UNDERSTANDING GROWTH CHALLENGES OF SMALL-SCALE BUSINESSES: A CASE STUDY OF KITOORO MARKET, ENTEBBE

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DECLARATION

I Kanyesige Sarah Musabe hereby declare that this is my original work and has not been presented to any University or academic institution for any award, except where due acknowledgement has been made.

Signature

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Date 27st March, 2026

APPROVAL

This is to certify that this dissertation has been done under my supervision and approved for submission and examination.

Signature

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Date 27st March, 2026

DEDICATION

I dedicate this work to my Lord Jesus Christ, who has guided me throughout this journey. I also dedicate it to my dear husband, Benjamin Watyaba and my children, who have been a constant source of encouragement, support and prayer during my studies. Thank you very much for your prayers and support and support in very way.

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LIST OF ABBREVIATIONS

GEM	Global Entrepreneurship Monitor
GDP	Gross Domestic Product
MSMEs	Micro, Small, and Medium Enterprises
SMEs	Small, and Medium Enterprises
TEA	Total Entrepreneurial Activity index
UBOS	Uganda Bureau of Statistics

OPERATIONAL DEFINITIONS

Term	Definition
Access to finance	The ability for businesses to obtain funds through, loans, credit, or grants. These can be got from institutions such as banks, SACCOs, microfinance institutions, or informal lenders.
Business environment	The external conditions affecting operations. These are in a wide range, could be economic, social, political, and legal.
Business infrastructure	The physical facilities that support business activities, such as roads, electricity, water supply, storage facilities, stalls, and communication networks.
Collateral requirements	Assets like land, or equipment required by money lenders as security before granting a loan.
Competition	The rivalry among businesses selling similar goods or services to the same customers.
Credit	Money borrowed by a business with the agreement to repay it later, usually with interest.
Dependent variable	The outcome variable studied was growth of small-scale businesses It was measured by profit increase, expansion, sales growth and survival.
Electricity reliability	The consistency and stability of electricity supply, which affects business operations like refrigeration, lighting, and production.
Entrepreneur	An individual who identifies a business opportunity, pulls resources, and takes risks to start and manage a business for profit.
Entrepreneurial human capital	The business knowledge, education, skills, and experience that one has to influence business performance and growth.

Entrepreneurship	The process of creating, organizing, and managing a business venture to make a profit while taking financial risks.
Financial literacy	The ability to understand and effectively use financial skills such as budgeting, saving, record keeping, borrowing, and managing debt.
Financial services	These include savings accounts, insurance, money transfers, and mobile banking services.
Government regulations	Rules and laws established by government authorities that businesses must follow, such as licensing, taxation, and health standards.
Growth challenges	Barriers that prevent businesses from expanding, such as limited capital, high taxes, competition, poor infrastructure, and inflation.
Growth-oriented enterprises	Businesses established with the primary objective of expanding operations, increasing profits, and employing more people over time.
Independent variables	The factors believed to influence changes in the dependent variable included access to finance, taxation, infrastructure, competition, etc.
Inflation	A general increase in prices of goods and services over time, reducing purchasing power and increasing operating costs for businesses.
Interest rates	The cost of credit normally in percentage, charged by lenders on borrowed money.
Livelihood	The means by which households earn income to meet basic needs such as food, shelter, education, and healthcare.
Managerial skills	The ability of a business owner to plan, organize, lead, and control business activities effectively

Market accessibility	The ease with which customers and suppliers can reach a business location, influenced by cost of transport, roads, and market layout.
Market dues	Fees paid by traders to market authorities like Municipal council for operating space, security, or maintenance within the market.
Policy	A set of guidelines adopted by government or institutions to achieve specific objectives.
Policymakers	Government officials or authorities responsible for creating and implementing laws and policies.
Private sector	The part of the economy operated by individuals and private businesses rather than the government.
Record-keeping	The systematic documentation of business transactions, including sales, expenses, profits, and inventory.
Retail trade	The sale of goods or services directly to final consumers in small quantities.
Savings access	The ability of business owners to safely deposit and withdraw money from financial institutions or savings groups.
Security	Protection of businesses from theft, vandalism, and other criminal activities within the market.
Small-scale businesses	Enterprises that operate on a small level in terms of capital, number of employees, and sales volume, often managed by the owner and employing few workers.
Survival-oriented operations	Businesses primarily established to meet the basic income needs of the owner rather than to expand or grow significantly.
Taxation	Mandatory financial charges imposed by the government on businesses, such as income tax, local service tax, or trading license fees

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ABSTRACT

Small-scale businesses are a key driver of livelihoods and economic activity in Uganda; however, many struggle to achieve sustainable growth. Despite high levels of entrepreneurial activity, the country faces a high business failure rate, with many enterprises closing within their first few years. This study examined the challenges affecting the growth of small-scale businesses in Kitooro Market, Entebbe Municipality.

A cross-sectional descriptive design was employed, using both quantitative and qualitative approaches. Data were collected from 78 participants, including 68 questionnaire respondents and 10 key informants comprising business owners, market leaders, and a municipal official. The study focused on access to finance, entrepreneurial human capital, and the business environment and infrastructure as key determinants of business growth.

Findings indicate that small-scale businesses experience only moderate growth (overall mean = 3.26), with limited expansion and employment creation. Access to finance was identified as a major constraint (mean = 3.86), with over 75% of respondents citing high interest rates and lack of collateral as key barriers, and more than 80% relying on personal savings. Business environment and infrastructure emerged as the most significant challenge (mean = 3.99), with over 80% of respondents reporting that high taxes and competition reduce profitability, while about 70% highlighted poor roads and unreliable electricity as disruptive. Entrepreneurial human capital showed moderate influence (mean = 3.61), with only about 40% of respondents having received formal business training.

The study concludes that financial, skill-based, and environmental challenges jointly constrain business growth. It recommends improved access to affordable finance, enhanced business training, and investment in infrastructure to support sustainable growth.

CHAPTER ONE: INTRODUCTION

1.1 Background

Micro, Small, and Medium Enterprises (MSMEs) are typically characterized by limited capital investment, a small workforce, and relatively low turnover. These enterprises include retail shops, food stalls, salons, restaurants, and other small service providers. In developing economies such as Uganda, MSMEs play a vital role in generating employment, supporting household incomes, and stimulating local economic activity (Financial Sector Deepening Uganda, 2021).

In Uganda, MSMEs are central to national development and poverty reduction efforts. They form the backbone of the private sector, accounting for approximately 80% of businesses, contributing about 20% to the Gross Domestic Product (GDP), and employing over 2.5 million people (Francis, 2015). A significant proportion of these enterprises are sole proprietorships, with over 50% owned by women, and many operated by young entrepreneurs (Shepherd, 2016). Most small-scale businesses are concentrated in urban areas, particularly in modern markets established by government initiatives, which serve as hubs of commercial activity.

Despite their widespread presence and importance, the contribution of MSMEs to GDP remains relatively low, reflecting challenges in performance and growth. Uganda ranks among the highest globally in terms of start-up activity and Total Entrepreneurial Activity (TEA) index; however, it also records some of the weakest business performance outcomes (Abaho et al., 2017). A significant number of small-scale businesses fail to survive beyond their early years, with many closing before their first anniversary. This high failure rate presents a major challenge to economic development and household livelihoods (Kabatunzi, 2022).

Understanding the factors that hinder the growth and sustainability of small-scale businesses is therefore critical. This study seeks to examine these challenges and provide insights that can inform entrepreneurs, policymakers, and local authorities on strategies to create a more enabling environment for business growth and sustainability.

1.2 Problem Statement

Despite the critical role of small-scale businesses in Uganda's economy, many struggle to survive and grow beyond the initial stages of operation. Evidence indicates that over 80% of businesses fail within their first two years, while nearly 50% of start-ups do not survive beyond three years (Nangoli et al., 2013). These high failure rates highlight persistent structural and operational challenges within the sector.

Previous studies have identified several factors that constrain business growth and survival, including limited access to finance, high operational costs, inadequate business management skills, and unfavorable regulatory environments (Eton et al., 2018; Lubowa, 2021). These challenges limit the ability of entrepreneurs to expand their businesses, improve productivity, and compete effectively in the market.

However, most existing studies have focused on broader national or regional contexts, with limited attention given to specific local markets such as Kitooro Market in Entebbe Municipality. As a result, there is insufficient localized evidence on the unique challenges faced by small-scale businesses operating in this area.

This study therefore seeks to address this gap by examining the growth challenges faced by small-scale businesses in Kitooro Market. By focusing on this specific context, the study aims to generate practical insights that can support targeted interventions to improve business performance and sustainability.

1.3 General Objective

The general objective of this study is to examine the challenges affecting the growth of small-scale businesses in Kitooro Market, Entebbe Municipality.

1.3.1 Specific Objectives

1. To determine the effect of access to finance on the growth of small-scale businesses in Kitooro Market, Entebbe Municipality.
2. To examine the effect of entrepreneurial human capital on the growth of small-scale businesses in Kitooro Market, Entebbe Municipality.
3. To assess the effect of the business environment and infrastructure on the growth of small-scale businesses in Kitooro Market, Entebbe Municipality.

1.3.2 Research Questions

1. What is the effect of access to finance on the growth of small-scale businesses in Kitooro Market, Entebbe Municipality?
2. How does entrepreneurial human capital influence the growth of small-scale businesses in Kitooro Market, Entebbe Municipality?
3. What is the effect of the business environment and infrastructure on the growth of small-scale businesses in Kitooro Market, Entebbe Municipality?

1.4 Scope of the Study

1.4.1 Content Scope

This study focuses on examining the challenges affecting the growth of small-scale businesses in Kitooro Market. It is limited to three key independent variables: access to finance, entrepreneurial human capital, and the business environment and infrastructure.

Access to finance is examined in terms of availability of credit, interest rates, collateral requirements, access to savings, and utilization of financial services. Entrepreneurial human capital includes the education level, business experience, financial literacy, managerial skills, record-keeping practices, and participation in business training programs. The business environment and infrastructure encompass factors such as market accessibility, electricity reliability, taxation, inflation, competition, government regulations, and security.

The dependent variable, small-scale business growth, is measured using indicators such as sales growth, profit growth, business expansion, and increase in the number of employees. The study also explores practical strategies that can be implemented to address the identified challenges.

1.4.2 Geographical Scope

The study is conducted in Kitooro Market, located in Entebbe Municipality, Wakiso District, Uganda. Kitooro Market is a major commercial hub with a high concentration of small-scale enterprises operating in sectors such as retail trade, food vending, agricultural produce, tailoring, hardware, and various services. The market provides a suitable context for examining the factors influencing business growth due to its diversity and economic significance (Twinomujuni, 2025a).

The study focuses specifically on businesses operating within Kitooro Market.

1.4.3 Time Scope

The study covers the period from 2022 to 2025. This timeframe was selected to capture recent trends in small-scale business growth, particularly during the post-COVID-19 recovery period, which significantly affected business operations in Uganda.

Data collection for the study was conducted in 2026.

1.5 Significance of the Study

Small-scale businesses play a crucial role in Uganda's economy by providing employment, generating income, and supporting livelihoods. However, many of these enterprises remain at a subsistence level and struggle to achieve sustainable growth (Nangoli et al., 2013). Their stagnation or failure has significant implications for household welfare and national economic development (Twinomujuni, 2025b).

Despite their potential to contribute to economic growth, many small-scale businesses are constrained by low productivity, limited capital, inadequate managerial skills, and high operational costs (Tushabomwe-Kazooba, 2006a). Addressing these challenges is essential for enhancing their performance and impact.

Entebbe Municipality has invested in market infrastructure and development planning aimed at supporting local commerce and improving productivity (Ninsiima et al., 2025). However, the extent to which these efforts have addressed the challenges faced by small-scale businesses remains unclear.

This study is therefore significant in several ways. First, it provides empirical evidence on the specific challenges affecting small-scale businesses in Kitooro Market. Second, it offers insights that can inform policymakers, local authorities, and development partners in designing targeted interventions to support business growth. Third, it contributes to academic literature by providing a localized perspective on small-scale business performance in Uganda.

Ultimately, the findings of this study are expected to support the development of practical strategies that enhance the growth, sustainability, and contribution of small-scale businesses to the economy.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

Small-scale businesses play a big role in the development of developing countries, particularly in Sub-Saharan Africa. In Uganda, small and medium enterprises dominate the private sector and they are acknowledged for their contribution to employment creation, and income generation. Despite their immense importance, the growth and survival rate of small-scale businesses remains low, with many enterprises closing down within the first five years of operation. Understanding the factors that affect the growth and survival of small-scale businesses is critical for both policy - making and business sustainability. Especially in urban areas such as Entebbe Municipality.

This section therefore reviews existing literature on small-scale businesses in Uganda, majorly focusing on their economic significance, determinants of growth, survival challenges, and dynamics relevant to Entebbe and its surrounding areas.

2.2. Small-scale businesses and their economic importance in Uganda.

Small-scale businesses constitute over 90% of the private sector of Uganda's economy. According to Uganda Bureau of Statistics (UBOS), SMEs are the backbone of the economy account providing employment to a large proportion of the population. Studies indicate that small-scale enterprises are particularly dominant in sectors such as retail shops, hospitality, transportation, and small-scale manufacturing (Lakuma et al., 2019).

Small-scale businesses extend beyond employment creation to innovation, skills development, and local economic stimulation. (Tushabomwe-Kazooba, (2006b) argues that small enterprises provide self-employment and entrepreneurship, especially among youth and women, hence reducing dependency on the formal public sector. However, despite this contribution, many small-scale businesses struggle to transition from survival-oriented operations to growth-oriented enterprises.

2.3. Determinants of Small-Scale Business Growth

2.3.1 Access to funds

Access to finance is one of the most widely cited determinants of small-scale business growth in Uganda and beyond. Empirical evidence suggests that limited access to affordable credit constrains investment, innovation, and expansion among small enterprises. (Lakuma et al., 2019) found that financial inclusion has a tremendous positive effect on MSME growth in Uganda, particularly for small enterprises that rely heavily on external financing for working capital and asset acquisition.

Microfinance institutions have emerged as key sources for financing small businesses, especially in municipalities such as Entebbe in Wakiso district where commercial banks requirements are often prohibitive. However, while microfinance improves access to credit, high interest rates and short repayment periods may limit its effectiveness in promoting long-term growth for these small businesses considering their small returns (Bakashaba et al., 2024).

Access to finance plays a central role in determining the growth rate of small-scale businesses, particularly in developing economies like Uganda. When entrepreneurs can obtain affordable credit, savings facilities, and flexible repayment terms, they are more able to invest in inventory, equipment improvement, and market diversification. Limited financial access forces many small enterprises to operate at subsistence level, relying on irregular cash flows and informal borrowing. Microfinance services and mobile banking significantly enhance business stability by improving working capital and enabling entrepreneurs to respond quickly to market opportunities. Financial access not only improves small business profitability but also contributes to the bigger economic development through job creation and increased local trade activity (Nuwagaba et al., 2021a).

2.3.2 Entrepreneurial Skills and Human Capital

Human capital and entrepreneurial competencies and skills are critical drivers of small business growth. (Nuwagaba et al., 2021b) emphasizes that entrepreneurial knowledge, managerial skills, and prior business experience significantly informs enterprise performance in Uganda. Business owners with skills in financial management, marketing, and strategic planning are more likely to achieve sustained growth and survival than those operating informally without structured management practices.(Tushabomwe-Kazooba, 2006c) identifies poor managerial skills and lack of planning as major contributors to stagnation and failure among small enterprises in Uganda. This suggests that growth is not only dependent on financial resources but also on the capacity of entrepreneurs to effectively utilize available resources.

2.3.3 Infrastructure and business environment

The business environment plays a crucial role in shaping enterprise growth outcomes. Inadequate infrastructure in particular unreliable electricity, poor transport networks, and limited access to business and resource premises has been shown to negatively affect productivity, growth, and profitability of small-scale businesses (Sendawula et al., 2023a). Urban places such as Entebbe and Kampala benefit from relatively better infrastructure compared to rural areas; but then, challenges related to high rental costs and regulatory compliance persist.

2.4. Survival of small-scale businesses in Uganda

Small scale businesses in Uganda experience high failure rates. Studies indicate that a significant proportion of enterprises cease operations within their first three to five years despite their prevalence. Analysis of SME survival in Uganda revealed that the survival period of small businesses is relatively short, highlighting systemic challenges to sustainability (Kabatunzi, 2022b).

2.4.1 Internal factors affecting survival

Internal business factors such as poor financial management, inadequate record-keeping, and lack of strategic direction significantly undermine business survival and growth. notes that small businesses that survive beyond five years tend to adopt deliberate strategies including customer relationship management, cost control, resilience, and diversification of income sources among others (Kabatunzi, 2022b).

Furthermore, practices such as mixing personal and business finances reduce the ability of enterprises to monitor performance and respond effectively to financial distress when need be.

2.4.2 External factors affecting survival

External factors include inflation, taxation, regulatory burdens, and market competition pose growth and survival challenges. Macroeconomic instability and policy inconsistencies disproportionately affect small businesses due to their limited capacity to absorb shocks. (Tushabomwe-Kazooba, 2006b)

In urban areas, competition arising from tourism-related enterprises and imported goods may further threaten the survival of local small-scale businesses, particularly those with limited strategies and growth plans.

2.5. Innovation, networking, marketing, and business sustainability

Recent literature talks about the role of innovation and networking in enhancing small business survival. Networking among entrepreneurs positively influences small business performance in Uganda, with innovation acting as a mediating factor. Through networks, entrepreneurs gain access to market information, financial resources, and strategic partnerships that enhance resilience and adaptability in the struggling Business environment. (Sendawula et al., 2023b).

The networking theory, which says that relationships and social capital are critical resources for small enterprises operating in resource-constrained environments is emphasized here.

2.6. Context of Entebbe municipality

The literature is dominated mostly with national-level studies, while localized research on small-scale businesses in Entebbe remains limited. Available studies suggest that access to microfinance, proximity to the tourism markets, and urban infrastructure, like the case in Entebbe present both opportunities and challenges for business growth and survival (Shumbusa, 2018) However, the unique dynamics of Entebbe—such as its strategic and yet uncentered location are underexplored in existing literature.

2.7. Research Gaps

Given that research exists on SMEs in Uganda, many gaps remain. First, there is limited empirical evidence focusing particularly on small-scale businesses at the municipal or small-town level, like in Entebbe. Second, most of the available studies examine growth and survival independently, rather than exploring how growth strategies influence long-term survival. Finally, there is very little integration of organizational leadership and management perspectives, despite their relevance to enterprise sustainability and the overall development of the economy.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter serves the primary goal of describing the research methods that were used for data collection and data analysis. In a case to examine the factors influencing the growth and survival of small-scale businesses in Entebbe Municipality, Uganda. It outlines the research design, study area, target population, sampling techniques, sample size determination, data collection methods, research instruments, validity and reliability, data analysis procedures, ethical considerations, and limitations.

3.2 Research Design

The study adopted a cross-sectional descriptive research design using both qualitative and quantitative approach. A cross-sectional design was appropriate because data were collected from respondents at a single point in time to examine relationships between variables influencing small-scale business growth and survival.

3.3 Study Area

The study was conducted in Kitooro Market Entebbe Municipality, Wakiso District, Uganda. Entebbe is a commercial and tourism hub located near the international Airport and Lake Victoria and hosts a variety of small-scale businesses operating in sectors such as retail trade, hospitality, food services, transport, and small-scale manufacturing.

Kitooro market is one of the busiest business hubs of Entebbe. The market hosts about 1000 stalls operating different businesses. It is well constructed and organised (Twinomujuni, 2025a).

The municipality was selected because of its growing urban economy, presence of diverse small-scale enterprises, and its strategic location influenced by tourism activities.

3.4 Target Population

The target population comprised owners and managers of registered and unregistered small-scale businesses operating within Kitooro market Entebbe Municipality.

A total of 78 participants, 10 of whom were interviewed and 68 were given questionnaires to answers. The 10 interviews consisted of 7 business owners from fresh food stalls and retail shops, 2 market leaders, and 1 Entebbe Municipal official. The 68 questionnaires were all given to different business owners and managers. They consisted of 20 retail shops, 33 fresh food stalls, 10 restaurants and food vendors, 2 salons and beauty services, and 3 other service enterprises.

3.5 Sampling Techniques

The study used a combination of stratified and simple random sampling techniques.

- Stratified sampling was used to categorize businesses according to sector, 5 strata including retail shops, fresh food stalls, restaurants and food vendors, salons and beauty services and other services. This ensured representation across different types of enterprises.
- Simple random sampling was then applied within each stratum to select respondents. The researcher approached open business and introduced herself and the research topic and its objectives. Willing participants responded and they referred the researcher to more participants. All business owners were encouraged to participant.

This approach minimized bias and ensured adequate representation of different business categories.

3.6 Data Collection Methods

Both primary and secondary data were collected using different tools and methods.

3.6.1 Primary Data

Primary data were collected using both structured questionnaires and semi-structured interviews.

(a) Questionnaire Method

Questionnaires were administered to 68 small-scale business owners operating in Kitooro Market. The questionnaire consisted of closed-ended questions measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The questionnaire was divided into five sections covering:

Demographic information, access to finance, entrepreneurial human capital (skills and management practices), business environment and infrastructure, small-scale business growth indicators.

The questionnaire method was selected because it allows collection of data from many respondents in a relatively short time and facilitates quantitative statistical analysis.

(b) Interview Method

Interviews were conducted with 10 key informants comprising 7 business owners, 2 market leaders, and 1 Entebbe Municipal official.

The interviews were used to obtain in-depth qualitative information regarding:

Financial challenges affecting small-scale businesses, entrepreneurial skills and management gaps, infrastructure and regulatory constraints, strategies to improve business growth.

The semi-structured format allowed flexibility for probing and clarification while ensuring alignment with the study objectives.

3.6.2 Secondary Data

Secondary data were obtained from documentary sources including:

Academic journals and scholarly articles, government publications (e.g., UBOS reports), previous dissertations and research studies, policy documents related to small and medium enterprises (SMEs) in Uganda.

Secondary data were used to support the literature review, provide contextual background, and compare the study findings with existing research.

3.7 Data Collection Instruments

The study employed two main instruments: a structured questionnaire and an interview guide.

(a) Structured Questionnaire

The structured questionnaire was designed to collect quantitative data from small-scale business owners. It contained closed-ended Likert-scale questions aligned to the study objectives. The instrument ensured uniformity of responses and facilitated statistical analysis using SPSS.

(b) Interview Guide

An interview guide was used to collect qualitative data from key informants. The guide contained open-ended questions designed to explore respondents' experiences, perceptions, and recommendations regarding the challenges affecting business growth in Kitooro Market.

The use of both instruments enabled triangulation of data, thereby enhancing the validity and reliability of the study findings.

3.8 Validity and Reliability of the Instrument

3.8.1 Validity

Content validity was ensured through expert review. The questionnaire was reviewed by the research supervisor and two academic experts to assess clarity, relevance, and adequacy of items.

3.8.2 Reliability

A pilot test was conducted among 10 small-scale business owners outside the selected sample area to test the reliability of the instrument.

3.9 Data Collection Procedure

The researcher obtained an introduction letter from the university. Permission was sought from relevant municipal authorities where necessary.

Questionnaires were distributed physically to selected business owners and collected after completion. The researcher explained the purpose of the study and assured respondents of confidentiality.

3.10 Data Analysis

The data analysis process transformed raw data collected from the field. Upon completion of data collection, questionnaires and interview notes were checked well for completeness and constancy. The raw responses were coded and entered into Statistical Package for Social Sciences (SPSS) for quantitative analysis.

Descriptive Statistics were the primary method of analysis used. Specifically, frequencies and percentages were used to analyse and present the categorical data, such as the types of businesses and the demographic characteristics of the participants. Measures of central tendency (mean) and dispersion (standard deviation) were calculated to summarize participants' perceptions of various growth challenges, such as the severity of financial constraints or regulatory hurdles. The results are presented in tabular form, with each table accompanied by a detailed description that likes it to interpretation that links it to the research questions.

The data from interviews was analysed using thematic analysis. This approach is appropriate for identifying, analysing, and interpreting themes within qualitative data.

All interviews were recorded with participants' consent and then transcribed to ensure accuracy.

The researcher read the interview transcripts multiple time to gain a deep understanding of the content. And then generated initial codes using key phrases, ideas, and patterns relevant to the research objectives. They were then identified and labelled with codes. Related codes were grouped together to form broader themes that reflect significant patterns in the data.

The themes were reviewed and refined to ensure they accurately represented the data and align with the research questions. Each theme was clearly defined and described to capture its essence. The findings were presented in a narrative form, supported by direct quotations from participants to provide evidence and enhance credibility.

3.11 Ethical Considerations

The study adhered to ethical research standards including: participation was voluntary, informed consent was obtained from respondents, confidentiality and anonymity were maintained, data were used strictly for academic purposes, respondents were free to withdraw at any time without penalty.

3.12 Limitations of the Study

The study only interviewed a small number of the people who work in Kitooro therefore some insights into SME could have missed.

The study participants were limited in number hence providing limited data due to constrained time and resources to carry out the research causing.

CHAPTER FOUR: PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents, analyses, and interprets the data collected from small-scale business owners and managers, market leaders, and a municipal official in Kitooro Market, Entebbe Municipality. The data analysis is based on the study objectives that focused on access to finance, entrepreneurial human capital, business environment and infrastructure, and their effect on business growth.

4.1 Response Rate

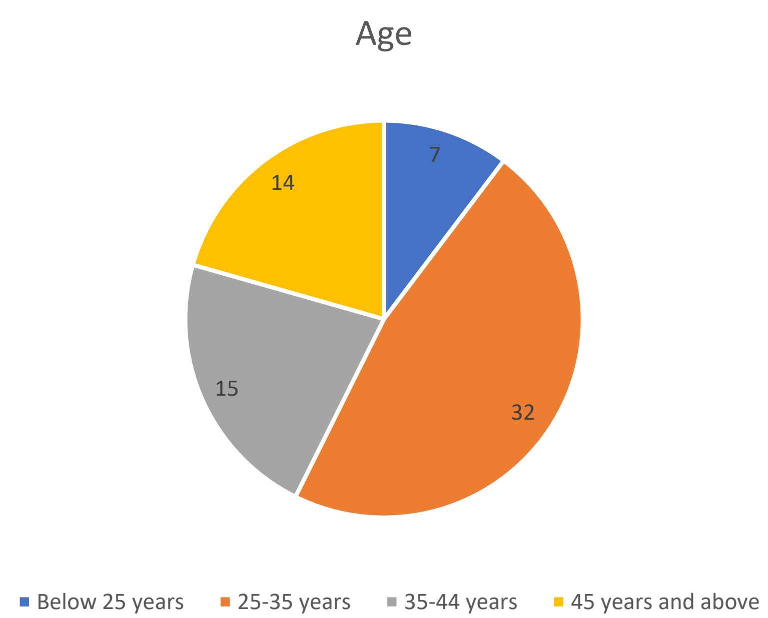
A total of 70 questionnaires were distributed, and 68 were successfully completed and returned, representing a response rate of 97%. This was considered adequate for data analysis.

4.2 Demographics of Respondents

4.2.1 Gender Distribution

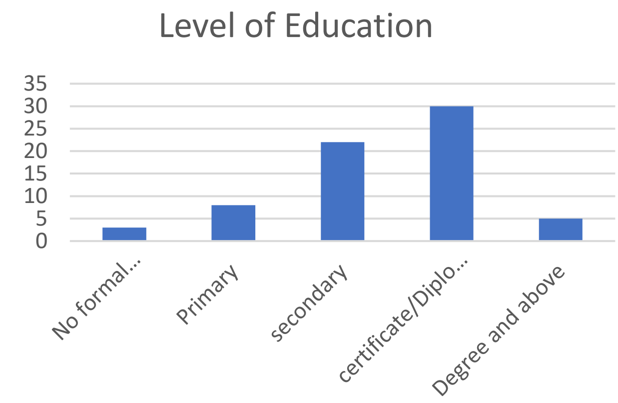
The findings revealed majority of respondents were female with 71%, indicating that women dominate small-scale business activities in Kitooro Market.

4.2.2 Age Distribution



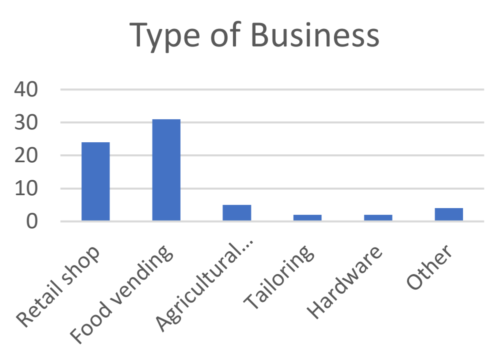
Most respondents were between 25–34 years with 47%, showing that business operations are mainly handled by youth.

4.2.3 Level of Education



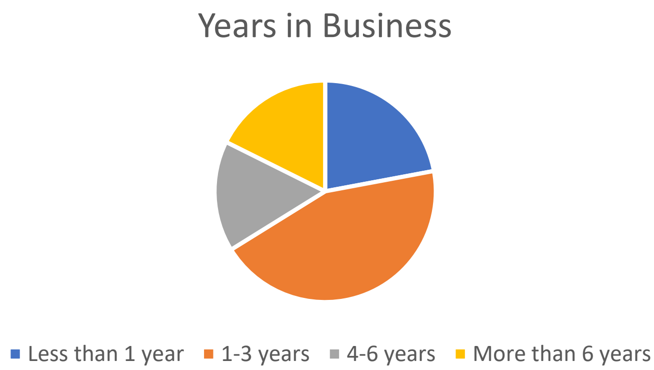
22 respondents attained secondary and 30 certificate-level education, making the majority of the respondents. This suggests moderate literacy levels among business owners and managers.

4.2.4 Type of Business



24 respondents operated retail shops representing 35% and 31 operated food vending businesses representing 46% of the respondents. This reflects that the dominant economic activities in the Market.

4.2.5 Years in Business



Many respondents had been in business for 1–3 years with 44%, indicating relatively young businesses.

4.3 Access to Finance

Table 4.3.1; Access to Finance

Statement	N	Min	Max	Mean	Std. Dev
I can easily access loans when needed	68	1	5	2.20	1.10
High interest rates limit growth	68	1	5	4.10	0.85
Lack of collateral limits loans	68	1	5	4.20	0.80

Statement	N	Min	Max	Mean	Std. Dev
I use personal savings	68	1	5	4.35	0.75
Access to finance improves performance	68	1	5	4.45	0.70

Number of respondents(N)=68

Overall Mean = 3.86

Interpretation

The overall mean of 3.86 for access to finance indicates a strong agreement that this significantly affects business growth. Respondents particularly agreed that very high interest rates on loans and lack of collateral to attain loans are major barriers, while most rely on personal savings to sustain their businesses.

4.4 Entrepreneurial Human Capital

Table 4.4.1: Entrepreneurial Human Capital

Statement	N	Min	Max	Mean	Std. Dev
I have received business training	68	1	5	2.90	1.20
I keep proper records	68	1	5	3.20	1.15
Experience helps overcome challenges	68	1	5	4.10	0.80
Financial skills influence growth	68	1	5	4.25	0.75

N=68

Overall Mean = 3.61

Interpretation

The findings (Mean = 3.61) suggest moderate agreement that entrepreneurial skills influence business growth. While experience and financial skills are strong, limited training and weak record-keeping remain key gaps among many traders.

4.5 Business Environment & Infrastructure

Table 4.5.1: Business Environment and Infrastructure

Statement	N	Min	Max	Mean	Std. Dev
Poor roads affect business	68	1	5	4.05	0.90
Electricity is unreliable	68	1	5	4.00	0.92
High taxes reduce profits	68	1	5	4.30	0.78
Competition affects growth	68	1	5	4.35	0.75
Security supports growth	68	1	5	3.25	1.05

N=68

Overall Mean = 3.99

Interpretation

With an overall mean of 3.99, respondents strongly agreed that the business environment significantly affects growth. High competition, taxation, and poor infrastructure especially highlighting electricity outage, were identified as the most critical challenges.

4.6 Small-Scale Business Growth

Table 4.6.1; Business Growth

Statement	**N**	**Min**	**Max**	**Mean**	**Std. Dev**
Sales have increased	68	1	5	3.45	1.00
Profits have increased	68	1	5	3.35	1.05
Business has expanded	68	1	5	3.20	1.08
Number of workers increased	68	1	5	2.90	1.10
Overall business growth	68	1	5	3.40	1.00

N=68

Overall Mean = 3.26

Interpretation

The overall mean of 3.26 in this section indicates moderate growth among small-scale businessesin Kitooro market. While sales and profits show some improvement, expansion and employment growth remain very low.

The findings reveal that although small-scale businesses in Kitooro market are experiencing moderate growth (Mean = 3.26), they face significant challenges. Business environment factors (Mean = 3.99) and access to finance (Mean = 3.86) emerged as the most critical constraints. Entrepreneurial human capital (Mean = 3.61) also plays a role, though to a lesser extent. These results suggest that external and financial barriers are the primary factors limiting business expansion the most.

4.7 Qualitative Findings from Key Informant Interviews

In addition to the quantitative data gathered through structured questionnaires, semi-structured interviews were conducted with ten key informants comprising seven business owners, two market leaders, and one Entebbe Municipal official. The interviews were aimed at gaining deeper, contextual understanding of the challenges affecting small-scale business growth in Kitooro Market. Four core themes emerged from thematic analysis of the interview transcripts: access to finance, entrepreneurial human capital, business environment and infrastructure, and business growth strategies.

4.7.1 Access to Finance

A dominant theme across all business owner interviews was the difficulty of accessing affordable finance. The majority of interviewed traders reported relying primarily on personal savings and informal borrowing from family and friends as their main sources of capital. Most had not successfully accessed formal bank loans, citing high interest rates, strict collateral requirements, and complicated application processes as the main deterrents.

One business owner operating a fresh food stall noted: *"I went to the bank once, but they wanted land title as security. I do not own land, so I left. I use my savings and sometimes borrow from my sister"* This sentiment was echoed by several other traders who expressed frustration at being locked out of formal credit systems.

Both market leaders confirmed that access to finance is among the most frequently raised concerns by traders, observing that many businesses stagnate because owners cannot raise enough capital to restock or expand. The municipal official acknowledged that while some government-backed financial programs exist, awareness among small traders remains low and uptake has been limited.

4.7.2 Entrepreneurial Human Capital

Interview findings revealed a significant gap in formal business training and management skills among traders. While most business owners acknowledged that their experience over time had improved their confidence and ability to manage daily operations, very few had received structured training in financial management, record-keeping, or business planning.

A retail shop owner who had been in business for over four years remarked: *"I learned everything on the job. I lost a lot of money in the beginning because I did not know how to separate my business money from home money. Now I am better, but I still do not write things down."* This reflects a pattern of informal learning that, while beneficial over time, leaves significant management gaps that limit growth potential.

The two market leaders noted that they rarely observe traders maintaining written records of their sales or expenses, and that most business decisions are made based on memory and intuition rather than data. The municipal official highlighted the absence of a sustained business skills training program specifically targeting market traders as a notable policy gap.

4.7.3 Business Environment and Infrastructure

Business environment and infrastructure challenges were the most prominently and consistently raised concerns across all interview categories. Interviewees cited frequent electricity outages, poor road conditions especially during rainy seasons, high taxation and market dues, intense competition from neighboring traders and imported goods, and inconsistent security as factors that collectively create a hostile operating environment.

A food vendor described the impact of electricity outages: *"When power goes, my food spoils. I lose stock and customers at the same time. This happens many times in a week."* Another trader selling fresh produce linked poor road conditions directly to increased costs: *"In the rainy season, the cost of transporting my goods from the village doubles because of the roads. That cost comes from my profit."*

Market leaders reported receiving numerous complaints about taxation and market dues, noting that many traders feel the levies are not commensurate with the services provided. The municipal official acknowledged ongoing efforts to upgrade market infrastructure but noted that budget constraints have delayed full implementation of planned improvements.

4.7.4 Business Growth and Strategies

When asked about the growth trajectory of their businesses, responses from traders were mixed but generally cautious. Most acknowledged modest improvements in sales over time, yet few described their businesses as genuinely growing. Growth was more commonly described in terms of survival and stability rather than expansion or employment creation.

One business owner reported that: *"My business is surviving, not growing. I can feed my family, but I have not been able to add another stall or hire someone to help me."* Traders identified access to low-interest credit, business training, improved infrastructure, and reduced market dues as the most critical forms of support needed to accelerate growth.

Both market leaders and the municipal official agreed that a multi-stakeholder approach involving government, financial institutions, and development partners is necessary to meaningfully improve the business growth environment in Kitooro Market. These qualitative insights closely reinforce and deepen the quantitative findings presented in sections 4.3 to 4.6, confirming that business environment and infrastructure constraints (Mean = 3.99) and limited access to finance (Mean = 3.86) are the primary barriers to small-scale business growth in Kitooro Market.

CHAPTER FIVE: DISCUSSION OF RESULTS

5.0 Introduction

This chapter provides a farther in-depth discussion of the study findings on the challenges affecting the growth of small-scale businesses in Kitooro market, Entebbe Municipality. The discussion integrates quantitative results (means and percentages) with qualitative insights derived from the interviews and relates them to existing literature and theoretical perspectives.

5.1 Access to Finance and Business Growth

The findings revealed that access to finance is a significant determinant of business growth with (Mean = 3.86). Approximately 75% of respondents agreed that high interest rates and lack of collateral are major barriers to accessing credit. In addition, over 80% of respondents indicated that they rely on personal savings to support their businesses.

This suggests that a large proportion of traders operate under financial constraints, limiting their ability to expand operations. The heavy reliance on personal savings also indicates limited access to formal financial institutions, like banks, which restricts investment and business growth.

Furthermore, less than 30% of respondents agreed that they can easily access loans. This reinforces the difficulty in many trader accessing funds for growth.

These findings reveal that inadequate access to affordable finance significantly constrains business growth, particularly in informal and semi-formal market settings, like Kitooro market.

5.2 Entrepreneurial Human Capital and Business Growth

The study established a moderate influence of entrepreneurial human capital on business growth with (Mean = 3.61). About 70% of respondents agreed that business experience and financial management skills positively influence business performance. Many of these mentioned how they are getting better at managing the businesses and finances with time and growth in experience.

However, only about 40% of respondents indicated that they had received formal business training, while approximately 35% reported maintaining proper business records.

This indicates that although a majority of business owners possess practical experience that they have gained over time, there is a significant gap in formal skills and structured business practices like book keeping and planning. The limited adoption of record-keeping practices suggests weaknesses in financial management, which may affect decision-making and long-term planning among many of these businesses.

These findings imply that strengthening entrepreneurial skills for business owners in Kitooro market through training and capacity-building initiatives could significantly enhance business growth outcomes.

5.3 Business Environment and Infrastructure

The business environment emerged as the most significant factor affecting business growth with (Mean = 3.99). Approximately 85% of respondents agreed that poor infrastructure, unreliable electricity, high taxes, and intense competition negatively impact their businesses. The business owners highlighted these external factors as straining and pull backs in the business operations.

Over 80% reported that high taxes and other market dues reduce profitability. Small scale businesses that are known for running on limited capital and low profit are strained with high taxes and other market dues that reduce their low profits. This in a long run does not support growth and expansion.

Around 70% indicated that poor roads and electricity outages continuously disrupt business operations. Especially in the rainy season where many roads in a poor condition become impassable and electricity is constantly off.

However, responses on security were mixed, with about 55% expressing dissatisfaction with security conditions.

These findings demonstrate that security has not been given priority in the market. The majority of business owners operate in an unfavorable environment that increases operational challenges and limits growth potential.

The results emphasize that external factors particularly infrastructure and regulatory burdens play a major role in shaping business performance.

5.4 Small-Scale Business Growth

The study revealed moderate growth among small-scale businesses with (Mean = 3.26). Approximately 55% of respondents reported increases in sales and profits in their businesses over time.

Only about 30% indicated business expansion and less than 40% reported an increase in the number of employees.

This suggests that while many of these businesses are experiencing some level of improvement in sales and profit, growth remains limited and uneven. Most enterprises are operating at a subsistence level, with minimal or no expansion in scale or workforce.

The relatively low levels of expansion and employment growth indicate that businesses are struggling to grow beyond their level of operation due to limited access to finance, entrepreneurial human capital and the standard of infrastructure and business environment among others.

5.5 Integrated Discussion of Findings

Overall, the study findings reveal that the growth of small-scale businesses in Kitooro market is influenced by a combination of financial, human capital, and environmental factors.

Over 70% of respondents identified that business environment challenges and financial constraints are the most critical barriers to growth. In contrast, only about 65% acknowledged the importance of skills and experience, gaps in training and management practices persist.

Despite these challenges, approximately 55% of respondents reported moderate business growth, suggesting a level of resilience among entrepreneurs.

The findings indicate that these factors are interrelated:

Financial constraints limit investment in business expansion and skill development. These traders mention how many of them use their personal savings for business growth. Their savings are limited and therefore this limits the amount of funds they can invest. Making it hard to also invest in further studies and training in better business practices and skills.

Poor infrastructure increases costs of operation for these businesses. Like, the transportation cost to bring merchandise to the markets is very high when the roads are poor and this among other environment challenges reduces business profitability.

Limited skills hinder effective utilization of resources, planning and long-term growth of businesses in Kitooro market. Business owners learn management skills on job. But this comes with a lot of losses and many times failure in business.

This interconnected nature of challenges suggests that addressing a single factor in isolation may not yield significant improvements as desired. Instead, a comprehensive approach that simultaneously enhances access to finance, builds entrepreneurial capacity, and improves the business environment is necssary to promote sustainable business growth in Kitooro market.

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

This chapter presents the conclusions and recommendations drawn from the study findings on the challenges affecting the growth of small-scale businesses in Kitooro Market, Entebbe Municipality. Conclusions are drawn in line with the study objectives. It provides recommendations based on the key issues identified, as well as suggestions for further research considering the gaps noticed during this process.

6.1 Conclusions

This study concludes that small scale businesses in Kitooro market are struggling with growth in sales, profit, expansion and increase in employment due to the limited access to finance, untrained and unskilled entrepreneurial human capital and poor business environment and infrastructure.

6.1.1 Access to Finance and Business Growth

The study concludes that access to finance is a major determinant of business growth among small-scale businesses in Kitooro market. A significant proportion of business owners face difficulties accessing formal credit due to high interest rates and lack of collateral that most of the formal financial institution ask for. As a result, most entrepreneurs rely on personal savings, which limits their ability to expand their operations and invest in their businesses.

Therefore, inadequate access to affordable and flexible financial services remains a key constraint to the growth of small-scale businesses in Kitooro market.

6.1.2 Entrepreneurial Human Capital and Business Growth

The study concludes that entrepreneurial human capital plays an essential but underdeveloped role in business growth. While many business owners possess practical experience in operating their businesses, there is a notable lack of formal training, financial management skills, and proper record-keeping practices.

This limits their ability to make informed business decisions, plan and manage resources effectively, and plan for long-term growth.

6.1.3 Business Environment and Infrastructure

The study concludes that the business environment and poor infrastructure are the most significant factors affecting the growth of small-scale businesses in Kitooro Market. Poor infrastructure, unreliable electricity, high taxes, and intense competition create an unfavorable operating environment for traders.

These challenges increase operational costs, reduce profitability, and limit opportunities for expansion that was revealed in data collected.

6.1.4 Small-Scale Business Growth

The study concludes that small-scale businesses in Kitooro Market are experiencing moderate growth. While there are some improvements in sales and profits, expansion in terms of business size and employment remains very low and limited.

This indicates that most businesses are operating at survival level rather than achieving substantial growth, largely due to financial, skill-based, and environmental constraints among other challenges.

6.2 Recommendations

Recommendations have been made based on the data collected and analyzed. Identifying possible solutions to improve the performance and growth of small-scale business in Kitooro market. Including designing loan products that are suitable for small businesses, encourage the traders to form Savings and Credit Associations (SACCOs), provide business training and capacity-building programs for traders and improve the business environment and infrastructure. These will improve the growth of small-scale businesses in Kitooro market.

6.2.1 Improving Access to Finance

Considering the constrain of access to finance to businesses, financial institutions should design flexible loan products tailored to small-scale business owners with low collateral requirements.

Government and development partners should promote low-interest credit schemes for small businesses especially those that are well structured and show growth potential.

Business owners should be encouraged to form Savings and Credit Associations (SACCOs) to improve access to financing. This way they do not have to fully rely on only their personal savings but a collective effort from many.

6.2.2 Strengthening Entrepreneurial Skills

Training programs should be organized to equip business owners with financial management, record-keeping, and marketing skills but both government and other like-minded people and organizations to improve the trader's skills.

Local authorities and NGOs should provide continuous capacity-building workshops for traders.

Business owners should adopt simple record-keeping practices to improve decision-making and financial planning that will in turn improve the growth rate of businesses.

6.2.3 Improving Business Environment and Infrastructure

The municipality should invest in improving roads, drainage, and market facilities to enhance accessibility. These make the working environment very conducive for small businesses to thrive.

Efforts should be made to ensure reliable electricity supply within the market to enable stability in operations.

Government authorities should review tax policies and market dues to make them more affordable for businesses, Tax holidays could as well help small and young business to first find a foot hold.

Market management should implement strategies to improve security and regulate competition in the market to help the businesses have safety and grow.

6.2.4 Enhancing Business Growth

Business owners should diversify their products and adopt better marketing strategies to increase sales and maximize profits. Diversifying gives small businesses higher changes for more sales and profits, which in turn leads to growth.

Support programs should encourage businesses to scale operations and create employment opportunities as a priority. This will create growth in businesses leading to expansion and also provide employment to many people.

Stakeholders in both private and government entities should promote innovation and use of technology in small-scale businesses to enhance operations, and therefore Cause growth.

6.3 Areas for Further Research

Further research could explore the role of technology adoption in the growth of small-scale businesses. Examining how traders have embraced technology in their businesses and how this has improved their business performance. A study on which ways technology can improve small scale business performance could be done as well.

A comparative study should be conducted in other markets or municipalities to assess whether similar challenges exist.

Future researchers may also investigate the effect of government policies on small business growth in Uganda.

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APPENDIX

QUESTIONNAIRE

Dear research participant,

I am Kanyesige Sarah Musabe, a student at Uganda Christian University. I am conducting a study on the challenges affecting the growth of small-scale businesses in Kitooro Market, Entebbe Municipality. I kindly request for your time and effort to respond to this questionnaire. Your responses will be treated with utmost confidentiality and used strictly for academic purposes only. Your participation is voluntary.

Kindly tick (✓) the appropriate response.

SECTION A: Personal Information

1. Gender

   ☐ Male

   ☐ Female

2. Age

   ☐ Below 25 years

   ☐ 25–34 years

   ☐ 35–44 years

   ☐ 45 years and above

3. Level of Education

   ☐ No formal education

   ☐ Primary

   ☐ Secondary

   ☐ Certificate/Diploma

   ☐ Degree and above

4. Type of Business

   ☐ Retail shop

   ☐ Food vending

   ☐ Agricultural produce

☐ Tailoring

☐ Hardware

☐ Other (please specify) ___________

5. Years in Business

☐ Less than 1 year

☐ 1–3 years

☐ 4–6 years

☐ More than 6 years

SECTION B: Access to Finance

(Please tick the option most appropriate)

1 = Strongly Disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly Agree

1. I can easily access loans when I need them.

   ☐1 ☐2 ☐3 ☐4 ☐5

2. High interest rates limit the growth of my business.

   ☐1 ☐2 ☐3 ☐4 ☐5

3. Lack of collateral makes it difficult to obtain loans.

   ☐1 ☐2 ☐3 ☐4 ☐5

4. I use personal savings to support my business growth.

   ☐1 ☐2 ☐3 ☐4 ☐5

5. Access to finance improves my business performance.

   ☐1 ☐2 ☐3 ☐4 ☐5

SECTION C: Entrepreneurial Human Capital

6. I have received business training that improves my performance.

   ☐1 ☐2 ☐3 ☐4 ☐5

7. I keep proper records of my sales and expenses.

☐1 ☐2 ☐3 ☐4 ☐5

8. My business experience helps me overcome challenges in business.

☐1 ☐2 ☐3 ☐4 ☐5

9. My financial management skills influence business growth.

☐1 ☐2 ☐3 ☐4 ☐5

SECTION D: Business Environment and Infrastructure

11. Poor roads and infrastructure affect customer access to my business.

☐1 ☐2 ☐3 ☐4 ☐5

12. Unreliable electricity affects my business operations.

☐1 ☐2 ☐3 ☐4 ☐5

13. High taxes and market dues reduce my profits.

☐1 ☐2 ☐3 ☐4 ☐5

14. High competition in the market affects my business growth.

☐1 ☐2 ☐3 ☐4 ☐5

15. Security in the market supports business growth.

☐1 ☐2 ☐3 ☐4 ☐5

SECTION E: Small-Scale Business Growth

16. My sales have increased over the past three years.

☐1 ☐2 ☐3 ☐4 ☐5

17. My profits have increased over time.

☐1 ☐2 ☐3 ☐4 ☐5

18. I have expanded my business (more stock, bigger space, etc.).

☐1 ☐2 ☐3 ☐4 ☐5

19. The number of workers in my business has increased.

☐1 ☐2 ☐3 ☐4 ☐5

20. Overall, my business is growing.

☐1 ☐2 ☐3 ☐4 ☐5

INTERVIEW GUIDE

Thank you for agreeing to part of this interview. I am a student at Mukono Christian University. The purpose of this discussion is to understand the challenges affecting the growth of small-scale businesses in Kitooro Market, Entebbe Municipality. All the information you provide will be kept confidential and used strictly for academic purposes only.

A. Interview Guide for Business Owners

Background

1. Age
2. How long have you stayed in Kitooro?
3. What business do you operate?
4. How long have you been operating business in Kitooro Market?

Access to Finance

3. What are your main sources of capital for business?
4. Have you ever tried to access a loan? What challenges did you face?
5. How do interest rates or collateral requirements affect your business growth?

Entrepreneurial Human Capital

6. How has your education or experience helped you manage your business?
7. Do you keep business records? Why or why not?
8. Have you received any business training? How has it affected your business performance?

Business Environment and Infrastructure

9. What have external factors like; electricity, roads, taxes, security, competition in Kitooro Market affected your business growth?

Business Growth and Strategies

10. In your opinion, is your business growing? Why or why not?
11. What support would help your business grow faster?

B. Interview Guide for Market Leaders.

1. Age
2. Role
3. How long have you served in this role?
4. How long have you stayed in Kitooro?
5. What are the major challenges affecting small-scale businesses in Kitooro Market?
6. How does access to finance affect traders in this market?
7. What skill gaps do you observe among business owners?
8. How does market infrastructure influence business performance?
9. What measures has market leadership taken to support business growth?
10. What additional strategies would improve business growth in this market?

C. Interview Guide for Entebbe Municipal Official (1 Respondent)

1. Age
2. Role
3. How long have you been in this role?
4. How long they have stayed in this Area?
5. What policies or programs are in place to support small-scale businesses in Kitooro Market?
6. What challenges do small-scale businesses commonly face in this municipality?
7. How does the municipality address issues relate to infrastructure and market facilities?
8. What financial or training support programs are available for small businesses?
9. What strategies would you recommend to enhance the growth of small-scale businesses in Kitooro Market?