

Municipal Taxes and the Growth Of Micro and Small-Scale Enterprises in Kabale Municipality, Kabale District

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Abstract: *The study examined the relationship between municipal taxes and the growth of Micro and small scale enterprises in Kabale Municipality. The study was guided by the objectives which were; to establish the relationship between trade licensing and the growth of micro and small scale enterprises in Kabale Municipality, to investigate the relationship between local hotel tax on the growth of micro and small scale enterprises in Kabale Municipality, to assess the relationship between market fees and the growth of micro and small scale and enterprises in Kabale Municipality and to identify the relationship between property tax and growth of Micro and small scale and enterprises in Kabale Municipality. The study used a descriptive research design with pragmatic approach and a sample size of 344 was used selected using simple random and purposive sampling techniques. Data collection for this study was done using questionnaires and interview guide for both quantitative and qualitative data respectively. Data analysis was done using descriptive and inferential statistics with the use of Statistical Packages for social Sciences. The study determined the relationship between trade licensing and the growth of micro and small scale enterprises and the findings revealed a substantial positive association between trade licensing and growth of micro and small enterprises as indicated by a correlation coefficient of $r=.653^{**}$ and a p -value of (0.000). The study findings demonstrated that the hotel tax significantly influences the growth of micro and small scale enterprises in Kabale Municipality since the p -value (.000) is smaller than the significance level. The correlation coefficient is (.675**) shows a moderately positive association between hotel tax and growth of micro and small scale enterprises. Therefore, based on the findings, hotel tax has a statistically significant moderate beneficial impact on the business growth of micro and small scale enterprises. The results indicated that shows a moderate positive connection between market fees and growth of micro and small scale enterprises as shown by a Pearson correlation coefficient (r) is .579** with a p -value of .000.. The inference is that market fees strongly affect the growth of micro and small scale enterprises in Kabale Municipality. The findings indicated low positive relationship between property tax and growth of micro and small scale enterprises in Kabale Municipality. This indicated by positive results of Pearson Correlation, where $r = .335$, $p < .01$. Therefore, Kabale Municipality should always charge property tax but ensuring that it is not too much to cause decline in the growth of the enterprises. The study recommended that micro and small scale enterprises should pay license so that they are legally allowed to operate their businesses without interference and also creating a wider market for the products since they can be sold freely anywhere and generate profit. The government should reduce local hotel tax to ensure that the burden of paying is not much felt by the clients. In order to avoid a high tax burden and to ensure that small businesses have enough disposable income to continue operating, the taxable capacity of small businesses should be assessed..The study recommended that property tax should be kept low to avoid increase of rent fees to be paid by tenants because increase in the tax might constrain tenants leading to failure to pay which will affect growth of the enterprises.*

Keywords; Municipal taxes, Business Growth, Micro and Small Scale Enterprises, Trade License, Hotel Tax, Market Fees, Property Tax

INTRODUCTION

The first examples of taxation may be found in Egypt in the early 2000 BC, when the Pharaohs levied a tax on cooking oil and the tax collectors (scribes) made sure that no one was substituting non-taxed oil for the levied oil. This is depicted in the tomb paintings. Additionally, the ancient Greeks had a clear-cut tax system in which residents were subject to levies including "sales taxes, inheritance taxes, land taxes, poll taxes, and taxes on imports and exports" in order to pay for military expenses (www.taxworld.org). The taxes on numerous goods was intended to assist finance government initiatives like economic growth (Despande, 2012). All people of European nations, paying particular emphasis to Ancient Greece, were required to pay taxes that assisted in the payment of warfare expenses. Rome also started collecting

taxes from the sale of goods and services on the land, in elections, and on exports and imports.

A number of nations have employed tax incentives for investors and listing corporations to encourage participation on small scale company boards in an effort to boost the growth of micro and small scale enterprises. The most popular strategy, especially in sophisticated nations, is tax incentives for investors (Mintz and Chen, 2011). For example, Poland enacted a strategy to promote investment in small- and micro-sized business shares by eliminating so-called "back-end" taxes, which are levied on the profits gained from the sale of securities.

Reduced capital gains taxes on investments in small-scale firms benefited investors in South Korea and India. To achieve this, the short-term capital gains tax on shares listed by Micro and Small Scale Enterprises has been reduced by

half, from 30% to 15%. Retail investors in the UK and Spain were permitted to deduct a predetermined percentage of the amount they invest in equity shares of small businesses. To achieve this, tax benefits are exclusively provided for the purchase of shares in newly formed small-scale firm stock offers. French acronym for innovation mutual funds allow investors to receive an 18% tax credit on their investment value. These latter make at least 60% of their equity investments in Micro and Small Scale Enterprises. The implementation of these laws may not have a large impact on entrepreneurs because their focus is on the capital inflow through equity offers in small businesses (Broersma and Gautier, 2017).

The origins of taxes in Uganda can be traced to the first British colonial authorities, who mandated public works such as the construction of roads, administrative buildings, and schools, among other things. In the early 1900s, the hut tax marked the beginning of formal taxes. On the other hand, the first common tariff was implemented, which included a 5% import tax rate for products traveling to Uganda via the port of Mombasa, Kenya (Jamal, 1978). The administration of income tax and customs duties by the East African Community (EAC) through its departments occurred in Uganda until the EAC's dissolution. This led to the transfer of tax administration to the Ministry of Finance, which was then transferred to the Uganda Revenue Authority through a Parliamentary Act in 1991. The East African Community Customs Management Act of 2004 (EAC-CMA), which was later approved by the EAC, was created in 1999 to manage East African customs, which involved operational, administrative, and legislative criteria (SEATINI-UGANDA, 2012).

In order to foster economic growth and development, World Bank initiatives have also had an impact on Uganda's taxation system (World Bank, 2007). The Ugandan government has changed a variety of tax laws to encourage the development of small businesses, among other things by harmonizing tax rates and creating new tax incentives to prevent double taxation and tax cheating. Despite all of these tax revisions, Uganda still lacks a well-known, transparent national taxation policy for small-scale businesses. The most recent tax policy does not produce any initiatives to encourage the expansion of Micro and Small Scale Enterprises in Uganda, but solely focuses on the legal requirements surrounding the administration of the tax regime (Ddumba-Ssentamu, 2004). Since there is no quicker way to solve the problems of the economy without assistance from organizations that transport services, goods, money, and investments from people with and products, the economy prospers when business is booming (Baurer, 2005). In general, organizations and tax policies heavily rely on one another to survive recent developments. Tax laws are being reviewed with the aim of removing unnecessary clauses and simplifying the essential ones, with the help of various studies and research conducted by tax specialists.

Regulations and tax laws are cited as one of the barriers to the growth of micro and small businesses in Kabale Municipality. However, these ventures, like the rest of Uganda's businesses, are required to pay various types of taxes at various stages of the business. For the purposes of this study, the focus was on how different types of municipal taxes impact the expansion of micro and small-scale businesses.

Municipal taxes are defined by Omagor & Mubiru (2008) as a legally required transfer of funds from the general public to the government, primarily used as a source of government revenue. Ibrahim & Muritala (2015) contend that taxes imposed on persons or businesses that are out of proportion to their income or wealth can be a disincentive that causes people in business to move their capital to another industry.

Growth is a notion that is used in business to assess a company's success, regardless of how big or little it is. Growth can be characterized as a growth in an organization's size, personnel, assets, capital, sales, and profits (Bouazza, et al., 2015).

The term "growth" is also used to describe a number of other things, including an increase in annual total sales volume, a rise in production capacity, an increase in employment, an increase in production volume, and a rise in the consumption of raw materials and energy (Janet & Ngugi, 2008). (2014).

Growth is defined by Reijonen and Komppula (2017) as an ongoing process that evaluates and controls the business and the industry in which the company is involved, evaluates its competitors and sets goals and strategies to meet all current and potential competitors, and then re-assesses each strategy annually or quarterly (regularly) to determine how it has been implemented, whether it has been successful, or whether it needs to be replaced by a new strategy to address changing circumstances.

Growth is characterized by an increase in a company's product sales, market share, brand recognition, customer loyalty, opening of new branches through branch expansions and acquisitions, an ideal capital structure, as well as increased profitability and return on investments, according to Ronstadt (2018).

According to Balunywa (2014), growth refers to an organization's capacity to reduce total waste through optimal capacity utilization and operational efficiency. It also refers to an organization's ability to increase its market share, improve its facilities, increase its profitability, and ensure return on investments to its shareholders.

According to Tolentino (2016), this dimension's growth can be evaluated in terms of net profit margins or return on assets. While profits are a crucial measure of success, Akande (2015) notes that the connection between earnings and size is only

perceptible in the overall performance of organizations or over extended periods of time for particular firms. The current study regarded various variables, such as profit margins and the consistency of profits over time realized by small businesses, as indications of sustainability. Sales and revenue growth are two examples of growth indicators. The business should see an increase in sales and revenues from the products or services this type of business provides. For instance, a business should be able to distinguish between the production output of one month and the next, and increased output should be consistent with rising demand for such products, which leads to rising sales and revenues month after month, translating into rising production and sales year after year (Ronstadt, 2018).

Micro and small businesses have a well-established influence on social, political, and economic growth. Their ability to offer a variety of individuals affordable goods, services, income, and jobs makes their significance especially clear (Kauffmann, 2016). While Nabintu (2017) notes that small and micro businesses are generally acknowledged for their contributions to development, these businesses face numerous challenges that will ultimately limit their ability to survive and grow. These businesses have improved economic growth and development by, among other things, addressing demographic issues brought on by large populations, providing jobs that have decreased unemployment, and helping to generate domestic income.

A large portion of the private sector's production—roughly 90%—is produced by micro and small scale enterprises, which has significantly boosted Uganda's economy. The creation of new jobs and the generating of income are only two ways that small businesses have helped the economy. However, small businesses are dealing with issues including restricted size and resources that have a negative impact on their operations. At the moment, this is being reduced by "providing Business Development Services (BDS) to create capacity and promote their growth in areas of business planning, technology, communications, and other services" (Uganda Investment Authority, 2008).

In Uganda, 90% of business owners acknowledge that taxes constitute a major barrier to their operations (UBOS, 2014). They assert that because taxes are so high, new enterprises cannot afford to pay their start-up costs. Odongo (2017) makes the point that taxes primarily have an impact on the growth of small scale enterprises (SSEs) through lost sales during the closure of the business premises, loss of machinery and equipment due to late tax payments, and capital loss due to fines imposed.

Particularly in emerging nations, small and microbusinesses have been essential to the growth of the global economy (Halabi et al., 2015). In terms of generating income, reducing poverty, and creating jobs, they are essential. With a start-up rate of 28%, Uganda is the most enterprising nation in the

world, according to the Global Entrepreneurship Monitor (GEM, 2015). They do add that 70% of these businesses fail within 24 months of their founding, though.

Many micro and small scale enterprises in Kabale District are located in Kabale Municipality and thus this study will examine the effect of municipal taxes on growth of Micro and small scale enterprises in Kabale Municipality. Various categories of small scale enterprises will be considered for this study and these would include: Retail and wholesale Trade, Hotel and Restaurant, Computer and Electronics Repairs, Entertainments joints and bars, Metal fabrication, Manufacturing and Food Processing.

According to the views of different authors on taxation and business growth, it should be noted that high municipal taxes and poor tax policies have negatively affected the growth of micro and small scale enterprises (Bruce & Mohsin, 2016). This is complemented by (Sebikari, 2017) who reported that taxation does not only reduce the capital of small firms but also hampers their growth which makes tax incentives paramount to the survival of the small scale enterprises. These among other factors were upsetting the growth of micro and small scale enterprises although this study is interested in the effect of municipal taxes on the growth of micro and small scale enterprises in Kabale Municipality.

Balunywa (2010) highlighted that the Uganda government, through its efforts to promote the small scale enterprises, enacted a tax policy to support and promote the growth of Micro and small scale enterprises. This tax policy focused on harmonizing tax rates and establishing new tax incentives to promote the growth of Micro and small scale enterprises (Ddumba-Ssentamu, 2004). More still, there has been the formulation of programmes such as Bonabagawale, Emyonga funding and microfinance institutions to support the growth of micro and small scale enterprises. Despite efforts by the government of Uganda, there are still failures in the growth of micro and small scale enterprises in Kabale Municipality as some micro and small scale enterprises fail in few months after establishment 2486 (Kabale Municipal Council Assessment Report 2020/2021).

Sebikari (2018) states that most small scale enterprises in Uganda do not survive past their fifth year birthday after inauguration which shows poor performance in the small scale and micro enterprises sector. Some small scale enterprise owners complain that the cause of failure of their enterprises is attributed to increasing municipal taxes year to year at a high rate. The poor growth of micro and small scale enterprises if not immediately addressed would affect the economic growth and development of Uganda and Kabale Municipality in particular since these enterprises contribute to 90% of the "private sector production" in the economy. It was against this background that this study was conducted to examine the effect of municipal taxes on the growth of micro and small scale enterprises in Kabale Municipality.

Purpose of the Study

The purpose of this study was to examine the relationship between municipal taxes and the growth of micro and small scale enterprises in Kabale Municipality.

Objectives of the Study

This study was guided by the following objectives:

- i. To establish the relationship between trade licensing and the growth of micro and small scale enterprises in Kabale Municipality.
- ii. To investigate the relationship between local hotel tax on the growth of micro and small scale enterprises in Kabale Municipality.
- iii. To assess the relationship between market fees and the growth of micro and small scale and enterprises in Kabale Municipality.
- iv. To identify the relationship between property tax and growth of Micro and small scale and enterprises in Kabale Municipality.

THEORETICAL REVIEW

Ability to Pay Theory

This is one of the theories that was used to underpin this study. The theory was propounded in the 16th Century and it was promoted by Jean Jacques Rousseau between 1712 and 1778. Jean Baptiste Say in the years 1767 to 1832 and John Stuart Mills between 1806 and 1873 (Kendrick, 1939). According Seto and Buhai (2009), the theory argues that levying of taxes should be based on one's ability to pay. Basically, the theory argues that taxation threshold should be affordable and that taxation is seen as a stealing from taxpayers due to the fact that they surrender money to the authorities rather than fully utilize it (Fleurbaey & Maniquet, 2018). The theory's proponents argue that it is very relevant to business because of complaints results in case of business disruption.

The ability to pay theory of taxation, advocated by Jones et al. (2011), holds that taxes should be imposed on an individual or enterprise in relation to one's income or ability to pay. This theory gave rise to a progressive tax system in which the tax rates rise with an increase in one's taxable capacity. Theoretically, the impact of municipal taxes on the growth of micro and small scale enterprises represents this theory. This theory, which is very popular in industrial economies, calls for an equitable tax system where individuals or firms with greater income or wealth should pay higher income taxes than those with lesser income or wealth.

The progressive taxation does weaken incentives, according to the ability to pay theory's detractors, because it only punishes taxpayers who, due to their hard work, should be able to keep all of their income (Benoit & Smythe, 2003). They argue that the approach is unjust to wealthy tax payers

and that the taxation threshold should be determined by the advantages received by compliance.

In order to improve the growth of small and medium-sized enterprises, the principle of equity in taxation is useful in lowering the inherent risks associated with municipal taxes. The ability to pay theory of taxation further holds that a person or organization depends on a trade license, hotel tax, and market fees to promote the expansion of small and medium-sized businesses. The study found, in accordance with the theory, that the tax burden needs to be distributed among people and businesses based on their relative capacity to pay while upholding the principles of justice and equity within the taxation system. This principle is widely used in many economies worldwide including Uganda.

According to the theory, the tax burden should be distributed among society's members in accordance with the principles of fairness and equality, and these values demand that it be done so in accordance with each person's individual capacity to pay. The idea also stresses the necessity for fair tax rates, an easy-to-use tax administration system, and the provision of tax incentives to support the expansion of small and medium-sized businesses. Therefore, the theory supports the ideas of municipal taxation and the expansion of small and medium-sized businesses, which are the key variables used in this study. The theory's applicability to the current study is based on the idea that municipal taxes ought to be able to ensure the expansion of small and medium-sized businesses and, as a result, compliance.

Theory of Business Growth

Penrose's (1959) business growth theory of the firm concerns dynamic and path-dependent organizational learning. The knowledge endowment of the firm shapes and limits the rate and pattern of learning a firm can achieve within a certain period of time (Penrose, 1959).

According to Penrose (1959), businesses are collections of internal and external resources that aid in expanding and realizing a competitive advantage. She goes on to say that while business size is a byproduct of growth, effective and creative managerial resources within the company are what drive firm growth. She continued by saying that a company's ability to access top managerial and technical talent acts as a growth catalyst.

Penrose (1959) also suggested that ignorance of these factors results in failure and loss of competitive advantage. The theory of business growth implies that the rate of growth of a firm is independent of its initial size. Given that they produce more jobs than small businesses, large corporations are therefore preferred in the context of private sector development. Small businesses, however, acquire market knowledge through time, which aids in improving their growth. This suggests that a new, small company goes through various stages of growth as it starts out and grows.

The stages of growth are defined as being in existence, surviving, succeeding, taking off, and reaching resource maturity. A diverse set of criteria are crucial to the firm's survival and success at each stage of development.

Debt Overhang Hypothesis

The study was anchored on debt overhang hypothesis theory first postulated by Myers (1977) with his theory of company valuation in corporate finance and the effects of debt-financing. His paper examines why companies do not finance their activities with maximum debt even though there clearly exists a tax-advantage due to the deductibility of interest rates. The reason, he explains, for this is that high amounts of debt, or debt itself, distorts the possibilities for companies to make optimal future investment decisions. Debt induces a behavior where positive net present value projects do not get undertaken due to the fact that parts of future earnings from projects goes to creditors in the form of promised payments (Myers, 1977).

The overhang impact of corporate debt has received significant quantitative attention in recent empirical work in corporate finance. Hennessy (2004) demonstrates that the volume and composition of investment are both distorted by debt overhang, with underinvestment being particularly severe for long-lived assets. He concludes that the debt overhang impact is statistically significant regardless of a firm's capacity to issue further secured debt. Hennessy, Levy, and Whited (2007) used firm-level data to examine a wide range of credit frictions and found that the debt overhang significantly reduces investment, particularly for distressed (high chance of default) enterprises. For every percentage point increase in the leverage ratio of long-term debt to assets, they find that debt overhang reduces the amount of investment by roughly 1 to 2 percent. In the presence of macroeconomic risk, Chen and Manso (2011) demonstrate that the cost of the debt overhang rises significantly, reaching a peak during recessions at 3.5 percent and 8.6 percent of firm value for low and high leverage enterprises, respectively.

Cohen (1993) conducted an empirical analysis of a number of nations and came to the conclusion that there was insufficient proof to correlate debt overhang with growth. In his overview of the state of knowledge in the debt overhang research field from 2005, Erdal Karagöl presents another critique. He came to the conclusion that each country is unique because of its social, economic, and political peculiarities, and that no single theory of debt overhang can be applied to all countries. In conclusion, there is no unambiguous agreement regarding the effects of debt overhang, and the findings vary depending on

the sample size, the countries, and the inference-drawing methods.

Trade Licensing and Growth of Micro and Small Scale Enterprises

Trade licensing procedures have been identified as an important factor underlying Indonesia's poor business climate (Asia Foundation, 2007). Starting a new business in Indonesia is relatively more difficult than doing so in peer countries in the region. Furthermore, complex trade licensing procedures may keep firms unregistered, thus creating difficulties in their accessing finance from formal financial institutions and constraining their productivity. Difficulties in accessing finance have the potential to reduce firms' productivity. Lack of access to finance is one of the main factors limiting growth opportunities for small scale enterprises. Access to financing is a key driver of productivity, expansion, and growth for smaller businesses. According to estimates, Indonesia's manufacturing sector's productivity is reduced by 6% as a result of financial access issues (World Bank, 2015). Additionally, it is asserted that smaller, unorganized businesses are frequently hardest hurt by a weak investment climate (World Bank, 2015). However, the current study is on municipal taxes with a focus on trade licensing and the expansion of micro and small size firms, which no one in the literature discussed. The study was conducted in Indonesia and concentrated on the reasons responsible for the unfavorable business climate.

Aghion et al. (2018) undertook a study to examine how the effects of this change on business revenues vary among Indian states with different levels of labor regulation restraint. The impacts of the license change on overall factor productivity are the focus of a related study by Chamarbagwala and Chari (2020). He concentrates on the license reform in 1985 while using the same dataset as Aghion et al. (2018). A production function estimating approach cannot be used to conduct a firm-level productivity analysis in the absence of a panel dataset. Additionally, it prevents the observation of the disparity in how different enterprises react to the policy change. Chamarbagwala and Sharma (2020) investigated the impact of licensing reform on skill upgrading using the same dataset as Aghion et al. (2018), where they quantify skill upgrading as employment and wage bill shares of white-collar workers. Since the data they used was a recurrent cross-section of businesses, none of these research examined the expansion of small scale enterprises. Thus, a study on the impact of trade licenses on the development of micro and small size firms in Kabale Municipality, Uganda, was required.

According to Blair and Chung (2018), licensing can reduce the equilibrium labor supply by an average of 17–27% when using a boundary discontinuity methodology to examine its impact on occupational choice. Additionally, according to Gittleman et al (2017) .s research, those who invested in their human capital by earning a license make more money, are more likely to work in their industry, and also have a better

chance of getting access to employer-sponsored healthcare. Using survey data, after adjusting for human capital and other observables, it is discovered that possessing a government-issued occupational license is related with an increase in salaries of about 11% (Kleiner & Vorotnikov, 2017). Additionally, Dasislava (2017) created an econometric model based on regressions over panel data that covered the EU-28 for the years 1996 to 2013. According to the econometric model, output taxes and import taxes have a bigger favorable effect on economic growth than property taxes, which have no effect. These research on the association between the expansion of small businesses in Uganda and the issuance of trade licenses could not be conducted. So, the current study was conducted to establish the relationship between trade license and the growth of micro and small scale enterprises in Kabale Municipality, Uganda.

Local Hotel Tax and Growth of Micro and Small Scale Enterprises

Darniati (2006) compared the ratio between hotel taxes contribution and restaurant taxes contribution in Banda Aceh. She concluded that the average contribution of hotel and restaurant taxes amounted to 4-6 per cent during 1997/1998-2004. The research about the efficiency and effectiveness of hotel and restaurant taxes in inducing local own source revenue examined by Daud (Halim, 2016) in Kendari regency. Starting data samples in 2000 as the base year, the effectiveness was calculated at 3.80 per cent, which means yet ineffective. He discovered the efficiency to be almost 96.13 percent. He concluded the efficiency rate was less than 40% as the efficient criteria; otherwise, it was included as inefficient by stating his presumption of efficiency. The outcome showed efficiency rates at 96.13 percent, indicating that Kendari regency's hotel and restaurant taxes were remained ineffective. Additionally, Marpaung (2009) performed a regression analysis to see how taxes on hotels and restaurants affected locally generated income in Medan between 2003 and 2007. By using hotel and restaurant taxes as independent variables and local own source revenue as dependent variable, he expressed in his paper that hotel taxes have negative influence to local own source revenue in Medan, but the restaurant taxes have a positive influence on it. This is shown by the regression coefficient which is about -0.456 and 1.425, respectively. It implied that hotel and restaurant taxes influenced local own source revenue significantly in Medan during 2003-2007.

Kashian et al. (2020) used simple linear regression and quadratic linear regression techniques to observe variations in hotel variation regarding tax rates from 280 towns across Wisconsin. They came to the conclusion that, despite the fact that tax rates have a noticeable impact on hotel income, the data indicate that the independent variables had a limited ability to explain the difference in hotel revenue. The investigation came to the conclusion that raising tax rates would have little to no impact on revenue collection.

Additionally, Darniati (2020) compared the proportion of Banda Aceh restaurant taxes to hotel taxes. She came to the conclusion that during 2017–2018, the average contribution of hotel and restaurant taxes was between 4 and 6 percent. Halim (2016) conducted research in Kendari regency on the efficacy and efficiency of hotel and restaurant taxes in generating local own source income. The effectiveness was calculated using data samples from 2013 as the base year, and it was found to be 3.80%, or still ineffective. He discovered the efficiency to be almost 96.13 percent. He concluded that the efficiency rate was less than 40% as the efficient criteria; otherwise, it was included as inefficient by stating his presumption of efficiency. The outcome showed efficiency rates at 96.13 percent, indicating that Kendari regency's hotel and restaurant taxes remained ineffective.

Furthermore, regression of analysis is conducted by Marpaung (2019) to observe the influence of hotel and restaurant taxes on local own source revenue in Medan during 2013-2017. By using hotel and restaurant taxes as independent variables and local own source revenue as dependent variable, he expressed in his paper that hotel taxes have negative influence to local own source revenue in Medan in China but the restaurant taxes have a positive influence on it. This is shown by the regression coefficient which is about -0.456 and 1.425, respectively. It implied that hotel and restaurant taxes influenced local own source revenue significantly in Medan during 2013-2017. The above authors did not talk about hotel taxes and the growth of small scale enterprises in Uganda and the situation may be different from Banda Aceh and Medan. More still, the studies did not show the methods used in carrying out this study. However, the current study was conducted to using descriptive research design and data collection instruments such as questionnaires and interviews in order to establish how hotel taxes affects the growth of micro and small scale enterprises in Kabale Municipality, Kabale District, Uganda.

Market Fees and Growth of Micro and Small Scale Enterprises

Srinivasan and Hanssens (2017) assert that marketing expenses to increase company performance although a certain level of expenditure which above a certain level, this positive effect may change in a direction of opposite way. In this connection, the marketing expenditures squared analysis illustrates that although marketing expenditures have a statistically significant positive impact on ROA and ROE performance measurements, this effect was strengthened by an increase above certain level that was mentioned before for ROE. Therefore, it can be claimed that there is no concave relationship between firm performance and marketing expenditures. The study by Srinivasan and Hanssens (2017) focused on marketing expenditure and company performance yet the current study focuses on market fees as a measure of municipal taxes and its effect on the growth of small scale enterprises. Thus, the way marketing expenditure affect

company performance may be different from how market fees affect the growth of micro and small scale enterprises in Kabale Municipality. This explained the essence of this investigation.

Gachanja (2016) did a study on economic growth and taxes in Kenya, using time series data for the period 1971-2010. The study reveals a positive relationship between the economic growth and taxes. All the taxes (income tax, import duty, excise duty, market fees and VAT) show a positive correlation to GDP, with income tax having the highest effect. Gachanja (2016) also tests for the direction of causation of the variables using Granger Causality test, and finds reversal causality between economic growth and excise tax, and a unidirectional relationship between income taxes and economic growth, and economic growth and VAT. Gachanja (2016) points out that different uses of tax revenue affect growth differently. The study however failed to capture the influence of market fees on the growth of micro and small scale enterprises in Uganda. This explains why this study was conducted in Kabale Municipality.

According to Sathamoorathi (2019), the analysis based on data from the study of growth of micro enterprises, with a sample of 600 businesses from which information was collected, 480 revealed that because of local taxes imposed on them they fail to raise annual turnover profits they target to make. Additionally, Suruma (2016) asserts that the growth of micro businesses is reflected in increasing registered success in terms of profits, produce and competition. Literature however reveals that such micro businesses being taxed reduce that ideal success. A study by Tumwine (2015) revealed that high market fees hinder business expansion with a big proportion of business profits ending up being paid to local authorities as taxes. It is clear that profits of micro businesses are greatly reduced by the taxes collected on them. This has left most of them unhappy as the number of customers decrease thus forcing them out of business.

Property Tax and the Growth of Micro and Small Enterprises

Linna and Sheryl (2020) conducted a study on understanding the impact of property taxes in effective local policy making in California and revealed that property taxes are the financial backbone of local governments. Linna and Sheryl (2020) add that the best way to understand the impact of any existing or proposed property tax initiative is to examine the property-level impacts in a community. But this is hard to do because every county reports property-level tax payments data differently, and it is difficult to accurately identify owner-occupied properties. At a recent Urban Institute event, two researchers shared how they tackled these challenges in their work with property records data. Their case studies shed light on the interplay between property taxes, housing supply, and residential mobility. The study by Linna and Sheryl (2020) did not focus on property taxes and the growth of small and

medium enterprises. More so, their study was done in a California in USA which is highly developed compared to Uganda. This shows that the situation on property taxes and growth of small scale enterprises could be different. Therefore, the gap on how property taxes affected the growth of small and medium enterprises in Kabale Municipality was filled by carrying out this investigation.

Manwaring and Tanner (2021) in their study on the compliance challenge: Raising property tax revenues in Kampala, state that property taxes are an important potential source of revenue for cities. Faced with limited municipal revenues and rapidly growing populations, taxes on the value of land and property can offer a significant source of funding for cities to provide local services and to tap into financing for larger investments. Recent improvements to the tax administration system in Kampala have expanded the property tax net and raised revenues. But despite these significant improvements, 66% of potential revenue remains uncollected. In this blog, we explore potential reasons for low tax compliance in the city. This study focused on compliance challenges for raising property taxes but failed to talk about the effect of property taxes on growth of small and medium enterprises. Additionally, the methods used to carry out this study were not indicated to reveal if those methods would produce results different from the results that were produced in the current study. This showed information gap that needed to be filled through carrying out this investigation.

McCluskey and Franzsen (2015) carried out a study on the topic an evaluation of the property tax in Tanzania: An untapped fiscal resource or administrative headache. The study aimed to investigate the potential role of property taxes as a revenue source for local government in Tanzania. The research was the result of extensive fieldwork undertaken in Tanzania during 2012 to investigate and evaluate the valuations done for purposes of the property tax in Dar es Salaam and eight regional towns. The findings revealed that Urban local government revenues, and in particular those classified as own revenues in Tanzania and other East African countries, are generally not sufficient enough to develop and supply adequate urban services to the region's fast growing urban population. The main findings of the study highlighted the difficulties faced by municipalities in developing and maintaining a property tax system. The study by McCluskey and Franzsen (2015) was done in Tanzania and not Uganda and did not assess property tax and the growth of small and medium enterprises. The techniques of selecting samples were not indicated and the situation about property taxes and growth of small and medium enterprises could have changed in the current years. Thus, a study on municipal taxes focusing on property taxes and growth of micro and small scale enterprises needed to be conducted in Kabale Municipality.

Grover (2019) carried out a study to investigate the barriers to the use of property taxation in municipal finance in Turkey. The study used case studies of Moldova, Poland, Serbia and

Turkey, which have explored the potential of introducing value-based recurrent property taxes and the issues they have faced. The case studies have been produced by participant observers who have had the opportunity to examine developments over long periods of time. The case studies are set against a wider statistical analysis of the role of recurrent property taxes in tax systems. The findings revealed that putting in place comprehensive systems for registering properties and recording their characteristics and systematically collecting data on transaction prices require significant investment over a long period of time. This requires commitment on behalf of governments. Governments may be reluctant to support this because of the opposition such reforms can face unless confronted with compelling fiscal or external pressures to act. Though Grover (2019) focused on property taxes, he did not talk about the growth of small and medium enterprises to explain how it is affected by the property taxes. His study also espoused a case study approach while the current study used descriptive research design to investigate the effect of property taxes on the growth of micro and small scale enterprises in Kabale municipality.

According to Mabe and Kuusaana (2016) in his study about property taxation and its revenue utilisation for urban infrastructure and services in Ghana: Evidence from Sekondi-Takoradi metropolis, it was revealed that property rate accounted for 28 per cent of IGF of the Sekondi-Takoradi Metropolitan Assembly (STMA). This revenue was expended mostly on waste management, education, social services, street lights and health facilities. For the period between 2006 and 2013, property rates revenue alone was able to finance not less than 84 per cent of total expenditure from internally generated funds (IGF). It was estimated that if the challenges to property taxation were resolved in Ghana, the tax could finance the entire annual internally generated funds (IGF) budget of the STMA on urban infrastructure and services over and above the expended expenditure with a surplus margin of 13 per cent. Mabe and Kuusaana (2016) did not look at property taxes and growth of small scale enterprises which the current study sought to investigate.

Nyabwengi and K' Akumu (2019) evaluated the property tax base under the local government property taxation in Nairobi City and its implication on revenue adequacy of the city. The study established that Nairobi relies on a dual system of taxation, namely, site value rating and area rating. Tax is on vacant land only and excludes improvements. There are many legal exemptions and administrative exclusions from the tax base. The property tax registers do not include all the taxable properties and there is no regular updating of the tax registers. Nairobi relies on an outdated valuation roll whose values have

no relation to the current market values. This study was carried out in Kenya and did not show how property tax was affected the growth of small and medium enterprises. It only looked at property tax base under the local government property taxation in Nairobi City and its implication on revenue adequacy of the city which indicates an information gap which the current study intended to fill by establishing the effect of property tax on the growth of micro and small scale enterprises in Kabale municipality, Kabale District, Uganda.

METHODOLOGY

The research adopted a descriptive research design with a pragmatic approach to examine how municipal taxes affect the growth of small scale enterprises in Kabale Municipality Uganda. The study used a population of 2486 small scale enterprises which are registered and licensed in Kabale Municipality and pay trade license, local hotel tax, market fees and property tax. The study used a sample size of 344 respondents that was selected using simple random and purposive sampling techniques. The study used questionnaires and interview guide in collecting both quantitative and qualitative data. Statistical Package for Social Sciences (SPSS version 22) was used to analyse quantitative data and descriptive statistics such as mean and standard deviation were used. Inferential statistics in form of Pearson linear correlation was used to determine the relationship between independent variables (trade licensing, local hotel tax, market fees and property tax) and dependent variable (growth of micro and small scale enterprises). Qualitative data was analysed thematically and presented as quotations.

RESULTS

The study used a sample size of 344 respondents where it targeted 199 participants who were involved in micro and small scale enterprises that had trade license but it emerged that only 143 participated in the study which indicated a response rate of 72 percent. Those who were involved in the study and paid local hotel tax were 35 and all participated leading to a response rate of 100 percent. More so, the study expected 80 respondents who were involved in enterprises that paid market fees by only 56 participated giving a response rate of 70 percent. The study also targeted 20 respondents who were involved in businesses that paid property tax but only 12 participated giving a response rate of 60 percent. The overall response rate was 74 percent. In general, this response rate was very good, accurately reflected the sample, and complied with Mugenda and Mugenda's (2003) guidelines, which state that a response rate of 50% is enough for analysis, a response rate of 60% is acceptable, and a response rate of 70% or above is excellent.

Table 4.1: General Response Rate

Categories	Expected participants	Actual participants	Percentage
Trade license Payers	199	143	72

Local hotel tax payers	35	35	100
Market fees payers	80	56	70
Property tax payers	20	12	60
Interview participants	10	10	100
Total	344	256	74

Primary Data, 2022

Descriptive Statistics on Traded Licensing

Respondents were asked to score statements about trade licensing using a likert scale of 1 to 5, with 1 denoting strongly disagree, 2 denoting disagree, 3 denoting undecided,

4 denoting agree, and 5 denoting strong agree. As stated in Table 4.2, the responses were examined using means and standard deviations.

Table 4.5: Descriptive Statistics on Traded Licensing

	N	Mean	Std. Deviation
Licensing out may be used to gain access to a wider markets	143	3.93	1.124
A license agreement can also provide a means for the licensor to gain rights in improvements	143	3.53	1.249
A license may be essential if a product sells best only when it is incorporated in, or sold for use with another product	143	3.73	.965
Licensing brings about still competition among small scale enterprises	143	3.45	1.237
There is often a rush to bring new products onto the market when the businessman has trade license	143	4.29	.895
A license can also be necessary for the maintenance and development of a market position that is already well established but is threatened by a new design or new production methods.	143	4.06	.966
There may also be licensing-in opportunities which, when paired with the company's current technology portfolio, brought new products, services and market opportunities	143	3.24	1.200
Valid N (listwise)	143		

The findings in Table 4.2 revealed whether licensing out was used to gain access to a wider market and majority of the respondents agreed as the mean value of 3.93 indicates while the much difference in the findings was shown by a standard deviation of 1.124. The findings meant that licensing enabled most micro and small scale enterprises to get market for their goods since they were legally allowed to operate their businesses unlike some businesses that were not licensed which could not be able to market their products due to fear that they will be arrested and be charged.

Regarding to whether licensing brought about still competition among micro and small scale enterprises in Kabale Municipality, respondents agreed with a mean of 3.45 and the difference in responses was shown by a standard deviation of 1.237 implying that there is high rate of competition when operators of micro and small scale enterprises possess trade licenses to operate their businesses in order to generate enough revenue to sustain their the businesses and their families.

The concern that a license agreement could also provide a means for the licensor to gain rights in improvements had a mean of 3.53 and a much variation in responses indicated by a standard deviation of 1.249 which implies that majority of the respondents agreed with the statement that license agreement could also provide a means for the licensor to gain rights in improvements.

There was often a rush to bring new products onto the market when the businessman had trade license was analysed and findings indicated a mean was 4.29 and the standard deviation was .895 implying that the most important reason of paying trade license by micro and small scale enterprises was to get legal opportunity to be able to bring products to the market and compete favourably in the market with others.

From the findings in Table 4.2, respondents agreed with a mean of 3.73 and a standard deviation of .965 that a license could be essential if a product sells best only when it is incorporated in or sold for use with another product. This is an indication that most micro and small scale enterprises paid license so that they could enjoy selling their products freely without being refrained by the municipal authorities and this would attract increased sales that enhances growth of micro and small scale enterprises in Kabale Municipality.

The findings on the statement as to whether a license was necessary for the maintenance and development of a market position that was already well established but was threatened by a new design or new production methods was agreed by most of the respondents as indicated by a mean of 4.06 and a standard deviation of .966. The findings imply that trade licensing shapes the market and maintains and develops the market position of products and how much they will be sold in terms of price.

In regard to the statement that there was licensing-in opportunities which when paired with the company's current technology portfolio could bring new products, services and market opportunities had a mean value of 3.24 and a variation in responses which was indicated by 1.200 implying that most of the participants who paid trade licensing agreed that licensing brought opportunities that created new products.

Descriptive Statistics on Growth of Micro and Small Scale Enterprises in Kabale Municipality

Respondents were asked to rate how much they agree or disagree with each of the seven statements about growth on a scale of 1 to 5, where 1 was for strongly disagree, 2 was for disagree, 3 was for undecided, 4 was for agree, and 5 was for strongly agree, in order to determine how much micro and small scale enterprises were growing. As indicated in Table 4.3, their replies were described using mean and standard deviations;

Table 4.3: Descriptive Statistics on Growth of Micro and Small Scale Enterprises in Kabale Municipality

	N	Mean	Std. Deviation
Return on investment of my business has increased	143	3.62	1.368
I have acquired more assets in my business	143	3.22	1.313
Operating profit margin & Asset turnover ratio are high	143	3.49	1.283
Return on equity has increased	143	3.42	1.291
There are always excess of income over expenditure	143	3.48	1.150
I have added more working capital	143	3.61	1.068
Valid N (listwise)	143		

Source: Primary Data, 2022

The findings in Table 4.3 indicated that on whether return on investment of my business has increased, most of the respondents agreed with a mean value of 3.62 and the standard deviation of 1.368 which shows high variation in responses. This was an indication that return on investment for the businesses would increase whenever reasonable trade licensing was paid. The findings imply that paying license in time and ensuring that tax authorities charge reasonable trade licensing increases business changes of growth. One can infer that Kabale municipality need to always support micro and small scale enterprises by granting them trade licenses early to be permitted to operate legally without interference.

The findings further indicated that with regard to the statement on whether people who operated micro and small scale enterprises that buy trade license had acquired more assets in their businesses, it was found out that majority of the respondents agreed with a mean rate of 3.22 and a standard deviation of 1.313. The findings evidence that micro and small scale enterprises that paid trade license were able to secure most assets.

Regarding the third item on whether operating profit margin & asset turnover ratio were high, the findings on analysis of descriptive statistics showed a mean of 3.49 and the variation in the responses was shown by a standard deviation of 1.283. Since the mean value indicated that majority of the respondents agreed, it implies that operating profit margin & asset turnover ratio were increasing for enterprises that operated with trade license.

Concerning the statement that return on equity increased, respondents gave their opinion similar to the previous one in that the mean score was found to be 3.4.2 and its variation in responses was shown by a standard deviation of 1.291 which

meant that most of the micro and small scale enterprise operators who paid trade licenses agreed that there were increased return on equity in their enterprises.

One respondent who was interviewed reported that; *"I am getting some profits because of the fact that the government demands small scale business starters to operate with license which has limited increased number of people to start businesses as this would bring about high competition. But now, I can sale a lot because there are limited businesses here"*

The findings on the statement on whether there were always excess of income over expenditure in micro and small scale enterprises in Kabale municipality, most of the respondents disagreed as indicated by a mean value of 2.48 and the standard deviation of 1.150. This is an indication that expenditure was lower than income which led to growth of micro and small scale enterprises.

Regarding the last item that I had added more working capital, findings from respondents indicated a means value of 3.61 with its corresponding standard deviation of 1.068. The mean value evidences that most of the respondents agreed that they had increased the capital in their businesses in order to be able to compete favourably with other enterprises in the Municipality. Qualitative findings from one respondent revealed that; *"My enterprise is still small because I lacked access to finance to boost it. Additional capital became a challenge for me and there are certain products which are marketable but I don't have them because I failed to get money to go shopping them. Furthermore, sometimes the taxes I pay are high compared to my business and if the government can help me reduce it at least, I can get some small profits"*

Relationship between Trade Licensing and Growth of Micro and Small Scale Enterprises

With the help of Pearson's Linear Correlation Coefficient (PLCC), the researcher used this objective to examine the

relationship between trade licensing and the growth of micro and small-scale businesses. The results are shown in Table 4.4.

Table 4.4: Relationship between Trade Licensing and Growth

		Trade Licensing	Growth of Enterprises
Trade Licensing	Pearson Correlation	1	.653**
	Sig. (1-tailed)		.000
	N	143	143
Growth of Micro and Small Scale Enterprises	Pearson Correlation	.653**	1
	Sig. (1-tailed)	.000	
	N	143	143

** . Correlation is significant at the 0.01 level (1-tailed).

The results of the Pearson Linear Correlation Coefficient analysis in Table 4.7 show a substantial positive association between trade licensing and growth of micro and small size businesses as indicated by a correlation coefficient of $r=.653^{**}$ and a p-value of (0.000). As a consequence, it was determined that trade licensing was positively correlated with the expansion of micro and small businesses. This indicated that small and micro businesses were expanding in Kabale Municipality as trade licensing rose.

It was also crucial to note that even when each of the seven trade licensing components was examined separately, research showed that each component had a substantial positive link with the trade licensing and growth of micro and small scale businesses. These individual item correlations revealed that while they all had positive significant correlations on their own, some showed weaker relationships than others.

Table 4.5: Descriptive Statistics on Local Hotel Tax

	N	Mean	Std. Deviation
I pay hotel tax so that am given chance to remain in business	35	3.37	.973
The tax am charged are burdensome to the operations of my hotel	35	3.54	1.039
I pay hotel tax when it is convenient for me to pay	35	2.91	1.067
I only pay taxes when my hotel is operating	35	2.83	1.071
Hotel tax is levied on hotel and room accommodation per room per night and is paid by the room occupant.	35	3.71	.825
Valid N (listwise)	35		

Source: Primary Data, 2022

The findings in Table 4.5 indicates a mean score of 3.37 and a standard deviation of .973 which meant that most of the respondents agreed that hotel tax payers pay hotel tax so that they could be given chance to remain in business. The implication of the findings was that operators of hotels paid taxes to be able to perform their businesses without interference.

Regarding the item that the tax am charged are burdensome to the operations of my hotel was agreed by majority of the

One respondent reported that; *“trade licensing has affected my business growth in such a way as it has reduced the profits of my business and I have been operating without a license”*. However, results from qualitative research indicated that the number of licenses necessary had a positive significant relationship between trade licensing and growth of small scale enterprises.

Descriptive Statistics on Local Hotel Tax

During the study, a set of statements regarding hotel tax were presented to respondents in order to establish their opinion on the growth of micro and small scale enterprises. A likert scale of *“Strongly Agree (SA) = 5, Agree (A) = 4, Undecided (UD) = 3, Disagree (D) =2 and Strongly Disagree (SD) =1”* quantified the responses.

respondents as indicated by the mean score of 3.54 and the variation in responses was indicated by the standard deviation of 1.039 which was much.

The table also highlights that most of the respondents disagreed that they paid hotel tax when it was convenient for them to pay as revealed by the mean score of 2.91 and a standard deviation of 1.067. This is an indication that hotel tax payers did not pay in the time that was convenient for them to pay. Thus, the government should ensure that the tax

charged from these small scale enterprises should levy affordable taxes and encourage them to pay on their convenience.

It was also revealed by most of the respondents disagreed as indicated by mean score of 2.83 and standard deviation of 1.071 which meant that hotel operators did not pay hotel taxes when they were not operating. This implies that hotels were usually given tax holidays and there was not too much burden faced by hotel businesses.

Hotel tax is levied on hotel and room accommodation per room per night and is paid by the room occupant was agreed by most of the respondents. This was revealed by a mean score of 3.71 and a standard deviation of .825 implying that occupants or customers felt the burden of paying the tax because the tax was indirectly transferred to them.

Findings from interviews reported that; *“Despite paying hotel tax, if we get customers, we get profits on daily basis and it was not paying tax, it would not be easy for customers to recognize my business because I would be operating while hiding”*

Descriptive Statistics on Growth of Micro and Small Scale Enterprises

The analysis of the growth of growth of micro and small scale enterprises was done using descriptive statistics of mean and standard deviation as presented in the table below;

Table 4.5: Descriptive Statistics on Growth of Micro and Small Scale Enterprises

	N	Mean	Std. Deviation
Return on investment of my hotel has increased	35	3.11	.867
I have acquired more assets in my business	35	3.74	.852
Operating profit margin & asset turnover ratio are high	35	2.63	1.003
Return on equity has increased	35	3.77	.770
There are always excess of income over expenditure	35	2.46	.886
I have added more working capital	35	3.80	.719
Valid N (listwise)	35		

Source: Primary Data, 2022

Table 4.5 highlights that the majority of the respondents within hotel business operation stated that return on investment of their hotel had increased as indicated by the average score of 3.11 and the standard deviation of .867. This means that these respondents were witnessing growth of their hotel because the return on investment was increasing.

From the same Table, majority of the respondents revealed that they had acquired more assets in their businesses as confirmed by the mean score of 3.74 and the standard deviation of .852 which meant that majority of the operators of hotel businesses need to promote the growth of their businesses in order to continually increase on their assets.

The findings on the item as to whether operating profit margin & asset turnover ratio were high for hotel businesses in Kabale Municipality, most of the respondents agreed disagreed as shown by a mean score of 2.63 and a standard deviation of 1.003. The findings imply that operating profit margin & asset turnover ratio of hotels in Kabale Municipality were not.

Return on equity was increasing was agreed by most of the respondents as shown by the average score mean of 3.77 and the standard deviation of .770. The findings therefore indicate that hotels in Kabale Municipality were doing well since their return on equity was increasing. The owners of hotel therefore should make more investment in the sector to promote growth.

Table 4.5 indicates that most of the respondents revealed that there were always excess of income over expenditure. This was confirmed by the majority of the respondents with a mean score of 2.46 and standard deviation of .886. The findings meant that hotels in Kabale Municipality spent less than they earned which translated into increased profitability. More still, the mean score of 3.80 and a standard deviation of .719 indicated that most of the respondents agreed that they added more working capital in their hotels in order to enhance growth and profitability.

Relationship between Local Hotel Tax and Growth of Micro and Small Scale Enterprises

Table 4.6 shows the findings on the relationship between local hotel tax and growth of micro and small scale enterprises that was determined using Pearson Linear Correlation Coefficient;

Table 4.6: Correlation of Local Hotel Tax and Business Growth

		Hotel Tax	Growth enterprises
Hotel Tax	Pearson Correlation	1	.675**
	Sig. (2-tailed)		.000
	N	35	35
Growth enterprises	Pearson Correlation	.675**	1
	Sig. (2-tailed)	.000	
	N	35	35

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

The study findings in Table 4.6 above demonstrate that the hotel tax significantly influences the growth of micro and small scale enterprises in Kabale Municipality since the p-value (.000) is smaller than the significance level. The correlation coefficient is (.675**), which suggests that there is a moderately positive association between hotel tax and the expansion of micro and small scale firms. Therefore, based on the findings, hotel tax has a statistically significant moderate beneficial impact on the expansion of micro and small scale firms. Therefore, the government must make sure that there is a good method to relieve hotel tax through having a streamlined taxing system and adequate tax planning in order to boost the growth of micro and small size enterprises.

Results from the quantifiable findings showed that hotel tax significantly affects the growth of small and micro

enterprises, which coincided with the qualitative findings that showed members of the micro and small business sector have been able to improve their knowledge of hotel tax. The Uganda Revenue Authority has engaged the hotel traders to ease the provision of taxpayer services, by delivering tax advice and intensive taxpayer education. The traders have benefited from this since it has given them real-world experience with tax compliance and best practices that has enabled them to operate legally and obtain profits.

Descriptive Statistics on Market Fees

The findings in relation to the level of agreement on the statements regarding market fees are presented in the table below;

Table 4.7: Descriptive Statistics on Market Fees

	N	Mean	Std. Deviation
Market fees I pay are properly assessed by the tax authority.	56	3.11	1.021
I am charged reasonable market fees on my products	56	3.18	1.097
Market fees lead to low profits in my business	56	3.23	1.095
Administration of market fees is fairly and equitably done	56	2.66	.996
Market fees I am charged are burdensome to my business	56	3.66	.920
Valid N (listwise)	56		

Source: Primary Data, 2022

This question aimed to be aware of whether market fees paid by owners of micro and small scale enterprises were properly assessed by the tax authority. From the table, majority of the respondents agreed with a mean score value of 3.11 and a standard deviation of 1.021 which indicates that there was much variation. However, results from some respondent reported that “*business paid high tax price and the management of micro and small scale enterprises consequently forecast that in the future then the strolling expenses will be too high*”.

The findings on the second item that I was charged reasonable market fees on my products was had a mean of 3.18 and the standard deviation was 1.097 implying that most of the

respondents agreed that they were charged reason market fees on their products. Since most of the respondents agreed that they were charged reason market fees, it probably explains why there were many micro and small scale enterprises in Kabale Municipality that paid these fees. This further meant that there could be high compliance rate when it came to paying market fees compared to other forms of municipal taxes in Kabale Municipality.

One respondent however noted that; “*the market fee I am charged on my products is not too much and I can somehow get profitability to buy many other products. However, a policy should be revised so that our businesses can pay*”

monthly not every day or month and some business should be exempted because they don't earn a lot of money/profits"

The sub construct that market fees led to low profits in my business had a mean score value of 3.23 and a standard deviation of 1.095 implying that majority of the respondents who paid market fees did not incur losses in their micro and small scale enterprises. The findings therefore meant that failure for micro and small scale enterprises to grow in Kabale Municipality was attributed by other factors not the market fees that were charged. Therefore, owners and managers of micro and small scale enterprises in the area should strongly deal with other factors other than taxes to enhance the growth of their businesses.

One respondent explain that; *"We operate business daily because our products and needed every day and we also should pay tax because, this tax in turn benefits us when services are given. For instance we have some persons in charge of cleaning our market and as well as safeguard our products during the night to avoid being stolen and it is the market fees we pay that pays those people. So, paying the market dues is paramount and not bad because our businesses keep running and get profits"*

The findings from table 4.7 indicates that most respondents disagreed since the mean value in 2.66 and the standard deviation of .996 indicates no much difference in the findings of the item that administration of market fees was fairly and equitably done. The findings probably meant that micro and small scale enterprises paid fees which were different and the tax authorities had poor methods of assessment that would lead to failure of some businesses to evade paying. Additionally, it can be said that a poorly run tax system wastes

time when it comes to paying taxes. With a mean score of 2.66, the majority of them disagreed with the statement "administration of market fees was properly and equally done." Because small scale firms have different capacities than micro enterprises, applying the same compliance requirements to them will be unfair to them and have a negative impact on their ability to expand.

Market fees I was charged were burdensome to my business had a mean score value of 3.66 and the standard deviation of .920 which indicated a small difference in responses. Since majority of the respondents agreed, it implied that there were micro and some small scale enterprises which faced challenges of growth due to higher market fees charged on them by tax authorities from Kabale Municipality.

"The way business is done today involves a lot of risk-taking. Due to the current financial crisis, many products have been scored highly in terms of market prices. Due to the high prices brought on by the imposed tax on goods, we are not receiving as many consumers as we once did. Some people have reached the point where they must shut down their businesses, as my two neighbors who did. Even though I still run it, I don't make enough money from sales. In the next days, a lot of small businesses will close because the taxes on both goods and the government tax to be paid are too expensive".

This response from the participants and the data suggest that the high tax rate imposed by the government on micro and small scale enterprises discouraged both merchants and clients, which ultimately led to the closure of the entire business and, in the long run, a loss of tax revenue for the government.

Table 4.8: Descriptive Statistics on Growth of Micro and Small Scale Enterprises

	N	Mean	Std. Deviation
Return on investment of my business has increased	56	2.95	.961
I have acquired more assets in my business	56	3.59	.910
Operating profit margin & asset turnover ratio are high	56	2.57	.951
Return on equity has increased	56	3.57	.892
There are always excess of income over expenditure	56	2.30	.737
I have added more working capital	56	3.80	.672
Valid N (listwise)	56		

Source: Primary Data, 2022

From Table 4.8, it is indicated that return on investment of business increased had a mean value of 2.95 and the standard deviation was .961 implying that most respondents disagreed that return on investment did not increase for most of the small scale and micro enterprises in Kabale Municipality.

One respondent reported that *"High tax rates are one of the challenges that small business merchants must overcome. Because the required tax is sometimes higher than the capital*

invested in the entire business, they are unable to pay it. They had to shut down their operations because of this problem".

According to participants' responses, high tax rates imposed on micro and small scale owners cause them to close their doors, which in turn lowers the number of micro- and small-scale businesses.

The results on the item that I had acquired more assets in my business indicate most of the respondents agreed as shown by the means value of 3.59 and the standard deviation for this

item was .910 indicating that low variations. The findings explains why most of the respondents had stayed in the business for more than three years because they were obtaining more assets which indicates that there was growth of micro and small scale enterprises.

Operating profit margin & asset turnover ratio were high was disagreed by majority of the respondents as revealed by the mean of 2.57 while the standard deviation of .951 meant that there was less variation in findings. In a conversation with them, the source disclosed that increased market fees had a significant impact on product costs. The respondents also mentioned that complicated tax laws and expensive market fees greatly reduce their companies' ability to generate profits. An allusion to this was made in the statement "operational profit margin & asset turnover ratio," which had a mean value of 2.57. In addition, it was claimed to the respondents that their business's turnover had decreased over time due to high market fees and complexity. Demand declines as prices rise, which slows the flow of goods. This is a result of high taxes and the difficulty of filing tax returns.

From the findings, the mean of 3.57 revealed that majority of the respondents agreed that return on equity was increasing for micro and small scale enterprises in Kabale Municipality increased which implied that most of the small scale and

micro enterprises were obtaining return on equity even though market fees were burdening them.

There were always excess of income over expenditure was disagreed by most of the respondents with a mean of 2.30 and a standard deviation of .737 indicating that most of the micro and small scale enterprises had higher expenditure compared to their income. This expenditure probably in form of market fees, paying rent fees and transport could contribute to failure of these micro and small scale enterprises to grow.

Lastly, the statement that I have added more working capital had a mean of 3.80 and a standard deviation of .672 implying that most micro and small scale enterprises tried to put in their businesses more capital in order to promote growth and expansion. However, the market fees would increase as the business expands which could contain the amount of profits obtained from the business. Thus, there was need to fix a proper market fees that would encourage small scale businessmen to grow and expand their businesses and if possible tax holidays was supposed to be granted.

Relationship between Market Fees and Growth of Micro and Small Scale enterprises

The study determined the relationship between market fees and growth of micro and small scale enterprises using Pearson rank correlation and the following were the findings;

Table 4.8: Correlation of Market Fees and Growth of Micro and Small Scale enterprises

		Market fees	Growth of enterprises
Market fees	Pearson Correlation	1	.579**
	Sig. (2-tailed)		.000
	N	56	56
Growth of enterprises	Pearson Correlation	.579**	1
	Sig. (2-tailed)	.000	
	N	56	56

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

In order to ascertain whether there was a connection between market fees and growth of micro and small scale enterprises in Kabale Municipality, Pearson product moment correlation coefficient was performed and table 4.8 shows that the Pearson correlation coefficient (r) is .579** with a p-value of .000. As a result, there is a statistically strong connection between market fees and growth of micro and small scale enterprises. The inference is that market fees strongly affect the growth of micro and small scale enterprises in Kabale Municipality. Therefore, the authorities in charge of market

fees should always assess the enterprises and charge them according to their capacity in order to grant them room for growth.

Descriptive Statistics of Property Tax

The researcher analysed the statements of property tax using mean and standard deviation and the following results in table 4.9 shows the results;

Table 4.9: Descriptive Statistics of Property Tax

	N	Mean	Std. Deviation
The property tax paid is too high	12	2.58	.669
My business is closed for sometimes when there are delays in payments of property tax	12	2.00	.000

Property tax reduces profits for my business	12	2.58	.996
I increase rent fees in order to pay property tax when it is increased	12	3.92	.669
There is high property tax payment compliance in Kabale Municipality due to strong enforcement	12	3.33	1.231
Valid N (listwise)	12		

Source: Primary Data, 2022

The researcher was involving in knowing whether property tax paid by owners of enterprises were high and the outcome presented in Table 4.9 showed that most of the respondents disagreed with a mean value of 2.58 and the standard deviation of .669. This implies that the property tax was reasonable to outgrow micro and small scale enterprises in Kabale Municipality.

My business is closed for sometimes when there are delays in payments of property tax was disagreed by most of the respondents as the mean score of 2.00 and a standard deviation of .000 indicate.

More so, the findings from Table 4.9 revealed that property tax reduces profits for my business had a mean value of 2.58 and a standard deviation of .996 which indicated that most of the respondents were in disagreement with the concern raised in this study. The findings therefore imply that there was effectiveness in administration of property tax in Kabale Municipality which was done to facilitate growth of micro and small scale enterprises.

I increase rent fees in order to pay property tax when it is increased was found to have majority of the respondents agreeing with it because its mean value was 3.92 and no

variation in responses was indicated by standard deviation of .669. The findings imply that the burden of paying property tax is not felt by the property own but by the tenant who indirectly pays it in form of increased rent fee. Therefore, increase in property tax does not affect the growth of the business of the property owner.

Table 4.9 shows that the mean value of 3.33 and a standard deviation of 1.231 mean that majority of the respondents agreed that there was high property tax payment compliance in Kabale Municipality due to strong enforcement. The findings imply that high compliance in paying property tax by tax payers was enhanced by strong enforcement measures put by authorities of Kabale municipality administration to ensure that there was high revenue collection from property tax payers.

Descriptive Statistics on Growth of Micro and Small Scale Enterprises

The researcher made use of descriptive statistics to analyse the growth of micro and small scale enterprises and the following in Table 4.28 were the results:

Table 4.10: Descriptive Statistics on Growth of Micro and Small Scale Enterprises

	N	Mean	Std. Deviation
Return on investment of the business has increased	12	3.58	.515
I have acquired more assets in my business	12	4.08	.289
Operating profit margin & asset turnover ratio are high	12	3.67	.985
Return on equity has increased	12	3.83	.577
There are always excess of income over expenditure	12	2.25	.622
I have added more working capital	12	4.00	.000
Valid N (listwise)	12		

Source: Primary Data, 2022

From Table 4.10, the study aimed at finding out whether return on investment of the business was increasing and to the findings, the mean value was found to be 3.58 and the standard deviation was .515 implying that most of the respondents argue that their enterprises were obtaining returns on investment despite paying property tax. This therefore indicates that property tax did not have a strong effect on the return on investment of the enterprises in Kabale Municipality, Kabale District. The findings meant that the demanded property tax by tax administrators in Kabale Municipality was not high in comparison with the businesses operated by the business operators.

In an interview with informant, it was reported that “*We first assess the affordability of the tax payer before we charge property tax because if we overcharge, people cannot pay. They will evade the tax resulting into low tax revenue collected. So, we also try to ensure that we levy taxes which business owners will be able to pay without too much burden so that we encourage him to stay in business and attract more investors*”

From the above revelation, one can say that property tax does not affect the growth of micro and small scale enterprises if it is properly assessed because business owners will always pay without feeling much burden leading

establishments of many other enterprises that will create high tax base for the government.

The findings show that the mean of 4.08 and the standard deviation of .289 were obtained when descriptive analysis on the statement that I have acquired more assets in my business was carried out implying that majority of the respondents agreed and this translates that property did not reduce the amount of assets acquired by business operators in Kabale Municipality. The findings meant that Kabale Municipality should maintain the same property tax as this would increase the assets of business owners and encourage them to stay in and expand their businesses leading to business growth and economic development. Additionally, if the businesses expand and become sustainable in Kabale Municipality, they will create more tax base and the government especially Kabale Municipality will continue to obtain revenue in form of property taxes to finance its activities.

The item of operating profit margin & asset turnover ratio are very high had a mean score of 3.67 and the standard deviation of .985 which indicates that most of the respondents agreed that micro and small scale enterprises in Kabale Municipality had high operating profit margin and asset turnover ratio. The findings meant that there are many chances of expanding the businesses and staying in business for long time because of payment of property tax has no negative effect on the growth of the business.

Additionally, return on equity has increased had 3.83 mean value which shows that majority of the respondents agreed with a low variation in responses as the standard deviation of .577 indicates. The implication of the findings was that if return on equity for micro and small scale enterprises increased, there exists business growth and expansion. It is for this reason that micro and small scale operators should increase their investments to be able to enjoy returns on equity from their investments since payment of property tax could not negatively affect their growth.

There are always excess of income over expenditure was found to have a mean score of 2.25 and the standard deviation of .622 which revealed most of the respondents were disagreeing with the item. However, it was found that respondents were willing to add more working capital in their businesses as revealed by a mean value of 4.00 and a standard deviation of .000 which showed no variation in responses. A respondent reported that; *We at times close businesses for some people because of delays in paying the tax. However, we cannot exceed two days because people try to respond positively and pay immediately*”.

Relationship Property Tax and Growth of Micro and Small Scale Enterprises

The testing of the relationship between property tax and growth of micro and small scale enterprises was done using Pearson linear correlation coefficient and the results were presented in Table 4.11;

Table 4.11: Correlation of Property Tax and Growth

		Property Tax	Growth of enterprises
Property Tax	Pearson Correlation	1	.335
	Sig. (2-tailed)		.287
	N	12	12
Growth of enterprises	Pearson Correlation	.335	1
	Sig. (2-tailed)	.287	
	N	12	12

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

The testing of the relationship between the variables was done using Pearson correlation coefficient. This was used because statements of property tax and growth of micro and small scale enterprises were transformed numerically for better analysis. From table above, it is clearly indicated that there is low positive relationship between property tax and growth of micro and small scale enterprises in Kabale Municipality. This indicated by positive results of Pearson Correlation, where $r = .335, p < .01$. It therefore implies that property tax affect less the growth of micro and small scale enterprises. Therefore, Kabale Municipality should always charge property tax but ensuring that it is not too much to cause decline in the growth of the enterprises.

CONCLUSION

The study determined the relationship between trade licensing and the growth of micro and small scale enterprises and the findings revealed a substantial positive association between trade licensing and growth of micro and small enterprises as indicated by a correlation coefficient of $r = .653^{**}$ and a p-value of (0.000).

The study findings demonstrated that the hotel tax significantly influences the growth of micro and small scale enterprises in Kabale Municipality since the p-value (.000) is smaller than the significance level. The correlation coefficient

is (.675**) shows a moderately positive association between hotel tax and growth of micro and small scale enterprises. Therefore, based on the findings, hotel tax has a statistically significant moderate beneficial impact on the business growth of micro and small scale enterprises.

The results indicated that shows a moderate positive connection between market fees and growth of micro and small scale enterprises as shown by a Pearson correlation coefficient (r) is .579** with a p-value of .000. The inference is that market fees strongly affect the growth of micro and small scale enterprises in Kabale Municipality. Therefore, the authorities in charge of market fees should always assess the enterprises and charge them according to their capacity in order to grant them room for growth.

The findings indicated low positive relationship between property tax and growth of micro and small scale enterprises in Kabale Municipality. This indicated by positive results of Pearson Correlation, where $r = .335$, $p < .01$. It therefore implies that property tax affect less the growth of micro and small scale enterprises. Therefore, Kabale Municipality should always charge property tax but ensuring that it is not too much to cause decline in the growth of the enterprises.

RECOMMENDATIONS

The study recommended that micro and small scale enterprises should pay license so that they are legally allowed to operate their businesses without interference and also creating a wider market for the products since they can be sold freely anywhere and generate profit.

Micro and small scale enterprises should be charged little money to access license so that they all have them. This will grant them the rights to perform and generate revenue to sustain the businesses.

The results of this study suggest that the government of Uganda improve tax incentives in order to promote the expansion of small and micro businesses in Kabale Municipality. These tax breaks will reduce business operating expenses, encourage certain investments, and help small and medium-sized businesses overcome market constraints. In addition, because they have a limited capital base and limited access to financing, emerging micro and small scale businesses will be protected and stimulated by the tax benefits. This is because they cannot satisfy their tax responsibilities in the initial years of operation. As a result, the government's tax incentives will help these businesses which will eventually encourage the expansion of micro and small size enterprises in the economy.

The government should reduce local hotel tax to ensure that the burden of paying is not much felt by the clients. This will encourage tax payers to pay and avoids tax evasion and

avoidance leading to increased revenue for the government as well as growth of enterprises.

It is advised to the tax authority that for any small business to grow well in the business field, there must be a low or moderate rate of tax because low or moderate tax encourages the small business enterprise's efficiency and effectiveness of the share holders, so good performance with the low rate of taxes the small business enterprise get high profit due to high sale, low price, and high production, consequently the business enterprises are able to expand or in some cases, in some cases, in some cases, in some cases, in some cases

Likewise, in order to avoid a high tax burden and to ensure that small businesses have enough disposable income to continue operating, the taxable capacity of small businesses should be assessed. Qualified personnel should conduct both the assessment and the tax collection in order to prevent overcharging for personal gain on the part of tax collectors and administrators.

The study recommended that property tax should be kept low to avoid increase of rent fees to be paid by tenants because increase in the tax might constrain tenants leading to failure to pay which will affect business. Property tax payment compliance and strong enforcement should be done in Kabale Municipality

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