

**TAXATION AND PERFORMANCE OF SMALL SCALE BUSINESSES IN KAMPALA
CENTRAL DIVISION**

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**A DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS
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DECLARATION

I **Nalugo Rosemary** do declare that this is my original work and to the best of my knowledge, it has never been submitted to any University or institution of learning for the award of a degree or its equivalent.

Signed  Date 23rd / 08 / 2017

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APPROVAL

This research dissertation has been submitted for examination with my approval as a university supervisor.

Signature Date 23/Aug/2017

MR. KASOZI GEOFREY

DEDICATION

I have dedicated this work to my beloved parents Mr. Kakooza Peter, Mrs. Nakyejwe Josephine and Mrs. Nabuufu Annet, Mr. Muwonge Livingstone, brothers Ronald, John Bosco, Nicholas and sister Jane for their endless support both financially and morally ever since my childhood.

My beloved friends Nanjogo Madina, Namulindwa Elizabeth, Karuhanga fortunate, Katayiira Vicent.

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ABBREVIATIONS

GDP.....	Gross Domestic Product
KACITA.....	Kampala City Traders Association
KCCA.....	Kampala Capital City Authority
MFPED.....	Ministry of Finance Planning and Economic Development
SSBE's.....	Small Scale Business enterprises
TAT.....	Tax Appeal Tribunal
UIA.....	Uganda Investment Authority
URA.....	Uganda Revenue Authority
USSIA.....	Uganda Small Scale Business Industries Association
VAT.....	Value Added Tax

ABSTRACT

The purpose of this study was to evaluate taxation and performance of small scale business enterprises in Kampala Central Division. The study was guided by three research objectives establish the relationship between taxation and growth of the small scale business enterprises in Kampala Central Division, to examine the performance of Small Scale Businesses (SSBE's) in Kampala Central Division and the relationship between taxation and performance of small scale businesses in Kampala Central Division. The study used both qualitative and quantitative research design to get an estimation of the respondents' views in regard to the objectives of the study. The target population was market vendors, shop attendants and customers.

The study therefore used a sample size of 80 respondents from a target population of 100 through use of Krejcie, R.V. & Morgan and D.W. (1970) Table. It employed only Random sampling to avoid bias in data presentation. This study also used both primary and secondary sources which all involved data from the field and literature already written by other authors. After data collection, it was ethically analyzed by use of frequency tables and percentages.

The findings revealed that SSBEs are related to taxes since it influences economic policy goals of most businesses and pressurize traders to work hard. Objective two analyzed that small scale business enterprises have increased production levels and have increased number of registered businesses and objective three regarding the relationship between taxation and performance of small scale businesses results depicted ways like high performance in market skills and an impact on long-term survival and development.

The study concluded that taxes increase number of registered businesses and that small scale business enterprises have helped businesses to balance income and expenditure; however challenges still exist hence recommendations go to tax collection authority to be cooperative with the traders especially owners of the small scale businesses.

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.0 Introduction

This chapter introduced the introduction, background of the study, problem statement, objectives of the study, research questions, scope of the study and its significance and the theoretical framework.

1.1 Background of the study

Globally, taxes have existed virtually as long as there have been organized governments. Taxes have existed virtually as there have been organised governments and the first tax law registration was introduced in 1919 and ever since the taxation has evolved through a number of reforms. The government in attempt to widen the tax base and collect more revenue has had to levy several taxes especially on Small Scale Businesses (SSBE's). Examples of such taxes include corporation Tax, Value Added Tax (VAT), Presumptive tax, Lump-sum tax and Exercise duty. It was by 1997 when the Income Tax Act was amended by the Parliament of Uganda. This was to give guidance in assessment and computation of taxes and cater for the interests of the large tax payers. A quality Assurance, inspectorate and appeal was created and a tax appeal tribunal (TAT) was also constructed (Balunywa et. al.2010).

In Uganda, the first tax law legislation was introduced in 1995 and ever since then taxes have evolved through a number of reforms. The government in an attempt to widen the tax base and collect more revenue has had to levy several taxes especially on business enterprises in Uganda which constitute a large part of the formal sector. The taxes charged on business enterprises in Uganda include; corporation tax, value added tax, presumption tax and exercise duty. In 1995 the Income Tax Act was made which was to give guidance in assessment and computation of taxes (Briggs, 2013).

During that period, taxation was aimed at raising revenue for the administrative structure imposed by the colonial government but also as a means of encouraging monetary/economic activities. It was the Local Authority Ordinance of 1995 that governed the collection of taxes. In September 1995, after a period of review the URA was established. All taxes including income tax came under the umbrella of the URA. From 1995, URA has been organizing and strengthening the administrative procedures and in 1995 this process assisted by a grant from the British government of approximately US\$ 10million, Creswell, (2014).

It was noting that the small scale enterprises contribute significantly in the economic sector growth but because of its informal nature there is redundancy in the growth of small scale Enterprise. According to the former Uganda Revenue Authority Commissioner Mrs. Allen Kagina (New vision, September 29th 2011 there needs to transform URA staff into service providers rather than controllers and enforcers and delivering service with courtesy. We have developed relations staff groups that give URA a family culture staff identify with one another and the tax payers. Small businesses are generally regarded as the driving force of economic growth, job creation and poverty reduction in developing countries.

They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Harris and Gibson, 2006). There has been measures to define SSBE's in Uganda. According to number of people employed it is about 50-250 employees and the capital employed is about US\$5,000 (over 10 million Uganda Shillings) to US\$50,000(100 million Uganda shillings). Uganda Investment Authority put this figure at US\$50,000 million. Ministry Of Finance Planning And Economic Development (MOFPED, 2008) indicated a figure of over 80% of Uganda's manufacturing output is by small scale enterprises. If properly coordinated, streamlined and organised a considerable base for tax revenue, Ddumba-Ssentamu, (2004).

In Uganda Small Scale Enterprises (SSEs) are reported to contribute about 20% of Uganda's GDP (Tulip and Bitekerezo, 2013). This figure may be much higher given that Uganda's GDP is constituted by mostly agricultural production. Despite the importance of SSEs, they appear not to have been very successful in the Saharan Africa. Many studies that have been done (Wanyama, 1991; Ngobo, 1995; Sewanyana, 1997; Mutazindwa, 2016) indicate that small businesses have a variety of problems some of which are managerial and lack of markets. Since the small units

have been identified as important players in the world markets, it is important that they are supported in their development.

1.2 Statement of the problem

Small Scale Business Enterprises are the backbone of the economy since they provide taxes which are source of finance for the government. However Small Scale Business Enterprises lack data for proper taxation due to the fact that increased high taxes discourage Small Scale Business Enterprises and to make matters worse taxes are good but nobody wants to pay hence hindering economic growth and development of cities like Kampala capital city. If the situation is to continue unchanged, there will be a lot of illegal smuggling in years to come which will lead to loss of revenue. It is at this point that the researcher undertook the responsibility of finding out the impact of taxes on performance of Small Scale Business Enterprises in Kampala Central Division.

1.3 Objectives of the study

1.3.1 General problem

The purpose of the study was to evaluate taxation and performance of small scale business enterprises in Kampala Central Division.

1.3.2 Objectives of the study

To establish the relationship between taxation and growth of the small scale business enterprises in Kampala Central Division.

To examine the performance of Small Scale Businesses (SSBE's) in Kampala Central Division.

To identify the relationship between taxation and performance of small scale businesses in Kampala Central Division.

1.4 Research questions

What is the relationship between taxation and growth of the small scale business enterprises in Kampala Central Division?

What is the performance of Small Scale Businesses (SSBE's) in Kampala Central Division?

What is the relationship between taxation and performance of small scale businesses in Kampala Central Division?

1.5 Statement of Hypotheses

The following research hypothesis was developed in order to properly address the problems of the study. These hypotheses were stated in Null form as follows;

There is no significant relationship between taxation and small scale businesses' performance.

The relationship between small scale businesses' size and their ability to pay taxes does not significantly affect their performance.

1.6 Scope of the study

1.6.1 Content scope

This study dealt with an assessment of the impact of taxes on performance of small scale business enterprises, find out whether tax payers are aware of all their tax obligations and policies and to establish the relationship between taxation and performance of Kampala Central Division.

The study comprised of two variables that is to say, taxation as an independent variable and small scale business growth as a dependent variable. The most common tax subjected to SSBE's is income tax (presumptive tax). Besides growth was measured in terms of tax remittances, sales and capital investment.

1.6.2 Geographical scope

The study was carried out from Kampala district with a case study of Kampala central division. The researcher used this division due to its friendliness with small scale business enterprises and being close to the institution (Kampala international university) where the researcher is pursuing her bachelor's degree.

1.6.3 Time scope

The research was carried out for a period of four months that is to say from March to July 2017.

1.7 Significance of the study

It will be significant in the ways below;

Small scale business enterprises

To the SSBE's owners, the study will try to find out what is hindering the performance of some SSBE's when subjected to various taxes. This will help SSBE's to find ways of overcoming such hindrances. The findings will benefit small business owners under study to know the defects of taxation and help to lobby with the government to reduce the burden of tax on them;

Ministry of Finance and Economic Development

The findings will assist the Ministry of Finance and Economic Development to lobby with government to amend the income tax law so as to make it friendly for small business enterprises;

The Uganda Revenue Authority

To the tax authorities and the government, the study will guide them in adjusting policies so that they suit to the requirements of Small Scale Business Enterprises (SSBE's). To the tax authority (URA), the research will guide them in adjusting tax policies so that they suit requirements of small businesses

Future researchers

To the scholars and researchers, the findings of the study will fill the gap on the impact of taxation on the SSBE's. This will help those who will be researching in future in similar field and guide the entrepreneurs in making decisions on the kind of business they should venture in basing on the tax to be paid. It will also contribute to the existing literature about taxation and the effects it causes to the economy as a whole. Thus the findings will be used by future researchers in case of need for citations related to taxation and small scale business enterprises.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the literature relating to taxation and small scale business growth, their performance and the problems being faced by the Small Scale Businesses. It consists of different studies from magazines, textbooks, journals, newspapers and on line information.

2.1 Small Businesses in Uganda

No single definition of small enterprises is appropriate. World Bank (2014) states micro enterprises employees or fewer, small enterprises employee 10 to 50, medium 50 to 300 employees. Small businesses are enterprises that employ 1 to 50 people, with annual turnover of up to shs. 360millions (MFPED, 2011:4).

2.2 The Concept of Taxation

Omagor & Mubiru, 2008:118) defines taxation as a legally compulsory transfer of money from the public to the government mainly as a source of government revenue while Balunywa et al. (2010) argues that taxation is a payment which cannot be avoided without attracting a punishment and in return of which no gain/quid pro-quo is promised by the government to the tax payer. There are two main tax authorities; the local government authority and the central government authority through Uganda Revenue Authority (URA).

2.3 Relationship between taxation and growth of small scale business enterprises

A positive relationship has been documented between taxation and small-business development developing countries like Uganda Birch (2013). However, far less research has been conducted on this relationship in developing countries. Studies in small-business development are necessary

in developing countries because of the dissimilarities in the process between developed and developing countries (Arinaitwe, 2012) The survey carried out on the cases of finding out the relationship between taxation and the growth of SSBE's indicates that there is a positive relationship. This is because about 53% entrepreneurs reported that taxation is a major contributing factor to the existence of their businesses (Mwanje, 2014).

Although with the introduction of VAT in Uganda in 1997, many businesses have been hard hit because of this category of tax, and it has not greatly retarded their existence. Given that the weight or the burden of this tax is born by the consumer, this brought an increase in price of commodities, security fees, trading licenses and ground rent (A tax imposed on business according to the location and type of business facilities). These have a great impact on the operation of the business but still they are surviving. Another aspect of high taxation is a corresponding increase in illicit activities (Synder, 2013). There have been reported cases of smuggled products found in the market as they are sold at lower price thus lowering on the sales of goods already existing in the market. This has been experienced on a minor scale and, has not mitigated the chances for the success of genuine business people.

The findings of the study also revealed that on average, hotels, bars, filling stations are spending on electricity bills of around 582 units of electricity on a monthly basis which costs USD\$68 (UGSHS158780). Also on average Small Scale Businesses' spend USD216 (504,360) monthly on fuel. A total expenditure of USD (284), UGSHS (663,140) on electricity and fuel generators is a substantial operational expense and these contribute to tax increase in Uganda. All these have contributed to revenue increase (Milchen, 2013). Taxes can be derived from employment income, profits from business or profession operations, trade, profits from other use of property, dividends and interest, pensions, management undertaking professional services, royalties, trusts, income of non-residents derived to be in Uganda. A tax is paid with a corresponding return in terms of goods and services on government and hence is referred to as a non-*quid pro quo* payment. According to Tumuhimbise; (2014), the classification can be categorized into direct versus indirect or Proportional Versus Progressive taxes.

Direct in line with Indirect Taxes. Direct taxes are those taxes that affect the individual or firm directly through a deduction from earnings. Examples include individuals' income tax, corporate tax, and property taxes in addition to lump-sum tax. Indirect taxes are those taxes that are paid by

an intermediary then passed on to the consumer by including tax in the final price. Examples include export and import duties, exercises on local production and Value Added Tax. Proportional and Progressive taxes compared, on the basis of equity, taxes are classified as proportional or progressive taxes. A tax is said to be progressive when with increasing income the tax liability not only increases in absolute terms but also in proportion to the incomes. Proportional taxes, refers to where tax rate is fixed as the amount subject to taxation increases. This term is frequently applied in reference to fixed taxes where every person has to pay the same amount of money. These taxes collected have been put to use to some extent.

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The main reason of taxation according to (Kitiinis, 2014) is that, taxation is an important source of government revenue and an economic policy tool for the government to attain economic growth. It is here by seen that the importance of taxation therefore arises from a debate of whether government should interfere in the operation of the market mechanism. He further noted that taxes may be levied for other reasons but revenue remains the prime objective of most taxes. Balunywa (2013), taxation increased importance is not only a tool of raising revenue for the government and traditional roles but also for accelerating economic growth and ensuring social justice. The primary objective of taxation in under developed countries is not related to instability of income and expenditure. These countries face a number of problems due to poverty and slow economic growth. Developing countries also face the problem of insufficient savings and low capital accumulation which calls for a need to promote specific products to fills but and

demand gaps from the increasing population. It is the problem of growth that covers numerous aspects the tax system has to be designed to help the economy (Bhatia, 2015).

According to Ugandan journal (2013), taxation can harmonise the quantity of resources consumed by the private sector. It also shows that in stressing the consumption reducing aspect, taxation determines the distribution of income and help in stabilizing the economy. The Taxation policy reforms include; The World Bank has influenced many countries in understanding tax reform policies. For the case of Uganda, the tax base has remained significantly narrow since independence, leading to the inadequate tax revenue. By May 2014, the tax ratio of tax revenue to GDP was just 13% compared to the sub-Saharan average of 18% to 20%.

The composition of tax revenue has been predominantly import and currently incomes sent by Ugandans working abroad in form taxes on foreign exchange (www.ugrevenue.com). Small scale businesses taxed are differently compared to corporation or businesses with an annual turnover of over 50million Ugandan shillings. For a SSBE to elect in writing to be assessed under the ordinary sense of chargeable income, he or she must submit in writing the election notice together with an income tax return for that return for that year by the due date of filing such return (income tax Act, 2014). As quoted by Kitinisa.S (2014), there are two broad approaches to taxation polices and these are application of the standard tax provisions to all businesses activities combined with low tax rates.

Tax various business activities differently to achieve economic business policy goals such as increase in private investment, exports or employment depending on the revenue needs, the second approach can result in relatively high tax rate in some sectors and hence reduce problems for compliance and adversely affect the general investment climate. Uganda has undergone through a number of tax policy reforms, these include, gender, nationalism and harmonisation of tax rate and tariffs. In the abolition wide range of tax exemptions, new tax incentives and conditional exemptions have been introduced.

The approaches to Tax administration is that the most naive approach to the relationship between tax administration and tax reform is simply to ignore administration and tax reform is simply to ignore administration. Knowledgeable tax policy advisors are of course well aware of the importance of administration, the question to ask here is what do they do about it? At one extreme, they may ignore or equally assume that any administrative deficiencies can and will be

quickly remedied once the right policy is put into place. According to the income tax Act (2016), SSBE's are those businesses with a gross turnover of less than 50 million per annum. They are differently defined in different countries, in the United States, may be a large enterprise in India and a very large enterprise in Uganda. While the absolute figures involved in the definition of these enterprises, may differ, there are some underlying similarities in the concept used in the definitions (Marcus, 2015). In Uganda, it's not only the income tax act that has tried to define SSBE's which has tried to define SSBE's such as the MOFPED (Ministry of finance planning and economic development), the USSIA (Uganda Small Scale Business Industries Association), they define it as a unit with a capital investment not exceeding US 100,000.

2.4 Taxation and performance of Small Scale Businesses (SSBE's)

According to Scarborough (2012), he suggested that defining small scale business enterprises is not an easy task because there is no universally accepted definition. Kitinisa (2014) describes performance as ability to attain its goals buying resources in an efficient and effective manner. The goals of the organisation include survival, profits making and expansion. Pandey (2014) looks at financial analysis as a measure of organisation or business performance. He says, "Managers, creditors, and other stake holders to form judgment about the operating performance and financial position of the firm have to use funds and cash flow statement (Joel, 2008). The assessment of financial performance of profit entities has a well-established methodology that includes the computation and interpretation in terms of percentages and frequencies. Also multi-variate modes, uni-variate predictions of performance are single ratios calculated for a number of periods and these ratios assess liquidity position, profitability levels and efficiency (Makerere business Journal, 2016). In this study the researcher considered performance of SSBE's as the ability of the business to; to meet tax obligations and achieve business objectives. Cover its operating expenses and still retain some profits which can either be used for re-investment or otherwise and the ability of the business to make sales that can sustain its expenses.

Nickels (1999) define performance as a process by which a business ensures the achievement of its set objectives by using the available resources. These objectives include maximization of profits, market share and customer satisfaction in order to be assured of growth and survival, other factors kept constant. According to Rebecca (1996), performance refers to the ability of a

business to survive, make profits and expand. Pandey (1997) regards performance as being defined in terms of financial analysis and this is a process of identifying the financial strength and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and the profits and loss account.

Therefore, profitability Peter Drake (1990) is looked at as a responsibility of an enterprise towards the society. Frank Wood (1999), defined profits as the excess of revenue earned over total cost incurred in the process or event of providing goods or services. Lipsey (1996), defined profits as the excess of revenues earned overall opportunity cost including those capitals in nature, hence the business that makes profit under the normal circumstances has to grow and survive. Survival; the ability of the organization to keep its position in the market with competitiveness as an indicator that the performance of the organization is favorable which describes the survival according to Olive (1995), suggested that the following measures of survival.

With productivity of an enterprise, increased production levels directly relates to good performance of an organization since it can effectively produce for customers and maintain them. The growth of small scale business shows the comparison between the budgeted output levels and actual levels and better operation will capture stronger market handling and good coordination, Olive (1995).

Growth; the growth of small scale business is reflected in increasing number of registered business and with successful enterprise that recruit people, produce more output and better competitors (Suruma 2006). According to Stone (2002), a small scale firm is any business entity that is locally owned and simply managed by very few employees working at the single location. Small scale businesses employ less than 25 paid employees and annual turnover of profits ranging between 60,000 and 1,500,000UGx. Performance of small scale business is therefore vital for the economy because a large number of the population depends on them for their livelihood; therefore there is a need to support small scale businesses in order for them to perform better and employ more people.

In this study, the researcher is to consider performance of small scale business as the ability of the business; to meet its tax obligations, cover its operating expenses and still retain some profits

which can either be used for re-investment or otherwise and the ability of the business to make sales that sustain its expenses.

However, taxes levied on revenue are worthwhile only if it can generate meaningful revenues at acceptable rates and procedures (Musgrave and Musgrave, 1984). According to Gordon and Dawson (2007), through taxation, the government takes away money from people they would otherwise spend on private sector. As a result, purchasing power reduces per unit of production in the private sector to the public sector. They further asserted that, one of the most frequent arguments against high income tax is that it destroys the incentive to business people and employees to work harder and more efficiently. According to the World Bank Symposium (1991), businesses carry out tax planning so as to have a minimal tax liability and thus increasing the purchasing power. It is through taxes that the government takes away money from people/business they would otherwise spend on private sector. This loss of purchasing power reduces the demand for units of products in the private sector (Gordon and Dawson, 1987).

SSBE's has an important role to play in many economies (Iga, 2013) therefore we must understand what constrains them to be able to support them. Various studies have enumerated the factors are generally agreed on the constraints to the growth of SSBE's in the world setting. They include lack of market opportunity, lack of market information; ineffective demand and consequently market opportunity are constraining factors affecting SSBE's development. This may not be the case in the developed countries. Incomes are low in Uganda and there is low purchasing power. Consequently even if there is opportunity to exploit, it may be difficult to exploit realise because of lack of market (Kafumbe, 2012). Because SSBE's being small in nature as clearly stated, they end up using a cheap technology which is usually not top of the range. This results into high costs of production and uncompetitive situation. For insistence some small scale business enterprises cannot afford to use computers or even when they have them, to continuously upgrade their equipment is a tag of war. While many countries have acknowledged that SSBE's have an important role, in Uganda, the government has only paid a lip service. In fact the Uganda Investment Authority which was set-up to promote investments in Uganda was not attractive for the small business operators because the UIA would only support proposals from companies with more than US\$50,000 to invest. The development banks in the country did not have programmes for small enterprises (Balunywa, 2015).

It is easier for a large enterprise to get land for industrial development and a license to operate the business than the small scale business investors. Even getting access to utilities like water, electricity is not easy. Consequently there is nothing like giving the businessmen a good environment to promote them fully. Staley and Morse (2015) argued that large scale firms ultimately prove to be more efficient for the bulk of production; performance of SSBE's through the industrial transformation cannot be understated. As the SSBE's have grown and contributed directly to the industrialization process by serving as a seed bed for entrepreneurs and future large firms even after large scale industries begin to dominate, many small scale entrepreneurs remain profitable by serving dispersed local markets providing different products with low scale economies from niche markets or specialising subcontractors for big firms.

SSBE's provide indirect support to industrial growth by serving as a proving and training ground for large scale entrepreneurs who typically start their businesses on small scale. It is also an important note that the theoretical literature suggested that the basic techniques and organisational flexibility of SSBE's have created a broader economic growth and thus improving the distribution of income. Taxes levied on revenue are worthwhile only if it can generate meaningful revenues at an acceptable rates and procedures (Musgrave, 2015). According to Gordon and Dawson (2014) through taxation, the government takes away from people money they would otherwise spend in the private sector. As a result a purchasing power reduces the units of production in the private sector, freeing units of production and thus allows for a transfer of factors of production in the private sector.

They further asserted that one of the most frequent arguments against high income tax is that it destroys the incentive of business people and employees to work harder and more efficiently. According the World Bank symposium (2015), businesses carry out tax planning so as to have a minimal tax liability and thus increase their purchasing power. It is through taxation that the government takes away from people or business money they would otherwise spread in the private sector. This loss of purchasing power reduces the demand for units of production in the private sector to the public sector (Gordon and Dawson, 2013). Given the fact that there are financial institutional measures and frame works for collecting SSBE's savings to be used for future investment after accumulation, the level and pattern of investment will be greatly influenced by taxation.

This is because the investment is basically interested in making profits yet profitability of investment can be impeded by high tax levies in the following circumstances; the possibility of taxing savings themselves. If this happens the investors will experience a low level of development saving and the overall level of investment will be low. The authorities might tax the earnings from the investment to such an extent that it might become problem for the firms to top up what is required out of them in the markets. Taxation of retained earnings of the firm will not be dependable on the internal resources for the expansion instead it will encourage borrowing if this is done (Bhatia, 2015).

2.5 Relationship between taxation and performance of small scale businesses in Kampala Central Division

It is essential to understand the problems facing small-business development in African developing countries because they are significantly different from those facing developed countries. These obstacles include a lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions as well as critical factors such as poor infrastructure, corruption, low demand for products and services and poverty. According to Arinaitwe (2002), internal and external components differ considerably among developing countries. While the contributions of small businesses to development are generally acknowledged, entrepreneurs face many obstacles that limit their long-term survival and development. Research on small-business development has shown that the rate of failure in developing countries is higher than in the developed world Monk, (2000).

Scholars have indicated that starting a business is a risky venture and warn that the chances of small-business owners making it past the five-year mark are very slim. They should develop both long-term and short-term strategies to guard against failure (Sauser, 2015)

Most SSBE's in Uganda are managed by either unskilled, semi-skilled accounting personnel's who do not have proper knowledge in book keeping. These are especially sole business owners, family businesses and some pattern ship businesses. These generally are known to be poor in book keeping, to have high turnover, change hand and business more often, do not know how much expenses and revenue so as to avoid running of cash, that is solvency (Revenue, July, 2015).

Mugulasi (2015) found out that a large proportion of the business community is ignorant about taxes they pay and how they are arrived at because they do not know how to compute them. Lack of knowledge is attributed to the poor methods of sensitization used by URA staff. According to the Uganda revenue collection officials report (2016), they noted the following problems in mainly encountered in complying with taxation.

There is un-fair treatment of tax payers for instance some tax payers are given favours which other do not get; that is most people who are earning highly are paying low taxes unlike whose monthly income earning is low; tax payers go under a lot of process, some of which are not necessary. Tax obligations are thus not easily met as result of these processes, lack of tax education, Tax payers have little understanding of the use the tax collected, it is said that, if this problem was rectified, URA would get fewer problems while collecting taxes.

Tax payer's awareness; most Ugandans have poor or lack of understanding of the reasons of taxation and knowledge on different types of taxes imposed on them (understanding taxation by Kintu, 2011).as a result the taxes imposed on them in Uganda are still very low. Besides that, various surveys conducted on SSBE's in Uganda suggest that about 60% of them keep no records at all, while 30% of them keep records and 10% of them do not keep records at all thus making it difficult for proper tax assessment (Ndaniko, 2016).

Joel (2016) stressed that most SSBE's are managed on un- professional lines. This has brought about great uncertainty among traders in Uganda as regards to tax matters due to their making. Collins (2015) asserts that many traders have expressed ignorance about the taxes imposed on their businesses. It is said that this is highly attributable to the poor work done by the tax authorities leaving most the traders about issues like tax computation, advantages of paying taxes and the use to which it is put for example like infrastructure building and maintenance as well. Thus, there is need to sensitize the public the public especially small scale business conductors. This should be done most especially on the forms of tax that the SSBE's normally encounter with VAT and the rational that underlie the imposition of tax forms. Because tax payers are not educated on positive things about taxation; there have been reported cases of evasion of tax duties, laws and regulations governing taxation.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presented the methods which were employed in data collection and analysis. It described the research and sampling designs, sources, data collection instruments, data processing analysis and the limitations that were used while carrying out the study.

3.1 Research design

The research design was both qualitative and quantitative in nature; also cross-sectional study was employed to gain an in depth understanding growth of small scale businesses.

3.2 Study population

A total population of 100 respondents was considered for the study, these mainly comprised of business people in Kampala central division and KCCA officials. The study subjects included business officials, local people and Kampala city traders association (KACITA). Two sets of questionnaires were used, one set for the literates and the other for the people who could hardly read and write.

This was achieved through use of Krejcie, R.V. & Morgan and D.W. (1970) Table which illustrated that if the target population was 100, the sample size is 80.

3.3 Sampling size

The study aimed at capturing at least 50% of this population which yielded about 80 representatives. Using the Krejcie and Morgan (1970), at least 80 respondents from the sample of about 100 will be considered for the study. Analysis was carried out on the quota basis by

highlighting characteristics of some of the variables like sex, age and income and education level.

3.4 Study variables

The independent variable was Taxation while the dependent variable was the growth of small scale businesses. That is to say the study aimed at looking at how taxation affects performance of small scale businesses in Kampala Central Division.

3.5 Sampling techniques and procedure

The study employed random sampling for small scale business owners as they are the major target of the study and so detailed data was expected from them and purposive sampling technique for the city traders associations like KACITA since they are more concerned with issues affecting traders.

The purpose of the purposive was to ensure that precise information from respondent who were not easy to allocate yet crucial for the study was got. Business owners in the city were used as the respondents for random sampling as this would help get a wild range of ideas from them. On the other hand, purposive sampling was used to city traders associations; reason being that they have great knowledge about the existing policies regarding business enterprises.

3.6 Data collection

Data was categorized into two and each was collected by a respective instrument. It also involved going into the field and contacting the respondents and data was collected by the methods shown below.

3.7 Sources of data

The main sources of data used for this research among others included the following;

3.7.1 Primary data source

Basically this was original data collected by means of questionnaire, interviews, observation, experimentation and through participation.

3.7.2 Secondary data source

To some extent secondary data was used in order to come up with concrete and clear information. Secondary data sources included literature on taxation, small scale businesses' growth in Uganda, commercial and business journals, government publication, online information, newspapers and unpublished reports.

3.8 Data collection instruments

The data collection instruments employed were; questionnaires, interviews and by use of observation methods.

3.8.1 Questionnaire method

Here a self-administered questionnaire was used to collect data from the operators of small scale businesses' of Kampala Central Division. Control questions was used and incorporated to check on the completeness, integrity and reliability of the data that was provided. In addition questionnaires were pre-tested to analyze the difficulties and problems faced by interviewees. This was done by conducting a pilot survey. A small scale trial prior to the main questionnaires was prepared. This was done by amending some questions for example the open-ended questions were closed, questions to be answered the same way were omitted and difficult words were replaced. This was done in order to identify questions which was too difficult, obtain a reliable estimate of the anticipated completion time and to use the result to test the coding and analytical procedures to be performed.

3.8.2 Interview method

These involved face-to-face interactions where answers were obtained from the interview guide. Here more emphasis was put on structured questions than un-structured ones.

3.8.3 Observation method

The researcher used this method through watching and noting objects, people, events, transactions of SSBE's and settings and conclusion drawn to relevant data for the study. Customers, employees, middlemen, sales people were contacted so as to avail financial statements, minutes, VAT certificates and other statistics. Some were also done directly with the help of small scale business operators and indirectly the main intension of the researcher was to disguise himself in being part of the setting in the phenomena. The researcher also had to enter in different markets like Owino, Kikuubo and Nakasero with the hypothesis of investing the behaviour of small scale businesses' operation for example the time of opening and closure and the number of customers they were serving.

3.9 Investigative procedures

The researcher was availed with an introductory letter from the university which was sent in advance to the targeted respondents so as to enable her interact freely with them without suspicion. The researcher went-ahead to collect the relevant data for the study. She made use of an interview guide and the questionnaires while collecting the data. Data was collected and summarized using frequency tables and percentages to establish the frequency of occurrences. Un-quantifiable data was presented in narrative format, lastly conclusion was drawn and recommendations were suggested by the researcher as the final findings from study.

3.10 Data processing, analysis and presentation.

The quantitative data collected by the questionnaire and through observation was first coded. In the coding process a coding sheet was constructed, the questionnaire was typed on the computer using Microsoft word and then edited. Frequency tables and percentages were drawn to indicate the results from quota based sample of the pilot study from the above variables that is (sex, age, income and education). This was done using excel. Finally the data was presented based on the research questions, studies and purpose of the study. This was made to avoid miss-representation of findings.

3.11 Limitations and anticipated solutions of the study

Insufficient funds to carry out the research activities because there was a lot of items that required funds like transport, typing and printing, pen and books. These problems were

minimized by the researcher trying as much as possible to fore go unnecessary expenses. In addition to the above, the researcher also was limited by language barrier. This was a very big problem especially during the collection of data because a big percentage of Small Scale Business operators were either illiterate or semi-illiterate and it was heard to express and point out clearly in English the required knowledge. However, to try to normalize the situation, the researcher hired an interpreter who helped her to translate into the required language.

Finally, there was the problem of weather and constant climatic changes like rainfall and heavy sunshine. To minimise this problem, the researcher however tried to carry the research during the calm days and hours so as to access the respondents easily and in addition moving along side with umbrellas were adopted.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents data presentation, analysis and interpretation of findings.

4.1 Socio-demographic characteristics of respondents

4.1.1 Bio data of respondents

The respondents had differences in terms of background. The respondents included different age groups, education level, marital status and sex. The following issues were obtained from the questionnaires submitted to different groups of people in Owino, Kikuubo and Nakasero markets.

4.1.2 Distribution of respondents by Gender

The study targeted both male and female respondents and this was done to avoid bias as well as ensuring equal representation of both male and female respondents.

Table: 1 represents the distribution of respondents by Gender

Table 1: Gender of respondents

Gender	Frequency	Percentage
Male	60	75
Female	20	25

Total	80	100
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Source: Primary Data, 2017

From the study results in Table 1, most of the respondents were male with 75% and 25% for female respectively. This was due to the fact that women face challenges especially in business ownership and financial empowerment. Hence men are the most beneficiaries of the small scale business enterprises as compared to women.

4.1.2 Distribution of respondents according to age bracket

Table: 2 Represents age bracket of respondents

Age	Frequency	Percentage %
18-25 years	25	31.25
25 -30 years	20	25
30-35 years	25	31.25
35 and above	10	12.5
Total	80	100

Source: Primary Data, 2017

Table 2 results depicted that 31.25% were aged 18-25 years, 25% were between 25-30 years, 31.25% were between 30-35 years and 12.5% were 35 years and above. From the study results most of the respondents were aged 18-35 years meaning that most of the business entrepreneurs in Kampala central division were youth who are still strong and able to make businesses successful through hard work. This implies that small scale businesses are dominated by age bracket of youth (between 18-35 years) because it is the most productive age and energetic.

4.1.3 Distribution of respondents according to education background

Table: 3 Represents the education level of respondents

Education level	Frequency	Percentage %
Primary	5	6.25
Secondary	30	37.5

Diploma	10	12.5
Degree	35	43.75
Total	80	100

Source: Primary Data, 2017

Study results in Table 3 above indicated that 6.25% of the small scale business enterprises in Kampala Central Division stopped in primary, 37.5% completed secondary, 12.5% had diploma and 43.75% had degree awards hence small scale businesses are dominated by people who can read and write especially when it comes to English. This was because most of their clients are foreigners and people who cannot speak the local languages spoken in the Division.

4.1.3 Distribution of respondents according to marital status

Table: 4 Represents distribution of respondents by marital status

Marital status	Frequency	Percentage
Single	15	18.75
Married	50	62.5
Widowed	10	12.5
Divorced	5	6.25
Total	80	100

Source: Primary Data, 2017

From Table 4 above, majority of respondents were married with 62.5%, 18.75% of the respondents were single, 12.5% were widowed and 6.25% were divorced. This therefore shows that irrespective of being youth between 18-35 years, most small scale entrepreneurs respect marriage which has helped a very big number of them to develop. It implied that to some extent two heads are better than one for instance a husband and wife can get positive results when they join hands.

4.2 Relationship between taxation and growth of small scale business enterprises in Kampala Central Division

This was the first research objective which sought to establish the relationship between taxation and growth of small scale business enterprises in Kampala Central Division as results depicted below;

4.2.1 Taxes lead to economic business policy goals

The respondents were asked whether taxes lead to economic business policy goals **and below were the results;**

Table: 5 Represents respondent's views on taxation as an influence to economic business policy goals

Response	Frequency	Percentage%
Strongly agree	30	37.5
Agree	20	25
Strongly disagree	18	22.5
Disagree	12	15
Total	80	100

Source: Primary Data, 2017

From the Table of findings above, majority 62.5% of the respondents were supportive with the agreement that SSBs are related to taxes due to its influence on economic business policy goals for instance people learn how to improve on their business performance so that they get money for taxes and their benefit. Minority 37.5% had disagreement since they revealed that taxation doesn't influence economic business policy goals. This therefore implied that taxes do influence the operation of small scale business enterprises through especially determining their policy goals. This according to Mwanje, (2014), to a survey in developing countries, on the cases of

finding out the relationship between taxation and the growth of SSBE's indicates that there is a positive relationship. This is because about 53% entrepreneurs reported that taxation is a major contributing factor to the existence of their businesses.

4.2.2 Taxes develop small scale businesses through holidays

Table: 7 Represents respondent's views on development to small scale businesses through taxation

Response	Frequency	Percentage%
Strongly agree	33	41.25
Agree	37	46.25
Strongly disagree	8	10
Disagree	2	2.5
Total	80	100

Source: Primary Data, 2017

Table 7 results depicted that majority 87.5 % of the response agreed that taxes develop small scale businesses through holidays which provides business holders to plan; learn the environment and as well get prepared for taxes. This implied that tax holidays help small scale businesses to develop. However, minority 12.5% disagreed with the statement where by they argued that this system is discriminative where by some small scale businesses enterprises are given holidays yet others do not. The above results are not different Kitinisa (2014) who argued that there are two broad approaches to taxation polices and these are application of the standard tax provisions to all business activities combined with low tax rates. They say that this is highly attributed to the poor work being done by the tax authorities leaving traders ignorant about issues like the way taxes are assessed, advantages of paying taxes and the use to which it is put. Therefore there is a need to sensitize the public especially business owners on who qualifies for tax holidays and who doesn't. The sensitization should be done on different taxes that impact the business owners and

the rationale that underlines the imposition of taxes because tax payers are not aware of the reasons for paying taxes, evasion of tax duties, laws and regulations are very rampant.

4.3 Performance of Small Scale business enterprises in Kampala central division

The second research objective sought to assess the performance of small scale business enterprises in Kampala central division. In order to get information to answer the above question, respondents were asked whether there is an increased production level, there is increased number of registered businesses and the response rate from the respondents were tabulated in tables below;

4.3.1 There is an increased production level

Table: 8 Represents respondents' views on increased production levels due to small scale business enterprises

Response	Frequency	Percentage%
Strongly agree	30	37.5
Agree	28	35
Strongly disagree	12	15
Disagree	10	12.5
Total	80	100

Source: Primary Data, 2017

From study results in table 8, (72.5%) of the respondents agreed to the statement that small scale business enterprises have increased production levels while 27.5% disagreed. The indication therefore is that small scale business enterprises have with no doubt increased production levels.

This in agreement with Nickels (1999) performance as a process by which a business ensures the achievement of its set objectives by using the available resources and according to Stone (2002), a small scale firms is any business entity that is locally owned and simply managed by very few employees working at the single location.

4.3.2 There is increased number of registered businesses

Table: 9 Represents respondents' views on increased number of registered business due to operation of small scale business enterprises

Response	Frequency	Percentage%
Strongly agree	50	62.5
Agree	20	25
Strongly disagree	7	8.75
Disagree	3	3.75
Total	80	100

Source: Primary Data, 2017

From Table 9; 87.5% of the respondents wholesomely agreed that small scale business enterprises have increased number of registered businesses as applied to 12.5% who disagreed with a statement meaning that most of the small scale business enterprises in Kampala central division were legally registered and could easily pay taxes. This therefore implied that a number of small scale business enterprises are legally registered hence indicating that they cope up with the ethical working conditions of Uganda like the current tax identification number (TIN).

Gordon and Dawson (2007) observed that through taxation, the government takes away money from people they would otherwise spend on private sector and in the long run if adequately utilized it is the money used for infrastructural development like road construction and maintenance.

4.3. 3 SSBEs have helped businesses to make sales that sustain their expenses

Table: 10 Represents views on businesses ability to make sales that sustain their expenses through SSBEs

Response	Frequency	Percentage%
Strongly agree	60	75
Agree	10	12.5
Strongly disagree	4	5
Disagree	6	7.5
Total	80	100

Source: Primary Data, 2017

From table of the findings above; majority 87.5% agreed that SSBEs have helped businesses to make sales that sustain their expenses yet the least 12.5% disagreed with the view thus implying that small scale business enterprises are mutually reinforcing the businesses' ability to make sales that sustain their expenses.

4.4 Relationship between taxation and performance of small scale businesses in Kampala Central Division

Table: 11 Represents respondent's views on high performance in market skills

Response	Frequency	Percentage%
Strongly agree	49	61.25
Agree	11	13.75
Strongly disagree	10	12.5
Disagree	10	12.5
Total	80	100

Source: Primary Data, 2017

However, results in Table 11 were impressive due to the fact that most respondents with a 75% response were positive (agreed) with the view that there is high performance in market skills through taxation. However 25% disagreed since they argued that in accordance to the available complaints like high rates of taxation with less benefit, the available market especially for produce is still left wanting due to price differences on same products especially from wholesalers. This in line with the report presented by Revenue on July, 2015, most SSBEs in Uganda are managed by either unskilled, semi-skilled accounting personnel's who do not have proper knowledge in book keeping who include sole business owners, family businesses and some pattern ship businesses. These generally are known to be poor in book keeping, to have high turnover, change hand and business more often, do not know how much expenses and revenue so as to avoid running of cash, that is solvency. This implied that small scale businesses have developed due to high performance in market skills from taxation.

4.4.2 There is uncertainty among traders

Table: 12 represent respondent's views on whether there is uncertainty among traders and below were the results;

Response	Frequency	Percentage%
Strongly agree	35	43.75
Agree	18	22.5
Strongly disagree	17	21.25
Disagree	10	12.5
Total	80	100

Source: Primary Data, 2017

Table 12 shows majority 66.25% of respondents agreed to the view that taxation leads to uncertainty among traders. However, 33.75% disagreed with this view and this was observed by the researcher where in reality most businesses have stayed in operation regardless of the high rates of taxation. This view goes in line with Joel (2016) who stressed that most SSBE's are managed on un-professional lines. This has brought about great uncertainty among traders in

Uganda as regards to tax matters due to their making. Collins (2015) asserts that many traders have expressed ignorance about the taxes imposed on their businesses. It is said that this is highly attributable to the poor work done by the tax authorities leaving most the traders about issues like tax computation, advantages of paying taxes and the use to which it is put for example like infrastructure building and maintenance as well..

4.4.3 There is an impact on long-term survival and development.

Table: 13 Represents respondent's views on taxation's impact on long-term survival and development.

Response	Frequency	Percentage%
Strongly agree	38	47.5
Agree	22	27.5
Strongly disagree	15	18.75
Disagree	5	6.25
Total	80	100

Source: Primary Data, 2017

Majority 75% respondents agreed that taxes impact the long-term survival and development of small scale businesses that is to say the higher the taxes the more closure for most business, yet if businesses are given a favourable tax base, they can stay in operation.

However the least with a 25% response disagreed which implied that most of the small scale businesses are affected similarly when it comes to taxes due to the fact that small scale entrepreneurs are charged similarly to wholesalers. This view according to Mugulasi (2015) urges that the growth and survival of the small scale business has been stranded due to poor tax administration. Most of small scale businesses do not keep proper records of transaction which makes it hard to assess and ascertain their profits. However the presumptive tax basis makes the businesses to pay taxes even though they do not have the taxable income, this hampers the

growth of these businesses and the committee on industry in Uganda states that small scale businesses face increased pressure on profit margin.

4.4.4 Taxes lead to high local productions

Table: 14 Represents respondent's views on whether taxes lead to high local productions

Response	Frequency	Percentage%
Strongly agree	15	18.75
Agree	5	6.25
Strongly disagree	45	56.25
Disagree	15	18.75
Total	80	100

Source: Primary Data, 2017

Further Table 14 presented a 25% response for minority of respondents who argued that taxes lead to high local productions yet majority 75% disagreed with the statement. This was expressed in regard to the current tax system where people who import products argued that it is better to purchase from abroad due to low prices and good quality produce than buying the locally produced goods with higher prices and low quality. This therefore implied that taxes which aren't directly charged affect operation of some businesses hence low production at the local level. This view is supported by Arinaitwe (2002) who argued that the internal and external components differ considerably among developing countries. While the contributions of small businesses to development are generally acknowledged, entrepreneurs face many obstacles that limit their long-term survival and development and he conclusively argued that research on small-business development has shown that the rate of failure in developing countries is higher than in the developed world.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the finding presented in the preceding chapter discussion, conclusions and recommendations and areas for further researchers.

5.2 Summary of the finding

5.2.2 Relationship between taxation and growth of the small scale business enterprises

From the findings respondents indicated that taxes have greatly led to growth of small scale business enterprises for example 62.5% of the response were supportive with the agreement that SSBEs are related to taxes because its influence economic business policy goals of most businesses for instance it was like taxes pressurize traders to work hard so that they incur more for their benefit and taxes for development. Further majority 62.5 % of the respondents agreed that taxes create employment opportunities to especially tax collectors hence reducing on the would be hindrances to operation of small scale businesses like criminals and further it gives more people space to join the industry and majority 87.5 % agreed that taxes develop small scale businesses through holidays which provides business holders to plan; learn the environment and as well get prepared for taxes. This therefore implied that most small scale business enterprises growth is related to taxation.

5.2.2 Performance of small scale business enterprises in Kampala central division

From the findings, there was a positive perception of the respondents regarding the performance of small scale business enterprises due to favorable tax policies **as seen below;**

From the findings, due to favorable tax policies there is an increased production level. This was because 72.5% of the respondents agreed on the most variables under the study that small scale business enterprises had with no doubt increased production levels due to expansion and duration in operation.

Further 87.5% of the respondents wholesomely agreed that small scale business enterprises had increased number of registered businesses through legal business operations in Uganda and similarly majority 87.5% agreed that SSBs have helped businesses to make sales that sustain their expenses.

5.2.3 Relationship between taxation and performance of small scale businesses in Kampala Central Division

Further the researcher collected information on the constraints to growth of small scale business in Kampala central division and majority 75% of the respondents were supportive with the view that there is high performance in market skills through taxation, 25% of respondents agreed to the view that taxation leads to uncertainty among traders, majority 75% respondents agreed that taxes impact the long-term survival and development. Generally considering performance, taxation affect small scale business enterprises' performance due to the fact that most of them fail to operate due to high taxes imposed.

5.3 Discussion of the findings

5.3.1 Relationship between taxation and growth of the small scale business enterprises

Findings of the study revealed that Small Scale Businesses are related to taxes due to its influence on economic business policy goals for instance people learn how to improve on their business performance so that they get money for taxes and their benefit. Therefore the more businesses are legally exposed to taxes, the more they work hard to compensate for all expenses and this view is supported by authors like Arinaitwe, (2012) who argued that small-business development are necessary in developing countries because of the dissimilarities in the process between developed and developing countries.

Still findings in chapter four revealed that taxes develop small scale businesses through holidays which provide business holders space to plan; learn the environment and as well get prepared for taxes hence an implication that tax holidays help small scale businesses to develop. This view was supported by authors like Kitinisa (2014) who argued that there are two broad approaches to taxation polices which are an application of the standard tax provisions to all business activities combined with low tax rates. They say that this is highly attributed to the poor work being done

by the tax authorities leaving traders ignorant about issues like the way taxes are assessed, advantages of paying taxes and the use to which it is put. Therefore there is a need to sensitize the public especially business owners on who qualifies for tax holidays and who doesn't.

5.3.2 Performance of small scale business enterprises in Kampala central division

Findings of the study revealed that there is an increased production level due to small scale businesses in that the more businesses connive the more output and customers to purchase such products. Therefore the more businesses in a given area, the more production and this view is supported by authors like Nickels (1999) who argued that performance entails a process by which a business ensures the achievement of its set objectives by using the available resources and according to Stone (2002), a small scale firms is any business entity that is locally owned and simply managed by very few employees working at the single location.

Findings further revealed that there is increased number of registered businesses in a small scale business enterprise that is when a small group of individuals join hands; legally have to be registered as stipulated by Nickels (1999) who argued that performance involves a process by which a business ensures the achievement of its set objectives by using the available resources hence able to pay government dues in time.

Further findings revealed that, through favorable tax policies; SSBEs have helped businesses to make sales that sustain their expenses for example traders have always benefited from working in groups for instance if it is a financial crisis traders can help each other to overcome it.

5.3.3 Relationship between taxation and performance of small scale businesses in Kampala Central Division

Findings revealed that there is high performance in market skills through taxation for example many traders have been able to get more skills in relation to customer demands and comparison in taxes rates for both imports and exports. This was revealed by some traders who argued that they get skills from the available market to compare between exports and imports.

Still some respondents argued that there is uncertainty among traders for example due to unfavorable taxes many businesses have closed and here small scale businesses are disfavored on behalf of foreigners. However, regardless of such complaints in reality most businesses have

stayed in operation regardless of the high rates of taxation. This view is supported by Sauser, (2015) who argued that starting a business is a risky venture and warns that the chances of small-business owners making it past the five-year mark are very slim. They should develop both long-term and short-term strategies to guard against failure.

Besides that, there is an impact on long-term survival and development for instance the higher the taxes, the more closure for most business, yet if businesses are given a favourable tax base, they can stay in operation. This according to Ndaniko, (2016); tax payer's awareness; most Ugandans have poor or lack of understanding of the reasons of taxation and knowledge on different types of taxes imposed on them (understanding taxation by Kintu, 2011) as a result the taxes imposed on them in Uganda are still very low though at the end they close.

These views are supported by Mugulasi (2015) who argued that the growth and survival of the small scale business has been stranded due to poor tax administration. Most of small scale businesses do not keep proper records of transaction which makes it hard to assess and ascertain their profits. However the presumptive tax basis makes the businesses to pay taxes even though they do not have the taxable income, this hampers the growth of these businesses and the committee on industry in Uganda states that small scale businesses face increased pressure on profit margin.

5.4 Conclusions

From the findings of this study, major conclusions can be drawn in line with the problem statement and more specifically on the basis of the objectives of the study.

5.4.1 Relationship between taxation and growth of small scale business enterprises in Kampala Central Division

On the relationship between taxation and growth of small scale business enterprises, the study established that taxes lead to economic business policy goals, create employment opportunities especially to tax collectors and they as well develop small scale businesses through giving tax holidays to starters.

5.4.2 Performance of small scale business enterprises in Kampala central division

On the performance of small scale business enterprises in Kampala central division, the findings revealed the there is an increased production level, there is increased number of registered businesses and that small scale business enterprises have helped businesses to make sales that sustain their expenses.

5.4.3 Relationship between taxation and performance of small scale businesses in Kampala Central Division

The study concluded that there is high performance in market skills, there is uncertainty among traders; there is an impact on long-term survival and development and taxes lead to high local productions.

5.5 Recommendations

The researcher made the following recommendations;

5.5.1 Relationship between taxation and growth of small scale business enterprises in Kampala Central Division

I would recommend that the tax collection authority be cooperative with the traders especially owners of the small scale businesses. This can be achieved through for example giving tax holidays to some small traders to expand in that after studying their income and expenditure and customer scale can be able to levy tax that cannot affect their operation.

5.5.2 Performance of small scale business enterprises in Kampala central division

I would recommend that small scale business enterprises join hands through forming membership groups to help each other due to the fact that two groups are better than one. This therefore can help them develop and as well get financial support from the government and humanitarian organizations.

5.5.3 Relationship between taxation and performance of small scale businesses in Kampala Central Division

I would recommend the need for digging deep to study challenges to entrepreneurial field in an area where traders want to start up businesses. Further small scale traders should be given tax holidays to help them study the business environment.

5.6 Areas for further research

The researcher recommends further research into the following areas;

- (i) Challenges to performance of small scale businesses in Kampala central division
- (ii) Impact of small scale business enterprises to development of Kampala central division.
- (iii) Tax holidays as an impact to business performance in Kampala district.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE SCHEDULE

Dear Respondent,

The researcher is an under graduate student at Kampala International University conducting a research on “Taxation and Performance of Small Scale Businesses in Kampala Central Division” this research is part of requirement of the award of a degree in business administration, you are therefore requested to spare some time in filling this questionnaire as honestly as possible. All information you submit will be confidentially kept.

Instruction: Please tick where appropriate

1. Personal Information

a). Sex

Male

Female

b). Age

18-25 years

25 -30 years

30-35 years

35 and above

c). Education level

Primary

Secondary

Diploma

Degree

Others.....

d). Marital status

Single

Married

Widowed

Divorced

SECTION B

RESULTS FROM RESEARCH OBJECTIVES

Dear respondent, Kindly TICK the correct answer if you strongly Agree, Agree, Strongly disagree and disagree, Not sure in the spaces provided;

Code	1	2	3	4
Status	Strongly agree	Agree	Strongly disagree	Disagree

A. Relationship between taxation and growth of the small scale business enterprises	1	2	3	4
Taxes lead to economic business policy goals				
Taxes create employment opportunities especially to tax collectors				
Taxes develop to small scale businesses				
Taxes increase prices of commodities				
Contribute to quick transportation of goods				
Performance of Small Scale Businesses (SSBE's) in Kampala Central Division				
There is increased production levels				
There is increased number of registered business				
Businesses are able to make sales that sustain their expenses				
Businesses are able to satisfy customers				

Businesses maximize profits				
There is increased market share among businesses				
There is increased customer satisfaction				
Taxes are paid in time				
C. Relationship between taxation and performance of small scale businesses in Kampala Central Division				
There is high performance in market skills				
Is there uncertainty among traders				
Is it an impact on long-term survival and development				
Taxes lead to high local productions				

THANK YOU FOR YOUR RESPONSE.

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

MAY, 09TH 2017

To whom it may concern

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR NALUGO ROSEMARY, REG NO.
BBA/45014/143/DU**

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: - TAXATION AND PERFORMANCE OF SMALL SCALE
BUSINESSES IN KAMPALA CENTRAL DIVISION.**

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. KIRABO KYEYUNE BOUNTY JOSEPH
HOD - ACCOUNTING & FINANCE
0772323344

