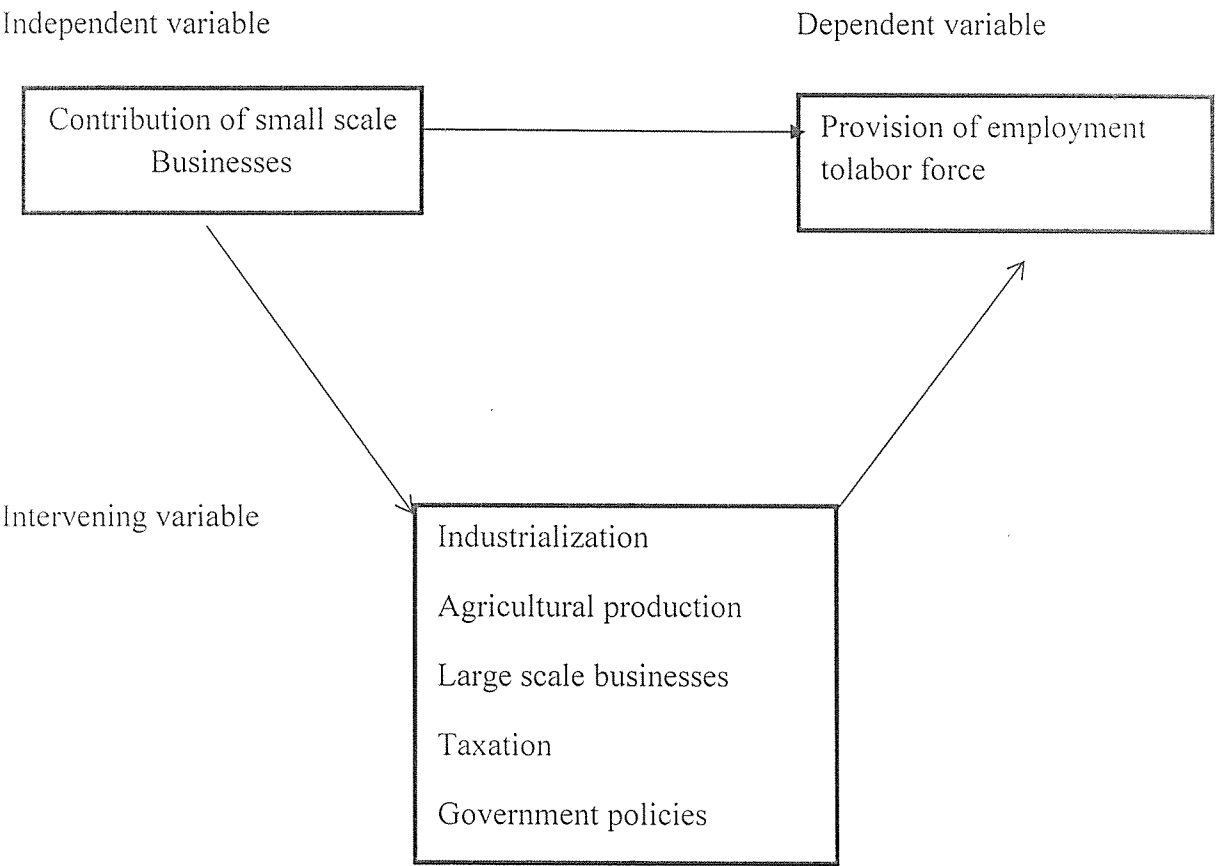
2.1 Theoretical Review

The study is based on the Endogenous Growth Theory (1980s and 1990s) which holds that economic growth is primarily as a result of endogenous forces or factors. In the mid-1980s, a group of growth theorists became increasingly dissatisfied with common accounts of exogenous factors determining long run growth. They favored a model that replaced the exogenous growth variable (unexplained technical progress) with a model in which the key determinants of growth were explicit in the model. The initial research was based on the work of Kenneth Arrow (1962), Hirofumi Uzawa (1965) and Miguel Sidrauski (1991) omitted technological change. Instead growth in these models was due to indefinite investment in human capital which had spillover effect on economy and reduces the diminishing return to capital accumulation. They believed that improvement in productivity can be linked directly to faster pace of innovations and small scale businesses. The theory also stressed the need for government and private sector institutions to nurture innovations and provide incentives for individual and business to be innovative.

However, the content of this theory assumed that government policies can raise a country's growth rate if they lead to more competition in the market, they are increasing returns to scale of capital investment, private sector in research and development is the key source of technical progress. business and entrepreneurs engage in research and development, development policies should encourage entrepreneurship as a means of creating new business and ultimately as an important source of new jobs, investment and innovations.

Therefore, the theory is relevant to the study in that it points out that its endogenous factors which bring about economic growth among which they include human capital, investment, entrepreneurial activities, political stability and small scale businesses. Basing on the above, it is the reason for investigating the contribution of small scale businesses in providing employment to labor force in Mityana Central Market, Mityana district.

2.2 Conceptual frame work



The conceptual frame work helps the researcher to define the topic of research through the explanation of the variation within the topic. There is an independent variable which predicts, controls, determines and influences the dependent variable. In this case for the purpose of the research, the independent variable is small scale businesses and the dependent variable becomes the provision of employment to labor force. The interviewing factors may include the level of

industrialization, level of agricultural production, Taxation and government policy in the economy.

2.3 Related literature

The European Union (UN) definition is based on the parameters of development, turnover and asset size and organization of economic co-operation 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 their argument government efforts in rural and urban areas thereby improving the household incomes which enable them to access various items for daily use to affordable costs. It is from this perspective that small scale businesses are dubbed as the small scale establishments since they operate at the least levels investment.

In Latin America, SSBs 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 Susan Joeke (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 scale businesses 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, SSBs 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. They 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 argue 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 individuals.

According to Ayozie Daniel Ogechukwu (2009), small scale businesses are a seed bed of innovations, inventions and employment since they assist in promoting the growth of country's economy. Here at all levels of government policies which promote the growth and sustenance of SSBs 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 house hold enterprises which are economic units owned by the house holds 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 scale businesses 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 scale businesses so as to absorb the excess labor and further highlights the advantages of such set ups to economic development in the country (Balunywa 2002).

2.3.1 Different activities of small scale businesses in Mityana Central Market

Small scale businesses in the area of study mostly deal in hard ware materials, electricity appliances, water materials like pipes, water joints and food stuffs. Note that there are some businesses that specialize in the purchase of second hand products to cater for local needs through self-employment to generate incomes;

Tied up shops; Are those that confine whatever they sell in common with what their producers supply directly to them. Manufacturers ensure reliability and consistency in the provision of the products as a way of supporting their sales.

Street retailing; this is another category of business where traders display their goods along major streets. 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 their goods from rain, too much sunshine and thieves. Some of these products include clothing, BodaBoda spare parts and food items.

Hawking; this is a rampant form of business where goods are carried from one place to another either on hands or by carts. It is the cheapest and popular means of business as they don't pay rent and hence that money is added in the business.

Mobile shop businesses; are moved from one place to another in motor vans, cars and Lorries. These sell almost all types of hard ware goods and they reach the premises of the customers. They use all sorts of advertising methods like playing music, use of microphones so as to bring the existence of their goods to the knowledge of the customers.

Market place businesses; this is where traders come together in a common meeting place known as local market to exchange goods in form of sales and purchase. 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.

2.3.2 Challenges faced by small scale businesses

Despite the nation's economic recovery, a number of serious constraints have hampered the role of SSBs to adjust towards globalization and this has restricted them to making low quality products for low returns in the markets. Therefore, the following factors account for the poor performance of these businesses in the area of study;

Poor infrastructural development; 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 never the less, the ones available are expensive in terms of rent and some are not easily accessible especially for the case of roads in more remote areas (Baney 1991, Peteraf 1993) minimal efforts are being undertaken as improvements for the potential to stimulate business development in the area of study.

Financial problems; small enterprises make an important contribution to economic output and employment in developing countries. 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 small and medium enterprises. Together these two groups contribute 63% of the GDP (Ayyagari M. T. Beck and A. Demirgu Kunt, small and medium enterprises across the globe, a new data base, and World Bank policy research working paper 2007). Finance is raising finance, as the provider of finance may not find the return on investment interesting as compared to large enterprises and also the entrepreneurs are skeptical about repayment.

Chijoriga and Cassiman (1997) pointed to finance as a key constraint to the growth of SSBs. Ngobo (1995) further made analysis of finance as a constraining factor for lack of working capital, wrong choice of financiers, high interest payments, frauds, corruption and lack of financial control 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.

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 products in various markets, wrong choice of technology, improper forecasting of financial requirements, delay in supply of plant and machinery, no clear vision, goals and objectives. The root of all these problems may be traced to lack of expertise in business planning and management on behalf of entrepreneurs and promoters (Locket and Thompson 2001, Jacobides and winter 2007).

Lack of managerial knowledge according to Harper (1994), the formation of SSBs 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 management is a key to success which is lacking in small scale businesses (Sleuwaegen and Goedhugs 2002).

Poor education background the research study reveals that most of owners /managers have a very poor education back ground, as majority is uneducated. In this scenario, entrepreneurs in the area 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 progresses and development as well as administration and management. It should be noted that small scale enterprises are never facilitated at the cost of development hence operational shortcomings (Faf Champs and Minten 2002).

Out dated technology the methods of production which SSBs use are old and inefficient. This results into low productivity, poor quality of products and high costs. The entrepreneurs lack information about the 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 require less labor as

a concern which is much faster today. SSB 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).

Poor marketing strategies small scale businesses are faced with acute problem of marketing their products. The problem arises from such factors as small stocks, lack of standardized products, inadequate market knowledge, and competition from technically more efficient units. The cost of promoting and selling their products too is high hence the result is large and increasing subsidies which impose heavy burden on the government budgets.

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 SSBs gains them credibility with licensing and taxation and enhances their access to rationed resources can easily out price performance (Sleuwaegen and Goedhugs 2002). SMEs can benefit from networking effects, better infrastructure and large markets relative to their rural counter parts (Faf Champs 2003, Bogetic and Sanogo 2005; Shields 2005, 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, exit and innovations. 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 (Hawa Wini et al 2003). This also implies that within a set business units operating in the same sector, there will be intrinsic differences in business performances due to their overwhelming strategies implemented (Barney 1991, Peteraf 1993, Lockett and Thompson 2001).

2.3.3 Solutions undertaken to enhance SSBs

Despite the challenges faced, GOU is adopting a strategy of economic management as a way to recognize the contributions of SSBs. They have emphasized the maintenance of macroeconomic stability, fiscal consolidation as well as boosting private investment in various ways;

Traditional Guarantee Associations according to De Gobbi (2003), the mutual guarantee association (MGAs) 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 associations 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 risks through its analysis of loan applications. Never the less, 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 associations 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.

Financial sector development this is a government strategy under taken 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 micro finance institutions as a way to enhance private sector investment due to reliable and fair lending terms since the clients to the micro finance institutions with a relatively unstable source of income as the self-employed, often house hold based entrepreneurs and small scale entrepreneurs that is in rural areas, they are usually small farmers and others who engaged in small income generating activities e.g. food processing and petty trade. In urban areas, micro finance activities are more diverse and include shop keepers, service providers and street vendors.

According to Zeller and Sharma (1998), micro finances can help to 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 the social institutions hence they provide small and simple loans to help them engage in productive activities thereby enhancing their performance as well as increasing their savings for the improvement on 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 dropouts, retired and retrenched civil servants, skilled unemployed women and army veterans (Wamasembe 2001).

Diversification and market expansion trade liberalization and the openness of borders is a strategy the government has under taken 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.

Corporate governance according to Roy Crum and Zhak Goldberg (1998), corporate governance is a multi-dimensional aspect of authority that covers the political setup 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 of creating a more conducive climate for small scale and private investment. Political structures are democratization, decentralization. human rights and better judicial systems have been under taken to make them significantly affordable for small scales' productivity and enhance their performance (PEAP 2007/08). Likewise the form of organization most appropriate for the so called green field investments/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 Zhak Gold berg 1998).

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 impact knowledge and skills as regards marketing, managerial and administration (Faf Champs and Minten 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.

Conclusion

The working conditions in the informal sector that encompass small scale businesses 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: RESEARCH METHODOLOGY

3.0 Introduction

In this section, the methodology to be used in the study is presented. It gives a descriptive presentation of the research design, area and population of the study, sampling design indicating the selection, size structure of the sample, data collection methods and instruments, data management and data analysis. It also looks at the problems encountered and how they were solved.

3.1 Research design

The study was designed in a way that it employed both explanatory 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.

Descriptive design was undertaken by the researcher in order to be able to describe the variables that are small scale businesses as independent variable and provision of employment to labor force as the dependent variable.

3.2 Study area and target population

The study was carried out in Mityana district where Mityana Central Market is located and where SSBs have been developed as a way of alleviating poverty through employment provision to the labor force that operate with the business entrepreneurs. These made a total of 60.

3.3 Sampling design

3.3.1 Sample size and selection

Simple random sampling as the basis for sample size and selection was under taken because the business units were clustered in the same vicinity. A sample of 15 respondents was selected from a population of 60 that were contacted in the process of data collection.

3.3.2 Sampling methods and sampling procedure

To obtain primary data, a letter of introduction from Kampala International University was presented to the respective respondents who introduced the researcher and assisted with the study.

3.4 Data sources

3.4.1 Primary data

Primary data was obtained from respondents using structured and open ended questionnaires together with face-face interview.

3.4.2 Secondary data

Secondary data on small scale businesses was obtained from different reports including Uganda Bureau of Statistics

3.5 Data collection instruments

Questionnaire

A detailed questionnaire with both structured and open ended questions was constructed and administered to the business owners and their employees with the guidance of the researcher assistant so as to obtain reliable data.

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 provision of employment to labor force.

3.6 Data processing, analysis and presentation

Data processing

The researcher collected data, subjective open ended data was coded, their frequencies and percentages run, made analysis of such data easier. Only data that was essential to the study was analyzed and all that did not conform to the subject matter was left out.

Analysis

After collecting the data, the researcher edited the questionnaires to ensure that the information given by the respondents was accurately recorded and consistent. Thereafter, the open ended responses were coded before analyzing it to ensure that the various responses obtained were classified into meaningful form to bring out their essential pattern. The data was then analyzed using SPSS analytical software.

3.7 Problems encountered during the field research

Information concealment this came about by the respondents mistaking me to be a revenue agent from the URA since most of the SSBs lacked the necessary documents like trade licenses and tax slips that authorize them into business.

Most respondents didn't 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.

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

Limited time since the study was conducted at the same time when lectures were going on. however, the researcher budgeted her time properly and managed to finish on time.

In spite of all the setbacks, the study was carried out and the best possible solutions were adopted to ensure that it is completed

CHAPTER FOUR: PRESENTATION, DISCUSSION AND ANALYSIS OF FINDINGS

4.0 Introduction

This chapter presents the findings basing on the research objectives. Data was presented descriptively and interpretation of the resultant findings was done basing on the literature and findings of the study. The analysis was based on the summary of key issues from the theoretical and empirical literature.

4.1 Background information of respondents

In order to enrich the quality of the report in analysis, the background information of respondents was taken note of and variables such as gender, age, marital status and level of education were considered in the study as looked at below;

4.1.1 Number of people who own business

Table 1 showing number of people who own business

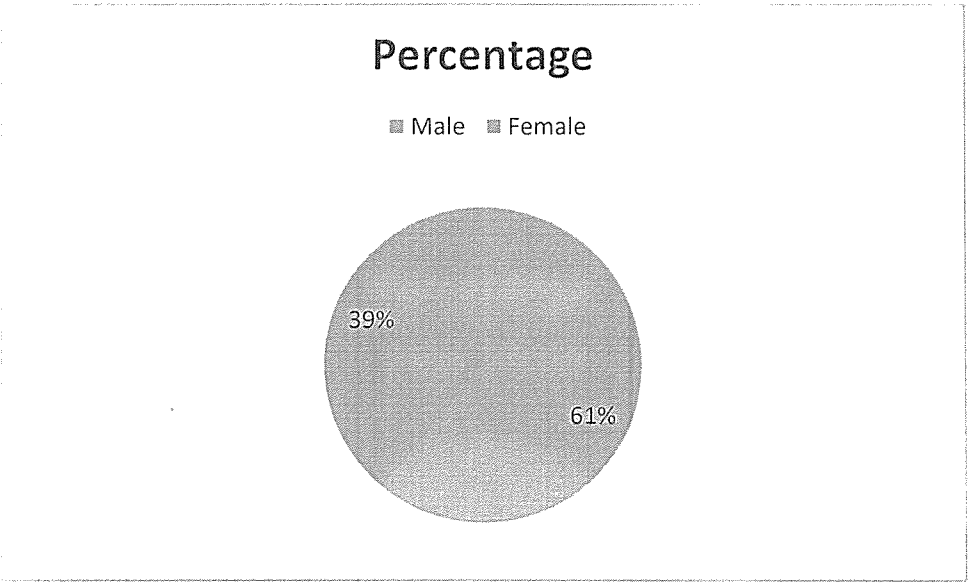
Gender	Frequency	Percentage
Male	41	61
Female	26	39
Total	67	100

Source: primary data

The above table indicates that the majority of the respondents were males (41) compared to females (26). This is so because the males have a greater share of 61% compared to females (39%).

Gender

Figure 1: showing the gender of respondents



Source: Primary data

Figure 1 above indicates that the majority of the respondents were male as shown by 61% of the responses and 39% were females.

Age

Table 2: showing the age of respondents

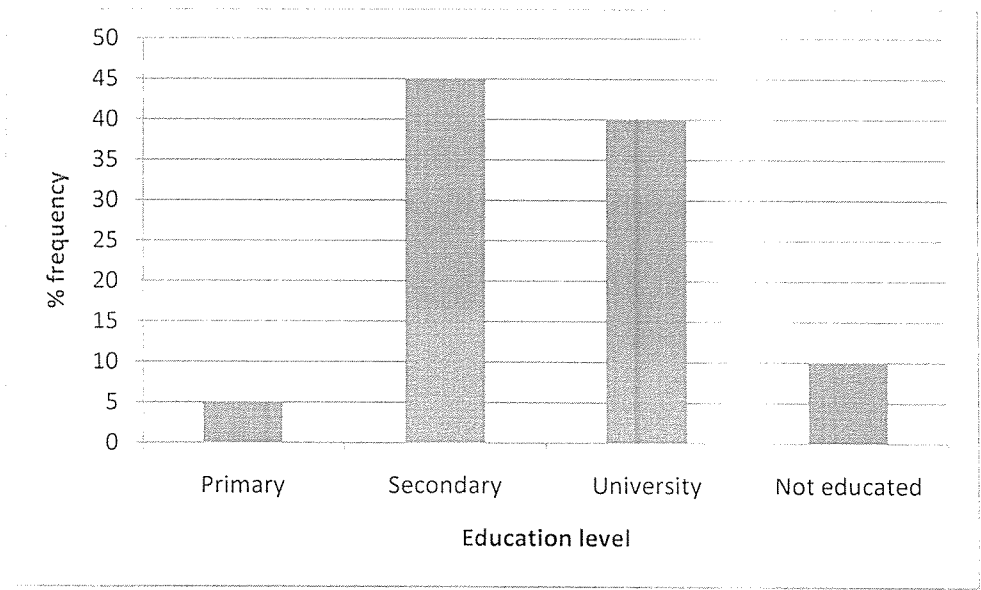
Age	Frequency	Percentage
Below 20	2	3
20-30	23	34
31-45	35	52
46 and above	7	11
Total	67	100

Source: Primary data

The table above shows that the majority of respondents (52%) were between the ages of 31-45 though those between the ages of 20-30 also contributed a good number of 34%

Education level attained

Figure 2: showing the education level of respondents



From figure 2, it can be seen that the biggest percentage (45%) of the respondents had stopped in secondary level, 40% had completed university education, 10% were not educated at all and 5% had stopped in primary.

Working experience

Table 3: showing the working experience of respondents

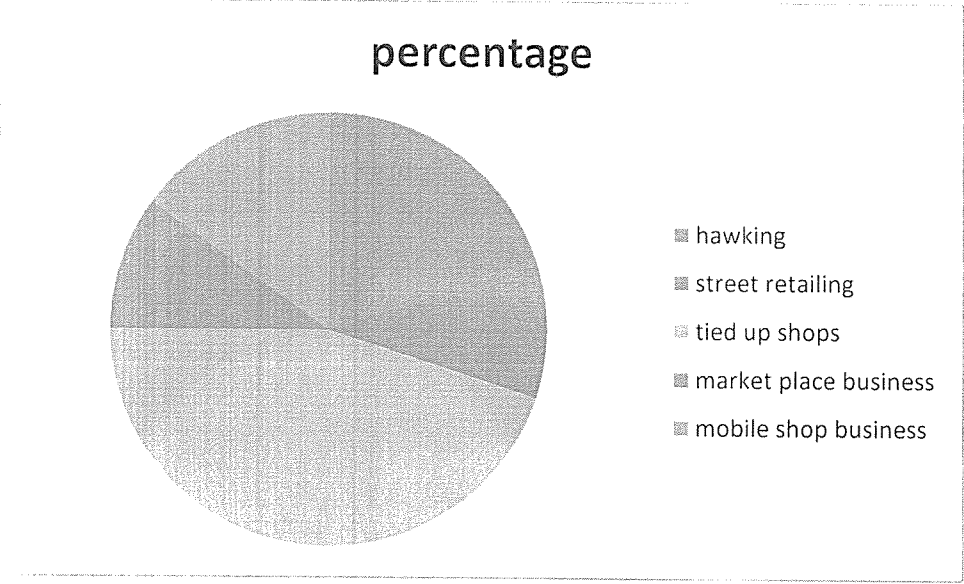
Period (Years)	Frequency	Percentage
Less than 3 years	26	39
3-5 years	24	36
above 5 years	17	25
TOTAL	67	100

Source: primary data

The majority of respondents (39%) as shown in the table above were new/ beginners in the business and had spent less than 3 years. 3-5 years were 36% and respondents with working experience of 5 years contributed 25%.

4.2 Different classifications and activities of small scale businesses

Figure3: categories of small scale businesses



Analysis shows that businesses are small due to their marketing strategy that is bounded to only customers who already used to the place since they are tied in one place.

Table 4: size of the business and level of employment

Size of business	Frequency	Percentage
Micro	30	45
Small	23	35
Large	14	20
TOTAL	67	100

Source: Primary data

The size of the business was dependable on the structural set up of the management. All businesses had clear managerial structure that composed of a single boss who is also an

entrepreneur and the support staff was categorized to be operational at a small level. SSBs have limited bureaucracies that run their administration of activities.

Table 5: source of startup capital

source of capital	frequency	percentage
Did not need any money	5	7.5
Own savings	25	37.3
Loans	15	22.3
Friends and relatives	12	17.9
others	10	14.9
Total	67	100

Source: Primary data

It is indicated that the major source of startup capital for most businesses was own savings. This is because most 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 startup their own businesses at a small scale since they 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 of time, others obtained from friends and relatives.

4.3 Challenges that limit the contribution of SSBs

Table6: challenges to SSBs

Challenge	Frequency	Percentage
Taxes and regulation	33	49.3
Competition	10	14.9
Lack of storage facilities	4	5.9
Inflation	6	8.9
Transport costs	4	5.9
Others	10	14.9
TOTAL	67	100

Source: primary data

From the table, 49.3% of the business units noted that taxes and regulations is the most challenge to their businesses in that the taxes and regulatory policies are so high and restrictive yet they are price takers and they have no influence in determining the prices of their products.

Competition is another challenge faced by SSBs in the area of study. A frequency of 10 respondents agrees 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 outsell small businesses thus effect of competition by networking with medium and large businesses, better infrastructure and larger markets.

Lack of storage facilities this is especially to those that hardly afford the costs of rent and rather resort to street retailing and hawking. Suggestions are mostly referred to government to improve on the infrastructural development inform of huge stores managed by the government to be rented at subsidized amounts in favor of the business fraternity.

High transport costs attributed to poor roads for accessibility purposes in the process of widening markets. This has increased on their costs since access to rural areas is difficult. This would only be solved through the construction of better road networks to the industrialized areas and rural areas in order to ease transport.

Inflation is another challenge faced by SSBs in the area of study. This is in reference to the persistent increase in the prices of products that SSBs deal with. This limits their decisions on which price level to sell their products since this is attributed with high taxes.

However, other solutions have been put forward in support of SSBs so as to sustain their activities as they provide employment to the labor force. These include;

Financial sector development

Market expansion and diversification

Good governance

Human and Cultural development

CHAPTER FIVE: DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the discussion of the major findings of the study and the conclusions drawn based on the findings as well as suggested areas for further research.

5.1 Discussion of findings

Findings revealed that there are a number of SSBs operating in Mityana Central Market Mityana district grouped as: food stuffs, clothing, general merchandize, restaurants, hard ware shops and financial businesses. These study findings revealed can be compared with Kahneman (2000) who argued that small businesses are common in many countries depending on the economic systems in operation. Typical examples include; convenience stores, guest houses, small manufacturing and on line business such as web design and programming. Had their source of startup capital from own savings.

In addition, Meyer Marshall (2002) indicated that small businesses in South Africa are businesses that are privately owned and operated with a small number of employees and relatively low volumes of sales. Small businesses are normally privately owned cooperation, partnerships or sole proprietorships. Small businesses can also be classified according to other methods such as sales, assets.

The study revealed that most business owners had challenges that hindered their operations: taxes and regulation, duplication of products have been attributed to competition. This has culminated into the widening the market, emphasizing the Traditional Guarantee Associations and USSIA so as to focus on the issues that hinder trade and business operations.

The study revealed that most business owners used own savings as startup capital 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.

Nayak Committee report (2001) argued that increase on the flow of credit scheme is essential. This meant that trade credit needs to be enlarged to dimensionally expand business operations which in turn increase on the profit margin.

Despite the challenges faced by SSBs, efforts have been undertaken to increase the role of such businesses towards provision of employment to labor force.

5.2 Conclusions

Small scale businesses can greatly create more employment opportunities most especially to the youth who are unemployed in order to reduce on the unemployment problem. However, most of these businesses fail due to high operation costs and the dependency burden and poor administration skills therefore; the government should promote small scale businesses since they contribute a lot towards provision of employment to labor force.

5.3 Recommendations

Small scale businesses 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 mismanagement and miss appropriations. It is through this that SSBs 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 market place 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 SSBs.

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

Government should involve draft policy frame works for SSBs 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, administrative building as well as communication systems.

5.4 Other factors which contribute to the employment provision.

Education back ground. This is one of other factors that contribute to employment provision in the area of study in that most of the people have poor or low education background yet most small scale businesses want at least educated employees who can read and write and can easily manage the business very well hence a factor contributing to employment provision in the area of study.

High population growth rate. Due to the increased or high birth rates in Mityana Central Market, there is too much competition for the available jobs in that those with experience are employed and those without working experience are not employed and the jobs are scarce compared to the growing population especially in the area of study.

Advancement in technology. There is an advancement in technology in the area of study in that human labor is being replaced with machines therefore more machines are being used compared to labor force in that work which would have been by 30 people is being done by only one machine hence a factor contributing to employment provision in the area of study.

Skills. Since most of the people in the area of study lack the appropriate skills required, they end up being unemployed since they cannot qualify for the jobs available hence a factor contributing to employment provision in the area of study.

Other factors may include; low wages, ignorance of the existing jobs in urban centers and long years of retirement age which denies the youths a chance to also get employment opportunities.

Suggested areas for further research

The effect of International Trade on the performance of small scale businesses.

The role of financial and non-financial institutions in the development of small scale businesses.

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Appendix 1: Questionnaire

KAMPALA INTERNATIONAL UNIVERSITY

FACULTY OF ECONOMICS AND APPLIED STATISTICS

QUESTIONNAIRE FOR

THE CONTRIBUTION OF SMALL SCALE BUSINESSES AND PROVISION OF EMPLOYMENT TO LABOR FORCE

Dear respondent, I would like you to assist me and answer the questions provided in this questionnaire.

The information obtained will be used for academic purposes and will be treated with outmost confidentiality

Your cooperation is highly appreciated

INSTRUCTIONS

Please select the most appropriate answer by ticking the provided answer and fill in the blank spaces where applicable

Do you have/own a business?

Yes

☐

No

☐

Gender of the respondents

Male

☐

Female

☐

Age bracket of the respondents

Below 20 years

☐☐

Between 20-29 years

Between 30-39 years

☐

40 and above

☐

What is your level of education?

Primary

☐

Secondary

☐

Tertiary

☐

University

☐

Not educated

☐

What is your working experience?

Less than 1 year

☐

Between 1-3 years

☐

Between 3-5 years

☐

More than 5 years

☐

What is the size of your business?

Small

☐

Medium

☐

Large

☐

In what way is your business managed?

Own boss, employees/support staff

☐

Own boss

☐☐

Directors, managers, support staff

Directors, secretary, accountants, support staff ☐

Small scale businesses are a major component of the Ugandan business sector

Strongly agree ☐

Agree ☐

Not sure ☐

Disagree ☐

Strongly disagree ☐

What was the source of startup capital for your business?

Did not need any money ☐

Own savings ☐

Loans from micro finance institutions ☐

Friends and relatives ☐

What kind of activities does your business do?

Hawking ☐

Tied up business ☐

Street retailing ☐

Market place business ☐

Manufacturing ☐

Mobile shop business ☐

SSBs provide work to the unemployed persons ☐

Agree

☐

Disagree

☐

Not sure

☐

Strongly agree

☐

Strongly disagree

Which of the following is a role played by SSBs?

Distribute money amongst workers

☐

Develop other industries in the country

☐

Improve your income

☐

Reduce poverty

☐

None of the above

☐

Which of the following reasons encouraged you to start up such a business?

Poverty Alleviation Programs like PEAP

☐

Little money required by the business

☐

Competition for jobs

☐

Donations

☐

Do you have any other reason that is specific to you?

☐

Yes

☐

No

Please give two reasons for the above

.....

.....

Which of the following is the most challenge faced by your business?

- Poor infrastructural development ☐
- Financial problems ☐
- Improper business feasibility ☐
- Lack of managerial knowledge ☐
- Poor marketing strategies ☐

Do you think these would also be solutions to the challenges?

- Traditional Guarantee Association like private sector foundation ☐
- Financial sector development ☐
- Market expansion and diversification ☐
- Good governance ☐
- All of them are correct ☐
- None is correct ☐

Thanks for your cooperation and time

