

THE GROWTH AND DEVELOPMENT OF SMALL-SCALE ENTERPRISES

A CASE STUDY OF BUWAMA SUB COUNTY

BY

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DECLARATION

I Lubega Eddie declare that this piece of work is my original composition and it has never been submitted by anybody, anywhere

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Date.....05/09/2018.....

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APPROVAL

I do certify that this report has been presented under my guidance and supervision.

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Date.....

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DEDICATION

I dedicate this piece to my parents Mr. Matovu Francis and Mrs. Prisca and my brother James Tom Ssenkakata who financed me during the research from the beginning to the end of this work

ACKNOWLEDGEMENT

I would like to judiciously thank God for having enabled me to complete this piece of work.

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TABLE OF CONTENTS

DECLARATION	i
APPROVAL.....	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES.....	ix
ABSTRACT	x
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.0 Introduction	1
1.1 Background of study	1
1.2 Problem statement	3
1.3 Purpose of the study	4
1.4 Objective of the study	4
1.5 Research questions	4
1.6 Significance of the study	4
1.7 Scope of the study	5
1.7.1 Subject scope.....	5
1.7.2 Geographical scope	5
1.8 Conceptual framework	6
CHAPTER TWO.....	7
LITERATURE REVIEW.....	7
2.0 Introduction	7
2.1 The level of capital employed by small scale enterprises and their nature of annual turn over	7
2.2 Factors that limits the growth and development of small scale enterprises.	9
2.3 Possible strategies that can be put forward to enhance development of small scale enterprise (SME)	14
CHAPTER THREE	17

METHODOLOGY.....	17
3.0 Introduction	17
3.1 Research design.....	17
3.2 Study population	17
3.3 Sample size and selection.....	17
3.4 Sampling techniques and procedures	17
3.5 Data collection sources.....	18
3.5.1 Primary data	18
3.5.2 Secondary data	18
3.6 Data collection methods and instruments.....	18
3.6.1 Questionnaires	18
3.6.2 Observation	18
3.6.3 Interviewing	18
3.7 Validity and reliability of instruments	19
3.8 Data processing	19
3.9 Limitation to the study	19
 CHAPTER FOUR.....	 20
DATA PRESENTATION, INTERPRETATION AND ANALYSIS.....	20
4.0 Introduction	20
4.1 Demographic characteristics of the respondents	20
4.1.1 The level of education.....	20
4.1.3 The Time Served in Small-Scale Enterprises.....	21
4.2 Objective one: The nature of capital by entrepreneurs	22
4.3 Objective two; The Limiting Factors to the Growth and Development of Small-Scale Enterprises	24
4.4 Objective three: response towards the strategies that can be used to improve on the growth and development of small scale enterprises.....	26
 CHAPTER FIVE.....	 28
DISCUSSION, CONCLUSION AND RECOMMENDATION.....	28
5.1 Introduction	28
5.2 Discussion	28
5.2.1 Nature of capital	28

5.2.2 Limiting factors	28
5.2.3 Possible solutions	29
5.2 Conclusion.....	29
5.3.1 Nature of capital	29
5.3.2 Limiting factors	30
5.3.3 Possible solutions	30
5.4 Recommendation.....	30
5.4.1 Nature of capital	30
5.4.2 Limiting factors	30
5.4.3 Possible solutions	30
5.5 Topics for further research	31
References	32
APPENDICES.....	33
APPENDIX 1:QUESTIONNAIRES.....	33

LIST OF TABLES

Table 1: sample size of respondents	17
Table 2: Showing the Level of Education of Respondents	20
Table 3: Showing the Time Served in Small-Scale Enterprises	21
Table 4: The Nature of Capital by Entrepreneurs.....	23
Table 5: Showing the Limiting Factors to the Growth and Development of Small-Scale Enterprises	24
Table 6: shows the Strategies that can be used to Improve on the Growth and Development of Small Scale Enterprises	26

LIST OF FIGURES

Figure 1: Showing the Level of Education of Respondents	21
Figure 2: Graph Showing the Time Served in Small-Scale Enterprises.....	22
Figure 3: Showing the Nature of Capital by Entrepreneurs	23
Figure 4: Showing The Limiting Factors to the Growth and Development of Small-Scale Enterprises	25
Figure 5: shows the Strategies that can be used to Improve on the Growth and Development of Small Scale Enterprises.....	27

ABSTRACT

This study assessed the factors that have hindered the growth and development of small scale enterprises in Buwama Sub County, to identify the limiting factors for the growth and development of small scale enterprises and to examine possible solutions to the slow growth and development of small scale enterprise of Buwama Sub County in Mpigi district.

The study took a cross-sectional design where both quantitative and qualitative approaches were used in the facts that provides wide range of valid responses, no limits were put to respondents, many respondents participated at the same time and also enabled the researcher to understand first, analyze and reveal data in a more meaningful way however, quantitative data was used to provide numerical analysis in terms of frequencies and percentage composition as a way of measuring incidental effects or influence between different variables. A sample size of 50 respondents was used who were expected to provide reliable findings to the study questions administered to them.

The study examined the causes of slow growth and development of small scale enterprises in Buwama sub county in Mpigi district and findings revealed that inadequate education and training by the business owners to their employees, poor accounting practices, higher transaction costs, lack of market opportunity, stiff competition among SME owners, lack of enabling environment like competition inadequate management like business knowledge, government policies inform of heavy taxes, inadequate land for expansion, lack of improved infrastructures inform of roads and lack of market opportunity was also revealed among the limiting factors to the growth and development f small scale and medium enterprises.

The study went ahead to assess the possible solutions to the limitation to the growth and development of small scale and medium enterprises in Buwama sub county in Mpigi district. The findings revealed the necessity of equitable allocation of raw materials, improvement in techniques of production, adequate funding through bank loans and subsidies, government to emphasize export strategy to widen the market, improving on government policies like imposing appropriate taxes and giving subsidies, improving on the techniques of production to replace automated equipment and ensuring customer retention through building customer loyalty.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, the statement of the problem, general objectives of the study, research question and significance of the study and the scope of the study.

1.1 Background of study

This study was about the growth and development of small scale enterprises. Small scale enterprises are the dependent variables while the growth and development are the independent variables.

Small scale business embraces all proprietorship as well as a very large percentage of corporations. According to Robert L. Hellbroner and lesser C. Throw 1994 in the book of economic problem seventh edition. Here are the vast bulk of the firms and we find in the yellow pages of the phonebook. Small scale enterprises may include dry cleaners, druggist, retailers among others and they contribute 95% of all the business firms in the nation.

Small scale businesses are defined by the congress in the business act of 1953, which states that a small business is the one that is independently owned and operate, is not dominant in the field of operational and does not engage in the innovative practices.

And small scale business owners manage their businesses a normal way expecting normal sales profits and growth. In other words, they seek a certain degree of freedom and delay a certain degree of financial independence and they are often run from home.

The efficiency of the small scale businesses has been approved so as to encourage poverty eradication and to strengthen industrial sector. This dream come into reality with the opening of various small scale businesses in all parts of the world according to the world investment authority.

In Europe, the numbers of small and medium enterprise were over 16,005,000 against large enterprises and they employ 68million people as against 34.6million people large enterprises (the Netherlands 1997).

In 1992, 53% of all jobs in America were held by people working in small business (stoner et al 1996) and between 1988-90 while large business were laying off people, the small scale enterprise/business were recruiting.

In India about 45 % of total exports are contributed by micro and tiny enterprises (national research development cooperation 1998).

This is true in many countries worldwide that the small scale business plays an important role in job creation and income generation.

Murphy (1996) argues that the growth of small scale enterprises refers to the increase in customer base, broadening production and increasing on the annual profits of the firm. Holt (2009), believes that the growth of small scale enterprises permits strategic planning and is consistently used to explain the changes in the organization's cycle.

According to Fredrick Elbert foundation report (1989) small scale enterprises have not been able to expand due to lack of market analysis, low profits and lack of collateral security, high interest rates and low micro finance credit which have limited their capital base. However, in Uganda the growth of small scale enterprises have partly increased as a result of good political climate in most parts of the country.

Some of the reasons then being preferred as follow as case formation, capital requirements, flexibility, mobility and a very many other factors seen from global market dominated by world class competitors in the form of multinational and for the developing countries, small scale enterprises appear to the way to compete.

In Uganda, small scale enterprises are reported to contribute about 20% of Uganda's GDP (Tulip and Bitekerezozo 1993). This figure may be much higher given that Uganda's GDP is constituted by mostly agricultural production. This is mainly by smallholders who may not even fit in the definition of micro and small business. Besides, since a greater component of GDP is not monetized and largely substance it is possible larger than 20%.

It is also reported that by the ministry of planning and economic development (1992) that other 80% of Uganda's manufacturing output is by small scale enterprises. The sector also employs 2.6 million people in Uganda (Uganda investment authority 1996).

According to Wasswa Balunywa the principal director Makerere Business Institute (MBS) (2009) Small Scale Enterprise (SSE) are defined as differently in different countries. It is that

small scale enterprise in the united stated may be large enterprises in India and a very large enterprise in Uganda. While the absolute figures involved in the definition of these enterprises may differ, there are some underlying similarities in the concept used in the definitions. The following are common measure of defining small scale enterprises.

Number of people employed. The number of various people from country to country. In Uganda the figure is out between 5-50 (Kalibbala 1994, Ngobo 1995), in India, the figures are between 30-100.

In European union, this figure include what they call medium enterprises the one that employ up to 250 people (the Netherlands 1997) storental (1996) reports that in the united states, small scale enterprises are those which employ less than 500people, Kibera areas called micro enterprises. Those with 11-50are small scale enterprises and 51-100 are medium.

Capital employed

The number of people employed may not be a good indicator especially if the industry is labour intensive approach to industrialization can transit huge sums of business worth transaction yet they employ a few people, consequently capital employed is at times used as a measure of defining. In Uganda there is no proper agreement as to the capital employed through a figure ranging between US\$5,000 to US \$ 50,00 is a reasonable estimate. The Uganda investment authority has put this figure to now shs 50million (about US \$ 5,00 to US\$ 50,000). The ministry of industry however had indicated a figure of investment not exceeding Ush \$300,000. This figure of course varies from coming to Uganda (country) bur in Ugandan conditions 5-50millions would be a reasonable amount.

Sales turnover

Another criteria for indicating what a small enterprise is the annual sales turnover in the Uganda conditions is an attempt to define who was eligible to participate in the value added tax (VAT) administrative structure a figure of Shs 20million was agreed on as a threshold (Ssejaaka 1997).

1.2 Problem statement

Despite the government's effort of improving the infrastructure, proper sensitization of the tax revenue collectors and the ever increasing population growth rate in Buwama Sub County but small scale enterprises have not registered a reasonable success.

Although Buwama sub county is one of areas with many small scale enterprises but continue to remain poor or failing to expand to their desired levels. According to the annual sub county performance report which was presented in the sub county council in 2012, the argument is that they are facing high interest rates on the loan, able funds from financial institutions which make them to remain poor or small since most of the money is spent clearing bank loans in addition to the low levels of experience in using large sums of money.

This may not be the truth of the matter, an investigation has to be undertaken to establish what exactly makes small scale enterprises/businesses not to develop despite the government's effort of ensuring improved infrastructure and the ever increasing population growth which provides ready market to the produced goods in Buwama sub county. It is from there that the researcher intends to carry out a study to establish the causes of low level of growth and development of small scale enterprises. This is because if this problem is not addressed, the government's effort would be a wastage of time (Uganda investment authority 1996).

1.3 Purpose of the study

The purpose of the study is to find out the factors that have limited the growth and development of small scale enterprises in Buwama Sub County.

1.4 Objective of the study

To find out the level of capital employed by small scale enterprises in Buwama sub county.

To identify the factors that limit the growth and development of small scale enterprises in Buwama Sub County.

To suggest possible solutions to the factors that limit the growth and development of small scale enterprises in Buwama Sub County.

1.5 Research questions

- i. What is the level of capital employed by small scale enterprises in Buwama Sub County?
- ii. What are the factors that limit the growth and development of small scale enterprises in Buwama Sub County?
- iii. What are the possible solutions to solve the factors that limit the growth and development of small scale enterprises in Buwama Sub County?

1.6 Significance of the study

The study will stimulate academic debate and expose new areas of research on the factors that are limiting the growth and development of small scale enterprises.

The study will clearly bring about the role of small scale enterprises

The study will suggest ways of improving on the performance of small scale enterprises in order to attain the desired levels.

1.7 Scope of the study

1.7.1 Subject scope

The subject scope of the study covered vital factors that hinder the growth and development of small scale enterprises.

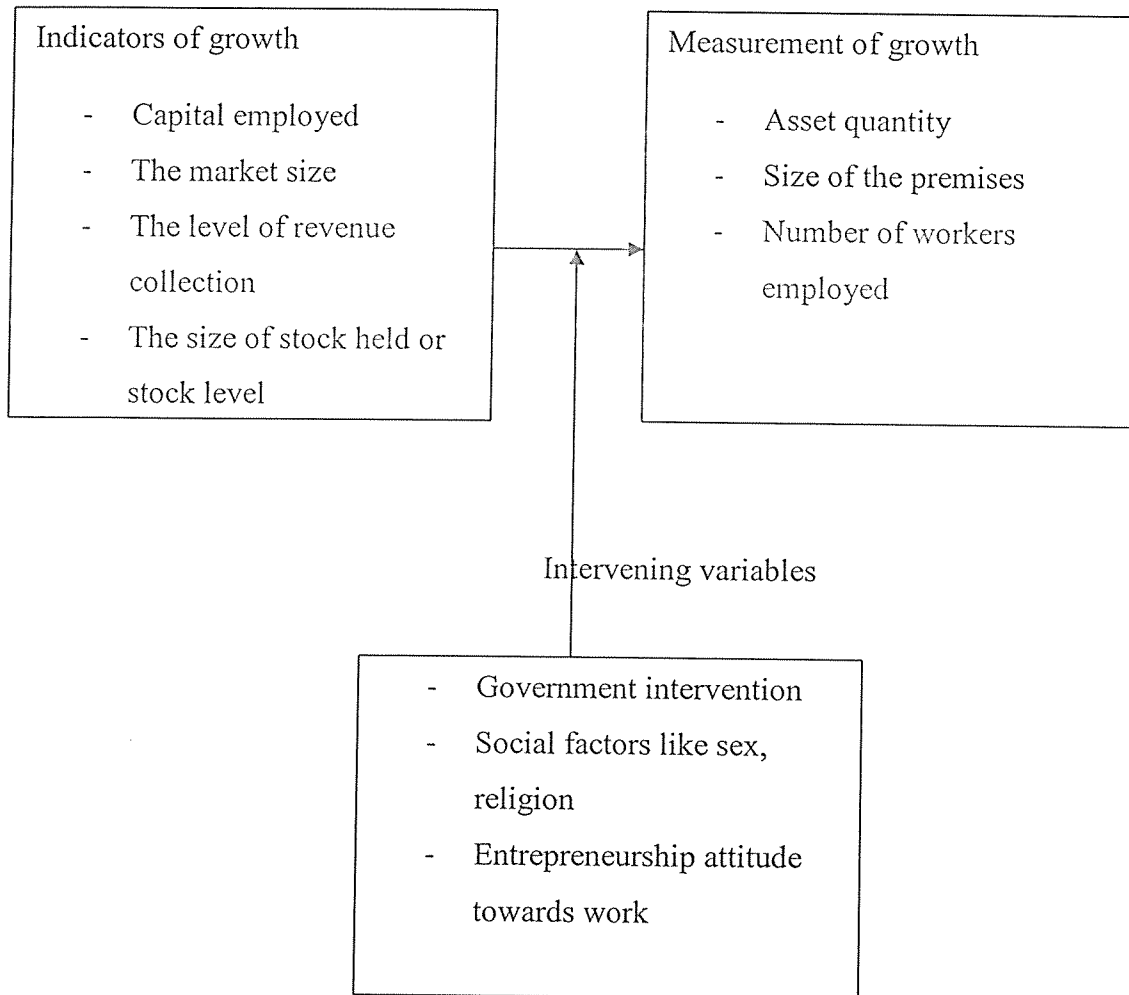
1.7.2 Geographical scope

The study was carried out in Buwama sub county, Mpigi district where the researcher involved 50 small scale entrepreneurs whom he

1.8 Conceptual framework

Dependent Variables

Independent Variables



From the above conceptual framework, it is clear that the growth and development is an independent variable (as measured by capital employed, market size, level of revenue collection and size of stock held/stock level) affects small scale enterprises which is the independent variable (as measured by asset quality, size of premises, number of workers employed). However there are also other factors and these include government intervention, social factors like sex and religion, entrepreneurship attitude towards work.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a review of the available literature both theoretical and empirical on the growth and development of small scale enterprises. I discussed in detail under the following themes according to different authors or researchers.

Definition of small scale enterprises, factors that limits the growth and development of small scale enterprises, the significances of small scale enterprises to economic development of the economy the level of capital employed by small businesses and the possible solution to the problem. The literature review of the researcher was guided by the objectives.

2.1 The level of capital employed by small scale enterprises and their nature of annual turn over

According to Wasswa Balungwa the principle director of Makerere Business Institute (MBI) (2009) argued that the number of people employed may not be a good in dictator especially if the industry is labour intensive approach can transit huge sums of business worth transaction yet they employ a few people consequently. Capital employed, it sometimes used as a measure of defining. In Uganda, there is no proper agreement as to the capital employed through a figure ranging between US \$5,000 to 50,000 is a reasonable estimate. The Uganda investment authority has put this figure to now Sh 50 million (about US \$ 5,000 to US \$ 50,000). The ministry of industry however had indicated a figure of investment not exceeding US \$ 30,000. The figure of course varies from country to country but in the Uganda conditions has 5-50million would be a reasonable amount.

Although the author based his conclusion of the information stipulated by the Uganda investment authority that the level of capital employed by the small scale enterprises in Uganda ranging from 5-50million shillings. This is not applicable to Uganda's economy, this is because most of the small and medium business in Uganda can employ 2-10 persons with an investment of amount ranging from 10,00-50,000 US Dollars could be a reasonable amount for small scale enterpriser.

According to facts and data, small business and entrepreneurship council, American's business overwhelmingly small business or small firms in the 20-499 employee category led job creation. Based on US Bureau of statistics data the level of entrepreneurship has (PDF) micro, small and medium enterprises around the world-IFC, employees, and small: 10-49

employees and medium 50-249. These actions can be taken first of the regional level, starting a business, minimum capital (percentage of the income per capita).

According to Small and Medium Enterprises (SMEs) in Dubai, sector in Dubai and the various industries where small businesses (micro business) is any enterprise with less than or equal to 9 employees and a level of capital formation by these businesses. On 11th June 2015, table 3a, number of persons employed by enterprise size, business economy employment resulting in a lower level of employees for micro enterprises. Small enterprises (employing 10-49) business economy-size class analysis statistics explained.

Since according to small and medium enterprises in Dubai shows that small enterprises are the ones that employ less than or equal to 9 employees by micro business and 10-49 employees by small scale enterprises and it is the same figure that most of small business across the world. Therefore I agree with the estimation.

According to the long-running survey by the higher education institute at the University of California at Los Angeles. America's students are still attracted to entrepreneurial life 39.3 percent of college freshmen was essential or very important to them. While this figure was less than 52 percent in 1985, it was still about the same levels in the early 1970s an interesting finding of the 2000 study was 63.6 percent of all African-American college students wanted to go into business themselves.

I agree with the high education institute at the University of California at Los Angeles since most of young people at universities and college want to go into small businesses with themselves and most of the businesses are corresponding to small scale business enterprises.

According to Trillium House at the Blue Ridge Mountains of Virginia defined small scale businesses as that is independently owned and operated, is not dominant in its field and does not engage in many new or innovative practices. The owners, they manage their business in a normal way expecting normal sales, profits and growth. These businesses are often run from the owner's home. The account for more than 60 percent of the nation's 5.6 million employers and more than 60 percent of the nation's 5.6 million employers and more than \$ 100 billion in annual spending. A survey in 1999 found that one in twelve adults was trying to find a new business.

According to Trillium House at Blue Ridge Mountain of Virginia the exercise was based on the developed countries where it is possible to find 60 percent of the nation's population to be

employers which is not applicable to developing countries where the biggest population could not be in position to start up a small scale enterprise mostly in developing countries like Uganda where like 20 percent of the population should be in position to own a small scale business enterprise.

According to Uganda investment authority (1996) defines a micro enterprise as an enterprise employing a maximum of 4 people with annual sales turnover of maximum shs 12million. A small enterprise is one employing a maximum of 50 people with annual sales turnover of maximum sh. 360million and total assets of maximum sh. 360million. a medium enterprises employs more than 50 people. With annual sales turnover of more than sh. 360million and total assets of more than sh. 360million. For the case of Uganda, we shall consider the second definitions of the micro small and medium enterprises.

The estimation of annual sales turnover of maximum sh. 12million and total assets of maximum sh.12million by micro businesses and medium enterprises employing 50 people with annual turnover of 260million and total assets of maximum sh. 360millions is not applicable to small businesses in Uganda because most of the total assets obtained by small businesses can not reach to 360million shilling unlike large businesses.

According to the European commission, a medium enterprise is an enterprise which employs fewer than 250 persons and whose annual sheet total does not exceed Euro 43 millions.

A small enterprise is an enterprise which employs fewer than 50 person and whose annual turnover does not exceed Euro 10million. A micro enterprise and whose annual turnover or annual balance sheet total does not exceed euro 2 millions.

However, the European commission considered a small scale enterprise to be large businesses in developing countries like Uganda.

2.2 Factors that limits the growth and development of small scale enterprises.

In addressing the question of growth and development of small scale enterprises, an alternative way is to look at the so called barriers to growth literature... this literature assumed that a number of small firms wish to grow but they are prevented from doing so by barriers to growth in small firms (1989) can be consulted. The study summarized a literature on the topic under three headings. Management and motivation, the sources and market opportunities and structure. The idea is the same as presented whereby D.J. Storey's factors influencing small business firm growth in a negative way. It can also be engaged at

this point that even though these studies were done in the UK and Europe mostly, they provide a general base on how small firms are constrained from growth and development.

Also considering the fact that small business growth in Tanzania and in developing countries in general are few and these few have not been done to the extent of providing concrete insight to be used as frameworks for further studies such as this. Not all elements in this literature would fit the factors influencing small business growth into the developing world context of small firms but the most important thing is that the degree of relevance and usefulness is checked.

According to Enock Simon Ngussa Nkonoki (2000) in the book what are the factors limiting the success and growth small scale business in Tanzania. He conducted nine interviews which included six small business owners and three officials representing three organizations. The results obtained identified a number of limiting factors to small firm growth. The author saw it as a merit to group the results into two groups. Limiting factors that are internal to the firm (inadequate education and training, lack of a proper business plan, capital constraint) and those that are external to the firm (comprising things like corruption, government policy, bureaucratic process). The author concluded by making following main recommendations; firstly a reform of SME policy by the government, a search of an adequate business education by the small business community and trying to develop services and the maintenance of good relationship with small business owners by other stakeholders like the financial institutions.

Although the author grouped the limiting factors for the growth of small firms into both external and internal and among the internal he specified only few factors like inadequate education and training lack of proper business plan and capital constraint but he leaves some factors which are internal limiting factors like conflicts in organizations due to personal interest, lack of professional ethics, indiscipline among apart from the one mentioned above by the other, here are also other limiting factors to the growth of small enterprises such as political instability(ies), lack of access to finances, lack of market opportunity which hinders the growth of small enterprises.

According to Mazunder (1997) more recent concerns associated with the growth and efficiency of small enterprises have also become prominent. Using the case study of northern Italy, Piore and Sabel (1984) have argued that small enterprises are more efficient because they have adopted a flexible specialization approach. Correspondingly, there had been

growing interest in whether this model has or can be replicated in developing countries (Schmitz 1989, Peterson 1994; Schmitz and Musyche 1994, Schwltz, 1995).

The role of finance has been viewed as a critical element for the development of small and medium sized enterprises. Previous studies have highlighted the limited access to financial resources available to smaller enterprises compared to larger organizations and the consequences for their growth and development (Levy, 1993).

Typically, smaller enterprises face higher transaction costs than larger enterprises in obtaining credit (Saito and Villanueva, 1981). Inefficient funding has been made available to finance working capital (Peeland Wilson, 1996).

Poor management and accounting practices have hampered the ability of smaller enterprises to raise finance. Information asymmetries associated with lending to small scale borrowers have restricted the flow of finance to smaller enterprises. In spite of those claims however, some studies show a large number of small enterprises fail because of non-financial reasons (Leidhalm, Macpherson and Chura 1994).

The author talked only about the few factors that are hindering the growth of small scale enterprises like lack of access to finance, higher transaction costs and poor management and accounting practices which are not enough to explain as to why small scale businesses fail to expand because other factors are also important such as corruption and embezzlement of business funds, poor techniques of production, limited market opportunities, non-favorable government policies, lack of skilled and development of small businesses.

According to Makerere University Business School, recognizes that business has an important role to play in many economies. We must therefore understand what constraints them to be able to support them. Various studies (Kibera and Kibera M. 1997, Themba et al 1997, Alila and McCormick, 1994) have enumerated the factors that are generally agreed on as the constraints to the growth of small business especially in the African setting. These includes, lack of market opportunity, access to finance, enabling environment, market information and managerial skills, we have submitted that these are important but probably not the only ones as they are explained below.

Lack of market opportunity, in the poor countries, effective demand consequently market opportunity is a constraining factor for small business and indeed hinders business development. This may not be the case in the developed countries. Income is low in Uganda and there is a

low purchasing power. Consequently, even if there is opportunity to exploit, it may be difficult to realize because of lack of market.

Another aspect is the fragmentation of African market both physically and culturally. For instance, selling in Uganda with over 40 languages become a nightmare for salesmen. Whereas in industrialized countries, the commodity of culture and languages eases the selling process. The level of development itself imposes additional constraints to small enterprises growth. Because of usage of low level techniques, small enterprises cannot compete with large enterprises that have benefits that arise from economies of scale.

Lack of access to finance, most studies (Ngobo, 1995, Kibera and Kibera 1997, Chjoriga and Cassiman 1997) point of finance as one of the key constraints to small enterprise growth. This is worsened by the absence of financial markets in the developing countries. Small enterprise owners cannot easily access finance to expand business and they are usually faced with problems of collateral, feasibility studies and the unexplained bank charges. This means that they can not access finance as to enable them to grow. In a study by Ngobo (1995) he makes a detailed analysis of finance as a constraint factor and includes collateral, interest rates, extra bank charges, inability to evaluate financial proposals and lack of financial management skills as hindrances to small enterprises growth under developed financial markets.

Low level of technology. Because of their smallness, the enterprises end up using a cheap technology which is usually not top of the range. This results into high costs of production and in competitiveness for instance, small enterprises cannot afford to use computers or even where they have a computer, to continuously upgrade their equipment. Therefore they can not compete with large enterprises. This may not be the case in the developed countries where because of market opportunity and likely success due to environmental enabling factors, it is easier to secure new technology. Besides, this technology originates from the developed countries and unlike in the developing countries where it must be imported it is relatively cheap.

Lack of enabling environment. While many countries have acknowledged that small enterprises have an important role in their economies, not much effort has been done to facilitate their growth. They have to compete for finance, markets, personal and utility like any other business unit (Mutazindwa 1997), in few countries especially India, there has been

affirmative action to promote small enterprises over a long period. In Uganda, the government has only paid a lip service.

According to Makerere Business School, they put much emphasis to some few factors that are hindering the growth and development of small scale enterprises in developing countries and the factors that they suggested include; lack of enabling environment, lack of market opportunity, low levels of technology and lack of access to finance. But in real sense the business may be having all the above mentioned factors and it again fails to grow because there are some critical factors that I think that they may hinder the growth and development of small scale enterprises like political instabilities, economic instabilities in form of inflation, the diseconomies of scale, poor financial management, bureaucratic tendencies which are stumbling block to the growth and development of small scale enterprises.

Just as small companies make unique more than larger businesses. These , there special problems that affect them more than larger businesses. These problems can result in limited profitability and growth, the decision to voluntarily close the business or financial failure.

According to Bruce Philips (1996), chief economists for the SBA, state up firms do not fail as often as some people think, in a land mark study, he found that the vast majority of businesses that close do so for voluntary reasons, such as the owners desire to enter a more profitable business, legal changes, owner's or family's decision to end the business after the death of the owner.

Why do small scale businesses fail to expand while we do not always know the exact reason on early Minota Cooperation Survey of 703 business with fewer than 500 employees found that the main reasons were;

Lack of capital (48 percent), no business knowledge (23percent), poor management (19 percent), inadequate planning (15percent) and inexperience (15percent). As you can see, the last four reasons can be summarized as; inadequate management. An additional problem cited by many small business owners is the burden of government regulations and paperwork.

Inadequate financing. Notice in the list above that adequate financing is the primary cause of slow growth and development of small scale enterprises. It can not be stressed enough that the shortage of capital is the greatest problem facing small

Business owners. However, without adequate funds, one is unable to acquire and maintain facilities, hire and reward capable employees, produce and market a product, or do the other

things necessary to run a successful business. Therefore, a study for the SBA done by CERA economic consultants, inc, found that most small business enterprises grow at slow pace because of undercapitalization.

Inadequate management, in the form of limited business knowledge, poor management, inadequate planning and experience, is the second problem facing small firms. Many owners tend to rely on one person management and seem reluctant to vary from this managerial pattern. They tend to guard their position very jealously and may not select qualified employees or may fail to give them enough authority and responsibility to management adequately. Most small businesses are started because someone is good at a specific activity or trade not because she or he has managerial skills.

Managers of small firm must be generalists rather than specialists. Because they must take their decisions and then live with the business resources are limited, cannot afford to make costly mistakes, yet because the organization is so small, the owner cannot afford to pay for managerial assistance to prevent bad decisions.

2.3 Possible strategies that can be put forward to enhance development of small scale enterprise (SME)

SMITH CHAND (2009) suggests that equitable allocation of raw-materials, imported components and equipments, improvement in the techniques of production, provision for adequate finance, marketing assistance, provision for industrial training but of these may be put forward when advertising strategies are not considered which could limit their growth and development. Therefore advertising is important.

Monica Patrick (2013) emphasizes that equitable allocation of raw materials, imported components the small scale industrial units should be given adequate degree of priority in the allocation pattern of essential but scarce raw materials, imported and equipment.

The other only emphasized equitable allocation of raw-materials and imported component he leaves out many factors that could stimulate the growth and development of small scale enterprises such as provision for adequate finance, employing skilled employees, ensuring employee discipline at the workplace, customer care, which I think that they could be vital in the growth and development of small scale enterprises.

Haston (2015) asserts that industrial education and training should be made with full advantages of changing techniques of production, dispensation of technical knowledge, both

to the small scale entrepreneurs as well as their workers. These should form an essential element of the overall strategy, provision of adequate facilities for industrial education and training therefore can not be over emphasized.

Although the researcher asserts that industrial education and training and changing the production techniques that are the only factors that could improve on the slow growth and development of small scale enterprises such as good customer care, adequate finance, ensuring well organized structures, proper marketing strategies, ensuring employee discipline in the organization.

Hastom (2015) also adds on that provision of adequate finance should also be another strategy, promoters of own capital in the small scale industries is generally small and a generation of internal resources, they depend therefore on the external source of finance in a substantial measure, this factor requires therefore on the system of integrated credit whereby the long term as well as short term finance is made available in an adequate measure and at a rate of interest which these undertakings can be finance as a strategy of improving on the performance of small scale enterprise but still there are other strategies that can be used to increase on the growth and development of small scale enterprises such as the use of capital intensive technique of production in order to reduce on expenses in terms of salary paid to employees, ensuring good quality products and services, industrial education and training, adequate finance, proper marketing.

Kate McFarlane (2013) suggest that there must be improvement in the methods and techniques of production to replace their automated equipment with that incorporating an up to date technology and facilities and incentives should be provided whenever required, updating the techniques of production of quality goods conforming to standards of the role of government is the standardization of certain products should be ensured in order to increase on the growth and development of small scale enterprises.

The researcher puts less emphasis on only improvement in the methods and techniques of production to replace their automated equipment yet not only that could lead to the growth and development of small scale enterprises such as encouraging employee motivation employee training and skill advancement, adequate financing, good customer cares and ensuring quality control measures and encouraging employee discipline in an organization.

Gen Stengel (2003) emphasized the focus on customer retention, customer retention is a matter of business survival, as getting a new customer is sometime more expensive than

retaining a current one, work on core product and service attributes to build customer loyalty such as treating each customer as a valued individual. Business must focus on such issues as instilling a helpful staff, attitude delivering on advertising promises, developing a favorable return policy and providing accurate product information.

Although the researcher emphasizes customer loyalty, delivering or advertising promises, developing a favorable return policy and providing accurate product information and leaves out some of the significant such as employee motivation on their jobs, employee training and education, adequate financing, better flow of communication, ensuring employee discipline at work which could facilitate the growth and development of small scale businesses.

Geri (2003) also says that there should be applying the information, analyze the intelligence you have collected, draw conclusions and make recommendations based on it. Develop a plan for seeking out opportunities to demonstrate for company's strengths. If weaknesses are critical draw backs to four company's success develop a plan for overcoming them.

Geogy Gregory (2014) emphasizes that extra training is typically needed and this can raise more productivity and that employers can be given packages that include telecommunicating or flexible scheduling and generous paid time off to accommodate their employees.

The researcher puts more emphasis on extra training of workers, employee motivation, better floe of communication and leaving out some other factors which are very critical to the development and growth of small scale enterprises such as adequate financing, proper marketing strategies, proper marketing, employee discipline, ensure good quality standards, customer care which are very essential to the growth and development of small scale enterprises.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the description of the research design, study area, population, sample size, sampling procedures, data sources, and collection methods. It is where the researcher's necessary conclusion of the study was discussed vividly and precisely.

3.1 Research design

The study employed a descriptive survey design that is descriptive, comparative, collerational and history analysis for qualitative data.

3.2 Study population

The study used an accessible population of 75 respondents including the sub county tax revenue collectors and proprietors.

3.3 Sample size and selection

Table 1: sample size of respondents

Population category	Population
Sub county tax collectors	17
proprietors	58

Source: Primary Data 2018

3.4 Sampling techniques and procedures

The study used probability and non-probability techniques. Probability sampling refers to methods of selection individuals to include in a study where each member of the population has an equal chance of being selected while non probability sampling technique is where selection of sample is based on the subjective judgment of the researcher, to select employees and tax revenue collectors. In using the simple random sampling, the study used the lottery approach where names were written on the rag and one picked at a time until the required number was reached. The study used purposive sampling to select contract to committee the remaining categories since they were presumed to posses specialized information and knowledge of microfinance institution loans.

3.5 Data collection sources

3.5.1 Primary data

The researcher collected fresh data and the first time from employees, tax revenue collectors, customers and businessmen.

3.5.2 Secondary data

The researcher used secondary data which was collected from small enterprises books of accounts like end of year income statement, balance sheet, magazine, newspapers, books or original entry like cash books, journals were considered. Internet was also used. The main purpose of using data from these two sources was to help derive meaningful interception of findings.

3.6 Data collection methods and instruments

3.6.1 Questionnaires

This is the main tool of data collection that was used. it contained several questions items related to the topic of the study. The selected within the sub county to capture the opinion of the respondents and minimized bias. The researcher produced a covering letter to the questionnaires explaining the academic purpose of the study and the assurance of confidentiality. It was used because it was convenient for the staffs that didn't have enough time for the interview, reliable and dependable since questions were standardized and avoided element of business, required fewer skills to administer since the sample size was small and less expensive apart from stationery costs.

2.6.2 Observation

The researcher used observation as a tool for data collection. This helped the researcher to critically observe the projects which the beneficiaries have ventured business and the records. This was used because of its being less costly and helped the researcher to get information where respondents were not willing to provide information. The researcher also used it in that the research easily identified the constraints encountered by the beneficiaries.

3.6.3 Interviewing

The researcher also used interview as tool for data collection. This helped the researcher to be in close contact with the beneficiaries of the study in order to get relevant data depending on the research questions of his/her topic.

3.7 Validity and reliability of instruments

In a bid to ensure validity of questionnaires and interview guide, the researcher designed a questionnaire that specifically captured data that addressed the researcher questions. To ensure reliability, the same questionnaire was used several times under some condition to yield the same outcome. This involved constructing pre-test questionnaire and an interview guide to ensure its validity before administering it to the sample population. The researcher also involved his/her supervisor who helped him/her in establishing the reliability of the study instruments.

3.8 Data processing

Data was presented manually, arranged sorted and analyzed, interpreted using computer programs like Microsoft word, excel and SPSS where graph, tables, charts were used manipulate the data. The data was processed by editing, coding and tabulation.

Editing of the data includes cross checking filled questionnaires which enabled the researcher to realize if responses by respondents were correct or complete.

Coding. In respect with coding, the researcher coded all filled questionnaires by use of tallies.

Tabulation. In relation to tabulation, the researcher used tables to show all the frequencies respondents got or revealed.

3.9 Limitation to the study

The study may be limited in validity and reliability due to respondents' bias. This is an extraneous variable that a researcher may not be able to control.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.0 Introduction

This chapter presents and interprets data obtained from the field in Buwama sub county Mpigi district. It discusses the findings with the aim of the objectives of the study.

4.1 Demographic characteristics of the respondents

Some of the background characteristics that the study took into consideration include; the highest level of education, professional background, and the time served in small scale enterprisers, the nature of capital employed, limiting factor to the growth and development of small scale enterprises and the possible solutions.

The findings from the study are presented below

4.1.1 The level of education

The researcher asked the respondents about their highest level of education and the findings are presented in the table below

Table 2: Showing the Level of Education of Respondents

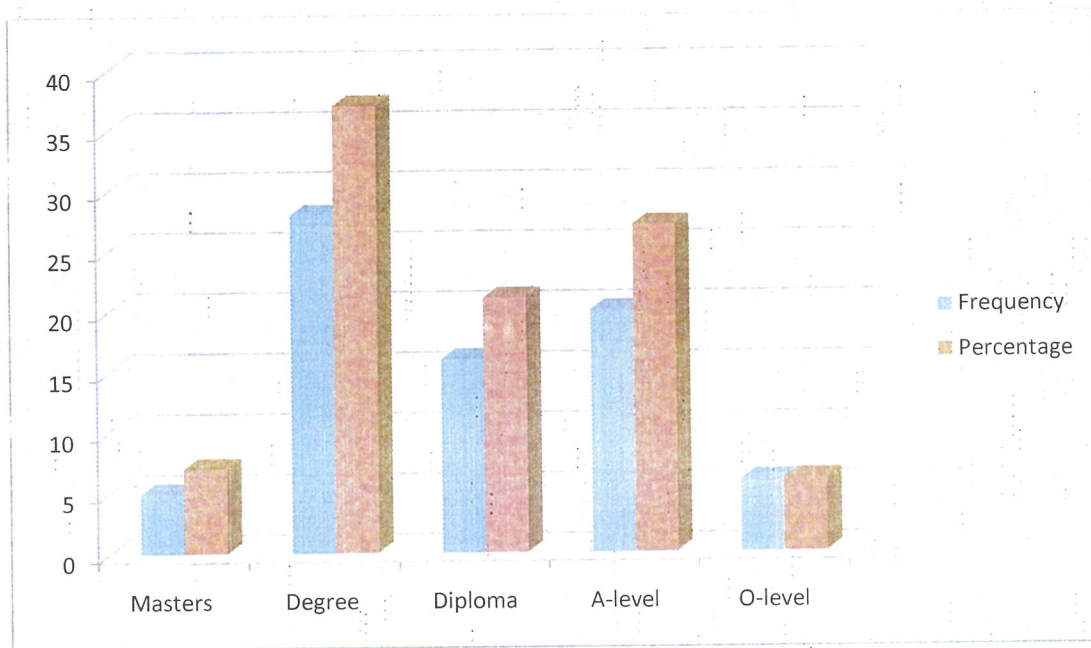
Level of education	Frequency	Percentage
Masters	05	07
Degree	28	37
Diploma	16	21
A-level	20	27
O-level	06	08
Total	75	100

Source: Primary Data 2018

Results in the table above indicates that information was obtained from respondents in different levels of education and the results were that 06 respondents were O-level leavers making 08% of total respondents, 20 respondents were A-level leavers making 27% of total respondents, 16 respondents were Diploma holders making 21% of total respondents, 28 respondents were Degree holders making also 37% of total respondents and finally 05 respondents were masters holder making 07% of total respondents, this therefore shows that most of the small scale operators in Buwama sub county were degree holders. Getting

information from varying educational levels of respondents helped the researcher to obtain dependence and unbiased information.

Figure 1: Showing the Level of Education of Respondents



The graph shows that the highest number of respondents were 28 respondents who were degree holders represented by 37% and the lowest number of respondents were 5 respondents who held masters represented by 07%.

4.1.3 The Time Served in Small-Scale Enterprises

The respondents were asked by the researcher about for how long they have been serving in small-scale enterprises and the findings on this question are presented as below in the table 3

Table 3: Showing the Time Served in Small-Scale Enterprises

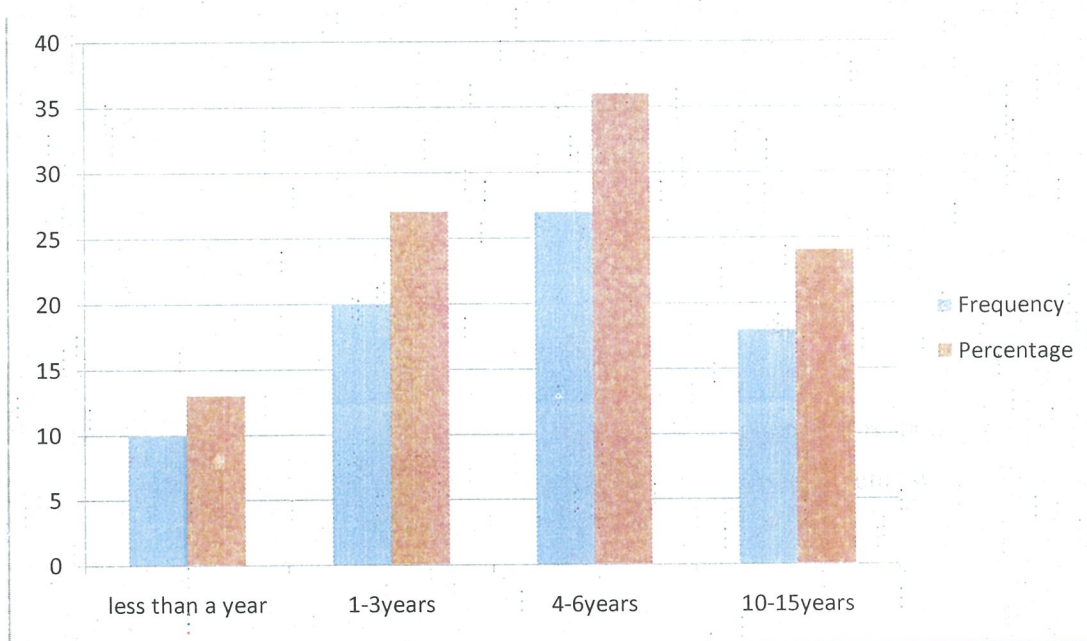
Category	Frequency	percentage
Less than a year	10	13
1-3years	20	27
4-6years	27	36
7-10years	18	24
Total	75	100

Source: Primary Data 2018

Results from table 4 above indicates that 13% of the respondents have been in small scale enterprises for a period of less than a year, 27% have been in business between 1-3 years, 36% have been in business for a period between 4-6years and 24% of the respondents have been in business between 7-10years, this implies that most of the small scale entrepreneurs in Buwama sub county have served for the period between 4-6years.

Therefore dependable and unbiased information was obtained from varying categories of entrepreneurs.

Figure 2: Graph Showing the Time Served in Small-Scale Enterprises



Source: Primary Data 2018

The graph shows that most of the respondents had served in small scale enterprises for 4-6 years and lowest number of respondents had served in small scale enterprises for less than a year.

4.2 Objective one: The nature of capital by entrepreneurs

The researcher sought to find out the nature of capital by entrepreneurs as table 4 represents below

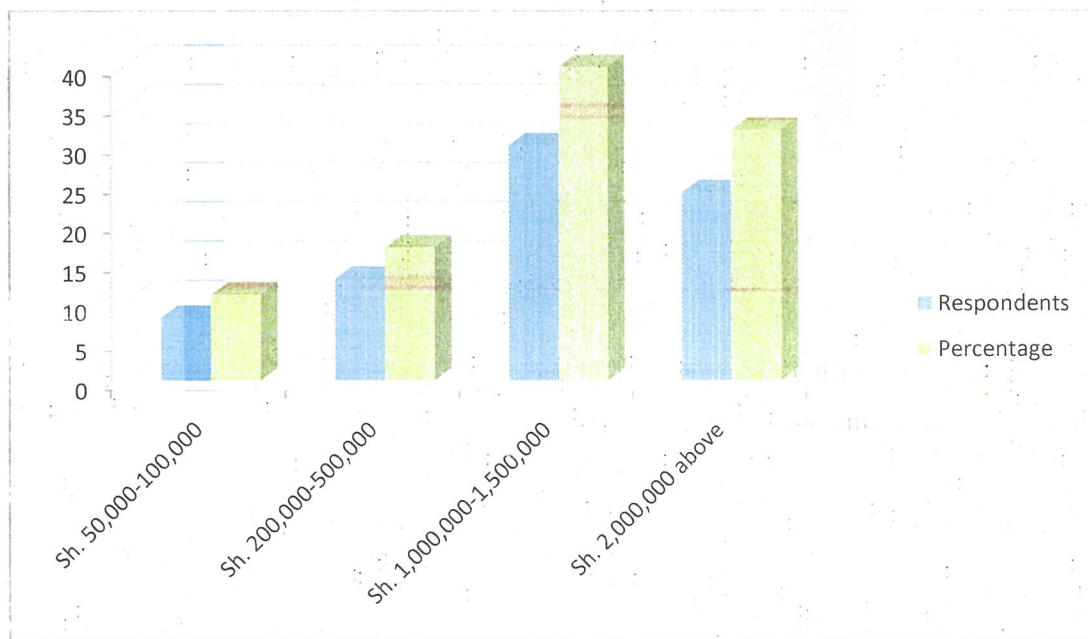
Table 4: The Nature of Capital by Entrepreneurs

Nature of capital	Number of respondents	Percentage
Sh. 50,000-100,000	08	11
Sh. 200,000-500,000	13	17
Sh. 1,000,000-1,500,000	30	40
Sh. 2,000,000 above	24	32
Total	75	100

Source: Primary Data 2018

The table 5 represents that the majority of the respondents had capital invested ranging from 1,000,000-1,500,000 represented by 40% whereas few of the respondents had capital invested ranging from 50,000-100,000 and were represented by 11% of the total respondents.

Figure 3: Showing the Nature of Capital by Entrepreneurs



The graph represents that the majority of the respondents had capital invested ranging from 1,000,000-1,500,000, represented by 40% whereas few of the respondents had capital invested ranging from 50,000-100,000 and above and were represented by 11% of the total respondents.

4.3 Objective two; The Limiting Factors to the Growth and Development of Small-Scale Enterprises

The purpose of objective two was to establish the limiting factors to the growth and development of small scale enterprises in Buwama Sub-County. These causes include; inadequate industrial education and training by the business owners to their employee, poor accounting practices, high costs in obtaining credit facilities, lack of market opportunity, lack of enabling environment like competition for finance, inadequate management, low levels of technology, unfavorable government policies in form of heavy taxes, inadequate land for expansion, lack of roads, stiff competition among others as reported by respondents in the table below.

Table 5: Showing the Limiting Factors to the Growth and Development of Small-Scale Enterprises

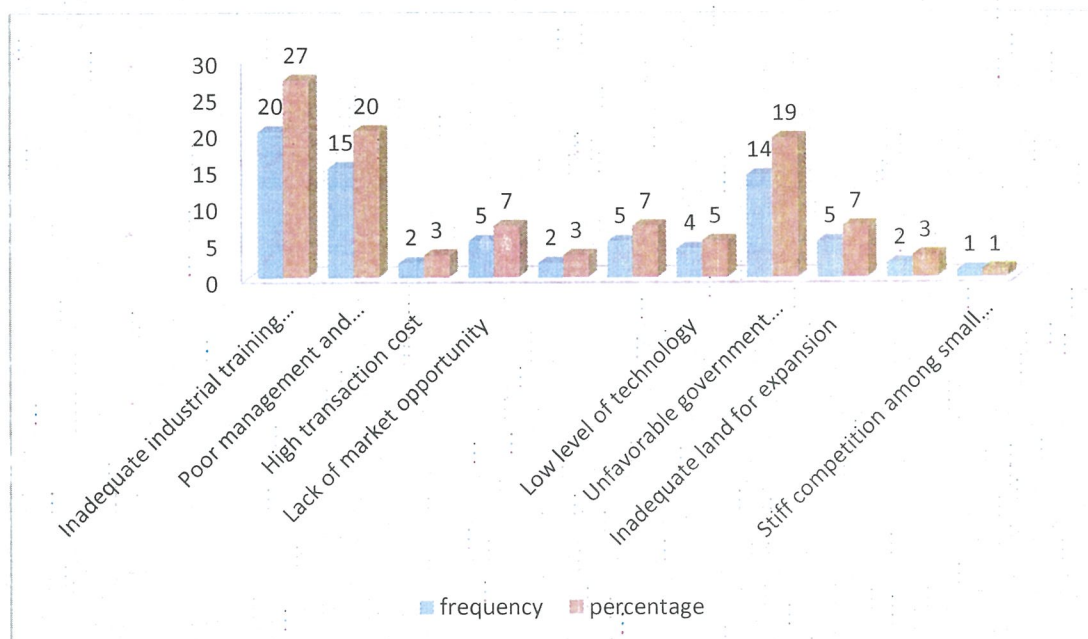
Responses	No. of respondents	Percentage
Inadequate industrial training and education by business owners to their employees	20	27
Poor accounting practices.	15	20
High transaction cost	02	03
Lack of market opportunity	05	07
Lack of enabling environment like competition	02	03
Inadequate management like business knowledge, poor management	05	07
Low level of technology	04	05
Unfavorable government policies inform of heavy taxes	14	19
Inadequate land for expansion	05	07
Lack of improved infrastructures in form of roads	02	03
Stiff competition among small scale enterprises' owners.	01	01
Total	75	100

Source: Primary Data 2018

The table above shows that the majority of the respondents were of the view that proposed inadequate industrial education and training by business owners accounting practices was the

major limiting factor to the growth and development of small scale enterprises both represented by 27% whereas 01% of the respondents argued that stiff competition among small scale enterprises' owners is the minor limiting factor to the growth and development of small scale enterprises in Buwama sub county.

Figure 4: Showing the Limiting Factors to the Growth and Development of Small-Scale Enterprises



The figure above shows that the majority of the respondents were of the view that proposed inadequate industrial education and training by business owners was the major limiting factor to the growth and development of small scale enterprises represented by 27% whereas 01% of the respondents argued that stiff competition among small scale enterprises' owners is the minor limiting factor to the growth and development of small scale enterprises in Buwama sub county.

4.4 Objective three: response towards the strategies that can be used to improve on the growth and development of small scale enterprises.

These are outlined in the table below

Table 6: shows the Strategies that can be used to Improve on the Growth and Development of Small Scale Enterprises

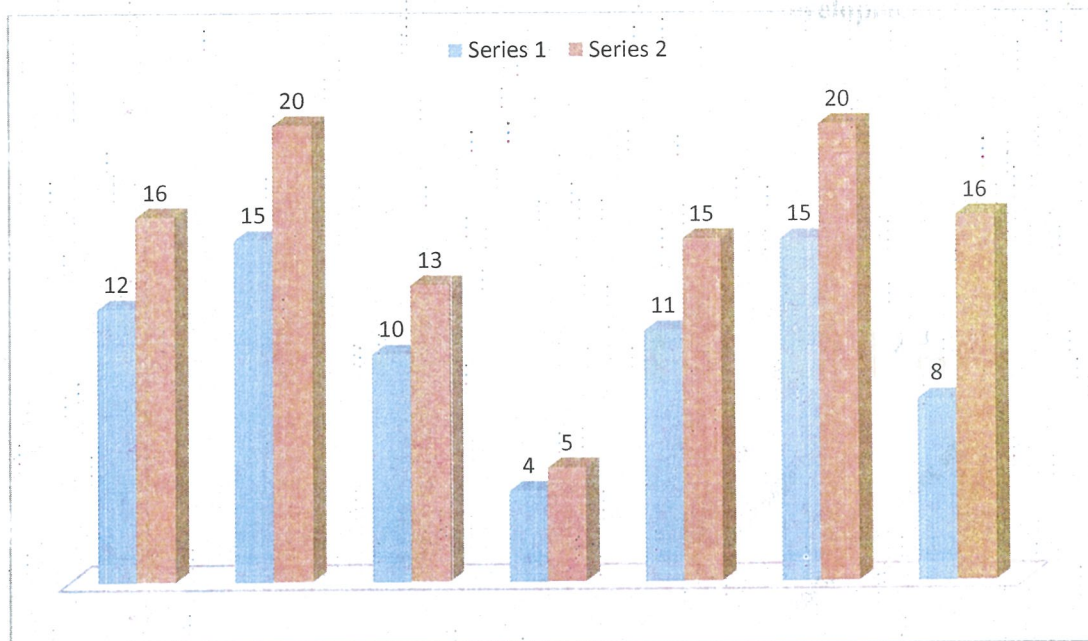
Responses	No. of respondents	Percentage
Equitable allocation of raw materials improvement in techniques of production	12	16
Encouragement of employee industrial education and training	15	20
Adequate funding through bank loans and subsidies	10	13
Ensuring customer retention through building customer loyalty	04	05
Improving the methods and techniques of production to replace automated equipment	11	15
Improving on government policy like imposing appropriate taxes giving subsidies	15	20
Government to emphasize export strategy to wider the market	08	11
Total	75	100

Source: Primary Data 2018

From the table above respondents recommend that there should be encouragement of employees training and education, equitable allocation of raw materials, adequate financing through loans and government as taxation, government emphasizing export strategy to widen

the market size, improving on the techniques of production in order to strengthen the growth and development of small scale enterprises.

Figure 5: shows the Strategies that can be used to Improve on the Growth and Development of Small Scale Enterprises



The graph shows that majority of the respondents were of the view that there should be an improvement in government policies such as taxation, and the lowest number of respondents were of the view that to improve on the growth and development of small scale enterprises in Buwama sub county, small scale enterprises should ensure customer retention.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

Chapter five presents the summary, conclusion from the data analysis as well as recommendation of this research with focus on research questions identified in chapter one as well as purpose of the study.

5.2 Discussion

The study was to find out the factors that have hindered the growth and development of small scale enterprise, to find out the level of capital employed the by small scale enterprises and to suggest possible solutions to the slow growth and development of small scale enterprises in Buwama sub county.

A survey questionnaire was developed and used to collect data from a cross section of study firms staff. A total of 16 survey questionnaires were received and analyzed and it was believed that the role of microfinance institutions plays a great role on the development of small scale enterprises.

5.2.1 Nature of capital

The discussion was made on the nature of capital employed by small scale enterprises in Buwama Sub County, Mpigi District, where a number of 58 entrepreneurs were involved and it was discussed that the initial capital is mainly ranging between shs. 50,000-100,000 though as they gain experience and profits, the nature of capital increases to shs 2,000,000 and above. It was also discovered that majority of the enterprises are filled with the capital ranging between shs. 1,000,000-1,500,000 even though some have invested more capital because to different reasons.

5.2.2 Limiting factors

The study examined the limiting factors to the growth and development of small scale enterprises in Buwama sub county in Mpigi District and finding revealed that inadequate industrial education and training by business owner to their employees, poor accounting practices, higher transaction costs, lack of market opportunity, stiff competition among SMEs owners, lack of enabling environment like competition, inadequate management like business knowledge, poor management, low levels of technology, unfavorable government policies inform of heavy taxes, inadequate land for expansion, lack of improved infrastructures inform

of roads and lack of market opportunity, was also revealed among the limiting factors to the growth and development of small and medium enterprises.

5.2.3 Possible solutions

The study went ahead to access the possible solutions that can aid and improve on the growth and development of small and medium enterprises in Buwama sub county in Mpigi District,.. the findings revealed the necessity of equitable allocation of raw materials, improvement in techniques of production, adequate funding through bank loans and subsidies, government to emphasize export strategy to wider market improving the methods and techniques of production to replace automated equipments, improving on government policies like imposing appropriate taxes, giving subsidies and ensuring customer retention through building customer royalty.

5.2 Conclusion

From the results of this research it provides the factors that have hindered the growth and development of small scale enterprises in Buwama Sub County.

Results were got from Buwama Sub County in Mpigi district and also examined the difference in the firm's financial conditions of different groups of SME and to estimate how the microfinance and firm characteristics determine SME development. The study suggests that firms that participate in micro financing see an increase in their revenues and net profits because microfinance institutions play a very important role in generating out of small and medium enterprises. This further explains the relationship between participants of microfinance and the development of small and medium enterprises in terms of revenue growth and net profit growth.

5.3.1 Nature of capital

After the discussion, the conclusion was made on the nature of capital employed by small scale enterprises in Buwama Sub County, Mpigi district where their initial capital was found ranging between Sh. 50,000-100,000 due to lack of experience and fear of risks but as they gain much profits and experience, the capital increased and some entrepreneurs have invested a maximum capital of Sh 2,000,000 and above although the majority invested capital ranging between Sh 1,000,000-1,500,000.

5.3.2 Limiting factors

It was also concluded that the major hindrance to the growth and development of small scale enterprises in Buwama Sub County was the inadequate industrial training and education by entrepreneurs to their employees though there were other limiting factors like poor accounting practices, poor management, low levels of technology, unfavorable government policies, stiff competition and high transaction costs which tends to be minor but limiting the growth and development of small scale enterprises in Buwama Sub County Mpigi district.

5.3.3 Possible solutions

The study went a head and made a conclusion on the possible solutions to the limiting factors to the growth and development of small scale enterprises in Buwama Sub-County, Mpigi district where it was resolved that of much effort is still needed to improve on the status of small scale enterprises like encouraging of employees industrial education and training, equitable allocation of raw materials and improvement in the techniques of production, improving on government policies like imposing an appropriate taxes, adequate funding through bank loans and subsidies which could be applied to improve on the growth and development of small scale enterprises in Buwama Sub County Mpigi District.

5.4 Recommendation

5.4.1 Nature of capital

In the review of the above conclusions, the researcher made the following recommendation

The study recommends that micro finance institutions have to a larger extent played important role to the development of small and medium enterprises, thus funding and supporting small scale enterprises.

5.4.2 Limiting factors

The study also found that an individual innovativeness. affects the growth and development of small scale enterprises, it therefore recommends that the stakeholders should provide funds to enable innovativeness.

5.4.3 Possible solutions

The government of Uganda should sensor small scale enterprise on the operations of microfinance institutions. This can be done through awareness creation on the purpose and activities of microfinance institutions and where they can be reached.

5.5 Topics for further research

Due to the data unavailability, research could be done on further study on the role of microfinance institutions on the development of small and medium enterprises over long term.

Further research can be done on debt financing ratio to business performance and debt equity ratio management in business.

The effect of corporate governance on performance of micro financial institution in developing small scale and medium enterprises.

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APPENDICES

APPENDIX 1:QUESTIONNAIRES

Dear respondents

I Lubega Eddie, a student of Kampala International University pursuing a Bachelor's Degree in Arts with Education. I am currently conducting a research on the growth and development of small scale enterprises in Buwama Sub County in Mpigi district. In light of this, you are kindly requested to spare a few minutes of busy schedule and participate in this study giving your input in this questionnaire. Your responses will be highly appreciated and used for academic purposes only. It will therefore not in any way affect your status or position as it will be handled with maximum confidentiality.

SECTION A: BACKGROUND INFORMATION

(Tick an appropriate)

1. Your highest level of education
 - a) Masters ☐
 - b) Degree ☐
 - c) Diploma ☐
 - d) A-Level ☐
 - e) O' Level ☐
2. How long have you served in small-scale enterprises
 - a) Less than a year ☐
 - b) 1-3 years ☐
 - c) 4-6years ☐
 - d) 7-10 years ☐

SECTION B: NATURE OF CAPITAL EMPLOYED

1. Which range of capital do you employ in your business?
 - a) Sh. 50,000-100,000 ☐
 - b) Sh. 200,000-500,000 ☐
 - c) Sh. 1,000,000-1,500,000 ☐
 - d) Sh. 2,000,000 above ☐

SECTION C: THE LIMITING FACTORS TO THE GROWTH AND DEVELOPMENT OF SMALL SCALE ENTERPRISES

Indicate the extent to which you agree with the following statements on the limiting factors to the growth and development of small scale enterprises on a scale of 5 - Strongly Agree, 4 - Agree, 3 - Not Decided 2 - Disagree, 1 - Strongly Disagree

NO	STATEMENT	1	2	3	4	5
1.	Inadequate industrial education and training by the business owners to their employees hinders the growth of SMEs					
2.	Poor management and accounting practices limits the growth and development of small scale enterprises					
3.	Smaller enterprises face higher transaction costs than larger enterprises in obtaining credit					
4.	Lack of market for SMEs development					
5.	Lack of enabling environment like competition for finance, market lead to the limited growth and development of small scale enterprises.					
6.	Inadequate management like business knowledge, poor management, inadequate planning and experience hinders the growth and development of small scale enterprises					
7.	Low levels of technology which results into high costs of production and in competitiveness hinders growth and development of small scale enterprises					
8.	Unfavorable government policies inform of heavy taxes, preferential treatment of foreigners affect the growth of small scale enterprises					
9.	In adequatel and for expansion has also hindered the growth of SMEs					
10.	Stiff competition among SMES owners inform of ready market, production of homogeneous products hinders their growth.					

SECTION D: POSSIBLE SOLUTION

Indicate the extent to which you agree or disagree with the following statements on the growth and development of small scale enterprises on a scale of

5 - Strongly Agree, 4- Agree, 3 - Not Decided 2 - Disagree, 1 - Strongly Disagree

NO	STATEMENT	1	2	3	4	5
1.	Equitable allocation of raw-materials, improvement in techniques of production improves on the growth and development of small scale enterprises.					
2.	Industrial education and training to increase on employee skills and experience and improve on techniques of production could boost the growth and development of small-scale enterprises.					
3.	Adequate finance through giving out loans and government					
4.	Improvement in the methods and techniques to replace their automated equipments such as use of capital intensive techniques than labor intensive could boost the growth and development of small scale enterprises					
5.	Small scale business owners to focus on the customer retention whereby building customer loyalty is cheaper than getting a new customer could improve their growth and development					
6.	Change in government policies like imposing appropriate taxes, giving subsidies to small entrepreneurs to boost their growth.					
7.	The government effort to emphasize export strategy to widen the market whereby small business owners could sell outside the country could boost the growth and development of small scale enterprises.					

SECTION E: LEVEL OF CAPITAL EMPLOYED BY SMALL SCALE ENTERPRISES

Indicate the extent to which you agree or disagree with the following statements on the growth and development of small scale enterprises on a scale of

5 - Strongly Agree, 4 - Agree, 3 - Not Decided 2 - Disagree, 1 - Strongly Disagree

NO	STATEMENT	1	2	3	4	5
1.	In Uganda, a small business can employ 2 employees and medium can employ less than 10 employees. Therefore, the level of capital employed by small scale enterprises are estimated differently according to different economies					
2.	The number of people employed may not be a good indicator especially if the industry is labour intensive approach can transit huge sums of business worth transaction yet they employ a few people consequently.					
3.	The level of entrepreneurship has (PDF) micro, small and medium enterprises around the world-IF, employees, small: 10-49 employees and medium 50-249. These actions can be taken first of regional level.					
4.	A micro business is any enterprise with less than 9 employees and a level of capital formation by these business.					
5.	A small enterprise is one employing a maximum of 50 people with annual sales turnover of maximum shs.360 million and total assets of maximum shs 360 million. A medium enterprise employs more than 50 people with annual sales turnover of more than shs.360millionn and total assetsofmorethanshs.360million					