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**BUSITEMA UNIVERSITY ARAPAI CAMPUS**

**FACULTY OF AGRICULTURE AND ANIMAL SCIENCES**

**DEPARTMENT OF AGRIBUSINESS AND EXTENSION**

**ASSESSING FACTORS AFFECTING GROWTH OF SMALL SCALE**

**AGRO ENTERPRISES IN CENTRAL DIVISION, LUGAZI**

**MUNICIPALITY.**

**BY**

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**DEPARTMENT OF AGRIBUSINESS AND EXTENSION IN**

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**BUSITEMA UNIVERSITY**

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## DECLARATION

I declare that this thesis is my own work and it has not been submitted for any other degree award to any other institution.

Signature ..... 

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## APPROVAL

This special project has been submitted to the Department of Agribusiness and extension with approval of the university supervisor MR IISA AUGUSTINE.

Signature .....  .....

Date ..... 18/10/2024 .....

## DEDICATION

I dedicate this work to my family Mr Majidu Musis, Mrs Nakawesi Sipelanta, Namuyomba Patricia, Nalugo Robinah, Kayondo Samuel and to all my brothers Shendah Buluhani, Hamba Shakim and Lubega Alex whose unwavering support and encouragement have been instrumental in my academic journey.

I also dedicate this thesis to all my friends who provided both motivation and companionship during this endeavour.

Lastly I dedicate this study to my supervisor MR IISA AUGUSTINE who corrected my work tirelessly and guided throughout my research journey.

May the almighty reward them abundantly.

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## **LIST OF ACRONYMS**

GDP	Gross Domestic Product
SSAE	Small Scale Agro Enterprise
Mr	Mister
SPSS	Statistical Package for Social Scientists

## **ABSTRACT**

This study aimed at assessing the factors affecting growth of small scale agro enterprises in Central Division, Lugazi municipality. A cross sectional study involving 106 respondents who were sampled randomly was used to collect data. The study adopted quantitative approach where semi structured questionnaire was used to collect data. Data was analysed using descriptive statistics for objective 1 and 3 while a multiple linear regression model was used to analyse objective 2. The findings indicate that female respondents dominate the study while most of the respondents were singles aged between 30-39 years. The study also proved that most of the small scale agro entrepreneurs attained secondary level of education (50%). Majority of the small scale agro entrepreneurs had household size between 1-5 members. The major small scale agro enterprises carried out in the study area include crop production, livestock farming and agro processing. Most enterprises are sole proprietorships, primarily selling their products to the local markets and majority lacking employees and not involved in value addition activities. The findings revealed that entrepreneurial and managerial capabilities, access to finance, access to technology, market factors and linkages, government policies, infrastructural development and access to resources have significant and positive effects on the growth of the small scale agro enterprises at  $p=0.05$  while access to training and skills development does not have a statistically significant effect on the growth of small scale agro enterprises. The study revealed that major challenges faced by the small scale agro entrepreneurs include perishability, unsupportive government policies, limited capital, price fluctuation, competition, limited market, untrustworthy customers and disease outbreak. Therefore government should invest in rural infrastructures such as roads and storage facilities so as to facilitate better access to markets. Leaders in the local markets should create cooperatives among small scale agro entrepreneurs to enhance collective bargaining power while also investing in marketing training programs.

## **1.0 CHAPTER ONE: INTRODUCTION**

### **1.1 BACKGROUND**

Small scale agro enterprises are widely regarded as a country's economic backbone because they play a vital role in the development of the Ugandan economy. They collectively constitute about 90% of private sector production and employ over 2.5 million people (*National Small Business Survey of Uganda*, 2015). The small scale agro enterprises plays a crucial role in the economic growth of Uganda with its GDP contribution standing at over 70% and its employment and job creation rising to 90% (Ministry of Trade Industry and Cooperatives, 2015). Around one third of the Ugandan population was engaged entrepreneurial activities and majority of the enterprises have less than 20 employees.

In Uganda, Small scale enterprises refer an enterprise employing between 5 to 49 employees and has total asset between 10 million but not exceeding 100 million. Small scale agro enterprises play a vital role in promoting rural development, food security and employment opportunities thus alleviating poverty and facilitating economic growth (Keneth & Niclous, 2023).

Small scale agro enterprises play a crucial role in the agricultural economy, particularly in emerging economies and account for a large share of rural jobs and contribute significantly to the total value added in the agro industry sector. These enterprises typically operate on a small scale, often start operating from home and selling products to neighbours and friends via a roadside stall or in a local market place. These enterprises are characterised by the labour intensive production methods as there are rarely sufficient funds to invest in the specialized processing equipment. Also the quality of the small scale processors may vary and often face challenges in maintaining consistency supply. Small scale agro enterprises covers the entire range of activities concerning supply of inputs, production, processing, transporting and marketing of agricultural and related produce. They include input suppliers (Agro input dealers), processors of agricultural commodities.

In the recent years growth of the small scale agro enterprises has been of great concern mainly due to its contribution to economic growth and employment creation leading to growth and development in any economy. Growth and development in a given country is accelerated by growth of industries, firms and enterprises. Enterprise growth is a phenomenon which is necessary but happens over time. Therefore, a growth of the small scale agro enterprises must be studied over time and the predictors' recognition and evaluation precedes the assessment of such

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