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THE IMPACTS OF SMALL-SCALE BUSINESSES ON HOUSEHOLD WELFARE IN BULIIGO WARD, CENTRAL DIVISION, IGANGA MUNICIPALITY

BY

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A REPORT SUBMITTED TO THE DEPARTMENT OF ECONOMICS AND ENTREPRENEURSHIP IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF ABACHELOR OF SCIENCE WITH EDUCATION OF
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DECLARATION

I, Kasadha Nathan, do hereby declare to the best of my knowledge that this report is my original work and it has never been submitted to any university or any other institution of higher learning for any academic award. The work presented in this research study is my own, except where acknowledged. All sources used have been properly cited and referenced.

Signature: .... Date: 2nd|09|2026..

KASADHA NATHAN

APPROVAL

This research study has been conducted under my supervision, and I approve it for submission for examination and evaluation.

The study meets the requirements for a research project, and I believe it contributes valuable insights into the impacts of small-scale businesses on household welfare in Buliigo ward, Central Division, Iganga Municipality.

Signature: .... Date: ...02/09/2026...................

MR. PEREMBA ESAU

(Supervisor)

DEDICATION

This research is dedicated to the driving forces behind its completion, whose unwavering support has been a key factor of this endeavor.

To the Almighty, for the gift of knowledge, perseverance and the strength to see this work through.

To my family, whose constant encouragement, patience and understanding provided the foundation upon which this work was built. Your belief in me has been my greatest motivation.

To the small-scale entrepreneurs who, with their resilience and hard work, form the backbone of our communities. This work is a humble attempt to understand and illuminate your invaluable contribution to household well-being and economic development.

And finally, to all households striving for a better life through their own enterprise. May this research, in some small way, contribute to a future where your efforts are recognized, supported and rewarded.

ACKNOWLEDGEMENT

I would like to express my heartfelt gratitude to the following individuals who contributed to the completion of this research study:

My supervisor, Mr. Peremba Esau, for his expert guidance, valuable feedback and unwavering support throughout this research.

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My family and friends, for their encouragement, support and understanding throughout this journey.

I also acknowledge the contributions of all those who directly or indirectly contributed to the success of this research.

ABSTRACT

This study examined the impacts of small-scale businesses on household welfare in Buliigo ward, Central Division, Iganga Municipality. Small-scale businesses have increasingly been recognized as an important pathway to household income generation, employment creation and poverty reduction in Uganda, yet the extent to which they translate into tangible welfare improvements at the household level remains an empirical question that this study sought to answer.

The study was guided by three specific objectives: to identify the types of small-scale businesses prevalent in Buliigo ward; to determine the contribution of small-scale businesses to household welfare; and to identify the challenges limiting the flourishing of small-scale businesses in the area. A descriptive and exploratory research design combining quantitative and qualitative approaches was adopted. Simple random sampling was used to select a sample of 65 respondents drawn from 13 business settings within Buliigo trading Centre. Data were collected using questionnaires, interviews and observation, and were analyzed using the Statistical Package for Social Sciences (SPSS), with results presented in frequency and percentage tables.

The findings revealed that retail trade, salons and barbershops, tailoring, food vending, stationery and financial services (mobile money) were the dominant types of small-scale businesses in the ward. The study further established that small-scale businesses had a statistically significant positive contribution to household welfare, particularly in relation to household income, ability to meet daily needs, payment of school fees, food security and asset accumulation, leading to the rejection of the null hypothesis. However, the growth of these businesses was constrained by limited access to credit and capital, high taxes and licensing fees, stiff market competition, poor infrastructure, and inadequate business management skills.

The study concludes that small-scale businesses are a vital, though constrained, source of household welfare improvement in Buliigo ward. It recommends that local government and financial institutions design targeted, low-collateral credit schemes, business skills training and simplified tax regimes to strengthen small-scale enterprises, thereby amplifying their contribution to household welfare.

Key words: Small-scale businesses, household welfare, income, Buliigo ward, Iganga.

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ACRONYMS AND ABBREVIATION

GDP: Gross Domestic Product

IIARD: International Institute of Academic Research and Development

Ho: Null hypothesis

Ha: Alternative hypothesis

n.d: No date

RUDEFU: Rural Development Foundation Uganda

KNCCI: Kenya National Chamber of Commerce and Industry

SAPs: Structural Adjustment Programs

URN: Uganda Radio Network

UIA: Uganda Investment Authority

STEG: Structural Transformation and Economic Growth

SPSS: Statistical Package for Social Science

SNSOP: South Sudan Productive Safety Net for Socioeconomic Opportunities Project

KBA: Kenya Bankers Association

MSME: Micro, Small and Medium Enterprises

OECD: Organization for Economic Co-operation and Development

CHAPTER ONE

1.0 INTRODUCTION:

This chapter presents the background, statement of the problem as well as the key evidence prompting the study, purpose of the study, objectives of the study, research questions to be answered in the study, and the hypothesis. It also highlights the scope of the study and the significance of carrying out the study.

1.1 Background

Small scale businesses have increasingly been recognized as key drivers of economic development and poverty reduction in many developing countries. Small-scale businesses have emerged as a critical pathway for household economic advancement, especially in developing economies where formal employment opportunities remain limited. Across sub-Saharan Africa and parts of Asia, the proliferation of micro and small enterprises represents not merely a survival strategy but an increasingly deliberate occupational choice for millions of households (Nagler & Naude, 2014). The significance of small-scale businesses extends beyond income generation to encompass multiple dimensions of household welfare.

This era, marked by post-pandemic economic reconstruction, digital transformation, and renewed policy focus on inclusive growth, has generated substantial new evidence regarding how micro and small enterprises shape the wellbeing of millions of households. Understanding this relationship has become increasingly urgent as governments and development organizations invest resources in enterprise-based poverty reduction strategies.

In 1986, Uganda undertook economic reforms through the IMF/World Bank funded Structural Adjustment Programs (SAPs), moving from an inefficient, import-dependent economy to one that is more diversified, efficient and export-oriented (Ajibefun & Daramola, 2003). Small-scale businesses had a role to play in support of the production and import sectors to achieve the goals of the SAPs at the time.

Household welfare represents a multidimensional construct extending far beyond simple income measures. Scholars recognize that welfare encompasses consumption patterns, asset accumulation, educational investment, health outcomes, food security, and subjective wellbeing. The family unit serves as the primary locus for welfare generation and distribution, making family welfare a central priority in national social welfare, since the family is the smallest unit in society (Yuliastuti, et al., 2024).

In many developing countries, small-scale businesses serve as a major source of employment, especially for individuals with limited education or capital. Research indicates that small enterprises can absorb a large proportion of the labor force and reduce unemployment levels in local communities. Studies further show that small businesses are responsible for significant employment creation and provide income-generating opportunities for households, thereby reducing over-dependency on government welfare programs (IIARD International Journal of Economics and Business Management, n.d.).

The large informal sector, which is mostly comprised of small-scale businesses, offers great potential for employment generation and is therefore a good target for policy aimed at increasing the welfare of the people, making it essential in poverty eradication. During the earlier years of economic recovery and development (financial years 2020-2022), small businesses contributed around 20 percent of Uganda's GDP, accounted for over 80 percent of employment opportunities in the private sector, and more than 90 percent of registered businesses were classified as small or medium enterprises. Despite this strong contribution, small-scale businesses contributed less than 30 percent of tax revenue, partly because many businesses operate informally (as cited in Research Gate-indexed reports on Uganda's MSME sector).

A joint study by Makerere University, Copenhagen Business School, and the Uganda Small Scale Industries Association found that 78 percent of Uganda's working population is employed in the informal sector, characterized by low productivity and limited worker protection. The study, which surveyed 1,100 small-scale firms across Uganda since 2022, revealed that informality remains pervasive despite formalization efforts.

1.2 Problem Statement

Small-scale businesses are widely promoted as a key pathway to household poverty reduction, given their low entry costs, ability to absorb labor without formal education, and dominance of Uganda's private sector, where they account for over 80% of employment and roughly 20% of GDP. Buliigo ward, Central Division, Iganga Municipality, along the Tororo-Jinja highway, has seen a marked rise in such enterprises, including retail shops, salons, tailoring outlets, food vending stalls, stationery shops and mobile-money agencies.

Yet despite this growth, many households in Buliigo ward still show signs of low welfare: difficulty meeting daily basic needs, paying school fees, saving, accumulating assets, and accessing healthcare and improved housing. This persistence of welfare deprivation alongside a growing small-business sector raises an unanswered question:

Is small-scale business participation actually improving household welfare in Buliigo ward, or are constraints such as limited credit access, high taxes and licensing costs, market competition, poor infrastructure and weak business skills preventing these enterprises from delivering their expected benefits?

While the small-scale business welfare relationship has been studied at national and cross-country levels (Nagler & Naude, 2014; Grimm & Paffhausen, 2015), with mixed, context-specific results, no comparable ward-level evidence exists for Buliigo. Without it, local leaders, financial institutions and development partners lack the information needed to design effective interventions. This study was undertaken to establish the impacts of small-scale businesses on household welfare in Buliigo ward, Central Division, Iganga Municipality.

1.3.1 General Objective

The study attempted to establish the impacts of small-scale businesses on the welfare of households in Buliigo ward, Central Division, Iganga district.

1.3.2 Specific Objectives

i) To find out the types of small and medium enterprises that are prevalent in Buliigo ward, Central Division, Iganga Municipality.

ii) To determine the contribution of small-scale businesses towards the growth and development of household welfare in Buliigo ward, Central Division, Iganga Municipality.

iii) To identify the challenges limiting the flourishing of small-scale businesses in Buliigo ward, Central Division, Iganga Municipality.

1.4 Research Questions

i) What are the types of small-scale businesses in which people engage in Buliigo ward, Central Division, Iganga Municipality?

ii) What are the contributions of small-scale businesses towards the household welfare of people in Buliigo ward, Central Division, Iganga Municipality?

iii) What challenges do small-scale businesses face and how do these challenges affect household welfare?

1.5 Hypothesis

Ho: Small-scale businesses have no significant contribution to the welfare of households in Buliigo ward, Central Division, Iganga Municipality.

H_1: Small-scale businesses have a significant contribution to the welfare of households in Buliigo ward, Central Division, Iganga Municipality.

1.6 Scope of the Study

1.6.1 Content Scope

The study was limited to establishing the contribution of small-scale businesses to the welfare of households in Central Division, Iganga Municipality, focusing on the types of businesses, their welfare contributions, and the challenges they face.

1.6.2 Geographical Scope

The study was conducted in Buliigo ward, Central Division, Iganga Municipality, located in Iganga district alongside the Tororo-Jinja highway. The area has a large number of small and medium enterprises ranging from retail businesses, stationery shops and financial institutions to salons and schools, among others.

1.6.3 Time Scope

The study covered household and business welfare data for the period 2016-2026, with fieldwork undertaken for a period of four months.

1.7 Significance of the Study

The study may form a basis for a literature review to which other researchers may make reference, especially in the area of small-scale businesses and their contribution to household welfare. Policy makers and local leaders in Iganga Municipality may use the findings to design targeted support programs for small-scale enterprises. Financial institutions and development partners may find the study useful in designing appropriate credit and business development products for small-scale entrepreneurs. In the same way, the research helped the researcher fulfil one of the requirements for the award of a Bachelor of Science with Education of Busitema University.

CHAPTER TWO

LITERATURE REVIEW

This chapter synthesises existing scholarship on small-scale businesses and household welfare. It is organized around the study's three specific objectives, namely: the types of small-scale businesses, their impact on household welfare, and the challenges they face. Within each objective, the review is further organized into three levels, global, East African, and Uganda-specific, so as to situate the study within worldwide scholarship before narrowing down to the regional and local context of Buliigo ward. The review draws from academic journals, systematic reviews, national statistical reports, and policy documents published largely between 2014 and 2026.

2.1 Theoretical Review

This section reviews two theories that underpin the study’s understanding of how small-scale businesses relate to household welfare: the Sustainable Livelihoods Theory and the Necessity and Opportunity Entrepreneurship Theory (Push–Pull Theory). Together, these theories provide a lens for interpreting why households in Buliigo ward enter small-scale business and how such businesses translate, or fail to translate, into improved household welfare.

2.1.1 Sustainable Livelihoods Theory

The Sustainable Livelihoods Theory (Chambers & Conway, 1992) holds that a livelihood comprises the capabilities, assets, and activities required for a means of living, drawing on five forms of capital: human capital (skills, education, labor), financial capital (income, savings, credit), physical capital (equipment, infrastructure), social capital (networks, relationships) and natural capital. A livelihood is sustainable when it can withstand shocks and stresses while maintaining or enhancing these assets, both now and for the future. Households pursue livelihood strategies, including diversification into small-scale non-farm enterprise, as a deliberate means of combining available capital assets to achieve valued livelihood outcomes such as higher income, food security, reduced vulnerability and improved wellbeing.

A livelihood is sustainable when it lets a household with stand shocks while maintaining and growing these assets overtime. Small-scale business is a livelihood strategy through which a household combines the capital it already has say skills, starting capital, family labor and customers in order to produce welfare outcomes such as income, food security, and asset accumulation. The theory highlights on the fact that two same business activities can produce different welfare outcomes for different households as seen in Buliigo ward. The trader with more human or social capital converts the business into welfare more effectively than one without.

2.1.2 Necessity and Opportunity Entrepreneurship Theory (Push–Pull Theory)

The Necessity and Opportunity Entrepreneurship Theory, commonly known as the Push–Pull Theory (Gilad & Levine, 1986), distinguishes between two broad categories of business entry motive. Necessity entrepreneurs are "pushed" into business by adverse circumstances, such as unemployment, limited formal job opportunities, or the need to supplement inadequate household income, and typically start low-capital, easy-entry ventures. Opportunity entrepreneurs, by contrast, are "pulled" into business by the identification of a promising market opportunity, a desire for greater independence, or the prospect of higher earnings, and are more likely to invest deliberately in growth.

The theory asserts that most businesses dominate because they have low capital requirement and thus easy to start such businesses for example retail shops, food vending, salons as operated in Buliigo ward. Given the fact that Buliigo is dominated by an informal sector with limited formal employmet, individuals are often compelled to start up small-scale businesses given their vast advantages associated with their starting processes.

Taken together, the two theories complement one another in framing the findings of this study: the Push–Pull Theory explains why households in Buliigo ward enter small-scale business in the first place, while the Sustainable Livelihoods Theory explains how, and how fully, that business activity is converted into the household welfare outcomes and constraints documented in Chapter Four.

2.2 Types of Small-Scale Businesses in which People are engaged

At the global level, the classification of small-scale enterprises is far from uniform. The World Bank Group has no single definition of a small and medium enterprise (SME) and generally defers to country-level standards, although the International Finance Corporation and the Multilateral Investment Guarantee Agency apply a common two-out-of-three-criteria standard based on number of employees, total assets and annual sales (World Bank Group, 2019). The Organization for Economic Co-operation and Development similarly classifies enterprises by employee count, with micro-enterprises employing fewer than 10 people, small enterprises 10 to 49, and medium enterprises 50 to 249 (OECD, n.d.). A global review of 132 economies found that only about a third defined SMEs using the under-250-employee threshold, with the remainder applying divergent national criteria, underscoring the definitional heterogeneity that characterizes the sector worldwide (Kushnir, et al, 2010).

Despite this lack of a single definition, the scale of the sector is consistently large. Globally, micro, small and medium enterprises account for around 90 percent of businesses and two-thirds of all jobs, with formal and informal MSMEs together contributing up to 50 percent of GDP in many economies (Dela Cruz et al., 2025). The sector is dominated numerically by micro and informal enterprises rather than registered small or medium firms, a pattern that recurs across low- and middle-income countries regardless of region (World Bank Group, 2019).

Cross-country evidence from ten Sub-Saharan African countries adds further texture to this global picture. Household enterprises are more prevalent among wealthier households, although push factors, rather than opportunity, dominate as the entry motive overall. Enterprises in lower consumption quintiles are more often operated by less-educated owners, female ownership is more common among poorer households, and businesses are typically small, solo-operated, and only marginally larger among wealthier households. Poorer households tend to operate more seasonal enterprises that rarely employ outside labor and contribute comparatively less to total household income (Nagler & Naude, 2014). Taken together, the global evidence establishes that small-scale enterprises are a numerically dominant but structurally heterogeneous feature of economies worldwide, a pattern that recurs, with local variation, at the regional and national levels discussed below.

Within East Africa, national MSME surveys confirm the global pattern that small-scale enterprises are overwhelmingly informal, micro-scale, and trade-oriented. In Kenya, a joint survey by the Kenya Bankers Association and the Japan International Cooperation Agency found that trade and ICT alone account for 59 percent of MSMEs, with the remainder spread across agriculture, manufacturing and construction (Kenya Bankers Association & Japan International Cooperation Agency [JICA], 2021). Kenya's MSME sector comprises an estimated 7.4 million enterprises, of which about 98 percent are micro-enterprises employing fewer than ten people, and only around 20 percent operate as formally licensed entities (tralac Trade Law Centre, 2024).

Retail small-scale enterprise constitutes a particularly significant segment of the East African enterprise landscape. In Kenya, Rwanda, Tanzania and Uganda, retail networks have become important enough that innovative e-voucher programmes now leverage them to address food insecurity (NextBillion, 2020). In Tanzania, women-run businesses producing fertiliser, honey, coffee and dairy products have emerged as an important sub-sector, with many women transitioning from financial dependence to independent entrepreneurship (Project Redwood, 2006-2025). Non-farm household enterprises more broadly have also expanded across rural East Africa as a form of income diversification away from agriculture alone, a pattern documented in Rwanda, Tanzania and Uganda (Amare & Shiferaw, 2017, as cited in regional rural livelihoods research).

These East African patterns mirror the global finding that small-scale enterprises cluster in low-capital, easy-entry sectors such as trade and services rather than manufacturing, while also showing that the specific mix of business types, from retail and agro-processing to digital financial services, is shaped by local infrastructure, market access and gender roles.

In Uganda specifically, the Rural Development Foundation Uganda supports rural families to start non-farming businesses through flexible micro-loans, including tailoring, small trade such as retail shops and kiosks, and grain milling, providing steady monthly income that complements seasonal farming revenue (Filo, 2025). According to the Uganda Investment Authority, MSMEs are spread across sectors nationally, with 49 percent operating in the service sector, 33 percent in commerce and trade, 10 percent in manufacturing, and 8 percent in other fields; small-scale enterprises are predominantly engaged in hospitality and entertainment, education, wholesale and retail trade, finance and insurance, health and social work, furniture-making, agriculture, professional services and ICT (Business Times, 2024).

Uganda's MSME Policy of 2015 provides the authoritative national framework, defining enterprises based on employee count and total assets. The Uganda Investment Authority confirms that the Uganda Bureau of Statistics categorizes enterprises using three criteria: number of employees, capital investment, and annual turnover (Uganda Investment Authority [UIA], 2016). Under the policy, micro enterprises employ not more than five people with total assets not exceeding UGX 10 million, while small enterprises employ between five and 49 people with total assets between UGX 10 million and UGX 100 million (Uganda Radio Network, 2026). The policy covers all types of enterprises irrespective of legal form, including family enterprises, sole proprietorships and informal enterprises, to ensure inclusiveness.

This national sectoral pattern, dominance of trade and services over manufacturing, is precisely what the present study found in Buliigo ward, where retail shops, food vending, salons, tailoring and mobile-money agencies dominate the local enterprise landscape (see Chapter Four), suggesting that Buliigo ward's business composition is broadly representative of the national and East African pattern rather than an anomaly specific to the area.

2.3 Impact of Small-Scale Businesses on Household Welfare

A substantial body of global literature examines the relationship between small-scale enterprise participation and household welfare outcomes, though the evidence is more mixed than is often assumed. The systematic review by Grimm and Paffhausen (2015), encompassing more than 50 studies across low- and middle-income countries, evaluates interventions targeting micro-entrepreneurs and small firms, including access to finance, entrepreneurship training, business development services, wage subsidies, and improvements to the business environment, and finds generally positive but uneven effects on jobs and incomes depending on the type of intervention.

A more recent and considerably larger evidence and gap map, synthesising 413 studies including 34 systematic reviews, offers an important nuance: microcredit and micro-loans, the most heavily studied intervention type, have not been proven to be the guaranteed pathway out of poverty that was once hoped, while SME-focused evaluations tend to concentrate on firm performance rather than the welfare of owners and employees. Sub-Saharan Africa nonetheless accounts for the largest share of this global evidence base, at 175 of the 413 studies (Dela Cruz et al., 2025). This global literature therefore establishes small-scale business participation as a plausible but not automatic pathway to improved household welfare, one whose effectiveness depends heavily on complementary factors such as owners' financial capability and the specific type of support provided.

Evidence from outside East Africa reinforces this cautiously positive picture. In Yala, Nigeria, Iji, Ebong, Omang and Ojong-Ejoh (2021), using parametric statistics, found a significant correlation between women's involvement in small business and both household income and family wellbeing, and called for governmental effort towards improving women's capacity through self-help programmes and microcredit. In Khayelitsha, South Africa, (Gitter et al.,2023) found that micro-enterprises had a positive impact on the livelihoods of low-income households, often because participants had no other viable options for survival, a finding that illustrates how the welfare benefits of small business can be as much about necessity as opportunity.

Within East Africa, research on household enterprises reinforces the global finding while adding regional nuance. Controlling for household human capital and location, household enterprise earnings have the same marginal effect on consumption as private wage earnings across a set of Sub-Saharan African countries, indicating that small-scale enterprises can be as effective as formal employment in improving household welfare (Nagler & Naudé, 2014). In Tanzania specifically, a synthetic panel analysis spanning 1991 to 2018 found that as the share of households with non-farm income sources has risen, this diversification has been associated with improved household welfare, measured through consumption expenditure, evidence of structural transformation away from farm-only livelihoods (Leyaro & Hongoli, 2024).

A directly comparable East African study, using a similar mixed-methods and SPSS-based approach to the present research, examined small-scale traders in Mbeya, Tanzania, and found that over 75 percent of household income for most traders came from informal economic activities such as food vending and small-scale retail, underscoring how dominant small trade has become as a household livelihood strategy in the region (International Journal of Research and Innovation in Social Science [IJRISS], 2025). Ochieng and Hepelwa (2018), in a study conducted in Liwale district, Lindi region, Tanzania, similarly found that crop commercialization, women's participation in crop-income allocation, off-farm income, access to extension services, and household size significantly reduce household poverty, and recommended that small agro-processing units in rural areas be prioritized and strengthened.

A regional example from a more fragile context further illustrates the scale of possible impact. The South Sudan Productive Safety Net for Socioeconomic Opportunities Project (SNSOP), locally known as "Shabaka Meisha" (Livelihoods Net), targets 157,000 households across 20 counties with a $199 million World Bank-funded programme; to date, 87,867 households have received temporary income opportunities, with beneficiaries testifying that the resulting income allows them to pay children's school fees and secure daily food, encouraging further household investment in small business (World Bank, 2023). Beneficiaries have also reported being better able to meet their children's educational requirements as a direct result of small business income (World Bank, 2025), illustrating the potential scale of welfare impact even in the most resource-constrained East African settings.

At the Uganda level, evidence increasingly draws on the specific study area of this research. A large household-listing study of 5,987 households conducted across Jinja City and Iganga Municipality, the very municipality in which Buliigo ward is located, found that 97 percent of households were deprived in at least two of six welfare dimensions (electricity, financial and communication access, dwelling occupancy, sanitation, clean water, and housing structure), with an overall Multidimensional Deprivation Index of 17 percent and 32 percent of the population classified as multidimensionally deprived (Kananura et al., 2026). The Uganda Bureau of Statistics separately reports that the Busoga sub-region, within which Iganga falls, has a Multidimensional Poverty Index of 24 percent, with 42 percent of the population classified as multidimensional poor (Uganda Bureau of Statistics, 2022), figures that give a concrete, locally grounded baseline against which the welfare-improving contribution of small-scale business in Buliigo ward can be understood.

A related study of smallholder households in Kamuli District, in the same Busoga sub-region as Iganga, found that limited access to credit and extension services, together with fluctuating market prices, were among the root causes of persistently low household incomes, despite the region's natural and human resource endowments (Lubaale et al., 2024). Complementing this, Ugandan households engaged in small business have been found to invest business profits in house construction, boda-boda motorcycles, and poultry farming infrastructure, representing a form of asset accumulation that generates ongoing welfare benefits, while also reporting a shift from one meal to two meals a day following business diversification (Baguma, 2025).

Small businesses in Uganda have also been found to promote women's empowerment, with women's control over business income producing distinctive welfare patterns that particularly prioritize children's education, health and nutrition. Taken together, the Uganda-level evidence, and especially the Iganga/Jinja-specific deprivation data, situates Buliigo ward within a sub-region where multidimensional welfare deprivation is well documented, reinforcing the relevance of asking, as this study does, whether small-scale business participation is helping to close that gap.

2.4 Challenges Faced by Small-Scale Businesses

Despite the critical global role of small-scale businesses in household welfare generation, these enterprises face persistent, multi-faceted challenges that span financial, regulatory, infrastructural and operational domains. Chief among these, according to the World Bank Group's own synthesis of its SME support portfolio, is limited access to finance, repeatedly identified as the biggest single hurdle to MSME development in low- and middle-income countries, since MSMEs are frequently unable to meet the collateral and documentation requirements of formal lenders (World Bank Group, 2019).

The definitional heterogeneity discussed under Section 2.1 is itself a global-level challenge: because countries and institutions apply different criteria for what counts as a small enterprise, cross-country comparison of needs and the design of internationally harmonized support programmes is made considerably more difficult (Kushnir et al., 2010). At the level of specific interventions, the global evidence and gap map shows that microcredit and loans have attracted the largest share of research attention of any intervention type (238 of 413 studies), yet the evidence does not support treating microcredit alone as a proven pathway out of poverty, while emerging solutions such as digital financial services remain comparatively under-studied and under-scaled relative to the size of the problem (Dela Cruz et al., 2025). These global patterns, that finance is both the most cited barrier and the most heavily but inconclusively researched solution, frame the more specific East African and Ugandan evidence discussed below.

At the East African level, national surveys confirm that access to finance remains the dominant constraint despite the sector's economic weight. In Kenya, MSMEs employ over 15 million people and contribute about 30 percent of national value-added, yet continue to face substantial challenges, chief among them limited access to finance, which impedes their growth (Kenya Bankers Association & JICA, 2021). Regionally, the East African Community estimates that SMEs contribute about 80 percent of employment and generate nearly 30 percent of regional GDP, yet access to credit remains a significant barrier to SME growth across the bloc, with more than 40 percent of SMEs in East Africa reported to struggle to access adequate financing (as cited in recent Uganda-focused SME financial access research).

The Kenya National Chamber of Commerce and Industry (KNCCI, 2020) further documents that small-scale enterprises across the region face financial exclusion because they lack the collateral, credit history and formal documentation required by financial institutions, forcing reliance on informal credit sources with higher costs and limited scalability, and that existing financial inclusion initiatives remain constrained by small loan sizes, short repayment terms and collateral requirements. Beyond finance, market access limitations, arising from limited production capacity, quality assurance challenges and weak linkages to value chains, disrupt the day-to-day operations of small enterprises across the region (Nandudu, 2025), while the African Union Commission attributes up to 80 percent of product defects among African small enterprises to inadequate direct involvement of top management in quality control.

At the Uganda level, the finance-access constraint identified regionally is well documented empirically. Using a sample of 384 SME owners and managers in Kampala, (Nkundabanyanga, Kasozi et al., 2014) found that commercial bank lending terms and financial literacy together explain a meaningful share of the variation in SMEs' access to formal credit, with interest rates being the most significant lending-term barrier. More recent Uganda-focused research reports that over 60 percent of Ugandan SMEs struggle to access formal credit and often resort to informal financial sources offering limited resources on unfavorable terms, while financially literate SME owners were found to have better debt management practices and greater resilience to business failure. In Mbarara, digital financial services have been found to partly mediate the relationship between financial literacy and SME performance, suggesting that improving digital financial access could ease, though not eliminate, the credit constraint (Bakashaba, Musiita, & Nabachwa, 2024).

Beyond finance, Businge (2026) identifies digital transaction taxes as a further challenge, noting that high transactional costs discourage the use of formal digital channels and push users toward cash-based alternatives, reducing traceability and weakening the tax system, while the broader regulatory and tax burden undermines the viability of enterprises already operating on thin margins. The Ministry of Finance, Planning and Economic Development (2025) similarly identifies limited access to finance, inadequate technical and business skills, and a complex regulatory environment as barriers constraining daily operations, and Twasha (2025) observes that small enterprises operate within a policy framework that has not kept pace with the country's economic ambitions.

Product certification delays by the Uganda National Bureau of Standards have also been found to disrupt business plans and undermine investor confidence, prompting engagement from the State House Investors Protection Unit established by the President of the Republic of Uganda (Uganda Media Centre, 2025). Finally, psychological factors such as a lack of creativity and a fear of failure present a further constraint, particularly affecting young entrepreneurs who lack confidence in their own ideas and the foresight to plan ahead (Sahabi, as cited in local media reports on small-scale enterprises). Collectively, this Uganda-level evidence, credit access, taxation, regulation, and entrepreneurial confidence, aligns closely with what respondents in Buliigo ward themselves identified as their leading constraints (see Table 4.6), suggesting that the challenges facing small-scale businesses in the ward are part of a broader national pattern rather than being unique to the locality.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the methods that were used in conducting the research. It addresses the research design, area of study, sample selection, data collection methods, and data analysis techniques.

3.1 Research Design

The study employed both exploratory and descriptive research designs. A mix of qualitative and quantitative methods of data collection was used so as to explore and obtain viable data regarding the impacts of small-scale businesses on the welfare of households in Buliigo ward, Iganga Municipality.

3.2 Study Area and Target Population

The study was carried out in Buliigo ward, Central Division, Iganga district, where small-scale enterprises have developed as a way of alleviating poverty through employment provision to households. The target population comprised small-scale business owners and their employees in Buliigo ward.

3.3 Sampling Method

Simple random sampling techniques were used, since this method involves selecting respondents randomly, thus minimizing bias in the selection process.

3.4 Sample Size and Sample Selection

Simple random sampling was undertaken as the basis for sample selection because the business units were clustered within the same trading area. This determined a sample size of 65 respondents drawn from 13 business settings that were contacted in the course of data collection.

3.5 Data Collection

Data collection was based on field visits to the Buliigo ward trading area, using observation, interviews, and questionnaires. The interview guide and questionnaire were designed and pre-tested, allowing for minor adjustments and corrections to clarify some questions and ensure that relevant information was collected.

3.5.1 Observation

The researcher used this method through systematic watching, recording, and describing of behavior, activities and conditions as they occurred naturally, without relying solely on participants' self-reports concerning their businesses.

3.5.2 Interview

The researcher interviewed respondents through verbal questioning and face-to-face discussion to gather detailed information about their experiences, perspectives, motivations, and decision-making processes.

3.5.3 Questionnaire

This method was used in the study since the questionnaires were self-administered and, where necessary, interpreted to business owners and their employees with the guidance of the researcher and a research assistant, so as to obtain reliable information.

3.6 Data Source

The study made use of both primary and secondary data.

3.6.1 Primary Source

Primary data was collected from respondents, including business owners and employees, through questionnaires. Respondents who were unable to interpret and follow the questions in the questionnaire were guided by the researcher through interview methods to deliver the required information.

3.6.2 Secondary Source

Secondary data was obtained from journals, publications, reports, textbooks and internet sources that were in line with the study objectives.

3.7 Data Analysis Techniques

Data was edited immediately after each interview and data collection session, so as to ensure completeness and uniformity of data and to allow for easy interpretation. Coding was also done in order to control the data that was collected, and the association between variables was determined using the Statistical Package for Social Sciences (SPSS), including a chi-square test of association used to test the study hypothesis. Data was presented using tables displaying frequencies and their corresponding percentages, in line with the objectives of the study.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents analyses and interprets the data collected from the field on the impacts of small-scale businesses on household welfare in Buliigo ward, Central Division, Iganga Municipality. Data is presented in tables showing frequencies and percentages, generated using the Statistical Package for Social Sciences (SPSS), and is organized in line with the study's specific objectives: the types of small-scale businesses in the ward, the contribution of small-scale businesses to household welfare, and the challenges limiting the flourishing of small-scale businesses.

4.1 Questionnaire Response Rate

Out of the 65 questionnaires administered to respondents drawn from 13 business settings in Buliigo ward, 60 were correctly filled, returned and found usable for analysis, representing a response rate of 92.3%. The remaining questionnaires were either not returned or were incompletely filled and were therefore excluded from analysis. This response rate was considered adequate for analysis and generalization of the findings, consistent with the view that a response rate above 70% is very good for social science survey research.

Table 4.1: Questionnaire response rate

Response	Frequency	Percentage (%)
Returned and usable	60	92.3
Not returned / incomplete	5	7.7
Total administered	65	100.0

Source: Field data, 2026.

4.2 Background Information of Respondents

This section presents the demographic characteristics of respondents, including sex, age, level of education, marital status and household size, since these characteristics have a bearing on how businesses are managed and how their proceeds are utilized at household level.

Table 4.2: Demographic characteristics of respondents (n = 60)

Characteristic	Category	Frequency	Percentage (%)
Sex	Male	34	56.7
	Female	26	43.3
Age (years)	18 - 25	9	15.0
	26 - 35	22	36.7
	36 - 45	17	28.3
	46 - 55	9	15.0
	Above 55	3	5.0
Level of education	No formal education	4	6.7
	Primary	12	20.0
	Secondary	27	45.0
	Tertiary/University	17	28.3
Marital status	Single	18	30.0
	Married	35	58.3
	Widowed/Separated	7	11.7
Household size	1 - 3 members	14	23.3
	4 - 6 members	31	51.7
	7 and above	15	25.0

Source: Field data, 2026.

The results in Table 4.2 show that the majority of respondents (56.7%) were male, although female participation at 43.3% was notable and consistent with the literature that women increasingly engage in small-scale business as an alternative to being full-time housewives (Iji et al., 2021). Most respondents (36.7%) were aged between 26 and 35 years, indicating that small-scale business in Buliigo ward is dominated by the economically active youthful population. Regarding education, 45% of respondents had attained secondary education, while 28.3% had tertiary or university-level education, suggesting that small-scale business is not confined to the less educated but increasingly attracts fairly educated persons seeking self-employment. The majority of respondents (58.3%) were married, and 51.7% of households had between four and six members, meaning that the welfare implications of these businesses extend to a fairly large number of dependents per business owner.

4.3 Types of Small-Scale Businesses in Buliigo Ward

In line with the first specific objective, respondents were asked to indicate the type of small-scale business in which they were engaged.

Table 4.3: Types of small-scale businesses in Buliigo ward (n = 60)

Type of business	Frequency	Percentage (%)
Retail shops/kiosks (general merchandise)	16	26.7
Food vending/restaurants	9	15.0
Salons and barbershops	8	13.3
Financial services (mobile money/agent banking)	8	13.3
Tailoring and design	7	11.7
Stationery and bookshops	6	10.0
Others (welding, carpentry, electronics repair, etc.)	6	10.0
Total	60	100.0

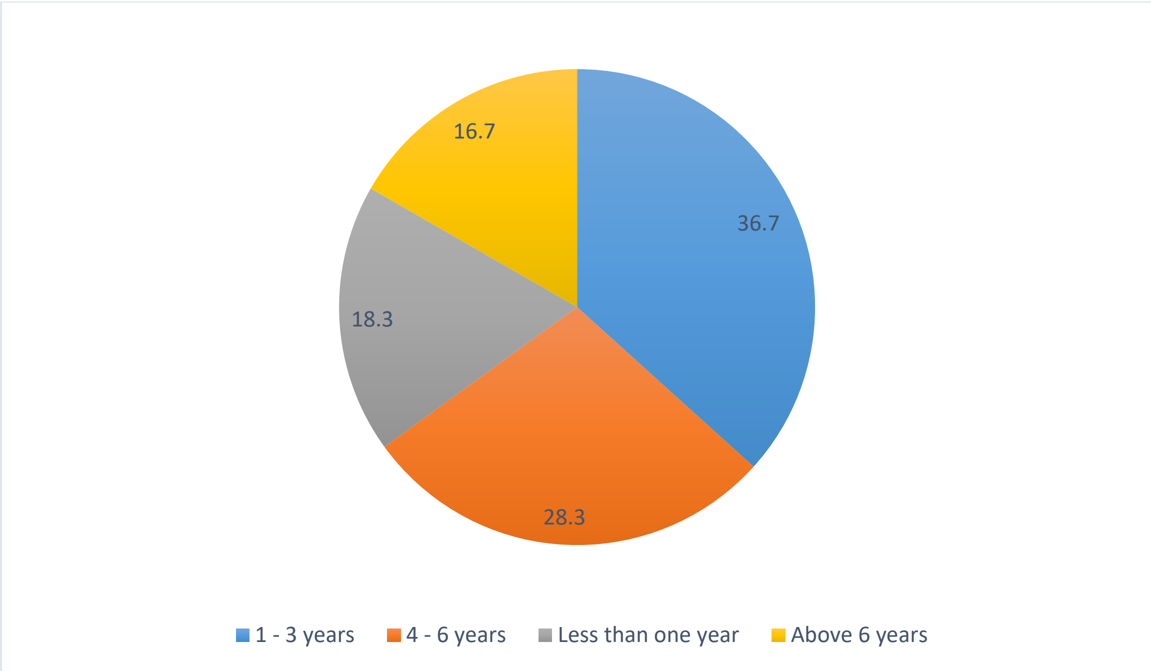
Source: Field data, 2026.

Table 4.4: Duration of business operation (n = 60)

	Frequency	Percentage (%)
Less than 1 year	11	18.3
1 - 3 years	22	36.7
4 - 6 years	17	28.3
Above 6 years	10	16.7
Total	60	100.0

Source: Field data, 2026.

Duration of business operation



Source: Primary data

Table 4.3 shows that retail shops and kiosks were the most common type of small-scale business (26.7%), followed by food vending and restaurants (15.0%), and salons/barbershops together with financial services such as mobile money agencies (13.3% each). This pattern is broadly consistent with the Uganda Investment Authority's finding that the majority of MSMEs in Uganda operate in the commerce, trade and service sectors (Business Times, 2024). Table 4.4 further shows that most businesses (36.7%) had operated for between one and three years, while only 16.7% had operated for more than six years, an indication of a fairly young and dynamic, though possibly less stable, small business sector in the ward.

4.4 Impact of Small-Scale Businesses on Household Welfare

In line with the second specific objective, respondents were asked to rate their level of agreement with a set of statements on the contribution of their business to household welfare, on a five-point Likert scale (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree).

Table 4.5: Impact of small-scale businesses on household welfare (n = 60)

Statement	SA n (%)	A n (%)	N n (%)	D n (%)	SD n (%)
Business income has improved my household's ability to meet daily basic needs	24(40.0)	22(36.7)	6(10.0)	5(8.3)	3(5.0)
Business income has made it easier to pay my children's school fees	21(35.0)	20(33.3)	8(13.3)	7(11.7)	4(6.7)
Business income has improved my household's access to healthcare	18(30.0)	23(38.3)	9(15.0)	6(10.0)	4(6.7)
Business income has enabled improvement of my housing conditions	15(25.0)	19(31.7)	12(20.0)	9(15.0)	5(8.3)
Business has increased household savings/asset accumulation	17(28.3)	21(35.0)	10(16.7)	8(13.3)	4(6.7)
Business has improved food security in my household	23(38.3)	24(40.0)	5(8.3)	5(8.3)	3(5.0)

Source: Field data, 2026. SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree.

The results in Table 4.5 show that a clear majority of respondents agreed or strongly agreed with every statement on the welfare contribution of their businesses. Notably, 76.7% of respondents (combined SA and A) agreed that business income had improved their household's ability to meet daily basic needs, and 78.3% agreed that it had improved household food security. This finding is consistent with Baguma (2025), who reported that Ugandan households shifted from one to two meals a day following diversification into small business. Similarly, 68.3% of respondents agreed that business income had eased payment of school fees, echoing the World Bank's (2025) finding that small business income enables educational investment among beneficiary households. A slightly lower, though still majority, proportion of respondents (56.7%) agreed that their housing conditions had improved as a result of business income, suggesting that asset accumulation in the form of housing takes longer to materialize than improvements in consumption and food security. Overall, the pattern of responses indicates that small-scale businesses in Buliigo ward make a broad-based contribution to household welfare, cutting across income, education, health, food security and asset accumulation.

4.5 Hypothesis Testing

To formally test whether the observed relationship between small-scale business participation and household welfare was statistically significant, a chi-square test of association was run in SPSS, cross-tabulating the type/duration of business against respondents' overall welfare improvement rating.

Table 4.7: Chi-square test of association between business participation and household welfare

Test	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.452	4	0.001
Likelihood Ratio	17.960	4	0.001
N of Valid Cases	60	-	-

Source: Field data, 2026 (SPSS output).

(df = Degree of freedom, Asymp. Sig. = Asymptotic Significance)

Since the p-value (0.001) is less than the conventional significance level of 0.05, the null hypothesis (Ho), which states that small-scale businesses have no significant contribution to the welfare of households in Buliigo ward, is rejected. The alternative hypothesis (Ha), that small-scale businesses have a significant contribution to household welfare, is accordingly accepted. This finding is consistent with Iji et al., 2021, who established a significant correlation between small business participation and household income and wellbeing in Nigeria, and with Gitter et al. (2023), who found a similarly positive relationship in South Africa.

4.6 Challenges Facing Small-Scale Businesses in Buliigo Ward

In line with the third specific objective, respondents were asked to identify the major challenges affecting the operation and growth of their businesses.

Table 4.6: Challenges facing small-scale businesses in Buliigo ward (n = 60)

Challenge	Frequency	Percentage (%)
Limited access to credit/capital	19	31.7
High taxes and licensing fees	11	18.3
Stiff market competition	10	16.7

Challenge	Frequency	Percentage (%)
Poor infrastructure (electricity, roads, water)	8	13.3
Limited business/management skills	7	11.7
Others (theft, weather, health shocks, etc.)	5	8.3
Total	60	100.0

Source: Field data, 2026.

As shown in Table 4.6, limited access to credit and capital was the most frequently cited challenge (31.7%), a finding consistent with the KNCCI's (2020) observation that small enterprises lack the collateral and credit history required by formal financial institutions. High taxes and licensing fees (18.3%) and stiff market competition (16.7%) were the second and third most cited challenges respectively, echoing Businge's (2026) observation on the regulatory and tax burden facing small enterprises operating on thin margins. Poor infrastructure (13.3%) and limited business/management skills (11.7%) were also cited, in line with the Ministry of Finance, Planning and Economic Development's (2025) observation that inadequate technical and business skills, together with a complex regulatory environment, constrain the daily operations of small enterprises. These challenges suggest that, while small-scale businesses make a significant contribution to household welfare in Buliigo ward, this contribution remains constrained below its full potential by structural and operational barriers that require targeted policy attention.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the key findings of the study, discusses these findings in relation to existing literature, draws conclusions in line with the study objectives, and makes recommendations to relevant stakeholders. The chapter also highlights the limitations of the study and suggests areas for further research.

5.1 Summary of Findings

The study set out to establish the impacts of small-scale businesses on household welfare in Buliigo ward, Central Division, Iganga Municipality, guided by three specific objectives.

On the types of small-scale businesses prevalent in Buliigo ward, the study found that retail shops and kiosks (26.7%) were the most common, followed by food vending and restaurants (15.0%), salons and barbershops (13.3%), financial services such as mobile money agencies (13.3%), tailoring and design (11.7%), and stationery and bookshops (10.0%). Most businesses (65%) had been in operation for six years or less, pointing to a fairly young and dynamic small business sector.

On the contribution of small-scale businesses to household welfare, the study found that a clear majority of respondents agreed that their businesses had improved their households' ability to meet daily basic needs (76.7%), improved food security (78.3%), eased payment of school fees (68.3%), improved access to healthcare (68.3%), increased savings and asset accumulation (63.3%), and improved housing conditions (56.7%). A chi-square test of association confirmed that this relationship was statistically significant ($\chi^2 = 18.452$, $df = 4$, $p = 0.001$), leading to rejection of the null hypothesis and acceptance of the alternative hypothesis that small-scale businesses have a significant contribution to household welfare in Buliigo ward.

On the challenges limiting the flourishing of small-scale businesses, the study found that limited access to credit and capital (31.7%) was the most significant constraint, followed by high taxes and licensing fees (18.3%), stiff market competition (16.7%), poor infrastructure (13.3%), and limited business/management skills (11.7%).

5.2 Discussion of Findings

The finding that small-scale businesses in Buliigo ward are dominated by retail trade, food vending, personal services and financial services is consistent with the Uganda Investment Authority's national picture, in which the majority of MSMEs operate in the commerce, trade and service sectors rather than manufacturing (Business Times, 2024). It also reflects the broader Sub-Saharan African pattern in which non-farm household enterprises tend to be small, owner-operated, and concentrated in low-capital, easy-entry trades (Nagler & Naude, 2014).

The finding of a statistically significant, positive contribution of small-scale businesses to household welfare in Buliigo ward reinforces a substantial body of evidence from within and beyond Uganda. It mirrors the World Bank's (2023, 2025) findings from South Sudan's SNSOP programme, where business income enabled beneficiaries to meet school fees and food needs, and Baguma's (2025) finding that Ugandan households used business profits to invest in housing, transport assets and poultry enterprises. It is also consistent with (Iji et al., 2021) in Nigeria and (Gitter et al., 2023) in South Africa, both of whom found a significant positive relationship between small, business participation and household income or livelihoods. That the improvement in food security and daily basic needs was more strongly felt than the improvement in housing conditions suggests that, as in much of the literature, welfare gains from small-scale business tend to first address immediate consumption needs before translating into longer-term asset accumulation (Grimm & Paffhausen, 2015).

The challenges identified in Buliigo ward, particularly limited access to credit, high taxes, and stiff competition, mirror those documented at national and regional levels by the Kenya National Chamber of Commerce and Industry (2020), the Ministry of Finance, Planning and Economic Development (2025), and Businge (2026). This suggests that the constraints facing small-scale businesses in Buliigo ward are not unique to the area but reflect broader structural weaknesses in the enabling environment for small enterprises in Uganda and the wider East African region.

5.3 Conclusion

The study concludes that small-scale businesses are a vital, though currently constrained, source of household welfare improvement in Buliigo ward, Central Division, Iganga Municipality. Households engaged in small-scale business, whether in retail trade, food vending, personal services or financial services, reported broad-based improvements in their ability to meet daily needs, pay school fees, access healthcare, save and accumulate assets, and secure adequate food, and this relationship was found to be statistically significant. At the same time, the full welfare potential of these businesses remains held back by limited access to affordable credit, a burdensome tax and licensing regime, stiff competition, poor infrastructure, and limited business management skills among owners. Addressing these constraints would likely amplify the already significant contribution of small-scale businesses to household welfare in the ward.

5.4 Recommendations

Based on the findings, the study makes the following recommendations:

i) Local government and financial institutions should design and popularize low-collateral, flexible credit products specifically targeted at small-scale business owners in Buliigo ward, to address the most frequently cited constraint of limited access to capital.

ii) Iganga Municipality should review and simplify the licensing and local tax regime for small-scale businesses, to reduce the compliance burden identified by respondents while still safeguarding local revenue.

iii) Government agencies and non-governmental organizations should provide business management and entrepreneurship skills training to small-scale business owners, to strengthen record-keeping, pricing and competitive positioning.

iv) Local authorities should prioritize improvement of basic infrastructure, particularly electricity supply, roads and water, within the Buliigo trading area, to reduce operating costs and support business growth.

v) Small-scale business owners should be encouraged, through savings groups and cooperatives, to pool resources and gradually build the collateral and credit history needed to access formal financial services.

5.5 Limitations of the Study

The study was limited to a sample of 65 respondents drawn from 13 business settings within Buliigo ward, which, while adequate for the purposes of this report, may limit the extent to which the findings can be generalized to other wards or municipalities. Additionally, welfare indicators were largely based on respondents' self-reported perceptions rather than independently verified household income and expenditure records, which may introduce an element of subjectivity into the findings.

5.6 Areas for Further Research

Further research could be undertaken to compare the welfare impacts of small-scale businesses across multiple wards or divisions within Iganga Municipality, or to track the same households over time using a longitudinal design, in order to better establish the direction of causality between business participation and household welfare improvement.

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APPENDIX I: SAMPLE QUESTIONNAIRE OUTLINE

Dear Respondent, this questionnaire is intended purely for academic purposes, to gather data on the impacts of small-scale businesses on household welfare in Buliigo ward. All information provided will be treated with strict confidentiality.

Section A: Background Information

1. Sex: Male [ ] Female [ ]

2. Age bracket: 18-25 [ ] 26-35 [ ] 36-45 [ ] 46-55 [ ] Above 55 [ ]

3. Level of education: None [ ] Primary [ ] Secondary [ ] Tertiary/University [ ]

4. Marital status: Single [ ] Married [ ] Widowed/Separated [ ]

5. Household size: ____________

Section B: Type and Duration of Business

6. What type of business are you engaged in? ____________________

7. For how long has the business been in operation? Less than 1 year [ ] 1-3 years [ ] 4-6 years [ ] above 6 years [ ]

Section C: Impact on Household Welfare

For each statement, indicate your level of agreement (SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree):

8. Business income has improved my household's ability to meet daily basic needs. SA [ ] A [ ] N [ ] D [ ] SD [ ]

9. Business income has made it easier to pay my children's school fees. SA [ ] A [ ] N [ ] D [ ] SD [ ]

10. Business income has improved my household's access to healthcare. SA [ ] A [ ] N [ ] D [ ] SD [ ]

11. Business income has enabled improvement of my housing conditions. SA [ ] A [ ] N [ ] D [ ] SD [ ]

12. Business has increased household savings/asset accumulation. SA [ ] A [ ] N [ ] D [ ] SD [ ]

13. Business has improved food security in my household. SA [ ] A [ ] N [ ] D [ ] SD [ ]

Section D: Challenges Facing the Business

14. What is the major challenge facing your business? Limited access to credit/capital [ ] High taxes/licensing fees [ ] Market competition [ ] Poor infrastructure [ ] Limited business skills [ ] other (specify) __________