

Taxation and the Development of Small Businesses in Uganda, a Case Study of Iganga District

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Abstract: *The following objectives served as the study's principles as it examined the relationship between tax compliance and the growth of small businesses in Iganga district, the relationship between tax rates and the growth of small businesses in Iganga district, and the relationship between tax incentives and the growth of small businesses in Uganda. According to research, a one percent increase in tax incentives would, on average, result in a 0.627 increase in the growth of small firms. We conclude that there is a relationship between tax incentives and the growth of small businesses because this was statistically significant by the 95% confidence interval and the p-value (0.023) is less than 0.05. Keeping other variables remain constant, a one percent increase in tax compliance would typically result in a 0.171 increase in the growth of small businesses. As a result, we draw the conclusion that there is a relationship between tax compliance and the growth of business. As a result, the null hypothesis is rejected, and the performance of small businesses is characterized as: Performance of small businesses = $0.627 + 0.459 D_{taxin} + 0.311 D_{taxra} + 0.171 D_{taxcomp} + U_i$. This was statistically significant using the 95% confidence interval. The R-squared value (0.687) is higher than the adjusted R squared value and this shows that it's a good fit. Since F-computed (34.574) is greater than F-tabulated (0.00), we reject the null hypothesis and conclude that the dependent variable has a significant effect on the independent variables at 95% level of significance. The study recommends the following: **Tax compliance and the performance of Small businesses.** The study revealed that, in order to improve the efficiency of small businesses in Similar to this, the results of the interviews revealed that because of tax incentives, businesses have benefitted from tax exemptions like the Withholding Tax exemption and have been given a tax exemption certificate by the URA since such businesses have a solid record of timely income taxes. This has reduced the tax burden on these companies, allowing them to reinvest and grow. hence improving the performance and prosperity of Uganda's small businesses.*

Keywords: tax incentives, tax rates, tax compliance and small business

Background to the study

Small businesses are crucial for the development of societies because they boost economic growth and development by, among other things, addressing demographic problems brought on by large populations, generating jobs that has reduced unemployment, and assisting to generate domestic income (FSD Uganda, 2015).

Every country's taxation structure affects well how firms perform; countries with favorable and beneficial tax rates have encouraged the growth of successful businesses. By ensuring an equitable distribution of income and investments across the nation, successful firms have influenced the growth of economies. In short, businesses and taxes are interdependent for survival in that when a business' performance is impacted, the economy's growth is also impacted (Ocheni, 2019).

The first instances of taxation may be found in The middle east in the early 1800 BC, when the Pharaohs levied a tax on cooking oil and the tax collectors (scribes) made sure that no one was swapping untaxed oil for the levied oil. This is depicted in the tomb paintings. Also, the ancient Greeks had an established tax system where residents were subject to assessment such as sales taxes, inheritance taxes, land taxes, poll taxes, and assesses on imports and exports in order to pay for wartime expenditures (Armstrong, 2019).

Taxation in Africa goes back to the earliest British colonial administrators, who enforced projects for public works like the construction of roads, administrative offices, and schools, among other things.

Conversely, the first common tariff was introduced that involved a 5% import tax rate for the goods going to Uganda via the port of Mombasa, Kenya (Jamal, 2018).

In order to foster economic growth and development, World Bank policies have also had an influence on Uganda's taxation system (World Bank, 2017). In order to avoid double taxation and tax evasion, the Ugandan government has changed a variety of tax policy to encourage the development of small and medium-sized businesses. This has included aligning tax rates and creating new tax incentives. Despite all of these tax revisions, Uganda still lacks a well-known, comprehensive national taxation policy for small and medium-sized businesses. The most recent tax

policy does not produce any plans to improve the performance of Uganda's small businesses; instead, it only focuses on the legal requirements surrounding the administration of the tax regime (Ddumba Ssentamu, 2018).

According to the Ministry of Finance, Planning and Economic Development (MFPED), a "Medium Enterprise" is defined as an organization that employs more than 50 people and has an annual sales turnover or assets between (USH.) 360 million and 30 billion. Small and Medium Enterprises are defined as organizations that employ between 5 and 50 people and have an annual sales/revenue turnover total asset of up to Uganda Shillings (USH.) 360 million (FSD, 2019).

Around 90% of output in the private sector is carried out by small firms, which has substantially increased Uganda's economy. Small enterprises have helped the economy by, among other things, creating cash and new jobs. However, due to their size and resource limitations, small enterprises encounter obstacles that have an impact on their daily operations.

This is currently being mitigated through; provision of Business Development Services (BDS) to build capacity and enhance their performance in areas of business planning, technology, communications and other services (Uganda Investment Authority, 2018). Over 80% of the Small businesses in Uganda are established in urban areas, and thus, this study contextually examined Small businesses in Iganga District located in Eastern Uganda.

Statement of the problem

Around 75% of the more than 20,000 businesses that operate in the district are supported by the Iganga District Town Council, which serves as a center for small businesses (Private Sector Foundation, 2019). Companies in Uganda are liable for a variety of taxes, including stamp duty, excise duty, value added tax, and corporation tax. The majority of the funding for government services and operations originates from these levies. The effectiveness of businesses has been considered to be negatively impacted by these levies. Businesses still struggle to survive for more than five years due to bad taxes rules and high rates charged.

However, the government instituted a tax policy to assist and promote the performance of small businesses as part of its efforts to promote small and medium-sized firms. This tax law focused on aligning tax rates and creating new tax breaks to assist small enterprises (Ddumba-Ssentamu, 2018). The government is able to offer social services like roads, street lighting, security, drainage channels, etc. in the city thanks to the taxes collected. Taxes also allow the government to build public infrastructure, fund public insurance, healthcare, and education.

Specific objectives of the study

The study was guided by the following objectives;

1. To examine the relationship between tax compliance and the business development of Small businesses in Iganga district.
2. To assess the relationship between tax rates and the business development of Small businesses in Iganga district.
3. To analyze the relationship between tax incentives and the business development of Small businesses in Iganga district.

Research questions

The study was guided by the following questions;

1. What is the relationship between tax compliance and business development of Small businesses in Iganga district?
2. What is the relationship between tax rates and the business development of Small businesses in Iganga district?
3. What is the relationship between tax incentives and the business development of Small businesses in Iganga district?

Hypothesis of the study

Ho: There is no relationship between tax compliance and business development of small businesses in Iganga district.

Ho: There is a relationship between tax compliance and business development of small businesses in Iganga district.

Ho: There is no relationship between tax rates and the business development of businesses

Ha: There is a relationship between tax rates and the business development of businesses

Ho: There is no relationship between tax incentives and the business development of Small businesses in Iganga district

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METHODOLOGY

Research Design

The design used in this study is also known to as a cross-sectional analysis. Researchers commonly use cross-sectional research to understand results in the social and physical sciences as well as many business domains, despite the fact that it does not entail conducting experiments (Orodho, 2018). According to Mugenda and Mugenda (2014), cross-sectional research is conducted with the aim of reporting and evaluating the state of the situation. Because the researcher gathered information and documented the current state of things without changing any factors, the research was appropriate under the criteria of cross sectional research design (Zechmeister & Jeanne, 2011).

Study Population

The study population concentrated on Managers and employees of Small businesses in Iganga District. The study area was limited to this one SB in Iganga district since the majority of the Small businesses are established in urban areas. The study considered an accessible population of 65 small businesses

Sample size and selection

The number of people in a sample (represented by the symbol n) or a subset of a population is known to as the sample size (Creswell, 2013). With the aid of purposive sampling, the researchers selected a sample size of 50 respondents from a population of 65 registered employees based on the Krecjie and Morgan (1970) sampling table (Chuan, 2006). This is comparable with the sample determination table from Morgan Krejcie (1970). Yet, the biasedness tends to diminish as the sample size grows more and more, and as it increases indefinitely, the sample mean converges to the true population parameter. This is called as the consistence property of probability.

Sampling Techniques and Procedures

The study employed probability sampling technique known as simple random sampling. The researcher used the simple random sampling in order to minimize the possibility of researcher bias since the research is focused on the entire SB population. Employees employed in Small businesses in Iganga District was eligible to participate in the study.

Purposive sampling was conducted for the owners and top management staff within the district town council.

Data Collection Methods

Both quantitative and qualitative methods of data collection was employed during the study. The questionnaire survey method was used to pool quantitative statistics, while the interview and documentary review method was employed to gather qualitative information. The researcher chose a data collection method that was better suited the intended purposes.

Questionnaire Method

The questionnaire survey method involves asking a lot of people a series of questions to collect information for a specific study (Amin, 2005). The following advantages make the questionnaire a useful tool for gathering data: It is uniform in that it always uses the same language, and it guarantees confidentiality by using a coding system. As a result, it can include embarrassing, immoral, and otherwise unpleasant issues. It is also less costly to manage (Barker et al., 2002). Due to the fact that all these employees are directly involved in the day-to-day operations of the SB, the method was utilized to gather data from middle-level and other lower level staff members.

Data Collection Instruments

Questionnaires

Self-Administered Questionnaires (SAQ) have been used to gather structured data from the study elements. The SAQs have been designed to test perception using a five-point like scale measuring from Strongly Disagree as response 1, Disagree as response 2, Not sure as response 3, Agree as response 4, and Strongly Agree as response 5 for easy measurements of variables. Each section had one open ended question for SB employees to provide extra details or express their opinions (Jackson, 2009).

Data Collection Procedures

An introductory letter from Metropolitan International University research directorate was obtained after submitting the research proposal to enable the researcher to collect data from the field. Upon establishing the validity and reliability of instruments to be used, the researcher gathered raw information from the field. Data collection, processing, and analysis was undertaken by the researcher herself.

Data Analysis

Collecting, organizing, and giving meaning to the vast amount of unstructured information that was acquired in order to assess reliability and test the research questions is what this process entails (Sekaran, 2004). Data was initially entered into the MS Excel software tool for cleaning. Also, the information was transferred into the statistical program SPSS 23 for analysis.

Data was examined by summarizing the findings in numbers and presenting them using a percentage distribution technique while retaining a certain level of confidence (Creswell, 2013).

Closed-ended questions were written down, and each response was reviewed by the respondent to ensure it was appropriate. This was done for all of the surveys, and from the provided responses, the mean, standard deviation, and percentages were computed.

RESULTS

Response rate

Table 1: Responses rate

Research instrument	Targeted number	Actually conducted	Percentage
Questionnaires	377	369	97.9
Interviews	10	8	80
Total	387	377	97.4

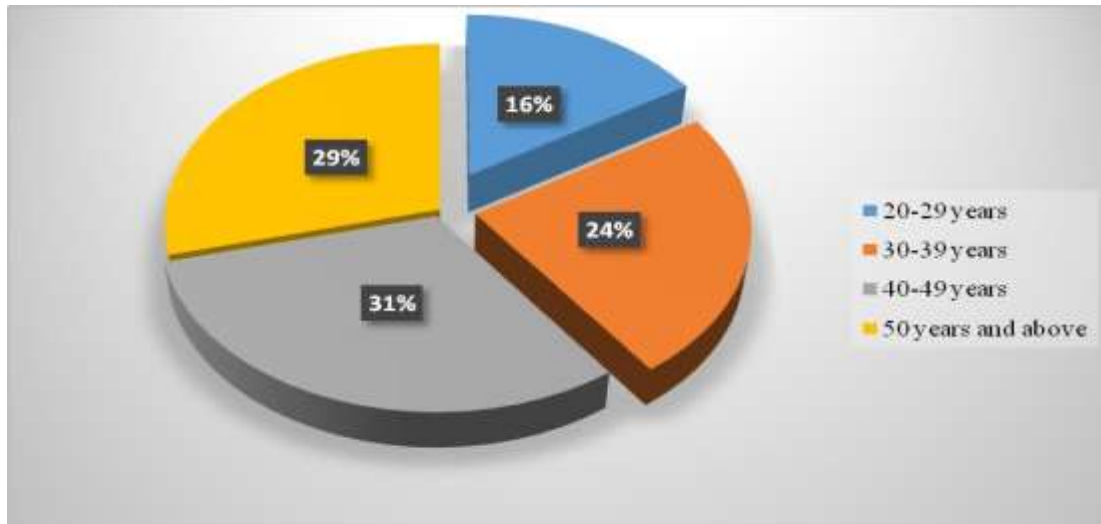
Source: Primary data, 2022

Table 1 above displays that from the 377 questionnaires distributed, 369 filled questionnaires were returned giving a percentage response rate of 97.9%. In addition, out of the 10 planned interviews, 8 interviews were conducted giving a percentage response rate of 80%. The overall response rate was 97.4%. This response rate was above the recommended two-thirds (67%) response rate (Amin, 2005; Mugenda & Mugenda, 1999). This indicates that researcher was able to obtain enough data for a comprehensive report.

Background characteristics

Age of respondents

Figure 1: Age of respondents



Source: Primary data 2022

According to Figure 1 above, a larger percentage of the respondents (31%) were between the ages of 20 and 40 and 49. Respondents 50 years of age and above came in second with 29%, followed by respondents in the 30-39 age group with 24%, and respondents in the 20-29 age group with 16%. According to the abovementioned statistics, every respondent was accountable and able to offer correct info. The standard deviation was 23.234, the mean age was 32, and the range of ages was 22 to 57.

Age meets the measures of central tendency since the standard deviation falls within the range of the minimum and maximum age, according to the measures of variability.

Sex of respondents

The sex of the respondents was assessed which enabled the researcher to have proportionate representation of both the females and males.

Table 2: Gender of respondents

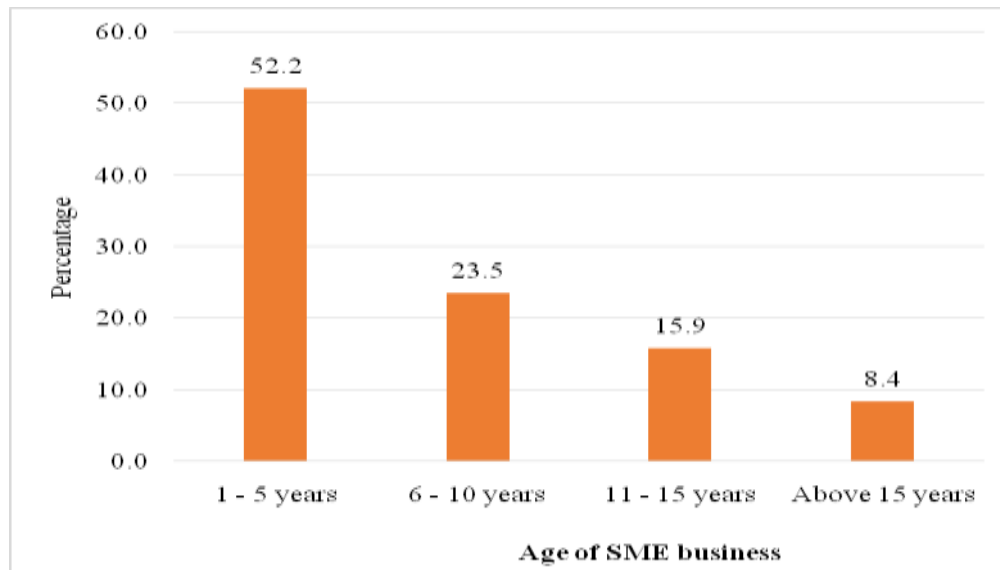
Gender	Frequency	Percentage
Male	296	78.5
Female	81	21.5
Total	373	100

Source: Primary data, 2022

According to Table 2, there have been more male respondents (78.5%), who made up the majority of the responses (21.5%), than female respondents (21.5%). This indicates that men prevail in the SB sector, and the results were gathered from respondents who were equally divided between men and women.

Small business maturation

The study looked at the length of time that small firms have been around. This gave the researcher an understanding of how long small enterprises have been in operation and detailed knowledge of how taxes affects the performance of the Iganga District. **Figure 2: Age of the small business**



Source: Primary data, 2022

Figure 2 above highlights that over 50% of the Small businesses studied have been in operation for a period of 1-5 years. These trailed businesses that have been in existence for 6-10 years with 23.5% and those with 11-15 years accounted for 15.9%. Very few small businesses (8.4%) have been in existence for over 15 years. The findings revealed that most of the small businesses studied have been in operation for a long period of time and therefore were more knowledgeable about how taxation affects the performance of small and medium enterprises in Iganga. Therefore, the respondents provided reliable data for the study.

Legal status of Small businesses

Table 3: Legal status of Small businesses

Status	Frequency	Percentage
Sole proprietor	266	70.6
Partnership	70	18.6
Limited Company	41	10.9
Total	377	100.0

Source: Primary data, 2022

Table 3 shows that a bigger proportion of the SB owners registered their businesses as a sole proprietorship and these accounted for (freq. 266, 70.6%). These were trailed by businesses registered as a partnership with (freq. 70, 18.6%) while businesses registered as a limited company accounted for (freq. 41, 10.9%).

Nature of the business

Table 4: Nature of the business

Nature of business	Frequency	Percentage
Trade	194	51.5
Service	107	28.4
Manufacturing	76	20.2

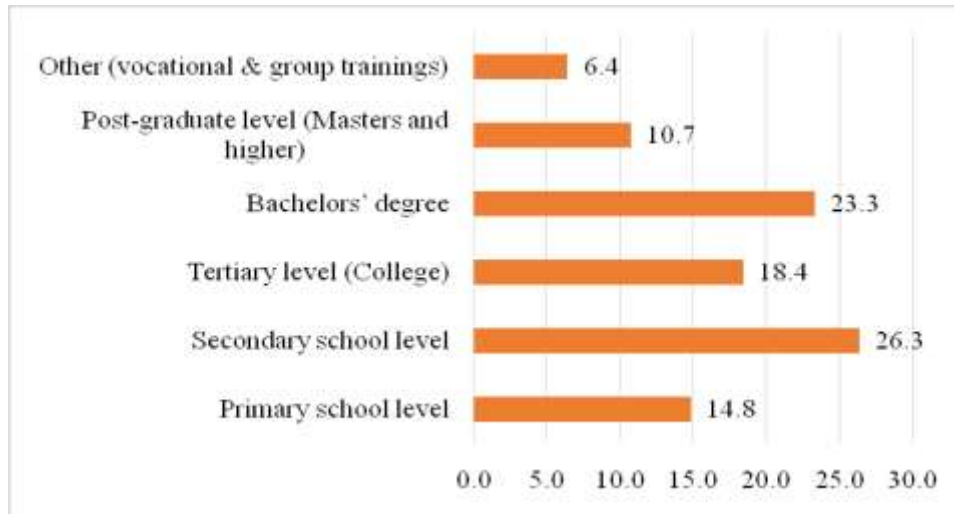
Total	377	100.0
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Source: Primary data, 2022

Table 4 pointed out that a bigger proportion of Small businesses studied was engaged in trade, and these accounted for (freq. 194, 51.5%) of the total responses while businesses engaged in service constituted (freq.107,28.4%), and very few businesses (freq.76,20.2%) were engaged in manufacturing. This implies that the study was well distributed among the Iganga District and thus provided reliable findings.

Education level of respondents

Figure 3: Education level of respondents



Source: Primary data, 2022

Figure 3's finding showed that a higher proportion of respondents—26.3% of the total responses—had a secondary school diploma or equivalent. These were followed by those with a bachelor's degree (23.3%), a college degree (18.4%), and a primary school diploma (14.8%). 10.4% of respondents had postgraduate degrees (Master's and higher qualifications), and just 6.4% had extra education. This shows that every responder had a good education and was capable of comprehending and interpret the research questions in order to produce reliable and accurate information.

Empirical findings based on objectives of the study

To examine the effect of tax compliance influences the performance of Small businesses in Iganga District

During the study, a set of statements regarding tax compliance were presented to respondents in order to establish their opinion on the performance of Small businesses in Iganga District. A Likert scale of “Strongly Agree (SA) = 5, Agree (A) = 4, Not Sure (NS) = 3, Disagree (D) =2 and Strongly Disagree (SD)=1” quantified the responses.

Table5: Responses on tax compliance

Item	Mean	Std. Deviation
Simplified system of taxation		
I understand the Ugandan tax system	2.32	.766
I can compute the income tax liability of our business with ease	2.31	.684
I always attend taxation seminars and workshops on behalf of the business to update myself on the tax system	4.31	.667
Payment of levies is straight forward hence the business does not hire professional consultancy services	2.35	.950
Interpretation of tax laws and regulations		
I am aware of most tax laws and guidelines about taxation of incomes for Small businesses	4.44	.641
I understand the tax laws and regulations in Uganda	2.24	.711
I can interpret tax laws and compute tax liabilities	2.45	.710
I always file tax returns with URA on a timely basis as requires by law	4.34	.856
Tax planning and functional expertise		
I know how to treat the expenses incurred in relation to income tax in Uganda.	4.19	.856
I always advise management on income tax planning issues	4.02	.857
I am sure of the incomes /turnover on which we pay income taxes as a firm	4.15	.766
I am always part of the team that carries out budgeting process of my employer Especially on income tax matters	4.24	.643

Source: Primary data, 2022

The average score of 2.32 (SD = 0.766) in Table 5 above demonstrates that the majority of respondents in the SB sector did not understand the Ugandan tax system. This indicates that these respondents are incapable of interpret the requirements of the various tax laws or the other requirements of tax compliance. The majority of participants acknowledged that they struggled to be enough the income tax liability of their companies. The average score of 2.31 (SD = 0.684), which indicates that most respondents need help in understanding how much to pay when according to the size and capital of their firms, supports this.

A bigger proportion of the respondents agreed that they always attend taxation seminars and workshops on behalf of their business to update themselves with the tax system as noted by the mean 4.31 (SD = 0.667).

This indicates that the traders and other workers in the SB sector have gone to tax seminars and workshops, which has improved their knowledge of tax laws and also enabled them for them to avoid paying fines for tax evasion. This has improved the performance of small businesses by cutting the costs related to tax compliance.

Because paying levies is not simple, the business must hire expert consulting services. The majority of respondents (mean = 2.35; SD = 0.950) who stated that they often hire someone to submit their tax returns for them confirmed this (mean = 2.35; SD = 0.950).

Also, the majority of participants (mean = 4.44; SD = 0.641) agreed that they are aware of the bulk of tax laws and rules concerning the taxation of income for small businesses. This shows that the respondents can understand their comprehension of their tax compliance as reported by tax officials.

This suggests that the respondents have received tax education through seminars that have increased their understanding of fiscal regulations, tax compliance, and tax planning for small and medium-sized firms. This has also made it possible for them to grasp their tax rights and obligations with reference to their businesses.

The study's findings, which are represented by the mean score of 2.24 and standard deviation of, showed that members of small and medium-sized enterprises were unable to understand Uganda's tax laws and regulations.

In addition, the majority of people (mean =2.45; SD = 0.710) disagreed that they could read tax laws and calculate tax liabilities. This shows that the majority of respondents lack adequate tax understanding on when and how much to pay in taxes.

The majority of respondents (mean = 4.34; standard error = 0.856) agreed that small and medium-sized businesses always file their tax returns with URA on time as required by law. The study's findings also revealed that most participants understand how to treat expenses related to Ugandan income tax, which was supported by a high average score of 4.19 and a low standard deviation of 0.856.

The majority of respondents stated that they are confidence in the income and turnover that their business will report and pay income taxes on, as indicated by the mean score of 4.15 and the relatively small standard deviation of 0.766.

The findings also indicate that the majority of respondents, with an average score of 4.24 (SD=.643), agreed that they always work as a team to prepare their employer's budget, especially for income issues.

Effect of tax rates on the performance of Small businesses in Iganga District

To establish the effect of tax rates on the performance of Small businesses in Iganga District

During the study, statements on tax rates were presented to the respondents to establish its effect on the performance of Small businesses in Iganga District Results from the study were presented using a Likert scale as: “Strongly Agree (SA) =5, Agree (A) = 4, Not Sure (NS)= 3,Disagree(D)=2 while Strongly Disagree(SD)=1.”.

Table 5: Responses on tax incentives

Statement	Mean	Std.Deviation
Clarity of tax rates		
The tax rates charged are clear in terms of payable taxes.	2.09	.675
There are diverse taxes imposed on small and medium enterprises,	3.73	.502
The government either increases or decreases tax rate at its own discretion	4.56	.388
Correct level of taxation		
The taxes charged are burdensome to the business	4.48	.410
Small businesses pay taxes when it is convenient for them to pay	2.11	.973
Taxes are only charged when the business is operating. Hence allows for momentary closures of business	2.46	.5580
SB tax rates consider the scale of operation	4.35	.744
Fair taxation rates		
The tax rates charged are fair to small and medium business owners	2.72	.965
The regressive nature of taxes on SB reduces their revenue base	4.77	.949
The tax rates charged are economical to Small businesses	2.36	.756
Small businesses have information on how much tax when to pay tax, where to pay and mode of tax payment	3.20	.392

Source: Primary data

According to Table 5 above, the majority of participants for a total of 377 respondents disagreed that the tax rates charged are clear in terms of payable taxes, with an average score of 2.09 and a reasonably low standard deviation (0.675). This indicates that people in the SB world are unaware of the proper tax amounts to pay.

Small and medium-sized companies are subject to a variety of taxes, as stated by the majority of respondents (mean = 3.73; SD = 0.502), who agreed that the kind and size of their company affects which taxes are paid.

The majority of respondents (mean = 4.56; SD = 0.388) concurred that the government has the power to raise or lower tax rates.

The mean score of 4.48 (SD = 0.410) shows that a large percentage of respondents felt that the taxes levied are burdensome to their firms. This shows that the tax revenue from small firms in Uganda are impeding their ability to develop and operate well.

As shown by the mean = 2.11; SD = 0.973, the majority of respondents disagreed with the assertion that small firms pay taxes when it is convenient for them to do so. This shows that the taxing authority always expect these businesses to pay their taxes on schedule and in full.

The majority of respondents strongly disagreed from the claim that taxes are only levied when a business is open, allowing for momentary closures of operational processes. The low mean score of 2.46 (SD = 0.558) was proof of this. The results also showed that the majority of respondents (mean = 4.35; SD = 0.744) agreed that the SB tax rates take operation size into account. Accordingly, taxes are assessed against small businesses based on the size of their capital as well as the nature of their processes.

The majority of participants disagreed when asked if the tax rates levied on small- and medium-sized owners were fair (mean = 2.72; SD = 0.965), showing the irrationality of the tax rates levied on small firms, which has an impact on their performance.

The majority of respondents (mean = 4.77; SD = 0.949) generally agreed that taxes on small businesses are regressive and reduce their revenue base. In addition, as demonstrated by the mean score of 2.36 and standard deviation of 0.756, the majority of those polled did not think that the tax rates levied are reasonable to small enterprises. This indicates that taxes collected from small and medium-sized businesses are reducing their capital bases and limiting their ability to operate effectively.

According to the study's findings, most respondents were undecided about whether small firms had access to information about how much tax to pay when, where, and how to pay it, which was supported by the mean score of 3.20.

To assess the effect of tax incentives on the performance of Small businesses in Iganga District.

Table6: Responses on tax incentives

Item	Mean	Std. Deviation
Investment deductions and allowances		
Tax incentives for Small businesses have lowered the operational costs associated with payment of taxes for small and medium enterprises	4.39	0.867
Tax incentives, investments, and performance of Small businesses are closely linked.	4.53	0.641
Tax incentives have attracted private investors to the SB sector	4.33	0.795
Tax holidays		
The government has given special tax treatment to Small businesses in the form of tax Holidays	3.87	0.878
Tax holidays have helped my business to grow and expand.	3.68	0.929

Tax incentives have stimulated the growth and expansion of Small businesses in Uganda.	4.41	0.726
Special tax regimes		
Tax incentives have encouraged a reasonable number of traders in the SB sector to continue operating	3.94	0.392
The special tax regimes for Small businesses have reduced the operations of the small businesses in the informal sector.	3.79	0.356
Special tax treatment for Small businesses has corrected market imperfections in the country.	3.08	1.364
Tax incentives have protected the infant small and medium enterprises in Uganda	2.47	0.904

Source: Primary data, 2022

The study findings revealed that the majority of the respondents agreed (mean = 4.39; SD = 0.867) that tax incentives for Small businesses have lowered the operational costs associated with the payment of taxes for small and medium enterprises. Tax incentives, investments, and performance of Small businesses are closely linked. This was confirmed by most of the respondents as highlighted by the mean score of 4.53 and standard deviation of 0.641. The majority of the respondents (mean = 4.33; SD = 0.795) agreed that tax incentives had attracted private investors to the SB sector. This means that the tax incentives have increased investment in the SB sector and thus improved the performance of Small and medium enterprises.

On whether the government has given special tax treatment to Small businesses in the form of tax holidays, most of the respondents agreed as represented by the mean score of 3.87 and a relatively low standard deviation (0.878). This implies that the tax holidays accorded to the Small businesses have reduced the tax burden and boosted performance in these enterprises.

As seen by the mean of 3.68 and the standard deviation of 0.929, a higher percentage of respondents concurred that tax breaks had aided the development and growth of my company. Also, according to the mean = 4.41 and SD = 0.726 of the respondents, tax incentives have increased the number and expansion of small enterprises in Uganda. This indicates that improving the efficiency of small and medium-sized companies requires tax incentives.

The results also showed that the majority of responders (mean = 3.94; SD = 0.392) concurred that tax incentives had helped a respectable number of merchants in the SB industry to maintain their business operations.

The operations of small firms in the informal sector have also declined as a result of the special tax laws for small businesses. The majority of respondents, with an average score of 3.79 (SD = 0.356), agreed with this. The majority of respondents were neutral on the question of whether special tax treatment for small businesses has helped the country's market defects, as shown by the mean score of 3.08 (SD = 1.364). The mean score of 2.47 and standard deviation of 0.90 suggest that most respondents were conflicted on whether tax incentives had helped Uganda's young small and medium-sized companies.

Regression analysis of the study variables

In order to establish the magnitude of taxation (tax compliance, tax rates, and tax incentives) on the performance of small businesses in Iganga District regression analysis was conducted as indicated in table 7 below.

Table 7: Regression analysis of the study variables

Model	Unstandardized		Standardized		
	B	Std. Error	Beta	t	Sig.
(Constant)	.627	.269		2.329	.023

Tax incentives	.459	.094	.543	4.911	.000
Tax rates	.311	.108	.331	2.889	.005
Tax compliance	.171	.086	.206	2.014	.031
R=	.827	R-square =.684	F=34.574	Sig =.000	

Dependent Variable: Performance of Small businesses

Source: Primary data, 2022

Performance of small businesses= 0.627+ 0.459 Dtaxin + 0.311 Dtaxra +0.171 Dtaxcomp +Ui

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Keeping other factors constant, a one percent increase on tax incentives would on average lead to 0.627 increase in the business development of small businesses. This is statistically significant at 95% confidence interval since the p-value (0.023) is less than 0.05 and therefore we conclude that there is a relationship between tax incentives and business development of small businesses and thus the null hypothesis is rejected.

A one percent increase in tax rates would, on average, result in a 0.459 increase in the growth of small firms, holding all other variables equal. We conclude that there is a relationship between tax rates and the growth of small firms because this is statistically significant with a 95% confidence interval and the p-value (0.00) is less than 0.05. As a result, the null hypothesis is rejected.

A one percent increase in tax compliance would, on average, result in a 0.171 percent rise in the growth of small businesses, if all other variables remained constant. Since the p-value (0.031) is less than 0.05, this is statistically significant at the 95% confidence level, and we thus come to the conclusion that there is a relationship between tax compliance and small business growth.

The R-squared value (0.687) is higher than the adjusted R squared value and this shows that it's a good fit

Since F-computed (34.574) is greater than F-tabulated (0.00), we reject the null hypothesis and conclude that the dependent variable has a significant effect on the independent variables at 95% level of significance

Conclusion

This sub-unit shows the conclusions centered on each of the research objectives, as drawn from the study findings.

Tax compliance and the performance of Small businesses

The results of the study led to the following conclusion: "The Simplified Tax System, Tax Planning and Functional Knowledge, Understanding of Tax Laws and Regulations Play a Crucial role in improving the performance of Small Businesses." This suggests that enhancing the tax system through a simpler tax system can aid small business taxpayers in fulfilling their tax obligations and so lessen the burden of business taxes on small enterprises. Thus, enhancing the efficiency of Small enterprises requires a streamlined taxation strategy.

Tax rates and the performance of Small businesses

Based on the research's findings, the researcher came to the conclusion that fair tax rates, clear tax rates, and the appropriate amount of taxes rates are crucial for the development and success of small enterprises. This suggests that it is necessary to create an effective tax rate by reducing tax rates and providing tax relief to small and medium-sized firms. Doing so will lower the cost of operating these businesses and improve the performance of smaller firms in Uganda.

Tax incentives and the performance of Small businesses

The researcher further determined from the study's findings that the success of small firms depends on tax incentives such as investment deductions and allowances, tax holidays, and specific tax regimes for small and medium-sized businesses. This suggests that tax incentives play a crucial role in lowering the operational costs of paying taxes for small firms by reducing the burden of tax compliance enforced on them. Thus, efforts to boost the performance of small businesses in Uganda require the strengthening of tax incentives to promote their growth and development.

Recommendations of the study

The study recommends the following:

Tax compliance and the performance of Small businesses

The study showed that, in order to boost the productivity of small enterprises in Similar to this, the results of the interviews showed that because of tax breaks, companies have benefited from tax deductions like the Withholding Tax exemption and have been granted a tax exempt status certificate by the URA since such enterprises have a solid record of timely tax payments. This has lowered the tax liability on these businesses, allowing them to spend and grow. Hence enhancing the performance and prosperity of Uganda's small companies.

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