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RESULTS OF A SURVEY OF FINANCIAL DEMAND BY SMALL - SCALE ENTERPRISE IN UGANDA

Note Economic Development Research Papers are written as a basis for discussion in the Makerere Economic Research Seminar. They are not publications and are subject to revision.

INTRODUCTION

The main purpose of this paper is to examine the financial problems of small - scale enterprise in Uganda basically from the point of view of the entrepreneurs themselves and only partially from that of the economist. It presents the results of an inquiry into the financial affairs of small-scale enterprise in Uganda which was carried out in June, July and August, 1966. It gives some factual information on the main sources of funds available to small firms in Uganda and the uses to which these funds have been put by the entrepreneurs. It also gives some idea about orders of magnitude of demand for funds as seen by the small entrepreneurs themselves. The paper, however, does not attempt to make any comprehensive analysis of the projects involved from the stand point of assessing the economic viability of these projects. Nor has the analysis of the data from the survey been elaborate or statistical. Rather, the results are presented more in the nature of a description of the salient features which, it is hoped, will provide a base for discussion of the important practical problems involved. Still, these problems probably are as of much interest to the academic student as to the policy maker.

The Survey.— The inquiry into the financial and other problems of small-scale enterprise in Uganda was carried out by means of a Survey. However, some knowledge had already been gained about the behaviour of small entrepreneurs during the course of conducting the Survey of Industrial Production, 1963. It had been learned that not only the response rate of a mail survey questionnaire to small firms was very low, but "the quality of the answers from small establishments was,...... rather poor."[1] As a result, the Statistical Division had decided to omit establishments with less than 10 employees from the survey. So with this knowledge in mind, it was decided that the survey would be conducted on an interview basis with the interviewers going to the premises of firms and conducting the interview on the spot. The interview was conducted from a printed questionnaire which contained questions dealing with the general characteristics of the firm, employment levels, the sources and uses of funds the present demand for capital funds and planned sources for the same; the questionnaire also dealt with a number of miscellaneous questions which dealt with such aspects as market structure, outstanding problems, the rate of government and constraints to expansion in this sector.

One of the main objectives of the survey was the collection of accounts from many small firms who do not have the obligation to

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[1] Uganda Government, Survey of Industrial Production, 1963 (Entebbe: Government Printer, 1965), p. 8.

file these accounts with the Registrar of Companies. In the event, however, this aim proved to be hopelessly out of the mark. For out of 228 small firms who agreed to answer the questionnaire, only one was willing to attach the balance sheet and profit and loss statements for the previous accounting year. There is thus no independent check on the accuracy of the figures reported in the survey. To what extent therefore the data collected give a true and fair picture of the actual state of affairs is difficult to ascertain. At best, the data collected was approximate and the picture of the financial state of affairs in this sector, drawn from such data, can only be approximate. Under the circumstances, therefore, no pretence was made to calculate such would be interesting measures as growth rates, output, value added or productivity in this sector of the economy.

A second main objection of the survey was the collection of other non-financial and demographic information about the behaviour and background of small firms in Uganda. In the event, results on this sector were considerably more encouraging than those received on the first section.

THE SAMPLE

Selection. — The problems and difficulties of defining a small-scale enterprise had already been discussed in my procedural paper on the Financing of Small-scale Enterprise. It had then been suggested that a definition of small enterprises in Uganda emphasizing those firms which did not have access to international and local money and capital markets would be a good working definition for the purposes of this study.[2] In practice, however, this definition soon proved to be not so workable as had been hoped. A pilot sample survey of 42 firms was carried out in April, 1966. This sample had been selected from a sampling frame of some 2400 private companies and it had been stratified only by location and capital investment. From the information available, however, there was no way of telling which of those firms had their capital funds raised locally or overseas. The original suggested working definition had therefore to be abandoned.

In most countries however, and indeed in much of the literature on small-scale enterprise, it is the employment measure which has invariably been selected as the most suitable measure of size. Such other measures as productivity, output, value added etc., have usually to be abandoned being not of much use for comparative studies since production functions are so influenced by the institutional set ups in various countries. But although in many underdeveloped countries, a small-scale enterprise is usually defined as one employing less than 100 people, it seemed that small-scale enterprise in Uganda was very small indeed. It was therefore decided that only those firms employing less than 50 people would be definable as small-scale enterprise. But because of a wide variability in capital and labour intensities in different industries, it was also decided to set the ceiling of a small-scale enterprise to a Capital investment of less than £50,000.

The original sampling frame of 2400 firms had also to be abandoned because of inherent defects discovered as a result of the pilot survey. For, among other things, out of the 42 firms in the sample, 8 had long closed down their businesses - some of these had closed their businesses down as far back as four years ago - and 5 were not at all known at the addresses given. Hence 31% of the sample had been rendered useless because of defects in the frame of reference. It had therefore to be abandoned.

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[2] See G.R. Bosa, "The Financing of Small-Scale Enterprise," EDRP.No.85, pp.1 & 2.

A more comprehensive and more up-to-date list of small-scale enterprise was therefore subsquently drawn up. This comprised of 2686 firms 1377 of which (51%) were located in the Buganda Region, 806 (30%) in the Eastern Region, 269 (10%) in the Western Region and 234 (9%) in the Northern Region. Thus 81% of the total firms in this sector was located in Buganda and Eastern Regions. But owing to practical difficulties, this sampling frame of reference was reduced to 1564 firms which were located in Masaka - Kampala - Jinja area, and in Soroti, Gulu and Mbarara towns. It was from this list that a random sample of 522 firms was finally drawn. The final sample was thus stratified only by location and by size. It comprised of 356 (68%) "very small"firms [consisting of 220 firms (42%) employing 1 - 4 persons and 136 firms (26%) employing 5 - 9 persons], and 166 "medium small" firms (32%) consisting of 93 firms (18%) employing 10 - 24 persons and 73 firms (14%) employing over 25 persons. These size weights were in the same proportions as in the original sampling frame.

No attempt was made to stratify the sample by industry. However, the composition of the sample by industry is given in Table 1.

The attempt to stratify the sample by racial ownership was given up when it was realized that the racial identity of ownership could not be ascertained from the business name of the firm. However, the racial ownership of those firms who responded to the questionnaire is given in Table 4.

The response to the questionnaire was about as good as could have been expected under the circumstances. Of the 522 firms attempted, 97 firms (18.6%) either flatly refused to co-operate or gave such little information it was of no use; 20 firms (3.8%) had closed down their businesses and another 46 firms (8.8%) were subsquently found to be either too big or international companies and were accordingly excluded. Another 85 firms (16.3%) were excluded for various other reasons: lack of communication, for instance, between interviewer and management or because of duplication when a firm would be found to have been covered under another name. This left an effective sample of 228 firms representing a response rate of 43.7% - the responses consisting, however, different degrees of co-operativeness.

SOME CHARACTERISTICS OF THE SAMPLE.

In a study of this kind, some characteristics that need to be examined would perhaps include such basic classifications as industry, various measures of size, and rates of growth of small firms; other characteristics might also include such things as turnover, market structure, age structure and ownership and control of small businesses. However, owing to the difficulties already mentioned, the requisite data regarding these various entities were either very approximate or non-obtainable. Nevertheless, the following few paragraphs perhaps give a rough idea about the basic characteristics of small enterprise in Uganda.

Size. — As already stated, it was the employment measure which was chosen as the most suitable basic classification in drawing up the sample. But a few other *ex post* measures of size have also been examined. Table 2a. shows the size distribution of the sample by employment measure. There was one firm in the sample which employed only one person, 73 firms comprising 32% of the sample, employed between 2 and 4 persons. This group employed 222 people accounting for 10% of the total labour force in the sample. Another 70 firms (31%) employed between 5 and 9 and were responsible for employing 450 people - accounting for 20% of the total labour force in the sample. These two groups can be referred to as the "very" small firms. The other two groups employing between 10 and 24 and

and 25 and 49 persons, respectively, can be referred to as the "medium" small firms. Though constituting only a third of the sample, the medium small firms employed approximately 70% of the total labour force in the sample, Hence, the very small firms constituting about two - thirds of the sample - employed less than a third of the total labour force in the sample. Of the small section of firms in the sample who declined to reveal the level of their employment, 4 were in Group I, and 2 in Group III.

The size distribution of firms in the sample employing gross assets as a measure is given in Table 2b. Only 182 firms responded to the question regarding their total gross assets. Of these, therewere 10 firms whose gross assets was less than £250 - the total value of their assets being £1,760. They owned less than 0.1% of the total assets of the responding firms. About one third of the responding firms had assets ranging between £750 and £4,500 but owned 5.6% of the total assets. In fact nearly two thirds of the responding firms had assets of less than £10,000 but owned only 16.7% of the total assets. The remaining 83.3% of the assets was owned by one third of the medium small firms. In particular, 8 firms who had assets of over £50,000 owned almost 30% of the total assets reported.

Table 2c shows the size distribution of firms in the sample using turnover as a size measure. There were 202 firms who responded to the question on approximate annual turnover. Of these, 6 firms reported an annual turnover of less £750, and 39 firms reported a turnover of between £750 and £5,000. The largest number of firms (28.7%) however, reported a turnover of between £5,000 £25,000. Just a little over two thirds of the responding firms had an annual turnover of less than £25,000 but they accounted for only 15.9% of the total volume of sales. The remaining 84% volume of turnover was accounted for by the little less than one third medium small firms, In particular, 14 firms whose turnover was £100,000 and over accounted for nearly 50% of the whole volume of turnover.

It is significant to note that the ranking of firms varied very little with the size measure chosen, and this is probably what matters most in a study of this kind. As already mentioned, it would have been ideal if measures in terms of output or value - added had been possible. But in a financial study, perhaps a financial measure such as gross assets would have been more appropriate. However, it was employment though with its shortcomings - which probably gave the firmest and most accurate figures. As has been mentioned, virtually all respondents refused to hand over their accounts. The assets and turnover figures were always approximate and perhaps in some cases no more than mere guesses. There was for instance one respondent who employed 35 persons but who reported nual turnover of £6,000.In one or two other instances the annual turnover given was less than the total credit reportedly extended during the course of the year! However, Table 3 attempts to consolidate the data on the various size measures into one table.

Industry. — As far as possible firms in the sample were classified according to the U.N. International Standard Industrial Classification. Table 1 shows composition of the sample by industry or service. The original sample of 522 firms was drawn up by a process of systematic sampling, hence Table 1 perhaps gives a rough idea about size and concentration of small enterprises in Uganda. It is significant to note that activities in this sector were by far dominated by the wholesale and retail trades which accounted for well over 50% of the firms in the sample. Manufacturing accounted for only 25% of the firms in the sample. In the manufacturing sector itself, enterprises were concentrated in the manufacture of furniture, footware and wearing apparel as well as in the repair of motor vehicles and cycles. The size distribution of firms engaged in these activities was only slightly skewed to the side of the very small firms as compared to the medium-sized small firms.

Other Characteristics. — Ownership and control and management may be one field which perhaps lends special problems to the small firm. Respondents were therefore asked to indicate not only the legal form of the firm but also some information about ownership and management. Of the 226 firms who responded, 89 firms were individual proprietorships while 48 firms were partnerships and the remaining 89 firms registered companies. The 137 registered companies and partnerships were owned by 541 persons, 33% of whom were also directors and belonging to groups of one family. There was only one company with as high as 30 shareholders, two others with 20 shareholders each. However, 81% of the companies and partnerships were owned by between 2 and 5 persons per firm. Of the 205 firms who responded to the question on management and educational attainment, 60 managers had attained either primary education or had had no formal education at all, 19 had attained a junior secondary education, 95 had attained a senior secondary education, and only 31 had attained a professional or university education. Most of the managers had gained experience as employees elsewhere in the same or similar line of business.

The composition of the sample by racial ownership, is given in Table 4. Of the 225 responding firms, 199 were owned by Asians, 11 by Africans and 7 by Europeans. The remaining 8 firms were owned by mixed races.

Rates of Growth. — Although it was realized from the beginning how important rates of growth would be to a study of this kind - since rates of growth may have an important bearing on the financial behaviour of small firms - in practice it was not possible to get an appropriate measure of any kind. An employment measure was attempted when respondents were asked to indicate the level of their 1961 or original employment and the present employment. The attempt had to be abandoned, however, as the question was found to have been misunderstood by the respondents. Instead of giving 1961 or original employment figure - whichever was the later - respondents tended to give levels of original employment pertaining when the business first started production. Another measure which would have measured rates of growth in terms of gross total assets was also given up because respondents could not give the appropriate figures for the required dates. In any case, even if it had been possible to obtain either of these measures, the measure would still have suffered from the absence of data on mortality rates, since only surviving firms took part in the survey.

Market Structure. — No attempt was made at anything like obtaining a refined picture of market structure in this sector of the economy. Theoretical criteria and their application of the nature of Joe S. Bain's studies[3] were obviously outside the scope of a study of this kind. However, in an attempt to find out a little about market structure of firms in the sample, respondents were asked their opinion about the strength of competition in their lines of business, in the following terms: "Would you say that in this enterprise you are up against strong competition, moderate competition, or no competition to speak of?" The answers are shown in Table 5.

Age of Business. — The age structure of firms in the sample is given in Table 6. Only 13 out of 225 firms were founded before 1930 and exactly one third of the firms in the sample were founded in the two decades between 1930 and 1949. The remaining about two thirds of the firms were founded between 1950 and now - the largest number of them being founded in the 1950's. Whether such a skewed age structure is indicative of high death rates is hard to ascertain. It may well be indicative of growing opportunities in this sector.

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[3] See, for instance, his book Industrial Organization (New York. John Wiley & Sons, Inc., 1959).

FINANCE AND THE SMALL FIRM IN UGANDA.

It is interesting to note that the financial problem of the small firm has probably been as intractable in underdeveloped countries as in developed countries - only more so in underdeveloped countries. It was as recently as 1931 that what has come to be known as the Macmillan Gap was recognised in the United Kingdom:

"It has been represented to us that great difficulty is experienced by the smaller and medium-sized businesses in raising the capital which they from time to time require even when the security offered is perfectly sound. To provide adequate machinery for raising long-dated capital in amounts not sufficiently large for a public issue..... always presents difficulties."[4]

Almost thirty years later the Radcliffe Committee[5] still commented that there was a danger, which it was socially and economically desirable to avoid, that the growth of small firms might be impeded because they lacked some of the facilities open to larger companies for obtaining capital.

The setting up of the Small Business Administration in 1953 was a recognition of the special problems facing the small firm even in such a developed economy as that of the United States. The Agency's first objective then as now is to assist small firms to obtain long and medium-term loans for the purchase of supplies, the construction of premises, or to add to their working capital.

James Bates in his book The Financing of Small Business, identifies the financial problems of the small firm in these words: "Put at its crudest, the financial problem of the small firm is that of finding funds for expansion at the right time, of the right type, and in the right quantities, at various stages of development."[6] He also isolates three special difficulties facing the small firm namely: the inability of the small firm to demonstrate its chances of success in order to persuade potential lenders; the inability of the existing lending and financial institutions to cater for the special problems involved in small business finance; the lack of knowledge on the part of the businessman and his advisors on how and where to get the money.[6] In regard to this last point it is interesting to note that when, in conducting the present survey, respondents were asked the question: "Have you sought any advice on how to finance your business? And if so, where from?", over 95% of the respondents answered in the negative.

The Financial Experience of Small Businesses in Uganda. — In principle, there are three main sources from which a firm may raise funds for its day-to-day operation and for expansion namely: internal funds, long-term external funds and short - and medium-term external funds. Internal funds which are analogous to the savings of private individuals, are raised mainly from the firm's own savings and past profits; the funds for long-term capital may be raised in the form of shares or loans; and short - and medium-term funds may be raised in the form of bank credit or hire-purchase obligations.

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[4] Committee on Finance and Industry. Report presented to Parliament by the Financial Secretary of the Treasury, H.M.S.O., Cmd. 3897, June 1931.

[5] Report of the Committee on the Working of the Monetary System, Cmd. 1959, 827, para. 932.

[6] The Financing of Small Business (London: Sweet & Maxwell, 1964), p. 11.

The sources from which 185 small firms in the sample obtained their funds are shown in Table 7. The amounts, however, given in the left-hand portion of the table are not total amounts, of a given date. Rather this portion only gives some idea on the original pattern of sources of funds to small firms when they first set up business. It also provides an interesting comparision to the pattern of sources of funds to the small firm as a going concern.

In the sample, share capital was by far the most important form of financing new businesses. It accounted for as much as 44.8% of the total sources of funds available to small firms starting new businesses. This is especially significant bearing in mind the limited marketability - in general, and in underdeveloped countries in particular - of the shares of private companies. This is perhaps explainable in terms of the family nature of ownership and control of these firms. In fact, not a single firm in the sample reported the use of bonds or debentures as a method of raising funds. It is also interesting to compare the relative importance of the weight of share capital to that of single proprietors' funds. Though 100% single proprietorships in the sample supplied amounts of their original funds, their total contribution amounted to only 7.7% of the total sources of funds. The individual proprietor typically started his business with less than £25 which he had saved either out previous employment elsewhere or from another small business. It is again interesting to note that the single proprietors contribution was of the same order of magnitude as that of the total short-term credit which banks extended to small firms. However, single proprietors' funds together with ordinary and partnership shares were by far the most important sources of funds - accounting for 63.4% of the total original sources of funds. But contray to expectations, loans from directors accounted for only 1.8% of the total sources of funds.

The next most important source of funds for the beginning firm was in the form of trade credits which accounted for 20% of the total sources of funds. This is perhaps a reflection of the dominating position commanded by trade and commerce in the sample. Trade credit figures contrasted very sharply with the figures given under hire-purchase. As a form of finance hire-purchase accounted for less than 1% of the total sources of funds to the starting small businessman. However, 12.3% of the total available funds were raised for the purchase of plant and machinery. The conclusion to be drawn would seem to be that even when small businessmen wished to set up in industry, they found it difficult to raise either short-term funds from banks or medium-term funds on hire-purchase terms.

Expenditure on other fixed assets - land and building - was very small accounting for only 5.9% of the total available funds to beginning businesses. Only 10 firms of the 185 responding firms reported expenditures on land and buildings. However, 81.8% of the total gross assets of small businesses was in the form of working capital. This again is probably a reflection of the dominating influence of trade and commerce in the sample. But lacking detailed information it was not possible to break these figures any further down to stocks and liquid assets.

Though the original dates of incorporation of firms in the sample are different, the right-hand portion of Table 7 gives a rough picture of the pattern of sources and uses of funds of these firms in mid-1966. There are some interesting comparisions to be made between patterns of financing small businesses as going concerns and when they first start in business. Though share capital was still absolutely the largest source of funds for long-term capital in the Sample, its relative importance declined from 44.8% to 29.6% of the total funds available. And although share and single proprietors' equity still accounted for 40.6% of the total available funds, retained profits and depreciation emerge as the most important form of raising funds for new capital. A number of businesses which started operating some 10 or 15 years ago with a capital issue in some cases of Shs.100/- or 200/- have managed to accumulate internal funds running into several hundreds of pounds. This seemed to be especially true of many Asian-owned businesses. But there was also one instance of an African firm with two partners who started out with only Shs.100/- in 1954 but who had accumulated by 1966 more than £10,000 through savings and ploughing back past profits. In fact, during the process of conducting the survey, it became clear that a large number of owners of small businesses were so used to this form of financing that the question of expansion did not even arise until such time as they had accumulated sufficient funds from their own internal sources. These businessmen were either too proud to finance their businesses from any external source or they had learnt from experience that there simply was no other source accessible and suitable for their long-term capital requirements. This view is reinforced by the fact that, between them retained profits and depreciation and equity capital accounted for 65.2% of the total sources of funds. In other words, two thirds of the total funds in the sample were raised either from shares and single proprietors' own funds or from retained profits and deprieciation.

Even when it came to short - and medium-term funds, bank credit and hire-purchase obligations accounted for only 8.8% of the total sources of funds in the sample. It is interesting to note not only that the weight of bank credit remained at around 8%, but also that only 27 out of 182 responding firms reported any bank credit at all. In other words only about 15% of the responding firms in the sample had access to this form of finance.

Trade credit remained an important source of short-term funds; it was responsible for 15.4% of the total sources of funds. However, from the uses point of view, the figure of £350,000 of total trade credits outstanding in mid - 1966 compared with a reported annual flow of £1,592,500 in credit extended to customers by small businessmen in the sample.

As going concerns, small firms spent more, both absolutely and relatively, on land and buildings rather at the expense of plant and machinery. Of the responding firms, 39 firms reported expenditure on land and buildings and this expenditure accounted for 22.5% of the total available funds. Relative expenditure on plant and machinery fell by 0.5% to 11.8% of the total expendable funds, and working capital accounted for the remaining 65.7%.

Present Demand for Funds. — Respondents were asked whether they wished to expand their activities and, as would be expected, a very large number of them tended to answer this question in the affirmative. However, it was only the 87 firms who had specific plans of expansion and details on how they proposed to go about it that were recorded. Of these, 3 firms proposed expansion in the form of downward integration. One wholesaling firm had plans to expand into a direct importation business; the other two firms were grocery firms who proposed to integrate downwards into truck farming and food processing. Another 7 firms proposed to integrate vertically, for instance one wholesale firm proposed to open up a retail store. The bulk of firms (58 firms) however, proposed to integrate horizontally. They wanted to expand their present business by buying more machinery or additional stock, replace obsolete machinery by new machinery, open up another shop or buy a new plot and other such activities.

Another group of 24 firms had plans to open up new industries which were completely unconnected with their present lines of business. The list of such industries was long and impressive.

It included such diverse things as plans to start manufacturing cycle spare parts, paper-bags, local asphalt and roofing felt, hosiery and textiles, hardware fittings, flourescent fittings and electrical accessories, suitcases, etc.; other plans included opening up shops for processing colour films and for designs for locally produced textiles and screen printing.

Respondents were also asked to supply the estimated capital costs of the proposed new projects and the proposed sources of these funds. Table 8 high lights the demand for funds for the proposed capital expansion and the planned sources of these funds. It is convenient and interesting first to examine the purposes for which funds need to be raised in the form of the structure of assets and expenditure on them. The most significant item for which funds need to be raised is plant and machinery - accounting for 40% of the total required expenditure. This constrasts very sharply with the position in Table 7 where 65 to 82% of the expenditure is in the form of working capital. But in the present pattern of demand the emphasis is on the other foot whereby the expenditure on plant and machinery and land and buildings accounts for just less than 60% of the total required expenditure. This is probably a reflection of the desire on the part of many firms in the sample to switch from basically trade and commerce to manufacturing industries. In fact, one Asian respondent asked about his opinion on what Government should do to help small businesses in Uganda most effectively,replied that Government should encourage Asians who had sufficient capital and technical know - how to switch from trade and commerce to manufacturing industries and leave room in trade and commerce for budding African small business men. The provision for expenditure on working capital 36% of the total expenditure is relatively much less important in the present position.

As far as the sources of funds for expansion are concerned, the proposed present position does not differ equally redically from that presented in Table 7. Share capital and internal savings would still account for 42% as compared to 65% of the total sources of funds in Table 7. However, three sources of funds would need to undergo some radical changes. The switch from trade credits to the proposed here-purchase obligations as a form of raising shot - and medium-term funds reflect a fundamental change in the pattern of activities to be undetaken. Much of the required working capital probably wanted in the form of liquid assets would need to be raised in the form of short-term bank credit. The relative contribution from this source would need to change from 8% to some 26% of the total sources of funds.

Other sources of funds typically include insurance companies and investment trusts and their relative contribution would apparently need to rise from the present about 3% to 6% of the total sources of funds.

<u>Conclusions.</u> - When respondents were asked the question: "What are the most important factors which you consider have prevented your business from expanding?", 55 out of 129 responding firms, mentioned lack of finance as the most important constraint to expanding their activities. Excessive competition which was the second most important constraint, ranked rather a poor second - this response being given by only 22 of the responding firms. And when the respondents were asked the sources from which they most usually were able to satisfy their demand for funds, 99 out of 190 responding firms mentioned retained profit as their most important source of funds. But although another 70 of these reponding firms mentioned bank credits as their most important source, the amounts acquired must have been very small as is evidenced from Table 7.

The picture which emerges from the sample is that of a very high rate of self-finance. Even share capital which accounted for a high proportion of the total sources of funds was most usually simply a matter of family funds. There was no evedence in the sample of a widely publicly subscribed issue of shares. The evidence, however, helped to support the hypothesis that small firms in Uganda relied a great deal on internal sources of funds for the provision of their long-term capital: it was also clear that although trade credit provided a significant source of funds, the small firms still had to rely partly on their internal sources of funds to satisfy their short- and medium-term requirements. These facts would perhaps strongly support the contention that the expansion of small firms in Uganda are probably inhibited by a lack of suitable sources of long - and short-term funds. Such high self - financing is no evidence of financial ease in small firms. With the exception of a possible small group of firms who may not want to raise funds for expansion from any external sources,
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[illegible]

it may well be that the bulk of small firms in Uganda are held back by their inability to get long - and medium-term finance from elsewhere. Evidence from the sample on the present pattern of demand for funds and the planned sources of funds for expansion would seem to support this contention.

TABLE 1

COMPOSITION OF SAMPLE BY INDUSTRY OR SERVICE

Industry	Interviews Attempted I	II	III	IV	Successful Interviews
PROCESSING OF COTTON & COFFEE					
Cotton Ginning 011	4	3	2	1	2
Coffee Curing 012			1	1	1
MINING & QUARRYING.					
Metal Mining 122			1	2	1
Stone Quarrying 140	1	1		2	-
MANUFACTURING					
Grain Milling 205	5	1	2		-
Bakery Products & Confectionery 206		1	2	4	6
Miscellaneous Food Preparations & Soft drinks 209, 204 & 214		2	3	3	1
Footware & Wearing Apparel 240,242 & 243	9	11	4	2	11
Furniture 250 & 260	8	7	4	4	10
Printing & Publishing 280	1	2	3	2	6
Rubber Products 300	1		1	1	-
Basic Industrial Chemicals, Soap & other Chemical Products 311 & 319	1		1	2	3
Vegetable & Animal Oils & Fats 312				1	1
Glass & Concrete Products 332 & 339	2			1	2
Metal Industries & Engineering 350 & 370	4	4	3	4	7
Repair of Motor Vehicles & Cycles 384	7	8	8	4	15
CONSTRUCTION					
Construction 400	2	3	4	10	6
COMMERCE.					
Wholesale Trade 611	38	21	16	10	26
Retail Trade 112	119	57	26	10	114
Real Estates 640	1	1	1	1	2
TRANSPORT & COMMUNICATION					
Omnibus Transporters 712 & 718	2	1	1	4	-
Road Transporters 713 & 714	2	1	1	1	2
SERVICES.					
Theatres 831 & 832		2	1		-
Restaurants & Cafes 842	7	5	3	1	8
Hotels & Rooming Houses 843	1	2	3	2	-
Laundries 844	1	1	1		1
Barber & Beauty Shops	1	1			1
Photographic Studies 846	3	1			2
TOTAL	220	136	93	73	228

TABLE 2

SIZE DISTRIBUTION OF FIRMS IN THE SAMPLE.

	VARIOUS SIZE MEASURES			
a.	Employment.		No. of Firms	Persons Engaged
	0 or 1 Persons engaged		1	1
	2 " "		21	42
	3 " "		28	84
	4 " "		24	96
	5 - 9 " "		70	450
	10 - 24 " "		55	783
	25 - 49 " "		23	757
	Not ascertained		6	-
	T O T A L		228	2,213
b.	Gross Assets		No. of Firms	Total Assets
	Under	£250	10	1,760
	£250 -	£749	10	6,000
	£750 -	£4,749	59	128,000
	£4,750 -	£9,749	59	245,000
	£9,750 -	£24,749	36	559,000
	£24,750 -	£49,749	20	671,000
	£49,750 -	and over.	8	665,500
	Not acertained		45	-
	T O T A L		228	2,275,760
c.	Annual Turnover		No. of Firms	Volume (£)
	Under	£749	6	3,000
	£750 -	£4,749	39	101,500
	£4,750 -	£9,749	35	222,500
	£9,750 -	£24,749	58	821,000
	£24,750 -	£49,749	27	900,000
	£99,750 and over		29	1,700,000
	Not ascertained		~~14~~ 20	3,465,000
	T O T A L		228	7,213,000

TABLE 3

CONSOLIDATED SIZE DISTRIBUTION OF FIRMS IN THE SAMPLE

Employment	Number of Firms	Percentage of Total	Persons Engaged	Percentage of Total	Turnover (£)	Percentage of Total	Number of Firms	Gross Assets	Percentage of Total	Number of Firms
Firms with:										
0 or 1 Persons engaged	1	0.4	1	-	-			150		1
2 "	21	9.2	42	1.9	159,500	2.2	18	45,000	2.0	17
3 "	28	12.3	84	3.8	325,000	4.5	23	270,500	11.9	21
4 "	24	10.5	96	4.3	427,000	5.9	24	184,000	8.1	19
5 - 9 "	70	30.7	450	20.3	1,664,500	23.0	61	586,000	25.8	55
10 - 24 "	55	24.1	783	35.4	2,947,500	40.9	54	567,500	24.9	44
25 - 49 "	23	10.1	757	34.2	1,482,000	20.5	22	525,500	23.1	19
Not ascertained	6	2.6	-	-	207,500	2.9	6	96,500	4.2	6
TOTAL	228	100.0	2,213	100.0	7,213,000	100.0	208	2,275,150	100.0	182

TABLE 4

COMPOSITION OF THE SAMPLE BY
RACIAL OWNERSHIP

Race	Number of Firms	Percentage of Total
African	11	4.9
Asian	199	88.4
European	7	3.1
Mixed	8	3.6
TOTAL	225	100.0

TABLE 5

OPINIONS ON THE STRENGTH OF COMPETITION

	Number of Firms	Percentage of Total
Strong competition	133	59.9
Moderate competition	74	33.3
No competition	15	6.8
TOTAL	222	100.0

TABLE 6

DATE OF FOUNDATION OF BUSINESS

Date of Foundation	Number of Firms	Percentage of Total
1900 - 1909	2	0.9
1910 - 1919	2	0.9
1920 - 1929	9	4.0
1930 - 1939	30	13.3
1940 - 1949	45	20.0
1950 - 1959	98	43.6
1960 - 1966	39	17.3
TOTAL	225	100.0

TABLE 7

SOURCES AND USES OF FUNDS

	ORIGINAL (185 Firms)			PRESENT (182 Firms)		
	Amount (£)	Percentage of Total	Number of Firms	Amount (£)	Percentage	Number of Firms
Issue of:						
Ordinary shares	498,500	44.8	71	674,500	29.6	65
Partners' shares	121,000	10.9	58	148,000	6.5	30
Proprietors' own funds	86,000	7.7	89	103,000	4.5	58
TOTAL CAPITAL ISSUED	705,500	63.4		925,500	40.6	
Loans from banks	85,500	7.7	17	184,000	8.1	27
Loans from directors	19,500	1.8	2	95,000	4.2	10
Mortgages	25,000	2.2	4	77,000	3.4	11
Trade Credits	221,000	19,9	27	350,500	15.4	48
Hire - purchase	6,000	0.5	3	16,500	0.7	5
Retained profits and depreciation	-	-		559,000	24.6	49
Other Sources	50,000	4.5	5	67,500	3.0	11
TOTAL SOURCES OF FUNDS	1,112,500	100.0		2,275,000	100.0	
USES						
Land & Buildings	66,000	5.9	10	512,500	22.5	39
Plant & Machinery	137,000	12.3	34	268,500	11.8	56
Working Capital	909,500	81.8	151	1,494,000	65.7	164
TOTAL ASSETS	1,112,500	100.0		2,275,000	100.0	

TABLE 8

PRESENT DEMAND FOR FUNDS
(87 FIRMS)

PLANNED ASSETS TO BE ACQUIRED	Amount (£)	Percentage of Total	Number of Firms
Land & Buildings	180,000	19.3	29
Plant & Machinery	373,000	40.0	52
Cost of other Items	42,000	4.5	15
Working Capital	336,500	36.1	68
TOTAL ASSETS REQUIRED	931,500	100.0	

PLANNED SOURCES OF FUNDS FOR EXPANSION

Issue of:			
Ordinary Shares	179,000	19.2	24
Partners' Shares	65,000	7.0	11
TOTAL CAPITAL ISSUES	244,000	26.2	
Loans from banks	237,500	25.5	48
Loans from directors	33,500	3.4	8
Mortgages	12,000	1.3	1
Trade Credits	36,500	3.9	10
Hire-purchase	145,000	15.6	15
Retained profits and depreciation	147,500	15.8	37
Other sources	75,500	8.1	11
PLANNED TOTAL SOURCES OF FUNDS	931,500	100.0	