

**DETERMINANTS OF GROWTH OF SMALL SCALE ENTERPRISES IN UGANDA
A CASE STUDY OF BUGEMBE TOWN COUNCIL, JINJA DISTRICT**

BY

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DECLARATION

I, **TULYAGANANA EZEKIE**, do hereby declare that this is my original research report and has never been submitted for an award of a degree in any University or high institution of learning.

Signed:.....

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DEDICATION

I dedicate this report to my loving brother Mr. Tuirinya John, Dad Ntumbu Joshua, Mum Kiwala Rose and Sister-in-law, Kisakye Jesca and brothers and sisters who for the moral and financial support have accorded to me throughout my academic, entire life and during the completion of this work.

APPROVAL

This is to certify that this research report by Tulyaganana Ezekie has been done under my supervision and guidance and now it fulfills the minimum standard to be submitted to the University board for examination with my approval.

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DATE:

MR. ADAIGA MASUUD

(SUPERVISOR)

ACKNOWLEDGMENT

I would like to judiciously thank God for helping me in completion of this piece of work and in a special way I would like to convey my appreciation to my supervisor Mr. ADAIGA MASUUD whom I have been cooperating with throughout the completion of my report.

I am grateful to the academic staff of the Faculty of Science and Education for enhancing my capabilities.

MAY GOD BLESS YOU ALL

LIST OF ACRONYMS

SMEs	Small and Medium Enterprises
URA	Uganda Revenue Authority
GDP	Growth Domestic Product
UIA	Uganda Investment Authority
NGOs	Non-Government Organizations
CG	Corporate Government
VC	Venture Capital
IPOs	Initial Public Offerings

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ABSTRACT

This study assessed the determinants of the growth of small scale enterprises in Bugembe town council, i.e. to investigate how the level of capital employed determine the growth of small scale enterprises, to find out how the market size the growth of small scale enterprises and to investigate the influence of taxes on the growth of small scale enterprises of Bugembe town council in Jinja district.

The study took across-sectional design where both qualitative and quantitative approaches were used in the study. The study used the qualitative data basing on the fact that it provided a wide range of responses, no limits were put on respondents, and many respondents participated at a time and also enabled the researcher to understand fast, analyze and reveal data in a more meaningful way. However, quantitative data was also used to provide numerical analysis in terms of frequencies and percentage composition as a way of measuring incidental effects or influences between different variables. A sample size of 50 respondents was used to provide reliable findings to the study questions that were administered to them. The study examined the determinants of growth of small scale enterprise in Bugembe town council in Jinja district.

The findings revealed that capital employed determines the growth of SMEs through impacting the level of production and quality of goods and services. This is because one with huge capital invests more than one with little capital. The study went ahead to assess how market size determines the growth of SMEs and findings revealed that; big market size boosts sales revenue which consequently increases the profit levels of the firms or small enterprises.

It also contributes to the competition management in the market and hence enables the business owners to acquire a great share in the market, and URA should improve on the methods of collecting taxes by designing and updating simplified system. Taxes should be collected in relation to the size and profit of SMEs considering all other that can constrain the progress of such SMEs as there is a relationship between SMEs sizes and their ability to pay taxes.

The researcher recommended for the need to train enterprise owners, managers, and other operators in order to equip them with relevant governance skills and knowledge specifically tailored towards impacting various business management practices that promote growth of SMEs.

CHAPTER ONE

INTRODUCTION

1.0 Background of the study

The study was about the determinants of growth of small scale enterprises. SMEs in Uganda are increasingly becoming the backbone of the economy. In Uganda, SMEs employ more than 2.5 million people, making up 90% of those employed in the private sector. URA statistics (2013) show that, SMEs also contribute over 70% to total Gross Domestic Product (GDP) in Uganda. However, their rate of survival and competitiveness are a cause for concern. SMEs are facing development and performance challenges related to ineffective business governance. Poor performance of SMEs would jeopardize the livelihoods of the many Ugandans they employ. Initiatives to improve the survival rate of SMEs, so that they can offer greater opportunities for business competitiveness, locally and globally are needed.

There is no universally accepted definition of SMEs in Africa. Definitions in other countries also lack uniformity, and reflect the relative development of the respective economies (Beyene, 2002). The most widely accepted definition was forwarded by the Bolton Committee that viewed it from an economic perspective. The committee suggested that a small business is one that has a relatively small share of the marketplace; is managed by owners or part-owners in a personalized way and has a non-formalized management structure; and is independent, that is does not form part of a larger enterprise (Hill, 2001). The most recent and applied definition of SMEs today is by the European Union, which categories, SMEs using the number of employees and turnover. In this categorization, mid-sized SMEs have less than 250 employees and a turnover of between £43 to 50 million; small have less than 50 employees and a turnover of £10 million and the micro have less than 10 employees and a turnover of £2 million. However, we have underlying similarities in the concept used in the definitions.

According to the Uganda Investment Authority (UIA) [2008], Uganda defines and classifies SMEs into three categories: micro enterprises, employing a maximum of four (4) people, with an annual sales turnover of not more than UGX12 million and total assets of not more than UGX12 million; small-scale enterprises, which employ not more than 50 people, have an annual sales turnover of not more than UGX360 million and total assets not more than UGX360million; and medium enterprises, which employ more than 50 people, and have annual sales of more than UGX360 million and total assets of more than UGX360 million. The Institute of Certified Public Accountants of Uganda (2009) defines SMEs as those enterprises that do not have public

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