EFFECT OF VALUE ADDED TAX ON THE PERFORMANCE OF SMALL SCALE BUSINESS IN JINJA DISTRICT
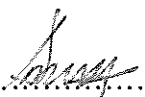
A CASE STUDY OF NAPPIER MARKET TRADERS

BY

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A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILLMENT FOR THE AWARD OF BACHELORS DEGREE IN BUSINESS ADMINISTRATION AT KAMPALA INTERNATIONAL UNIVERSITY (K.I.U) KAMPALA UGANDA

JUNE 2009

DECLARATION

I hereby declare to the best of my knowledge that this is my personal composition and has never been submitted to any institution for any academic qualification unless where otherwise acknowledged.

Signature................................   Date.. 23rd / JUNE / 2009

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APPROVAL

This research report has been compiled under my supervision and is new ready for subvision for the award of Bachelors Degree in Business Administration.

Signature……………………

MR: GULEBYO MUZAMIR SAIDI
[SUPERVISOR]

DATE: …21/06/08…….

DEDICATION

To my parents and family who gave their all for me to be where I am and for their great efforts to having supported me tirelessly all through in my education.

ACKNOWLGEMENT

I think ALLAH for the gift of life and gratitude for every step in life plus guidance given the challenges.

I wish to convey my heart felt appreciation to my indulgent and to my course mates BBA — programme work have been extremely stressful.

I extend my special thanks to my supervisor Mr. Gulebyo Muzamir Saidi for his brilliant ideas, opinions, guidance and the sacrifice he has rendered to the completion of my work and not forgetting all my lecturers, friends and classmates from whom I have greatly benefited.

Thank you very much.
May Allah Bless you always.

LIST OF ABBREVIATION

VAT – Value Added Tax

CTL – Commercial Transactions Levy

UMA – Uganda Manufacturers Association

URA – Uganda Revenue Authority

FY – Financial Year

PSF – Private Sector Foundation

PAYE – PAY AS YOU EARN

GDP – Gross Domestic Product

I.T. – Information Technology.

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ABSTRACT

The study was to establish the effects of VAT on the performance of small scale business in Nappier market and it was subjected to a number of objectives which were; to establish the benefits and challenges from VAT, to investigate the fat ors that determine the performance of small scale business and establishing alternative ways to improve VAT collection.

The study focused on the small scale traders in Nappier market to determine how VAT affects their performance in relation to the other factors on how to improve upon their businesses. A descriptive research design was undertaken with a random sample of 60 respondents and data was collected using questionnaires, observations and interviewing.

The findings of the study show that there are a number of effects of VAT on performance among of which includes general increase in prices of goods, economic slow downs to mention but a few. Some of the measures that were given to improve on their performance included sensitization, financial assistance, training and proper monitoring of human resources and adjustments in administration.

Basing on the research findings, the government authorities were recommended to reduce the VAT rate and this should be dynamic depending on the economic conditions prevailing and what has been to economic conditions prevailing and what has been produced. Not only should this but financial assistance couped with training of small business holders and business advice be extended respectively.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Value Added Tax was introduced way back in 1973 as part of comprehensive reform of

the tax system undertaken by the conservative government in United Kingdom. Since

then many countries in the world have introduced VAT as part of their taxation system

and it was welcomed by the government of Uganda in the budget speech of June 1994,

the finance minister announced the government decision to introduce VAT with effect

from July 1996.

The VAT bill of 3rd October 1995, provided for the imposition of a Value Added Tax

which would replace the existing sales tax on domestic and imported goods and

Commercial Transactions Levy (CTL) on specified such as restaurants, motor vehicle

repair services and the like. The VAT statute, 1995 provided for the imposition and

collection of the Value Added Tax and for other purposes connected to that tax. This

statute came into operation on the 1st of July 1996.

The structure of VAT differed significantly from that of the then existing taxes

particularly sales tax. In relation to the supply of domestic goods, sales tax is a single

stage tax levied at the time of importation. The application of the sales tax at one point in

time by reference to what the value of goods would be at a later point in time led to

difficulties in compliance and reinforcement. VAT was charged on goods commodities.

Therefore small scale retailers could not be exempted and this was transferred up to the consumers and it normally increases the actual price of goods and services.

According to Mugerwa N. J. (1996, 231) VAT was a broadly consumption tax that replaced sales tax commercial transaction levy. This meant that with effect from 1st July 1996, the sales tax and CTL were abolished and both were replaced by VAT.

VAT was paid by any person/body who purchases any commodity on which VAT was liable for payment. The VAT was paid to the suppliers of the commodity.

VAT was designed in such a way that ultimate tax burden is born by the final consumer of the commodities but is collected at all stages of supply including import manufacture, distribution, wholesale, retail and other small scale businesses. Although the registered suppliers charge VAT on their purchases, they subsequently had to fully credit this tax. This eliminated any double taxation effect and therefore an improvement on CTL and sales tax. So VAT was a tax on only the value which was added to commodities by each registered supplier.

VAT as a new system of taxation was not well received in Uganda especially by the business community who were so skeptical of it. The suspicious reception was possibly due to its high rate proposed at 20% which meant that the prices would increase leading to decrease in demand for the commodities hence poor sales and low profit. This was

therefore unfavourable and undesirable, profit being the ultimate goal of any business undertaking. The rate was later decreased to 17% which decrease seemed insignificant.

1.2 Statement of the Problem

Due to increasing tax efforts in the NRM government this had caused public out cry and closure of some small scale businesses due to one reason or another.

Hence there was a wide spread concern on the negative effect of increasing VAT due to the desire of government to maximize its revenues to the levels that will seriously reduce activities and services rendered by the small scale businesses.

Therefore with the government attempt to raise revenue from VAT caused a negative effect towards the small scale businesses and this had led to a conflict between the objectives and value attached to VAT by the government. Through VAT had been embraced and describe by the government as "Taxes made easy" the business community believes it leads to higher prices of commodities and poor sales which affect their performance.

The above contradiction is therefore clearly a subject for investigation.

1.3 Purpose of the Study.

The purpose of the study was to examine the effects of VAT on the performance of small scale businesses especially those associated with Napier market in Jinja district. The researcher restricted himself to those small retailing businesses as mentioned above in the area of the study

1.4 Objectives of the Study

The general objective was to determine the effect of Value Added Tax on the performance of small scale businesses around Napier market traders in Jinja District.

In order to carry out the study, the general objective was broken down in to the following specific objectives;

i)   To establish the benefits and challenges from VAT .

ii)   To establish alternative ways to improve VAT collection.

iii)   To investigate the factors that determines the performance of small scale business.

1.5 Research Questions

The research was accomplished by answering the following research questions.

  i.)   What were the benefits and challenges from VAT?

  ii.)   What were the ways to improve VAT collection in Napier market?

  iii.)   What were the factors that determine the performance of small scale business?

1.6 Scope of the Study

The research was carried out in Jinja district focusing on small scale business traders around Napier market as the area of coverage for the study with the problem period and population of respondents covering a period of five years from 1996 to 2000.

It covered the stake holders within nappier market. The study was also covered several aspects about the trade activities carried out with in the area of study. Their effects and the type of small business involved.

The market had about approximately four hundred and fifty trader and the researcher was able interrogate one hundred traders only.

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1.7 Types of small business enterprises in nappier market as area of study.

Small scale business enterprises in this study included manufacturing production trade and services. The manufacturing production trade and services. The manufacturing production business were those businesses that converted raw materials to finished goods. Service business where those mainly providing services to customers. What constitutes trade in this study includes businesses selling air time, and sweets, business selling music cassette tapes, DVDs and CDs, clothing and beddings, hard ware units, plastic utensils and many.

1.8 Significance of the Study

The findings of the research were valuable to several stakeholders in the following ways.

The research was of great relevance since it intended to benefit the government in evaluating and revising its policy towards VAT. It also helped the researcher to develop skills in data collection and interpretation with the knowledge of the researcher.

The findings of this study helped small scale businesses and traders to appreciate other factors affecting their performance so were incorporated in their planning activities and their services.

The research was aimed at providing materials which were used for related literature by future researchers and the researcher himself was be able to obtain an award of degree.

1.9 Conceptual Framework

This helped us to define the topic of research through the definition of variables within the topic. There were independent variables which central predicted and determined these dependant variables.

For the purpose of this research the independent variable was value added tax and the dependent variable was performance of small scale business.

Independent variable   **Dependent variable**

```
┌──────────────────┐                    ┌──────────────────────┐
│                  │                    │ Performance of small │
│ Value Added Tax  │───────────────────▶│ scale business       │
│                  │                    │                      │
└──────────────────┘                    └──────────────────────┘
                                                    │
                                                    ▼
        ┌──────────────────────────────────────────────────────────┐
        │  - Increased prices of commodities and goods             │
        │                                                          │
        │  - Increased cost of administration and general economic slow down │
        │                                                          │
        │  - Curbed down consumption of certain commodities.       │
        └──────────────────────────────────────────────────────────┘
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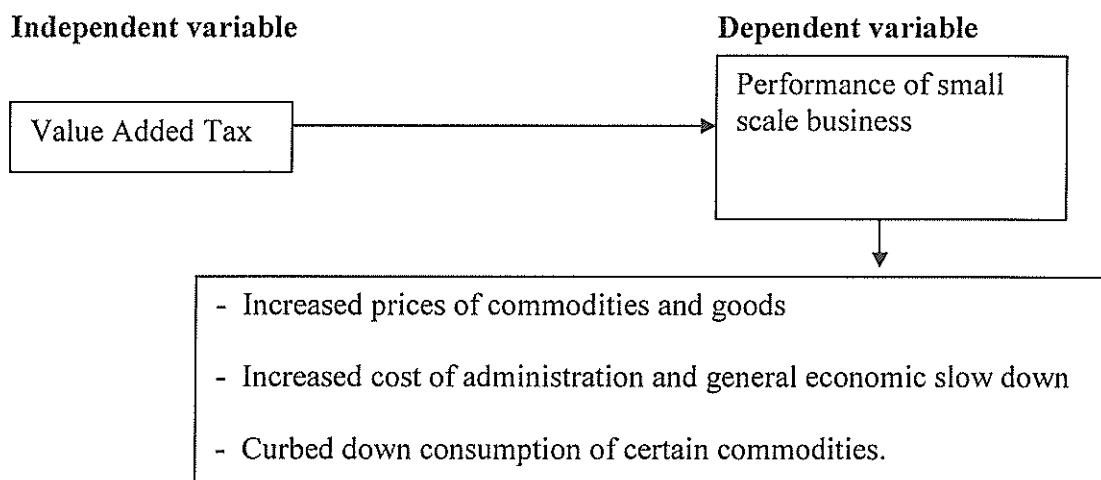
Source: Kalist Okello [1996]

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In the study, the researcher will review the origin of VAT, its definition in review to various writers and the wages of other writers explaining the benefits and challenges associated with VAT on small scale business, advantages and disadvantages of VAT to small scale traders in nappier market, factors determining performance of small scale businesses and not forgetting on the review on ways to improve VAT collection.

2.1 Origin

The origin of value added tax [VAT] can be traced so far back as the writings of F Von Siemens, who proposed it in 1918 as a substitute for the then newly established German turnover tax. Since then numerous economists have recommended it in different contexts. Also various committees have examined the tax in great detail. However for its rejuvenation, the tax owes much to Maurice Laure and Carl shop. The recent evolution of VAT at can be considered as the most important fiscal innovation of the present century.

2.2. Concept of VAT

Sally M. J. [2004], explains Value Added Tax [VAT] being a source of government revenue levied on firms engages in any phase of the production of goods and are based on incremented value that the firm adds to the goods.

2.3 Benefits and Challenges of VAT

According to Mahesh C. P [2001] points out that if VAT is adapted as a replacement for prevailing commodity taxes then the analysis must consider the effects of reduction in prices due to the abolition of the existing taxes. As at the same time, it should take in to account the price increase due to introduction of VAT. This could imply a complex mixture of changes in factor prices and producer prices both of manufacturing and retail levels. However, in general VAT causes increase in price of commodities depending upon the elastically of demand and supply of the concerned commodity. Normally it's fully shifted forward because traders would wish to maintain their level of profit by shifting VAT ahead. All traders will initially bear tax and compliance costs but would like to recoupe them in due course, some times even to take advantage of the situation to change prices some what higher than warranted by VAT.

Furthermore Mahesh C. P. [2001] stresses out one of the important objectives of tax policy in a developing economy is to increase the role of saving and investment to achieve a higher rate of growth. Hence, a rational tax structure should approve helpful in increasing the rate of savings in the economy. For raising the rate of savings, it's necessary that the increase in consumption out of the increase in income is less. That is we have to prevent consumption from revising as much as incomes rise due to investments in the economy. VAT can be viewed as a tax on articles of mass consumption to meet the costs of common benefits. This can also curb the consumption of luxuries as well as socially undesirable goods. Thus, VAT is an ideal

tax to help achieve higher incremented saving ratio and thereby attain higher rate of growth in the economy.

Mugerwa N. J. [1996] confirms that VAT is a multi stage tax whose burden is distributed on several business transactions there fore providing a wider tax base than other taxes.

According to Bradley R. S. [1993] stresses that the impetus towards VAT seems to be occurring for two reasons. One is that the present income tax system paralyses productivity activities and investment too heavily. Secondly, the VAT is politically speaking a relatively painless way to raise taxes. The effect on prices is not very evident because the tax is hidden at the various stage of production.

Gad R. R [1998] points out that VAT to small scale businesses covers full value added and does not have economic distortion.

2.4 Ways to improve VAT Collection

Kagina. A 20 years stresses about growth in economic activities and services will greatly contribute to increase in the involvements and eventually pay as you earn [PAYE] which stands at Shs. 307.5b. in 2005 compared to Sh. 67.6b. in 1998/99. The increased number of employers coupled with enforcement by the tax body over the years also partly explains the performance of PAYE. Value Added Tax, which was introduced in 1996 and replaced sales tax and commercial transaction levy is one of the leading tax lines in the economy.

URA says lack of information regarding tax matters and archaic laws are among the biggest challenges of revenue collection in the country. The tax body has recently appealed to members of parliament to pass enact laws which will enhance revenue collection and stronger ones against counterfeit products which are a big threat to the country's industrial sector. The URA also will employ IT to automate assessment, data registration and many other initiatives.

Uganda Revenue Authority points on administration efficiency, enhanced integrity derived and public education programmes plan to improve on the domestic tax area, communication and tax payer education amongst others can improve on the tax structure. It further says that it's a three year programme and they have many activities to help URA achieve a tax GDP ratio of 16% by FY 2010.

2.5 Factors Determining Performance of Small Scale Business

According to Kanyika A. [2003] mentions about some of the factors and problems affecting most of the business performance such as managerial incompetence, shortage in finance, lack of entrepreneur skills, low levels of creativity and innovations, inadequate premise among other economic difficulties. He goes ahead and points out a few of the government support towards the improvement of business performance where by he mentions about arranging business conferences, close supervision, educating the traders through training and providing business advice and finance to small business operators not only this but also the ability of traders to cope up with change.

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CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter was to show how data was being collected and analyzed, it included the research design, and sample sized selection, instruments, procedures, and data analysis.

3.1 Research Design

This study was attributed to a descriptive research design which helped to gain more knowledge and explain the effects of value added tax on the performance of small scale businesses in Jinja District. The researcher used descriptive research design because it helped in describing the population sample size with the tools for data collection and analysis. This design helped the researcher to describe the marketing phenomena and variables involved.

3.2 Sample Size and Selection.

A random sample of sixty respondents between the age of 20 to 79 years was undertaken and this was composed of 15 trades men with hard ware unit, those dealing in clothing and beddings were also 15 in number and those selling plastics utensil were 15 and the other 15 where dealing in stationary .However these were from different departments where by 15 were specializing in the stationary department,15 were dealing in the department section of hard ware,15 were selected

from the department of clothing, and the department of plastic materials was composed of 15 respondents.

3.3 Instruments

Data was collected using self administered questionnaires both close ended and open ended, interview and observation in addition to library research in the course study. Among of which are detailed below.

Interview Method

This was administered by the researcher himself. The traders were interviewed about the nature of their business and the resultant impact of VAT they pay in relation to the business performance and their views on VAT.

Advantage of Interview Method

According Donald H. M (2001) said that interviews made it possible to obtain data required to meet specific objection of the study and always sensitive and personal information were extracted from the respondents by the honest and personal interaction between the respondents and the interview. There by obtaining most supplementary data.

Disadvantages of the interview method

According to Bruce B.A (1993) stressed that interviews were more expensive since researchers had to travel to meet respondents and normally the methods requires high level of skills perhaps yet to be acquired by the novice researcher. It requires communication and interpersonal skills which may not be familiar with the researcher.

Direct Observation

The researcher observed the various activities taking place in nappier market and data regard payment of VAT.

Advantage

It provided direct feedback. Since the information collected is in real-time, and the witness was the researcher.

The information was more reliable since it was primary information. The user had to sort it out in his own convenience. It was more correct because the researcher got untampered data.

Disadvantage

It was time consuming, since the researcher had to be in the premises of information for this mode of information gathering technique to acquire the data required.

Questionnaire:

Structured questions were designed and distributed to the respondents in person by the researcher. This method was easily administered as some of the respondents cooperated positively and had some knowledge on VAT. Questionnaires were distributed to various traders in the area and the researcher had to price them after some few days.

Advantages of the Questionnaire Method.

According to Bruce B.A [1993] pointed out that questionnaires reached respondents that were not easily reliable and the method didn't require much skills.

Disadvantages of the Questionnaire Method

According to Olive M. M [1998] stressed out that questionnaires could only be filled by literate members and could also get lost in the process since the method was slow and some questionnaires are left unanswered.

3.4 Procedure

I got an introductory letter from the school of business and management and delivered it to the chairman of Napier Market traders Jinja District who allowed me to carry out my research. Then I had to introduced my self to the traders, distributed the questionnaires to the respondents requesting for their assistance to cooperate with me and answered some questions while carrying out an open interview.

I offered the respondents ample time to fill in the questionnaires in order to obtain accurate data. I then collected the questionnaires for analysis.

3.5 Data Presentation.

After collecting the data using the above different techniques, the data collected was sorted and the method of data presentation used included tables.

3.6 Data Analysis

The data was analyzed using SPSS or Microsoft Excel programme. Value Added Tax was the independent variable and performance of small scale businesses was then

analyzed using frequencies and percentages. The relationship between Value Added Tax

and performance of small scale businesses was examined using correlation analysis.

3.7 Limitation of the Study

During the course of this study the major limitations might include;

Some respondents were not co-operative and had suspicious about the intention behind

the research however the researcher tried as much as possible to explain that the research

was purely for academics, in order to clear the suspicions. Due to language barrier the

researcher had some difficulties in interacting with some respondents but the researcher

tried to find some interpreter to get the information required.

Some questionnaires were lost by the respondent but the researcher based on the

questionnaires returned and due to limited time for the research, the researcher tried to

work with the time available.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF THE RESEARCH FINDINGS

4.1 Introduction

In this chapter the researcher low at data presentation and interpretation of the able it also covered the research findings of the effects of Value Added Tax on the performance of small scale business Primary data was collected and 60 questionnaires distributed to different categories of respondents who later completed and returned them to the researcher successfully. In the research study, the researcher came up with percentages in relation to various categories, and the number of people who participated to reach at the true findings.

4.2 Identification and classification of Information

4.2.1 Table 1: Classification of respondents according to their levels of education

Level of education	Frequency	Percentage (%)
Primary	16	27
Secondary	30	50
Tertiary	5	8
None	9	15
Totals	60	100

Source: Primary data

The researcher investigated on the level of education attained by the small scale business operators in Nappier market were by the findings of the research revealed that atleast the majority of the respondents had a frequency of 30 which was equivalent to 50% had attained some knowledge in respective education institution and a majority had secondary level qualification and a few of them which was the minority didn't have any and these had a frequency of 5 which was equivalent to 8% though the finding of this research showed that atleast the traders were familiar with VAT and had some knowledge .

4.2.2 Table 2: Classification of respondents according to their ages

Respondents ages	Frequency	Percentage%
20-29	21	38
30-39	16	27
40-49	12	18
50-59	8	10
60-69	2	5
70-79	1	2
Total	60	100%

Source: Primary data

As illustrated above the majority of respondents were between the ages of 20 to 29 years whose percentage was 38% compared to the minority who where between the ages of 70-79 who are represented by 2% response rate .Much consideration should be put between the age brackets of 20-29 years since they occupy majority of the respondents in the market with a frequency of 21 of the total sample and the minority had a sample size of only 1 respondent.

4.2.3 Table 3: Classifications of respondents according to the economics activities considered in the research

Type of economics activity Dealing	Frequency	Percentage
Hard ware units	5	8
Clothing and bedding	30	50
There selling and dealing in plastics Utensil	16	27
Stationary	9	15
Total	60	100

Source: Primary data

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The table above revealed that clothing and bedding is the biggest economic activity where by the majority dealt in selling bed sheet and second hand clothing's in Nappier market and this is followed by those dealing in plastics plates ,cups, plastic joys and many other Utensil.

The findings of the research above showed that the majority had a percentage of 50%
Which was equivalent to 30 respondents compared to the minority who had occupied
8% with a frequency of 5 respondents which showed that much emphasis should be focused on the clothing's and bedding department so as to raise more VAT.

4.2.4 Table 4 : Classification of responses on the benefit of VAT

Responses	Frequency	Percentage
Yes	20	30
No	40	70
Total	60	100%

Source: Primary data

The research findings show that 70% of the respondents said that there was no or little was realized from VAT and 30% of the respondents agreed that there was some benefit attained from VAT. The 70% represented the majority of the respondents who were equivalent to 40 who disagreed of benefiting from VAT and the 30% which was the minority agreed to attaining some benefits from VAT.

4.3 The Meaning of Concept of VAT

Table 5: Classification of the responses on the meaning of the term VAT

Respondents category	Frequency	Percentage
Respondents who did not know the mean of VAT	28	36
Respondents who were familiar with VAT	32	64
Total	60	100

Source: Primary data.

The finding revealed that 28 respondents which is equivalent to 36 % of the total sample magnitude did not know the meaning of VAT and 64% which is equivalent to 32 respondents knew the meaning of VAT .So the small difference that exist could be cleared by sensitizing those who don't understand the meaning of VAT.

Table 6.Classification of Responses on any Factor that affect VAT

Response category	Frequency	Percentage %
Yes	48	82
No	12	18
Total	60	100

Source: Primary data

The findings revealed that 48 respondents which were the majority equivalent of 82% said Yes which meant that they knew a few factors that affects VAT and 12 respondents representing 18% which was the minority said no that they knew nothing about any factors that can effect VAT.

Table 7: Classification According to Gender of Response

Gender	Frequency	Percentage %
Male	35	65
Female	25	35
Total	60	100

Source: Primary data

The majority of respondents were male represented by 65% while 35% were female. This showed that the research was of great importance to determining the performance with the responses almost balancing.

Table 8. Classification according to response on some of the suggestions on ways to improve VAT collection

Suggestions category	Improve on administrator efficiency	Set standard and moderate changes for VAT	Total
Frequency	20	40	60
Percentage %	40	60	100

The source: Primary data.

The findings revealed that of respondents who were 40 which are equivalent of 60% suggested that in order to improve on VAT collection there should be standards set and moderate charges for VAT and the minority who are 20 which is equivalent to 40% suggested that there should be improve on administration efficiency.

With all these all the other factors affecting performance could be incorporated to bring about positive results.

4.4. Responses on whether vat has effects on the performance of the small scale businesses in Nappier market.

Table 9:

Response category	Frequency	Percentage %
YES	54	96
NO	6	4
Total	60	100

Source: Primary data

The table above revealed that the findings showed that 54 which is equivalent of 96% which was the majority of the total sample size said Yes VAT has got a greater effect on, the performance of small scale business in nappier market and 6 respondents which was equivalent of 4% which was the minority of the total sample size said no, VAT does not have any effect on the performance of their business .This agree with Kagina A (20years).

4.5 The relationship between VAT and performance of small scale business in Nappier market

Table 10: Responses on whether there is any relationship between small scale business performance and VAT.

Responses category	Frequency	Percentage %
YES	54	88
NO	6	12
Total	60	100

Source: Primary data.

The findings revealed that 54 number of respondents which was the majority of the total sample size which are equivalent of 88% said Yes that there is a greater relationship between small scale business Performance and VAT and 6 respondents which is equivalent to 12% of the sample size which was the minority said NO that there is no relationship between performance of small scale business and VAT , this agree with the list Okello (1996)

4.6 Suggestions on the ways to improve the performance of small scale business
Table 11

Suggestion category	Providing business advice	Providing financial assistance	Improve on creativity and innovation competence	Total
Frequency	5	45	10	60
Percentage %	4	84	12	100

Source: Primary data.

The finding revealed that majority of respondents who were 45 which were equivalent of 84% suggested in order to improve on the performance of small scale business there should provision of financial assistance and minority of them who were 5 respondents equivalent of 4% suggested that there should be provision of business advice though other suggestion were proposed like competence and innovation this agrees with Kanyike .A(2003)

4.7 Responses on suggestion of factors that affect performance of small scale businesses

Table 12

Suggestion strata	Financial consistence and capital	Proper monitory close supervision strategy	Trainy boom/Innovation	Total
Frequency	28	12	20	60
Percentage %	48	20	32	100

Source: Primary data

The findings revealed that majority of respondents who are 28% which equivalent of 48% suggested that financial assistance coupled with capital resources effects highly performance of small scale business and minority of them who were 12% which is equivalent to 20 Suggested that proper monitoring and close supervision with marketing strategy also have some effect on performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMANDATIONS

5.0. Introduction

This chapter is to help discuss what the research finding of the researcher that are in chapter four of this book. The chapter covers the summary conclusions, and recommendation of the findings that can be acquired and executed to over come the obstacles highlighted.

5.1 Summary of the research finding

The effects of VAT on the performance of small scale business in nappier market showed that the findings obtained revealing this objectives are summarized as follows , since majority of the respondents agreed that there is a close relationship between VAT and the performance of small scale businesses as seen in table 9 as the main objectives of carrying out the research was to determine the effect of value added that on the performance of small scale businesses .Some of the effects realized included an increase in the prices of goods, general economic slow, increased cost of administration and consumption of certain goods is also slowed down.

5.2 Factors that Effect Performance of the Small Scale.

The findings of this objectives are summarized as follows , since the majority of respondents agreed that financial assistance and capital resources have great effects towards performance of small scale business, there other factors mentioned such as proper monitoring ,Close supervision and marketing strategy to mention but a few which effect performance on a smaller scale and in order to improve on these factors efficient administration is encouraged in relation to providing training and business advice and moderate changes set as VAT standards

5.3 Conclusion

According to the what was observed, it was realized that VAT has same effects attain in the performance of small scale business and many other factors had mean pointed out towards performance therefore the research is of great relevancy towards various stake holder like the government and the small business operates to understand the relationship and make clear paves and decision that will improve on their co-operation and the small business community at large around mop pier.

The finding s revealed that since there is relationship generated between VAT and performance, there should be proper adjustment under taken depending on the level of economics activities undertaken and the amount to be taxed inform of VAT however all these should be contributing for improve on the performance and also the other factors should considered to produce positive results for the research study before coming conclusions

The finding indicates that with the intervention of VAT, this to economy slow downs and increased prices of commodities due to the relationship created were by the small scale business operates were forced to increased the price of good as suggested by respondents to meet their returns as expected. Therefore the research will provide various suggestions on how to improve the performance with the financial assistance , advice among other alternation and the likely factors that are expected to offer their business

5.4 Recommendations

Basing on the findings that have been presented in the proceeding chapters the following are the proposed recommendations both to the government authority responsible and the small scale business operators concerned around nippier market.

The government should consider reducing the VAT rate to improve compliance and great incentives to pay taxes not only to rely on VAT but also diversity in various sectors

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to widen the tax base and the small business operators to be relieved from huge burden of VAT charges.

The research findings showed that there are among factors that effect the performance of the small business operates and some of which have been stressed out by the respondents though majority of the respondents said economics assistance and capital resources is one of the common factors that effect their performance .Other factor examined were proper minority .Close supervision , training , bookkeeping among other and in order to improve on those factors some suggestion live improve on those factors some suggestion live improve on the administration efficiency , set up moderate VAT charges according to the economic condition to mention but of few should be adapted to bring about positive results at larger.

According to the research conducted , it was revealed that not all the respondents knew the meaning of VAT and so call upon the government , through Uganda revenue authority to try and sensitive the traders do that they set familiar with how much to supposed to be paid information of VAT tax depending on what is produced and also the body should try and be flexible depending on the economics condition to enable the small scale treaties charges relative pricey and so sure away customers due to high prices brought about by VAT.

The study recommends the small scale business operators to try and diversify their economic activities to as to improve in their performance and get familiar with new innovations and gain flexibility in the management to cope up with the charging VT rates and the economy at large.

5.5 Areas of Future Research

There is still need for further research on the other factors affecting the performance of small scale business other than VAT alone and what measures could be taken to improve on their performances.

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APPENDIX 1

KAMPALA INTERNATIONAL UNIVERSITY

EFFECTS OF VALUE ADDED TAX ON THE PERFORMANCE SMALL SCALE BUSINESS IN JINJA DISTRICT
NAPIER MARKET TRADERS QUESTIONNAIRE

This Questionnaire is meant for academic purpose and all the information given will be held confidential by the research.

1. Do you pay VAT?

Yes ☐   No ☐

2. What is your attitude towards VAT?

Negative ☐   Positive ☐   Fair ☐

3. How has VAT been collected in Napier market for Small Scale Traders?

By Internal department ☐   By Revenue Officers ☐

By Suppliers from schedules ☐

4. What are the other types of taxes charged on goods traded by Small Scale Traders here in Napier?..
....

5. (a) Do you have problems in paying VAT?

Yes ☐   No ☐

6. What kind of goods do you sell or deal in?

....

....

7. How frequent do you do business?

Weekly ☐ Monthly ☐ Annually ☐

8. What are the conditions of paying VAT on a Commodity?

....

....

9. (a) What benefits do you get from VAT?

....

....

(b). What are some of the challenges from VAT?

....

....

10. In your own view is the assessment of VAT been fair?

Yes ☐ No ☐

11. If NO, what advice do you give?

....

....

12. Do you know of any factors that affect VAT.

Yes ☐ No ☐

If yes, please, elaborate more

13. Suggest some of the way on which VAT Collection can be improved

....

....

Suggest on the ways to improve the performance of small scale business

....

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