

**THE IMPACT OF ENFORCEMENT MECHANISMS ON TRADING LICENSE  
COMPLIANCE AMONG SMALL BUSINESSES IN KIKO MARKET, MUKONO  
MUNICIPALITY**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
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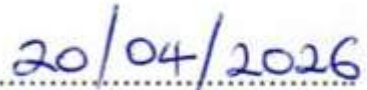
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## DECLARATION

I, Mubiru Solomon, declare that this research report titled “the impact of enforcement mechanisms on trading license compliance among small businesses in kiko market, mukono municipality” is my original work and has never been submitted to any institute of higher learning for any academic award.

Signature:  .....


Date:  .....

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## APPROVAL

This dissertation entitled “The impact of enforcement mechanisms on trading license compliance among small businesses in Kiko market, Mukono municipality” has been conducted under my supervision and its therefore ready for submission to the school of business of Uganda Christian University for examinations.

Signature: .....  ..... Date: 20/04/2026 .....

**MRS. JENNIFER ABIYAR N.**

(University supervisor)

## **DEDICATION**

This work is dedicated to my family towards their unending support, encouragement and prayers throughout my academic journey. Your sacrifices and belief in me surely has made this to be accomplished and achieved easily.

May the Almighty God indeed bless you exceedingly beyond measure.

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## **ABSTRACT**

This study examined the impact of enforcement mechanisms on trading license compliance among small businesses in Kiko market, Mukono municipality. The study was guided by three objectives that is, to assess the effect of inspection exercises, penalties and fines, and public sensitization on compliance among small businesses in kiko market, Mukono Municipality.

A descriptive research design using both quantitative and qualitative approaches was employed. Data was collected from 97 respondents using stratified random and purposive sampling methods, using questionnaires and interviews, and analyzed using descriptive statistics.

The findings revealed that inspection exercises are irregular and ineffective, penalties and fines are poorly communicated, and public sensitization is inadequate though highly important. In addition, the research shows that compliance levels are generally low due to expensive licenses, lack of awareness, and inefficiencies in the process.

The research concludes that enforcement measures will not be enough to ensure compliance if they are not backed by transparency, justice, and consistent sensitization. The research makes several recommendations such as improving the consistency of inspections, changing the penalty system, increasing awareness campaigns, and making licensing easier for small businesses.

## **CHAPTER ONE**

### **1.1 INTRODUCTION**

This chapter provides the background of the study, statement of the problem, purpose, objectives, research questions, and scope of the study that includes geographic, temporal, and topical scopes. This chapter also includes the significance of the study to policymakers, practitioners, fellow academicians, and the conceptual framework of the study.

### **1.2 Background of the study**

It is important that licensing be an important component of any municipality's regulatory functions. This process gives legitimacy to business activities, imposes the lowest standard of conduct on businesspeople, and is the basis of local revenues through service provision (OECD, 2018). Therefore, to achieve the above objectives, municipalities employ various mechanisms such as inspections, penalties, suspensions, license closure, and public sensitization. Data collected from countries which have used open enforcement and simple, mostly digital licensing processes, indicate high levels of license compliance (OECD, 2019; World bank, 2020).

However, compliance with licenses remains a challenge in most developing countries in their attempt to regulate trading activities within cities and towns. Informality in business practices, poor administrative capacity, lack of documentation, and perceived corruption make compliance levels low (African tax administration forum, 2020; International labour organization, 2020). Researches conducted in African countries reveal that inconsistency in inspection of businesses, imposition of selective penalties, and lack of awareness of traders about legal requirements create room for evasion (Muriithi, 2017; Osei tutu & Ameyaw, 2018).

Uganda's legal framework entrusts local authorities with licensing powers under the trade licensing act (Cap. 101) and the local governments act (Cap. 243), making trading licenses an important source of own source revenue for municipalities (Government of Uganda, 2020). Despite this, national data show widespread informality: over 70% of enterprises operate outside full formal registration, limiting local revenue potential (Uganda bureau of statistics, 2022). The ministry of local government and the Uganda local government association note that enforcement weaknesses, staff shortages, manual systems, limited follow up, and

perceptions of unfair treatment, are major drivers of low compliance (Ministry of local government, 2022; ULGA, 2021).

Mukono municipality, one of Uganda's rapidly urbanizing areas along Kampala highway with numerous markets, small shops has expanded market activity, yet municipal reports indicate persistent shortfalls in expected license revenue and a sizeable share of traders operating without valid licenses (Mukono municipal council report, 2023). Field reports from Kiko market, a major local trading centre, points to common barriers such as high perceived license costs relative to small profit margins, unclear or inconsistently applied enforcement procedures and low trader awareness. Traders also report irregular enforcement that prompts temporary compliance during inspections rather than sustained formalization (Namagembe, 2020).

The practical consequences are tangible: revenue losses limit the municipality's ability to fund essential services, non compliance creates unfair competitive conditions for law abiding traders, and distrust between traders and enforcement personnel impedes collaborative approaches to compliance (Kintu, 2019; Tumwebaze, 2021). Research shows that enforcement works best when it's not just about inspections and penalties, but also about fairness and support. When authorities combine preventive actions with education and simpler procedures, people are more likely to see the system as fair and choose to comply willingly (Alm & Torgler, 2011).

Even though the significance of enforcement in ensuring adherence to licenses cannot be overlooked, there are very few studies carried out at market level in Uganda about the correlation between these enforcement measures and traders' conduct. Taking into consideration the importance of Mukono to the country's economy and non compliance being an ongoing issue in Kiko market, a study within the region is important in determining the type of measures that will enhance compliance without putting too much burden on small traders.

### **1.3 Statement of the problem:**

The Mukono municipal council report shows that only 60% of the trading license revenue projected was generated during the 2022/2023 fiscal year. Only 270 traders in Kiko market had trading licenses among the approximately 600 traders operating there. The others were informal traders (Mukono municipal council report, 2023). Several traders claim that the high

cost of trading licenses, lack of awareness, and weak enforcement are the major reasons for failure to comply (Namagembe, 2020).

The poor level of compliance leads to reduced local government revenue, poor funding for the markets' maintenance activities and other municipal operations, and unfair competition between the complying and non-complying traders (Kintu, 2019). It also creates a bad relationship between traders and the officers enforcing compliance measures, which makes future compliance efforts ineffective (Nakitende, 2020).

Despite various enforcement tools like inspection, sanctions, and sensitization campaigns being used, compliance is still not satisfactory. Therefore, it is essential to analyze how the enforcement mechanisms affect trading license compliance among small business operators in Kiko market, Mukono municipality.

#### **1.4 Purpose of the study**

The purpose of this study was to assess the impact of enforcement mechanisms on trading license compliance among small businesses in Kiko market, Mukono municipality.

#### **1.5 Objectives of the study.**

To assess the impact of inspection exercises on trading license compliance among small businesses.

To assess the effect of penalties and fines on trading license compliance among small business owners

To assess the impact of public sensitization and awareness campaigns on trading license compliance among small businesses in Kiko market

#### **1.6 Research questions**

What are the effects of inspections on the compliance of the trading licenses of small businesses within Kiko market?

What are the effects of fines and penalties on the compliance of the trading licenses of small business owners within Kiko market?

What are the effects of sensitization and public awareness on the compliance of the trading licenses of small businesses within Kiko market?

## **1.7 Scope of the study**

This scope was restricted to geographical, time and content scope.

### **1.7.1 Content scope**

The study analyzed the methods of enforcement which include among others inspection, punishments/fines and awareness campaigns as means of enforcing trading license compliance in small businesses. In terms of the content scope, it was limited to small businesses within Kiko markets only while ignoring other areas such as medium businesses and informal business within other markets. This was done to ensure that the results derived from the study were accurate.

### **1.7.2 Geographical scope.**

The study was carried out in the municipality of Mukono, focusing on only small business enterprises within Kiko market. This was because there existed numerous small business enterprises that could be ideal candidates towards failing to pay license fees.

### **1.7.3 Time scope.**

The time scope ranged between 2019 to 2025 and the reason behind this scope range is that covered the recent enforcement changes and market operations which provided updated compliance behaviors and enforcement effectiveness.

## **1.8 Significance of the study**

There are a number of ways in which the findings of this study will be beneficial to policy makers, practitioners, and scholars.

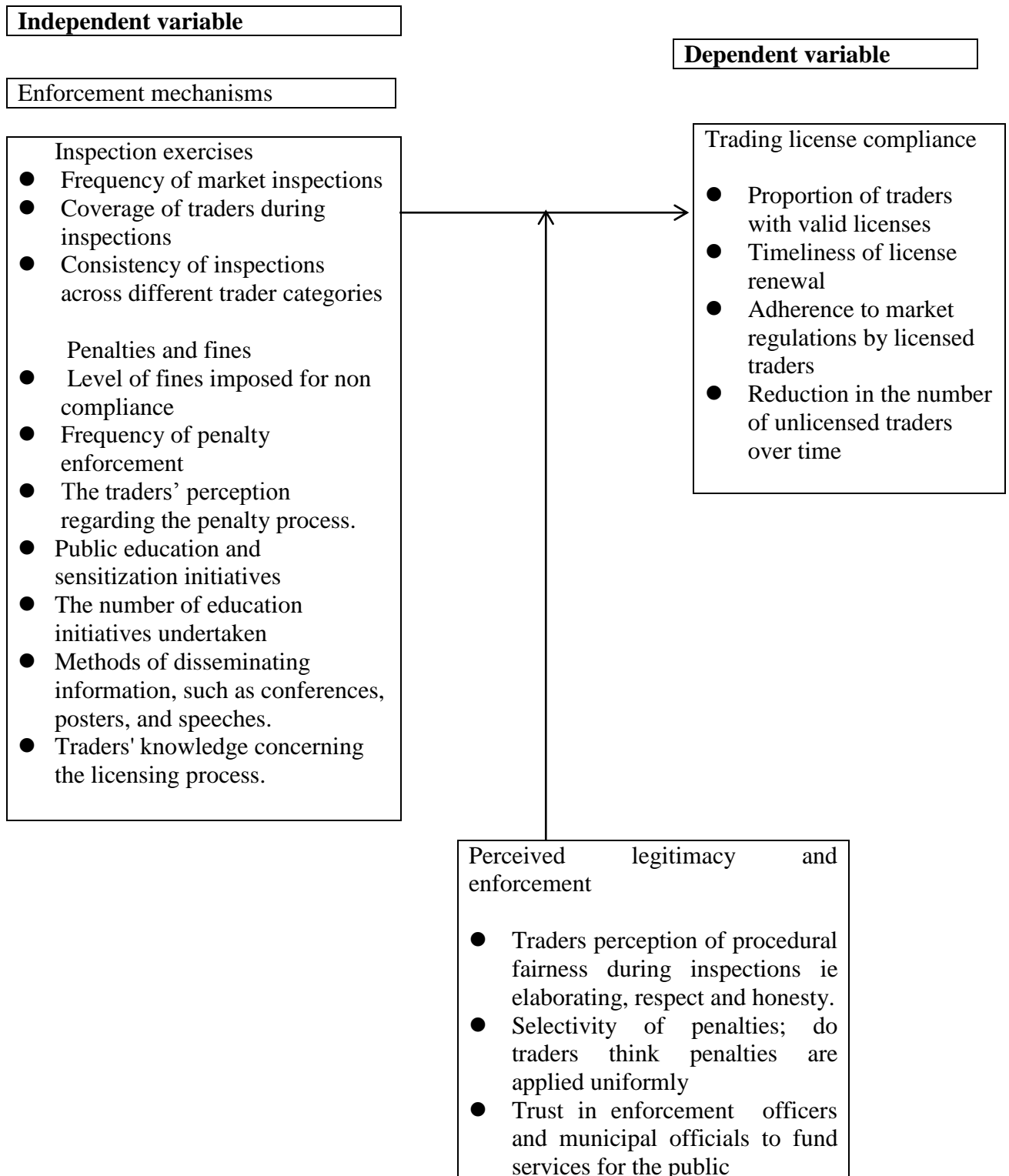
This study provided data on how enforcement measures have an impact on the level of compliance to trading licenses among small businesses. This could be used by local government officers in crafting enforcement policies that are equitable, efficient, and sustainable.

Officers of municipal governments, as well as market administrators, could benefit from this study through its findings on inspection methods, penalty measures, and sensitization drives. This would help improve the operational efficiency and effectiveness of enforcement agencies, as well as their relations with traders.

Finally, there is no doubt that this study would be useful in enriching the body of knowledge in regulatory compliance, enforcement measures, and small business formalization.

## 1.9. Conceptual framework

Figure 1. Conceptual framework



Sources: Author (2025), modified from Torgler (2011), Bukonya & Ssewanyana (2018) and Nakitende (2020).

The following conceptual framework highlights the interdependence between enforcement measures and the compliance of trading licenses in small business enterprises operating within the Kiko market, Mukono municipality.

The independent variable comprises the enforcement measures in the form of inspection programs, penalties, and fines, as well as public sensitizations. These variables are anticipated to affect the dependent variable in terms of trading license compliance in relation to owning valid trading licenses, timely renewals, regulatory compliance, and minimizing unlicensed traders.

This conceptual framework is based on previous research findings indicating that proper enforcement is associated with high levels of compliance when the processes are consistent, fair, and supplemented with awareness programs (Namagembe, 2020).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction.**

This chapter contains an analysis of the available literature on the theory of enforcement systems and compliance through trading license for the small business organizations that are operating in the Kiko market of the Mukono municipality. The chapter identifies the main types of enforcement techniques adopted which include inspections, penalties, and sensitization of traders.

#### **2.1 Definitions of key terms**

##### **2.1.1 Enforcement mechanisms.**

Enforcement mechanisms refer to the process, strategies, and means employed by the authorities to ensure that there is adherence to existing regulations. As stated by Nanyonga and Sseremba (2020), it involves the use of comprehensive mechanisms like inspections, punishments, and educational campaigns, which are used by local governments to facilitate voluntary and involuntary compliance.

Conversely, Bimbona and Rwengabo (2024) describe enforcement mechanisms as one of the processes of governance that entail the use of deterrence and service provision, asserting that enforcement mechanisms can be successful only if there is administrative expertise and legitimacy involved.

On the contrary, Ma (2021) describes enforcement mechanisms as the process where prevention and rectification coexist, while Kassa (2022) defines enforcement mechanisms as the process that is coercive and facilitative, with persuasion and punishment going hand in hand.

What distinguishes the Ugandan perspective from institutional theory based perspectives is their contextual and ethical approach. Based on Sendawula (2021), the efficacy of municipal enforcement depends on the transparency of officers' actions, while Mutuku (2022) argues that enforcement devoid of ethics fosters mistrust. What is apparent is that as against the structural focus and deterrent approach of Ma (2021) and Kassa (2022), the Ugandan

perspective focuses on legitimacy and culture within institutions, like Bimbona & Rwengabo (2024) and Nanyonga & Sseremba (2020).

### **2.1.2 Inspection exercises.**

In general, one of the most popular enforcement techniques utilized by public organizations to ensure that there is compliance with trading regulations is through conducting inspections. Inspection can be defined from two perspectives; firstly, MTIC (2022) defines it as formal investigation conducted by regulatory agents for compliance and enforcement, while secondly, according to Nanyonga & Sseremba (2020), it refers to a participatory process where local governments educate the traders and listen to their grievances.

Internationally, Tompa et al. (2016) refer to an inspection as a formal audit conducted by relevant officials for the purposes of detecting any violation of trading regulations, while according to Mwangi and Njeru (2021), it refers to an educational and participatory experience for both surveillance and education.

However, in Uganda, inspection is used as a developmental approach as opposed to being used for punitive purposes. For example, according to Sendawula (2021), inspections take place together with sensitization in markets such as Mukono and Kampala. Furthermore, Bimbona and Rwengabo (2024) opine that frequent and clear inspections promote voluntary cooperation. Hence, the above perspective held by international scholars is mostly concerned about control, while the Uganda scholars focus on legitimacy and cooperation.

### **2.1.3 Penalties and fines.**

Punishments and fines are forms of sanctions levied against an individual or institution that contravenes rules and regulations. When it comes to penalties in Uganda's urban municipalities, they can be defined as sanctions used by the law to discourage illegal business activities and recovery of past dues as stated in the Mukono Municipal Council report (2024); however, in the view of MTIC (2022), penalties are seen as financial tools employed for remedial purposes. Further, Sendawula (2021) posits that penalties can ensure that people follow the law only when applied consistently and without bias.

Meanwhile, international scholars such as Sinning (2023) and Kogler et al. (2022) regard fines as economic sanctions that modify the gains of engaging in a specific practice, while

Hashim and Ofori (2021) see them as remedial measures that promote equitable administration.

Nevertheless, there is a distinction between the two definitions since Sinning (2023) and Kogler et al. (2022) concentrate more on the role of economic sanctions, whereas Ugandan scholars consider legitimacy and affordability essential since excessive fines would encourage informal business practices, as explained by Nanyonga and Sseremba (2020).

#### **2.1.4 Public sensitization and awareness campaigns.**

Sensitization and awareness campaigns are structured communication processes intended to inform citizens on their duties as required by the law. According to MTIC (2022), sensitization is structured communication through radio talks, billboards, and markets to sensitize the people on the importance of registering voluntarily. However, according to Nanyonga and Sseremba (2020), sensitization involves active participation with two-way communication that builds understanding between the trader and the authority. The report by Mukono Municipal Council (2024) indicates that awareness campaigns promote cooperation if regularly carried out with the involvement of market associations.

Kangave, Nakato, and Waiswa (2021) assert that education of the public results in voluntary compliance with taxation and licensing requirements, whereas Schaap (2022) sees sensitization as a legitimacy-building exercise. Sensitization, as defined by Kogler et al. (2022), involves normative compliance driven by moral values.

Unlike the international literature that stresses cognition and norms, Ugandan literature stresses community based communication strategies (Kiiru & Rotich, 2023).

#### **2.1.5 Trading license compliance**

Traders' license compliance entails the level of conformity of traders with the rules concerning issuance and revalidation of trading licenses. Trading license compliance, according to Bimbona & Rwengabo (2024), is conformity of business operators "with the relevant revenue rules in order to sustain service delivery." On the other hand, Sendawula (2021) conceptualizes it as a mixture of the behavior of traders and governmental enabling environment. As observed by Nanyonga & Sseremba (2020), the compliance behaviors arise out of perceptions of fairness, awareness, and affordability.

Conversely, Kassa (2022) considers trading license compliance as administrative conformity with the rules governing the trading licensing process, whereby there is an emphasis on the following of the rules, while Schaap (2022) understands it in the light of perceptions of legitimacy. In any case, all these perspectives incorporate all the aspects discussed above, but they also recognize the limitations posed by social and economic factors like insufficient capital base.

### **2.1.6 Small businesses.**

Small businesses are essential elements in the economic life of cities in Uganda and can be distinguished by quantity and quality characteristics. For instance, the Uganda Investment Authority (2022) notes that small businesses in Uganda are ventures employing between 5 and 50 workers and whose assets do not exceed UGX 100 million. Furthermore, the Uganda Bureau of Statistics (UBOS) (2023) indicates that small businesses comprise more than 90% of the private sector in Uganda and are operated informally. Small businesses, in academic contexts, are viewed as ventures that lack resources, are localized, and are adaptable, according to Sendawula (2021). On the other hand, Bimbona and Rwengabo (2024) observe the roles that small businesses play in income generation in urban municipalities.

From an international point of view, small businesses have been defined by Hashim and Ofori (2021) as independent ventures with insignificant market shares, while, to Mwangi and Njeru (2021), such ventures are characterized by innovation and informal management. In particular, Ugandan perspectives on small businesses are distinguished by institutional and behavioral features linking compliance abilities to governance and information availability (Nanyonga & Sseremba, 2020).

## **2.2 Effect of inspection exercises on trading license compliance**

### **2.2.1 Theoretical pathways**

Inspection exercises impact the trading licenses compliance through various related theories. The first theory is based on deterrence theory, which posits that individuals tend to follow laws if they perceive there are high chances of apprehension and punishment. With regards to the cities in Uganda such as Mukono municipality, inspection exercises increase the perception that traders face risks of being apprehended in the event of breaching trade laws.

In this instance, the fear of being apprehended makes traders pay the cost of not complying with the trading laws by seeking compliance through trading licenses (Mbago et al., 2016).

Furthermore, procedural justice and legitimacy theory also provides an explanation for willingness of traders to comply with laws. Whereas there may be instances of traders being influenced by punishment to comply with laws, legitimacy serves as the other motivator. The traders would be willing to comply with policies formulated in a municipality if they are perceived to have been treated with respect. In such cases, legitimacy emerges as a motivational factor for normatively complying with laws (Nanyonga & Sseremba, 2020).

This third theory is based on the resource based and information theory, whereby the emphasis here is that inspections are both punishment-based exercises as well as means of information sharing. Inspections tend to offer information concerning licensing requirements and processes, as well as help merchants deal with any issues caused by bureaucracy. Hence, when enforcement exercises incorporate training and education components, there is a reduction in the informational asymmetry between the local authorities and merchants leading to a reduction in costs of compliance (Kato, 2022).

Moreover, the institutionalist theory acknowledges the significance of having adequate administrative capabilities, clear rules, and stability within the institutional setting in affecting individual behavior. Local authorities which have effective mechanisms, low-cost licensing processes, and adequate enforcement capabilities tend to have high levels of compliance than inefficient authorities which have inadequate resources, corruption, and jurisdictional overlap. Hence, inspections take place through a combination of deterrents, legitimation, learning, and administrative efficiency aimed at encouraging compliance (Mbago et al., 2016).

### **2.2.2 Empirical evidence**

There are empirical findings regarding the impact of inspection activities on formalizing businesses and the use of trading licenses by firms. On the macro policy evaluation level, consistent inspections coupled with easy registration procedures raise formal license usage, particularly for small businesses (Bimbona & Rwengabo, 2024). According to (Ministry of trade, industry and cooperatives, 2022), inspection enforcement activities in some towns and cities have been able to raise compliance levels, but they rely heavily on how they are implemented.

On the city and municipal level, there are cases where enforcement activities were met with resistance when they lacked stakeholder engagement. According to Mitullah (2003), such enforcement activities could get compliance in the short run, but they end up driving traders underground, raising informality rather than promoting compliance. Inspection activities that adopt participative enforcement techniques like sensitizing stakeholders before inspections and follow up enforcement after inspections are more effective (Sendawula, 2021).

On the micro level, inspections are an integral part of revenue collection measures undertaken in Mukono municipality based on evidence from Mukono municipal council reports in 2024.

Compliance has proven to be inconsistent owing to factors such as inefficiencies in the process of issuance of licenses, lack of sufficient staff, and poor trader awareness. Research studies have shown that compliance levels increase where inspections exercises are consistent, clear, and linked to facilitative measures such as on site registration and issue of receipts (Nanyonga & Sseremba, 2020).

Overall, empirical evidence from Uganda has demonstrated the importance of inspection measures for compliance; however, the efficacy of such inspections is greatly influenced by implementation processes and consistency of follow up measures.

### **2.2.3 Design and implementation factors**

The way inspections exercises are designed and implemented makes all the difference between fostering compliance and merely inducing compliance through fear. There are four key determinants of design which are highly relevant to the Ugandan case.

Firstly, the clarity of licensing procedures affects how perceptions of fairness shape enforcement. If licensing is unnecessarily difficult to understand or if the rules are not clearly laid out, then inspections will be associated with misunderstandings, distrust, and rent-seeking behavior on the part of enforcing officials (Bimbona & Rwengabo, 2024). Licensing fees should be publicly available and transparent in order to ensure credible inspections.

Secondly, the predictability and proportionality of sanctions will affect how traders react. When sanctions seem unpredictable or unreasonable, there will be little incentive for voluntary compliance; however, inspections which involve proportionate and predictable sanctions create incentives for compliance because they ensure fair and reliable enforcement (Sendawula, 2021).

Finally, administrative and technological capabilities affect inspection quality. When municipalities have digital licensing capabilities and properly trained staff, then license issuance, record keeping, and follow up become easier, turning inspections into an exercise in registration and compliance facilitation.

In addition, coordination between these agencies avoids overlap and overlapping regulations. Research indicates that poor coordination between local authorities and central agencies can negatively affect compliance results, as it places a heavy burden on the trader to pay several fees at once and receive confusing instructions from different agencies (Nanyonga & Sseremba, 2020).

#### **2.2.4 Behavioural and institutional moderators**

Behaviours and institutional factors are key moderating variables in determining how inspection procedures impact compliance with trading licenses. Behavioural wise, the attitudes displayed by the traders will be determined by the trader's perception of risk, equity, and gain. The majority of small scale traders in urban marketplaces such as Kiko earn minimal and erratic income; therefore, frequent inspections do not prevent such traders from non-compliance in case the costs of obtaining trading licenses are viewed to be unaffordable or the advantages of compliance are not clear (Kato, 2022).

In addition, social relations influence the traders' attitude towards compliance with trading licenses. The trader association acts as an intermediary between the local administration and the traders, hence influencing the trader's perception regarding inspections. In cases where the traders' associations work hand in hand with municipal officers in sensitizing traders on the need for trading licenses, compliance levels improve.

The institutional factor is also very important. Municipalities that rely on fees from fines to a great extent will perform their inspections more as an activity that creates revenue and not as a means to increase compliance (Mukono municipal council report, 2025). There is also likely to be harassment and rent seeking behavior under such a situation. In contrast, municipalities that employ performance based budgeting and audit systems will be using their inspections in a constructive manner (MTIC, 2022).

Therefore, both behavioral economics and political economy approaches shed light on why similar inspections yield different outcomes in different contexts in Uganda. It can be said that the context influences the response of the trader community towards inspections.

### **2.2.5 Implications for trading license compliance in Uganda (Kiko market, Mukono municipality)**

For Kiko market in Mukono municipality, inspection exercises hold considerable potential to strengthen compliance if implemented thoughtfully. First, enforcement should be reframed as a hybrid enforcement facilitation process rather than purely punitive. Inspectors should be empowered to provide information, issue licenses on site, and assist traders in completing registration requirements. Integrating enforcement with service delivery increases legitimacy and compliance efficiency (Bimbona & Rwengabo, 2024).

Second, predictability and procedural fairness must guide all inspection operations. Publishing inspection schedules, displaying standard fine structures, and ensuring accessible appeals processes can improve trust and voluntary compliance. Capacity building for market administrators through regular training, digital registration tools, and logistical support, will help ensure that inspections produce tangible licensing outcomes rather than repetitive penalties.

Fourth, the involvement of trader associations is critical. Engaging these associations in planning and communication before and after inspections builds mutual accountability and reduces confrontations. Peer monitoring within associations can also reinforce compliance norms among traders.

To add on that, monitoring and evaluation systems should be institutionalized to track inspection performance, conversion rates from inspection to license issuance, and trader satisfaction. This data driven approach will help identify gaps, curb corruption, and ensure that inspections contribute to sustained formalization rather than short term revenue gains.

## **2.3 Effect of penalties and fines on trading license compliance.**

### **2.3.1 Theoretical pathways**

Penalties and fines have been some of the most directly influential tools of enforcement in the efforts to make traders comply with trading licenses requirements by the local government. There are various theories that could explain the influence of penalties and fines on regulatory compliance among traders.

The deterrence theory is perhaps the most influential. This theory states that people will comply with regulations when they feel that the cost of not complying is greater than that of

complying. In the case of traders in Uganda, the fear of penalties for trading without a legal license compels traders to comply since failure to do so implies losses (Mbago et al., 2016). Deterrence requires three key things; the certainty of punishment, the severity of punishment and the speed of punishment. Hefty penalties that are always certain and fast to take place will deter people from breaking laws.

Another theory that complements the above one is the rational choice theory where people make cost benefit decisions as regards to what to do. Hence, traders calculate both the cost and benefits of having trading licenses.

The procedural justice and legitimacy theory takes this idea one step further by noting that the effectiveness of the punishment depends largely on its fairness and transparency. Should enforcement become corrupt, arbitrary, or biased against certain groups, the legitimacy of the penalties is undermined, making people less likely to comply, and more likely to evade instead (Nanyonga & Sseremba, 2020). Legitimacy thus becomes an intermediary between punishment and compliance.

Institutionalist theories posit that effective enforcement of penalties and fines is contingent on the presence of clearly established regulatory institutions within which such practices can be carried out. An unstable institutional environment that lacks consistency and involves political interference would limit the legitimacy of the penalties and their overall effectiveness. Therefore, in cases like local governments, like the Mukono municipality, enforcement institution design is vital (Bimbona & Rwengabo, 2024).

### **2.3.2 Empirical evidence**

Empirical findings from Uganda demonstrate that the use of punishment and fines is effective based on how they are designed and enforced as well as the socio economic setting surrounding the process. As indicated in Kampala capital city authority (KCCA), imposing reasonable fines together with sensitization and appropriate follow up has led to improved compliance amongst unlicensed traders (KCCA, 2021). On the contrary, where fines are imposed inappropriately or unfairly, traders tend to seek out informal means or shift to places where they can be detected easily (Mitullah, 2003).

On the municipal level, (Ministry of trade, industry and cooperatives report, 2022) discovered that drive to impose fines in places such as Nakawa, Lira and Mukono led to improved income collection, although there were no long lasting effects resulting from such

efforts because there was inadequate communication between enforcers and the traders. According to the study, the likelihood of compliance is much higher when there is more emphasis on corrective measures such as paying of debts with small surcharges.

According to Sendawula (2021), research findings conducted regarding the regulatory compliance within small and medium businesses in Uganda indicate that consistent application of fines makes individuals habitual. However, when such fines are imposed arbitrarily using random inspections, there is likely to be mistrust of municipal officials and a hostile relationship developed between businesspersons and enforcement agents.

According to the municipal council report of Mukono (2024), fines play an important role in municipal income mobilization efforts; however, the level of compliance by micro traders in informal markets, such as Kiko market, continues to be low despite their contributions. This implies that even though fines contribute financially to the municipal coffers, compliance to licences will not necessarily occur without proper educational programs and administrative reform. According to studies conducted by Nanyonga & Sseremba (2020), similar observations have been made in other cities and towns.

The empirical findings from Uganda indicate that fines may indeed be an appropriate tool to ensure compliance provided they are predictable, proportional, and procedural. However, if fines are disproportionate and inadequately explained, they tend to foster informality and diminish legitimacy.

### **2.3.3 Design and implementation factors**

The efficiency of the penalties and fines in encouraging trading license adherence is influenced by the nature of the penalty regime used. Some of the key considerations in this regard in relation to Uganda include:

The clarity and consistency of the penalty system in determining the extent to which traders find them reasonable. A complicated penalty system breeds discussions, bribes, and avoidance. Municipal governments such as Mukono, which publish their fine structures through the by laws are more successful in minimizing disputes as well as maximizing voluntary compliance with the regulations (Mukono municipal council report, 2024).

Predictability and uniformity in applying the penalties. A situation where the application of the penalty system is inconsistent is unlikely to be taken seriously. Local authorities have an

obligation to be consistent in enforcing the penalties regardless of where the traders operate, gender, or even political affiliation (Nanyonga & Sseremba, 2020).

Administrative capacity in terms of the availability of adequate logistics, staff, and digital records for the offense registration and penalties imposition (MTIC, 2022).

Fourthly, the combination of fines and facilitation towards compliance will be more effective. The system needs to be supplemented by awareness programs, on-site registration facilities, and payment methods for petty vendors. In this way, the penalty regime can be transformed into an instrument for encouraging compliance (Bimbona & Rwengabo, 2024).

Lastly, institutional cooperation is necessary. When the municipal enforcement agency, market management committee, and local police act independently, inconsistencies arise and traders become confused. Cooperation and regulation of these institutions will make the process more effective (Sendawula, 2021).

#### **2.3.4 Behavioural and institutional moderators.**

Conditions of behavioral nature together with institutions impact the way that penalties and fines are effective for enhancing compliance. In terms of behavior, perception of the risk by traders as well as the morality of traders play a major role in determining if penalties will serve as deterrence or irritation. When traders view fines as appropriate punishment for failing to comply with rules, then it is likely that they will behave accordingly. But where fines are seen as taking advantage of situations, traders tend to bribe or not to cooperate (Kato, 2022).

Additionally, studies in economic psychology indicate that fines exhibit declining marginal deterrence when traders experience perpetual financial challenges. In this case, fines may not serve the purpose of compliance, but instead, force micro entrepreneurs into becoming informal businesses (Nanyonga & Sseremba, 2020).

On the other hand, institutions like political manipulation and financial dependency affect enforcement efforts. Municipalities that depend heavily on penalty fees may be inclined to focusing on fine collection rather than enforcing compliance in a sustainable manner (Mukono municipal council report, 2025). Conversely, municipalities with revenue sharing processes and accountability frameworks usually impose penalties constructively.

Moreover, local institutions' trust acts as an important mediator. In cases where past campaigns have been marked with corruption and use of excessive force, it becomes difficult for traders to react positively to such penalties. The establishment of trust within institutions, by enforcing policies and communicating regularly with traders, proves more effective than punitive actions (MTIC, 2022).

### **2.3.5 Implications for trading license compliance in Uganda (Kiko market, Mukono municipality)**

The above frameworks when applied to Kiko market, Mukono municipality can be used to derive a number of practical implications. First of all, there should be standardization of fines, publicity of fines and the fines should be related to the level of violation. Small businesses should not be subjected to huge fines because huge fines discourage formalization.

Secondly, the enforcement strategy should ensure certainty more than being severe. The fines must be modest but certain. The routine patrol and provision of receipt will encourage the traders to comply (Bimbona & Rwengabo, 2024).

Thirdly, the municipality should ensure that the penalty is combined with facilitation of compliance. In addition to the punishment, the municipality should offer registration assistance and the chance for paying license fees through installments. Punishment becomes cooperation in such case.

Lastly, the institution itself should be transparent in terms of reporting, collecting and publishing fine statistics.

Fourthly, cooperation with trade associations is necessary. The sensitization of traders on why such penalties need to be implemented before the implementation process helps minimize the likelihood of any conflict and ensures a shared sense of responsibility.

In summary, penalties and fines play an important role in ensuring traders comply with the requirements of their licenses if such penalties and fines are part of a fair and effective process of enforcement.

With respect to Kiko market, the problem is not in increasing the level of severity of such fines but rather in making them more reasonable and realistic for the traders.

## **2.4 Effect of public sensitization on trading license compliance.**

### **2.4.1 Theoretical pathways**

Public sensitization is key in influencing traders' perceptions, attitudes, and compliance to licensing regulations. Based on the Knowledge Attitude Practice framework, the sensitization efforts foster behavioral change through enhanced knowledge about the legal requirements, formation of favorable attitudes towards licensing regulations, and behavior change towards the regulations (Nanyonga & Sseremba, 2020). In essence, where traders are well informed about licensing procedures and implications, they can easily comply.

Information Asymmetry Theory indicates that in most cases, compliance is not an intentional activity but a result of inadequate information about the issue at hand. For example, in Uganda, traders usually do not have adequate contact with formal sources of information, making them unaware of the need for license renewal among other related processes. Sensitization, therefore, addresses the problem of information asymmetry and facilitates effective decision making (Kato, 2022).

Procedural justice model posits that by engaging in sensitization efforts, the government agencies show commitment and transparency, hence creating a sense of fairness and inclusion among stakeholders. The traders will perceive the activities as a demonstration of respect for their contribution and involvement rather than collecting revenue from them. Thus, this increases the willingness to obey the law.

Ultimately, the principles of behavioural economics state that sensitization impacts compliance by virtue of social norms and framing. Compliance will be instilled as a civic responsibility because the message from an information campaign is framed around collective gain, which includes better quality services, enhanced security, and good sanitation. On the other hand, coercion, which involves highlighting the punitive consequences of non-compliance, leads to temporary compliance at best (Bimbona & Rwengabo, 2024).

These theoretical frameworks suggest that sensitization improves compliance among market traders by eliminating information deficits, fostering mutual trust, legitimating authorities, and promoting positive compliance norms.

### **2.4.2 Empirical evidence**

From empirical evidence obtained from Uganda, public sensitization has a positive impact on compliance levels when done effectively. According to (Ministry of trade, industry and cooperatives report, 2022), the areas that have conducted sensitization programs before enforcement had a better compliance level than the ones conducting enforcement without sensitization. Activities such as radio talks, market seminars, and awareness posters helped to enhance voluntary license renewals, and minimized conflicts during enforcement.

In Kampala and other towns, studies indicate that sensitization brings cooperation between the local government and traders. Sendawula (2021) found out that areas where education sessions were periodically conducted by the licensing officials had a continuous rise in their compliance levels, contrary to the areas with intermittent contact. Similarly, Mukono municipal council report (2024) indicates that compliance for licenses improved in Kiko and Ggulu markets after six months sensitization program consisting of radio, market forums, and business registrations clinics.

On the other hand, lack of public awareness results in uncertainty and suspicion. According to Mitullah (2003), enforcement activities were viewed as harassment by the traders who did not comprehend the process of licensing, resulting in non compliance and animosity on their part. Sensitization has also been identified as ongoing and participatory for it to bear fruits, with one off campaigns likely to result in mere temporary awareness. The role of trader associations and community leaders in promoting compliance cannot be overlooked in this regard. Studies conducted in Uganda prove that sensitization should not be considered a supplementary activity.

### **2.4.3 Design and implementation factors**

The success of sensitization programs depends on how they are designed and executed. Firstly, a clear message is important for sensitization. For sensitization to be effective, it should not only highlight the need for a license but also explain the advantages of obtaining one like getting the chance to be legally protected, better infrastructures and being included in economic plans of the government. However, a sensitization message that focuses on penalties will probably not motivate traders to comply voluntarily (Bimbona & Rwengabo, 2024).

Secondly, the channel of communication plays a big role in sensitization. Uganda has a variety of traders, mostly small scale ones operating informally. Therefore, for sensitization to be successful in Uganda, there is need for more than one method of dissemination. This means sensitizing traders through radio, community meetings, posters in local language, amongst others (Mukono municipal council report, 2024).

Third, participatory implementation increases trust. If the traders' associations and market leaders are involved in the development and implementation of the sensitization campaign, then the message becomes more credible. Peer to peer communication is much more effective than announcements made by the authorities themselves.

Fourth, the frequency and consistency of sensitization campaigns affect retention. Consistent campaigns conducted in line with the license renewal period will remind traders of deadlines and procedures. Cities that conduct sensitization drives every quarter show more consistent compliance rates than cities with annual or inconsistent campaigns (MTIC, 2022).

Fifth, there must be monitoring and feedback. The authorities should gather feedback from the traders about the sensitization campaigns to evaluate how well they understood the information and correct any misconceptions. Otherwise, sensitization campaigns may become a mere formality without substance (Kato, 2022).

#### **2.4.4 Behavioural and institutional moderators**

Compliance with tax requirements is influenced by sensitization, which is affected by behavioral and institutional factors. Behaviorally, individual attitudes towards governance and past enforcement experiences determine trader reactions to sensitization initiatives. Trusting traders are likely to be more sensitive to awareness campaigns, whereas those with a history of harassment will view the sensitization process as propaganda (Sendawula, 2021).

The social norm theory moderates compliance behavior. In Kiko markets, for instance, compliance behavior is transmitted socially because when other peers get licenses after participating in sensitization programs, the rest follow suit (Nanyonga & Sseremba, 2020).

Institutionally, successful sensitization requires the municipality's willingness to invest resources in the process. Insufficient funding or using inexperienced personnel undermines sensitization effectiveness. On the other hand, a municipality that institutionalizes awareness

programs within its revenue collection strategy, backed by budget lines and communicators, achieves compliance objectives (Bimbona & Rwengabo, 2024).

The political and administrative context is also a factor that affects the results. In situations where leaders emphasize good governance and social inclusion, sensitization serves as a tool for participatory development, not simply income generation. Nevertheless, in politically charged and corrupt environments, the information provided through sensitization will be taken with a pinch of salt because it will lack credibility (Kato, 2022).

#### **2.4.5 Implications for trading license compliance in Uganda (Kiko market, Mukono municipality)**

In particular, the situation at Kiko market brings to light the transformational role of proper sensitization in enhancing license compliance. First, the municipality of Mukono needs to consider conducting continuous sensitization among newly introduced as well as old traders within the market.

Secondly, in the designing of the messages to be passed through sensitization, it would be prudent to relate the advantages of licensing as far as the provision of better market services (like security, good infrastructure, among others) are concerned rather than concentrating only on the disadvantages.

Third, involving trade associations is important since this creates an avenue for the development of proper sensitization materials and messages, and it promotes peer-peer communication among traders, making the process sustainable.

Fourth, there needs to be some mechanism to evaluate the success of sensitizations. In particular, the municipality should develop a framework to get traders' level of sensitization as well as their non-compliance reasons.

Finally, there is a need to integrate sensitization with enforcement activities. The sensitization exercise should take place before any enforcement exercises to help traders prepare psychologically to accept enforcement measures.

Sensitization, in addition to this, is more than just an approach to communication; it is also the backbone of sustainable compliance. Through participation in sustained sensitization efforts that involve good communication, Mukono municipal government will be able to encourage compliance through voluntary means.

## **2.5 Summary of literature and research gaps**

As seen in literature review, it was evident that inspection exercises, penalty and fine imposition, and public sensitization are enforcement tools which had an impact on compliance with trading licenses. Compliance always improved in cases where enforcement was consistent, open and accompanied by sensitization instead of coercion. Nonetheless, previous research has tended to concentrate either on the national taxation system or cities' municipalities without addressing any aspect regarding the informal economy like Kiko market located in Mukono municipality.

Despite this extensive research, there were some areas that were not fully addressed in existing literature. The first one was that very few researchers have attempted to explore the effects of these enforcement tools collectively and not individually. Secondly, very few data had been collected regarding the perception of the traders regarding fairness and legitimacy of the process of enforcement in such municipalities. Lastly, there has been no contextually relevant literature on municipal markets in particular Kiko market in Uganda.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the research approach adopted to evaluate the effect of enforcement strategies on trading license compliance in Kiko market by small enterprises in Mukono municipality. The research design, research area, target population, sample selection, data sources, data collection approaches, validity and reliability measures, data analysis approaches, ethical issues, and limitations of the study are discussed.

#### **3.2 Research design and approach**

The research involved the use of the descriptive method, where the mixed method was used in conducting the research. The use of this research design ensured that the researcher was able to capture data at one time and then be able to assess the impact of inspection exercise, penalties, and sensitizations on the compliance of trading licenses among small scale enterprises.

The quantitative research method was utilized to capture quantifiable data among the traders by use of questionnaires, whereas the qualitative method was used to capture in-depth information from municipal authorities and kiko markets leaders through interviews.

#### **3.3 Study area**

The research was carried out at Kiko market, which is situated in Mukono municipality in Central Uganda. Mukono municipality is one of the fastest growing municipalities in Uganda, located on the Jinja road to Kampala. Kiko market is home to many small business traders selling foodstuffs, clothes, and household goods. However, there had been consistent low adherence to the licensing requirements for trading, thus making it a suitable environment for carrying out this research.

#### **3.4 Study population**

The participants of the study include all small businesses operating at Kiko market and municipal enforcement officers who handle trade licenses and monitor their compliance. There are 204 small business operators that are registered in the Kiko market. Further, there

were two key informants, including the enforcement officer and the market leader, who played critical roles in enforcing the measures.

### 3.5 Sample size of small businesses

In the study, the sample size involved was 136 (Yamane 1967) respondents comprising small business operators. Two (2) key informants, namely, the enforcement officers and the market leaders were involved in the process.

**Table 1: Population and size of the sample**

<b>Business Categories</b>	<b>Population</b>	<b>Male (N)</b>	<b>Female (N)</b>	<b>Sample Size Reduced By 30%</b>	<b>Male Sample Size (N)</b>	<b>Female Sample Size (N)</b>	<b>Method Of Sampling</b>
Eating places	74	31	43	34	14	20	Stratified random
Drinking places	10	2	8	5	1	4	Stratified random
Kiosks/ canteens	120	58	62	56	27	29	Stratified random
Enforcement officers	1			1	1		Purposive
Market leader	1			1	1		Purposive
<b>TOTAL</b>	<b>206</b>	<b>91</b>	<b>113</b>	<b>97</b>	<b>44</b>	<b>53</b>	

Source; *Mukono municipal report (2023)*

### 3.6 Sampling technique

In the study, the sample size involved was 136 (Yamane 1967) respondents comprising small business operators. Two (2) key informants, namely, the enforcement officers and the market leaders were involved in the process.

In conducting the research, a stratified random sampling method was employed, where the population was divided into strata based on the type of businesses, which included food vendors, retail shops, and drinking places. Respondents were randomly chosen from each stratum.

The qualitative aspect of the study employed purposive sampling.

### **3.7 Sources of data**

Data was sourced using primary and secondary means. Primary data was collected by use of questionnaires and interviews from small business owners and municipal government employees while secondary data was collected from Mukono municipal council report, ministry of trade, industry and cooperatives report, and researches done by other scholars.

### **3.8 Data collection methods**

There were three techniques employed in obtaining data.

Questionnaire technique: Questionnaires were issued to small business owners and the data obtained from them was quantitative in nature and was on issues like inspections, penalties, sensitizations, and compliance behavior.

Interview technique: Semi structured interviews were conducted with municipal staff and market heads to get some qualitative information concerning enforcement techniques.

Document analysis: Appropriate documents like market byelaws, financial reports among others were consulted to enhance the primary data.

### **Data collection instruments**

The following instruments were created and piloted:

A structured questionnaire consisting of closed and open-ended questions related to the purpose of the study;

An interview schedule enabling effective conversations with respondents.

A document review schedule guiding the analysis of secondary information.

## **Quality and error control**

### **3.10.1 Validity of the research instrument**

For enhancing its validity, the tool underwent thorough scrutiny by research supervisors regarding the extent to which it met all requirements concerning clarity and relevance. For measuring content validity, the content validity index was used and should reach 0.80 or higher, meaning that no less than 80% of the questions should be relevant to the study.

### **3.10.2 Reliability of the research instrument**

As for the reliability, a pilot survey was conducted with the participation of 20 traders not included in the main sample and drawn from a local market. Cronbach's alpha coefficient was calculated using SPSS. The minimum required level was 0.70 or higher.

### **3.10.4 Data collection procedure**

An introductory letter was sought from the university and then given to Mukono municipal council in order to acquire authorization for carrying out data collection. Research assistants were recruited and trained by the researcher to carry out the questionnaire administration and interviewing. Questionnaires and interviews were conducted voluntarily when traders attended the markets.

## **3.11 Data analysis**

Quantitative data was coded and entered into the statistical package for social sciences (SPSS). Descriptive analysis including frequencies, percentages, and means was conducted on data.

Qualitative data from interviews was analyzed using key themes consistent with the study objectives. The results from both data sets were checked against each other to strengthen validity and interpretation.

## **3.12 Ethical considerations**

Approval for ethical conduct was obtained from the university research ethics committee. The participants were briefed on the objectives of the study and were made aware that they could withdraw from participation at any point during the interview. Consent was obtained

before conducting the interviews, and anonymity was maintained using pseudonyms and safe data storage procedures.

### **3.13 Limitations of the study**

There were several challenges encountered in the study. The reluctance of some traders to give information because of being afraid of disclosing non compliance was addressed through the assurance of confidentiality. Financial and time constraints restricted the scope of the study to only one market, Kiko market. Poor record keeping within the municipal government compromised the accuracy of the secondary data used.

### **3.14 Solutions to the limitations of the study**

The reluctance of some traders to give information was solved by the promising confidentiality to the traders and the use of respected local figures to reach out to them made them more likely to give information. Furthermore, the researcher used a manageable sufficient sample size within the Kiko market assisted in overcoming the challenges of time and finance but still gave valuable insights. Moreover, the use of information gathered from the traders and comparing it with the records available within the district minimized the problem of inadequate recordkeeping.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.0 Introduction

This chapter describes, analyses, and interprets the results that have been collected from the study undertaken among the owners of small businesses at Kiko market in the municipality of Mukono. In particular, this chapter concentrates on the effect of the enforcement methods such as inspections, sanctions, fines, and sensitization on trading license compliance. The results have been analyzed by use of frequencies, percentages, and means in light of the objectives of the study.

#### 4.1 Rate of respondents.

**Table 2: Response rate. This shows the number of people who participated in research as respondents.**

Detail	Frequency	Percentage
Respondents	97	100%
<b>Total</b>	97	100%

Source: Primary data

The above table shows that all the 97 targeted respondents were able to participate in the study therefore giving a response rate of 100%. This implies that the collected data was

#### 4.2.1 Bio data

**Table 3: The demographic characteristics of the respondents**

Detail	Frequency	Percentage
<b>Gender</b>		
Male	44	45.36%
Female	53	54.64%
<b>Total</b>	97	100%

Source: Primary data

The table above shows that majority of respondents were female (55%) compared to males (45%), suggesting that women dominated small scale business operations in Kiko market.

#### 4.2.2 Age group

**Table 4: The age distribution of the respondents**

Age group	Frequency	Percentage
0-20	6	6%
21-30	30	31%
31-40	44	45%
41 and above	17	18%
<b>Total</b>	<b>97</b>	<b>100%</b>

Source: Primary data

In terms of age distribution, most respondents (45%) were aged between 31 to 40 years, followed by 31% aged 21 to 30 years, indicating that the market is largely composed of economically active individuals as shown in table 4

#### 4.2.3 Marital status

**Table 5: The marital status of the respondents**

Marital status	Frequency	Percentage
Married	52	54%
Single	23	24%
Divorced	22	23%
<b>Total</b>	<b>97</b>	<b>100%</b>

Source: Primary data

Table 5 shows that 54% of respondents were married, while 24% were single and 23% divorced, implying that many traders have family responsibilities that may influence their compliance behavior due to massive responsibilities.

#### 4.2.4 Education status

**Table 6: The education levels of the respondents:**

<b>Education level</b>	<b>Frequency</b>	<b>Percentage</b>
None	6	6%
Primary Level	24	25%
O-Level	35	36%
A-Level	20	21%
Certificate/Diploma	12	12%
<b>Total</b>	<b>97</b>	<b>100%</b>

Source: Primary data

In terms of education level, the largest proportion (36%) had attained O-Level education, followed by primary level (25%) and A-Level (21%), with only 12% having certificate or diploma qualifications and 6% having no formal education, indicating moderate literacy levels among traders but have ability to interpret their sales as well.

#### 4.2.5 Time in business

**Table 7: The duration of time respondents have been in business**

<b>Time in business</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	15	15%
1–3 years	23	24%
4–6 years	46	47%
7 years and above	13	13%
<b>Total</b>	<b>97</b>	<b>100%</b>

Source: Primary data

Table 7 also indicates that most respondents (47%) had been in business for 4 to 6 years, suggesting that they have sufficient experience in business operations. This is probably highly attributed to the fact that some left the business after the Covid 19 pandemic due to the loss of capital to hold their business to sustain their families.

### 4.3.1 Inspection exercises.

**Table 8: Respondents' perceptions regarding inspection exercises**

STATEMENT	MEAN
Enforcement officers don't regularly visit this market.	4.1
Inspections are conducted fairly for all traders.	4.0
Officers never treat traders respectfully during inspections.	4.1
Inspections help improve compliance in the market.	2.6
I always prepare my business documents because of inspections.	2.3
Inspection frequency is appropriate for this market.	3.4
Officers don't always explain the purpose of their inspections.	4.1
Inspections may not reduce illegal or unlicensed businesses.	4.1
Inspections are carried out without corruption.	2.2
Inspections don't encourage me to renew my trading license on time.	4.3
	<b>3.6</b>

Source: Primary data

Table 8 shows the findings on inspection exercises on trading license compliance among small businesses.

#### **Inspections are conducted fairly for all traders.**

#### **Inspections are conducted fairly for all traders.**

Respondents disagreed with this statement with a mean of 4.0, implying that inspections are not conducted fairly for all traders. This suggests the presence of inconsistency and possible selectivity in enforcement, which may reduce trust in authorities and negatively affect voluntary compliance among traders.

#### **Officers never treat traders respectfully during inspections.**

Respondents disagreed concerning this statement with a mean of 4.1, implying that officers treat traders respectfully during inspections. It shows that inspections are carried out in a professional manner and help foster cooperation between officers and traders.

#### **Inspections help improve compliance in the market.**

Agreement with the above statement had a mean value of 2.6. This means that inspections

lead to improved compliance. It shows that inspection exercises are effective means of enforcing compliance to licensing requirements in trading.

**I always prepare my business documents because of inspections.**

The respondents strongly supported this statement with a mean score of 2.3, implying that inspections are what drive traders to organize their business papers well. This shows that inspections tend to influence trader's compliance behavior positively.

**Inspection frequency is appropriate for this market.**

The respondents gave a neutral response towards this statement, meaning that the mean score of 3.4 implies that the level of agreement on the adequacy of inspection frequency is varied. This implies that some traders find the frequency adequate while others disagree.

**Officers don't always explain the purpose of their inspections.**

The respondents disagreed with this statement with a mean score of 4.1, implying that the officers do explain the objective of conducting inspections. This indicates that the level of communication during inspections is quite high, thereby improving compliance levels.

**Inspections may not reduce illegal or unlicensed businesses.**

The respondents disagreed with this statement with a mean score of 4.1, indicating that inspections indeed help in reducing illegal and unlicensed businesses in the market. This implies that inspections have been proven to be effective measures of market regulation.

**Inspections are carried out without corruption.**

Respondents agreed with this statement with a mean of 2.2, implying that inspections are largely carried out without corruption. This suggests that the enforcement process is perceived to have integrity, which builds trust and supports compliance.

**Inspections don't encourage me to renew my trading license on time.**

Respondents disagreed with this statement with a mean of 4.3, implying that inspections encourage timely renewal of trading licenses. This suggests that inspections play an important role in promoting continuous compliance among traders.

### 4.3.2 Penalties and fines

**Table 9: The respondents' views on penalties and fines:**

STATEMENT	MEAN
Penalties for non compliance are fair.	2.6
Fines are not clearly communicated to traders beforehand.	4.3
The penalty amounts are reasonable.	2.3
Penalties are not applied consistently across all traders.	4.0
Fear of fines motivates traders to comply.	3.5
Penalties are not effective in reducing non compliance.	2.7
Officers explain reasons before issuing fines.	2.8
Fines are issued only when it is unnecessary.	2.8
I know the specific offenses that attract penalties.	3.3
Penalties don't encourage me to keep my license up to date.	4.1
	<b>3.2</b>

Source: Primary data

Table 9 shows the perceptions regarding the impact of penalties and fines on trading license compliance among small business operators.

#### **Penalties for non compliance are fair.**

Respondents agreed with this statement with a mean of 2.6, implying that penalties for non-compliance are generally perceived as fair. This suggests that traders view the penalty system as acceptable and justified. Fair penalties can enhance willingness to comply among traders. However, since the mean is not very low, some doubts about fairness still exist. This may slightly affect full trust in the system.

#### **Fines are not clearly communicated to traders beforehand.**

Respondents disagreed with this statement with a mean of 4.3, implying that fines are clearly communicated to traders beforehand. This suggests that traders are well informed about penalties before enforcement. Clear communication reduces misunderstandings and conflicts. It also promotes transparency in the enforcement process. This can positively influence compliance behavior.

**The penalty amounts are reasonable.**

The mean for the respondents' agreement level towards this statement was 2.3, meaning that the fines set are viewed as being fair. In essence, traders view the amount to be fair; thus, no one views the fines as being too high. Penalties that are fair are easy to follow.

**Penalties are not applied consistently across all traders.**

The mean for respondents' disagreement level towards this statement was 4.0, meaning that the same penalties apply to all traders. This means that the enforcement process is consistent among the traders. Consistency leads to fairness and, therefore, makes it easy for traders to accept and enforce.

**Fear of fines motivates traders to comply.**

The mean for respondents' neutral position towards this statement was 3.5, indicating that some traders are motivated by the fear of fines while others are not. Thus, in this case, it seems that penalties are not the key motivators for compliance.

A trader mentioned that "Even though fines exist, at times, you just have to take the risk, especially when business is not good."

**Penalties are not effective in reducing non-compliance.**

The respondents concurred with the above statement with a mean of 2.7, indicating that penalties are not effective in enhancing compliance. This indicates that imposition of fines does not bring about behavioral change in traders. Traders continue trading without obtaining necessary permits despite fines. Imposing fines alone limits compliance.

**Officers explain reasons before issuing fines.**

The respondents concurred with the above statement with a mean of 2.8, indicating that officers provide reasons before issuing fines. This implies that there is communication between officers and traders during the time of imposing fines. Providing reasons helps make the process more transparent and fairer. Traders get to learn from their mistakes.

**Fines are issued only when it is unnecessary.**

The respondents concurred with the above statement with a mean of 2.8, indicating that fines are sometimes imposed unfairly. This indicates that traders see issuance of fines as unjust.

Issuance of fines unfairly leads to mistrust of officers which further reduces chances of compliance.

**I know the specific offenses that attract penalties.**

The mean score of respondents was neutral on this statement at 3.3, meaning that the knowledge of violations among some of the traders is not clear. Therefore, the level of sensitization regarding penalties for violations is low. In most cases, traders may violate regulations unknowingly. This calls for increased sensitization. More sensitizations will improve compliance.

**Penalties don't encourage me to keep my license up to date.**

The mean score from the respondents was against the statement at 4.1, meaning that penalties act as motivators for keeping one's license updated. The influence of penalties on the prompt renewal of license is evident but is very weak based on previous findings. Penalties work but cannot be the sole factor in improving compliance levels.

**4.3.3 Public sensitization**

**Table 10: The analysis of public sensitization efforts.**

STATEMENT	MEAN
I have not received sensitization messages about trading licenses.	4.3
Sensitization programs help me understand licensing procedures.	4.4
The municipal council does not provide enough awareness on licensing.	4.1
Market leaders don't communicate licensing information effectively.	2.4
Radio/posters are helpful sources of license information.	1.8
Sensitization messages don't improve compliance in the market.	4.1
Sensitization messages are not easy to understand.	4.1
Sensitization messages don't reach most traders in this market.	4.3
I trust the information provided during sensitization.	1.7
There is no need for more sensitization on trading licenses	4.0
	<b>3.5</b>

Source: Primary data

The table above reveals the effectiveness of public sensitization and awareness campaigns on trading license compliance among small businesses.

**I have not received sensitization messages about trading licenses.**

Respondents disagreed with this statement with a mean of 4.3, implying that traders have received sensitization messages about trading licenses as also confirmed by Evelyn, one of the respondents that *“A boda with speakers can pass and inform people about license payments and sometimes the messages given to us in the sensitization week made to us.”* This suggests that awareness efforts are present within the market. The availability of sensitization helps improve knowledge about licensing requirements. It also supports informed decision making among traders. This can positively influence compliance levels.

**Sensitization programs help me understand licensing procedures.**

The respondents disagreed with this statement with a mean score of 4.4, meaning sensitization programs are ineffective in ensuring traders understand the licensing process. It means sensitization programs exist, but they might not be successful in providing clear information regarding the licensing processes since some people lack understanding even after such initiatives. Understanding is an important part of encouraging compliance.

**The municipal council does not provide enough awareness on licensing.**

The respondents disagreed with this statement with a mean score of 4.1, meaning that the municipal council does enough to make people aware of licensing requirements. In other words, awareness campaigns have been conducted. The traders have received information regarding the licensing process, thus ensuring transparency and clear communication between the relevant bodies and traders.

**Market leaders don't communicate licensing information effectively.**

The respondents agreed with this statement with a mean score of 2.4, meaning that market leaders fail to provide proper licensing information. Poor communication channels could result in failure to pass vital information among the traders. It means that traders will lack essential information regarding the licensing process.

**Radio/posters are helpful sources of license information.**

The statement was supported strongly by the respondents with a mean of 1.8, meaning that the radio 'ekizindaalo' and the flyers are useful information sources. This means that the media can be used to reach traders. These communication channels can help create awareness regarding the licenses. These mediums are easily available to the traders who attend the market.

**Sensitization messages don't improve compliance in the market.**

The respondents rejected this statement with a mean of 4.1, meaning that sensitization campaigns help traders comply with the policies. This means that awareness campaigns are helpful tools for promoting compliance among the traders. The traders are bound to become compliant once they know the policies well enough.

**Sensitization messages are not easy to understand.**

The respondents rejected this statement with a mean of 4.1, meaning that the sensitization campaigns are easily understood by traders. This means that the information given by the sensitization campaigns is understandable by the traders.

**Sensitization messages don't reach most traders in this market.**

The respondents disagreed with this statement with a mean score of 4.3, meaning that sensitization messages reach many of the traders. This indicates wide sensitization campaigns. Most of the traders receive information on licenses. The process ensures good knowledge levels in the trading community. This results in positive compliance results.

**I trust the information provided during sensitization.**

The respondents strongly agreed with this statement with a mean score of 1.7, meaning that traders believe in the information delivered during sensitization. This indicates credibility in the information delivered to them by authorities. The belief helps traders to accept messages easily. This leads to compliance in licensing matters.

**There is no need for more sensitization on trading licenses.**

The respondents disagreed with this statement with a mean score of 4.0, meaning that more sensitization is needed in this area. This indicates that traders require ongoing sensitization. The sensitization helps to close any existing knowledge gaps. It also leads to compliance in license matters.

## Trade license compliance

**Table 11: Analysis of trade license compliance**

STATEMENT	MEAN
I don't currently have a valid trading license.	4.3
Renewing a trading license every year is useless for my business.	4.1
I clearly understand the procedures for obtaining a trading license.	2.5
I don't know where to go to renew my trading license.	4.1
The requirements for getting a trading license never easy to follow.	2.3
The trading license fee is not affordable to me	4.2
The trading license process is not quick and efficient.	4.5
I feel confident that my business is compliant with licensing rules.	3.4
Undocumented traders make compliance more difficult for others.	2.8
The municipal council does not clearly communicate license deadlines.	4.1
	<b>3.6</b>

Source: Primary data

The above table shows the respondents rates to license compliance among small business owners in kiko market

### **I don't currently have a valid trading license.**

Majority of the respondents rejected this statement with a mean score of 4.3, indicating that traders possess valid trading licenses. This denotes that there is reasonable level of compliance from business owners/operators. Validity of the license implies knowledge and observance of licensing policies. This denotes that enforcement is being effective in encouraging compliance. This will lead to improved revenue generation.

### **Renewing a trading license every year is useless for my business.**

Many respondents disagreed with this statement with a mean of 4.1, implying that traders see value in renewing their trading licenses. This suggests that traders recognize the importance of compliance. Annual renewal is viewed as beneficial rather than unnecessary. This perception supports continuous compliance. It also strengthens formal business operations.

**I clearly understand the procedures for obtaining a trading license.**

Respondents agreed with this statement with a mean of 2.5, implying that traders understand the procedures for obtaining a license. This suggests that awareness efforts have been somewhat effective. Understanding procedures reduces barriers to compliance. It enables traders to follow the correct process. This promotes easier access to licensing.

**I don't know where to go to renew my trading license.**

The respondents were against this statement with a mean score of 4.1, indicating that the traders know where to get their license renewed. This means that there are places where traders can find the necessary services of licensing without much difficulty. Knowing where to get their license renewed makes it easier for them to comply on time. This enhances the effectiveness of the process.

**The requirements for getting a trading license are never easy to follow.**

Respondents agreed with this statement with a mean of 2.3, implying that the requirements are not easy to follow. This suggests that procedural complexity still exists. Difficult requirements can discourage some traders from complying. It creates barriers especially for small businesses. Simplifying procedures could improve compliance.

**The trading license fee is not affordable to me.**

The respondents were against this statement with a mean score of 4.2, indicating that the fee charged for the trading licenses are affordable. The canteen respondent observed that *"Its little compared to my 2 months sales and its collected once a year hence its affordable to me."* This indicates that the cost charged by the council for trading licenses is not a big problem for the majority of the traders. Affordable costs enhance voluntary compliance.

**The trading license process is not quick and efficient.**

The respondents strongly disagreed with this statement with a mean score of 4.5, indicating that the licensing process is fast and efficient. In other words, it shows that the delivery of service is relatively effective. Efficient services will minimize any delay and frustrations among the traders. Thus, it facilitates obtaining the license. The efficient process fosters a positive compliance atmosphere.

### **I feel confident that my business is compliant with licensing rules.**

The respondents were neither agreeing nor disagreeing with this statement with a mean score of 3.4, showing that there were mixed confidence levels among the traders. The results indicate that while there are some compliant traders, there are also traders that do not have enough confidence because of the difficulties encountered or lack of proper guidance.

### **Undocumented traders make compliance more difficult for others.**

Respondents agreed with this statement with a mean of 2.8, implying that undocumented traders create challenges for compliant traders. This suggests the presence of unfair competition in the market. Non compliant traders may undermine those who follow the rules. This can discourage full compliance. Stronger enforcement is needed to address this issue.

## **4.4 Perception and behaviour**

**Table 12: The analysis of perception and behaviour**

STATEMENT	MEAN
Licensing does not improve the credibility of my business.	2.3
Complying with licensing requirements benefits my business.	2.6
Licensed traders have an advantage over unlicensed traders.	3.3
Licensing protects traders against legal problems.	2.6
I feel responsible for keeping my business compliant.	2.9
Poor enforcement reduces compliance among traders.	2.9
High license costs discourage traders from complying.	1.7
Long procedures discourage traders from getting licenses.	2.6
I intend to renew my trading license every year.	2.5
Good enforcement and sensitization increase compliance.	3.3
	<b>2.7</b>

Source: Primary data

The table above illustrates the perception and behavior of the business operators towards trade licensing compliance.

### **Licensing improves the credibility of my business.**

Respondents agreed with this statement with a mean of 2.3, implying that licensing improves the credibility of businesses. This suggests that traders associate licensing with legitimacy and trustworthiness. A credible business is more likely to attract customers and partners. This perception encourages traders to comply with licensing requirements. It supports formalization of businesses.

### **Complying with licensing requirements benefits my business.**

The mean score for respondents' agreement with this statement was 2.6, which means that compliance with licensing requirements is beneficial for businesses. This indicates that traders recognize the benefits of doing business legally. They include security, access to various services and opportunities for growth. It encourages compliance. This confirms the need for licensing.

### **Licensed traders have an advantage over unlicensed traders.**

The mean score for respondents' agreement with this statement was 3.3, which means that traders did not have an opinion about it or had a neutral one. This indicates that traders did not see any specific advantages for licensed traders. They may even think that this advantage does not exist at all. This can negatively affect compliance.

### **Licensing protects traders against legal problems.**

Participants agreed to this statement with a mean score of 2.6, indicating that licensing acts as a means of protecting traders against legal problems. This means that traders appreciate the need for being in line with the law. Licensing decreases the chances of penalty and business disruption. It, therefore, promotes operating legally.

### **I feel responsible for keeping my business compliant.**

Participants agreed to this statement with a mean score of 2.9, meaning that low levels of enforcement result in low compliance levels. This indicates that law enforcement has an influence on traders' behavior. Traders will be willing to avoid regulations if there is no law enforcement.

**Poor enforcement reduces compliance among traders.**

The respondents agreed with the above statement with a mean of 2.9, suggesting that low levels of enforcement lead to poor compliance rates. This clearly shows that enforcement has an instrumental role in affecting the behavior of traders. Lack of effective enforcement would make traders ignore laws.

**High costs discourage traders from getting licenses.**

The respondents strongly agreed with the above statement with a mean of 1.7, suggesting that high costs prevent compliance. This shows that costs have a significant effect on compliance levels by traders. Although the benefits of compliance are well known, the cost might deter traders from applying for licenses.

**Long procedures discourage traders from complying.**

The respondents agreed with the above statement with a mean of 2.6, suggesting that complicated procedures prevent compliance. This means that difficulties in complying can lower the level of compliance by traders. The complicated nature of procedures prevents traders from applying for licenses.

**I intend to renew my trading license every year.**

The respondents showed agreement with this statement using a mean score of 2.5, indicating that the traders have plans to renew their license annually. This shows a positive approach towards compliance in the future. Intentions indicate the likelihood of complying. This will lead to sustainable compliance in the future.

**Good enforcement increases compliance among traders.**

The respondents showed neutrality regarding this statement using a mean score of 3.3, indicating neutral attitudes regarding the influence of enforcement on compliance. This shows that enforcement is not likely to be a sole factor that affects compliance. There are other factors like costs and awareness. This implies a holistic approach is required for compliance.

## CHAPTER FIVE

### DISCUSSION, SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### **5.1 Introduction**

This chapter presents the discussion of the study findings in relation to the research objectives, a summary of key findings, conclusions, recommendations and areas for further research.

#### **5.2 Discussion of findings.**

##### **5.2.1 The impact of inspection exercises on trading license compliance among small businesses.**

The findings from the study indicated that inspection exercises are frequent, open, and effective towards the improvement of compliance behaviors among small business entities in Kiko market. This has been proven by their responses disagreeing with questions implying infrequent inspection exercises and lack of openness on the same. In this case, this shows how effective inspections are in improving compliance behaviors in the Kiko market area. These findings agree with those by Nanyonga and Sseremba (2020), who posit that inspections are key tools of enhancing compliance if carried out frequently and openly. In a similar manner, Sendawula (2021) found out that predictable and respectful inspections build a trusting relationship between the traders and enforcement officers that lead to improved voluntary compliance.

On the other hand, findings showed that there are issues with regard to fairness concerning the inspection process in Kiko market. This implies that the inspection process is not being conducted in a similar way across different traders. The findings agree with Bimbona and Rwengabo (2024) where they note that enforcement fairness is vital in fostering compliance despite the frequency of the same. Therefore, these are some of the major findings from the study that will be discussed further.

##### **5.2.2 The Impact of penalties and fines on trading license compliance among small business operators.**

The results of this study found that penalties and fines had a moderate yet limited influence on trading license compliance for small businesses operating within the Kiko market setting.

On the whole, the respondents were satisfied with the amount of penalty imposed and the penalty application process, which is perceived as somewhat proportional to all traders' behavior. Nevertheless, fine communication was rated as unclear, while the efficiency of fines for encouraging license compliance was assessed neutrally. It can be assumed that most traders felt compelled to comply due to fear of fines to an extent, yet economic factors undermined their impact making changes only short term.

These conclusions agree with findings by (Mbago et al., 2016; Sendawula, 2021), stating that penalties help to achieve compliance when they are perceived as inevitable, proportional and timely. This conclusion coincides with observations in Ugandan municipalities, demonstrating how moderate and proportional penalties can produce revenue and prompt some merchants to legalize their trade by paying fines (Ministry of trade, industry and cooperatives, 2022; Nanyonga & Sseremba, 2020).

Nevertheless, the research also demonstrated poor communication and lack of long term compliance among other weaknesses, proving the assertion by Bimbona and Rwengabo (2024) that when not well communicated or perceived inconsistently, sanctions might lead to the loss of trust and non compliance among the resource limited small businesses. This aligns with the behavioral and institutional moderators from the literature on the effects of fines, especially in relation to the economic constrains and lack of fairness that limit the ability of fines to create deterrence and lead traders to informality.

In summary, the study indicates that although penalties and fines play an important role in creating trading license compliance in Kiko market, communication problems and the lack of consideration of economic constrains affect their effectiveness. Effective communication of penalties and their structure, alongside using facilitators like instalments and on-site registrations, are ways to make use of the effect of penalties for effective compliance.

### **5.2.3 The Impact of public sensitization and awareness campaigns on trading license compliance among small businesses in Kiko market.**

From the results obtained, it was evident that although public sensitization plays a great role in promoting trading license compliance among small businesses, it falls short of ensuring complete trader compliance. It emerged that respondents receive sensitization messages and trust in them, as well as the ability of sensitization messages in increasing compliance and that there is a need for sensitization since it is not enough. The sensitization was also found to

be inadequate in terms of informing traders on how to follow licensing processes as well as being effective in communication via market leaders.

In this regard, the results obtained support those by (Nanyonga & Sseremba, 2020; Kato, 2022), indicating that public sensitization ensures reduced knowledge gaps and legitimacy through continuous and participatory approach. The high levels of trust in sensitization messages as well as importance in promoting compliance were found to be in line with empirical studies conducted in Uganda markets which showed that properly designed awareness campaigns increase voluntary renewal of licenses as well as fostering cooperation between traders and relevant authorities (Ministry of trade, industry and cooperatives, 2022; Sendawula, 2021; Kangave et al., 2021).

Nevertheless, the research has identified some weaknesses in the level of sensitization, especially in terms of the clarity of the process and its efficient delivery, thus supporting the ideas of Bimbona and Rwengabo (2024), who state that low quality or intermittent sensitization cannot create an impactful behavioral change among small scale traders. Such moderating factors can be observed within behavioral and institutional factors found in the existing literature, wherein the underutilization of varied sources and insufficient participation from the market's influential members lower the effectiveness of awareness campaigns, even if most of the traders receive the information.

In conclusion, the research reveals that while public sensitization and awareness campaigns make positive contributions to compliance with trading licenses in Kiko market, the current approach is not sufficiently intensive and persistent. The development of the campaign with regular and focused efforts, such as sending concise messages through different sources, including mobile phones, and increased engagement from trader associations, can significantly improve the effectiveness of such measures.

### **5.3 Summary of the findings.**

This research analyzed how different enforcement mechanisms affect trading license compliance of small scale businesses operating in Kiko market, Mukono municipality. The analysis shows that inspection was carried out regularly, and it was effective, transparent, and useful in ensuring compliance; however, there was fear that it lacked fairness and uniformity. The imposition of penalties and fines was thought to be fair, but ineffective due to inadequate

communication and lack of sustainability. Public sensitization, an essential tool in enforcement mechanisms, had reached many of the traders in the market and was believed to be credible; however, traders did not fully understand the procedure of licensing because of the inadequacy of such public sensitizations.

In conclusion, this study showed that there is a significant influence of the above enforcement mechanisms towards trading license compliance; nevertheless, such influences could be enhanced if fairness, communication, and implementation of measures are considered in the process.

#### **5.4 Conclusions**

From the findings, enforcement techniques such as inspection, penalties and sensitization have proven crucial in influencing license compliance of traders within the Kiko market. Though they may be effective to some extent, the way they are currently used has several weaknesses in terms of consistency, communication, and trader engagement.

It is clear from the results that consistent and courteous inspections, well-planned penalties, and credible sensitization can lead to license compliance. However, for the enforcement tools to become more effective, there will be need for the concerned parties to address some challenges in the area of inspection, penalty and sensitization.

In essence, effective enforcement depends on a combination of deterrents and sensitizers in addition to being fair and friendly. If the tools of enforcement are made stronger in the required manner, they would result in higher levels of compliance.

#### **5.5 Recommendations.**

The following suggestions are presented on the basis of research findings and results as to how to enforce trading licenses in small enterprises in Kiko market:

Improvement in inspection procedures: The Mukono municipal council may make sure that inspection exercises are conducted effectively, fairly, and transparently. Inspection officials must always explain to traders the reasons for inspection as a means of ensuring cordial relationships in order to facilitate voluntary compliance with license regulations.

Amendment of penalty mechanisms: It is important that there be efforts by the municipal council to ensure that fines and penalties are announced to traders in advance. Penalties that are consistent together with facilitating actions such as installment payments and on the spot license acquisition will encourage compliance.

Public sensitization efforts must be improved: Sensitization campaigns and public awareness may become regular activities in order to enlighten traders regarding the issue of licenses. Public enlightenment can be achieved through the medium of radio stations, posting of messages on posters, holding meetings within the market and use of short messaging systems via cell phones.

Engage stakeholders: Mukono municipal council should work towards engaging traders' associations and market leaders in the formulation and execution of the enforcement strategy. This will help generate feelings of ownership and minimize resistance against any enforcement mechanism put in place.

Monitor and evaluate: The municipality needs to set up ways through which enforcement actions will be monitored and evaluated on an ongoing basis. It is important to listen to traders' views at certain intervals to determine how effective enforcement actions have been and whether there is need to change anything.

Implementing these recommendations would go a long way in ensuring that trading licenses are obeyed and generate income for the local authority.

## **5.6 Areas for further research**

The current study sought to explore the effect of enforcement mechanisms on the compliance with trading license amongst small businesses at Kiko market in Mukono municipality. Although some significant findings were obtained, there is need to further research into certain areas.

Future studies should carry out longitudinal studies to establish the long-term effects of improved enforcement mechanisms on trading license compliance. This will help in determining the sustainability of compliance behavior.

It is also recommended that comparative studies be conducted. Other markets in the same municipality as well as different municipalities in Uganda should be compared as regards compliance with the trading license law and their enforcement mechanisms. The aim would be to discover best practices which can be adopted in Kiko market.

Finally, technological advancements should be considered in future studies. For example, digital licensing, online payments and sensitizations using mobile phones should be explored as means through which compliance can be improved.

Lastly, future studies must concentrate on the viewpoint of the small business proprietors. By conducting qualitative research where the traders are given more of a say, some new issues that may have been missed in this research could be brought to light.

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## APPENDICES

### APPENDIX ONE; QUESTIONNAIRE

A QUESTIONNAIRE FOR SMALL BUSINESS OWNERS IN KIKO MARKET, MUKONO MUNICIPALITY.

Dear respondent. Grace be with you through Jesus Christ our Lord. My name is Mubiru Solomon. I'm a student of Uganda Christian University pursuing a Bachelors degree in Business Administration. In addition, I am conducting research on the effects of enforcement techniques on license compliance by small business enterprises in Kiko market for partial fulfillment of requirements for the Bachelors' degree. Therefore, I request you to assist me through your responses to my research. Thank you, may God abundantly bless you.

#### SECTION A: BIO DATA

Gender

Male  Female

2. Age:

Below 20  21–30  31–40  Above 41

3. Marital status.

Married  Single  Divorced

4. Education:

None  Primary  O-level  A-level  Diploma/Certificate  Others

5. Time in business:

Less than 1 year  1–3 years  4–6 years  7 years and above

<b>NO.</b>	<b>SECTION B: INSPECTION &amp; ENFORCEMENT</b> <b>Tick one: Strongly agree/Agree/ disagree/ Strongly disagree/ Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>disagree</b>	<b>Strongly disagree</b>	<b>Not sure/ neutral</b>
1	Enforcement officers don't regularly visit this market.					
2	Inspections are conducted fairly for all traders.					
3	Officers never treat traders respectfully during inspections.					
4	Inspections help improve compliance in the market.					
5	I always prepare my business documents because of inspections.					
6	Inspection frequency is appropriate for this market.					
7	Officers don't always explain the purpose of their inspections.					
8	Inspections may not reduce illegal or unlicensed businesses.					
9	Inspections are carried out without corruption.					
10	Inspections don't encourage me to renew my trading license on time.					
	<b>SECTION C: FINES AND PENALTIES</b> <b>Tick one: Strongly agree/Agree/ disagree/ Strongly disagree/ Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>disagree</b>	<b>Strongly disagree</b>	<b>Not sure/ neutral</b>
1	Penalties for non compliance are fair.					
2	Fines are not clearly communicated to traders beforehand.					
3	The penalty amounts are reasonable.					
4	Penalties are not applied consistently across all traders.					
5	Fear of fines motivates traders to comply.					
6	Penalties are not effective in reducing non compliance.					
7	Officers explain reasons before issuing fines.					
8	Fines are issued only when it is unnecessary.					
9	I know the specific offenses that					

	attract penalties.					
10	Penalties don't encourage me to keep my license up to date.					
	<b>SECTION D: PUBLIC SENSITIZATION</b>  <b>Tick one: Strongly agree/Agree/ disagree/ Strongly disagree/ Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>disagree</b>	<b>Strongly disagree</b>	<b>Not sure/ neutral</b>
1	I have not received sensitization messages about trading licenses.					
2	Sensitization programs help me understand licensing procedures.					
3	The municipal council does not provide enough awareness on licensing.					
4	Market leaders don't communicate licensing information effectively.					
5	Radio/posters are helpful sources of license information.					
6	Sensitization don't improve compliance in the market.					
7	Sensitization messages are not easy to understand.					
8	Sensitization messages don't reach most traders in this market.					
9	I trust the information provided during sensitization.					
10	There is no need for more sensitization on trading licenses					
	<b>SECTION E: TRADE LICENSE COMPLIANCE</b>  <b>Tick one: Strongly agree/Agree/ disagree/ Strongly disagree/ Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>disagree</b>	<b>Strongly disagree</b>	<b>Not sure/ neutral</b>
1	I don't currently have a valid trading license.					
2	Renewing a trading license every year is useless for my business.					
3	I clearly understand the procedures for obtaining a trading license.					
4	I don't know where to go to renew my trading license.					
5	The requirements for getting a trading license never easy to					

	follow.					
6	The trading license fee is not affordable to me					
7	The trading license process is not quick and efficient.					
8	I feel confident that my business is compliant with licensing rules.					
9	Undocumented traders make compliance more difficult for others.					
10	The municipal council does not clearly communicate license deadlines.					
	<b>SECTION F: PERCEPTION AND BEHAVIOUR</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>disagree</b>	<b>Strongly disagree</b>	<b>Not sure/neutral</b>
	<b>Tick one: Strongly agree/Agree/ disagree/ Strongly disagree/ Neutral</b>					
1	Licensing does not improve the credibility of my business.					
2	Complying with licensing requirements benefits my business.					
3	Licensed traders have an advantage over unlicensed traders.					
4	Licensing protects traders against legal problems.					
5	I feel responsible for keeping my business compliant.					
6	Poor enforcement reduces compliance among traders.					
7	High license costs discourage traders from complying.					
8	Long procedures discourage traders from getting licenses.					
9	I intend to renew my trading license every year.					
10	Good enforcement and sensitization increase compliance.					

**END OF QUESTIONNAIRE**

**Thank you for your time and cooperation, dear respondent**

## APPENDIX TWO: INTRODUCTORY LETTER



**UGANDA CHRISTIAN  
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

School of Business

Mukono Municipal Council  
Mukono District  
P.O.Box 201  
Uganda  
20 /Nov/2025

20 NOV 2025

The Information Technology Manager

Dear Sir

**RE: INTRODUCTION OF MR.MUBIRU SOLOMON, M23B05/027 FOR DATA COLLECTION PERMISSION**

I am writing to introduce Mr. Mubiru Solomon, a Bachelor of Business Administration student at Uganda Christian University. Mr. Mubiru is currently in the advanced stage of his academic journey and is conducting a dissertation on "The Impact of Enforcement Mechanisms on Trade License Compliance among Small Businesses in Kiko Market, Mukono Municipality."

I assure you that Mr. Mubiru will adhere to all ethical guidelines and treat any data collected with the utmost confidentiality. He is a responsible student dedicated to conducting a thorough and rigorous study.

We kindly request your support in granting Mr. Mubiru access to relevant data and personnel within any department and as well as any personnel with objective knowledge regarding his topic. Your valuable insights will significantly contribute to the success and quality of his research.

Thank you for considering his request. Should you require any additional information, please do not hesitate to contact me on the address provided here below.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mukisa Simon Peter'.

Mukisa Simon Peter  
Lecturer and undergraduate  
Research coordinator UCU School of Business  
Email [smukisa@ucu.ac.ug](mailto:smukisa@ucu.ac.ug) Mob. 0752938600



## APPENDIX THREE: MARKET DATA DOCUMENT

LANDLINE:..... 0414 290203/04/3  
Email: [info@mukonomunicipalcouncil.go.ug](mailto:info@mukonomunicipalcouncil.go.ug)  
[townclerk@mukonomunicipalcouncil.go.ug](mailto:townclerk@mukonomunicipalcouncil.go.ug)  
FOR ANY CORRESPONDENCE ON THIS SUBJECT,  
PLEASE QUOTE: FINIMMC/BA/85



MUKONO MUNICIPAL COUNCIL  
OFFICE OF THE TOWN CLERK  
P. O. BOX 201  
MUKONO - UGANDA

Date: 25<sup>th</sup> November 2025

Mr Mubiru Solom

### Market data to inform your Research

Reference is made to your letter dated 20th November 2025 requesting for Kiko market data to aid your research, below is a summary in that regard

No	Category	Numbers
1	Banana Sellers	27
2	Eating Places	74
3	Sweet potatoes/Irish/Cassava Sellers	21
4	Drinking Places	10
5	Vegetable sellers	43
6	Fish Traders	08
7	Kiosks/Canteens	120
8	Charcoal Dealers	82

  
Nyamwiza Mary  
FOR Town Clerk – Mukono Municipal Council



## APPENDIX FOUR: PERMISSION TO COLLECT DATA

LANDLINE:..... 0414 290203/4  
Email: [info@mukonomunicipalcouncil.go.ug](mailto:info@mukonomunicipalcouncil.go.ug)  
[townclerk@mukonomunicipalcouncil.go.ug](mailto:townclerk@mukonomunicipalcouncil.go.ug)  
FOR ANY CORRESPONDENCE ON THIS  
SUBJECT, PLEASE QUOTE: MMC/SR/190



MUKONO MUNICIPAL COUNCIL  
OFFICE OF THE TOWN CLERK  
P. O. BOX 201  
MUKONO - UGANDA

Date: 24<sup>th</sup> November 2025

To Whom It May Concern:

### PERMISSION TO COLLECT DATA

Mr. **Mubiru Solomon** is a student of Uganda Christian University, pursuing a Bachelor of Business Administration.

He is in the advanced stage of his academic journey and is conducting a research dissertation within Mukono Municipal Council.

This therefore serves to introduce him to you for the required assistance as he carries out data collection on the topic "***The Impact of Enforcement mechanisms on Trade licence compliance***".

By copy of this letter, the **Division Treasurers (Central and Goma)** are notified to offer the student support where necessary.

Yours,



Byabagambi Francis  
**Town Clerk – Mukono Municipal Council**

Cc. The Ag. Senior Finance Officer – MMC  
Cc. The Division Treasurers – Central and Goma  
Cc. Mr. Mubiru Solomon – UCU