

Entrepreneurship in Micro-enterprises in Uganda:

A factor analysis of motivations, success factors and problems in
Micro-enterprises



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Abstract:

This thesis provides insight in the motivations, success factors and problems of entrepreneurs with micro-enterprises in Uganda. Furthermore attention is paid to characteristics that have a positive influence on growth of the business. One hundred and eighty-seven interviews were held to retrieve the results. Based on this outcome the main motivations for entrepreneurship are to increase income and to prove they can do it. The variables leading to success are a good customer service, hard work and a reputation of honesty. The most serious problem for Ugandan entrepreneurs is corruption. Other important problems are too much competition in the area and a high rate of inflation. The most obvious characteristics that support the growth of a business are education, formality and a location for the business outside the household.

Keywords: Entrepreneurship, Micro-enterprise, Uganda, Motivation, Success, Problems, Growth

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‘If you cannot do great things, do small things in a great way’

-Napoleon Hill-

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LIST OF ACRONYMS

ACRS	Anti-corruption Resource center
CPI	Corruption Perception Index
ERP	Economic Recovery Plan
FINCA	Foundation for International Community Assistance
GEM	Global Entrepreneurship Monitor
LDC	Least Developed Countries
LRA	Lord's Resistance Army
MFPED	Ministry of Finance, Planning and Economic Development
MFI	Micro Finance Institution
MGLS	Ministry of gender, Labour and Social affairs
MSMEs	Micro, Small and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
PEAP	Poverty Eradication Action Plan
PCA	Principal Component Analysis
SME	small and medium enterprises
TEA	Total Entrepreneurial Activity
UBOS	Uganda Bureau of Statistics
USh	Ugandan Shilling

1. INTRODUCTION

Since the majority of the private sector is formed by micro-enterprises it is incredibly important for growth and competitiveness of this sector that attention is paid to the problems faced by the entrepreneurs. Furthermore it is important to identify what the motivations of entrepreneurs are and if they have the will and capacity to grow and turn their organization into a small or medium enterprise.

Entrepreneurship is well renowned as a key factor in the development of a country (e.g. Peterson, 1988; Harper, 1991; Naudé, 2010). Many East-European and third world countries replace state capitalism with free enterprise economic systems. With various forms of support enterprises are likely to increase their productivity and competitiveness, make a greater contribution to generating wealth. Furthermore alleviating poverty among families of owners and workers alike, and generate additional jobs. Several articles and books have been written to compile the expertise about entrepreneurship in general (Sexton and Landström, 2002), in developing economies (Naudé, 2010) and in Africa (McDade and Spring, 2005).

In Africa the entrepreneurial climate ranges from a large number of small enterprises who create jobs for only one or a few individuals to a small number of large organizations containing hundreds of employees. Enterprises are active in the formal sector as well in the informal sector. They can be native and foreign owned and are geographically dispersed between rural and urban areas (McDade and Spring, 2005).

The country with the highest Total Entrepreneurial Activity (TEA) in the world is Uganda. 33.6 percent of the population was engaged in entrepreneurial activities in 2009 according to research of the Global Entrepreneurship Monitor (GEM). Compared to the world average of 10.6 percent and the African average of 15.6 percent Uganda's number is rather high. But in spite of this high TEA Uganda is still one of the least developed countries of the world (LDCs). The past decade Uganda has made progress in terms of economic and social development, although on the other hand the country is still lagging behind in competitiveness compared to the region and worldwide.

Furthermore it is estimated that 90 percent of the enterprises in Uganda are Micro, Small and Medium enterprises (MSMEs) and contribute over 70 percent to total GDP (UBOS). 80 percent of these enterprises are located in urban areas. According to the Ministry of Finance Planning and Economic Development (MFPED) most of these MSMEs can be categorized as Micro-enterprises. Micro-enterprises are to be found in the smallest end (by size) of the small business sector.

The categorization of enterprises differs around the world, in the United States an organization with less than 500 employees is a small enterprise, in India it ranges between 30-100 employees and in Uganda the figure is put between 5-50 (Balunywa, 1998). Micro-enterprises are often encompassed in researches over small enterprises. For Uganda there is not a real categorization of micro enterprises. These enterprises may be referred to as micro because they are smaller and informal and depend heavily on the survival of the owner. Thousands of companies exist only of sole proprietorship.

According to a definition of the Organization for Economic Co-operation and Development (OECD) micro-enterprises have at most ten employees. In Kenya and Ethiopia, enterprises which employ less than 10 people are categorized as micro enterprises (Balunywa, 1998; Gebreeyesus, 2009). Since Kenya and Uganda are both East-African countries at a critical stage of economic development with comparable economic structures (Siggel and Ssemogerere, 2004) therefore in this paper micro-enterprises will also be defined as businesses with an upper limit of ten employees.

While most studies focus on MSMEs, this research will focus on micro-enterprises taking in mind the fact that an estimated 90 percent of the MSMEs in Uganda can be categorized as a micro-enterprise (MFPED).

The central objective of this paper is to answer the following research question:

What are motivations, success factors and problems for entrepreneurs in Micro-enterprises in Uganda and is there potential for growth?

This study contributes to a better understanding of the theory of entrepreneurial activity by providing empirical evidence of motivations, success factors and problems entrepreneurs encounter in a developing country like Uganda. It offers insight in how micro-enterprises are organized and which aspects need attention to avoid failure. Furthermore attention will be paid to which characteristics influence the growth of enterprises. With the results action can be taken to provide the growth of jobs and GDP and secure the wellbeing of Uganda's small business sector.

In the following section a brief overview will be provided with some background information on Uganda. Then a theoretical framework will be introduced that links the concept and characteristics of an entrepreneur with the variables [motivations, problems and success factors] to possibilities of development. Hypotheses related to these topics are then formulated from this theoretical framework. The research design, which consists of a sample of 187 native Ugandan micro-enterprises, will then be described. Hereafter follow the findings of the research and a discussion of the results.

2. COUNTRY OVERVIEW UGANDA

In order to interpret the results it is important to be familiar with the background of the economy and the labour market in Uganda and the political climate. The general country facts can be found in Appendix A.

2.1 Economy

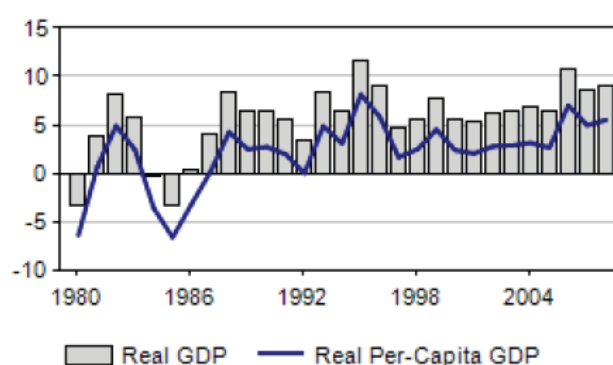
Uganda is a factor-driven economy designated by the UN as an LDC, nevertheless in recent years the economy has shown a growth pattern. This is a direct result of the policy reforms implemented in the

1980s. From 1987 until 1992 the government launched an “economic recovery programme” (ERP) in cooperation with the IMF and the World Bank. The aim was to restore fiscal discipline, monetary stability, and re-establish the economic, social and institutional infrastructure. Part of this ERP is providing micro-loans. With this facility unfortunate people obtain the possibility to invest in a business of their own. Micro-loans are used for the start up of micro-enterprises.

Since the introduction of the ERP the country underwent a remarkable development (Figure 1). Uganda even became one of the success stories of Sub-Saharan Africa, and its GDP grew at an average pace of 6.5 per cent between 1987 and 1996 (UBOS).

Figure 1

Economic Growth: Historical Trends
(Percent change from a year earlier)



(Source HIS Global Insight)

The ERP is followed by the Poverty Eradication Action Plan (PEAP) and additional actions and policies focused on different sectors. One focus of this programme was to promote employment outside the agriculture sector. Subsidies were provided to stimulate the micro and small enterprises (IMF). Entrepreneurship was promoted by more accessibility to microfinance, advisory services (especially business development skills) and vocational training. Furthermore attention is paid to the taxation for the micro and small business sector (MFPED). Between 1992 and 2005/06 the percentage of the population living below the poverty line declined from 56 percent to 31 percent (UBOS).

The import and export numbers of goods and services are fluctuating, but expected to grow in the coming years (Table 1).

Table 1

Economic growth indicators

Economic growth Indicators	2006	2007	2008	2009	2010	2011	2012	2013
Real GDP (% change)	10.8	8.6	9.1	5.0	5.8	6.2	6.6	6.2
Real Exports of goods and services (%change)	-6.3	26.5	4.8	14.3	-0.1	6.2	12.9	16.4
Real imports of goods and services (%change)	17.2	22.2	23.0	9.3	-3.8	-0.2	1.2	0.9
Nominal GDP (US\$ bil.)	11.0	13.9	15.8	14.6	17.8	20.2	22.7	25.1
Nominal GDP per Capita (US\$)	369	449	494	444	522	576	625	672

(Source HIS Global Insight)

The leading sector in Uganda is the service sector, but another large contributor to the GDP is the Agricultural sector (table 2). Main export products of the country are: coffee, tea, cotton, tobacco, cassava, potatoes, corn, millet, pulses, cut flowers; beef, goat meat, milk, poultry (CIA).

Table 2
Percentage GDP per sector

Sector	Percentage GDP (%)
Agriculture, forestry and fishing	22.8
Wholesale and retail trade	15.2
Construction	12
Manufacturing	7.5
Transport and communications	6.8
Electricity and water	4.9
Hotels and restaurants	4.2
Public administration and defence	3.4
Other services	23.8

(Source UBOS)

2.2 Labour market

Uganda encompasses the youngest population of the world, though a major problem for this population is the high unemployment rate. The labour force in Uganda is reflected in table 3.

Table 3
Uganda labour force

Uganda Labour Force (Millions)	2002/2003	2005/2006
Male	4.6	5.3
Female	5.1	5.6
Total	9.8	10.9

(Source UBOS)

At least 10.9 million Ugandans are employed (MGLS), but because of the presence of a large informal sector the exact number is not exactly known. Only 545.000 Ugandans (5 percent of total labour force) hold permanent jobs.

Every year 400.000 job seekers from various universities join the labour market, unfortunately the country only creates 18.000 new jobs annually. In total for this group there are 80.000 jobs available. Besides the large quantity of unemployment there is considerable underemployment. Due to increased unemployment people leave the country and look for jobs in surrounding and developed countries. Furthermore highly educated Ugandans that cannot find a job matching with their education

start their own micro-enterprise. For the years 2010/2011 1.9 billion UGX¹ is provided for the creation of new jobs, However the government has no strategic plan on how to create these new jobs (MFPED).

2.3 Political climate

Uganda has a turbulent history as a former British colony as well as being under the regime of military dictator Idi Amin from 1971 till 1979. During this eight year regime Amin caused a tremendous economic decline, social disintegration and a massive violation of the human rights. In 1986 the current president, Yoweri Museveni, came to power and a period of sustained economic and political renewal began. The 1995 constitution established Uganda as a republic with an executive, legislative and judicial branch (CIA).

However the Northern part of Uganda still suffers from a civil war led by the Lord's Resistance Army (LRA). Restricting economic activity and further entrenching poverty in the region. In 2005 the LRA was pushed out of the country and economic activity is now resumed.

"The problems of Africa, and Uganda in particular, are caused by leaders who overstay in power, which breeds impunity, corruption and promotes patronage" is what Museveni declared in his inauguration speech in 1986. But today, 24 years later corruption is still a significant problem. In 2006 Museveni announced a zero-tolerance policy with respect to corruption, notwithstanding the fact that still half of the government's budget is lost to corruption (ACRS). Uganda scores a 2.5 on the Corruption Perception Index (CPI) with a ranking from 1-10. Compared to other East-African countries is the score practically the same. The lack of transparency causes difficulties for businesses. Micro-enterprises bear uncertainty and unexpected costs. In 2011 the second multiparty elections will be held, which can cause some turmoil between different sections of the population.

3. LITERATURE REVIEW

3.1 Introduction

In the last decades the field of entrepreneurship has been studied in depth. Many scholars from various departments are interested in the concept and have made contributions. Economists are interested in the concept as well as academics with a background in sociology, anthropology and history. This paper will focus on the economic approach of entrepreneurship. Entrepreneurship is not a new concept, but in the last decades it obtained renewed attention. An economic decline after years of prosperity can be an explanation for the call for entrepreneurship (Hebert and Link, 1989). Currently in many business schools there is a department which focuses on entrepreneurship.

¹ 1 EUR = 2914.625 UGX (04-09-2010)

The theoretical part starts with an explanation of the history of “the entrepreneur” and the different connotations authors have given to the concept. Who are they and what do they do? Followed by the reasons why people become entrepreneurs. Is it only for survival or is there a will to make a success out of the business. The next division will explain differences between entrepreneurs operating in the formal or the informal sector and factors for growth. Furthermore attention will be paid to the motivations, success variables and problems of entrepreneurs.

Since the literature on Ugandan entrepreneurs is rather incomplete, studies on MSMEs in general or other countries will be used to fully understand the motivations to start up an enterprise.

3.2 The concept of the entrepreneur

Over time there have been different definitions and approaches according to who and what is an entrepreneur. The term “entrepreneur” finds its origin in the 18th century when the Irish author Richard Cantillon came up with the word in his “*Essai sur la nature de commerce en general*”, published in 1755 (Hebert and Link, 1982). Cantillon was the first to recognize the importance of entrepreneurs in trade. Hebert and Link (1982) identified in their book “*The entrepreneur: Mainstream views and radical critiques*” different themes in the economic literature that can be related to entrepreneurship. In table 4 an overview can be found of diverse characteristics related to entrepreneurs, according to various authors. A difficulty in the literature is that there is no consensus on the definition of an entrepreneur. However over time three different streams can be identified who flow from the vision of Cantillon (Hebert and Link, 1989).

These three streams can be identified as:

- German tradition: Innovation (Thünen 1785-1868; Schumpeter 1883-1950)
- Chicago tradition: Risk-bearer (Knight 1885-1975; Schulz 1902-1998)
- Austrian tradition: alertness to profit opportunities (Mises 1881-1973; Kirzner 1930; Shackle 1903-1992)

The German historical movement resulted in a methodological influence which created a different economic thought than in England and France. They state that the economic performance of an entrepreneur is not fully related to the characteristics of an individual but is also embedded in the environment (Hebert and Link, 1982). Furthermore the German tradition is focused on innovation. Goals have to be accomplished by renewing old approaches. Furthermore they extended Cantillon's view that with taking risk, entrepreneurs can reduce risk for others (Foramina, 2001). The central idea of Schumpeter's theory is to present “the fundamental facts and relations of economic life in their simplest form” (Schumpeter, 1939: p 13-14). Schumpeter's vision is that you need to distinguish between the entrepreneur and the resource-owner, innovation is the characteristic of the entrepreneur and risk only matters if the entrepreneur also is the resource-owner. The function of the entrepreneur is

Table 4 Authors with view on entrepreneurship

Idea	Author	Baudeau	Bentham	Cantillon	Clark	Cole	Hawley	Kirzner	Knight	Mangoldt	Mises	Schmöller	Schultz	Schumpeter	Shackle	Sombart	Thünen	Weber
1. The entrepreneur is the person who assumes the risk associated with uncertainty				X		X	X		X	X	X				X		X	
2. The entrepreneur is a supplier of financial capital											X							
3. The entrepreneur is an innovator	X	X										X		X		X	X	X
4. The entrepreneur is a decision maker				X		X		X			X		X		X			
5. The entrepreneur is an industrial leader														X		X		X
6. The entrepreneur is an organizer or coordinator of economic resources					X							X		X				X
7. The entrepreneur is a contractor			X															
8. The entrepreneur is an arbitrageur				X				X										
9. The entrepreneur is the person who allocates resources to alternative uses								X					X					

(Source Hebert and Link, 1982)

not only belonging to owners of enterprises, but can also be performed by managers or directors (Schumpeter, 1934). The entrepreneur is anyone who is a prime mover in economic development, someone who is innovative and has the will to act, not necessarily intellect. More important is to have the power to turn the existing knowledge into new ideas, or revive existing ideas. In table 4 numbers 1, 3, 5 and 6 correspond with the German tradition.

The Chicago-tradition is more focused on the entrepreneur as risk-bearer. According to Knight the entrepreneur is someone who faces risk and uncertainty in return for profit (Hébert and Link, 1982). In addition Schultz suggests that the concept refers to students, housewives and consumers who are reallocating their resources as well (Schultz, 1980). Schultz extended Schumpeter's definition, he pronounced: "Whether or not economic growth is deemed to be 'progress', it is a process beset with various classes of disequilibria" (Schultz in Hébert and Link 1989). In table 4 numbers 1, 4 and 9 correspond with the Chicago-tradition

The Austrian-tradition is focused on detecting new opportunities to create profit. According to Kirzner there are three important ideas to keep in mind when defining entrepreneurship (Hébert and Link 1989):

1. The market is an entrepreneurial process
2. The market place generates a learning process
3. Entrepreneurial activities are creative acts of discovery

Kirznern's view on entrepreneurship caused a revival of the concept in economic literature in 1973. In table 4 numbers 8 and 9 correspond with the Austrian tradition.

The different traditions discussed above reveal that there are different modes to look at the concept "entrepreneurship". Various authors see entrepreneurs as "pure" innovators while others see them as risk-bearers. Additionally some authors see a mix of risk taking and innovation and adjustment to the circumstances. However in this paper, an entrepreneur is considered as a person who provides and coordinates resources; takes risk; faces uncertainty and tries to make a profit with starting up an own enterprise.

3.3 Entrepreneurship in the formal and the informal sector

Entrepreneurs are active in both the formal and the informal sector. In some cases, especially developing countries, the informal sector can be rather large. According to the World Bank (2007) the percentage of firms active in the informal sector is still growing. In developing countries it is estimated that approximately 40% of the GDP is contributed by the informal sector (Schneider, 2006). In Uganda the informal economy contributes 43.1% to the GDP (Schneider, 2002). There are many

definitions of the informal sector provided by the various institutions and authors (e.g. ILO, 1972; Pratap and Quintin, 2006; World Bank, 2007; Misati, 2010). In general, looking at various definitions, activities in the informal sector are untaxed and unregulated, performed in small scale and generate predominantly employment and income for the owner.

Entrepreneurs refuge in the informal sector to escape the administrative burden and regulations of the formal sector (Bennet, 2009). It is not unwillingness for most entrepreneurs, but a need. They encounter difficulties like complex registration processes, or are not capable to pay the registration costs or taxes (Appendix D: Overview registration process businesses in Uganda).

There are different points of view concerning the role of the informal sector. Some authors argue that the informal sector has a negative effect on a country's development and economic growth (e.g. De Soto, 2000; Loayza, 1996, Kutcha-Helbring, 2000). Enterprises that operate outside the formal sector cannot use the benefits of the formal sector. As a consequence they have difficulties getting access to credit, which limits investment opportunities and growth opportunities of the organization and the quantity of available jobs. Furthermore they have no influence in policy making (Kutcha-Helbring, 2000). Additionally by evading taxes the government and businesses in the formal sector encounter a disadvantage. The formal sector carries the tax burden and faces competitive disadvantage against businesses in the informal sector. The government misses out on revenues which can be invested in infrastructure or subsidies (Misati, 2010). On the other hand, the informal sector offers an opportunity for the poorest people to set up a business and gain an income (e.g. Bennett, 2009, Harding and Jenkins, 1989). With overregulated systems or incomprehensible registration systems the informal sector offers prospect for income and employment. Residents can engage in entrepreneurship and contribute to the economy in an informal way. Without the presence of the informal sector this would not be achievable for numerous people. Most authors underline the negative effects of the informal sector, however in developing areas where there is poverty and there are high unemployment rates the presence of an informal sector should be seen as positive. Start-ups in the informal sector might be a stepping-stone for entering the formal sector in the end. Without the possibility to start in the informal sector such enterprises would never exist (Bennett, 2009). The informal sector contains legal as well as illegal activities².

3.4 Necessity versus opportunity entrepreneurship and growth

Looking at the start-ups of businesses a distinction has to be drawn between opportunity-driven and survival entrepreneurs. Survival entrepreneurs are forced into entrepreneurship because of the absence of regular waged employment. The start up of the enterprise is not with the vision of making a large profit, but to have a job and a basic income to prevent slipping further in poverty. Entrepreneurs active

² A comprehensive overview of advantages and disadvantages of the informal sector is to be found in the article of Gërxhani (2004).

in the informal sector have no intention for growing (World Bank, 2007). However, according to Rogerson (1996) a distinction has to be made between survivalist entrepreneurs and growth enterprises with the potential to turn into formal small businesses.

The definition for a high-growth firm according to the OECD (2007) is as follows: “*All enterprises with average annualized growth larger than 20 percent per annum, over a three year period should be considered as high-growth enterprises. Growth can be measured by the number of employees or by turnover*”. Consequently to be considered as a high-growth enterprise a company must show a growth of more than 70 percent over the last three years.

There are several characteristics of an entrepreneur that can provide this growth. A higher level of education provides a higher potential for growth (Goedhuys and Sleuwaegen, 2010; Morison et al., 2003). It is discussed that this does not include developing countries due to the fact that the educational level in general is subordinate, hence numerous high educated people commence enterprises in developing countries due to the lack of available jobs. Furthermore research has shown that entrepreneurs in Sub Saharan Africa who finished secondary school have more rapidly emerging firms (Nichter and Goldmark, 2009). Which leads to the first hypothesis:

H1: The level of education of entrepreneurs is positively related with firm growth

Besides the level of education earlier work experience is also a positive characteristic, yielding knowledge of organizations, different fields of business and expanding the social network. Gender is also of influence. Being a woman can have a negative effect on the growth of the enterprise. In most developing countries women are still subordinated and face problems when entering markets or social networks and are mostly responsible for the household. Furthermore the illiteracy rate among Ugandan women is 42.3 percent (Appendix A). All these facts limit their labour mobility (Nichter and Goldmark, 2009). Therefore the following is hypothesized:

H2: When the gender of the entrepreneur is female, there is a negative relationship with firm growth

Additionally it is important for the growth of an enterprise that the market conditions are favourable. In developing countries there is often a small market size and the level of human capital is low, problems with the infrastructure and a lack of access to inputs (Goedhuys and Sleuwaegen, 2010; Morison, Breen and Ali, 2003).

A Large body of empirical research finds a negative relationship between firm growth and age (e.g. Evans, 1987; Calvo, 2006). Smaller and younger firms tend to grow faster than the older ones.

Another factor that inhibits growth is that survivalist entrepreneurs are risk-averse. To spread risk entrepreneurs diversify their activities to maximize short-term profit. While specializing fosters growth (Berner, Gómez and Knorringa, 2008). Leading to the following hypothesis:

H3: Firm age has a negative relationship with firm growth

Entrepreneurs that operate from their home are less likely to grow compared to other micro or small businesses. On average they are significantly smaller and have no opportunity for expansion. Often they are owned by women (Mead and Liedholm, 1998).

H4: An enterprise located outside the household is positively related with firm growth

As explained earlier many firms operate in the informal sector. Providing an opportunity to create a business, however the informal sector does deliver some difficulties and restrictions for growth. It is difficult to obtain financial capital for extension and in the informal sector entrepreneurs do not have any rights (Gërxhani, 2004). Leading to the following hypothesis:

H5: Formality has a positive relationship to firm growth

In table 5 the different growth factors are summarized and represented. In this research there is not sufficient information to examine all factors. Therefore only feasible factors are hypothesized.

Table 5
Growth factors and micro enterprise growth, opportunities and capabilities

Growth Factor	1. Link to growth (developing countries)	2. Impact on opportunities (Hypothesized)	3. Impact on capabilities (Hypothesized)
Education of owner (above threshold)	+	+	+
Work experience of owner	+	+	+
Gender (female owned)	-	-	-
Firm located in household	-	-	-
Firm age (Older)	-	0	-
Informality	-	-	0
Access to finance	+	0	+
Social networks (strong and diverse)	+	+	+
Business environment	+	+	0
Specializing	+	0	0

(Source: Nichter and Goldmark, 2009; Berner et al. 2008; Goedhuys and Sleuwaegen, 2010)

Note: Cell marked with “0” if the literature suggests no association with MSE growth or no hypothesized direct impact on opportunities/capabilities.

3.5 Motivations of entrepreneurs

A number of authors stress out that motivation is one of the key success factors for an organization. Throughout history different types of entrepreneurs have been identified. Smith (1967) cites entrepreneurs either as “craftsman” or “opportunists”. A decade later Filley and Aldag (1978) identify three types: “the craftsman”; “the entrepreneur” and the “professional”. All types with different motivations. The craftsmen enjoys his work more and has intrinsic motivation, whilst opportunists and professionals have a more managerial approach and are more focused on making a profit.

Results from different studies under North American entrepreneurs show that there are four categories of motivation (e.g. Robichoud, McGraw and Roger, 2001; Kuratko, Hornsby and Naffziger, 1997):

1. Security
2. Income (extrinsic rewards)
3. Independence/autonomy
4. Self fulfilment (intrinsic rewards)

When we look at the main reason for the start-up of a business in developing countries, several researches have been done. This results in different outcomes due to differences in the level of (economic) development, education and employment opportunities.

In a study on Vietnam, Benzing et al. (2005) discovered regional differences between the two largest cities. The strongest motivation in Ho Chi Min city is personal satisfaction and growth, whilst in Hanoi the main reason is job security. In Romania the extrinsic rewards are the most important (Benzing et al. 2005). A research on India showed that the main motivation is independence and autonomy followed by the increase of their income (Benzing and Chu, 2005). These results show that in developing countries the main reason is not per definition “to create an income”, “have job security” or “survival”.

When looking at Africa, a study in Kenya toward motivations of entrepreneurs showed that “the increase of income” and “job security” are the two most important factors (Chu et al. 2007). Similar results are to be found in Western Africa where Roy and Wheeler (2006) and Chamlee-Wright (1997) found that micro enterprise owners were mainly motivated by fulfilling their basic need for food and housing and see entrepreneurship as the only opportunity. In Uganda Bewayo (1995) has shown that “make a living” is the most important reason for starting a business and they prefer the independence in their own organization over being an employee. However in the last years several programs are developed to create awareness for a business climate and develop entrepreneurship skills. A result can be that entrepreneurs in Uganda at the moment are more aware of the possible profits they can create and start a business in a sector they are really interested in and intrinsic motivation increases.

However, taking in mind main motivations of other African entrepreneurs and the lack of jobs in Uganda, it is expected that “extrinsic motivation” is still the focal reason to start an enterprise.

In general it shows that entrepreneurs in low-income countries are tend to start up businesses for extrinsic motivations and job security, while in higher-income countries entrepreneurs are motivated by the development of their capabilities and autonomy. Therefore the sixth hypothesis is:

H6: extrinsic rewards are the most important motivational factor for Ugandan entrepreneurs

3.6 Success variables

Numerous factors can be seen as contributors to the success of MSMEs. However researchers not always agree which variables to take into account. Most studies focus on a few factors:

1. Characteristics related to the entrepreneur
2. Management skills
3. External environment

Benzing et al. (2009) found that social skills, commitment and trustworthiness are important with respect to the characteristics related to the entrepreneur. Additionally it is a good feature to have a social network and interact with customers and retailers. Furthermore it is essential to have a drive to be competitive, innovate and independent (e.g. Chu et al. 2007; Frese, 2002; Dess, Lumpkin and Covin 1997). But the right entrepreneurial orientation must be adapted to the external environment. With regard to other African countries, Chu et al. (2007) found that hard work and a good customer service are perceived as the key to success. Furthermore success is difficult to acquire without access to capital (Benzing et al, 2009). Many entrepreneurs start next to nothing and when they manage to survive they encounter the problem of how to obtain money for expansion. Studies in developing countries like Turkey, Ghana and Kenya show that the behaviour of the entrepreneur and their social skills contribute largely to success.

H7: Social skills of the entrepreneur are most valuable for perceived success

3.7 Problems facing entrepreneurs

Entrepreneurs in developing countries face several problems. Often the business environment is highly bureaucratic and unstable. Regulations are often changed or unclear and often there is corruption to deal with. There is a lack of transparency in decision making and attention should be paid to the creation of regulations also for the informal sector (Macculloch, 2001). The private sector is overregulated, complex and often regulations are overlapping with each other.

Besides the problems with the government many authors agree that the most serious problem for entrepreneurs is obtaining short-term and long-term capital. Even if MFIs are present this is difficult. Interest rates are too high, entrepreneurs do not know how to apply, or loans are only assigned to existing, successful businesses (e.g. Spring and McDade, 1998; Chu et al. 2007; Cook, 2001).

Research conducted in Turkey by Benzing et al. (2005) shows that a good infrastructure is important in addition. With poor roads and transportation it is difficult for the shop to receive supplies and for customers to visit.

The major problems recently faced by entrepreneurs in Uganda relates to financial support, government policies, education and training (GEM 2004). Taking into account the quantity of highly educated citizens starting a business it is expected that education is not the most important problem. Bureaucracy and confusing policies are everyone's concern.

H8: Problems with regulations of the government are the most important problems for Ugandan entrepreneurs.

Table 6 summarizes the eight hypotheses.

Table 6
Overview hypotheses

Variable	Expected sign
1. Characteristic of the entrepreneur	
H1. education	+
H2. Gender (female)	-
2. Characteristics of the enterprise	
H3. Firm age (older)	-
H4. Premises occupied (outside household)	+
H5. Formality	+
3. Motivational variables	
H6. Extrinsic rewards are the most important motivational factor for Ugandan entrepreneurs	
4. Success variables	
H7. Characteristics related to the individual are most valuable for perceived success	
5. Problem variables	
H8: Problems with regulations of the government are the most important problems for Ugandan entrepreneurs.	

4. QUESTIONNAIRE AND METHODOLOGY

This section represents in which way the research is conducted. First, the characteristics of the sample and data gathering are given. Secondly, an overview of the used techniques for data analysis will be presented.

4.1 Sample and data gathering

As explained in the introduction, the definition for MSMEs differs around the world. The definition used in this study is based on the number of employees in an organization, used by the OECD and in Kenya and Ethiopia. A micro-enterprise consists of a maximum of 10 employees. Furthermore the research is conducted solely under native people. By doing so the results will show what problems are faced by native Ugandan's and solutions can be found to create a better climate for native entrepreneurs with the result to create more sustainable jobs in Uganda and help to lower the unemployment rate.

The data used in this research is collected in the urban areas of Uganda during a stay of 7 weeks in 2010. 187 interviews have been held in different areas of Kampala, Fort Portal, Jinja, Mbale and Entebbe (Appendix C). Research is conducted in the urban areas since 80 percent of the micro-enterprises are established in urban areas moreover there is potential for economic growth through the conversion of micro-enterprises into small and medium enterprises (SMEs). Due to the fact that not all enterprises are registered or listed it was not possible to select businesses for a simple random sampling. Therefore a convenience sample is used. Entrepreneurs had to be approached personally at their organization and were requested to cooperate in the research and fill in the questionnaire. Interviews lasted between 25 and 75 minutes, with an average duration of 35 minutes.

Since English is the formal language in Uganda, the questionnaire was written in English and the interviews were held in English. Although most people speak English some questions caused problems. Therefore all questionnaires are filled in together with the interviewer to ensure that all questions were understood and answered properly.

The questionnaire for the factor analysis used in this research was developed by Hung M. Chu (Chu and Katsioloudes, 2001) and has been used in researches on entrepreneurship in Vietnam, Romania, India, Kenya, Ghana and Turkey (Chu, Benzing and McGee, 2007; Benzing and Chu, 2005; Benzing, Chu and Callanan; 2005, Benzing, Chu and Szabo, 2005; Benzing, Chu and Kara, 2009). Some additional questions were added in the motivational sector to provide insight in why entrepreneurs do not want to work for an employer. To the problem factors some questions were added to see if some additional problems, like corruption, were important for entrepreneurs in Uganda.

The answers to the questionnaire were given on a summated rating scale. Summated rating scales consist of statements that express either a positive or a negative attitude toward an assumption (Cooper and Schindler, 2006; p339). The interviewees were asked to rank different variables on a 5 point Likert Scale. This scale, developed by Rensis Likert in 1932, is the most frequently used variation of the summated rating scale. Assumed is that Likert scales are more trustworthy than several other

scales. In the questionnaire used: 1 was “unimportant”, 2 was “not very important”, 3 was “neither important nor unimportant”, 4 was “very important” 5 was “extremely important”.

4.2 Data analysis

4.2.1 Factor analysis

Principal Component Analysis (PCA) is a method to reduce and summarize data from questionnaires with a large set of variables. As a result it is easier to understand the structure of a set of variables, measure underlying variables and reducing the data set to a more convenient size while maintaining as much as possible from the original sample (Field, 2009). When using PCA one can retrieve the existing linear components within the dataset and the contribution of every variable to that specific component (Field, 2009).

The PCA analysis is relevant for this thesis since the aim is to find out the main motivation, success variable and problem for entrepreneurs. With the PCA analysis the 52 different variables can be reduced to a smaller number of coherent components that are crucial in finding the underlying motives of entrepreneurs.

To start the analysis the reliability of the questionnaire is tested with a cronbach’s alpha for the motivation items, perceived success variables and the problem items (table 7). The alpha’s cronbach for the motivation items was 0.704. For the perceived success variables the alpha’s cronbach was 0.696, and for the problem items alpha’s cronbach was 0.911.

With this outcome the test can be seen as reliable since a score higher than 0.6 is acceptable, higher than 0.7 is good and higher than 0.8 is excellent (Gliem and Gliem, 2003).

Table 7
Cronbach’s alpha scores

Dimensions	Cronbach’s alpha	Nr. of items
Motivation	0.704	11
Success	0.696	16
Problems	0.911	20

A higher mean score on a variable would indicate a greater importance for the entrepreneurs. For the determination if values are significant different from the other a Wilcoxon signed ranks test is used. For determining if the scores between Kampala and secondary towns are significantly different a Mann-Whitney test is used. This since the sample is not normally distributed as determined with the skewness and the kurtosis (Field, 2000).

A PCA with a varimax (orthogonal) rotation is used. The varimax rotation is chosen because it attempts to maximize the dispersion of loadings within a factor. With a quartimax rotation many variables would load high on one single factor and the equamax rotation is reported as giving irregularities (Field, 2000).

A scree plot is used to determine the substantive importance of each factor. Factors with an eigen value over 1 are included in the analysis.

After conducting the PCA another reliability analysis is performed. The alpha's cronbach for the subsequent factors is tested and all factors had a satisfactory score. This indicates that the factors are reliable.

4.2.2 Logistic regression firm growth

To research if some of the characteristics of the entrepreneurs influence the growth of the enterprises in number of employees, a logistic regression is performed. This because the dependent variable only has two categories (no growth/growth; no high growth/high growth) and is a so called binary variable (Cohen, Cohen, West en Aiken; 2003).

Dependent variable: growth

In this part of the research will be examined if certain characteristics influence firm growth. In this thesis growth is divided into two types. The first one explores if certain characteristics are more common in enterprises with growth. In this analysis all enterprises are included that have grown since the start. The second analysis examines only high growth firms, the firms that show a growth of more than 70 percent in the last three years.

Independent variables

The independent variables used in this analysis are characteristics of the entrepreneur or characteristics of the enterprise. The characteristics [business environment; social networks; access to finance; relevant work experience] are left out of the analysis since it is not the scope of the research to accumulate in depth information for analysis on these topics. The characteristics of the entrepreneur to be included in the study are [firm age; formality; education; premises occupied; gender; age;]

For individual cases the prognosis can be calculated when using the characteristics of the entrepreneurs. A logistic regression model does not compute chances but logits:

\hat{ip} = number of cases / N (the opportunity that someone is a case)

odds = $\hat{ip} / (1 - \hat{ip})$ (the number of cases relative to a non-event)

Logit = $\ln(\text{odds})$ (natural logarithm of the odds)

$$= \ln \{ \hat{ip} / (1 - \hat{ip}) \}$$

Delivering the following regression equation:

$$\ln \{ \hat{ip} / (1 - \hat{ip}) \} = B_0 + B_1X_1 + B_2X_2 + \dots + B_kX_k$$

When performing a logistic regression one cannot talk about explained variance. In this case we calculate the deviance (Cohen et al. 2003). The null deviance (D_{null}) can be compared with the total variance by ordinary least squares regression. To encounter the explained variance I used the model deviance (D_k), by subtracting D_k from D_{null} an amount of deviance remains which can be compared with explained variance.

$$D_{null} = \text{chi-square} + (-2 \text{ Log likelihood})$$

$$D_k = -2 \text{ Log likelihood}$$

$$R^2_L = (D_{null} - D_k) / D_{null}$$

With this outcome one can find the degree in which the characteristics contribute to growth or high growth for enterprises in Uganda

5. RESULTS

In this chapter the empirical results of the research will be presented. In section 5.1 the characteristics of the sample are represented. Section 5.2; 5.3 and 5.4 show the outcomes of the factor analysis of motivations, success variables and problems of Ugandan entrepreneurs. Furthermore section 5.5 focuses on the logistic regression analysis for growth and in section 5.6 are four case studies to provide more in depth insight in the motives and functioning of Ugandan entrepreneurs.

5.1 Sample characteristics

5.1.1 Characteristics of Ugandan entrepreneurs

The characteristics of the entrepreneurs surveyed can be found in table 8. All enterprises employ less than 10 employees and thus can be considered as micro enterprises. As shown in table 8, 54 percent of the entrepreneurs surveyed are female. This finding is not consistent with the results of the GEM 2003. According to this research more males are involved in entrepreneurship than females and 61 percent of the entrepreneurs are male. The majority of the entrepreneurs are married, with a percentage of 66.3 percent.

Table 8 also shows that the average age of entrepreneurs is 27.65 where the youngest entrepreneur is 17 and the oldest 52. Of the entrepreneurs, 7 declined to answer this question because in their opinion age is not important. The average amount of children the entrepreneurs have is 2.17. Of this sample 29.9 percent did not have children (yet).

When assessing the educational level 74.2 percent completed secondary school or higher and 12.8 percent completed university. This is a positive number, since finishing secondary school or higher is a positive quality for growth (Nichter and Goldmark, 2009). When we look at enterprises of parents, we see that 59.9 percent of the entrepreneurs comes from a family with an own enterprise.

Furthermore 52.9 percent has worked previously for an employer, 34.8 percent has work experience in the business of a relative and 12.3 percent has no former work experience.

Of all the active entrepreneurs 34.8 percent would consider a job that pays the same as his/her current business. 33.7 percent had a business that failed and 68.4 percent of the entrepreneurs know someone with a business that did not succeed. If their current business does not work out 35.8 percent will try to look for a job, while 62.6 percent will try again with a new business. This results show that some entrepreneurs might be forced into entrepreneurship since there is a lack of regular paid employment, this does not mean directly they can be categorized as survival entrepreneurs (World Bank, 2007; Rogerson, 1996) since they prefer entrepreneurship over a job and are also intrinsic motivated.

Table 8
Characteristics of Ugandan entrepreneurs (N=187)

	Frequency	Percent
Gender		
Male	86	46%
Female	101	54%
Marital Status		
Married	124	66.3%
Single	54	28.9%
Widowed	6	3.2%
Unmarried partners	3	1.6%
Average age of respondents	27.65	
Average amount of children	2.17	
Educational level		
No formal education	2	1.1%
Some primary school	5	2.7%
Completed primary school	17	9.1%
Some secondary school	15	8%
Completed secondary school	80	42.8%
Some University	41	21.9%
Completed University	24	12.8%
Other	3	1.6%
Enterprise parents		
Yes	112	59.9%
No	75	40.1%
Work experience		
For an employer	99	52.9%
In other relatives business	65	34.8%
No former work experience	23	12.3%
Would you consider a job which provides the same income?		
Yes	65	34.8%
No	124	65.2%
Have you ever had a business which failed?		
Yes	63	33.7%
No	124	66.3%
Do you know anybody whose business failed?		
Yes	128	68.4%
No	59	31.6%
What would you do if your business failed?		
Look for a job	67	35.8%
Start a new business	117	62.6%
Other	3	1.6%

5.1.2 Characteristics of Ugandan enterprises

The characteristics of the enterprises surveyed are to be found in table 9. The most common type of business is retail with 48.1 percent, followed by the service sector with 21.4 percent. The manufacturing and wholesaling sector consist of respectively 13.4 percent and 10.7 percent and 6.4 percent of the entrepreneurs have multiple types of business. This result corresponds with the research of Bewayo (1995), in this research the retail sector also was the largest sector for entrepreneurs.

When looking at the way entrepreneurs started their business, 75.9 percent established themselves, 4.3 percent bought it from another person and 19.8 percent inherited the business from their parents or another relative. Most of the premises occupied by the entrepreneurs are fixed premises outside the house, mostly rented. 19.3 percent operates their business from their home and 13.9 percent works on the street, trying to operate at the same place and 3.2 percent find themselves itinerants and switch places for their shops.

Of all entrepreneurs surveyed, 56.7 percent has not registered the business and with doing so faces political, economic and social advantages and disadvantages as mentioned by Gërxhani (2004). The average period of existence of the businesses is 4.59, with 29 enterprises existing a year or less and the oldest enterprise existed for 15 years. The average number of employees in this sample is 3.19. In this sample 94 people have been asked about their working hours. The entrepreneurs reported an average of 60 hours a week, almost all enterprises are opened 7 days a week. This is relatively high compared to other African countries. Research in the neighbouring country Kenya showed that entrepreneurs over there have an average working week of 45 hours, and in Ghana they work around 38 hours a week (Chu, Benzing and Mcgee; 2007).

Table 9
Sample characteristics of micro enterprises in Uganda (N=187)

Type of Business	Frequency	Percent
Retailing	90	48,1%
Wholesaling	20	10,7%
Service	40	21,4%
Manufacturing	25	13,4%
Multiple types of business	12	6,4%
Type of Business start-up		
Established by you	142	75,9%
Bought from another	8	4,3%
Inherited	37	19,8%
Premises occupied		
Home	36	19,3%
Fixed premises outside the home	119	63,6%
Street	26	13,9%
Itinerant	6	3,2%
Business is registered		
Yes	81	43,3%
No	106	56,7%
Average age of business in years		
Average number of employees	4,59	3,19

5.2 Motivations

During the interviews in Uganda entrepreneurs were asked to rate 11 reasons why they are in business and 4 reasons why they prefer to have their own enterprise over working for an employer. The results are summarized in table 10. On a five-point Likert scale with one (1) being “unimportant” and five (5) being “extremely important” it was found that the three most important motivational reasons are: “To increase my income”, “To prove I can do it” and “To be my own boss”. The mean score for “to increase my income” is significant higher than the second highest motivation “To prove I can do it”. With this outcome *H6: extrinsic rewards are the most important motivational factor for Ugandan entrepreneurs* Can be accepted. With this result Uganda is placed between countries like Romania, Kenya and Ghana (Benzing et al, 2005; Chu et al, 2007) where the increase of the income also is the main reason for setting up a business. This result corresponds with the outcome of the research of Bewayo in 1995.

The two reasons that are the least important to Ugandan entrepreneurs are “To be closer to my family” and “To have fun”. Their score is below 3 indicating that these reasons are neither important nor unimportant. When looking at the reasons why entrepreneurs won’t work for an employer the most important reason is that there are no jobs available. This finding is consistent with the data from the UBOS, that there are not enough jobs. The reason “no jobs available” scores significant higher than “low payment”. No cooperation with family or friends scores just above 2 indicating that this is not very important to entrepreneurs.

Table 10
Mean score for motivation of Ugandan entrepreneurs*

Motivational Factors entrepreneurs	Mean	Standard deviation
1. To be my own boss	3.99	0.89
2. To Use experience and training	3.25	1.24
3. To Prove I can do it	4.04	0.73
4. To increase my income	4.40	0.68
5. To provide jobs for family members	3.10	1.22
6. For my own satisfaction and growth	3.25	1.21
7. So I will always have job security	3.73	1.00
8. To build a business to pass on	3.73	1.14
9. To maintain my personal freedom	3.75	1.04
10. To be closer to my family	2.68	1.29
11. To have fun	2.84	1.04
<i>Why won't you work for an employer</i>		
1. No freedom	2.64	1.40
2. Low payment	3.41	1.29
3. No job available	3.83	1.30
4. No cooperation with family or friends	2.08	1.05

*5= extremely important, 4= very important, 3= neither important or unimportant, 2= not very important, 1= unimportant.

There is a big difference in population between Kampala and the second largest city, Jinja (see appendix A). To see if there are any differences between entrepreneurs in the capital (Kampala) and secondary towns the means of the two samples are compared (see table 11). On three points the sample differs significantly. In Kampala it is more important to have job security and build a business to pass on, while in the secondary towns having fun is more essential. On the other points no

considerable differences are to be found. This indicates that there are no meaningful differences in motivational factors between the capital city and smaller towns.

Table 11
Mean score for Ugandan entrepreneurs divided by location

Motivational factors	Kampala N=105	Secondary towns N=82 **	Sig. *
1. To be my own boss	4.02	3.95	0.877
2. To use experience and training	3.12	3.40	0.181
3. To prove I can do it	4.07	4.01	0.597
4. To increase my income	4.43	4.37	0.555
5. To provide jobs for family members	3.20	2.98	0.144
6. For my own satisfaction and growth	3.11	3.41	0.109
7. So I will always have job security	3.90	3.51	0.009*
8. To build a business to pass on	3.93	3.46	0.007*
9. To maintain my personal freedom	3.75	3.74	0.862
10. To be closer to my family	2.63	2.74	0.551
11. To have fun	2.71	3.00	0.035*
<i>Why won't you work for an employer</i>			
1. No freedom	2.75	2.50	0.232
2. Low payment	3.52	3.27	0.179
3. No job available	4.02	3.60	0.168
4. No cooperation with family or friends	2.11	2.04	0.450

* Significance level obtained from a two-sample Mann-Whitney test (also Wilcoxon Rank Sum Test). Mean scores that are significantly different at the 95 percent level are designated with an asterisk.

** Secondary towns are: Mbale, Jinja, Fort Portal and Entebbe

As revealed in table 12 and 13 a factor analysis of the motivational variables leads to three factors: An intrinsic factor, a family oriented/legacy factor and an income factor. The most representative factor analysis accounts for 63.6 percent of the variance.

As can be seen, variables [1; 2; 3; 6; 9] load on factor 1. This factor can be seen as a representation of intrinsic motivation. The variables [5; 8; 10; 11] are loading on factor 2. These factors can be related to family matters. Furthermore the variables [4; 7] load on the third factor, income.

Table 12
Principal component factor analysis (Varimax rotation) Factor loadings and communalities for motivation variables

Motivation	Factor 1	Factor 2	Factor 3	communality
1. To be my own boss	0.697	0.293	0.085	0.507
2. To use experience and training	0.546	0.100	0.081	0.348
3. To prove I can do it	0.597	0.092	0.134	0.349
6. For my own satisfaction and growth	0.495	-0.313	-0.066	0.451
9. To maintain my personal freedom	0.777	-0.088	0.230	0.619
5. To provide jobs for family members	0.036	0.749	0.255	0.514
8. To build a business to pass on	0.068	0.496	0.303	0.445
10. to be closer to my family	-0.036	0.729	-0.037	0.429
11. To have fun	0.216	0.469	-0.303	0.313
4. To increase my income	0.289	-0.104	0.736	0.519
7 So I will always have job security	0.064	0.453	0.763	0.591
Variance	3.174	2.319	1.492	6.985
Percentage of Variance	0.289	0.211	0.136	0.636

Although factor 1 shows the highest variance, this does not mean that factor 1 is the most essential factor. If we have a look at the summated scales in table 13, we find that the third factor shows the

highest mean score. This indicates that the main motivation for the entrepreneurs is to obtain an income for living as stated in hypothesis 1. The least important issues are family related motivations. However it is important for the success of the entrepreneur to create a good balance between work and family (Greenhaus, Collins and Shaw, 2004)

Table 13
Mean scores of Ugandan entrepreneurs by factor related to motivation

Summated scales	Mean score	Standard deviation
Factor 1: intrinsic	3.66	1.02
Factor 2: Family oriented/ legacy	3.09	1.172
Factor 3: Income	4.07	0.836

5.3 Success characteristics

To define the characteristics that are the most relevant for success, entrepreneurs were asked to rate 16 different questions on a scale from 1 (unimportant) to 5 (extremely important). In table 14 below can be found that the most important variable for success according to Uganda entrepreneurs is “Good customer service”. This variable has received a very high mean score, with an average of 4.47. This points out that almost all entrepreneurs rated this variable as “very important” or “extremely important”. The second highest variable “Hard work” scores significantly lower than “good customer service”. This outcome is consistent with research in other African countries (Chu et al. 2007) the two most important success variables in this research are also “hard work” and “good customer service”.

The two variables that have the lowest scores are “previous business experience” and “Political involvement” with a mean score of respectively 2.45 and 1.80. With a score of 1.80 is “political involvement” significantly (significance level 99 percent) lower than the second lowest variable. This represents the fact that political involvement does not contribute to the success of entrepreneurs.

Table 14
Variables contributing to success of Ugandan entrepreneurs*

Success Factors	Mean	Standard deviation
1. Good management skills	4.12	0.86
2. Charisma: friendliness	4.02	0.78
3. Satisfactory Government Support	2.55	1.28
4. Appropriate training	3.02	1.19
5. Access to capital	4.10	0.94
6. Previous business experience	2.45	1.19
7. Support of family and friends	3.18	1.23
8. Marketing/ sales promotion	3.41	1.20
9. Good product at competitive price	4.14	1.06
10. Good customer service	4.47	0.72
11. Hard work	4.21	0.87
12. Position in Society	3.00	1.15
13. Ability to manage personnel	3.43	1.28
14. Social skills	3.43	0.98
15. Political Involvement	1.80	0.79
16. Reputation of honesty	4.18	0.92

*5= extremely important, 4= very important, 3= neither important or unimportant, 2= not very important, 1= unimportant.

For the variables related to success is also verified whether there are differences between Kampala and the secondary towns. However, no significant differences were found.

Table 15
Mean score for variables contributing to business success in Kampala and secondary towns

Success Factors	Kampala	Secondary Towns**	Sig.*
1. Good management skills	4.13	4.10	0.696
2. Charisma: friendliness	4.04	3.99	0.619
3. Satisfactory Government Support	2.55	2.54	0.949
4. Appropriate training	3.09	2.93	0.379
5. Access to capital	4.10	4.10	0.984
6. Previous business experience	2.47	2.43	0.758
7. Support of family and friends	3.21	3.13	0.740
8. Marketing/ sales promotion	3.33	3.50	0.376
9. Good product at competitive price	4.15	4.12	0.863
10. Good customer service	4.44	4.51	0.513
11. Hard work	4.25	4.17	0.719
12. Position in Society	3.00	3.00	0.939
13. Ability to manage personnel	3.42	3.45	0.876
14. Social skills	3.92	3.95	0.700
15. Political Involvement	1.87	1.72	0.240
16. Reputation of honesty	4.17	4.20	0.808

* Significance level obtained from a two-sample Mann-Whitney Test (also called Wilcoxon Rank Sum test). No significant results with these variables.

** Secondary towns are: Mbale, Jinja, Fort Portal and Entebbe

The factor analysis in table 16 shows that 14 of the 16 variables can be grouped into 4 factors. All variables have a score higher than 0.66 aside from the variable “marketing/sales promotion” in the fourth factor. A score above 0.4 is needed in order to group together on a factor. If one does a factor analysis it is not necessarily that all grouped variables are logically identified. But as well the varimax rotation as the equamax rotation presented the same factors, together with the high factor loadings of the variables it can be assumed that the outcomes are trustworthy. The variable “position in society” had a negative score and is therefore recoded to calculate the correct alpha’s cronbach.

The variables “satisfactory government support” and “political involvement” did not group with any other items and therefore are left out of the final factor analysis. This does not mean immediately that these factors are not important to the success of Ugandan entrepreneurs. However in this sample they are between the three lowest scores. Despite the introduction of economic programs by the Ugandan government (see chapter 2), the entrepreneurs do not rate this as a valuable factors for their success.

The variables [14; 16; 2; 9; 10] in order of highest rank load on the first factor. The variables can be seen as the social ability of the entrepreneur and the competition issues. This factor explains 36.8 percent of the variance. The second factor [4; 13] can be called “use of knowledge”, do the entrepreneurs use their familiarity with different concepts and human resource management and is

there enough knowledge. These two variables explain 17 percent of the variance. The items [6; 7; 12; 11; 5] all load on the third factor which can be seen as characteristics related to the individual. 12.4 percent of the variance can be explained by the third factor. The last factor consists of variables [1; 8] Management skills. It would be logical to put variable 13 “ability to manage personnel” as well in this factor however the results show that this variable loads on factor 2. In total the four factors represent 73.2 percent of the variance.

Table 16
Principal component factor analysis, varimax rotated factor loadings and communalities for perceived success variables

Success Variables	Factor 1	Factor 2	Factor 3	Factor 4	communality
14. Social skills	0.936	0.001	0.010	0.015	0.876
16. Reputation of honesty	0.895	0.185	-0.005	0.117	0.850
2. Charisma friendliness	0.884	0.178	0.121	-0.007	0.827
9. Good product at competitive price	0.868	0.196	0.246	-0.073	0.857
10. Good customer service	0.804	0.027	0.171	-0.013	0.676
4. Appropriate training	-0.008	0.849	-0.160	0.226	0.798
13. Ability to manage personnel	0.227	0.759	0.212	0.190	0.709
6. Previous business experience	-0.79	-0.05	0.821	0.177	0.711
7. Support of family and friends	0.129	0.301	0.703	-0.211	0.646
12. Position in society	0.335	-0.045	0.673	-0.12	0.568
11. Hard work	0.375	0.381	0.666	-0.034	0.730
5. Access to capital	-0.016	0.093	0.068	0.800	0.653
1. Good management skills	-0.125	0.410	-0.089	0.728	0.721
8. Marketing/ sales promotion	0.519	-0.007	-0.005	0.599	0.628
Variance	5.151	2.253	1.741	1.106	10.251
Percentage of Variance	0.368	0.170	0.124	0.079	0.732

In table 17 the summated scales of the four factors are represented. Factor one explains the highest variance with 36.8 percent, and in addition this factor has the highest mean score. Social ability and competitive products are the best characteristics for success according to the entrepreneurs. The mean score of factor 1 is significant higher than the mean score of factor 4. With this outcome *H7: Social skills of the entrepreneur are most valuable for perceived success* can be accepted.

Table 17
Mean scores of Ugandan entrepreneurs by factor related to success

Summated scales	Mean Score	Standard Deviation
Factor 1: Competition issues and social ability	4.15	0.893
Factor 2: Use of knowledge	3.23	1.211
Factor 3: Characteristics related to the individual	3.21	1.106
Factor 4: Management skills	3.88	1.003

5.4 Problems

Entrepreneurs rated 20 questions over occurring problems on a scale from 1 (unimportant) to 5 (extremely important). As can be seen in table 18 is variable 18 “corruption” rated as the most import problem with a score of 4.15. This is significant higher (on a 99 percent significance level) than the second highest problem “high rate of inflation” with a mean score of 3.8. Corruption is a significant problem for the long term success of micro-enterprises (Safavian, Graham and Gonzalez-Vega, 2001). The variables “poor telecommunication networks” and “lack of management training” are not

designated as important problems for entrepreneurs. The average rating for these variables is respectively 1.87 and 2.41.

Table 18
Problems faced by micro enterprises in Uganda*

Problems	Mean	Standard deviation
1. Unreliable and undependable employees	2,84	1.55
2. Too much competition	3,75	1.30
3. Unable to obtain short-term financial capital	3.17	1.34
4. Unable to obtain long-term financial capital	3.51	1.34
5. Too much government regulation	3.48	1.30
6. Unfavourable location	2.57	1.46
7. Weak economy	3.74	1.17
8. Lack of management training	2.41	1.06
9. Lack of marketing training	3.03	1.49
10. Inability to maintain accurate accounting records	3.32	1.59
11. Complex/confusing tax structure	3.41	1.33
12. Complicated business registration process	2.63	1.44
13. Poor roads/transport possibilities	2,61	1.35
14. Electricity problems	3.21	1.27
15. Inadequate demand of products	3.48	1.25
16. High cost of local raw materials	3.47	1.05
17. High rate of inflation	3.8	1.15
18. Corruption	4.15	1.09
19. Poor telecommunication networks	1.87	1.10
20. Lack of consumers in the environment	3.43	1.37

*5= extremely important, 4= very important, 3= neither important nor unimportant, 2= not very important, 1= unimportant.

Equivalent to the samples of motivation and success variables, this sample is also tested for significant differences between the capital and secondary towns. The only variable that shows a significant difference between the two areas is corruption. Entrepreneurs in Kampala face more problems from corruption than the entrepreneurs in the secondary towns. The same result is to be found in Tanzania where corruption in Dar es Salaam is a bigger problem than in secondary towns (Fjeldstad, Kolstad and Nygaard, 2006). An explanation can be that larger cities are more complex and that there are more institutions and officers to be found.

Table 19
Mean score for variables contributing to problems in Kampala and secondary towns

Problems	Kampala	Secondary Towns**	Sig.*
1. Unreliable and undependable employees	2.88	2.80	0.997
2. Too much competition	3.77	3.72	0.873
3. Unable to obtain short-term financial capital	3.12	3.25	0.498
4. Unable to obtain long-term financial capital	3.46	3.57	0.554
5. Too much government regulation	3.41	3.58	0.343
6. Unfavourable location	2.52	2.62	0.691
7. Weak economy	3.70	3.80	0.485
8. Lack of management training	2.40	2.41	0.831
9. Lack of marketing training	2.95	3.12	0.451
10. Inability to maintain accurate accounting records	3.23	3.44	0.426
11. Complex/confusing tax structure	3.34	3.50	0.420
12. Complicated business registration process	2.57	2.70	0.560
13. Poor roads/transport possibilities	2.66	2.56	0.646
14. Electricity problems	3.22	3.20	0.871
15. Inadequate demand of products	3.43	3.55	0.560
16. High cost of local raw materials	3.43	3.51	0.836
17. High rate of inflation	3.82	3.78	0.936
18. Corruption	4.28	3.99	0.012*
19. Poor telecommunication networks	1.83	1.91	0.581
20. Lack of consumers in the environment	3.40	3.46	0.758

* Significance level obtained from a two-sample Mann-Whitney test (also called Wilcoxon Rank Sum Test). Mean scores that are significantly different at the 95 percent level are designated with an asterisk.

** Secondary towns are: Mbale, Jinja, Fort Portal and Entebbe

For the “problems” variables a factor analysis is conducted as well. This analysis explains in total 73.7 percent of the variance. With the Varimax rotation four different factors can be identified (Table 20). The first one with the variables [11; 7; 10; 8; 5; 3] can be identified as “governmental barriers and lack of business training”. It might seem that this should be two different factors with on the one side more specific variables concerning the knowledge of the entrepreneur and on the other side issues related to the government. However these variables keep grouping together and therefore are taken as one factor.

The second factor [5; 20] can be labeled location and the third factor [14; 13] relate to infrastructural problems. Finally the fourth factor [1; 2; 18] relates to external influence.

Table 20
Principal component factor analysis, Varimax rotated factor loadings and communalities for perceived problems

Problems	Factor 1	Factor 2	Factor 3	Factor 4	Communality
11. Complex/ confusing tax structure	0.863	0.123	-0.133	0.164	0.804
7. Weak economy	0.842	0.229	0.332	0.095	0.880
9. Lack of marketing training	0.840	0.197	-0.038	0.144	0.767
10. inability to maintain accurate accounting records	0.814	0.402	0.135	-0.047	0.846
12. complicated business registration process	0.813	0.036	0.029	0.078	0.669
8. Lack of management training	0.797	0.277	0.105	0.205	0.765
5. Too much Government regulation	0.684	0.489	0.057	-0.069	0.714
3. Unable to obtain short-term financial capital	0.625	0.134	0.304	-0.403	0.663
6. Unfavourable location	0.225	0.902	-0.026	0.050	0.867
20. lack of consumers in the environment	0.502	0.511	0.394	0.145	0.690
14. Electricity problems	0.015	-0.127	0.860	0.145	0.778
13. Poor roads/ transportation possibilities	0.098	0.187	0.804	0.018	0.691
1. Unreliable and undependable employees	0.091	-0.019	-0.96	0.718	0.534
2. Too much competition	0.027	0.232	0.398	0.715	0.725
18. Corruption	0.91	0.238	0.451	0.631	0.667
Variance	6.263	2.281	1.393	1.122	11.059
Percentage of variance	0.418	0.152	0.093	0.075	0.737

Table 21 represents the summated scales of the four factors related to the problems of entrepreneurs. The mean score of factor 4 “external influence” is significant higher (99 percent significance level). Indicating that the variables “corruption”, “competition” and “unreliable and undependable employees” are the principal problems for entrepreneurs to survive or grow. With this result *H8: Problems with regulations of the government are the most important problems for Ugandan entrepreneurs* cannot be accepted. Remarkable is that “unfavourable location” is one of the three least important problems, while “too much competition is one of the most important problems. There are too many entrepreneurs grouped together with the same business formula.

Table 21
Mean scores of Ugandan entrepreneurs by factor related to problems

Summated Scales	Mean score	Standard deviation
Factor 1: Governmental barriers and Lack of business training	3.15	1.337
Factor 2: Location	3.00	1.400
Factor 3: Infrastructure	2.91	1.310
Factor 4: External influence	3.58	1.310

5.5 Growth of enterprises

This section examines how many enterprises have grown since the start-up or even can be categorized as high growth firms. Furthermore an analysis will be made of characteristics that might have a positive influence to growth (in amount of employees). A difference has been made between firms with growth: every enterprise that employs more employees then at the start of the business. And High growth firms: Firms that show a growth in employees of more than 70 percent in the last 3 years (see chapter 3). A general look at the distribution of the growth firms is given in table 22.

Here we see that 60 percent of the enterprises in Kampala are growth or high growth firms, while in the secondary towns 39 percent of the enterprises surveyed are growth or high growth firms. Especially the number of high growth firms in Kampala is elevated; the number of high growth enterprises in the secondary town is negligible. An explanation for the large share of high growth firms in Kampala can be that the capital can be categorized as a favourable geographic location (Davidsson, 1991). Characteristics for favourable geographic locations can be: a large local market; location is a growth area; presence of University; innovation.

In Kampala and the secondary towns respectively 40 and 57.3 percent of the enterprises show no signs of growth.

Table 22
Breakdown of the enterprises surveyed, by location and growth

Enterprises/ Location	Growth enterprises		High growth enterprises ¹		Enterprises equal		Enterprises declined		Enterprises exist a year or less ³	
Capital	27	25.7%	36	34.3%	42	40%	0	0%	13	12.4%
Secondary towns²	30	36.6%	2	2.4%	47	57.3%	3	3.7%	16	19.5%
Total	57	30.5%	38	20.3%	89	47.6%	3	1.6%	29	15.5%

Note: 1. "High growth enterprises" are enterprises with a growth percentage of 70% over the last 3 years.

2. Enterprises surveyed in Mbale, Jinja, Fort Portal and Entebbe

3. Numbers are also included in "enterprises equal"

4. First number is number of cases, second number is percentage of the sample (divided in Kampala N=105 and Secondary towns N=82)

Characteristics that might be a growth factor from chapter 3 (table 5) are used if testable. Entrepreneurs were asked if they have worked before, however not explicitly to how relevant the previous job was for running their own business. Furthermore in the questionnaire respondents were asked about their access to capital, but it is not empirically examined if this is correct or not.

Additionally it is difficult to examine the social situation of an entrepreneur. Therefore the variables work experience of owner, access to finance and social networks are not tested in the logistic regression.

5.5.1 Growth enterprises

The following characteristics of entrepreneurs are included in the calculation to see if they have a significant influence on the growth of small enterprises: [Gender; age; education; period of existence; registration; premises occupied]. As explained in the methodology the chance for an entrepreneur to become a growth entrepreneur can be calculated with a logistic regression (see appendix 5) and the following equation:

$$\text{Odds} = 0.508 / (1-0.508)$$

Regression equation:

$$\ln \{1.033\} = -9.965 - 0.97 * \text{gender} + 0.344 * \text{education} + 0.569 * \text{periodexistence} + 2.801 * \text{registration} + 3.828 * \text{premiseoccupied} + 0.051 * \text{age}$$

The output of the Hosmer and Lemeshow test shows that the following variables have a significant influence on the growth of enterprises.

Period of existence	0.000
Registration	0.000
Premises occupied	0.001

To compute the deviance for these variables only the significant variables are tested again. The results are:

$$D_{\text{null}} = 155.854 + 103.335 = 259.189$$

$$D_k = 103.335$$

$$R^2L = (259.189 - 103.335) / 259.189 = 0.60$$

Exact numbers of the enterprises surveyed can be found in Appendix E. The results show that there are more growth enterprises among male entrepreneurs (36 percent) than female entrepreneurs (25.7 percent). About half of the enterprises of the respondents did not show growth at all.

When looking at table IX (Appendix E) one can say that the older entrepreneurs get, the more growth enterprises arise. Not many entrepreneurs over the age of 40 are found, however if they are in business they show a high percentage of growth.

Of all the entrepreneurs interviewed, 79.1 percent completed secondary school or higher. A good education is important for development according to Nichter and Goldmark (2009) however not

a guarantee for success. Of this sample 73 entrepreneurs (39 percent of the sample) completed at least secondary school, but until now did not manage to expand their business.

When growth and the period of existence are analysed I find a positive result, the longer a firm has been in business the more chance for growth. All the enterprises that existed for more than 10 years show growth or high growth. However, only 7 enterprises (3.7 percent of the sample) in the sample existed this long. In this sample most enterprises show growth when they are between 6 and 10 years of age. Several other studies have found a negative relationship between the growth of an enterprise and age (Calvo, 2006; Evans, 1987) in this result we can see that the most high growth firms occur in the category 1-5 years (table XI, Appendix E)

An important factor for growth is registration. Of the enterprises without registration 80.2 percent did not show growth or high growth. Of the enterprises that did register 91 percent showed growth or high growth. This result indicates that it is very difficult without formalizing your company to grow. Starting to operate in the formal sector can be the solution for growth, Ishengoma and Kappel (2006) discuss different theories over the formalisation of informal enterprises.

The last characteristic analyzed is the premise that is occupied. The results show that it is important to have a fixed premise outside the household. Only 1 entrepreneur with an enterprise located in the household managed to let his business grow and from the shops that are located on the streets 4 entrepreneurs managed to grow.

5.5.2 High growth enterprises

The same method and variables are used to perceive the effects for high growth enterprises. The regression equation for single cases will be:

$$\ln \{0.255\} = -27.601 + 1.071 * \text{gender} + 0.924 * \text{education} - 0.31 * \text{periodexistence} + 4.019 * \text{registration} + 18.163 * \text{premiseoccupied} + 0.000 * \text{age}$$

The output of the Hosmer and Lemeshow test (Appendix E) shows that the following variables have a significant influence on the growth of enterprises:

Gender	0.045
Education	0.000
Registration	0.000

The deviance of these variables is:

$$D_{null} = 79.159 + 100.986 = 180.145$$

$$D_k = 100.986$$

$$R^2L = (180.145 - 100.986) / 180.145 = 0.439$$

For the outcomes of the survey an overview with exact numbers can be found in Appendix E. A remarkable fact is that while there are more male entrepreneurs with growth firms, the percentage of high growth firms is higher among the female entrepreneurs (respectively 17.4 and 22.8 percent).

When looking at the age of entrepreneurs the same thing occurs as with the “growth firms”. The older entrepreneurs become, the higher the percentage of high growth firms. With an exception of entrepreneurs over 40 years, no high growth firms are to be found in this category.

There is no association between education and the growth of firms. However there is a significant result found for the firms that show a high growth. 23 of the 38 high growth entrepreneurs attended or finished university. To change your enterprise into a high growth firm it is important to obtain the right education.

When we look only at firm growth a significant result is found for the period of existence of an enterprise. The longer the period of existence, the higher the likelihood for an enterprise to show growth. This is different for the high growth enterprises. These organizations show significant more growth in the first years of existence (1-5 years).

Of the 38 enterprises that show high growth, 36 are registered. Two companies have succeeded to become a high growth firm without registration. Finally when looking at the premises occupied we see that all 38 enterprises with high growth have a fixed premise outside the household.

5.6 Case studies

In order to illustrate some of the findings from the quantitative part of the research, I will highlight some personal stories of entrepreneurs. Four case studies of (until now) successful entrepreneurs will expose how their motivation and approach have created profitable enterprises.

Case study 1: Copy shop, Esther Namutama, Age 25



I opened my copy shop about 1,5 years ago. When I finished Secondary school there was no money to follow a continuation course or go to university. After doing several temporary jobs I started as a receptionist at a hotel. However once I married and got pregnant the hotel fired me.

I refused to just stay at home and only take care for the baby, so I started this business. My parents owned a beauty salon, so during my childhood I learned a bit about running your own enterprise. Several friends of mine have opened a copy shop and earned good money with it. So I decided to start one as well.

In the beginning it was difficult finding the right location that did not cost too much. My shop is now located on the parking area of a supermarket. It is small but the rent is also low and the presence of a supermarket, restaurant and church in the area generates enough potential customers. In the beginning I only sold a few things a day, but now the people know that I am here and know what I sell profits starts to rise. With some of the profits and some money from my parents I succeeded to buy a better copier that also sends faxes. I also sell paper and other articles per piece so customers that do not have enough money to buy a package can come here as well.

The most important reason for owning my own shop is to prove I can do it and to retain my freedom also it is very convenient that I can bring my child with me to the shop. Secondly we can use the money that I earn to pay for my baby's schooling in a few years.

With some savings from my previous job, and help from family it was not a problem to obtain a starting capital. This really helped to have a good start and have something to offer to the customers. Furthermore hard work, friendliness and an excellent customer service contribute to the success of the copy shop. I try to be open at least the same hours as the supermarket, which means 7 days a week. I have help from one person on 3 days.

At the moment the business is flourishing and not many problems are to be found. Although the high rate of inflation is a problem even as the high purchasing price I pay for my products. But the major problem is corruption. My copy shop is not registered and sometimes officers come by with forms for registration and taxes. After the payment of some bribery it is fine for a while. Even though I see the advantages of having a formal status I prefer to be unregistered. At the moment the procedure is confusing and expensive, maybe one day when the current office becomes too small and I have to find a bigger place with more employees I'll register my office. But for now I like my shop the way it is.

Esther opened a shop for her own satisfaction, she did not want to stay at home but faced some problems with finding a job. Earning money is important but not the main reason for her entrepreneurship. The business is small but she has made some investments. At the moment the business is operating in the informal sector for the reasons as mentioned by Benett (2009) in Chapter 3. She thinks that her business might grow in the future, however at the moment she is not actively motivated or investing to achieve growth. The most important problem for this business is corruption. This corresponds with the results of the sample.

Case study 2: Airtime seller, Joseph Serunjoji, age 19



I finished secondary school last year and now I want to proceed and go to the Makerere University to study mechanical engineering. At the moment the study fee is too high, therefore I started looking for a job.

However it was difficult to find a job that I can combine with my study activities in the future. Therefore I opened an airtime shop. The start-up costs are very low and since I haven't got that much savings it is ideal for me.

To create visibility I rent a booth from Orange, costs are USh 25.000 a month. But it is worth the investment, regular buyers know where I am and when I am here and can make phone calls from the booth to friends and family.

I sell Airtime for all different providers and I work alone. The airtime cards are for sale at a depot of "Simba". When you buy the airtime in large packs you get a commission.

At the moment everyone has a mobile phone, so there are plenty of potential customers. Only problem is that you can buy airtime on every corner and the competition is so hard. Another problem is that the turnover fluctuates very much. Sometimes it is a busy day, but people only buy small cards of USh 200. Other days are better when one person buys 20.000 Shilling in once.

This is a good way to save some money and help to pay my fees for the university. Hopefully I can start next year. And a good thing of this business is that it gives me the freedom to work whenever I want. And when there are no customers I can study in my booth and so hopefully combine the work with the study. After I finished university I will close this shop and start a new business, a business where I can make more money and use what I have learned in university.

At the moment Joseph is working to earn money for school fees and not to create a flourishing shop. As soon as he is graduated he wants to find a job in which he can use his study and experience. His motivation corresponds with hypothesis 6 that the extrinsic reward is the most important incentive. He did not especially wanted to become an entrepreneur and first applied for a regular job, however this was difficult therefore Joseph decided to become an entrepreneur. This business makes it feasible to continue with studying. The aim is to be profitable for a few years, and then close the shop. There is no intention for growth.

Case study 3:

Taxi driver Nicholas Kanyesigye, age 30



I have never dreamed of becoming a taxi driver. I dropped out of secondary school at age 16 and now I am running my second business.

I wanted to become a teacher but the school fees were too expensive for my family. I tried to look for jobs but there was nothing to find, all the factories asked for experience and I had never worked before. My neighbour just bought a second motorbike and I could rent the other and so became a boda-boda driver.

I liked the freedom of the job, but on the other side the traffic is so chaotic that I was always scared to damage the motorbike especially since it wasn't mine or get involved in an accident. I was lucky to get the opportunity to obtain a loan from someone so I could buy my own motorbike. The loan was US\$ 1.9 million and I paid of US\$ 10,000 a day. After a while I had some regular customers to drive to their office and back home almost every morning and evening. This resulted in a fixed income for me of US\$ 15,000 every day. With some extra rides a day it was a good way to save some money for school fees for my own children and to buy a small plot for a home.

But there also were negative things, it is hard work with long days. I start at 7 am and go home around 8 pm. When it is raining it is hard to make some money, furthermore the dust is really irritating your eyes and it is a dangerous job. You always have the chance to get involved in an accident, customers ran away without paying and there are gangs that try to rob you or steal your bike.

So the moment I finished paying of my loan for the motorbike I tried to obtain a bigger loan. With my boda-boda as a security I received a loan for US\$ 10 million from Finca and with some extra money from family I was able to buy a car. So now I rent out my boda-boda and work as "special hire". I need about 3 rides a day to redeem my loan and earn enough for some food. Best days are when there is a ride to the airport. I try to give customers a competitive price, so they will remember me and call me again if they need transport. Last year I invested in printing business cards. This proved to be a good move, the competition on the street is high so it is much easier if people can call you and you get the job immediately.

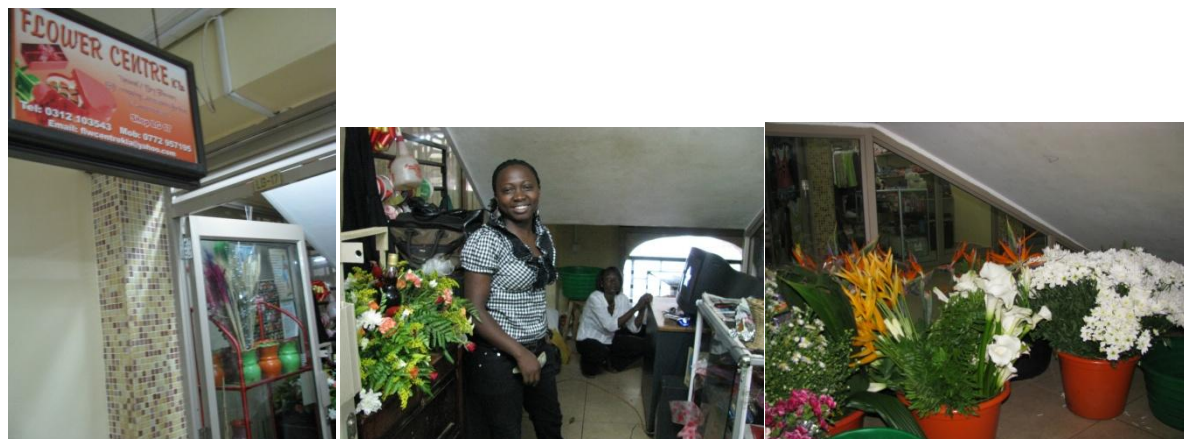
I want to expand my business and buy extra cars, and arrange tours and things. However first I have to pay of this one.

Unfortunately for Nicholas it was not possible to study to become a teacher and exercise his favourite profession. Nicholas also encountered problems in finding a job and therefore was forced to run his

own business. He started as a survivalist entrepreneur (Rogerson, 1996) but now he wants to get the best out of his business and create a taxi company to provide more income and satisfaction from this job. He makes use of the possibilities to obtain a micro loan and invest this in his business.

Case study 4: Flower shop

Monica Kataike, Kampala, age 26



I love this job because I can combine my passion for nature with using my experience, training and earning money. I completed University, studying environmental sciences. During my time in secondary school I worked in a fashion shop where I learned useful things for the start of my own shop. With my work experience it was easy to register my shop, although I still have some problems with paying taxes. It seems like it's changing every time.

I established my flower shop 8 years ago while I was still studying. I started with a few hours a day and didn't have my own property, therefore I sold my goods on the street. 5 years ago, with the help of my husband, I was able to register my shop and with this registration allowed to rent a location in this shopping area. It is small and under the stairs, but at the same time it is not very expensive and big enough for my business. Only when there is a big wedding and I have to prepare all the flower arrangements it gets a bit crowded in here. But it is the thing I love the most, catering for big events.

A great advantage is that I can make my own hours and bring my children with me as long as they are not old enough to go to primary school. I think a good marketing strategy and a competitive price bring me success. I have a magazine with examples of what we can do and my shop arranges flowers for many family things like weddings and funerals. I know many of the shop owners around this place, and when there is a family event or happening they come to me for their decoration. But on the other side there are some difficulties. In this business, we face a number of challenges. Therefore we need to sensitize people about flowers, build a culture in the public that will help the business boom. We need access to financial assistance. Sometimes it becomes so hard. But I'll keep trying to let my business grow and give my children the opportunity to continue with this business.

Monica is the only entrepreneur with a passion for her product. She completed a study in this field and managed to set up her own flower shop. With her previous work experience she easily managed to register her shop and find an excellent location. She offers a competitive price, however to let her business grow she needs access to financial capital for investments.

These case studies provide various reasons why these entrepreneurs started their businesses. Monica and Esther did not start the shop out of necessity. Joseph and Nicholas on the other hand started their enterprises because they really needed the money and where not able to find a job. For all four the income aspect is very important, this corresponds with hypothesis 6. Esther and Joseph are not really eager to let their business grow. At the moment they earn some money and they are happy with what they have. Monica and Nicholas need some more financial capital if they want to expand their business. The access to capital does not rank among the highest scores. A reason for this could be that many entrepreneurs have the same mindset as Esther and Joseph and do not have plans for investment. Esther mentioned that corruption is her major problem, and the others mention competition issues. This corresponds with the results of section 5.4. Taking in mind the results of the hypotheses for high growth enterprises the following table can be created.

Table 23
Characteristics of the entrepreneurs

Entrepreneur	Education	gender	Period of existence	formality	Premise occupied
Esther	+	+	+	-	+
Joseph	+	-	+	-	+
Nicholas	-	-	+	+	+
Monica	+	+	-	+	+

This result shows that Esther and Monica have the highest potential to become high growth entrepreneurs. The problem for Monica is that her business already exists for 8 years and did not show much growth in this period. Secondly the research shows that the older the company, the smaller the chance they become high growth firms. Furthermore she has problems with acquiring finance. Esther's copy shop only exists for 1,5 years subsequently she has shown that she knows how to survive. Her principal problem is that she does not want to register her business. Table XII (Appendix E) shows that it is almost impossible to create a high growth firm without registration.

Of the two men, Joseph is not interested in expanding and only wants to generate income for his study. Nicholas has a dream to create a large taxi company with several drivers and tours. Unfortunately at the moment he is paying of his loan and has to wait before he can invest in additional vehicles.

6. DISCUSSION

In this section the empirical results of the research will be discussed in relation with the existing literature and information. The established hypotheses are mainly rooted on the results of earlier studies in developing countries and in Uganda. The development of micro-enterprises has the potential to improve the Ugandan economy.

6.1 Motivation

As in many other developing countries the most important motivation to set up a business in Uganda is to obtain an income (Benzing et al., 2005; Benzing et al., 2009; Bewayo, 1995). Ugandans experience difficulties in finding jobs and especially jobs that fits with their educational level. A consequence is that many people are forced to start a business to be self-sufficient. Conversely that people start a business for survival reasons does not mean they are not eager for success (Gries and Naudé, 2010). Ugandan mention that it is difficult to find a job but on the other hand 65.2 percent of the entrepreneurs say that if it was possible to acquire a job which pays the same as their current business they would still to be their own boss. They are proud to prove they can do it. In 1995 the main reason why people did not want to work for the government or an employer was “low pay” (Bewayo, 1995).

Noteworthy is the fact that family is important for Ugandans and often they operate their business with family members (Frese, 2000). However looking at the results the “family oriented” factor scores lowest along with the fact that “no cooperation with family or friends” is the least important reason why entrepreneurs would not want to work for an employer. It is more out of ease than a genuine desire to cooperate with family. Furthermore this close connection with family delivers some motivational problems. Several entrepreneurs mentioned the fact that success and profit should be shared with family and the community, resulting in the fact that a higher profit provides almost nothing extra for the entrepreneurs (Frese, 2000). They are not triggered to take risk and innovate in order to let their business grow. If they fail it is their own problem and if they succeed they will have to share the profit.

Another noticeable fact is that the item “to have fun” scores the lowest of all motivational factors. Often it is not possible to find a job that suits with the study or interest of the person. And when starting up a business there is no capital for a large investment. Entrepreneurs want short term results and therefore look in their environment for a lucrative idea. The result is they operate a type of business that does not always suit their interest, furthermore they copy ideas and are not innovative. In secondary town’s entrepreneurs score significant higher on the item “to have fun”, conceivably it is more important in smaller towns to enjoy the business you are in. Subsequent according to diverse authors (e.g. Schumpeter; Baudeau, Thünen) in table 4 innovation is an important characteristic for an entrepreneur.

6.2 Success

When the results of the analysis for success factors are analyzed we see that previous work experience scores low compared to other factors. Although 87.7 percent has worked before, the conclusion can be that this work experience is in general not relevant for running your own business. Relevant experience can be very helpful, Monica’s flower shop (case study 4), is established and registered with the help of this knowledge.

The access to capital scores a 4.1, and is with this score important for the success of enterprises (Cook, 2001). Although some of the entrepreneurs mentioned that micro loans can contribute to the success of their organization a frequent complaint is that a loan is difficult to obtain or expensive. However in some areas of Kampala complete streets only exists with the help of micro-finance institutions³. In Uganda there is a big competition between Micro Finance Institutions (MFIs)⁴, this is an advantage for the entrepreneurs. They can choose between different institutions, some are profit firms, others non-profit. Furthermore it is also possible to acquire a group loan, this is mainly used in rural areas. The advantage of this system is that none of the entrepreneurs has to provide a security or pledge because the MFI can be assured that the loan is repaid due to group pressure. Subsequently, with this system no starting capital at all is required. Groups that request for a group loan also receive a training on how to split up the loans and assign the money to different businesses. This to promote innovation and prevent the opening of ten similar firms. Individuals do have to give some sort of security. At the moment more women than men make use of the MFIs (respectively 60 and 40 percent). Illiteracy can be a problem in Uganda, therefore Pride designed unique banking software and a fast service. For alliterate customers they created a system where people do not have to write. They make use of fingerprints and pictures for identification. Still a problem is that many people do not know that they are eligible for a micro loan or do not know how to apply².

With regard to the geographic differentiation, no significant differences were found between Kampala and secondary towns. The variables received approximately the same score. Entrepreneurs all over the country have the same perception over what leads to success.

Marketing is seen as a powerful instrument to create profits, however it is very expensive and an extensive marketing strategy is not feasible for most entrepreneurs. Advertisement in magazines or on the radio is generally not an option. Entrepreneurs use word of mouth and advertisement on the shop or on the street

6.3 Problems

People do manage to set up a business, however once they started they encounter many problems. One of the problems is registering your business or paying taxes. The registration of a business takes 18 procedures and 25 days (MFPED). The average number of procedures in Sub-Saharan Africa is 9.4, so in Uganda almost twice as many procedures have to be followed for formality compared to neighbouring countries (doing business). Many entrepreneurs find it difficult and do not know exactly what to do or where to go. An additional problem is that entrepreneurs are unfamiliar with regulatory procedures and this tends to encourage misuse of discretionary powers by government officials. It would certainly help entrepreneurs if there would be a point with freely available information where

³ Interview with Alice Lubwama: business Development Officer at FINCA (April 6th 2010)

⁴ Interview with Sharon Sarah Nassali, Research and Product Development Manager at Pride microfinance limited. (April 8th 2010)

they learn about their rights. This will positively influence micro-enterprises and perchance make it easier to enter the formal market. The fact remains that it is an opportunity for many people that there is an informal sector. In this way they can try if they can manage to set-up a business, take risk and create profit without immediately having to comply with all the regulations. In this way it is a good starting point to become familiar with entrepreneurship (Bennet, 2009). Taxes are also a problem, the system changes continuously and it is unclear where and when each payment has to be made. This makes it difficult to understand and people find ways to cheat. The government is aware of this confusing system and encounters problems with collecting taxes. Therefore the government gives away an award for the best tax payer of the year.

As mentioned in section 6.2 MFIs are an important instrument to get access to capital for entrepreneurs in micro-enterprises. However it is not always as easy as it seems to obtain a loan. According to Alice Lubwama of FINCA (Foundation for International Community Assistance) all MFIs provide loans only to businesses that existed for at least two years. This money can be used to expand the operating business. To acquire capital for a business set-up is much harder. According to Sarah Nassali (Pride Limited) it is logical, start ups are often misleading, the “entrepreneurs” use the money for other purposes and the risk for the MFIs is too high. When an enterprise exists for about two years the chance of failure is very small. At that stage entrepreneurs know what their strengths and weaknesses are and use the money wisely. The interest rate is high, with a percentage of 25 percent and as a result entrepreneurs use the money for investments that provide a short term income to pay off the debt. Another difficulty is that most of the people do not have a bank account, as a result the loan they receive is all in cash and because it is paid in once people have to carry large amounts of money in the streets with the risk of theft. Also, loans are only available for enterprises active in the formal sector.

The consequence of the pay back system is that entrepreneurs do not have a long term focus. They need a business that delivers income fast. There is no time and money to invest in long-term projects, because the loan has to be repaid every month or for a group loan every week. Which results in the copy-cat behaviour, if someone starts a successful business other people want the same and start the same business. Outcome is that the competition is very high and the same businesses are to be found everywhere. There is little creativity and innovation to be found. This result is also found by Briggs (2009) he concludes that there is a lack of innovation, risk taking and business skills which is necessary for the development of a positive successful climate for entrepreneurship.

Corruption is widespread in Uganda, and entrepreneurs have indicated that this is the most important problem. Especially the uncertainty is a difficulty, costs may arise that they did not take into account. Almost all entrepreneurs mentioned that this is an immense problem. However they are very cautious to tell what the exact problems are. As researched by Safavian et al. (2001) it is very important for the long-term development and possibility for micro-enterprises to turn into small- or medium-enterprises that the environment is stable and corruption is minimized. Furthermore

unreliable and undependable employees are a problem. When it rains, they are not feeling well or for other reasons they will simply not show up without cancellation. Entrepreneurs keep paying their loans because the employees have to pay their rent, food, transport and school fees. Appalling behaviour is not condemned. In the sample the score for “unreliable and undependable employees” is 2.84 although this number could be higher if entrepreneurs without employees were left out of the results.

Compared to other African countries, Uganda suffers more from different problems. Major problems in other countries are “weak economy” and the “access to capital” as well long-term as short-term (Chu et al., 2007). Whereas the main problems in Uganda are corruption and competition.

6.4 Growth

When the results of Kampala are compared with the secondary towns, there are not many differences to be found. However compared to the growth rates it is noticeable that of the 38 high growth enterprises, 36 are located in Kampala and only 2 in secondary towns. Alice Lubwama (FINCA) mentioned that it is easier to make money in Kampala than in a secondary town like Mbale, however the risk for failure in Kampala is also higher.

When looking at the characteristics of the sample and the characteristics for growth we see that a higher education is a positive factor for growth. From the entire sample 77.5 percent of the sample completed secondary school or higher. When the gender aspect is taken to consideration there is a positive effect for females in high growth enterprises, the sample consists of slightly more women. Firm age (older) is positive for growth in total, but high growth is especially visible under the younger enterprises with a period of existence between 2-5 years (see Appendix E, table XI). The average age of a business in this sample is 4.59 years. Formality is also important for growth, however 56.6 percent of the sample is active in the informal sector. Only 2.6 percent of the enterprises that does not have a fixed premise outside the home has shown growth and there are no businesses with high growth (appendix E, Table XV). However 34.67 percent of the sample has an enterprise at home or on the street.

The numbers discussed above show that there is potential for more growth. The educational level is good, women are performing quite well and the period of existence of the enterprises provides opportunity for growth. However the results show that it is almost impossible to grow if the enterprise is not registered and/or does not have a fixed premise outside the home.

7. Conclusions

7.1 Conclusions

This research includes 187 entrepreneurs in micro-enterprises in Uganda. The main question of this research is:

What are motivations, success factors and problems for entrepreneurs in Micro-enterprises in Uganda and is there potential for growth?

Like in many other countries the main motivation to set up a business is to generate an income. Particularly since unemployment rates are high and it is difficult to find regular waged employment. On the other hand entrepreneurs are eager to prove they can do it and 65.2 percent prefers entrepreneurship over a job which pays the same.

Ugandan entrepreneurs are most motivated by an “income” factor, this factor combines the earnings with job security.

The three most important success variables for entrepreneurs are: good customer service, hard work and their reputation of honesty. All these three variables have a score over four indicating that these issues are extremely important. According to the factor analysis, Ugandan entrepreneurs believe that competition issues and social ability is the key to a profitable enterprise. This factor [socials skills; reputation of honesty; charisma friendliness; good product at competitive price; good customer service] is more important than the use of knowledge, training and management skills.

The most essential problem for entrepreneurs in Uganda is corruption. This is followed by a high rate of inflation and too much competition. The result of the factor analysis represents that the external factor [corruption; too much competition; undependable/unreliable employees] is most serious for the entrepreneurs. These external factors are significantly a bigger problem than a lack of business training and government regulations. In Kampala the entrepreneurs suffer significantly more from corruption than in the secondary towns.

With regard to the characteristics of entrepreneurs and enterprises related to growth a positive relation is found by education of the entrepreneur, a premise outside the household and formality of a business. With respect to the gender the results show that a positive relationship is found by females and high growth firms. Finally the longer the period of existence of a business the higher the chance for growth, however high growth firms occur more frequently when businesses are younger.

Table 24 gives an overview of the eight hypotheses tested in this research with the outcomes.

Table 24
Results hypotheses

Independent variable	Hypothesized signs	Empirical sign Growth firms	Empirical sign High-growth firms
Characteristic of the entrepreneur			
H1. Education	+	+	+ ***
H2 Gender (female)	-	-	+ *
Characteristics of the enterprise			
H3. Firm age (older)	-	+ ***	-
H4. Premises occupied (outside household)	+	+ ***	+
H5. Formality	+	+ ***	+ ***

H6. Extrinsic rewards are the most important motivational factor for Ugandan entrepreneurs
Accepted
H7. Characteristics related to the individual are most valuable for perceived success
Accepted
H8: Problems with regulations of the government are the most important problems for Ugandan entrepreneurs.
Not accepted

Note: *; *** means significant at respectively 95 and 99 percent

7.2 Limitations and future research

The results in this study are subject to some limitations and some parts can be explored in more depth.

First, no sample will fully represents its population in all respects (Cooper and Schindler, 2006). The sample in this study exists of 187 entrepreneurs, however there are thousands of microenterprises. A larger Sample can be used to test if the results will change. Furthermore this study is tested in Uganda so the results might not be generalizable for other countries.

Secondly, Uganda is a developing country, and not all information of institutions is up to date. During my visit of the UBOS I noticed that many numbers and facts are not up to date or incomplete.

Another point is that corruption and bribery is a massive problem and a sensitive point. Many people are afraid you will use the gathered information against them or do not want to talk about these issues. They mention it is a problem, but have difficulties indicating what the exact problem is. Moreover, in this sample only three enterprises showed a decline. This seems a small number, however it is not clear how many organizations do not survive and fail in their first year(s). Consequently the success rate of micro-enterprises might be lower. And this research only shows growth of enterprises that are still in the category “micro-enterprise”. Enterprises that have turned into small enterprises are not to be found in this sample.

Fourth, the outcomes of the questionnaire are the perceptions of the entrepreneurs. For example they mention that “hard work” is an important success variable, however this is not tested. Further research can be done to the productivity of entrepreneurs to find out if their hard work actually yields result.

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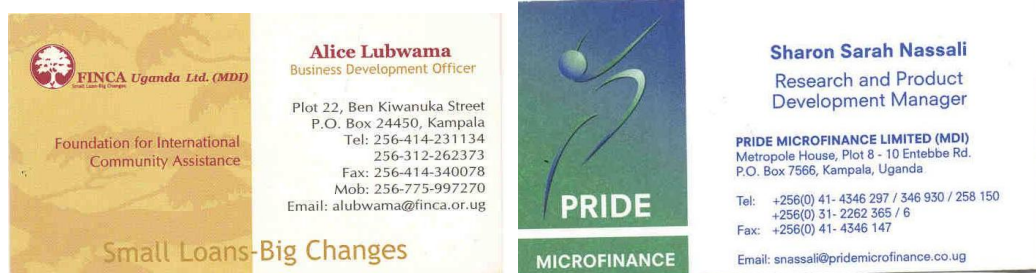
Interviews Micro finance institutions:

Alice Lubwama, Business Development Officer

April 6th 2010, Kampala, Uganda

Sharon Sarah Nassali, Research and Product Development Manager

April 8th 2010, Kampala, Uganda



APPENDICES

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APPENDIX - A

Table I
Country facts Uganda

General information	
Official name:	Republic of Uganda
Capital:	Kampala
Area:	236,580 sq km
Population	approximately 31.367.972 (2008)
Landlocked	
Tropical climate with two rain seasons	
Largest cities, with population:	
Kampala	1.246.000 (2003)
Jinja	86.520 (2002)
Mbale	70.437 (2002)
Entebbe	57.518 (2002)
Languages	
English (official), Luganda, Swahili, other Bantu and Nilo-saharan languages	
Life expectancy	
Total	52.3 years (2008)
Female	53.4 years (2008)
Male	51.3 years (2008)
Literacy	
Age 15 and over who can read and write: (2002)	
Total population	66.8%
Male	76.8%
Female	57.7%
Religious Affiliations	
Roman Catholic	41%
Anglican	40%
Ethno religionists or indigenous beliefs	4%
Muslim	5%
Others	10%

(Source: UBOS)

Appendix – B

Economic numbers

Table II
Main Import products

Main import products (%)	
Manufactured goods	69%
All food items	17%
Energy and fuels	10%
Agricultural raw materials	2%
Ores and Metals	1%
Unallocated	1%

Table III
Main export products

Main export products (%)	
All food items	58%
Manufactured goods	14%
Agricultural raw materials	14%
Unallocated	10%
Energy and fuels	4%
Ores and metals	0%

Figure 2

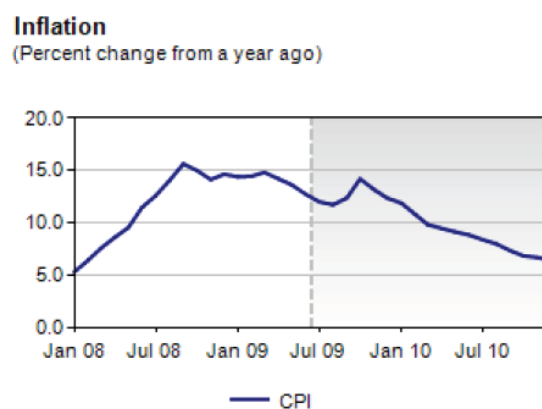


Figure 2: Inflation (source HIS Global Insight)

APPENDIX - C

Figure 3
Research locations



Research location = O

Kampala

Mbale

Jinja

Entebbe

Fort Portal

APPENDIX D

How to register a business in Uganda

Standardized company

Legal Form: Private Limited Company

City: Kampala

Table IV
Process Business registration Uganda

Registration Requirements Summary			
1.	Reservation of a name at the office of the registrar	2 days	USh 25.000
2.	Pay fees at the bank	1 day	Included in previous procedure
3.	Obtain five necessary forms from the Uganda Bookshop	1 day	USh 5.600 (USh 500-700 for each form, 5 forms for incorporation, and 3 for tax registration)
4.	Sign the declaration of compliance before a commissioner for oaths	1 day	USh 2.000-10.000
5.	Obtain requisition for bank pay-in slip and bank payment advice forms from the Uganda Registration Services Bureau	1 day	No charge
6.	Make payment of registration fees at a given bank	1 day	No charge
7.	file with the registrar general	1 day	See comments
8.	File with the local office of the Uganda Revenue Authority a personal inquiry form for each director, and a corporate preliminary inquiry form; receive a uniform tax identification number (TID)	3 days	No charge
9.	Apply for corporate tax file number	1 day	No charge
10.	Apply for vat registration	1 day	No charge
11.	An inspector from URA inspects the business premises	1 day	No charge
12.	Apply for PAYE	1 day	No charge
13.	Obtain application forms for trading license	1 day	No charge
14.	The licensing officer arranges an inspection of the premises and fills out an assessment form	1 day	No charge
15.	Pay the license fee at the bank	1 day	See the following procedure
16.	Obtain the trading license	1 day	USh 206.500
17.	File a form with the National Social Security Fund (NSSF)	4 days	No charge
18.	Make a company seal	2 days	USh 225.500

(Source: Resource center MFPED)

Registration Requirements Details

Procedure 1. Reservation of a name at the Office of the Registrar

Time to complete:

2 days

Cost to complete:

USH 25,000

Comment:

To reserve a company name, the founder files a company name request at the Office of the Registrar. A clerk conducts an automated search and forwards the application to a staff lawyer. The Registrar reviews the application and, if the application is approved, returns it with the assessment, which the founder takes to the

bank. Upon paying the fee (USH 10,000 for name search and ISH 15,000 for name reservation), the founder receives a receipt that is used to complete the name reservation.

Procedure 2. Pay fees at the bank

Time to complete:

1 day

Cost to complete:

Included in previous procedure

Comment:

All nontax payments to government agencies must be made at a bank.

Procedure 3.

Obtain five necessary forms from the Uganda Bookshop

Time to complete:

1 day

Cost to complete:

USH 5,600 (USH 500-700 for each form, 5 forms for incorporation, and 3 for tax registration)

Comment:

The fees for the required incorporation forms are as follows:

- Statement of nominal capital: UGX 500.
- Declaration of compliance with the requirements of the Companies Act: UGX 500.
- Particulars of directors and secretaries: UGX 700.
- Consent to act as director of company: UGX 500.
- Notice of situation of the registered office and the registered post address: UGX 500.

Procedure 4.

Sign the declaration of compliance before a Commissioner for Oaths

Time to complete:

1 day

Cost to complete:

USH 2,000 -10,000

Comment:

Form A2, Declaration of compliance with the requirements of the Companies Act, must be commissioned (signed and sealed) before a commissioner for oaths, who is an advocate. The other documents can be witnessed by any other reputable person because they are not an oath. The fees range from UGX 2,000 to UGX 10,000.

Procedure 5.

Obtain requisition for bank pay-in slip and bank payment advice forms from the Uganda Registration Services Bureau

Time to complete:

1 day

Cost to complete:

No charge

Comment:

Computerized processes reduced the time frame for paying government levies, such as fees for licenses and certificates. The process requires only 30 minutes, down from 4 working days.

Procedure 6.

Make payment of registration fees at a given bank

Time to complete:

1 day

Cost to complete:

No charge

Comment:

Registration receipts are obtained from the bank where the fees were paid (within 30–40 minutes). Previously, the founder would pay the fee at the bank and then wait for 3 days to pick up the receipts from the Ministry of Justice.

Procedure 7.

File with the Registrar General

Time to complete:

1 day

Cost to complete:

See comments

Comment:

Registration has become an administrative process through the creation of the Uganda Registration Services Bureau, which is now autonomous from the Ministry of Justice and handles all business registration-related issues.

Fee schedule for company registration:

- Registration fees: UGX 100,000
- Stamp duty: 0.5 % of shared capital.
- Stamp duty on Articles of Association: UGX 35,000 (flat fee).

Registration fees depend on the amount of share capital. They increase as the share capital increases. For instance, the fee for share capital UGX 5 million is UGX 160,000, and for share capital 10 million, UGX 186,000. Registration fees for a company whose share capital does not exceed UGX 40,000 has been increased to UGX 100,000.

Procedure 8.

File with the local office of the Uganda Revenue Authority a personal inquiry form for each director, and a corporate preliminary inquiry form; receive a uniform tax identification number (TID)

Time to complete:

3 days

Cost to complete:

No charge

Procedure 9.

Apply for corporate tax file number

Time to complete:

1 day

Cost to complete:

No charge

Procedure 10.

Apply for VAT registration

Time to complete:

1 day

Cost to complete:

No charge

Comment:

The current threshold for VAT is only for businesses with annual returns of UGX 50 million and above. However, if a company's quarterly returns amount to USH 12.5 million and above, it should register for VAT. Only registered income tax payers may apply for VAT. An inspector from the Uganda Revenue Authority must inspect the business premises before a VAT certificate is issued.

Procedure 11.

An inspector from URA inspects the business premises

Time to complete:

1 day

Cost to complete:

No charge

Procedure 12.

Apply for PAYE

Time to complete:

1 day

Cost to complete:

No charge

Comment:

The pay-as-you-earn (PAYE) tax is paid by the employee but collected by the employer. This tax comes into effect later, upon the company becoming operational. Rates are applied depending on the employee's yearly income; for instance, Employees earning below 1,560,000 do not pay PAYE, 10% is taxed on incomes exceeding UGX 1.56 million but not exceeding UGX 2,820,000. The amount increases as the income increases.

Procedure 13.**Obtain application forms for trading license****Time to complete:**

1 day

Cost to complete:

No charge

Comment:

For ease of distribution of trading licenses, a decentralized system has been set up in which the 5 companies were appointed to collect dues on behalf of Kampala City Council (KCC) for each of the city's five administrative divisions. Currently, the services of these companies have been suspended as the city council is conducting assessment to decide on the adequate license fees before contracting the companies again.

Procedure 14.**The licensing officer arranges an inspection of the premises and fills out an assessment form.****Time to complete:**

1 day

Cost to complete:

No charge

Comment:

The trading license is a general business license required for all companies, including service companies. The issuing authority is the municipal authority in the jurisdiction where the business premises are situated. A trading license can be obtained almost instantly, if the necessary documents on the nature of the intended business activities are available and the amount is assessed by the municipality or city council. Standard forms must be completed and submitted with the memorandum and articles of association and the certificate of incorporation.

Procedure 15.**Pay the license fee at the bank.****Time to complete:**

1 day

Cost to complete:

See the following procedure

Comment:

The founder must pay the relevant license fee at the bank, as follows:

- Opening office: UGX 156,500.
- Carrying out retail business: UGX 206,500.

- Carrying out wholesale business: UGX 366,500.

Procedure 16.

Obtain the trading license

Time to complete:

1 day

Cost to complete:

USH 206,500

Comment:

If it is deemed necessary, the municipal inspectors (health and building) reserve the right to revoke and cancel the trading license.

Procedure 17.

File a form with the National Social Security Fund (NSSF).

Time to complete:

4 days

Cost to complete:

No charge

Comment:

The National Social Security Fund (NSSF) is governed by the revised laws of Uganda, the National Social Security Fund Act Cap 222. The NSSF is a compulsory saving scheme that covers all employees in the private sector, including nongovernmental organizations and parastatal bodies that are not covered by the government pension scheme. Under the Act, every employer must register the company with the NSSF when it has 5 or more employees and all employees ages 16–35 as NSSF members. This procedure takes 1–7 days.

Procedure 18.

Make a company seal

Time to complete:

2 days

Cost to complete:

USH 225,500

Comment:

A company seal is mandatory

APPENDIX 5

Table V
Logistic regression growth characteristics

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95,0% C.I.for EXP(B)	
								Lower	Upper
Step 1	gender	-,097	,535	,033	1	,857	,908	,318	2,591
	education	,344	,210	2,669	1	,102	1,410	,934	2,129
	periodofexistence	,569	,147	14,882	1	,000	1,766	1,323	2,358
	registration	2,801	,562	24,847	1	,000	16,454	5,471	49,487
	premiseoccupied	3,828	1,178	10,557	1	,001	45,953	4,567	462,423
	age	,051	,052	,937	1	,333	1,052	,949	1,165
	Constant	-9,965	2,269	19,283	1	,000	,000		

Table VI

Logistic regression high growth characteristics

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95,0% C.I.for EXP(B)	
								Lower	Upper
Step 1	gender	1,071	,535	4,004	1	,045	2,918	1,022	8,333
	education	,924	,258	12,765	1	,000	2,518	1,517	4,180
	periodofexistence	-,031	,105	,086	1	,769	,970	,790	1,191
	registration	4,019	,877	21,016	1	,000	55,621	9,979	310,021
	premiseoccupied	18,163	6283,275	,000	1	,998	7,729E7	,000	.
	age	,000	,044	,000	1	,983	,999	,917	1,089
	Constant	-27,601	6283,275	,000	1	,996	,000		

Table VII
Growth of enterprises, by size of workforce

Growth/ Workforce	Decline	Equal	Growth	High growth	Total
1	0	53	0	0	53
2-5	3	36	38	22	99
6-10	0	0	19	16	35
Total	3	89	57	38	187

Table VIII
Growth of enterprises, by type of premises occupied

Growth/ Type of premises occupied	Decline	Equal	Growth	High growth	Total
Home	3	35	1	0	39
Fixed premises outside the home	0	26	52	38	116
Street	0	22	4	0	26
Total	3	89	57	38	187

Table IX
Growth of enterprises, by age of entrepreneur

Growth/ Age	Decline	Equal	Growth	High Growth	Total
-20 years	0	15	1	0	16
20-24 years	0	30	13	8	51
25-29 years	1	28	14	12	55
30-39 years	2	11	18	16	47
+ 40 years	0	1	10	0	11
Total	3	85	56	36	180

Table X
Growth of enterprises, by education of entrepreneur

Growth/ education	Decline	Equal	Growth	High Growth	Total
No formal education	0	1	1	0	2
Some primary school	0	0	5	0	5
Completed primary School	1	8	8	0	17
Some secondary school	0	7	7	1	15
Completed secondary school	0	45	21	14	80
Some university	2	16	8	15	41
Completed university	0	12	4	8	24
Other		0	3	0	3
Total	3	89	57	38	187

Table XI
Growth of enterprises, by period of existence

Growth/ Period of existence	Decline	Equal	Growth	High Growth	Total
0-1 years	0	29	0	0	29
1-5 years	1	52	21	23	97
6-10 years	2	8	31	13	54
+ 10 years	0	0	5	2	7
Total	3	89	57	38	187

Table XII
Growth of enterprises, by formality

Growth/ Formality	Decline	Equal	Growth	High Growth	Total
Registered	0	7	38	36	81
Not registered	3	82	19	2	106

Table XIII
Growth of enterprises, by gender

Growth/ Gender	Decline		Equal		Growth		High growth		Total
Man	2	2.3%	38	44.2%	31	36%	15	17.4%	86
Woman	1	0.99%	51	50.5%	26	25.7%	23	22.8%	101
Total	3		89		57		38		187

Appendix – 6

Table XIV
Cronbach's alpha if item deleted per category

Cronbach's alpha		Nr of items
Motivation	0.704	11
No items deleted		
Success	0.696	16
Cronbach's alpha if item deleted		
3. Satisfactory government support	0.725	
15. Political involvement	0.719	
Problems	0.911	20
Cronbach's alpha if item deleted		
4. Unable to obtain long-term financial capital	0.903	
15. Inadequate demand of products	0.903	
16. High cost of local raw material	0.911	
17. High rate of inflation	0.902	
19. Poor telecommunication networks	0.909	

Table XV
Characteristics high growth firms

High growth firms	gender	education	Firm age	formality	Location firm
Firm 1	Male	Completed university	10	Registered	Outside household
Firm 2	female	Some university	7	Registered	Outside household
Firm 3	Male	Some university	4	Registered	Outside household
Firm 4	Female	Completed secondary school	3	Registered	Outside household
Firm 5	Female	Completed secondary school	6	Registered	Outside household
Firm 6	Female	Some university	4	Registered	Outside household
Firm 7	Female	Some university	7	Registered	Outside household
Firm 8	Female	Some university	9	Registered	Outside household
Firm 9	Male	Completed university	4	Registered	Outside household
Firm 10	female	Completed secondary school	3	Registered	Outside household
Firm 11	Female	Some university	4	Registered	Outside household
Firm 12	Female	Some university	7	Registered	Outside household
Firm 13	Female	Completed secondary school	9	Registered	Outside household
Firm 14	Male	Completed university	4	Registered	Outside household
Firm 15	Female	Completed secondary school	3	Registered	Outside household
Firm 16	Female	Some university	4	Registered	Outside household
Firm 17	Male	Some university	7	Registered	Outside household
Firm 18	Female	Completed secondary school	9	Registered	Outside household
Firm 19	Male	Completed university	4	Registered	Outside household
Firm 20	Male	Some university	4	Registered	Outside household
Firm 21	Male	Some university	9	Registered	Outside household
Firm 22	Male	Some university	5	Registered	Outside household
Firm 23	Female	Completed secondary school	7	Registered	Outside household
Firm 24	Male	Completed university	5	Registered	Outside household
Firm 25	Male	Completed secondary school	3	Registered	Outside household
Firm 26	Male	Some secondary school	9	Not registererd	Outside household
Firm 27	Female	Some university	5	Registered	Outside household
Firm 28	Male	Completed secondary school	3	Registered	Outside household
Firm 29	Male	Completed university	4	Registered	Outside household
Firm 30	Female	Completed university	10	Registered	Outside household
Firm 31	Female	Some university	7	Registered	Outside household
Firm 32	Female	Completed secondary school	3	Not registered	Outside household
Firm 33	Female	Completed secondary school	6	Registered	Outside household
Firm 34	Female	Some university	4	Registered	Outside household
Firm 35	Female	Completed secondary school	5	Registered	Outside household
Firm 36	Male	Completed university	5	Registered	Outside household
Firm 37	Female	Some university	2	Registered	Outside household
Firm 38	Female	Completed secondary school	2	Registered	Outside household