

BUSINESS IN UGANDA

A business is any activity that is carried out in order to get profits. It involves selling and buying of goods and services for money or exchange of goods for goods for profits.

TYPES OF BUSINESSES IN UGANDA

There are many businesses in Uganda but they arise from many factors including the following;

- (i) The goods they provide
- (ii) Means of production they use e.g. use of machines
- (iii) The customers they serve.
- (iv) The power / energy they use

The following are types of businesses in Uganda.

TYPES OF BUSINESS IN UGANDA

1. Agri – business. These are businesses whose operations involving the selling and buying of agricultural products.
2. Manufacturing business. These are businesses which process raw materials into semi and finished products.
3. Trading business. These are businesses that deal in the buying and selling of goods and services with the aim of making profits.
4. Service businesses. These are businesses that provide intangible products which satisfy human needs. For example, medical, transport, beautification etc, service business.

FACTORS THAT DETERMINE THE SIZE OF A BUSINESS

The following are the factors that determine or influence or affect the size of the business.

1. The amount of capital used/employed. Large businesses employ large capital but small or micro business to employ little capital.
2. The level of profits. High level of profits makes the business to grow big since they are re – invested but low profits discourage the expansion of the business hence being small in size.
3. The level of technology used. Advanced technology for example use of modern machines leads to business production of goods in large amounts which leads to business expansion whereas low levels of technology discourage the expansion of the business.
4. The number of employees. Large number of employees expands the business easily than a small number of employees which limits business expansion.

5. Amount of sales. A business which sells large volume of goods or services expands easily. But a business which sells a small volume of goods or services remains small in size.
6. A business man with the desire of running a small business with the purpose of dodging taxes keeps his or her business small. But a business man who wants to enjoy economies of scale operates a large business.
7. Merging. This is the coming together of firms producing similar or same products. Businesses which accessibility to merging grow big in size than those with no possibility of merging.

Questions

- (a) Explain the factors influencing business expansion
- (b) Explain the factors that limit business expansion
- (c) Give reasons why most businesses are small in size

BUSINESS SIZE

1. Micro Business

These are businesses which are very small and require little capital to be started.

Features of Micro Businesses

- They require very little capital to be started.
- They always employ services of their owners with the assistance from family members
- They require very simple technology to operate
- They may not need fixed premises to operate i.e. businessmen move with goods.
- They may not need to be registered before they start but at times obtain operating license for example bodaboda cyclists, hawkers, roadside selling.

2. Small scale businesses

These are businesses that operate from fixed premises and some have bigger than micro business e.g. retail shops.

Characteristics of small scale businesses

- They employ family labour
- They require little capital to be started
- Their sales are higher than that of micro businesses.

- They use simple technology while operating for example bakeries, retail shops, milling factories etc.

3. Medium size businesses

These are well established businesses which may employ up to one hundred people.

Features of medium size businesses

- They are well established business with permanent premises.
- They use advanced technology
- They produce on a large scale
- They require a lot of capital to be started.
- They produce for local and foreign market. Examples include; big bakeries, milk processing, mattress manufacturing factories.

4. Large scale businesses

These are businesses which operate on a large scale and employ more than one hundred people.

FEATURES OF LARGE-SCALE BUSINESSES

- They employ more than one hundred people
- They operate from well-established and permanent premises
- They produce goods in large quantities
- They require a lot of capital
- They produce for both local and foreign markets
- They use advanced technology in their production process.
- Examples include; Mukwano industries, roofings limited, Shumuk group of companies, Kakira sugar works etc.

IMPORTANCE OF BUSINESS

- They are a source of income to their owners. These increases earnings of such people
- The provide employment to people both paid and self-employment.
- They produce goods and services which are needed by people, therefore providing them with a variety that enables them to make choice.
- Businesses bring services or products near to the people for example trading businesses.

- Businesses provide market for the people's produce for example agri – businesses buy fertilizers from industries.
- Businesses contribute to the community social and economic development programs like road construction, water supply etc
- Businesses add value to the local produce and resource. This widens market for their produce for example manufacturing business.
- They pay taxes to the government and this enables the government to execute or carry out its development programs.
- They utilize the would be idle resources or harmful resources to the environment for example manufacturing businesses recycle bi – products and wastes into useful products.

Questions

- (a) Explain the objectives of encouraging business growth in your country
- (b) State the reasons why the government is encouraging people to set up businesses

The following are reasons for government's encouragement of business set up

- To provide employment opportunities to enable people earn income.
- To provide market for people's produce
- To add value on local produce
- To bring goods nearer to people
- To utilize the would be idle resources in the community
- To facilitate community development programmes
- To increase government revenue.

AGRO – BUSINESSES IN UGANDA

These are businesses which deal in production and selling of agricultural products for profits (money)

EXAMPLES OF AGRO – BUSINESSES IN UGANDA

- Livestock production
- Crop production
- Poultry keeping
- Agriculture
- Agro support services

- Floriculture
- (a) **Crop Production.** These are businesses dealing in production and selling of crops for example maize, millet etc.
- (b) **Livestock businesses.** These are agro – businesses engaged in rearing and selling of different animals for milk and meat and they include, cows and goats.
- (c) **Poultry keeping businesses:** These are businesses which concentrate on rearing and selling of different types of birds for either eggs or meat and they include hens, turkeys, duck etc
- (d) **Apiculture businesses:** These are businesses dealing in keeping of bees for honey.
- (e) **Floriculture businesses:** These are businesses engaged in the growing of flowers for sale.
- (f) **Agro support services:** These are businesses that provide support services which help in the smooth running of agriculture as an activity for example providing inputs like herbicides, fertilizers, pesticides etc.

Requirements for agro – businesses

- (a) **Land.** All agro – businesses need land since such activities need relatively a big area. Land may be inherited, bought or hired.
- (b) **Capital:** This is very important because it can be used to acquire various requirements such as land, fertilizers and farm inputs.
- (c) **Labour** (human labour): These are people used to work like planting, weeding, harvesting and selling crops.
- (d) **Market:** This is where we sell the produce from
- (e) **Technology:** This is how good or products are produced.
- (f) Infrastructures such as roads, power, water etc.

Importance of Agro – businesses

- They provide employment opportunities to many people in the country thus simulating or increasing their earnings e.g. people as employed as cultivators, sellers, veterinary doctors etc.
- They pay taxes to the government hence providing government revenue used to invest in development programmes like construction, providing services etc
- They provide market for other products for example farmers buy farm inputs like hoes, ox ploughs, tractors, combine harvesters etc.

- Some agro – businesses make use of some waste products from other businesses which controls waste disposal on the environment e.g. bird and animal droppings, coffee husks etc.
- They earn foreign exchange in the country by exporting produce to other countries
- They are a source of raw materials to other businesses for example agro – processing countries.
- Agro businesses contribute to the development of the community through supporting development programmes like terracing, cover plants etc.
- **Challenges facing agri – businesses.**

Natural hazards for example un reliable rainfall, storms etc which negatively affect the quality of agricultural produce.

Questions

- (a) Explain the different forms of agri – business operating in your area.
- (b) Explain the advantages of agri-business in our community
- (c) Discuss the challenges facing agri – business
- (d) As a student of entrepreneurship, suggest workable ways of overcoming such challenges.

MANUFACTURING BUSINESSES

These are businesses that transform raw – materials into finished goods or products. Therefore, manufacturing businesses add values on goods thus making them more useful to customers.

Manufacturing refers to the process of changing of raw materials into finished goods or products.

TYPES OF MANUFACTURING BUSINESS

- (a) **Agro – processing business.** These are businesses which use agricultural products to produce other products e.g. juice, cooking oil etc. they add value to agricultural products by processing.

Examples of Agro – processing businesses.

- Coffee processing businesses
- Tea processing business
- Sugar processing businesses etc

- (b) **Beverage manufacturing businesses:** These are businesses which make different types of drinks like soft drinks such as soda, juice and alcoholic drinks such as beer, wine etc.

Examples of beverage manufacturing businesses include; crown beverages, water bottling companies, Nile beverages.

c) Metal fabricating businesses:

These are businesses which use different types of metals to produce finished products like iron bars, windows, iron sheets etc.

Examples of metal fabricating businesses include; steel rolling industries, Tian Tiang industries.

d) Chemical manufacturing businesses

These are businesses that produce human and animal drugs and industrial chemicals.

Examples of chemical manufacturing businesses include AGOG – human medicine
ABACUS – human medicine

e) Plastic manufacturing business

These are businesses which make plastic products like plates, cups etc

Examples of plastic manufacturing businesses include; Mukwano industries, Nice industries etc

f) Textile manufacturing businesses. These are businesses which manufacture or make clothes e.g. bed sheets.

Examples of textile manufacturing businesses include Nytil, Textile, Phenix, Freedom etc.

g) Extractive manufacturing businesses.

These are businesses which deal with the extraction of minerals in nature.

Examples of extractive manufacturing businesses include, mining industries, brick laying, stone quarrying etc.

IMPORTANCE / MERITS OF MANUFACTURING BUSINESSES

- (a) They are a source of income to the owners and this leads to improved standards of living.
- (b) They add value to the agricultural products through processing them into semi and finished products thus improving its value.
- (c) They provide employment opportunities e.g. agro – processing industries employ people as engineers.
- (d) They provide market for the local produce e.g. Agro – processing businesses by buying raw materials from agro – businesses.
- (e) They contribute to community development through participating in community development programmes through constructing schools etc.

- (f) They provide inputs for example farm implements to support activities of agri – business e.g. hoes, fertilizers, herbicides.
- (g) They pay taxes to the government and this increases government revenue which is used to provide social services like medical care.
- (h) They add value to the local raw materials and products thus improving on their quality.
- (i) They earn foreign exchange in the country through exporting products.
- (j) They recycle waste product and raw materials thus conserving the natural environment.

CHALLENGES FACING THE MANUFACTURING BUSINESS

1. Inadequate capital caused by the general poverty and lack of access to credit facilities offered by different financial institutions.
2. Poor state of infrastructure particularly inadequate and unstable power supply, poor roads most especially in rural areas where there are raw materials for agro-based industries.
3. Inadequate skilled man power inquired to operate some activities in the manufacturing businesses thus making it difficult to operate the businesses e.g. need of engineering etc.
4. Inadequate market to consume the products produced due to low level of income of the customers.
5. Inappropriate technology to produce good quality products that can be marketed easily in both local and foreign markets.
6. Unfavorable government policies which discourage many people from engaging in manufacturing businesses like high taxes charged, long procedures of getting licenses and low subsidies.
7. Lack of reliable sources / inadequate raw materials for constant production which forces some businesses to operate seasonally.

REMEDIES / SOLUTIONS TO CHALLENGES FACING MANUFACTURING BUSINESSES.

1. By conducting market research and survey to find out whether the industries have markets.
2. By employing skilled labour or training workers in order to produce good quality products which can be marketed easily and solve the problem of inadequate skilled labour.

3. By/through ensuring political stability in all parts of the country in order to create a conducive environment for manufacturing to operate.
4. Through improving the state of infrastructure by constructing roads, extending power, encouraging the establishment of banks etc. to facilitate activities of manufacturing business.
5. Through use of advanced technology in order to produce good quality products which can compete favourably.
6. By reducing taxes charged on manufacturing businesses by the government and giving them subsidies to increase their profits.
7. By / through forming business associations in order to access financial assistance and widen the market for products produced by these businesses.
8. By selecting good site where these raw materials, power water etc. in order to reduce on business expenses.
9. By diversifying activities done in the manufacturing businesses. This involves cheating a number of activities in these businesses to increase profits.
10. By carrying out constant advertisement to make the public informed about the products produced by manufacturing businesses hence expanding the market for products.
 - (a) Explain the problems facing manufacturing businesses.
 - (b) Suggest ways of overcoming the challenges facing manufacturing business
 - (c) Distinguish between agro support service businesses and agro processing manufacturing businesses.
 - (d) State the advantages of agro – processing manufacturing business
 - Employment opportunities
 - Provide market for agricultural produce
 - Improve on food security
 - Add value to food
 - Earn foreign exchange through exporting highly priced agricultural goods
 - Provide revenue to the government through paying taxes
 - Stabilize prices of agricultural products.

SERVICE BUSINESS

These are businesses that provide intangible (nonphysical) benefits which satisfy consumer needs for which they are willing to pay.

Services are invisible and intangible commodities that provide utility to consumers hence satisfying their needs.

Examples of service businesses in Uganda include: -

- Travel agencies
- Hair and beauty saloons
- Barber shops
- Motor and vehicles repair garages
- Hotels, restaurants
- Telephone businesses
- Consulting firms
- Radio stations

TYPES OF SERVICE BUSINESSES

Educational service businesses

These are businesses that provide education services to the customers. These services are provided at progressive levels i.e. nursery, primary, secondary and tertiary / universities.

Entrepreneurs in such businesses can therefore engage polytechnics, universities etc.

MEDICAL / HEALTH SERVICE BUSINESSES

These are businesses which provide medical services to their customers ranging from simple treatment for elementary diseases providing tablets to customers to complex treatment that may involve surgery of all kinds.

Entrepreneurs here invest in establishment of hospitals, pharmacies, laboratories, drug shops and counseling centers on private basis.

Transport service businesses. These are businesses that provide transport service for both people and goods from one place to another.

Here entrepreneurs can establish and separate bodaboda businesses, taxi and bus businesses, marine transportation and air transport service businesses.

Entertainment service businesses. These are businesses which provide recreation and relaxation service that people pay for and enjoy the service.

Entrepreneurs here can establish and operate cinema halls, theatres, disco, sports clubs, stadium etc.

Tourism service businesses. These are businesses that provide tour services both within and outside the country receiving foreign tourism and ensuring that they have a nice stay in Uganda.

Security service businesses. These are businesses that provide security for both people and property of businesses.

Entrepreneurs engage in businesses like security groups such as securko, Escom, security and government bodies like UPDF, Uganda police.

Food and drinks service businesses:

These are businesses which provide feeding services to their customers at their premises or even mobile food services that include delivery at the customer's premises and take away such businesses include;

- Restaurants
- Butchers a
- Food markets like Nakasero

Financial service businesses. These are businesses which provide financial services ranging from accepting savings deposits from individuals and companies to providing loans. Examples of financial services businesses include; banks, microfinance institutions, saving and credit societies.

These financial service businesses also keep important items and documents such as land titles, wills, academic documents etc.

Technical service business. These are businesses which provide repair services of all types for technical equipment.

Entrepreneurs here establish businesses like, motor vehicle garages, radios and television repair businesses, computer repair and maintenance businesses, plumbing business.

Beautification service businesses. These are businesses that maintain and improve the beauty of the customers. Examples include; hair salons, barber salons, bridal saloons, body care and cosmetics businesses.

Utilities service businesses. These businesses which provide support services to other businesses such as electricity, telecommunication services, water supplies, postal services etc.

BENEFITS / IMPORTANCE / MERITS AND ADVANTAGES OF SERVICE BUSINESSES

1. Service businesses improve the standards of living of entrepreneurs and the people through providing basic needs like food, water etc.
2. They provide support for other businesses and increase their productivity and profitability for example transport service businesses (utility service businesses).

3. Service businesses dealing in transportation and communication services help to open up different parts of the country. This attracts more entrepreneurs and business men.
4. Service businesses such as newspapers, radio, and service business ease the process of delivering information and feedback. This improves efficiency in the business.
5. Service businesses help to provide skilled labour for all other businesses through imparting knowledge and technical skills among workers e.g. educational service businesses.
6. They provide employment opportunities to people in the country thereby increasing their incomes. For example, many people are employed as drivers, managers, plumbers, teachers, doctors etc.
7. They provide revenue to the government in form of taxes charged on them. This enables the government to provide social services like medication to people.
8. Service businesses dealing in security provide a conducive secure predictable environment for successful running of other businesses.
9. Service businesses contribute to society development through directly participating in developmental programs like providing clean water, electricity etc.
10. They provide financial services which are very important in successful running of businesses e.g. they provide loans to businesses people, accept their deposits and keep their important documents.
11. Medical service businesses help to keep people's health, this increases productivity of workers in business operations.

CHALLENGES FACING SERVICES BUSINESSES

1. High initial capital / operational costs. Some of these businesses require huge capital to be established for example construction service businesses, medical service businesses etc.
2. Maintaining high quality services being rendered, since the equality of services offered depends on the technical skills of the entrepreneurs and workers, constant training and motivation is highly required yet it is too expensive.
3. High cost of maintaining staff. Service businesses incur high costs to retain their staff because of the stiff competition existing amongst themselves. They have to give them good wages and salaries in order to maintain them.
4. Bad debts. Service businesses tend to have regular customers by nature who normally ask for credit facilities after which they fail or refuse to pay.

5. Poorly (under) developed infrastructure especially roads and hydro – electricity. These negatively affect the performance of service businesses like technical service businesses.
6. Unfavourable government policies for example high taxes imposed on service businesses, bureaucracy and red tapes involved in getting trading licenses.
7. Inadequate capita. Many service businesses entrepreneurs have inadequate capital to facilitate their business operations.
8. Limited credit facilities. The available credit facilities have high interest rate that cannot be afforded by many entrepreneurs of service businesses.
9. High level of competition from well-established service businesses owned by foreigners. This reduces profits of service businesses.
10. Limited market for their series caused by the low level of income of people in the country.

REMEDIES / SOLUTIONS / WAYS OF OVERVOMING CHALLENGES FACING SERVICE BUSINESSES

The following are the ways of overcoming the challenges facing service businesses in Uganda.

1. By providing good working conditions to employees so as to produce high quality products e.g. paying workers in time and adequate salary so as to maintain them at the work place.
2. Through conducting market survey before starting service business to ensure that there is ready market for services.
3. Through providing services on cash basis only so as to overcome the challenges of bad debts.
4. Through improving the state of infrastructure by the government that is to say rehabilitating the expanding feeder and main roads, extending power in all parts of the country.
5. Through joining businesses associations to expand the market of service businesses.
6. Through providing credit facilities to entrepreneurs of service businesses at reduced interest rates to overcome the challenges of inadequate capital.
7. Through reducing taxes and procedures involved in getting trading licenses so as to enable service entrepreneurs to maximize profits.
8. By carrying out on job training to overcome the problem of unskilled / inadequate man power.

9. By motivating employees and keeping them satisfied so as to retain the for example giving the fringe benefits like housing, medical and transport allowances.

Revision questions.

- (a) Distinguish between technical service and utility service business.
- (b) State four examples of education service business in your community.
- (c) Explain the forms of service businesses in Uganda
- (d) What are the merits of service businesses?
- (e) State the challenges facing service businesses
- (f) How can such challenges be solved?

TRADING BUSINESSES

These are businesses that buy and sell goods with an aim of making profits. They find out commodities required by their target market / customers at relatively low prices and sell them at relatively high prices.

TYPES OF TRADING BUSINESS

Trading business are divided into two;

- (i) Retail trading businesses
- (ii) Whole sale trading businesses

BENEFITS OF TRADING BUSINESSES

1. They avail goods to consumers in all quantities i.e. on small and large scales, both imports and locally produced products.
2. They provide a variety of goods to consumers there by enabling their clients to exercise their choices.
3. They generate government revenue through paying taxes to the government which is used to provide social services like medical, education services etc.
4. They are a source of income to the owners thereby improving their standard of living.
5. They provide foreign exchange earnings to the country by exporting some of the products locally made.
6. They advertise products produced by manufacturers there by making consumers aware of the existence of such products.
7. They provide employment opportunities to various people such as hawkers, peddlers, barrow boys etc.

8. They contribute to community development by facilitating community development programmes like constructing bore holes, roads etc.
9. They recycle by- products by buying scrap materials that would have been dangerous to the environment.

CHALLENGES OF TRADING BUSINESSES

1. Bad debts: Since most of the trading businesses operate on small scale, they sell to low income earners and eventually fail to pay thus causing losses.
2. Expiry of goods. Trading businesses face a challenge of goods getting expired before they are sold there by leading to a big loss.
3. Limited capital. This is a big challenge to retail trading businesses and this makes them inactive / inefficient in meeting customer's needs.
4. Unfavourable government policies and low monetary / assistance given to producers. High taxes reduce on profitability of trading businesses since they increase expenses production.
5. Political unrests: Trading businesses face a challenge of political unrest in form of riots, strikes, demonstrations, which limit their trading activities especially in urban centres.
6. Poor state infrastructure e.g. poor roads, inadequate and unstable power supply which all increase transport costs and other expenses.
7. Limited facilities to boost the capital base of traders
8. Inadequate space for expansion of the businesses is also a challenge facing trading business.

SOLUTIONS TO THE CHALLENGES

1. The people who after trading businesses should offer credit facilities to only trustworthy customers in order to solve the problem of bad debts.
2. The traders should decrease the prices of goods which are about to get expired in order to solve the problem of expiry of the goods.
3. The government should set up some financial institutions like banks to provide retailers with loans in order to control the problem of limited capital
4. The government should set favourable government policies like charging low taxes on goods sold by the traders.
5. The government should set a strong law against people who riot, demonstrate among others in order to solve the problem of political unrests especially in urban areas.

6. The government should improve on the state of infrastructures like roads, power supply among others in order to solve the problem of high costs of transport and other expenses.
7. The traders should get land which is very large in order to be easy to expand the business in the future.

TYPES OF TRADING BUSINESSES

(i) Retail trading businesses

These are businesses which deal in selling of goods to consumers.

FEATURES OF RETAIL TRADING BUSINESSES

The trader mainly sells goods to the consumers

- a) It involves the trader buying goods in large quantities from the whole saler and selling them in small and affordable quantities to consumers.
- b) It is a link between the wholesaler and the final consumers
- c) It is characterized by small purchase i.e. goods are sold in small quantities from the retailers.

GENERAL FUNCTIONS OF RETAIL TRADING BUSINESSES.

- (a) Retailers transport goods from their suppliers to their shops and at times they transport goods for the consumers who buy in large quantities.
- (b) Retailers sell goods to consumers in small and affordable quantities
- (c) Retailers buy goods from the whole salers and other suppliers.
- (d) Retailers store goods until they are demanded by customers
- (e) Retailers bridge the gap between the whole saler and the consumers

WHOLE SALE TRADING BUSINESSES

These are trading businesses which deal in a wide range of products and they stock goods according to the needs of the consumers.

FEATURES OF WHOLESALE TRADING BUSINESSES

- i. Large capital is invested in the businesses since a wholesaler requires a lot of money to run the business.
- ii. It involves packaging, branding, and advertising.
- iii. It is characterized by bulky purchase i.e. goods are bought in large quantities from the producers.
- iv. It is a link between the producer, retailer and the final consumer

- v. It involves storage of goods in large quantities and large ware houses on behalf of the producer
- vi. It involves transportation of goods by the wholesaler from the producer to his premises.

GENERAL FUNCTIONS OF WHOLE SALE TRADING BUSINESSE

1. A wholesaler buys goods in large quantities from the producers and breaks the goods in affordable quantities for retailers.
2. A wholesaler finances the producer to a retailer in the chain of distribution.
3. A wholesaler finances the producers by paying them promptly
4. A wholesaler provides ware housing facilities on behalf of the producer
5. A wholesaler prepares goods for sale by branding and packing them
6. A wholesaler also transports goods brought from the producer to his own premises.
7. A wholesaler keeps the prices stable by regulating the flow of goods to the market.