

**DETERMINANTS FOR THE PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN UGANDA.A CASESTUDY IN BUDADIRI TOWN COUNCIL**

BY

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**RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF ECONOMICS AND
ENTREPRENEURSHIP IN PARTIAL FULFILLMENT OF THE AWARD OF
BACHELOR'S DEGREE IN SCIENCE EDUCATION OF
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DECLARATION

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

Signature.....*Wolimbwa Ivan*.....

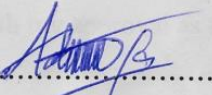
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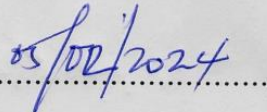
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APPROVAL

This is to certify that this research report titled “Determinants for performance of small and medium enterprises in Uganda Budadiri Town Council” has been done under my supervision and it meets the minimum standard for supervision to the department of economics and entrepreneurship with my approval as the University Supervisor.

Signed.....

Date.....

Mr. MASUUD ADAIGA

DEDICATION

I dedicate this research report to my beloved parents Mr. Gidudu Steven and Ms. Masibo Esther for grooming me into the person I am today and also the greatest investors in my education and for the encouragement they have given me throughout my education life.

ACKNOWLEDGEMENT

First of all, I give thanks and glory to God the Almighty for the provision and protection he has given me throughout my entire life and education, without God, it would not be possible for me to accomplish this research project and my entire course.

This report could not have been written without a great deal of advice from my supervisor Mr. Masuud Adiaga and I would like to thank him for all the endless efforts, precious time, valuable comments and the expert guidance that he rendered to me in ensuring that this piece of work is successfully completed, all I can say is “God bless you”.

My sincere appreciation and gratefulness goes to the business community of Budadiri Town Council that helped me so much during my data collection with vital information and guidance, to the respondents whose hospitality and cooperation was priceless, thank you.

Special thanks goes to my sponsors (HESFB) and my brother Mr. Masaba Andrew for the dedicated financial, spiritual and social support rendered to me throughout the accomplishment of this research work and my life at University.

Table of Contents

DECLARATION	ii
APPROVAL	iii
DEDICATION.....	iv
ACKNOWLEDGEMENT.....	v
ABSTRACT.	viii
CHAPTER ONE.....	1
INTRODUCTION AND BACKGROUND	1
1.0 Introduction	1
1.1 Background of the study.	1
1.2 Problem statement.	3
1.3. Purpose of the study.....	4
1.4. Objectives of the study.....	4
1.5 Hypothesis.	4
1.6 Scope of the study.....	4
1.6.1 Content scope.....	4
1.6.2 Time scope.....	4
1.6.3 Geographical scope.	5
1.7 Significance of the study.....	5
1.8 Conceptual Frame Work.	5
CHAPTER TWO	6
LITERATURE REVIEW	6
2.0 Introduction	6
2.1 Small scale and medium enterprises (SMEs).....	6
2.2 Theoretical Evidence.	6
2.3 Empirical literature.	7
2.3.1 Financial institutions and performance of SMEs.....	7
2.3.2 Collateral security and performance of SMEs.	7
2.3.3 Entrepreneurship skills and operation of SMEs.....	8
CHAPTER THREE.....	9
METHODOLOGY 3.0 Introduction	9

3.1 Research Design.	9
3.2 Study population.....	9
3.3 Sample size determination.	9
3.4 Sampling design and technique.....	9
3.5 Collection Methods.....	9
3.6 Data Collection Instruments.....	10
3.7 Validity and Reliability.....	10
3.7.1 Validity.....	10
3.7.2 Reliability.....	10
3.8 Data Processing and Analysis.	10
3.9 Ethical Considerations.	10
CHAPTER FOUR.....	12
DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....	12
4.0 Introduction.	12
4.1 Demographic Characteristics of the Respondents.	12
4.2 Relationship between the level of Financial Institutions and Performance of SMEs.	13
4.3 Relationship between the Nature of Collateral Security and Performance of SMEs.	15
4.4 Relationship between the level of entrepreneurship skills and performance of SMEs.	17
CHAPTER FIVE	19
DISCUSSION, CONCLUSION AND RECOMMENDATION	19
5.0 Introduction.	19
5.1 Discussion.	19
5.1.1 Relationship between the level of Financial Institutions and Performance of SMEs. ..	19
5.1.2 Relationship between Nature of Collateral Security and Performance of SMEs.	19
5.1.3 Relationship between the level of entrepreneurship skills and Performance of SMEs.	19
5.2 Conclusions.	20
5.2.1 Relationship between the level of Financial Institutions and Performance of SMEs. ..	20
5.2.2 Relationship between Nature of Collateral Security and Performance of SMEs.	20
5.2.3 Relationship between the level of entrepreneurship skills and Performance of SMEs.	20
5.3 Recommendations.....	20
5.4 Limitations of the study.	21
REFERENCES	22
APPENDICES	24

ABSTRACT

The study sought to establish the relationship between the determinants of performance of small and medium enterprises in Uganda: a case of Budadiri Town Council, Sironko district. The study was guided by the following research objectives; to examine the relationship between level of financial institutions and performance of small and medium enterprises at Budadiri Trading Center; to establish the relationship between the nature of collateral security and performance of small and medium enterprises at Budadiri Town Council Sironko district; to determine the relationship between the level of entrepreneurship skills and performance of small and medium enterprises at Budadiri Town Council Sironko district.

A cross-sectional quantitative research design was used and a sample of 242 traders was used. The research instrument was self-administered questionnaire which sought responses on financial institutions, collateral security, entrepreneurship skills and performance of small and medium enterprises.

The findings revealed that financial institution, collateral security and entrepreneurship skills as factors of business had a positive and a significant influence on the performance of SMEs in Uganda particularly in Sironko district. The researcher recommends that there is need for financial institutions to reduce on interest rate in order to increase on the rate of borrowing of SMEs to promote their growth and hence generating more employment to the masses. In addition, there is need for SMEs traders to undergo vigorous training on the methods and procedures of applying for the loans from financial intermediaries to increase on their finances and hence growth SMEs.

Finally, it's necessary for the government to increase on the level of education sponsorships to enable more people to acquire business managerial skills hence boosting the performance of small and medium enterprises, also SMEs operators should consider expanding business activities beyond their national markets.

INTRODUCTION AND BACKGROUND

1.0 Introduction

This chapter presents the background, statement of the problem, objectives of the study, hypothesis, significance and scope of the study.

1.1 Background of the study.

Small business growth and medium enterprise development remain key engines for national growth and development in the worldwide economies and is the main source of job creation [Wiklund et al., 2019]. The term Small and Medium Enterprises (SMEs) covers a wide range of definitions and measures, varying from country to country and between the sources reporting SME statistics. Although there is no universally agreed definition of SMEs, some commonly used criteria are the number of employees, value of assets, value of sales and size of capital (Bataa, 2008). Small and medium enterprises (SMEs) play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economics development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to our estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SMEs development a high priority for many governments around the world. In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs (World Bank, 2023).

SMEs are less likely to be able to obtain loans from banks than large firms; instead, they rely on internal sources or cash from friends and family to launch and initially run their businesses. The international finance corporation (IFC) estimates that 65 million firms or 40% of formal micro, small and medium enterprises (MSMEs) in developing countries have an unmet financing need of 5.2 U.S dollars trillion every year. About (8-10 million) of formal Micro and small business enterprises in developing economies are owned fully or partly by women. (Ayyagari 2007). It is estimated that SMEs employ 22% of the adult population in developing countries {Daniels, 1994; Daniels & Ngwira, 1992}. The Micro and business enterprises sector in Africa is characterized by a huge number of micro enterprises. Most companies are small because the

private sector is new, and because of legal and financial obstacles. At the other end of the scale, there are many large companies, which tend to be multinationals. Therefore, SMEs are the key sector in accelerating the economic growth and development of the given country (Liu and Yang, 2019; Lofsten, 2016).

In Uganda, SMEs are officially defined based on both the number of people employed and annual turnover of the enterprise (Turyahebwa, Sunday, & Ssekajugo, 2013). They are small enterprises employing a minimum of 5 people and a maximum of 50 people, with an annual sales/revenue turnover of more than UGX 360 million and total assets of more than UGX 360 million. The contribution of SMEs to Uganda's economy is over ninety percent (90%) of the total non-farm private sector employment, approximately 3% of the national Gross Domestic Product (GDP), and over 20% of incomes of the labor force (Nyanzi, 2015). However, 90% of SMEs collapse in their first year of startup due to lack of access to credit, lack of collateral security and entrepreneurship skills (Arinaitwe & Mwesigwa, 2018). The persistent lack of assets and weak financial foundations often make it difficult for SMEs to perform and expand their operations, consequently the inadequate equity capital invested in SMEs makes these businesses more reliant on other sources such as bank lending and other types of financial credit (Harash, Suhail, & Jabbar, 2014). Most SMEs rely on either internal financing from suppliers or specialized financial products (Emad, Suhail, & Jabbar, 2014). Internal borrowings sometimes involve fresh capital injections from shareholders, owner's personal savings, and retained or undistributed profits from the business obtained in the previous years (Yeboah, Kwadwo, & Adigbo, 2014). External informal sources include suppliers, financial assistance from donors, family and friends, trade credit, venture capital and angel financiers (Abdulaziz M & Worthington, 2013) while formal external sources represent financial intermediaries such as banks, financial institutions and securities. While there are many sources of credit available to SMEs, (Nderitu & Githinji, 2015) argues that SMEs should focus only on trade credit in order to optimize their financial performance. Access to credit remains a constraint to SMEs as regards to working capital. A survey on how repayment of credit/loans affect performance of rural enterprises, records in Uganda revealed that outstanding loan balances advanced to SMEs kept on growing in the subsequent years depicting a problem with performance of these enterprises (Gichana & Barasa, 2013). In relation to Sironko district, SMEs have been in existence since 21st

century. Small and medium enterprises employ about 36% of people in Budadiri Town Council (Local district offices of Sironko)

1.2 Problem statement.

The government of Uganda has devised numerous policies to promote the performance of SMEs in various communities across the country with the target of reducing poverty by empowering families in different areas such as care of families, importance of good nutrition, as well as providing opportunities for micro finance like Youth Livelihood program, Bona Baagagawale and Emyooga program and Parish Development Model [Uganda's vision 2040], provision of free education for the children through Universal Primary Education and Universal Secondary Education and Adult Education programs for the fathers and youths to be more participatory in community development. Policies such as attraction of investors and Poverty Eradication Action Plan (PEAP) among others, poor performance of SMEs generally unemployment remains the key factor to the permanent state of poverty experienced by the majority of Ugandan. (Najjumba and Mulindwa, 2003).

but after all of the above policies being put in place, still the number of Ugandans employed in the non-agricultural sectors has continued to fall over time while the number of people employed in the primary sector that is to say Agricultural, mining and quarrying has increased as that employment in the primary sector increased from 66.7% in 2010/11 to 75.0% in 2013 /14 While in the manufacturing/Industrial sectors and in the service sector employment instead registered a decrease from 6.5% to 4.3% and 26.8% to 20.7% in 2013/14 and 2015/16 (UBOS; 2017) respectively. This is attributed to the fact that agriculture has more SMEs which employs more Ugandans because it is popularly a rural phenomenon and thus it constitutes self-employment and unsalaried family workers who are basically the women and the youth.

Even though the government of Uganda has put in place various programs and policies to help in boosting the performance of SMEs in the industrial, agricultural and service sectors. This has been done by availing soft loans to curb the problem of insufficient funds, extending financial institutions to most parts of the country, providing free education to all citizens at primary and secondary levels to acquire entrepreneurship skills, sensitizing the masses about the importance of the collateral security as far as acquiring the bank loan is concerned. However there is still poor performance of SMEs particularly in Budadiri Town Council. With these trends ongoing,

the researcher is therefore interested in investigating the impact of financial institutions, collateral security and entrepreneurship skills on the performance of Small and Medium Enterprises in Budadiri Town Council.

1.3. Purpose of the study.

The study sought to assess the impact of financial institutions, collateral security and entrepreneurship skills on the performance of small and medium scale enterprises in Budadiri Town Council, Sironko.

1.4. Objectives of the study.

- i. To examine the relationship between the level of financial institutions and performance of small and medium enterprises at Budadiri trading Centre.
- ii. To establish the relationship between the nature of collateral security and performance of small and medium enterprises at Budadiri trading Centre.
- iii. To determine the relationship between level of entrepreneurship skills and performance of small and medium enterprises at Budadiri trading Centre.

1.5 Hypothesis.

- i. There is no significant relationship between the level of financial institutions and performance of small and medium enterprises.
- ii. There is no significant relationship between the nature of collateral security and performance of small and medium enterprises.
- iii. There is no significant relationship between the level of entrepreneurship skills and performance of small and medium enterprises.

1.6 Scope of the study.

This area covers the content, time and geographical scope of the study.

1.6.1 Content scope.

The study focused on the determinants of performance of small and medium enterprises SMEs at Budadiri trading Centre.

1.6.2 Time scope.

The study was covered in a period of 2022-2023. Since the activities of SMEs are believed to be more serious even since the commencement of the 21st century

1.6.3 Geographical scope.

This study covered Budadiri Town Council. This area was selected because it has different categories of businesses under the cohort of SMEs. Budadiri Town Council is found in Budadiri County east boarded by Buyombo Bukyambi and Buhugu sub counties in Sironko.

1.7 Significance of the study.

The study discloses the benefits targeting the performance of informal sector of SMEs by the government and other policy makers.

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

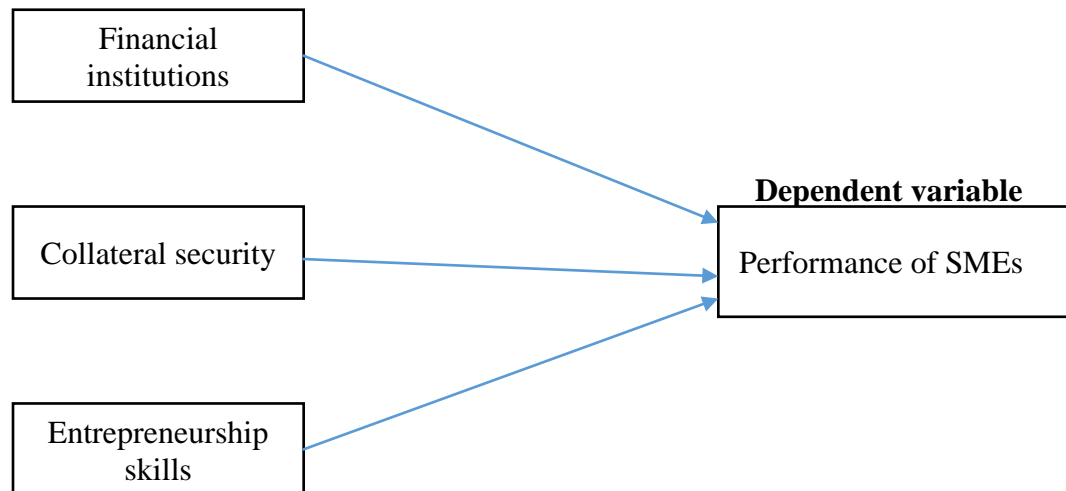
The research also tries to compare other sectors in relation to performance of SMEs.

In the same way, the study lists some of the challenges faced by the Micro and small scale enterprises in the Budadiri trading Centre.

The study will also give suggestions for further studies which will guide the future scholars in selecting their topics for research.

1.8 Conceptual Frame Work.

Independent variable



LITERATURE REVIEW

2.0 Introduction

This section highlights the reviewed literature regarding the variables under study. It shows how this research relates to the existing body of knowledge and identifies the gaps existing in the current body of knowledge.

2.1 Small scale and medium enterprises (SMEs).

There is no universally accepted definition of a small and medium business (Opio 2006). However, definitions of small and medium business are usually based on the number of employees and turn over as well as total investment of the business. A small scale enterprises is one which independently owned and operated and not so dominant in its field of operation UNHS (2015/2016). The report further emphasizes that this enterprise takes into account the examples of retail shops, taxi owners and operators, Boda-boda cyclists, carpentry workshops, metal works, clay products, maize mills, hair salon, bar and restaurants among others. Further, the number of small and medium enterprises grew by about 11% between 2002 and 2006. The income tax act (1972), defines a small and medium enterprises for tax purposes as a resident tax payer whose annual gross turnover for all becomes operations exceeds Shs5 million but not exceeding Shs50 millions, however.

In a related development, the Uganda small scale industries association (USSIA) 1996 defines a small scale enterprise as one employing between 1-25 people and with assets and capital not exceeding USD 100,000. However, I disagree with Uganda Small Scale Industries Association (USSIA) 1996 because In Uganda, these businesses are very small employing up to a maximum of 50 people who in most cases are members of the same family. They have a working capital of less than USD 26,852 and revenue value of between USD 5376-26882 throughout each year of operation (Mbagutta, 2012). In addition, they have an asset base of up to \$ 25,000 (Bagazonzya, 2013).

2.2 Theoretical Evidence.

Micro and small scale enterprises have been widely described by various researchers. According to Burns (1981), a Micro and small scale enterprise is defined as that enterprise that employs 1 to 10 people and is managed by its owners or part owners in a personalized way and

not through the medium of a formalized management structure. The owner has overwhelming influence of the firm and his views determine activities of the organization.

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

However, Arteetey (2010) adds that Micro and small scale enterprises are those enterprises that employ one to twenty (1-20) people largely operating locally, and depend on internal resources of capital. They range from manufacturing, retail trade and construction to commercial services.

2.3 Empirical literature.

Empirical literature review refers to the directed search of published work including books as well as periodicals [Zikmund et al. 2019]. It involves surveying past inquiries comprehensively as they relate to the study objectives. According to Miller and Young [2018]. A systematic approach to past scholarly work enables the researcher to position his study into a historical and intellectual context, which promotes the declaration of the why the current study matters. In this regard, this empirical review focuses on the determinants which affect the operation of SMEs including financial institutions, collateral security and entrepreneurship skills.

2.3.1 Financial institutions and performance of SMEs.

The financial decision is the one of the most crucial decisions for most small scale enterprises.

Dixon J.R (2014), argues that the financial decision of any business is vital determinant of its performance and directly affects other decisions of the business like the investment decisions and working capital decisions as well as employment creation decisions.

Empirical evidence indicates that small scale enterprises find it very difficult to diversify their risks, have divergent financial constraints, very vulnerable to losing their customers and the risk of failure is very high (Murphy 2011).

2.3.2 Collateral security and performance of SMEs.

It is expected that the informal sector establishments will be more productive and graduate into large firms which will employ more people in the country (Tayebwa, 2016, 2019).

Further, increased access to low interest loans and better facilities such as electricity, improved transport and communication, demonstration farms among others will be crucial in enhancing

growth of the sector (informal). The umbrella organization of the sector, that is freedom of informal sector association (FISA) and the Uganda small scale industries association (USSIA) could there be important entry points for strengthening Medium and Small scale Enterprises and their increasing involvement on policy dialogue on matters to concern them (MFPED, 2015).

2.3.3 Entrepreneurship skills and operation of SMEs.

However, (O'mara.C. et al 2010), in the study of medium sized manufacturing firms found that ownership and the size of the organization had an impact on the performance of the organization. He found out that as a firm increased in size in terms of stock, sales, level of assets and more skilled employees, economies of scale in creating a positive impact on performance of SMEs.

Education attainment has been identified as one of the essential approaches for combating poverty. This is of relevance because societies with low education levels are not likely to attain and maintain high levels of economic growth. Such communities also exposed to corruption and political manipulation, as well as violence and civil strikes, occurrences that undermine human well-being and economic development, (UBOS 2016) Majority of the persons who are engaged in, they attended school at one time, but the proportion is higher for males (**78%**) compared to 66% of the females. Almost 20% of those engaged in the activities of micro enterprises have never attended school at all and about 10% are currently attending school, UNHS 2002/03. Further most of the persons (63%) engaged in such enterprises have primary education level with some differences by gender and about 19% have never attended school. Those with secondary education level and above constitute about 18%, and the proportion being high for males 22% compared to 14% of the females, UNHS 2012/13.

I agree with the findings of UNHS 2012/13, that Majority of the persons who engaged in Small Scale Enterprises, they attended school at one time and thus means that education attainment could be one way of solving unemployment and promoting the growth of Small and Medium Enterprises

METHODOLOGY

3.0 Introduction

This chapter encompasses the research design, target population, sampling design and techniques, data sources, data collection methods and instruments, reliability and validity, data processing and analysis and ethical considerations.

3.1 Research Design.

The researcher employed both primary and secondary techniques of data collection. The techniques involved the use of quantitative and qualitative designs and much emphasis is to be put on descriptive survey on the traders of Budadiri town council in Sironko district.

3.2 Study population.

The information was gathered from various categories of traders, they included, the hawkers, carpentry [wood shops], metal workers, retail shop attendants, taxi operators, business community of Budadiri town council and the local leaders of Budadiri town council in Sironko.

3.3 Sample size determination.

Using Krejcie and Morgan (1970) table for determining sample size, The study involved 650 traders resulting into a sample size of 242 respondents who included the local leaders like the area Mayer, chapatti makers, tailing men and women, hawkers, retail shop attendants, metal workers, local council leaders and other residents of Budadiri Town Council. The study is likely to adopt simple random sampling where each member had equal chances of participation.

3.4 Sampling design and technique.

The study employed simple random sampling technique where 242 traders were involved to represent 650 traders in Budadiri Town Council.

3.5 Collection Methods.

The data was collected by use of questionnaire. This was used to collect relevant information from the respondents. This method was selected because it is accurate and also gives the respondents time to think and even consult relevant documents.

3.6 Data Collection Instruments.

The data was collected by use of questionnaires. Questionnaires that contained both open ended and closed questions were issued to the respondents who were to fill in the answers, thereafter the questionnaires were collected from the respondents for subsequent processing.

3.7 Validity and Reliability.

3.7.1 Validity.

The data collection was designed aiming at explaining key concepts or variables of this study. Adequate and representative sets of questions were used to capture data on the concepts or variables considered in this study. The instrument's validity was determined by comparing it with another assessment. The research design contains research questions following the objectives of the study. The method of data collection related with the specific questions was presented to answer the research questions so as to obtain the relevant data that was needed for the research.

3.7.2 Reliability.

Test/retest- this method was used for establishing the reliability of research tool. In the test/retest instrument was administered once, and then again, under the same conditions. The data collection instrument was tested for their stability and consistency in measuring the concepts or variables for this study using Cronbach's alpha coefficient. The researcher had to first pilot the area of the study with the aim of observing the phenomenon or the conditions to see whether the instrument to be used can obtain the data required.

3.8 Data Processing and Analysis.

All the data was cleared of all the errors before entering into excel spreadsheet. The data later was imported into statistical package for social scientists [SPSS] version 20. The data was then analyzed using descriptive statistics using a scientific package for social scientists [SPSS] and presented in the form of tables, percentages, and frequencies for further analysis. The relationship between the dependent and independent variables was established using linear regression analysis.

3.9 Ethical Considerations.

Inflicting any physical or psychological harm on anyone during the study was avoided. All rules, laws and regulations of the country were obeyed during the study. The following were taken into considerations;-

Plagiarism and fraud; all other people's work referred to in this study have been dully referenced.

Confidential, privacy and anonymity; all data and information from respondents were kept confidential and solely used for the purpose of this study. No name of any respondents has been included anywhere in this dissertation or on the data collection instruments.

Voluntary and informed consent; the purpose of the study was disclosed, and participants voluntarily accepted or declined to participate in the research.

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction.

This section presents the findings of the study and interpretation. The expected respondents for this study were 242 respondents and thus the findings presented are based on a response rate of 100%.

4.1 Demographic Characteristics of the Respondents.

The sample description and analysis in this report were based on the study questionnaires administered to respondents at Budadiri Town Council Sironko. In the sampling design, 242 respondents were planned to be enrolled as the sampling size to answer a series of research questions and indeed 242 respondents responded to the questions. The table below demonstrates the characteristics of the respondents selected in the study.

Table 2; characteristics of respondents

Characteristics	Type	Frequency (n=242)	Percentages (%)
Gender	Male	107	44.2
	Female	135	55.8
Age	18-28	62	25.6
	29-39	71	29.3
	40-50	69	28.5
	51-Above	40	16.5
Marital status	Single	84	34.7
	Married	98	40.5
	Divorced	29	12.0
	Widowed	31	12.8
Level of Education	Primary	70	28.9
	Secondary	93	38.4
	Tertiary	50	20.7
	Graduate	29	12.0
Sources of income	Personal savings	68	28.1

	Friend and donation	51	21.1
	Loans from banks	123	50.8

Source; primary data

Table 2 shows that majority of the traders are female (55.8%) and the rest were male (44.2%). The highest percentage of traders were between the age of 29 and 39 (29.3%), traders between 40 to 50 with 28.5% followed by traders of 18 to 28 with (25.6%) and lastly traders of ages between 51 and above with (16.5%). The biggest numbers of traders were married 40.5% followed by those ones who were single 34.7% and by those who were widowed 12.8% and finally those one who were divorced 12.0%. The highest percentage of traders who went to school ended in secondary with 38.4% primary, tertiary and graduate with 28.9%, 20.7%, 12.0% respectively. Finally, most of these traders got loans as their initial capital which was 50,8%, followed by their personal savings which contributed to 28.1% and lastly 21.1% from their friends and donations.

4.2 Relationship between the level of Financial Institutions and Performance of SMEs.

Key; 1-Strongly Disagree, 2-Disagree, 3-Not Sure, 4-Agree, 5-Strongly Agree, F-Frequency, T-Total, %-Percentage.

Statements		1	2	3	4	5	T
Ignorant about financial institutions	F	30	24	10	80	98	242
	%	12	10	04	33	41	100
Little knowledge about the financial Institutions	F	85	31	05	70	51	242
	%	35	13	02	29	21	100
Rich with the knowledge about financial Institutions	F	42	70	10	58	62	242
	%	17	29	04	24	26	100
Scattered distribution of the financial Institutions	F	47	50	15	62	68	242
	%	19	21	06	26	28	100
Concentrated financial institutions in Budadiri Town Council	F	97	30	14	37	64	242
	%	41	12	06	15	26	100

Source; primary data

From the table above: it can be seen that 12% of the respondents strongly disagreed that they are ignorant about the financial institutions, 10% disagreed while 04% were not sure, 33% agreed

and 41% strongly agreed that they are ignorant about the presence of financial institutions in their areas of operation.

Still from table above: it is indicated that 35% of the respondents strongly disagree that they have Little knowledge about the financial institutions, 12% of the respondents disagreed that they do have little knowledge about the financial institutions while 02% were not sure, 29% agreed and 21% strongly agreed that they do have little knowledge about the financial institutions.

It is also portrayed that 17% of the respondents strongly disagree that they are rich with the knowledge about the financial institutions, 29% of the respondents disagreed that they are rich with the knowledge about the financial institutions in their areas of operation however 04% were not sure, 24% agreed and 26% strongly agreed that they are rich with knowledge about the financial institutions particularly in their places where they carry out their businesses.

As shown in the table above, it is portrayed that 19% of the respondents strongly disagree that there are Scattered financial institutions in their areas, 21% of the respondents disagreed while 06% were not sure, 27% agreed and 28% strongly agreed that there are scattered financial institutions in their locality of operation.

Lastly, it is also postulated that majority of the respondents comprising of 41% strongly disagree that there are Concentrated financial institutions in Budadiri Town Council followed by 26%, 15%, 12% and 06% with strongly agree, agree, disagree and not sure respectively.

Determining the relationship between the level of Financial Institutions and Performance of SMEs using Pearson’s rank correlation coefficient

		FINANCIAL INSTITUTIONS	PERFORMANCE OF SMEs
FINANCIAL INSTITUTIONS.	Pearson Correlation Sign.(2-tailed)	1	.870**
	N	242	242
PERFORMANCE	Pearson	.870**	

OF SMEs	Correlation		1
	Sign.(2-tailed)	.000	
	N	242	242

****correlation is significant at the 0.01level (2-tailed).**

Source; primary data

As seen from the table 3 above, a Pearson correlation was run to determine the relationship between financial institutions and performance of SMEs at Budadiri Town Council Sironko district. The study results showed that there is a fairly strong positive significant correlation between financial institution and performance of SMEs at $r_p=0.87$. This therefore implies that when there are many financial institutions in the given area, there is better performance of SMEs since it's easy to access financial services by traders.

4.3 Relationship between the Nature of Collateral Security and Performance of SMEs. Key; 1-Strongly Disagree, 2-Disagree, 3-Not Sure, 4-Agree, 5-Strongly Agree, T- Total, %-Percentage.

Statements		1	2	3	4	5	T
Have collateral security for processing the loan from the bank	F	88	39	09	54	52	242
	%	37	16	04	22	21	100
Lack of collateral security for processing a bank loan	F	40	57	08	40	97	242
	%	17	23	03	17	40	100
Have idea about the use of the collateral security when processing a bank loan	F	37	75	12	56	62	242
	%	15	31	05	23	26	100
Have no idea about the use of the collateral security when processing a bank loan	F	90	26	05	76	45	242
	%	37	11	02	31	19	100
Bureaucracy of banks when assessing the collateral security before giving a loan	F	24	30	00	90	98	242
	%	10	12	00	38	40	100

Source; primary data

From the table above: it can be seen that 37% of the respondents strongly disagreed that they have collateral security for processing the loan from the bank, 16% disagreed while 04% were not sure, 22% agreed and 21% strongly agreed that they have collateral security for processing the loan from banks to boost their businesses.

Still from the table above: it is indicated that 17% of the respondents strongly disagree that they lack collateral security for processing a loan from the bank, 23% of the respondents disagreed that they lack collateral security for processing a loan from the bank institutions while 03% were not sure, 17% agreed and 40% strongly agreed that they lack collateral security for processing a loan from the bank institution.

it is also portrayed that 15% of the respondents strongly disagree that they have idea about the use of the collateral security when processing a bank loan, 31% of the respondents disagreed that they have idea about the use of the collateral security when processing a bank loan however 05% were not sure, 23% agreed and 26% strongly agreed they have idea about the use of the collateral security when processing a bank loan.

As shown in the table above, it is portrayed that 37% of the respondents strongly disagree that they have no idea about the use of the collateral security when processing a bank loan, 11% of the respondents disagreed while 02% were not sure, 31% agreed and 19% strongly agreed that they have no idea about the use of the collateral security when processing a bank loan.

finally, it is also postulated that majority of the respondents comprising of 40% strongly disagree that there is a lot of bureaucracy exercised by the banks when assessing the value of the collateral security before giving out a loan followed by 38%, 12%, 10% and 00% who strongly agree, agree, disagree and not sure respectively about the bureaucracy exercised by the banks when assessing the value of the collateral security before executing out a loan.

Determining the relationship between the Nature of Collateral Security and Performance of SMEs using rank Pearson’s correlation coefficient

		PERFORMANCE OF SMEs	COLLATERAL SECURITY
PERFORMANCE OF SMEs	Pearson Correlation Sign.(2-tailed)	1	.814**
	N	242	242
COLLATERAL SECURITY	Pearson Correlation Sign.(2-tailed)	.814**	1
		.000	

	N	242	242
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****correlation is significant at the 0.01level (2-tailed).**

Source; primary data

As seen from the table 4 above, a Pearson correlation was run to determine the relationship between collateral security and performance of SMEs at Budadiri Town Council Sironko district. The study results showed that there is a fairly strong positive significant correlation between collateral security and performance of SMEs at $r_p=0.814$. This therefore implies that when the traders possess collateral security increases access to loans from banks, this in turn betters the performances of SMEs.

4.4 Relationship between the level of entrepreneurship skills and performance of SMEs.

Key; 1-Strongly Disagree, 2-Disagree, 3-Not Sure, 4-Agree, 5-Strongly Agree, F- Frequency, T- Total.

Statements		1	2	3	4	5	T
Trained traders have better managerial skills of SME business	F	60	40	08	72	62	242
	%	24	17	03	30	26	100
Trained traders carryout auditing of their SME business	F	66	34	18	62	62	242
	%	27	14	07	26	26	100
Trained traders have idea for accessing a bank loan with ease	F	62	31	09	71	69	242
	%	26	13	04	29	28	100
Trained traders are capable of managing a formal SMEs of a bigger size	F	76	57	15	69	25	242
	%	31	24	06	29	10	100
Getting trained in business skills is the wastage of time	F	59	72	36	50	25	242
	%	24	30	15	21	10	100

Source; primary data

From the table above: it can be seen that 24% of the respondents strongly disagreed that trained traders have better managerial skills of SME business, 17% disagreed while 03% were not sure, 30% agreed and 26% strongly agreed that trained traders have better managerial skills of SME businesses.

Still from the table above: it is indicated that 27% of the respondents strongly disagreed that trained traders carryout auditing of their SME businesses, 14% of the respondents disagreed that trained traders carryout auditing of their SME businesses while 07% were not sure but those ones

who agreed and strongly agreed that trained traders carryout auditing of their SME businesses were 26%.

It is indicated that 26% of the respondents strongly disagreed that trained traders have idea for accessing a bank with ease, 24% of the respondents disagreed that trained traders have idea for accessing a bank with ease while 06% were not sure but those ones who agreed and strongly agreed that trained traders have idea for accessing a bank with ease were 29% and 10% respectively.

Lastly, it is also postulated that majority of the respondents comprising of 30% strongly disagreed that getting trained in business skills is the wastage of time followed by 24%, 21%, 15% and 10% with strongly disagree, agree, strongly agree, not sure and strongly agreed that getting trained in business skills and management is the wastage of time respectively.

Intergrading the above information to determine the relationship between the level of entrepreneurship skills and performance of SMEs using Pearson’s rank correlation coefficient

		ENTREPRENEURSHIP SKILLS.	PERFORMANCE OF SMEs
ENTREPRENEURSHIP SKILLS.	Pearson Correlation	.730**	1
	Sign.(2-tailed)	.000	
	N	242	242
PERFORMANCE OF SMEs	Pearson Correlation	.730**	.730**
	Sign.(2-tailed)	1	.000
	N	242	242

****correlation is significant at the 0.01level (2-tailed).**

Source; primary data

As seen from the table 5 above, a Pearson correlation was run to determine the relationship between entrepreneurship skills and performance of SMEs at Budadiri Town Council Sironko district. The study results showed that there is a fairly strong positive significant correlation between entrepreneurship skills and performance of SMEs at $r_p=0.730$. This therefore implies that a better entrepreneurship skill boosts the performance of SMEs.

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.0 Introduction.

This chapter presents the summary of the findings, conclusions, recommendations and areas for further studies. The findings are outlined in direct response to the specific objectives of the research. The chapter also outlines the recommendations and areas for further research which arose during the conduct of the research and conclusion.

5.1 Discussion.

5.1.1 Relationship between the level of Financial Institutions and Performance of SMEs.

The findings based on Pearson correlation show that there is a fairly strong positive significant correlation between the level of financial institutions and performance of SMEs ($r_p=0.87$). This therefore implies that when SMEs trader's access to financial institutions increases, this in turn leads to a better performance of SMEs and when the access to financial institutions decreases, then the performance of SMEs is affected negatively. In other words, it was found out that a unit change in the level of financial institutions causes a 0.495 change in the performance of SMEs when other independent variables are held constant. This finding is in line with the analysis of Dixon J.R (2014) that revealed a positive relationship between the level of financial intermediaries and performance of SMEs.

5.1.2 Relationship between Nature of Collateral Security and Performance of SMEs.

The findings shows that there is a fairly strong positive significant correlation between the nature of collateral security and performance of SMEs ($r_p=0.814$). This therefore implies that when SMEs trader's possess collateral security increases access to loans from banks, this in turn leads to better performance of SMEs and lack of collateral security decreases the opportunities of accessing loans from banks. In other words, it was found out that a unit change in the level of collateral security causes a 0.308 change in performance of SMEs when other independent variables are held constant. This finding is in line with the study of Tayebwa, (2016, 2019) that revealed a positive relationship between the nature of collateral security and performance of SMEs.

5.1.3 Relationship between the level of entrepreneurship skills and Performance of SMEs.

The findings based on Pearson correlation analysis shows that there is a strong positive

significant correlation between the level of entrepreneurship development skills and increased growth of SMEs ($r_p=0.730$). This therefore implies that when SMEs trader's level of entrepreneurship development skills increases, this in turn betters the performance of SMEs and when the level of entrepreneurship development skills decreases, this worsens the performance of SMEs. In other words, it was found out that a unit change in the level of entrepreneurship development skills causes a 0.233 change in the performance of SMEs when other factors are being held constant. This finding is in line with the study of O'mara.C. et al (2010) that revealed a positive relationship between the level of entrepreneurship development skills and performance of SMEs.

5.2 Conclusions.

5.2.1 Relationship between the level of Financial Institutions and Performance of SMEs.

There is a positive relationship between the level of financial institutions and performance of SMEs. A decrease in the level of development of financial institutions leads to a decline in performance of SMEs of traders following the results from the study.

5.2.2 Relationship between Nature of Collateral Security and Performance of SMEs.

There is also a positive relationship between the level of collateral security and performance of SMEs, that is to say presence of collateral security leads to an increase in the performance of SMEs and a decrease in the level of development of collateral security leads to a decline in performance of SMEs as this result matches with other researcher's work.

5.2.3 Relationship between the level of entrepreneurship skills and Performance of SMEs.

There is also a positive relationship between the level of entrepreneurship skills and Operation of SMEs and that is to say improved entrepreneurship skills boosts the performance of SMEs and a decrease in the level of development entrepreneurship skills hinders the progress of SMEs.

5.3 Recommendations.

The following thorough analysis of unemployment in community of Budadiri Town Council, the researcher believes that the issues below should be addressed by the policy makers and other people with authority.

Since there is a positive relationship between the level of financial institutions and performance of SMEs then, increased access to low interest loans from financial institutions will be very critical in enhancing growth of the informal sector and hence better performance of SMEs.

The studies above show that there is a positive relationship between entrepreneurship skills and performance of SMEs then, relevant education and training for traders should be enhanced to make them capable of managing informal sectors through skills and training which is tailored to their competitive needs.

There should be an improvement in the existing roads and other communication networks since they are deemed vital for starting up small-scale enterprises for easy access to financial intermediaries and to training areas for financial literacy.

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

5.4 Limitations of the study.

The findings of this study have been seen in light of some limitations.

Limited resources to enable the researcher in purchasing the necessary equipment delayed his work.

Language barrier between the respondents and researcher also hampered the progress of this study.

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APPENDIX 1

SELF ADMINISTERED QUESTIONNAIRE

QUESTIONNAIRE

Dear Sir/Madam,

My name is Wolimbwa Ivan, a student of Busitema University. I am currently conducting a study research on the determinants for the performance of Small and Medium Enterprises, a Case of Budadiri Town Council Sironko District. I humbly request you to be one of the participants in this study and your cooperation will be of great importance to this study findings. Your participation is voluntary and you can withdraw at any time without any penalty. The study is purely for academic purpose and the information given will be treated and kept confidential. I therefore, humbly request you to spare some of your time and answer the following question.

Thank you.

SECTION A: Background information.

Please tick in the appropriate box provided below;

1. GENDER

a) Female

b) Male

2. AGE OF RESPONDENT

(a) 18-28

(b) 29-39

(c) 40-50

(d) 51 and above

(e) Others specify.....

2. MARITAL STATUS

(a) Married

(b) Single

(c) Widowed

(d) Separated

(e) others specify.....

3. LEVEL OF EDUCATION.

(a) Primary

(b) Secondary

(c) Tertiary

(d) Graduate

4. SOURCE OF INCOME

(a) Personal savings

(b) Friends and donations

(c) Loans from banks

(d) Others specify.....

SECTION B: Level of financial Institution.

What is your opinion on the statement of development (level) of financial institutions to the operation of SMEs at Budadiri Town Council Sironko district, please indicate to the extent to which you agree or disagree with each of the following statements.

Key: 1-Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree.

	Statements	1	2	3	4	5
A ₁	Ignorant about financial institutions					
A ₂	Little knowledge about financial institutions					
A ₃	Rich with the knowledge of financial institutions					
A ₄	Scattered distribution of financial institutions					
A ₅	Ignorant about financial institutions					

SECTION C: Nature of the Collateral Security.

What is your opinion on the statement of nature of the collateral security to the boosting of SMEs at Budadiri Town Council Sironko district, please indicate to the extent to which you agree or disagree with each of the following statements.

Key: 1-Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree.

	Statements	1	2	3	4	5
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B₁	Have collateral security for processing a loan from banks					
B₂	Lacks collateral security for processing a loan from banks					
B₃	Have idea about the uses of collateral security when processing a loan					
B₄	No idea about the uses of collateral security when processing a loan					
B₅	Bureaucracy of banks when assessing collateral security to get a loan					

SECTION D: Entrepreneurship Skills.

What is your opinion on the statement of entrepreneurship skills to the level of operation Of SMEs at Budadiri Town Council Sironko district, please indicate to the extent to which you agree or disagree with each of the following statements.

Key: 1-Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree.

	Statements	1	2	3	4	5
C₁	Trained traders have better managerial skills of SME business					
C₂	Trained traders carryout auditing of their SME businesses					
C₃	Trained traders have knowledge of accessing loans with ease					
C₄	Trained traders are capable of managing formal SMEs of a bigger size					
C₅	Getting trained in business skills is a wastage of time					

SECTION E: OPERATION OF SMALL AND MEDIUM ENTERPRISES.

What is your opinion on the statement of SMEs Operation at Budadiri Town Council Sironko district, please indicate to the extent to which you agree or disagree with each of the following statements.

Key: 1-Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree.

	Statements	1	2	3	4	5
D₁	I operate small and medium enterprise for survival					
D₂	I operate small and medium enterprise to employ only family members					
D₃	I operate small and medium enterprise to create more jobs for others					
D₄	I operate small and medium enterprise to expand my income level					
D₅	I have hopes for expanding my SME for more job creation					
D₆	I don't have hopes for expanding my SME for more job creation					

D₇	I want to get a loan to expand my business to create more jobs					
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Thanks for your time and participation in answering this questionnaire.