

BIRUNGI HERBERT (2013-M092-20002)

Assessing the Contribution of Small and Medium Enterprises to Economic Development of Rural Households: A Case Study of SMEs in Kanyantorogo Sub-County Kanungu District.

The study sought to assess the contribution of Small and Medium Enterprises (SMEs) to economic development of rural households in Kanyantorogo sub-county. Specifically, the study was conducted to establish the nature of Small and Medium Enterprises, explore the contribution of SMEs towards creation of employment opportunities for rural households, establish how SMEs have increased household income, establish the contribution of SMEs to household food security and lastly explore how SMEs have improved health for rural households. However, key challenges facing SMEs and how SMEs can be made more effective were also established during interviews and also included in this report. A case study design using qualitative approach was adopted by this study in data collection and analysis. Purposive sampling was used to sample the 33 respondents who participated in the study. A total of 33 face-to-face interviews were conducted with 10 SMEs owners, 10 SMEs household members, 07 SME employees and 06 government officials in senior positions charged with responsibility over SMEs. This research adopted a case study design to answer four major questions i.e. what is the nature of SMEs? In what specific ways have SMEs contributed to economic development of rural households? What are the challenges faced by SMEs? and in what ways can SMEs become more effective? The findings show that SMEs are distributed across all sectors with majority in the agricultural sector, with a high number of small enterprises as compared to medium enterprises. It was revealed that most employees are employed by small enterprises compared to medium enterprises; most SMEs were started with a motive of increasing income, followed by employment creation and market opportunity availability with more older persons economically productive than the youth. Most SMEs in Kanyantorogo sub-county are owned by sole proprietors with majority of them registered with local tax collection authorities. Results of the study further show that SMEs have contributed greatly to economic development of rural households through their role in poverty reduction, income generation, creation of employment opportunities and promotion of investment which all have improved food security and health for household members. Major challenges faced by SMEs are crime, lack of technical skills, and lack of finances and taxation which all hinder establishment and growth of the sector. Major recommendations suggested for improving effectiveness of SMEs are development of business management skills, change of attitude and strengthening government's commitment.

Key Words: Small and Medium Enterprises, Economic Development, Rural Households, Kanungu District.