

**THE IMPACT OF SMALL SCALE AND MEDIUM ENTERPRISES ON
EMPLOYMENT CREATION IN KANSANGA TRADING CENTRE
IN MAKINDYE DIVISION**

BY

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DECLARATION

I Nkamuhabwa Frank, hereby declare to the best of my knowledge that this research dissertation is original and has never been submitted to any other institution of higher learning or University for any academic award

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APPROVAL

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DEDICATION

I dedicate this Research work to my sister Ms. Nasasiira Recheal and my Brother Kapipi William, Best Friend, University Supervisor, Beloved Lecturers and Respondents of Kansanga Trading Centre for their support towards the success of this report.

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May God Bless you!!

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LIST OF ABBREVIATION

CBOS	-	Community Based Organizations
GOU	-	Government of Uganda
DANIDA	-	Danish international Development Agency
LC	-	Local Council
MSMES	-	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 Development

ABSTRACT

The study is sought about the impact of small scale and medium enterprises on employment creation in Kansanga trading Centre.

The objectives of the study was to establish the relationship between small scale enterprises and employment creation in Kansanga trading Centre, to examine ways through which small scale enterprises are solving unemployment in the area and to assess the factors for establishment of small and scale enterprises in Kansanga trading Centre.

A descriptive design and exploratory design was used depending on the characteristics of the study. A sample of 30 respondents was used, data was collected using questionnaire directed to the owners of small scale enterprises in the area.

Data was also analyzed using frequencies where percentages were derived for easy interpretation, and statistical package for scientific research which was used to investigate the relationship between small scale enterprises and employment creation.

Findings on employment creation by small scale and medium enterprises, the study found out micro enterprise to reasonable extent fair in creating employment to Ugandans. This was indicated by a strong positive relationship between two variables as indicated by Pearson correlation coefficient of determination.

From the conclusion 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.

Recommendations on the level at which small scale enterprises are performing was also to implement the SMES policy, relevant education and training, subsidizes the cost of power and to ensure that misappropriations are eliminated. Furthermore 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.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the definition of concepts, 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 of the study

Approaches to employment creation all over the world have taken different forms depending on the country's specific objectives. Most significantly, emphasis has been put on skills development through education and training as put forward by the United Nations population Fund (UNFPA 2005).

This has also attracted large investments by various governments to the general academic, technical and vocational training so as to prepare mainly the youth for work, most of them find it difficult or have failed to secure employment in the labour market. Therefore in reflection to the many difficulties people face to secure employment, several governments and other service providers are devising new approaches to address unemployment especially among the youth and other social groups. In here, they believe in combining education and training for wage employment or self-employment, the promotion of small business enterprises GOU/UNFPA, (2005).

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).

The report puts that with a high unemployment rate, it will become increasingly difficult or impossible to alleviate poverty and inequality in Uganda over a long time.

The country has a population of about 34.9 million people of whom about 51% are women and 49% are men (UNHS, 2005/6).

Uganda labour force is about 10.9 million people and includes the population in the working age

bracket of (14-64) year as according to the UNHS. These people are either employed in formal employment, informal, subsistence or self-employed or totally.

Unemployed. The labour force also includes employers, self-employed persons, salary and wage earning employees, paid or unpaid family workers and also members of the producer cooperatives. (MFPED, 2006)

Of recent since 2002, the country's growth rate slowed down and the poverty started rising as per the development cooperation report, 2004. Poverty and improving people's welfare in developing countries like Uganda are closely related to the adequacy of productive employment opportunities to the poorest, the provision of employment may be only means of improving their social economic welfare (MFPED, 2006).

The unemployment problem is concentrated in the central region among the youth who form about 58% of the unemployed. This is particularly high with these who have secondary school education and relatively lower among those with no schooling or went up to primary seven but have vocational skills and training (UBOS, 2006). Therefore any efforts to generate employment in Uganda should focus on removing all obstacles to job creation and accessibility more so in the central region, urban areas and among the youth and women.

A number of strategies such as promotion of education, modernizing agriculture, promoting of health, communication, transport and privatization among others are being implemented by the Uganda government as means of increasing employment creation.

Small and medium enterprises (SME'S) 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 SMES (Opio, 2006), SMES, 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 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.

SMES 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).

Small and medium 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; SMES 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 below.

Table 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 the table above, 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

The purpose of the study was to assess the impact of small and medium enterprises on employment creation in Uganda with particular focus on Kansanga trading center.

1.4 Objectives of the study

- To examine the ways through which small scale and medium enterprises is creating employment in Kansanga trading Centre.
- To establish the relationship between SME’s and employment accessibility in Kansanga trading centre.
- To assess the challenges encountered by small-scale and medium enterprises on employment creation in Kansanga trading center

1.5 Research questions

- Do SME’s contribute towards employment creation in Kansanga trading centre?
- Is there a relationship between SME’s and employment accessibility in Kansanga trading Centre?
- What are the challenges encountered by small-scale and medium enterprises on employment creation in Kansanga trading center?

1.6 Scope of the study

1.6.1 Content Scope

The study focused on SME’s with the aim of assessing the impact of small and medium

enterprises on employment creation in Uganda with particular focus on Kansanga trading Centre.

1.6.2 Time scope

The study covered a period of seven (7) month that is September-March. This will enable the researcher to collect the information necessary for the study.

1.6.3 Geographical scope

Kansanga trading center is one of the fifteen (15) parishes that make up Makindye division in Kampala district, located in the Central region of Uganda. Kansanga settlement is estimated to have a population of 20,000 people and it's bordered by Kabalagala and Kisugu to the north, Muyenga to North-East, Kiwafu to the East, Bbunga to the south-west, Konge to the south, Lukuli to the South-West, Kibuye to the West and Nsambya to the North-West. The major economic activities of the area include, SMEs dealing in 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), which all form the informal sector, Kansanga trading centre is selected because it is a major concentration centre of SMEs in Makindye Division.

1.7 Significance of the study

The study discloses the benefits of targeting the informal sector (SMEs) 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.

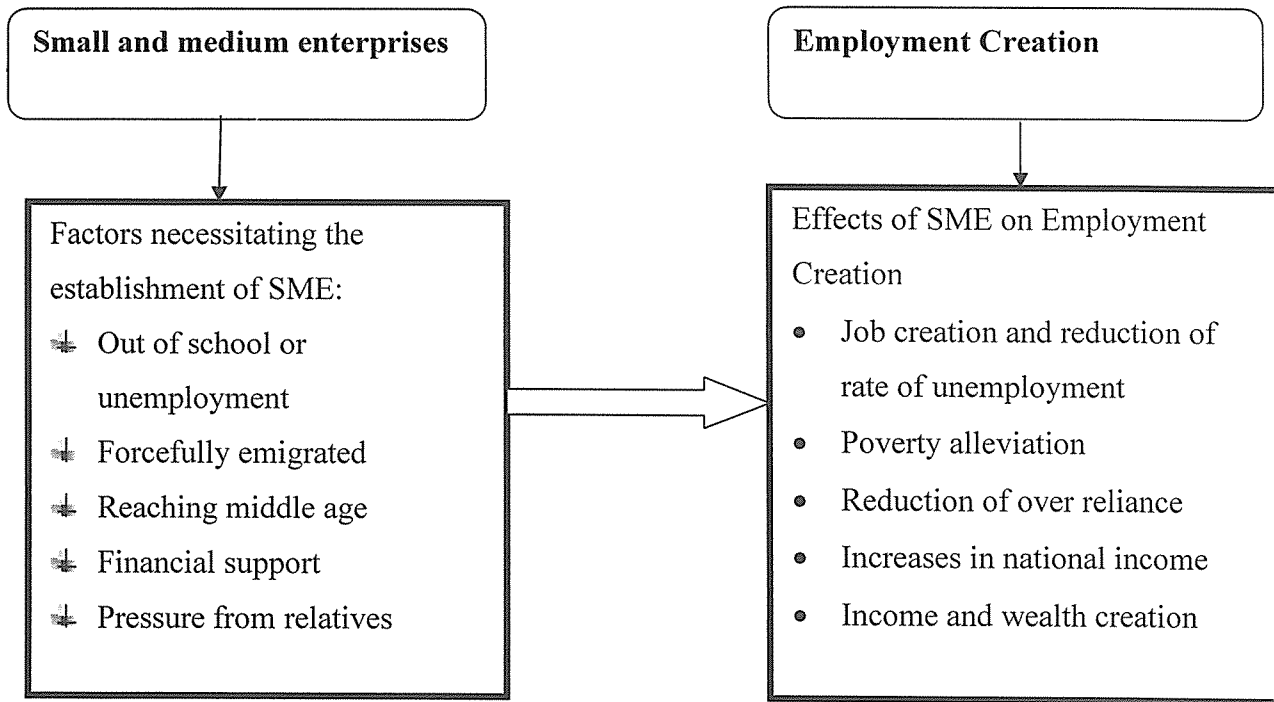
The research also tries to compare other sectors in relation to employment generation.

The study also is to provide the possible ways in which the business sector could blossom in terms of efficiency and enable business to be expanded and sustain their business to competitive regional markets for example Kenya, Rwanda and Tanzania.

In the same way, the study lists some of the challenges faced by the small scale and medium enterprises in the trading centre.

1.8 Conceptual Framework

Conceptual model is a physical object with composition of concepts or variables used to help people to understand the subject the model represents. In order to find out the contribution of small and medium enterprises on Employment Creation, the study shows key variables which are presented by the model below which are independent variables (small and medium enterprises) and dependent variables (Employment Creation) which are clearly mentioned in graph the causes of small medium enterprises and the way effecting on Employment Creation in the community.



Source: Akwani, C. (2007).

It is argued from the framework that, employment creation is the result of a combination of factors within the area such as Job creation and reduction of rate of unemployment, Poverty alleviation, Reduction of over reliance, Increases in national income, Income and wealth creation. To understand the employment creation and possible ways of improving them, all these factors necessities of establishment of the small and medium enterprises they are a part of making small and medium enterprises on the other hand, when small and medium enterprises make a progress, it may be able to create positive impact of employment creation through reduction of unemployment, poverty alleviation and reduction over reliance, increases national income and others (Akwani, C. 2007).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

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

2.1 Meaning and scope of small –scale enterprises

Small –scale enterprises have been widely described by various researchers.

According to Burns (1998), a 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 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 difficult 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, the Uganda Bureau of Statistics has adopted to categories enterprises based on any of the following criteria; number of employees, capital investment, and annual turnover. In quantitative term; micro enterprises are those businesses employing not more than 5 people and their total assets do not exceed UGX.10 million. On the other hand, small enterprises employ between 5 and 49 people and total assets between UGX.10million and not exceeding UGX.100 million. The medium enterprises therefore, employ between 50 and 100 people with total assets of more than 100 million but exceeding UGX. 360million.

But In a report by Agadev/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 The formal sector

According to UBOs (2003), the informal sector is that sector which comprises of all sorts of small and medium 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.

2.2.1 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 turnover for all business operations exceeds Shs.5 million but do not exceed Shs50 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 US\$ 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.

2.2.2 Small scale and medium enterprises and education

Education attainment has been identified as one of the essential approaches for curbing 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.

Majority of the persons who are engaged in, they have been attending 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.

2.2.3 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 MSMES 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 involves 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 MSMES and their increasing involvement on policy dialogue on matters to concern them.

2.3 The employment creation problem

Llewelly 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 an 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 unlikely even when the 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 underutilization 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 within 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.

3.2 Research design

The researcher used a combination of quantitative and qualitative research designs because no singly used design can produce adequate research findings. Descriptive research design is one of the designs that were used to enable the researcher in describing the small scale and medium enterprises on employment creation. In addition the researcher used associational research design which helped in establishing the relationship between small scale and medium enterprises on employment creation.

3.3 Survey population

The researcher's survey populations were of the owners of small businesses dealing in bakery, wood work, grain milling and these dealing in metal work and some of the employees in SMES. The study population consisted of members of the Kansanga trading centre and from the population of 30 members, ten (10) members from each category out of a population of twenty thousand members (20,000) approximately, 10 members from the Management, 10 members from the shop keepers, and 10 members from the customers.

3.4 Sampling design

The researcher used a simple random sampling, and purposive sampling techniques which was also used during the study. The purposive sampling technique enabled the researcher to choose specific respondents basing on their ability to provide information readily since the study requires specific information. The researcher selected owners of small businesses dealing in bakery, wood work, grain milling and these dealing in metal work. Purposive sampling technique was so convenient and time saving to the researcher thus it enabled him to finish in time.

3.5 Sample size

The sample size comprised of 30 respondents from different sections of Kansanga Trading centre. The researcher surveyed each of them to get their opinion and thoughts on the subject

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.
- Kampala district was divided into divisions which will be assigned numbers from one up to five Makindye (1), Kawempe (2) Rubaga (3), Nakawa (4) and central (5).
- A sample was selected from the five using a simple random sampling technique which is Makindye Division.
- The division was stratified into sub-counties.
- The sample of a sub-county was selected using simple random sampling.
- The sub-county was now stratified into parishes which are fifteen. (15).
- From the parishes, a sample was selected using simple random sampling of which Kansanga parish was selected.
- The parish was then stratified into villages.
- A sample was selected from the villages using simple random sampling.
- From the villages the small and medium enterprises owners and employees was 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 utilized primary data, which was collected from operators of small scale and medium enterprises in Kansanga trading Centre.

Secondary data was also used and included in journals, internet, books and others.

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 was viewed to provide 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 also 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 Ms. Excel.

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

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 shall be cross checked.

3.9 Limitations of the study

Slow/non response

There was a slow response from the respondents mainly because most of them were 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.

Time

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

Finance

Conducting research of this nature, to its logical conclusion was not easy and cheaper because the researcher was 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. However, didn't 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 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.

4.1.1 Age of the respondents

The table 2, 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 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 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 2019

From table 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.

4.1.2 Sex of the respondents

Table 3 below reveals that 53.3% of the respondents were males while 46.7% of the respondents were females. The funding 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 3: Sex of the respondent

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

Source: Primary Data 2019

Table 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.

4.1.3 Marital status of the respondents

Table 4, 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: 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 2019

4.1.4 Education level of the respondents

The table (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 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 2019

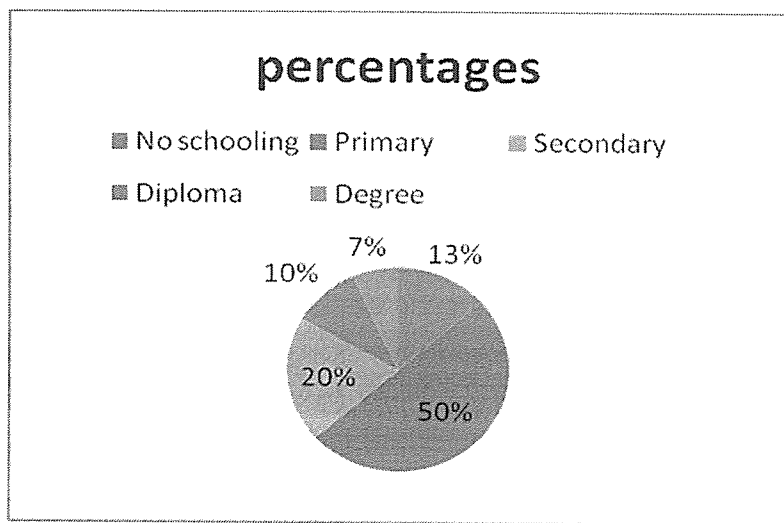
Table 5: reveals that majority of the persons (50%) engaged in micro enterprises had at most attained the primary level of education and about 13.3% of the total respondents had never attended school.

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 1: Educational level of respondents;



Source: Primary Data 2019

4.1.5 Income per month of respondents

From table 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 Shs20, 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 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 2019

The results presented in table 6, imply that majority of persons employed by micro enterprises are less paid with 36.7% earning a maximum of Shs150,000 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.

4.1.6 Occupation of the respondents

Table 7, 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 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 2019

From the table (7), Majority 26.7% of the persons employed in micro enterprises derives 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.

4.2 Small scale enterprises in Kansanga Trading Centre

The respondents cited the key small scale enterprises that exist in Kansanga 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.

4.2.1 Factors for establishment small –scale enterprises in Kansanga trading centre.

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, grain milling, factors fundamental institutions and Garages for motor vehicle repairs among other which largely depend on the power for their operations as shown below in table 8

Table 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

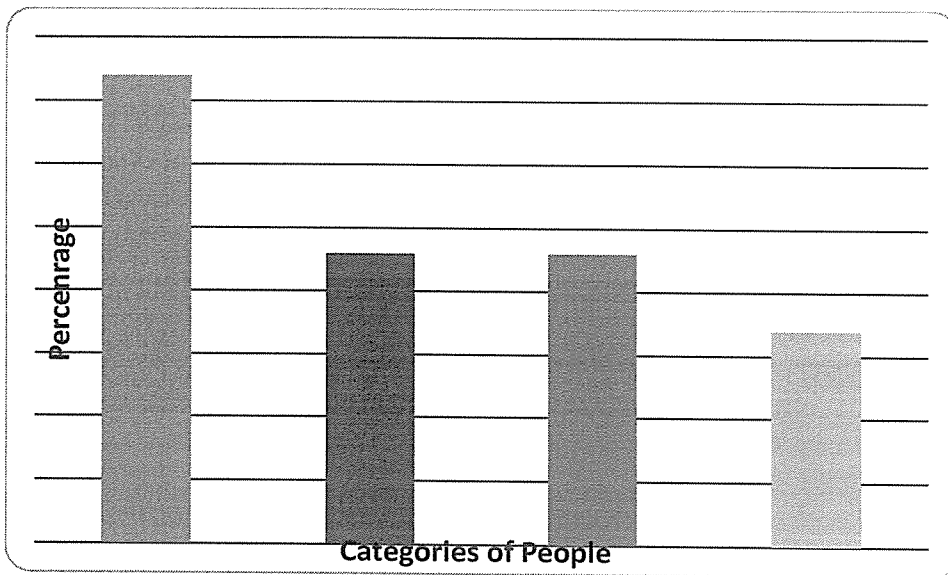
Source: Primary Data 2019

From the table 8, 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.

4.2.2 Categories of people involved in the small –scale enterprises Kansanga trading centre

As it is revealed 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 as shown in Figure 2 below.

Figure 2: Categories of people involved in small-scale enterprises.



Source: Primary data 2019

From figure 2 above 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.

4.3 Challenges encountered by small-scale and medium enterprises on employment creation in Kansanga trading center

As it indicates that 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 under takings. 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, as shown in table 9 below.

Table 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 2019

Table 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.

4.3.1 Employment creation problem in Kansanga trading centre

When respondents were asked about unemployment problem in the area, they gave their responses as summarized in the table 11: Table 11 below 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 10: People's views on unemployment

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

Source: Primary Data 2019

4.3.2 Causes of unemployment

Low education attainment as a key cause of unemployment by the facts shown in figure (3), low levels of education is 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). This is much illustrated in figure 3 below.

Figure 3: Causes of unemployment.

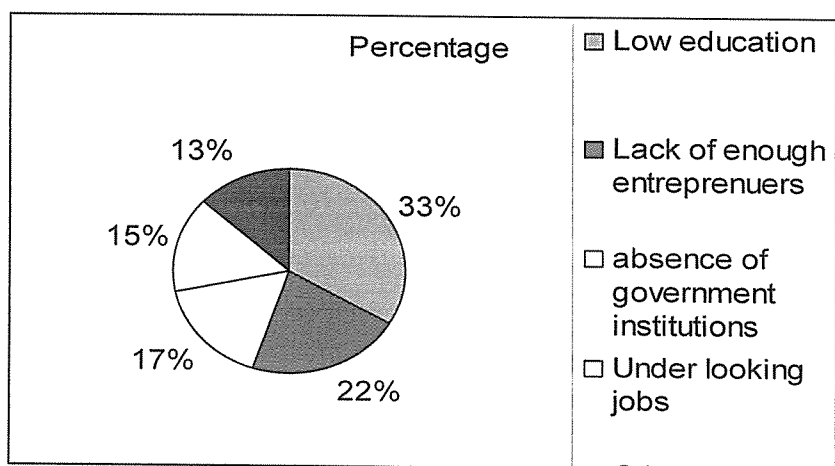


Figure 3 above shows that low education attainment as a key cause of unemployment 33.3% of the respondents revealed. This is followed by 21.7% who attributed unemployment to lack of enough entrepreneurs in the area. 16.7% of the respondents said that unemployment is because of absence of government institutions while 15% of the respondents cited under looking of jobs as a major course of unemployment in Kansanga trading Centre 13.3% of the respondents attributed un employment un employment to other causes especially poor road network, instability to acquire startup capital lack of land for expansion and high rates of interests on loans as well as HIV/AIDS. Figure 3 shows the causes of unemployment in Kansanga trading center as pointed out by the respondents.

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.

4.3.3 The impact of unemployment on the creation of small and medium enterprises

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. This is shown on the results from table 12 below.

Table 11: The impact of unemployment on the creation of small and medium enterprises

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 2019

From table 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.

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. From the table (7), Majority 26.7% of the persons employed in micro enterprises derives 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. 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 not 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 Kansanga 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 output, ensuring food production hence food security and improved standards of living.

5.2 Recommendations

Following thorough analysis of unemployment in community of Kansanga, 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-scale enterprises among the strategies; it believes that can help in creating more employment opportunities to the people of the republic of Uganda.

5.5 Areas of further study

Further research should be carried out on the following

- i) Small and Medium Scale Enterprises on Socioeconomic Development in Kampala District Uganda.
- ii) An assessment of the impact of motivation on employee performance in Uganda revenue authority Kampala Uganda.
- iii) Access to finance and performance of small and medium enterprises in Makindye division – Kampala district

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APPENDICES
APPENDIX 1: QUESTIONNAIRE

The community of Kansanga Trading Centre

Good morning/afternoon/evening.

I am OUMO AMOS a student of Kampala International University conducting a study about the impact of small scale and medium enterprises on employment creation.

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.

PART ONE

BIO -DATA

Tick the appropriate code

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) > 53

3. Marital status

a) Single

b) Married

c) Widow

d) Divorced

4. Level of education

a) No school

b) Primary

c) Secondary

d) Diploma

e) Degree

5. Occupation

In which of the following fields do you belong?

- | | | | |
|------------------------|--------------------------|------------------|--------------------------|
| a) Boda –boda and Taxi | <input type="checkbox"/> | b) Mechanics | <input type="checkbox"/> |
| c) Business | <input type="checkbox"/> | d) Welder | <input type="checkbox"/> |
| e) Grain miller | <input type="checkbox"/> | f) Hair dressing | <input type="checkbox"/> |
| g) Saloon | <input type="checkbox"/> | h) Others | <input type="checkbox"/> |

6. Income per months

How much do you earn from your per month?

- | | | | |
|---------------------------|--------------------------|----------------------|--------------------------|
| a) > 50,000 | <input type="checkbox"/> | b) 50,000- 99,999 | <input type="checkbox"/> |
| c) 100,000- 149,000 | <input type="checkbox"/> | d) 150,000-199,999 | <input type="checkbox"/> |
| e) 200,000-249,999 | <input type="checkbox"/> | f) 250,000- 299, 999 | <input type="checkbox"/> |
| g) \geq 300,000 & above | <input type="checkbox"/> | | |

For how long have you been in this area?

- | | | | |
|-------------------|--------------------------|-----------------------|--------------------------|
| a) 1 year or less | <input type="checkbox"/> | b) 5 years | <input type="checkbox"/> |
| c) 5-8 years | <input type="checkbox"/> | d) 10 years and above | <input type="checkbox"/> |

PART TWO

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 out put					
Power					
Labour					
Availability of inputs					
Others					

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

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

PART THREE

Challenges encountered by small and medium enterprises on Employment Creation

(Problem)

Please tick where appropriate

12. There is unemployment in your area

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

13. Is unemployment in your area as a result of the following factors?

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

14. Of what impact is unemployment to the social economic wellbeing of the people in this area?

Effects	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Rum					
High crime rates					
Increased poverty					
Malnutrition					
Family breakages					
Others					

15. SMEs have contributed to solving unemployment in your area

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

16. The following are some of the contributions of SMES towards solving the problem in your area

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

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

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Thank you for your cooperation