

**MICRO AND SMALL SCALE ENTERPRISES AND EMPLOYMENT GENERATION
IN KANSANGA TRADING CENTRE MAKINDYE
DIVISION, KAMPALA, UGANDA**

BY

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DECLARATION

I **BASIKANIA GILLES**, hereby declare to the best of my knowledge that this research report is original and has never been submitted to any other institution of higher learning or University for any academic award.

Signature... 

Date... 02/02/2015...

APPROVAL

This is to certify that this research report is of **BASIKANIA GILLES** and has been produced under my supervision and submitted to the College of economics and management Kampala international university in partial fulfillment for the award of a Bachelor's in business administration.

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LIST OF ABBREVIATION

CBOS	-	Community Based Organizations
GOU	-	Government of Uganda
DANIDA	-	Danish international Development Agency
LC	-	Local Council
MMSE	-	Micro small and medium enterprises
NAADS	-	National Agricultural Advisory Services
NARO	-	National Agricultural Research Organization
NGOS	-	Non Governmental Organization
PEAP	-	Poverty Eradication Action Plan
PMA	-	Plan for modernization of Agriculture
UBOS	-	Uganda Bureau of Statistics
RUM	-	Rural Urban Modernization
UNCST	-	Uganda National Council of Sciences and Technology
UNHS	-	Uganda National Households survey
USSIA	-	The Uganda Small scale industries Association.
USE	-	Universal Secondary Education
UPE	-	Universal Primary Education
FAL	-	Financial Audit Literacy

- FISA - Federation of Informal Sector Association.
- MFPED - Ministry of Finance, Planning and Economic Developmen

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ABSTRACT

The research report was entitled Micro and Small Scale Enterprises and Employment Generation in Kansanga Trading Centre Makindye Division, Kampala, Uganda, the study was guided by the following research objectives; to examine the ways through which micro and small scale enterprises are creating employment in Kansanga trading centre, to establish the relationship between micro and small scale enterprises and employment accessibility in Kansanga trading centre and to assess the factors for establishment of micro and small scale enterprises in Kansanga trading centre. The findings of the study revealed that majority of the respondents were aged (34 – 43) years, more men were engaged in micro enterprises compared to women, and majority of persons engaged in such enterprises were married. In conclusion, in line with education attainment, the researcher revealed that majority of the respondents who derive their livelihood from within the informal sector (small scale enterprises) did not have secondary education and above. The researcher recommended that, the MSME policy should be finalized and quickly implemented in order to address some of the challenges so as to enable the enterprises expand and create more employment and hence increase income. There should be enhancement of the capabilities of the informal sector workers through skills and training which is tailored to their competitive needs. The government should subsidize the cost of power since it is a key factor for the establishment of micro scale enterprises and more agro basic industries should be established since majority of the people in the country are practicing agriculture. There should be an improvement in the existing roads and other communication networks since they are deemed vital for starting up small-scale enterprises and government should think of re-opening of co-operative societies to bring people with common interest together.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

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

1.1 Background to the study

1.1.1 Historical perspective

There are about 36–44 million formal Micro and small business enterprises globally, including those in high-income OECD countries. About 65–70 percent of these (25–30 million) are in developing economies. About 31–38 percent (8–10 million) of formal Micro and small business enterprises in developing economies are owned fully or partly by women. Very small enterprises represent 54–68 percent of formal (Ayyagari 2007). The value of the small business sector is recognized in economies world-wide, irrespective of the economy's developmental stage. The contribution towards growth, job creation and social progress is valued highly and small business is regarded as an essential element in a successful formula for achieving economic growth (Vosloo, 1994: i). It is estimated that SMEs employ 22% of the adult population in developing countries (Daniels, 1994; Daniels & Ngwira, 1992; Daniels & Fisseha, 1992; Fisseha, 1992; Fisseha & McPherson, 1991; Gallagher & Robson). UNIDO (1999) estimates that SMEs represent over 90% of private business and contribute to more than 50% of employment and of GDP in most African countries.

The Micro and small business enterprises sector in Africa is characterized by a huge number of micro-enterprises. Most companies are small because the private sector is new, and because of legal and financial obstacles. At the other end of the scale, there

are many large companies, which tend to be multinationals. But between these two segments very little exists - which is where the SMEs ought to be. There has been little progress on encouraging SME growth since the 1990s.

The importance of financial services to Micro and small business enterprises cannot be overemphasized. SMEs particularly those in developing countries need a range of enabling and sustainable financial services in order to enable them effectively exploit abundant resources in their areas and fulfill their productive potential (Nwanna, 2000). It has however been noted by scholars like Hogan (2001) that the financial service sector focuses its success on the effective management of credit risk. This has therefore triggered financial services providers to put more emphasis on credit terms while lending to clients especially the Micro and small business enterprises borrowers. This is because MFIs consider lending to small businesses as profitable though a risky business. Providing financial services to large businesses is considered to be more costly and difficult. This leaves MFIs with no option but to lend to SMEs though at unfavorable credit terms.

The difficulty on accessing finance is arguably central among Micro and small business enterprises (World Bank, 2000). For example, in Tanzania it was found that 63% of Micro and small business enterprises consider difficulties in accessing finance from financial institutions as the major constraint to their development (Satta, 2003). In some cases the problem of financing is aggravated by the strict credit terms especially penalties on failure to repay their loans on time which affects their profitability because whatever they could have saved as profit is paid back in fines and other penalty related costs (Wright, 2000).

Micro and Small scale enterprises is one that is independently owned and operated and which is not dominant in its held of operation. It is privately owned and operated with a small number of employees and relatively low volume of sales. There was no single uniformly and irreversibly accepted definition of small scale business (Holmes, 2011).

According to Carroll (1992), small scale business employees not more than 50 employees both skilled and unskilled and like amounts of capital are involved and women mainly open to small scale business characterized by how growth, pretty trading activities and agriculture. Small scale businesses are generally regarded as driving force of economic growth, job creation and poverty reduction in developing countries. They have been the means through which accelerated growth and industrialization have been achieved.

Kitinisa (2004) describes performance of small scale business as the ability to attain it's goals by using resources in an efficient and effective manner, the goals of the organisation include; survival, profit making and expansion. Pandey (1979) looks at financial analysis as a measure of the organisation/business performance. The assessment of financial performance of business entities has a well-established methodology that includes computation and interpretation of univariate and multivariate models. Univariate predictions of performance are single ratios calculated for efficiency (Makerere Business Journal, 1996).

Small scale business (SSB) stimulates entrepreneurial spirits and the diffusion of skills because SSB's enjoy wide geographical presence than big companies in developing countries. In 1998, recommendation was adopted by the International Labour Conference to recognise the need for policy and legal framework in setting an environment for the development of small enterprises. Taxation contributes to the development and welfare of an economy through three fonts; generation of sufficient funds for public service financing and social transfers at high level of quality, incentive for more employment and reallocation of income. Likewise the income and need for survival of SSBs should also be considered. The Organisation for Economic Cooperation and Development (OECD) issued Charta on SSB policies in which governments from OECD countries recognised the roles of SSBs as well as recommending broad policy orientations conducive for their growth.

A study conducted by the Ghana Statistical service in 1992 revealed approximately 93% of registered businesses in Ghana are of SSB category. The recognition of SSBs in Ghana started in the early 1960s due to the springing up of small enterprises. Agriculture was seen as the main dominance of the economy before the 1960s. At that time, approximately 70% of agriculture holdings was managed by farmers whereas not more than 10% was managed by the government. The inclusion of agriculture and rural businesses into SSBs contributed greatly to the Kenyan economy. The performance of SSBs in Ghana has not achieved its goal of playing significant role in the growth of the Ghanaian economy. Governments have stepped up efforts to promote SSB development through the increase of incentive schemes comprising of budgetary allocations for technical assistance. The engine for the growth of the Ghanaian economy depends on the private sector which consists of SSBs. 70% of all industry establishments in Ghana is made up of SSBs. The SSBs contribute about 22% to the Gross Domestic Product (GDP) as well as accounting for 92% of businesses in Ghana and engrossing over 60% of labor force. Likewise, 85% of overall employment growth in Ghana stems from SSBs. This statistics makes SSBS the most important sector in the Ghanaian economy.

1.1.2 Theoretical perspective

The research based on Neoclassical economic theory. Neoclassical economic theory assumes that individuals are rational beings who respond in predictable ways to changes in incentives. From this perspective, there are two broad determinants of individual behavior: opportunities (or constraints) and individual preferences (Pollak 1998). Preferences are generally assumed to be stable and exogenous (e.g., unaffected by opportunities and constraints). Many economic models also assume that individuals have perfect knowledge and access to perfect markets. Individual utility (i.e., happiness or satisfaction) is usually assumed to be a function of consumption, and economic models often treat savings as a residual, those resources that remain after consumption decisions are made.

The Keynesian theory assumes a close economy and a perfect competitive market with fairly price- interest aggregate supply function. The economy is also assumed not to exist at employment equilibrium and also that it works only in the short run because as Keynes aptly puts it “ In the long run, we also will be dead”. The Keynesian theory is rooted on one notion of price rigidity and possibility of an economy setting at a less than full employment level of output, income and employment. The Keynesian macro economy brought into focus the issue of output rather than prices as being responsible for changing economic conditions. In other words, they were not interested in the quantity theory per say. From the Keynesian in the mechanism, monetary policy works by influencing interest rate which influences investment decisions and consequently, output and income via the multiplier process. Thus, the Keynesian theory is a rejection of Say's Law and the notion that the economy is self-regulating.

Micro theory has undergone a vast and complex evolution since the study of the economic phenomenon first came into limelight. It has drawn the attention of many researchers with different views on the role and dimensions of money in attaining macroeconomic objectives. Consequently, there are quite a number of studies aimed at establishing relationship between micro and small scale enterprises and employment.

In Uganda, the level of unemployment has both economic and social implications. From the economic point of view, the overall unemployment rate remains one of the key measures of Uganda’s economic performance. However, the unemployment rate is not only of economic implications but of social significance as well since it is also a key variable in accelerating poverty. Development cooperation report (2004/2005).

1.1.3 Conceptual perspective

Micro and small scale enterprises are the enterprises that use the money got from among the group members and rise a certain amount of money to begin small and medium business. The micro and small scale enterprises are used by the group of people who stay and keep together to collect money that is shared and or given to the

group members to improve their incomes. The role of micro and Small scale businesses in boosting the economic growth of a country cannot be underestimated. SSBs are seen to be the largest employer of workers. Initiatives have been undertaken to promote SSBs by various governments. In 2005, the Growth and Poverty Reduction Strategy (GPRS II 2006-2009) reported that the private sector competitiveness should be promoted in order to direct the economy towards achieving middle-income economy by 2015.

According to the World Bank/ IMF'S Annual Business Report in 2008, Uganda was ranked in the top ten global reformers for two consecutive years in 2006 and 2007. This rankings is based on the diversified nature of state-owned enterprises and the increasing number of private businesses. As stated earlier, report from the National Industrial Census (NIS) concluded that approximately 70% of industrial establishments are in the sector of SSBs which contributes to 22% of GDP as well as accounting for nearly 92% of businesses in Uganda. Various private and public institutions with the aim of serving as a catalyst to SSBs growth have been established. These institutions provide assistance to SSBs comprising of entrepreneurship development, training, good management advisory services, placing emphasis on the usage of made in Uganda goods and protection of their interest.

The broad picture that emerges from the various surveys of micro and small business enterprises financing "strongly suggest that business owners in the rest of the world view access to financing as a significant problem for business activity" (Turner et al, 2008: 15), i.e. that there might be a "financing gap" despite the various public and private sector initiatives to facilitate access to financing. Respondents to the Scope Small Business Survey (2010), however, when asked to identify the single most significant obstacle to growth, access to finance ranked third with 8.7% of small business owners citing the lack of access to finance as a reason. Credit financing was measured in terms of collateral, loan period, loan repayment schedule, interest rates and loan size, where as the dependent variable was measured in terms of return on capital employed, net profit margin, capital size and employment of people.

1.1.4 Contextual perspective

The Ugandan private sector has three main leading sectors in it. These are sub-sector of agriculture, sub-sector of industry and sub- sector of micro- business. The micro business sub-sector is the component of the Ugandan economy about which least is known. Wheelen and Hunger (1998), a small business enterprise in an independently owned and operated, not dominated in its fields and does not engage in innovative practices.

According to the World Bank's Global Findex, only one-third of the adult population had an account with a formal financial institution as of 2011, while the most recent FinScope survey of Uganda from 2008 shows more than half of the Ugandan population as financially excluded. Both surveys indicate that when compared with the rest of East Africa (Kenya, Uganda, Tanzania, Burundi), Uganda was second to only Kenya for the percent of the population financially served. For the 2008 survey, more than half of those participating in financial services did so through informal arrangements. However, formal banking services are expanding with new clients and new products (Global Findex results for Uganda, 2009).

SACCOs, on the other hand, are a more informal type of institution with a particular focus on reaching poor clients in rural areas. Unlike banks and MFIs, Kampala actually has the fewest SACCO members and the lowest member savings of all provinces. The Central Bank is mandated to supervise SACCOs nationwide and has created a grassroots savings mobilization scheme called Ikongo SACCO. SACCOs are recognized as widely accessible and have been a fundamental part of the expansion of the provision of financial services to rural areas. The Minister of Trade and Industry, Francois Kanimba, expressed optimism regarding the recent healthy growth of Ikongo SACCOs. He stated that it will translate into rural financial inclusion, increase credit needed to support rural-based micro businesses and projects, and play a key role in the support of the agricultural industry. In fact, Ikongo SACCOs triggered increased credit extension to rural based agro-business agro-businesses to UgX5.2 billion (US\$8.7 mil)

by November 2011 from UgX 818 million (US\$1.4 mil) in 2010 (Global Findex results for Uganda, 2009).

Micro and Small scale enterprises (MSE) are part of an informal sector which helps to fill the gap of slow growth of the informal sector in the development of the country. There is no Universal definition of MSE (Opio, 2006), MSE, definition depends on the number of employees, business turnover, assets and may vary from one economy to another.

As for Uganda's case, it is based on the number of employees because this is a paucity of comprehensive data on enterprises turnover and assets. Small scale enterprises employ more than four workers but less than nineteen workers, medium enterprises employ more than nineteen workers but less than one hundred workers and the large enterprises employ more than one hundred workers. MSE make up 67% of Uganda's business sector and if we add the micro businesses which employ less than 5 people, it becomes 99% (Uganda Bureau of Statistics, 2007).

Micro and Small scale enterprises play a big role in the economy especially in the developing countries like Uganda. That is, they provide employment breeding ground for innovation in all sectors of the economy like the agriculture, mining and others, MSE however much they have contributed to the economy, the growth is still slow.

1.2 Problem statement

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

As a result the number of Ugandans employed in the non agricultural sectors has continued to fall over time while the number of people employed in the primary sector (Agricultural mining and quarrying) has increased as presented in the table 1.1 below;

Table 1.1: The distribution of employment in Uganda selected

Schools of employment	%Employed by 2002/03	% employed by 2005/06
Primary	66.7	75.0
Manufacturing	6.5	4.3
Services	26.8	20.7
Total	100.0	100.0

Source: UNHS; 2002/03 and 2005/06

From table 1.1, it's evident to conclude that employment in the primary sector increased from 66.7% in 2002/03 to 75.0% in 2005 /06. While in the manufacturing/ Industrial sectors and in the service sector, employment instead registered a decrease from 6.5% to 4.3% and 26.8% to 20.7% in 2002/03 and 2005/06 respectively.

This is attributed to the fact that agriculture employs more Ugandans because it is popularly a rural phenomenon and thus it constitutes self employment and unsalaried family workers who are basically the women and the youth.

On the other hand, the increasing rate of unemployment in the industrial and service sectors is attributed to the lack of competent skills and in a adequate training possessed by many of the job seekers. Majority of the job seekers are asked to have a working experience which they really lack, for they are basically fresh graduates.

With these trends on going, the catastrophe that is likely to happen if this state of un employment continues is that income poverty will worsen resulting into hopelessness and in ability to access the basic needs of the life, un employment rate is likely to perpetuate crime and engagement in irresponsible behavior such as drunkenness, idleness and disorderly as well as prostitution among the youth as well as paving way

for "brain drain" in Uganda (MFPED,2006).

1.3 Purpose of the study

To assess the Micro and small scale enterprises and employment generation in Uganda with particular focus on Kansanga trading center.

1.4 Objectives of the study

- i. To examine the ways through which micro and small scale enterprises are creating employment in Kansanga trading centre.
- ii. To establish the relationship between micro and small scale enterprises and employment accessibility in Kansanga trading centre.
- iii. To assess the factors for establishment of micro and small scale enterprises in Kansanga trading centre.

1.5 Research questions

- i. Do MSE's contribute towards employment creation in Kansanga trading centre.
- ii. Is there a relationship between MSE and employment accessibility in Kansanga trading centre
- iii. What are the factors for the establishment of MSE in Kansanga trading centre?

1.6 Research hypothesis

H₀. There is a significant relationship between micro and small scale enterprises and employment generation.

1.7 Scope of the study

The study focuses on Micro and Small scale enterprises and employment generation Uganda with particular focus on Kansanga trading centre.

1.7.1 Time scope

The study was covered in a period of 2017-2018. Since the activities of micro enterprise are believed to be more serious even since the commencement of the 21st century.

1.7.2 Geographical scope

Kansanga trading center is one of the thirty teen (13) parishes that make up Makindye division in Kampala district, located in the Central region of Uganda. Kansanga trading centre has a population of more than one thousand and twenty members (1020). The major economic activities of the area include, MSE dealing in bakery, wood work, grain milling, micro finance institutions, shops, super markets, metal works and fabrications, saloons (Hair dressing), Garages transport including (Bodaboda and taxis), which all form the informal sector, Kansanga trading centre was selected because it is a major concentration centre of MSE in Makindye Division.

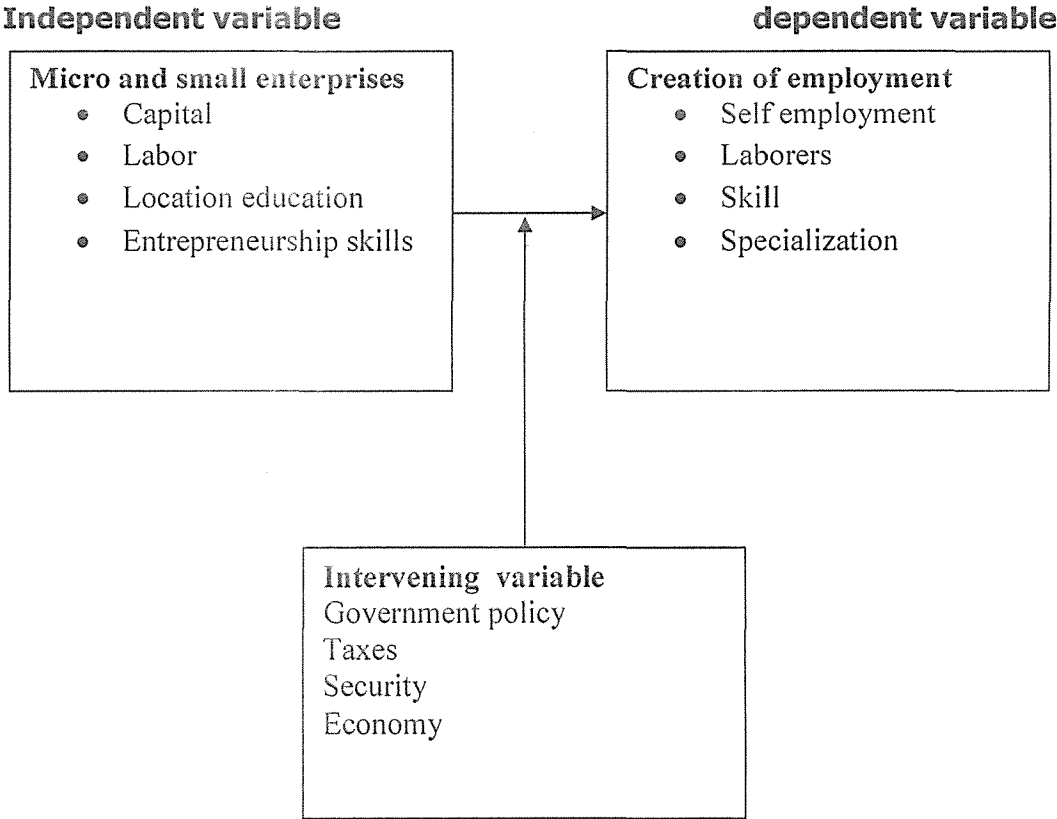
1.8 Significance of the study

The study discloses the benefits of targeting the informal sector (MSE) by the government and other policy makers as a move to create employment to the people of Uganda.

This study as well advises government and other people with authority and future researchers on employment.

The research also tries to compare other sectors in relation to employment generation. In the same way, the study lists some of the challenges faced by the Micro and small scale enterprises in the trading centre.

Figure 2.1 Conceptual framework



Source: Primary data,2018

From the diagram above, it is noticed that the depended (Creation of employment)variable has got (Self employment, Laborers, Skill, Specialization) depends on the Media and small enterprises (Capital, Labor, Location education, Entrepreneurship skills) with capital, more people think a lot of opening up business, this leads to job creation in the economy since, peoples location provides enough plans and market for small scale consumers especially in town.

However without the government support for the media and small enterprises, the job creation cannot be realized. Where there are high taxes, low security, the MSE investors shy away from business which hinders job creation from MSE.

1.9 Definition Of terms

Labour force: This is the proportion of the population that is within working age brackets of (14-64) years UNHS (2005/06). The people are either employed in formal employment, informal, subsistence and self employment or totally employed. The labour force also includes the employees, self employed persons, salaried and wage earning employees, paid and un paid family workers and also members producer cooperatives (MFPED), 2006). According to the UNHS (2005/06), Uganda's labour force was about 10.9 million workers.

Small –scale enterprises

A small scale enterprise is one which is independently owned and operated and not so dominant in its field of operation UNHS (2005/08) such enterprises take into account the example of retail shops, taxi owners and operators, boda –boda cyclists, carpentry workshops, mental works, maize and groundnuts mills, hair saloons, bar and restaurants, among others.

Further the number of small scale enterprises grew by about 11% between 2002 and 2006.

The unemployed persons

These are people with the economically active population (14-64) years who are without work, available for work in the last 7 (seven) days but did not necessarily take steps to search for work, UBOS (2006). According to me, Unemployed person is the person who doesn't have an income generating activity that he/she is doing.

Unemployment

This is a situation where people are willing and available for work at the ruling wage rate but fail to find jobs, Tayebwa (1996,2004). According to me, unemployment is a term used in an economy where people are jobless with no any business being done.

The informal sector

This is a sector that comprise of all sorts of small scale businesses usually with self – employed activities, with or without hired labor, UBOS (2003). They operate with low levels of organization, low capital, and low technology and offer on tempting basis. The informal sector is gaining prominence in Uganda and according to UNHS (2005/06), about 2.2 million house holds operated on a non-crop forming informal business employing about 4.4 million people.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, Review is done in respect to the meaning and scope of Small-scale enterprises, The formal sector, Micro and small scale enterprises and their contributions, Micro and small scale enterprises and education, Micro and small scale enterprises and factors affecting their activities, The employment creation problem and conclusion.

2.1 Theoretical review

Micro and small scale enterprises have been widely described by various researchers. According to Burns (1998), a Micro and small scale enterprise is defined as that enterprise that employs 1 to 10 people and is managed by its owners or part owners in a personalized way and not through the medium of a formalized management structure. The owner has overwhelming influence of the firm and his views determine activities of the organization.

In support of the above view, Balunywa 1998 says that small scale enterprises are usually sole proprietorships, which are legally owned by one person, who controls the business and they have unlimited liability, where it is difficult to separate the owner from the business.

However, Arteetey (2000) adds that Micro and small scale enterprises are those enterprises that employ one to twenty (1-20) people largely operating locally, and depend on internal resources of capital. They range from manufacturing, retail trade, and construction to commercial services.

Empirical evidence indicates that small scale enterprises find it very difficulty to diversify their risks, have divergent financial constraints, are very vulnerable to losing their

customers and the risk of failure is very high (Murphy 1990).

In Uganda small scale enterprises have been separated into broader categories of micro-enterprises and small enterprises. Micro enterprises are defined as those employing less than five people, often family members, while small scale enterprises are those that employ a maximum of 50 people (Kloot.L 1999) however, notes that this distinction is not fixed as businesses often move from one level to another.

But In a report by Ugadev/accord (2000), small scale enterprises were defined as enterprises whose investment in plant and machinery does not exceed \$10000 and whose number of permanent employees is less than 10 people, however, O'mara.C. et al 1995, In study of medium sized manufacturing firms found that ownership and the size of the organization had an impact on the performance of the organization. He found out that as a firm increased in size in terms of stock, sales, level of assets and more skilled employees, economies of scale in creating a positive impact on performance and employment of creation.

Research depicts that like any other business, the financial decision is the one of the most crucial decisions for most small scale enterprises. Dixon J.R (1990), argues that the financial decision of any business is vital determinant of its performance and directly affects other decisions of the business like the investment decisions and working capital decisions as well as employment creation decisions. However, I agree with the findings of a report by Ugadev/accord (2000) hence we can conclude that for the purpose of this research, small scale enterprises are those enterprises employing 1-10 people, as these are the ones that are trying to reduce fundamentally on unemployment problem.

2.2 Conceptual Review

Figure 2.1 Conceptual framework

According to UBOs (2003), the informal sector is that sector which comprises of all sorts of small and micro businesses usually with self-employed activities, with or without hired labor. They operate with low levels of organization, low capital and low

technology and often on temporary basis. The informal sector is gaining prominence in Uganda and according to UNHS (2005/06), about 2.2 million households operated a non-crop farming informal businesses employing about 4.4 million people.

2.1.1 Small scale and medium enterprises and their contributions

There is no universally accepted definition of a small and medium business (Opio 2006). However, definitions of small and medium business are usually based on the number of employees and turn over as well as total investment of the business. A small scale enterprises is one which independently owned and operated and not so dominant in its field of operation UNHS (2005/2006). The report further emphasizes that this enterprise takes into account the examples of retail shops, taxi owners and operators, Boda-boda cyclists, carpentry workshops, mental works, clay products, maize mills, hair saloon, bar and restaurants among others. Further, the number of small and medium enterprises grew by about 11% between 2002 and 2006.

The income tax act (1972), defines a small and medium enterprises for tax purposes as a resident tax payer whose annual gross turn over for all becomes operations exceeds Shs. 5 million but do not exceed Shs,50 millions, however, In a related development, the Uganda small scale industries association (USSIA) 1996 defines a small scale enterprise as one employing between 1-25 people and with assets and capital not exceeding USD 100,000. However, I disagree with Uganda Small Scale Industries Association (USSIA) 1996 because In Uganda, these businesses are very small employing up to a maximum of 50 people who in most cases are members of the same family. They have a working capital of less than USD 26,852 and revenue value of between USD 5376-26882 throughout each year of operation (Mbagutta,2002). In addition, they have an asset base of up to \$ 25,000 (Bagazonzya, 2003).

2.1.2 Small scale and medium enterprises and education

Education attainment has been identified as one of the essential approaches for combating poverty. This is of relevance because societies with low education levels are

not likely to attain and maintain high levels of economic growth. Such communities are also exposed to corruption and political manipulation, as well as violence and civil strike, occurrences that undermine human well-being and economic development, (UBOS 2006)

Majority of the persons who are engaged in, they have been attended school at one time, but the proportion is higher for males (78%) compared to 66% of the females. Almost 20% of those engaged in the activities of micro enterprises have never attended school at all and about 10% are currently attending school, UNHS 2002/03

Further most of the persons (63%) engaged in such enterprises have primary education level, with some differences by gender and about 19% have never attended school. Those with secondary education level and above constitute about 18%, and the proportion being high for males 22% compared to 14% of the females, UNHS 2002/03. I agree with the findings of UNHS 2002/03, that Majority of the persons who engaged in Small Scale Enterprises, they attended school at one time and thus means that education attainment could be one way of solving unemployment.

2.1.3 Small scale and medium enterprises and factors affecting their activities

The informal sector is growing prominence in Uganda, and about 39% of house hold in the country own and operate non crop enterprises, UNHS (2003/03). The same report further puts it that the major enterprises are in the manufacturing, and trends and services economic sector. These two categories employ about 1.8 million persons while livestock, poultry, bee keeping and the fish industry employs another 0.5 million persons.

The Uganda government has so far realized the need for targeting the informal sector as a way of generating more employment to its people of Uganda. In here, the government recognizes employment and poverty eradication potential of the informal sector, though it has taken limited initiatives to strengthen the sector. As a result micro

small and medium enterprises (MSES) continue to take several constraints which include many other insufficient infrastructures, legal and regulatory constraint. Inadequate finance, poor information flow, limited business development services, quality and marketing problems.

The MSE policy needs to be finalized and quickly implemented in order to address some of the challenges so as to enable the enterprises expand and create more employment and hence increase incomes. There is also need to enhance the capabilities of the informal sector workers through skills and training which is tailored to their competitive needs. Thus, with enhancement of informal sector capabilities that involve competences in management, production and quality enhancement, marketing among others. It is expected that the informal sector establishments will be more productive and graduate into large firms which will employ more people in the country.

Further, increased access to low interest loans and better facilities such as electricity, improved transport and communication, demonstration farms among others will be very crucial in enhancing growth of the sector (informal). The umbrella organization of the sector, that is freedom of informal sector association (FISA) and the Uganda small scale industries association (USSIA) could there be important entry points for strengthening MMSE and their increasing involvement on policy dialogue on matters to concern them (MFPED, 2006).

2.3 The employment creation problem

Llewellyn et al, (1985) observed that given the significant natural growth of labor force experienced in the majority of developing countries, the full employment commitment is translated into a growth commitment. So that achieving high and reasonable steady growth in turn could become an informal or formal commitment. They also noted that at Ministerial council meeting in 1961, the OECD countries recognized that rapid growth facilitated the harmonious development of the world economy, helped to promote a liberal world trading system, provided a necessary foundation for raising

living standards and ensured a high level of employment. But as Wang (1973) observed, many developing countries that had experienced high rates of economic growth had continued to encounter serious employment problems. However I disagree with Wang because Bauer and Yamey (1970) observed that wide spread of unemployment or under employment of unskilled labor is a notable feature of the economics of many back ward countries. Many people are unemployed not because they prefer idleness to work, but because there is an insufficiency of co-operant factors of production to set them to work.

According to Krishna (1973), however, positive growth of un employment is a real possibility in poor economies with a high labor force growth, a low saving rate and un restricted technical change, it's automatic elimination in a reasonable period of time is un likely even when they economy is growing. I support Krishna's view, and even Wang (1973) stated that "while crucial role of economic development should not be neglected, there is increasing skepticism that the problem of employment can be adequately dealt with simply by acceleration of growth" In Uganda however, the high rate of economic growth realized during the first decade of independence did not have a significant impact on employment generation.

Carnoy (1977) noted that Blaug (1973) and Blaug et al 1969 pointed out that although unemployment in non industrialized societies are high and include those with high levels of schooling, open unemployment was apparently lower among the highly educated than among the less educated. But Todaro (1985) saw the dimension of unemployment problem to be going beyond the simple shortage of work opportunities or the under utilization and low productivity of those who work long hours. He observed that the unemployment problem also includes the divergence between inflated attitudes and job expectation especially among the educated youth and actual jobs available in urban and rural areas.

As for the case of Uganda although urban unemployment exists agricultural employers increasingly complain about chronic shortage of labor at peak periods. The problem

rather is job selectivity and the white –collar –job attitude among the job seekers as well as the slow growth in the number of jobs which yield what is regarded as adequate wage in relation to the number of people who are looking for such jobs.

Today, Uganda continues to experience the problem of unemployment although accurate estimate of the unemployment is constrained by intricacies in determining the perceived high rate of hidden unemployment. This problem is concentrated in the central region and in urban areas where 12% are unemployed which is so high compared to the 2% of rural population which is unemployed (UBOS, 2006).

Tayebwa (1996, 2004) defines unemployment as a situation where people are willing and available for work at the ruling wage rate but fail to find jobs. Tayebwa qualifies his definition for unemployment by looking at various form/ kinds of unemployment such as; under employment, cyclical unemployment, voluntary and involuntary unemployment, disguised unemployment as well as the natural rate of unemployment. But According to UBOS (2006), unemployment is defined as the situation where in an economy or in society the supply of labor is exceeding labour demand in a given period of time. UBOS further defines the unemployed persons as these people with in the economically active population (14-64) years who are without work, available for work in the last 7 (seven) days but did not necessary take steps to search for work.

For Uganda in particular, as per the 2002 population census, over 80% of the 17 million people were employed in pleasantly agriculture, about 3% in the industrial sector, about 1% is the civil service which 16% were totally un employed. Today, about 68% of the country's population derives its livelihood from the agricultural sector (UBOS, 2006). The largest proportion of the employed labor force being self employed, followed by the unpaid family women and about 91.5% of the women are self-employed (unpaid family workers) and also about 70% of the employed women derive their incomes from agriculture (UNHS, 2002/03).

Therefore, improving the working conditions, technology in the informal sector as well as in the agriculture sector could have substantial impact on productivity and returns derived from the sector which will boost employment and hence growth. The Uganda government has taken a number of measures to curb unemployment and basically it refers to them as the macro economic reforms which include; poverty eradication action plan (PEAP).

This is a policy frame work for poverty eradication in Uganda. The policy is built on four (4) pillars namely; sustainable economic growth and structural transformations, good governance and security, increasing the income of the poor and improving the quality of life of the poor. This PEAP has since 1997 been implemented on a phased basis in the country by sub dividing into parts/sections. These include; the plan for modernization of Agriculture (PMA) and public sector reforms such as privatization and decentralization among others.

PMA is a policy frame work for poverty eradication by providing productive employment through, increasing operation agriculture productivity and farmers incomes. The policy is implemented under the decentralization frame work popularly known as "The summarized priority areas for government action" These areas include, research and technological development through the UNCST and NARO and strengthening NAADS so as to increase farmers' access to information, knowledge and technology through effective, sustainable and decentralized advisory services.

The above measures have however not been a success and their failure is attributed to the high degree of corruption and weak government institutions as put forward by the Development cooperation report of 2004/05. The report clearly discloses that corruption in government bodies especially in the tendering process impacts negatively on services delivery and therefore a key hindrance to poverty eradication. This is because, corruption drives up the costs of public sector projects, leads to the failure of public spending to achieve its objectives and also corruption leads to distortion of policy decisions leading to misallocation of resources and eroded public confidence. But the

government has however under taken efforts and measures such as formation of the public accounts committee, commissions of inquiry and strengthening financial control among others so as to improve efficiency and effectiveness in service delivery.

Besides the government, there are other employment providers among which NGOs and CBOS are the key contributors. These basically support self help projects and they render relatively higher levels of employment to the people of Uganda. There are a number of NGOs operating in a country such as world vision, care Uganda, the Red Cross society, medical research council, DANIDA and Rotary club – Uganda among others.

In a bid to generate more employment, government has emphasized the following strategies so as to achieve its goals namely; agriculture modernization aimed at promoting more state led than private led investments, rural industrialization which will transform the rural areas and reduce rural urban migration, promotion of education and training through UPE and USE aimed at slowing down the illiteracy rate that limits people's access to jobs, integration of the employment concerns into national planning processes promoting and supporting labor migration so as to enable Ugandans find some employment outside the country and also targeting the informal sector so as to boost small scale enterprise which can easily provide employment to the people of Uganda.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methods which were used to collect data: research strategy, research designs, survey population, sampling design, sample size, sampling procedure, data source, data collection methods and data processing and analysis.

3.1 The research strategy

The researcher used a case study of some small businesses in Kansanga trading center, Makindye division in Kampala district. The reason for choosing Kansanga is because of high concentration of MSE in the division.

3.2 Research design

The research used descriptive research design and exploratory design. It enabled the researcher understand why the world works the way it does. This design helped the researcher to control the variables by studying one variable at a time. It also helped the researcher to obtain validity.

3.3 Survey population

The researcher's survey populations was the owners of small businesses (1020) dealing in bakery, wood work, grain milling and these dealing in metal work and some of the employees in MSE.

3.4 Sampling design

The researcher used simple random sampling, purpose and multistage sampling techniques were used during the study.

3.5 Sample size

The researcher sampled thirty (30) members, ten (10) members from each category out of a population of more than one thousand and twenty members (1020), According to the 2014 business assessment (journal).

Table 3.1 showing sample size

Category	Number
Bakery	5
Wood work	4
Grain milling	8
Metal work	7
Employees	6
Total	30

3.6 Sampling procedures

The selected sample was divided into two strata. That is, the owners of SME's and the employees working in such enterprises.

A sample used selected from the five using a simple random sampling technique which was Makindye Division.

The division used stratified into sub-counties.

The sample of a sub-county used selected using simple random sampling.

The sub -county used stratified into parishes which are thirteen. (13).

From the parishes, a sample used selected using simple random sampling of which

Kansanga parish used selected.

The parish used stratified into villages.

A sample used selected from the villages using simple random sampling.

From the villages the small and medium enterprises owners and employees used got and interviewed.

Other stakeholders were selected depending on the information needed. For example, unemployed people and administrators of that area (Kansanga trading centre.)

3.7 Data sources

The researcher largely utilized primary data collected from operators of small scale and medium enterprises in Kansanga trading centre. Secondary data was used and included journals, internet, books and others, to get literature review that other researchers conducted in relation to my research topic. That is why I used secondary data.

3.7.1 Data collection methods

Questionnaire method. Both men and women were studied critically through use of self-administered questionnaires. The method was chosen because it provided an in-depth study and understanding of the contribution of micro enterprises in providing employment to the people of Kansanga trading centre.

Direct observation, interviewing owners of the businesses, employees plus those who are self-employed were used

3.7.2 Data Processing and analysis

The researcher coded the data according to the questionnaires and charts drawn and data entered in a computer then analyzed using a statistical computer package called Excel.

This used done basing on the descriptive data analysis. Some of the information gathered in the questionnaire was organized and interpreted.

3.7.3 Model specification

In order to investigate the impact of small scale and medium enterprises on employment growth, the following regression model was formulated.

$Y = \alpha + \beta X$ where,

Y= Rate of growth in employment levels

X= Rate of development of MSE

This was done by Pearson correlation of coefficient as,

$$r = \frac{n \sum XY - \sum X \sum Y}{\sqrt{(n \sum X^2 - (\sum X)^2)(n \sum Y^2 - (\sum Y)^2)}}$$

3.8 Reliability and validity of research instruments

All instruments used were subjected to close recommendation of the supervisor. The recommendation enabled the researcher to modify the questionnaires and hence obtain the data needed. In a bid to enhance reliability, internal consistence of the questionnaire was cross checked.

3.9 Limitations of the study

3.9.1 Slow/non response

There may be a slow response from the respondents mainly because most of them may be very busy with their work. However, this did not impair the findings of this study because the researcher persisted to follow up the appointments until the exercise was completed.

3.9.2 Time

The time allocated to this study was not adequate especially given this large number of respondents that are very busy.

3.9.3 Finance

Conducting research of this nature, to its logical conclusion is not easy and yet the researcher is self sponsored.

However, I wish to conclude this section by saying that the above limitations did not impair the quality of the findings that follow in the next chapter. They may however, slow down the pace at which the study was conducted.

CHAPTER FOUR

PRESENTATION OF RESULTS, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter gives the presentation of the findings, their analysis and the discussion of the results. The chapter also provides detailed information on the study questionnaires as well as answers to the research questions that tempted the researcher to go in for the research.

4.1 Testing the model specification

The model specification was carried out in order to answer the second objective of the study which aims at establishing the degree of relationship between dependent variable Y (rate of growth in employment levels) and independent variable X (Rate of development of SME)

To test the significance of the impact of small-scale and medium enterprises on employment growth, the following model was formulated.

$$Y = \alpha + \beta X \text{ Where } Y = \text{Rate of growth in employment}$$

$$X = \text{Rate of development in SME}$$

The use of correlation of coefficient analysis on the data collected was used and facilitated the estimation of the relative importance of the other identified explanatory variables as well. The correlation of coefficient method used on the next page was specified in the previous chapter

Table 4.1: Showing Calculations for the Correlation of coefficient (r)

observation	X	Y	\bar{X}	\bar{Y}	XY	X ²	Y ²
1	5	8	7.366667	12.9	40	25	64
2	5	8	7.366667	12.9	40	25	64
3	5	8	7.366667	12.9	40	25	64
4	5	11	7.366667	12.9	55	25	121
5	5	12	7.366667	12.9	60	25	144
6	5	8	7.366667	12.9	40	25	64
7	5	12	7.366667	12.9	60	25	144
8	5	8	7.366667	12.9	40	25	64
9	5	8	7.366667	12.9	40	25	64
10	5	11	7.366667	12.9	55	25	121
11	5	8	7.366667	12.9	40	25	64
12	5	8	7.366667	12.9	40	25	64
13	5	10	7.366667	12.9	50	25	100
14	5	11	7.366667	12.9	55	25	121
15	8	11	7.366667	12.9	88	64	121
16	8	12	7.366667	12.9	96	64	144
17	10	12	7.366667	12.9	120	100	144
18	10	12	7.366667	12.9	120	100	144
19	7	12	7.366667	12.9	84	49	144
20	7	14	7.366667	12.9	98	49	196
21	9	14	7.366667	12.9	126	81	196
22	9	15	7.366667	12.9	135	81	225
23	9	16	7.366667	12.9	144	81	256
24	10	16	7.366667	12.9	160	100	256
25	10	18	7.366667	12.9	180	100	324
26	11	18	7.366667	12.9	198	121	324
27	11	20	7.366667	12.9	220	121	400
28	11	22	7.366667	12.9	242	121	484
29	10	22	7.366667	12.9	220	100	484
30	11	22	7.366667	12.9	242	121	484
Total	221	387			3128	1803	5589

Source: Primary data,2018

$$\beta = \frac{n \sum XY - \sum X \sum Y}{n \sum X^2 - (\sum X)^2}$$

$$\beta = \frac{30 * 3128 - 221 * 387}{30 * 1803 - 221^2}$$

$$\beta = 1.584$$

$$\alpha = \bar{Y} - \beta \bar{X}$$

$$\alpha = 12.9 - 7.4\beta$$

$$\alpha = 12.9 - 7.4 * 1.58$$

$$\alpha = 1.208$$

Employment levels = 1.208 + 1.58SMEs

$$r = \frac{n \sum XY - \sum X \sum Y}{\sqrt{(n \sum X^2 - (\sum X)^2)(n \sum Y^2 - (\sum Y)^2)}}$$

$$r = \frac{30 * 3128 - 221 * 387}{\sqrt{(30 * 1803 - 221^2)(30 * 5589 - 387^2)}}$$

$$r = 0.8576$$

4.1.1 Estimated coefficients and their business interpretation.

- **Intercept (α)**

The regression coefficient of the intercept is positive 1.208, Thus implies that if the rate of development of SME was zero, The estimated employment creation level is 1.208.

- **Slope (β)**

The regression coefficient (β) is positive 1.58, thus holding other factors constant, a unit change in the rate of growth of SMEs increases the estimated employment creation levels by 1.58 hence positive relationships between SMES and Employment creation levels.

- **r^2 how well does the model fit**

From results above, $r^2 = 0.735$.This implies that 73.5% of variations in Employment creation levels are explained by the regression of SMEs on Employment creation levels.

4.2 Background characteristics of the respondents

The study included a sample of 30 (thirty) respondents and their characteristics in terms of age, sex, marital status, education, incomes per month and occupation are as presented in the proceeding tables.

Age of the respondents

The table 3, shows that majority of the respondents (40%) were aged between (34-43) years, followed by those aged (24-33), (44-53) who constituted 18.3%, the followed by 11.7% of the respondents were aged between 14-23 and above

53.

This is however in contrast with the findings of UNHS 2002/03 and UBOS (2006) which showed that majority of the person engaged in micro enterprises were aged (20-29) years.

Table 4.2 Showing age distribution of the respondents

Age of respondents	Frequency	Percentages
14-23	4	11.7
24-33	5	18.3
34-43	12	40.0
44-53	5	18.3
>53	4	11.7
	30	100

Source: Primary data,2018

From table 4.2, majority (40%) of the respondents engaged in micro enterprises were aged between 34 to 43 years and a few (11.7%) aged between 14 to 23 and above 53 as well.

This implies that a large proportion of masses engaged in such enterprises are those within the middle age while the elderly and those below 23 years are less involved.

This further means that these in the middle age are more involved in the labor market compared to the elderly and those in their early 20s.

4.2.1 Sex of the respondents

Table 4 below reveals that 53.3% of the respondents were males while 46.7% of the respondents were females. The finding however contrast with these of UNHS (2002/03 and UBOS (2006). According to UNHS (2002/03 and UBOS (2006), more women were engaged in the activities of small – scale enterprises.

Table 2.3 Sex of the respondent

Sex	Frequency	Percentages
Male	16	53.3
Female	14	46.7
Total	30	100

Source: Primary Data, 2018

Table 4.3 shows a high percentage of males (53.3%) engaged in micro enterprises compared to 46.7% of females. This probably may be attributed to the fact that women engage in home/ family care activities as opposed to men and put forward by one of the respondents during an interview.

Also most of the work carried out in the informal sector is more physical and calls for people who are energetic hence the males qualify as the key favorite for work within various forms of micro enterprises.

4.2.2 Marital status of the respondents

Table 5, shows that 60% of the respondents were married and 26.7% of the respondents were single while 13.3% of the respondents were the widows and the ones widowed.

Table 4.4: marital status of the respondents

Marital status	Frequency	Percentages
Single	8	26.7
Married	18	60.0
Widows/widowed	4	13.3
Total	30	100

Source: Primary Data,2018

4.2.3 Education level of the respondents

The table 4.4, presents a summary of the educational level of the respondents. From the 50% of the respondents had gone up to primary level of education, followed by 20% of the respondents who had gone through up to the Secondary level of education. The table also reveals that 13.3% of the respondents had never attained any formal education and that 10% of the respondents had attained diplomas in education. Only 6.7% of the total respondents had attained a degree status in education.

Table 4.5: Education level of the respondents

Educational level	Frequency	Percentages
No schooling	4	13.3
Primary	15	50.0
Secondary	6	20.0
Diploma	3	10.0
Degree	2	6.7
Total	30	100

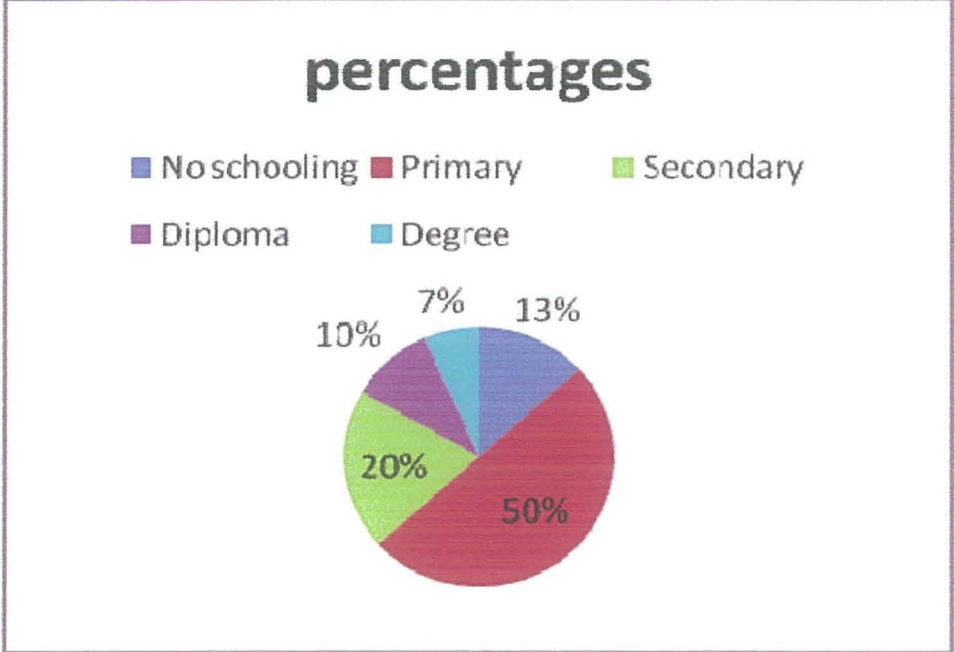
Source: Primary Data,2018

Table 4.5, reveals that majority of the persons (50%) engaged in micro enterprises had at most attained the primary level of education and about 13.3% of the total respondents had never attended school.

This is in line with the findings of UNHS, 2002/03 and 2005/06. The publications UNHS, 2002/03 and 2005/06 put it that three quarters of Uganda's labor force did not have secondary education and above.

Thus probably can be attributed that to the fact that primary education is relatively cheaper and relatively affordable to compare to other levels. Figure1 below shows the educational level of respondents.

Figure 4.1: Educational level of respondents;



4.2.4 Income per month of respondents

From table 4.6, 36.7% of the respondents earned Shs, (100,000 – 149,999) per month, followed by 23.3% who earned Shs. (50,000 – 99,999) per month. 13.3% of the total respondents earned income less than Shs, (50,000/=) per month and 10% of the respondents earned shs. (150,000-199,999) per month while 6.7% of the respondents earned (200,000 – 249,999) per month. Only 3.7% of the respondents earned at least Shs. 300,000 per month. This is however in disagreement with the findings of UNHS 2005/06.

According to UNHS, 2005/06, about 34% of the persons employed in the private sector earned less than Shs 20,000 per month. Thus the findings of the study are in objection with those of UNHS 2005/06 since from the research; only 13.3% of the respondents had incomes below Shs. 50,000 per month.

Table 4.6: Income per month of the respondent

Income per month	Frequency	Percentages
< 50,000	4	13.3
50,000-99,999	7	23.3
100,000-149,999	11	36.7
150,000-199,999	3	10.0
200,000-249,999	2	6.7
2500,000-299,999	2	6.7
>= 300,000	1	3.3
Total	30	100

Source: Primary Data, 2018

The results presented in table 4.6, imply that majority of persons employed by micro enterprises are less paid with 36.7% earning a maximum of shs, 150,000 per month and about 36.6% employees earning less than Shs, 100,000 a month. In terms of taxation, micro enterprises account for the hold tax base in Uganda. This is true as maturity of the masses engaged in such enterprises earn incomes below the threshold amount to be subjected to tax.

4.2.5 Occupation of the respondents

Table 8, shows that 26.7% of the respondents were business persons (Shop keepers) followed by 20% of the respondents who were engaged in Grain Milling, and bakery. The table also shows that 16.7% of the respondents were engaged in hair dressing saloon while 13.3% of the respondent engaged in transport Boda –Boda cyclists and taxis, 13.3% of the respondents were engaged in other activities 6.7% practiced welding (Metal works and fabrication) and finally 3.3% of the respondents were mechanics.

Table 4.7 : Occupation of the respondents

Occupation	Frequency	Percentages
Transport (Boda-boda and Taxis)	4	13.3
Hair dressing saloon	5	16.7
Welder, metal works and fabrication	2	6.7
Mechanic and wood work	1	3.3
Business (Shop keeper super markets)	8	26.7
Grain milling and bakery	6	20.0
Others	4	13.3
Total	30	100

Source: Primary Data, 2018

From the table 4.7, Majority 26.7% of the persons employed in micro enterprises derive their livelihood heavily from small shops and super markets existing in the area. This was revealed by some of the respondents may be attributed to the fact that small shops

need low capital and don't require a lot of experience and high levels of education.

4.3 Small scale enterprises in Kasanga Trading Centre

The respondents cited the key small scale enterprises that exist in Kasanga trading centre in Makindye Division. They gave a list, which contained Bakery, Wood work, grain milling, micro finance institutions, shops, super markets, metal works and fabrications, saloons (Hair dressing), Garages, transport including Boda boda and taxis, bar and restaurant and health services providers.

Factors for establishment small scale enterprises in Kasanga trading centre.

From the table 9, 26.7% of the respondents revealed that power was a key factor responsible for establishment of the micro enterprises in area, followed by market, availability of inputs and labour that constituted 16.7%. Other factors constituted 13.3% while 13.3% of the respondents attributed to the presence of communication and transport networks.

Table 4.8: Factors for establishment of small-scale enterprises

Factors	Frequency	Percentages
Market	5	16.7
Power	8	26.7
Labour	5	16.7
Communication and Transport	4	13.3
Availability of in puts	5	16.7
others	4	13.3
Total	30	100

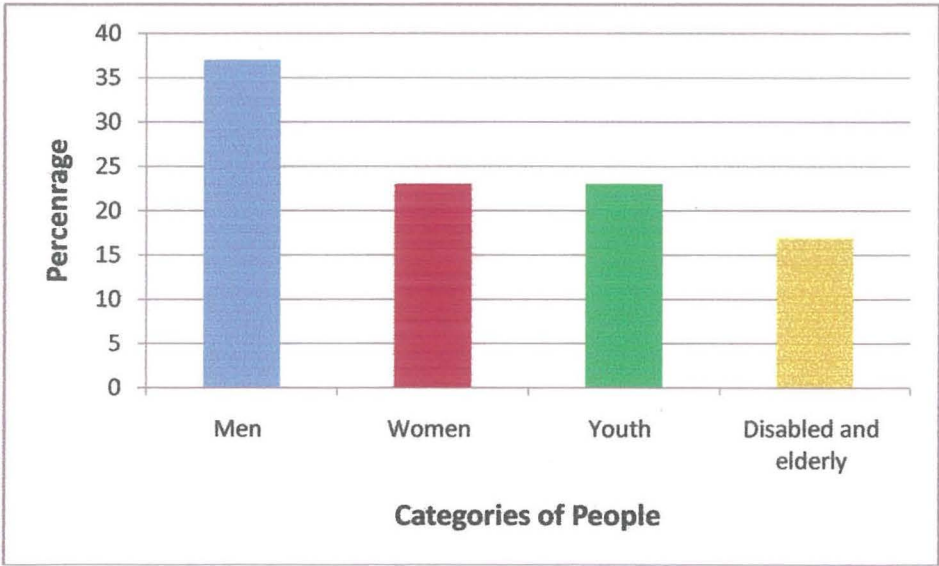
Source: Primary Data,2018

Based on results in table 4.8, power is a very essential and instrumental factor for the establishment of such micro enterprise. This actually accounts for the increasing number of business such as welding, gain milling, factors fundamental institutions and Garages for motor vehicle repairs among other which largely depend on the power for their operations.

4.3.1 Categories of people involved in the small –scale enterprises in Kasanga trading centre

Figure 4.2 reveals that more men were engaged in micro enterprises with 37% of the total respondents, followed by women and the youth who constituted 23% of the total respondents. 17% of the respondents were among these others who are involved in the small scale enterprises. These included the disabled and elderly. Fig 2 shows the various categories of people engaged in small –scale enterprises in the area. This implies that more men (37%) are engaged in micro enterprises compared to women and the youth.

Figure 4.2: Categories of people involved in small-scale enterprises.



4.3.2 Challenges encountered by small-scale enterprises in Kasanga trading center

Table 4.9, shows that 43.3% of the respondents raised inadequate capital as a key challenge faced by small-scale enterprises in the area followed by high operating expenses which was raised by 26.7% of the respondents. 23.3% said the enterprises are faced with fluctuations in prices especially those dealing in perishable products. 6.7 of the respondents rose to other challenges to the enterprise. These include limited capacity for expansion, insufficient infrastructures, and high degree of competition and also frequency collapse of these enterprises.

Table 4.9: Challenges encountered by small-scale enterprises

Challenges	Frequency	Percentages
In adequate starting capital	13	43.3
Operating expenses	8	26.7
Fluctuating prices	7	23.3
Others	2	6.7
Total	30	100

Source: Primary Data,2018

The results of table 10, serve to mean that lack of start –up capital is the biggest problem encountered by micro enterprises in all their executions indeed one of the respondents revealed that due to inadequate financial resources, many proprietors are

forced to borrow money from micro finance institutions in order to finance their undertakings. However, they are rendered into such without proper sensitization and monitoring on how to manage loans. Thus this can be the reason to account for why several of these enterprises live for a maximum of one year.

4.3.3 Contribution of small-scale enterprises in the area

Majority of the respondents (46.7%) said small-scale enterprises are very contributive in providing self employment. This was followed by 23.3% of the respondents who revealed that small-scale enterprises were essential in food production while 20% of the respondents said that small-scale enterprises help in providing market for agricultural output (raw materials); 10% of respondents said that these enterprises have other contributions such as easing transport of Boda-boda, providing technical training especially the welding and mechanics. Among other contributions was community/area development.

Table 4.10 : Contribution of small-scale enterprises in the area

Contribution	Frequency	Percentages
Market for agricultural out put	6	20.0
Self employment	14	46.7
Food production	7	23.3
Others	3	10.0
Total	30	100

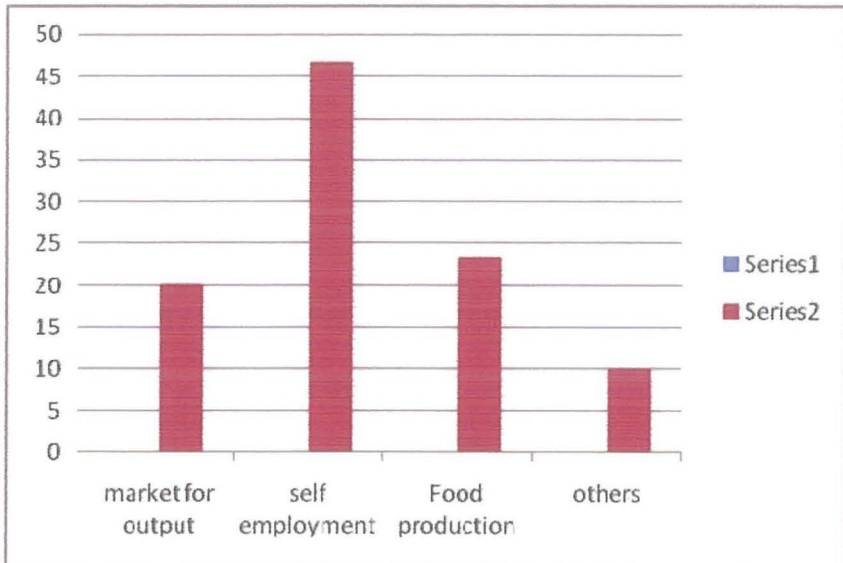
Source: Primary Data,2018

The same table 4.10, serves to answer the research questions one thereby helping the researcher achieve objective one of the study. Based on the results of table 11, the researcher concluded that micro enterprises were found to be very instrumental in availing self employment and providing market for output, thus objective one was successfully achieved. With respect to employment creation by small-scale enterprises, the study found out those micro enterprises to reasonable extent fair in creating employment to Ugandans. This is in line with the findings of UBOS, 2006.

According to (UBOS 2006), about 4.4 million people operate informal businesses which accounts for about 40.4% of the total 10.9 million employed Ugandans. This further contributes to high levels of self –employment.

Figure 3: presents the contributions of small scale enterprises to the people of Kasanga trading centre.

Figure 4.1 : Contribution of small-scale enterprises



4.4 Employment creation problem in Kasanga trading centre

When respondents were asked about unemployment problem in the area, they gave their responses as summarized in the table 4.11: Table 4.11 shows that when respondents were asked about the existence of unemployment in their area, the highest percentage (90%) all agreed that unemployment was present in the area and only 10% of the respondents did not know whether the problem was present in their area. None of the respondents denied the presence of unemployment in the area.

Table 4.11 : People's views on unemployment

Response	Frequency	Percentages
Yes	27	90.0
Not sure	3	10.0
Total	30	100

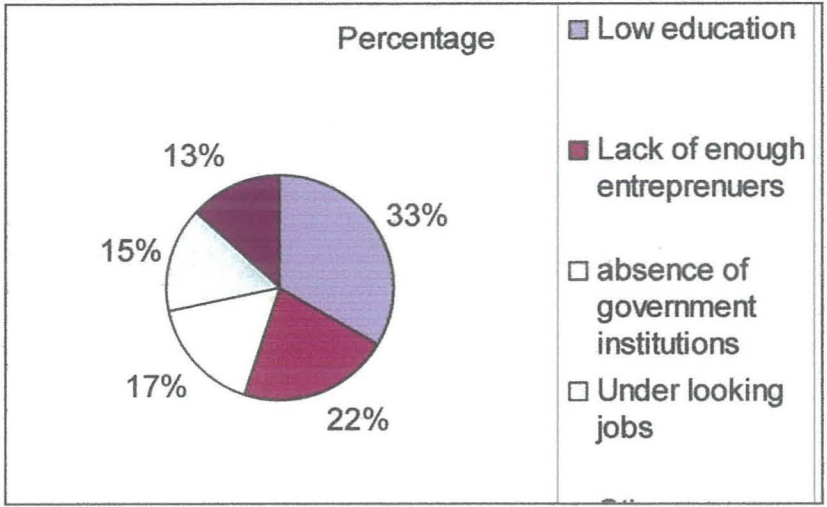
Source: Primary Data,2018

4.4.1 Causes of unemployment

Figure 4.4: shows low education attainment as a key cause of unemployment as 33.3% of the respondents revealed. This is followed by 21.7% who attributed un employment to lack of enough entrepreneurs in the area. 16.7% of the respondents said that unemployment is because of absence of government institutions while 15% of the respondents cited under looking of jobs as a major course of unemployment in Kasanga trading centre 13.3% of the respondents attributed un employment un employment to other causes especially poor road net work, instability to acquire startup capital lack of

land for expansion and high rates of interests on loans as well as HIV/AIDS. Figure 4 shows the causes of unemployment in Kasanga trading centre as pointed out by the respondents.

Figure 4.4: Causes of unemployment.



The facts revealed by the figure (4.4) reflect low levels of education as a key cause of unemployment in the area. This does not however mean that those with high levels of education easily access work, but rather those who are educated and have the relevant training (Vocational skills).

Further it should be noted that accessing vocational does not necessarily result in employment if the structure of the labour market is not turned to self-employment creation.

4.4.2 The impact of unemployment

From table 4.12, majority of the respondents (36.7%) said that unemployment leads to rural urban migration (RUM). These were followed by 26.7% of the respondents who attributed the high rate of crime due to unemployment problem. 16.7% of the respondents said 10% of the respondents attributed unemployment to be the leading cause of malnutrition and stunted growth among children. Some respondents 6.7% put

it that unemployment leads to family breakages and 3.3% of the respondents perceived unemployment to be having some other impacts on society such as poor performance of children brain drain, prostitution and increased school drop outs especially at higher levels.

Table 4.12: The impact of unemployment

Impact	Frequency	Percentages
RUM	11	36.7
High crime	8	26.7
Increased poverty	5	16.7
Malnutrition	3	10.0
Family breakages	2	6.7
Others	1	3.3
Total	30	100

Source: Primary Data,2018

Based on the results of table 13, unemployment is the prime cause of RUM.

This probably could be the reason explaining the high rate of unemployment in urban areas as put forward by various reports such as UBOS (2006) that the rate is higher in urban area (12%) compared to about (2%) in rural areas.

4.4.3 Ways through which government has tried to solve unemployment in Kasanga trading centre.

The respondents had different perception on how government has tried to curb down the unemployment problem in their area.

Table 4.13: Measures by government to curb unemployment in Kasanga trading centre

Measures	Frequency	Percent
Provision of power	5	16.7
Establishment of small factories	7	23.3
Promotion of education	12	40.0
Improvement in transport and communication net work	4	13.3
Others	2	6.7
Total	30	100

Source: Primary Data, 2018

Majority of them (40%) revealed that government has tried to promote education through UPE, FAL and the recently launched USE. 23.3% of the respondents said government encourages establishment of small-industries and factories in the area while 16.7% of the respondents acknowledged government efforts to provide power as

a move towards solving unemployment in the area. Some of the respondents 13.3% perceived that government has improved transport and communication net works that reach out to far suburbs of the city.

Other respondents 6.7% said that the government has through other measures tried to solve unemployment in the area. These include technical and training education, security and encouragement of micro finance schemes where such respondents could borrow loans to finance their micro business enterprises.

CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.0 Introduction

This chapter presents the conclusions that were drawn after a thorough analysis and discussions of the study findings. The chapter also outlines the key recommendations, which were deemed vital from the respondent's views and those suggested by the researcher.

5.1 Conclusions

Based on the findings of the study, it can be concluded that majority of the respondents were aged (34 – 43) years, more men were engaged in micro enterprises compared to women, and majority of persons engaged in such enterprises were married.

5.1.1 Relationship between small scale enterprises and employment creation

With respect to employment creation by small-scale and medium enterprises, the study found out micro enterprises to reasonable extent fair in creating employment to Ugandans. This is in line with the findings of UBOS, 2006. According to UBOS (206), about 4.4 million people operate informal businesses which accounts for about 40.4% of the total 10.9 million employed Ugandans. The researcher thus concluded that micro enterprises largely contribute to employment creation to many Ugandans.

5.1.2 Relationship between education and employment

In line with education attainment, the researcher revealed that majority of the respondents who derive their livelihood from within the informal sector (small scale enterprises) did not have secondary education and above. This is true as is in line with the findings of UNHS (2002/03 and 2005 / 06) put it that three quarters of the Uganda's labor force did no have secondary education and above. The researcher therefore concluded that there seems not to be a direct relationship between formal

education and employment accessibility.

5.1.3 Vital factors affecting micro enterprises

The research findings put it that the presence of power, market, labor, availability of inputs and communication networks as well other factors are deemed vital for the establishment of small scale enterprises. Also the study revealed that the women, men, the youths and other people were categories of persons engaged in micro enterprises and that the small scale enterprises contributed to the community of Neeba trading centre through providing self employment market for products, food production and others. The respondents commended small scale enterprises for their continued small scale enterprises for their continued support to employment creation through offering self employment to the people, availing market for their out put, ensuring food production hence food security and improved standards of living.

5.2 Recommendations

Following thorough analysis of unemployment in community of Kasanga, the researcher believes that the issues below should be addressed by the policy makers and other people with authority.

5.2.1 The need to implement the MSMES policy

The MSMES policy should be finalized and quickly implemented in order to address some of the challenges so as to enable the enterprises expand and create more employment and hence increase income. Further, increased access to low interest loans and better facilities such as electricity, improved transport and communication networks, demonstration farms among others will be very critical in enhancing growth of the informal sector. The umbrella organizations of the sector that's, Freedom of Informal Sector Association (FISA) and the Uganda small scale industries association (USSIA) could there be important entry points for strengthening MSMES and their increasing involvement in policy dialogue on matters concern them (MFPED, 2006).

5.2.2 Relevant education and training

There should be enhancement of the capabilities of the informal sector workers through skills and training which is tailored to their competitive needs. Thus, with enhancement of informal sector capabilities that involve competence in management, production and quality enhancement, marketing among others, it is expected that the informal sector establishments will be more productive and graduate into large firms which will employ more people in the country.

5.2.3 Necessary factors affecting micro enterprises

The government should subsidize the cost of power since it is a key factor for the establishment of micro scale enterprises and more agro basic industries should be established since majority of the people in the country are practicing agriculture. There should be an improvement in the existing roads and other communication net works since they are deemed vital for starting up small-scale enterprises and government should think of re-opening of co-operative societies to bring people with common interest together.

5.2.4 Other recommendations

The government should improve Agro-industry policies. However, continuous monitoring of any undertaken programs as well as projects should be made to ensure that misappropriations are minimized or eliminated.

People engaging in small-scale enterprises should be encouraged to develop a habit of saving and the government should advocate for low interest loans for such people. This will enable their business expand into relatively large enterprises which in turn will create more employment to Ugandans.

The researcher recommends that the government should incorporate small and media enterprises among the strategies; it believes that can help in creating more employment opportunities to the people of the republic of Uganda.

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APPENDIX 1

QUESTIONNAIRE

The community of Kansanga Trading Centre

I am a student of Kampala International University conducting a study about the Micro and small scale enterprises and employment generation.

I really need your assistance to be able to finish this research. Any information given will be used for academic purposes only and will be treated with confidentiality. I would be very grateful if information requested in this questionnaire is provided.

A. BIO -DATA

INSTRUCTIRONS

Tick the appropriate code/response

1. Sex

a) Male b) Female

2. Respondents age bracket;

a) 14-23 b) 24-33

c) 34-45 d) 44-53

e) 54-63 f) > 63

3 Marital status

a) Single b) married c) windowed

4 Occupation

a) Boa -boda and Taxi b) Mechanics

c) Business d) Welder

e) Grain miller f) Hair dressing

g) Saloon

h) Others

5 Income per months

a) > 50,000

b) 50,000- 99,999

c) 100,000- 149,000

d) 150,000-199,999

e) 200,000-249,999

f) 250,000- 299,9999

g) >=300,000

6 Level of education

a) No schooling

b) Primary

c) Secondary

d) Diploma

e) Degree

7 For how long have you been in this area?

a) 2-4 years

b) 5-7 years

c) 8-10 years

d) 10 years

B : small scale enterprises

Indicate the level you agree or disagree with the following statements

8. The following different small scale enterprises exist in Kansanga trading centre.

Small scale enterprises	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Bakery					
Wood work					
Grain milling					
Micro finance institutions					
Shops					
Super markets					

Garages					
Others					

9. The following factors influence the establishment of these small scale enterprises in the area.

Factors	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Market for input and output					
Power					
Labour					
Availability of inputs					
Others					

10 The following categories of people get involved in small scale businesses.

Categories	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Men					
Women					
Youth					
Others					

11. To what extent do the following challenges of influence micro finance enterprises

Challenges	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
inadequate of starting up capital					
operating expenses					
Fluctuating prices					
Others					

C: Employment Creation problem

Tick appropriately

12. There is unemployment in your area

Small scale enterprises	Strongly agree	Agree	Not sure	Disagree	Strongly disagree

13. Unemployment is mainly caused by the following factors

Causes	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Low education					
Lack of enough enterprises					
under looking jobs					
lack of government institutions					
Others					

14. Unemployment has led to the following effects to the social economics well being of the people in your area

Effects	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Rural Urban Migration					
High crime					
Interested poverty					
Malnutrition					
Family breakages					
Others					

15. Small scale enterprise have contributed to solving unemployment in your area

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

The following are some of the contribution of MSE towards solving the problem in your area

Contributions	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
market for inputs and out puts					
Self employment					
Food production					
Others					

17. The government has played a big role to solve unemployment.

Strongly Agreed	Agree	Not sure	Disagree	Strongly disagree

The following are some of the steps /measures taken by the government to solve unemployment in your area.

Measures	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Promotion of education					
Provision of power					
Establishment of factories					
Transport and communication networks					
Others					

In your own view, what do you think should be done to solve unemployment in Uganda.

.....

.....

THANK YOU FOR YOUR COOPERATION

Appendix I: Estimated Budget

Item	Amount
Stationary	100,000
Transport	178,000
Communication (Air time)	120,000
Facilitation	130,000
Internet	100,000
Total	628,000

Appendix II: work plan

Item	J	F	M	A	M	J	J	A	S	O	N	D
Selecting topic												
Approval												
Writing proposal												
Data collection												
Writing a report												
Corrections												
Submission												



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**COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE**

July, 4th 2018

To whom it may concern

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR BASIKANIA GILLES
REG NO 1153-05014-00615**

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration, Third year Second semester.

The purpose of this letter is to request you avail her with all the necessary assistance regarding her research.

**Topic: - MICRO AND SMALL ENTERPRISES AND EMPLOYMENT
GENERATION IN KANSANGA BUNGA TRADING CENTRE
MAKINDYE DIVISION, KAMPALA, UGANDA.**

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

DR. JOSEPH B. K. KIRASSO
HOD - ACCOUNTING AND FINANCE
0772323344

