

THE WINDOW TO ENTREPRENEURSHIP EDUCATION



LEARNER'S GUIDE

For "O" LEVEL

(Senior One-Four)

LOWER SECONDARY CURRICULUM

By Mzee Okello Hatuba

"Think Critically, Solve the Problem"

PREFACE

This book has been developed as per the new lower curriculum for use in our current education situation. Given the fact that the population is surging far away in relation to the available resources, it is developed to impart skills to our learners to be critical thinkers, see things in a bigger picture and explore the natural environment for job creation.

The book covers the entire new lower curriculum for Ordinary Level from Senior One up to Senior Four. This means that our learners need to buy only one copy and use it from level one to level four than buying a copy every year for each class.

A lot of examples and illustrations plus pictures have been used per each topic to try to reflect what is in the topic for the learners to understand the work therein well for the development of their critical thinking and problem solving. A range of activities have been provided in the entire topics and these will be conducted both within and outside the classroom setting. The learner is expected to be able to work as an individual, in pairs and groups according to the nature of the activities per topic.

The author used different names to try to cater for the different tribes and cultures from African setting. Therefore all the names used in this book do not refer to any person or anything of obscene nature but names from different African cultures and tribes including yours.

“Think Critically, Solve the Problem”

ACKNOWLEDGEMENT:



The author would like to appreciate the efforts of those who encouraged him in developing, compiling and presenting the materials herein.

My gratitude goes to the various people who provided their efforts and resources in different capacities to ensure that the work produced meets the required standards as per the new curriculum in imparting skills to our learners. I cannot forget the effort of my wife-Allen Hatuba and my children.

The materials here have been developed as per the new Entrepreneurship Subject Syllabus for lower secondary covering senior One to senior Four. The knowledge and skills which have been incorporated are what is required to contribute to the production of a learner who has the competences that are required in the 21st century with increasing population but with limited employment opportunities.

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CHAPTER ONE

INTRODUCTION TO ENTREPRENEURSHIP EDUCATION

Key Words	By the end of this chapter, learners should be able to:
<ul style="list-style-type: none"> ✓ Entrepreneurship ✓ An entrepreneur ✓ Unemployment ✓ Innovations ✓ Business ✓ Creativity ✓ E-Business 	<ul style="list-style-type: none"> ✓ Appreciate the purpose of studying Entrepreneurship Education ✓ Demonstrate the features of an entrepreneur ✓ Identify & assess risks in business ✓ Apply creativity and innovation in business ✓ Explore the merits and challenges of E-Business.

Introduction:

Uganda is currently faced with an increasing population and this comes with associated side effects like unemployment, high crime rate, and limited food among others. To this therefore, entrepreneurship is looked at as the best alternative to equip the young generation with hands on skills, required knowledge and competence for venturing into successful business for personal and national benefit.

Entrepreneurship will also enable you to utilize and exploit the available resources in the environment by being creative and innovative to create jobs in this 21st century. This century requires people with critical thinking with the ability to see a bigger picture so as to engage in gainful work/production without being told.

Activity 1. Read the above Introduction and Brainstorm on the Entrepreneurship and Entrepreneurship Education meaning.

Uganda's Deforestation Crisis due to cooking:



3 Stones Cooking methods



Improved Cook Stoves

People in Uganda are constantly cutting down trees to get firewood, building materials among others. The deforestation rate in the country is very high.

With only 10% of Uganda's rural population connected to the electrical power, there is little option but to burn wood. This has led to one of the worst deforestation rates in the world. The country's National Environment Management Authority says that every year, 2.6% of the country's forests are cut down for fuel, agriculture, and to make way for

population growth. If things stay as they are now, Uganda will lose all its forest cover in less than 25 years.

To overcome this problem, a group of young men in Mukono district started making mud stoves. Mud stoves are home-produced energy-saving cooking devices which reduce the amount of fire wood needed to cook by a half. If these mud stoves are used in our villages' deforestation may be reduced drastically. The pictures below show cooking using a lot of fire wood as compared to the use of mud stoves which reduce the amount of fire wood needed to cook by a half.

THE ENTREPRENEUR.

Meaning of Entrepreneurship:

Entrepreneurship refers to the spirit of taking a risk to set up a business or an enterprise to produce and sell goods or services in order to meet the customers' needs with an aim of earning profits. The goods or services can be unique or value added so as to attract market from buyers



Entrepreneurship of different types taking place in both picture one and two

Activity 1.2: Study the two pictures above and:-

- Explain the different activities taking place in each.
- Identify the requirements for each activity taking place above

Entrepreneurship involves doing new things or doing those things already being done but in a new and better way. Studying Entrepreneurship will enable you to develop a positive attitude towards work and business.

Entrepreneurship Education

What is Entrepreneurship Education? It is the process of imparting knowledge, skills and values in the learners to identify opportunities around them and undertake business activities with a view of earning profits.

Activity 1.3: Design a poster to advertise why you should study Entrepreneurship Education. Share your poster with the rest of the class.

Purposes for Studying Entrepreneurship Education:

- ✓ To enable learners acquire practical skills which can make them job creators rather than being job seekers.
- ✓ To provide learners with knowledge and skills needed to succeed in the business environment.
- ✓ To emphasize and help students to develop their imaginative and risk taking abilities in business.
- ✓ To enable learners identify business opportunities in which they can invest capital and operate successfully.
- ✓ To enable instructors teach the elements of Entrepreneurship that have been considered unteachable for long and hence break the myth of entrepreneurs being born and not made.
- ✓ To provide the learners with necessary skills of self confidence to be focused on what he/she intends to be in the future.
- ✓ To provide learners with the skills of scanning the environment to identify new business opportunities to operate and make profits.

Who is an Entrepreneur?

This is a person who produces new or better goods or services with a view of selling them to customers and making profit. An entrepreneur commits his/her resources such as money, time, land, machines and labour to start and operate a business venture. An entrepreneur has the ability to see and evaluate business opportunities from the environment, collects the necessary resources and uses them to start and operate business successfully.

Activity 1.4

Identify any two successful entrepreneurs from your community and state the qualities that have led to their success.

Traits / Features / Characteristics of an Entrepreneur.

Every entrepreneur must have some traits or qualities to exhibit in order to operate a business successfully. These attributes or characteristics are sometimes called "**Personal Entrepreneurial Characteristics**" or **PEC**.

These characteristics include the following:

Risk taking	Persistent	Self-confidence
Competitiveness	Problem solving	Information seeking
Creativity	Opportunity seeking	Independent
Time-Consciousness	Innovativeness	Initiative
Persuasiveness	Builds for the future	Hard working
Goal oriented	Responds to feedback	Profit oriented
Networking	Builds on strength	Willing to listen

Activity 1.5. Study the features of entrepreneurs given above and do the activity below in your exercise books by writing a suitable quality of an entrepreneur corresponding with each given statement.

No.	Entrepreneur Quality	Explanation
1.		Improving on the value of products so as to get more customers
2.		Setting targets and working hard to achieve them without failure
3.		Producing new products to meet the market demands of buyers
4.		Talking to other entrepreneurs so as to improves your goods/services
5.		Waking up early in the morning and closing the business later after servicing customers
6.		Keeping time and meeting the set targets on time
7.		Ability to convince other people to agree your ideas and
8.		Ability to start a business and does not regret in case of failure
9.		Ventures into a business you have never been in and operate sit successfully
10.		Ability to venture into business and you do not give up even if it is making losses.
11.		Always interacting with other people to see the business to start.
12.		Ability to improve on the existing products to make the better
13.		Ability to think so hard to come up with different ways of doing things in a new way.
14.		Listening to customers complaints and do things as they want
15.		Having the ability to win in all situations
16.		Heading others to find solutions to business challenges/problems
17.		Ensuring that the enterprise makes profits to benefit the owner
18.		Doing business independently without asking anyone for help
19.		Convincing other person to accept his/her decision and stand
20.		Finding answers to challenging situations

Benefits of Being an Entrepreneur.

Benefits are the advantages, merits or gains that one gets or enjoys by undertaking a specific action like being in business, taking up a particular career, doing a job, etc.

- Activity 1.6.** (1) With the guidance of the teacher, make groups and conduct an interview in the nearby community to find out the benefits of being an entrepreneur. Choose one learner to present your findings to the class and compare with presentations of other groups.
- (2) Study the pictures below and explain activities taking place in both pictures.



An Entrepreneur giving a lesson on the merits of being an Entrepreneur

Activity 1.7 Listen to the presentation of a successful entrepreneur and note the following:

- 1) How he/she started the business and what has helped him/her to succeed?
- 2) The benefits of doing business
- 3) The challenges he/she is facing when running the business
- 4) How he/she tries to reduce or control the challenges faced and any future plans
- 5) In your notebooks write a report on the presentation of the visiting

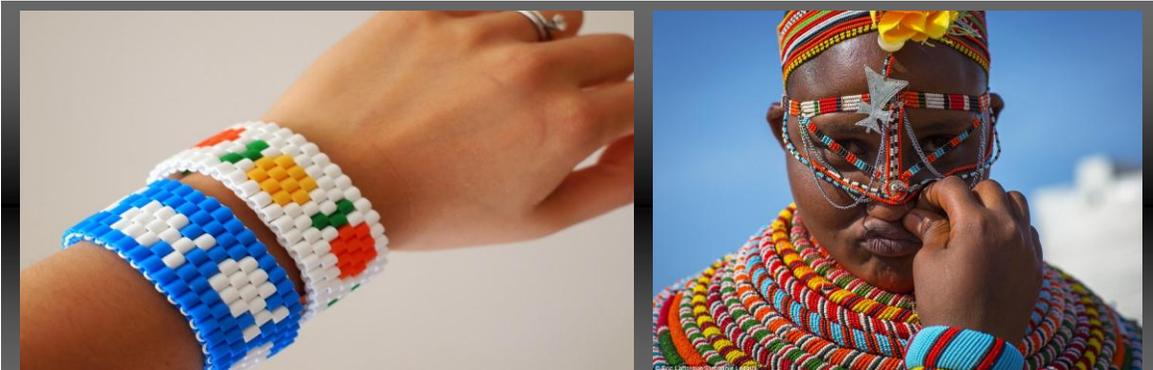
CREATIVITY AND INNOVATION:

Key Words	By the end of this topic, you should be able to
<ul style="list-style-type: none"> ✓ Creativity ✓ Innovation ✓ Business Model Innovations ✓ Product Innovation ✓ Service Innovation ✓ Marketing Innovation 	<ul style="list-style-type: none"> ✓ Practice creativity and innovation to make new products using locally available materials from the environment: ✓ Explain the different types of innovations ✓ Explain the importance of creativity in businesses. ✓ Differentiate between innovation and creativity.

Activity 1.8. From the environment around you,
 a) Collect different products which reflect creativity and innovation.
 b) Draw unique designs on paper using creative art.
 c) Display the different designs in class.

Meaning of Creativity:

This is the ability to produce something new through imaginative skills, a new solution to a problem, a new method or device or a new artistic object. It is the ability to produce work that is unique and appropriate. It is ability to come up with innovative solutions to needs and market them.



Figures above show how you can be innovative and creative by using local resources to design and make different products.

Importance / Benefits of Creativity in Business.

- ✓ It leads to development of new and original ideas.
- ✓ It solves everyday problems in business.
- ✓ It is used to upgrade products and services.
- ✓ It enables an entrepreneur to make proper use of limited resources.
- ✓ It helps in making proper use of the limited resources
- ✓ It is used to promote products and services of a business.
- ✓ It helps in the development of new and original ideas using the existing ideas.

How to Become Creative.

- a) Noting down thoughts/ideas that drop into the mind so that they are not forgotten.
- b) Thinking beyond the invisible framework that surrounds problems or situations.

- c) Through transferring of technology from one field to another.
- d) Through using one's unconscious mind for example by sleeping on the problem to generate creative solutions.

Innovation in Business.

This is doing something in a different or in a better way. It is the application of knowledge to create additional value and wealth. It involves using knowledge to find new ways to create and bring about change for the better.

Types of Innovation.

<ul style="list-style-type: none"> ✓ Business Model Innovation ✓ Marketing Innovation ✓ Product Innovation ✓ Service Innovation 	<ul style="list-style-type: none"> ✓ Organizational Innovation ✓ Supply Chain Innovation ✓ Process Innovation ✓ Financial Innovation
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Activity 1.9. Copy and Complete the table below by giving the meaning and three examples for each of the above types of innovations.

Types of Innovation	Explanation	Example
Business Model Innovation		1. MTN
		2.
		3.
Marketing Innovation		1.
		2.
		3.

Product Innovation		1.
		2.
		3.
Service Innovation		1.
		2.
		3.
Organizational Innovation		1.
		2.
		3.
Supply Chain Innovation		1.
		2.
		3.
Process Innovation		1.
		2.
		3.
Financial Innovation		1.MTN Mobile Money
		2.
		3.

Activity 1.10. In groups created,

- a) Practice creativity and innovation using locally available materials from the environment to produce new and unique products.
- b) Display your products in class.

Importance of Innovation:



- ✓ It leads to production of new products which increases variety for customers to make choice.
- ✓ It increases output in an enterprise due to creation of new and more effective production methods.
- ✓ It results into improvement in the quality of products and services.
- ✓ It also leads to market expansion as new products attract new customers as well as maintaining the old customers.
- ✓ It helps the company in packaging and repositions its products for global distribution and marketing.

- ✓ It helps the business to attract new customers and expand its market and by producing new products
- ✓ It helps in developing new channels of distribution and adds value to the business product standout.

Features of Innovators.

Compelling Vision: Innovators always believe that they are part of something better to come and that their willingness to contribute to the vision will make that happen. This vision helps them to see a head where they want to go.

Opportunity Oriented: He always seems to find an opportunity in any situation. He/she is constantly thinking about new ways of doing things and is not afraid to try something new.

Extraordinarily Persistent: An innovator does not let obstacles get in the way. He/s keeps going and committed to achieving the goals. This commitment and persistence makes them achieve their goals.

Surrounded with Positive People: They keep away from the non-serious people. They are surrounded with people who are productive and can give them goods to help in solving the company problems.

Positive Attitude: He or she has I can attitude. Whenever is doing work, he/she always knows that he/she can accomplish the mission to the expectations without any obstacles. He/she cannot believe that work can fail in any way but the result must always be positively achieved.

Passionate: They put all their efforts in achieving one thing at a time and are totally focused on that. Highly successful people have the passion and believe that they know what they are doing. They give it everything they have. Passionate people are not people with a number of things or interests.

Inner-Directed: Nobody has to tell an innovator what to do, he/she knows what to do. Because of the self-discipline and ability to focus, innovators get up in the morning and get going. They are goal oriented and do not need anyone else to motivate them.

Idea-Oriented: He/she is always thinking of new ways to do things. They are the ones who come up with solutions to problems of the organization. They are always looking for the ways and ideas to help the organization stay profitable and viable.

Trend-Spotters: He/she is able to look at the changes taking place in the industry and notices the trends. He spots areas where the company can put money to make more profits.

Activity 1.11. In groups Created

- Discuss the current innovations that have taken place in your community.
- State how people in the community have benefited from those innovations.

Risks in Business.

Key words	By the end of this topic, you should be able to:
✓ Risk	✓ Appreciate the need to take risks
✓ Risk Avoidance	✓ Know the rewards from different types of risks
✓ Risk Reduction	✓ Know the ways of managing risks.
✓ Risk Transfer	

Pictures Showing Examples of Risks in Business



Picture One



Picture Two

Activity. 1.12. In groups:

1. Briefly describe the situation in both the pictures above
2. Give examples of 5 risks one may encounter in a business
3. Present your findings to the rest of the class.

Meaning of Risks

A risk is a situation where one is required to make a choice between two or more alternatives, which may result in differing rewards for success or penalties for failure. A risk refers to the possibility of suffering a harm/loss/danger. **Business risk** refers to the factors that may have a negative impact on the profitability or success of a business.

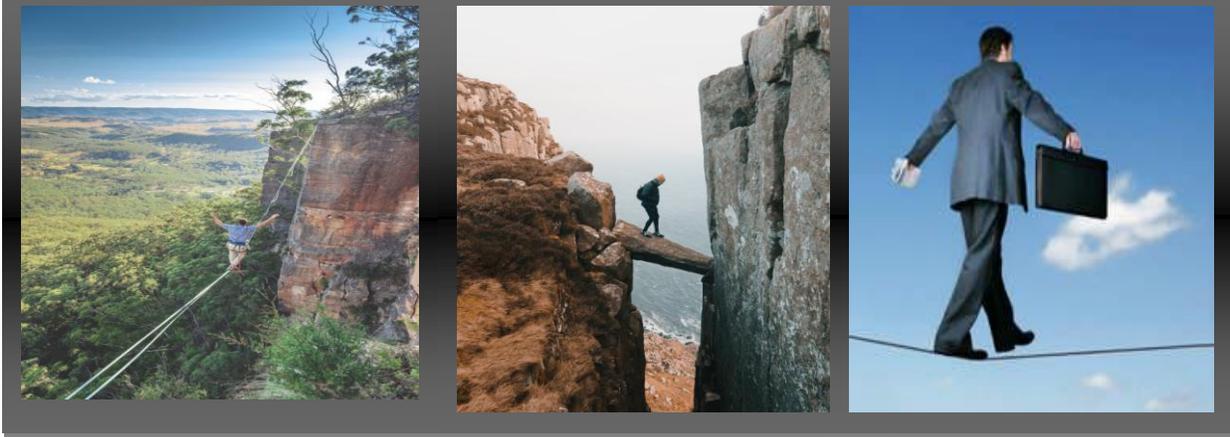
Activity 1.13.

1. In groups discuss common risks that affect businesses in your community.
2. Suggest ways how these risks can be reduced.

Types of risks.

There are three types of risks

Low Risks	Risks where gains or losses are small
Medium / Moderate Risks	Risks where losses or gains are moderate
High Risks	Risks with high gains or losses



Risk Taking Game.

The risk taking game is used to demonstrate risk taking in business, the types of risks and how you can assess the risk to be taken in any business.

- Activity.1.12.** In groups and with the teacher's guidance,
- Form groups for the ball tossing game & name them animals of your choice.
 - Play the game and record your scores in the score sheet below.
 - Interpret the scores and how they reflect the types of risks in business.

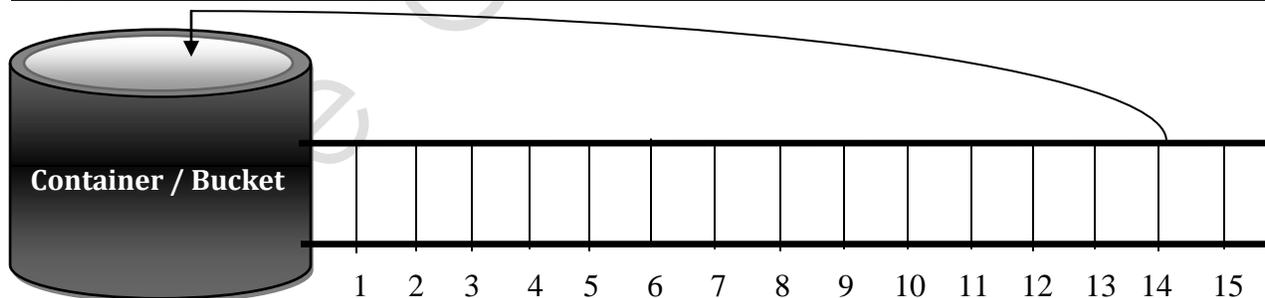
Setting	Have enough big space to allow making of the required metres and the learners to have space watch others throw the balls in the container. Position the container in front & mark metres from 1 to 15 meters away from the basket.
Steps for the game	Form groups and allow each group member participate in the game.
	Get 3 small balls of any kind.
	Each group member is free to choose a position from where to throw the ball, one at a time into the basket.
	Each group member has three chances (3 balls) of throwing the ball into the basket and one is free to change positions each time of throwing the ball.
	When a member throws a ball into the basket he/she scores marks equal to the distance the ball was thrown from.
	When the ball falls inside the basket and then jumps out the member scores negative marks equal to the distance the ball was thrown from.
Record the marks scored where everybody can see using the following format below.	

SCORE SHEET									
			1 st Throw		2 nd Throw		3 rd Throw		TOTAL
	No.	Name	Distance	Score	Distance	Score	Distance	Score	
LION	1.								
	2.								
	3.								
Group Total									
ZEBRA	1.								
	2.								
	3.								
Group Total									
CAT	1.								
	2.								
	3.								
Group Total									
COW	1.								
	2.								
	3.								
Group Total									

How to Play the Game:

You can name your groups by African animals for differentiation. Complete the table below for the use of the requirements below for the risk taking game.

Requirements	Its use
Bucket/Container	
Roll of Masking tape	
Marker	
Paper balls	



Distance in Metres where learners stand when playing the game

From the ball-toss game you discover that some people stand very near the bucket or far. The distance from the bucket indicates the risk one takes in business (from 1 meter – 6 meters- low risks; from 7 meters - 10 meters- moderate; from 11 meters plus meters-high risks). Some people take low risks others moderate risks or high risks. Successful entrepreneurs prefer to take calculated risks. A **risk situation** is where one is not sure of the outcome of their decisions or actions. The outcome can be positive or negative. Making a calculated risk means you weigh potential success against potential loss.

Risk Assessment:

Assessing a risk refers to the method of looking at work activities considering what could go wrong to decide on the best control measures to prevent loss, damage or injury in the workplace or business. Looking at the risk tossing game above, you can note that:

Low risks or a very minimal risk e.g. choosing position (one in the third round) which does not yield a lot of benefits to the business/ the reward is small.

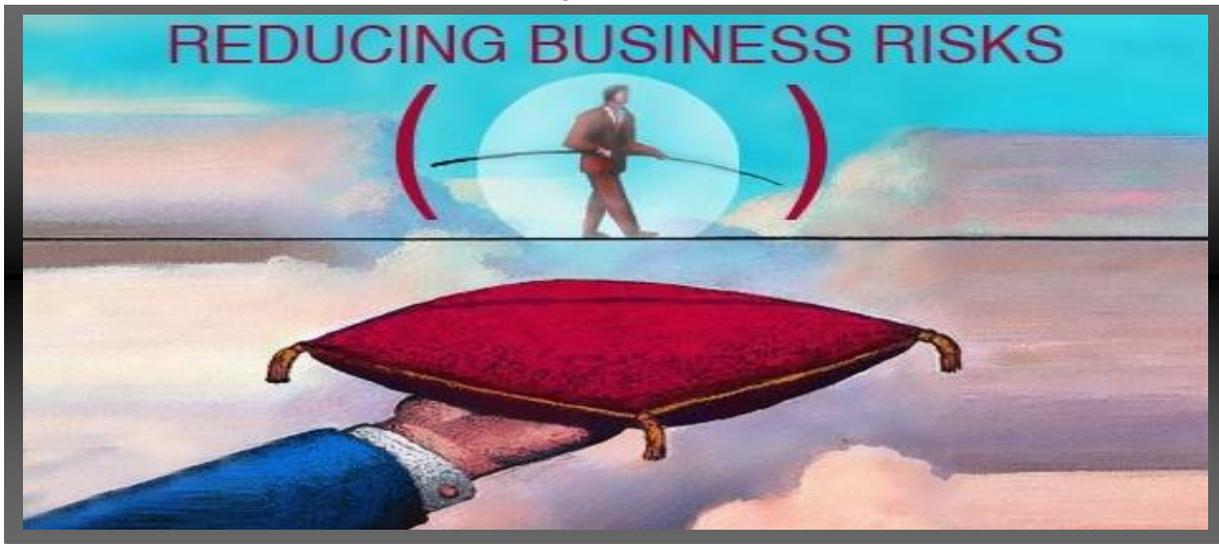
Moderate risks e.g. choosing positions (four and five) where the chance of gaining is almost half just like that of losing. There is a high chance of managing and controlling these risks.

High Risks e.g. choosing positions beyond ten where the chance of losing is much higher than that of gaining. : These risks have a high chance of happening and in case they happen the loss is likely to be too big or high.

Entrepreneurs should take risks that are unavoidable and can be calculated. The results of risks are not easy to know but can be assessed or calculated by the entrepreneur. Higher risks always yield higher benefits and low or medium risks yields low/less benefits to the entrepreneur. The factors below can help in assessing risks to be taken:

Factors	Meaning
Viability of the business idea	Determining whether the chosen business will make profits in the area it is located given the available resources like raw materials etc.
Market availability	Finding out whether the people in the area are in need of the product and are able and willing and have the capacity to buy the products.
Generation of enough cash inflows:	Establish whether the business will be in position to generate enough cash inflows to meet the expected out flows/expenses.
Pricing policies and strategies:	Find out whether the suggested price for the product is competitive in relation to the already existing sellers.
Honesty and reliability of the entrepreneur	Find out whether the people the business is dealing with are honest and reliable and can promote the image of the business in the eyes of the buyers, public etc.
Experience and abilities:	Determine whether the people involved in promoting and running the business possesses the required skills, knowledge and experience to run the business successfully to achieve the business goals and objectives.
Flexibility of the business	This relates to whether the chosen business be easily changed into another business without any big effect on the resources and equipment of the business in case it does not make profits.

Risk Management in Business:



Fearing to take risks means fearing to go into business. Entrepreneurs have to manage and reduce the possibility of a risk happening by assessing the type of risks likely to occur in the business. Risks in business can be reduced or minimized or treated through the following ways:

Risk Avoidance.	This is not performing an activity that could carry/cause a risk. For example, Not crossing the road with headphones on, not driving while drinking, not flying in order not to take the risk that the airplane will crash.
Risk Transfer/Shifting:	This means making another party to accept the risk. The burden of taking responsibility of a risk is shifted to another party. For example taking an insurance policy against fire, accident, and theft with an insurance company.
Risk Reduction	This means taking measures to minimize the likely loss or chances of the risk happening. For example having in place fire extinguishers or having a standby generator.
Risk Retention:	This involves accepting the loss when it occurs. It is good solution for small businesses where the cost of insuring against the risk can be greater over time than the total losses sustained.

Activity. 1.13. In your books:

- List any 6 possible risks in your school.
- Explain the ways that can be undertaken by the school to minimize the risks.
- Give examples of 5 risks one may encounter in a business

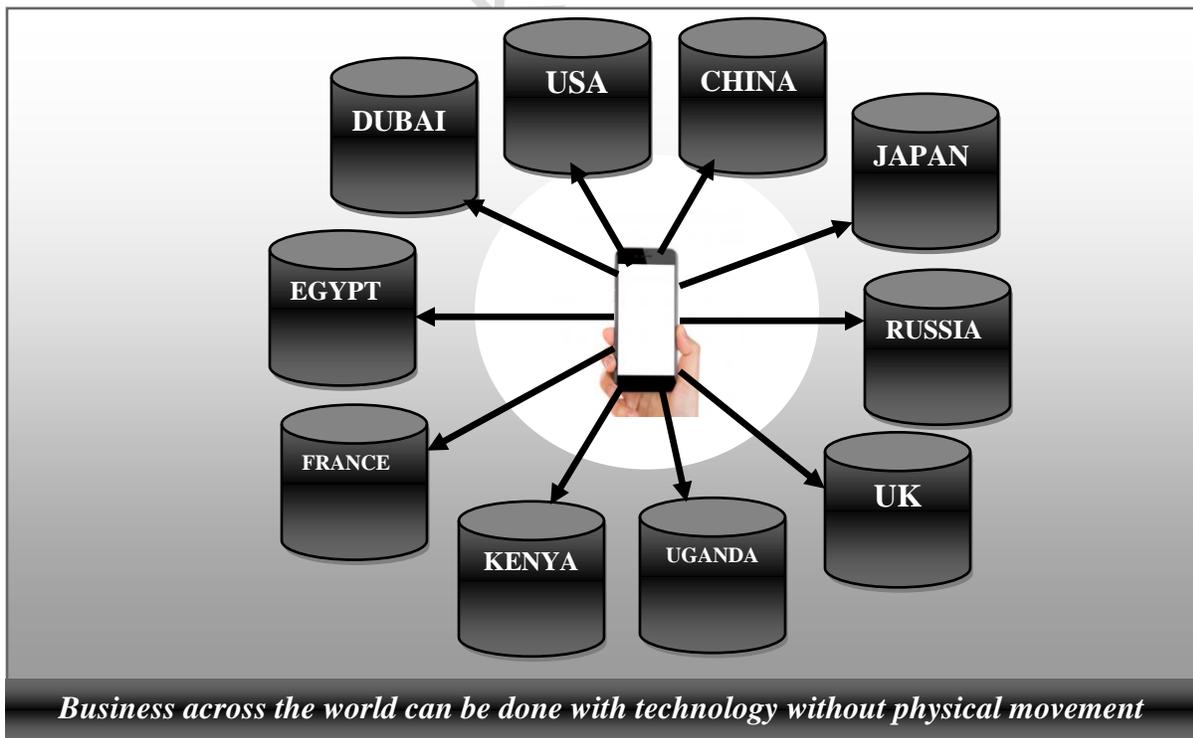
TECHNOLOGY AND BUSINESS:

Key words	By the end of this topic, you should be able to
<ul style="list-style-type: none"> ✓ E-business ✓ Technology ✓ Networking ✓ Internet ✓ Face book 	<ul style="list-style-type: none"> ✓ Practice doing E-business ✓ Teach your community to do E-Business.



In today's business world, there is no need to move across countries to buy goods and bring them in your home country. Business can be conducted in safe, fast and convenient way using modern technology available at home, office, café, restaurant, bar etc. One need a smart phone or laptop computer or even desk top computer and business will start and get completed there.

The picture below illustrates that one can do business without physical movement but by use of a mobile phone or a laptop. This is E-Business.



Meaning of E-Business:

This is the type of business carried out using modern technology. Examples of E-business include the following: mobile money transfers, e-tax payment, visa cards, online pass ports, online marketing, online banking etc.

Doing E-Business.

Entrepreneurs can do business transactions online to meet customers' orders, make payments for utilities like water payment, TV, electricity bills and buy airtime or bundles, register business, pay taxes plus any other online business transactions. This can make the entrepreneur meet the customers demand and satisfy them without physical movement. This can minimize costs of production like transport costs but still remain competitive in business.



Picture 1.4.2: An Entrepreneur using an ATM



Picture 1.4.3 Online banking using Laptop & Phone

Examples of E-Business:

1. **E-Banking** is an online banking where you are able to transfer money from one account to another on your mobile phone or computer.
2. **Mobile money transfers.** This is the use your mobile phone to send money to another person or receive money from another person.
3. **E-Tax** is a modern process of paying taxes to Uganda Revenue Authority using your telephone or computer.
4. **E-Learning.** This is a modern teaching method which involves the use of electronic technologies to access educational curriculum outside a traditional classroom. These include radios, televisions, computers and mobile phones.
5. **E-Marketing** is the process of advertising, pricing and distribution of goods and services using computers and mobile phones.
6. **Online Shopping.** This is where you can order for goods using your mobile phone.

Activity 1.14. Visit selected businesses in your community and find out the following:
a) E-Business services used by the entrepreneur.
b) How e-business benefits the entrepreneur.
c) The challenges faced by the entrepreneur while using e-business.
d) Write a report of one page in your notebook giving your findings.

Benefits /Merits of E-Business to the Entrepreneur.

- ✓ It enables the entrepreneur save transport costs while transacting business.
- ✓ It is convenient since entrepreneurs do not have to move with large sums of money to transact business. This saves him the dangers of robbery.
- ✓ It makes the entrepreneur to easily order for raw materials or purchase goods from foreign countries without going there physically.
- ✓ It is a very fast method of effecting payments irrespective of the geographical location of the receiver and the sender.
- ✓ It makes the entrepreneur to easily advertise his/her products across the world using online marketing.

Challenges of Using E-Business

E-Business is known to have a number of advantages to the entrepreneur though some challenges also do exist.

- ✓ A challenge of poor network. In areas where the network is poor or non-existent, e-business may not take place.
- ✓ Limited knowledge on how to use e- business services. If an entrepreneur does not know how to use e-business, it becomes a big challenge to him/her to transact business.
- ✓ Limited access to the mobile phones, laptops, computers to effect online transactions makes e-business complicated.
- ✓ High level of frauds by conmen which leads to financial losses to the entrepreneur.
- ✓ High costs for effecting the online transactions e.g. Withdrawal charges, operation charges.
- ✓ Inadequate power supply especially in rural areas makes using e- business difficult.
- ✓ Limited direct contact with the customers as business is done online

Activity of Integration: Read the case study below and answer the questions which follow.

OKELLO SHOE MAKERS:



Okello made some savings for three years and also sold an old motor cycle left behind by the late father and invested the proceeds in shoe making business. He has the best quality shoes in town after operating the business for the last 8 years. Although it has not been easy for him, the business customers have been increasing year by year and most people now trust him.

He bought modern machines and this increased the production and he is able to meet the customers demand on time without any delay. He is creative and innovative that he makes shoes according to the customer's design and choice. He starts work very early in the morning and retires late in the night. The business employs over 20 workers, doing different activities ranging from production, designing, packaging, marketing among others. Okello listens to his employees whenever they try to give him some solution to business problems.

To match with the competition around, Okello goes for more training regularly on how to improve the shoe quality. He also searches for more designs from the internet to make good designs for the customers. He was able to supply his former school with 500 pairs of shoes in only two months plus the national police force with 2,000 pairs in five months and most people around have now trusted him as trustworthy person. The high demand for his shoes has increased the business sales and profits. Customers with small order pays with mobile money which has made more people like the business and its products of shoes and he has bought more land to expand the business.

- Activity: 1.15. (a)** Identify the problems which Okello was able to solve in his community.
- (b) State any four qualities which have enabled Okello to become a successful shoe maker.
- (c) What possible risks does Okello face in his business and how can they be managed?
- (d) How did Okello employ creativity and innovation in his business?
- (e) Advise Okello how he can use modern technology to improve his business.

LONGINO FARM



After studying an agricultural course at the University, Ofwono decided to start Longino Farm/business using the little savings he had made on the pocket money plus the loan he got from DFCU Bank. He started with eight freshian cows and mushroom growing though it was his first business. He searched on the internet to get knowledge on how to

make mushroom spawns/seeds than buying them. Milking of cows was being done by machines.

He supplies milk to schools and hotels around the area as he supplies mushroom to all supermarkets around. Customers can make orders on WhatsApp, email or sending a message on the business phone number. Payments are made through bank, mobile money or even on Cente-Mobile and the messages evidencing payments are sent on the business phone number.

The business has got many customers and employs 6 people. The business products have improved on the health and nutrition of the people. Ofwono listens to his employees whenever they try to give him some solutions to business problems. There is provision of biogas from cow dung and farm manure which have led to improved standard of living and agricultural harvest.

- Activity: 1.16.** (a) Identify the problems which Ofwono solved in his community.
(b) State any four qualities which have enabled Ofwono to become a successful in business.
(c) How did Ofwono employ creativity and innovation in his business?
(d) With evidence, how has the community benefited from Longino Farm?

BUSINESSES IN UGANDA



Different forms of businesses taking place in different areas

Key Words	By the end of this topic, you should be able to:
<ul style="list-style-type: none"> ✓ Business ✓ Agro-business ✓ Manufacturing business ✓ Trading business ✓ Service business 	<ul style="list-style-type: none"> ✓ Identify different types of business in Uganda ✓ Evaluate the importance of doing business ✓ Determine the factors leading to success in business and what causes failure in business.

Introduction

Entrepreneurs in Uganda do many and different types of businesses with the primary objective of making profits. This can be achieved by committing their time and resources to the businesses and also ensure that they reduce the risks involved for success.

Before starting a business, an entrepreneur should come up with a number of good business ideas and alternatives ranging from trading, manufacturing, and service business. The choice of the business to take can be based on the resource availability then carry out market research before starting the selected business.

Types of Businesses

Meaning of Business: Business is any legal economic activity done by an individual or a group of persons with an aim of making profits. Examples of business include buying and selling agricultural produce, running a retail shop, operating a restaurant, providing services like salons, growing vegetables, etc. Business involves exchanging goods or services for money with a view of earning profits while bearing risks since risks and business are almost inseparable. There are four types of businesses; Agri-businesses, manufacturing businesses, trading businesses and service businesses.

Different Agricultural Businesses.



Agriculture, Manufacturing, Trading and Service Businesses taking place

Agri-Businesses:

Agro-businesses produce or sell agricultural products with the aim of making profit. These can be selling of agricultural products, rearing animals, poultry farming, horticulture, apiculture, piggery, livestock, orchard, floriculture etc.



Activity 2.1. Study the pictures above and:-

- Identify the agri-business in each case seen above
- State both the products and by-products from each business.

Manufacturing Businesses:

These are businesses that process raw materials to produce different products. They process or transform raw materials to produce different products or add value to them. Examples include; tailoring, welding, mat and basket weaving, carpentry workshops, car making, paper making etc.

On the other hand, other manufacturing industries also process agricultural products like milling factories, skin and hides processing, juice processing, food processing etc.

Beverage Manufacturing and Metal Fabricating Businesses



Manufacturing Business

Welding Business

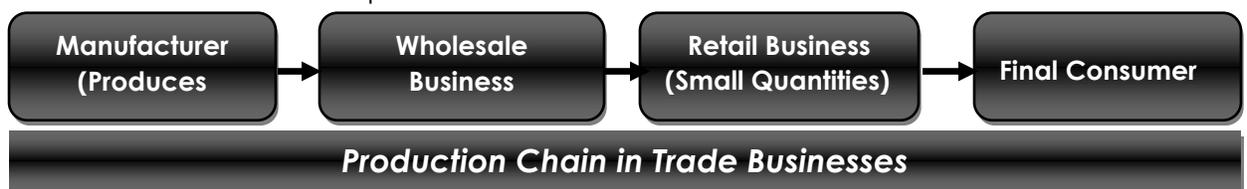
Trading Businesses:

Trading businesses buy and sell goods either in retail or wholesale. Many of these are found in your communities.



Wholesale: These businesses buy goods in large amounts like in boxes, cartons, or containers. Wholesale business sells large quantity goods to retail businesses.

Retail: The business buys large-quantity goods from wholesalers and packages them into smaller amounts. Most retail businesses sell goods to final consumers. Wholesale and retail businesses work in a production chain as shown in the flow chart below:



The illustration above shows that the manufacturer produces goods in large quantities and sells them to the wholesaler in large quantities. The wholesaler then sells to the retail business in small quantities that then sells to the final consumer in affordable quantities and hence completing the business production chain.

Service Businesses:

These are businesses that provide invisible and intangible products that provide benefits to the customers. Examples of such businesses include; transport companies, salons, barber shops, restaurants, hotels, lodges, hospitals and clinics, banking, motor vehicle repairs garages, etc.



Importance of Doing Businesses:

Different businesses have different benefits to the people so as to solve their problems.

- ✓ They are sources of incomes to the owners.
- ✓ They provide employment opportunities to the people in the community and family
- ✓ They bring goods and services nearer to the people
- ✓ They recycle wastes that would destroy the environment.
- ✓ They pay taxes to the government which is revenue.
- ✓ They lead to the development of the community by building schools, churches, hospitals and rental houses.
- ✓ They enable one to save for the future use.
- ✓ They provide raw materials for other business to continue in production
- ✓ They provide market for other people's products.
- ✓ They put to use other resources which are not utilized.
- ✓ They facilitate the movement of raw materials, goods, and people to work places or market.
- ✓ They provide security to people's businesses to be secure.

	Business Owner	
	Community	
	Government	

Activity 2.2.

Using the information above identify the benefits of business to each category (personal, community, family and government) and complete the table below in your groups.

SUCCESS IN BUSINESS:

Key words	By the end of this topic, you should be able to:-
✓ Success	✓ Differentiate between successful and unsuccessful businesses,
✓ Profit	✓ Evaluate the causes of success in business.
✓ Recognition	✓ Give ways of reviving a failing business.



Success comes with accumulation of more wealth and jubilation / celebrations with friends

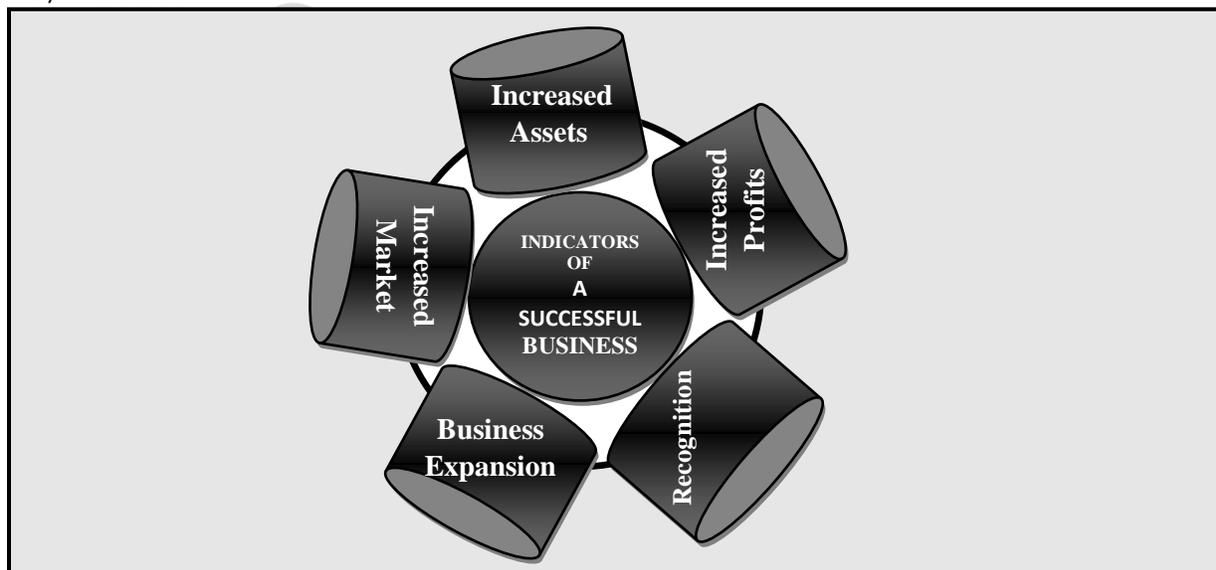
Different businesses perform differently which may make others to succeed or fail. Entrepreneurs have to ensure business success by lifting themselves up when they fall. They use their qualities to ensure business success in all situations. One needs to identify the indicators of successful business or one failing.

Meaning of Success:

Success refers to the realization of a worthy intention. When one sets a goal or objective to be achieved in specific period and it is achieved, then he/she is successful. This may be an increase in sales, business profit or expanding the business.

Indicators of Successful Business.

These are signs or measures that can be used to show the level of achieving the business goals. They enable an entrepreneur to measure the progress of doing business. They include:-



Increased Assets: A successful business will have more assets like land, motor vehicles, working capital, plants and machinery etc.

Recognition in the Community. A business and an entrepreneur who are successful will be known by people from the community. How much respect and recognition an entrepreneur and his/her business receive from the community reflect how well the business is doing.

Increased Market. A successful business will have increase in its sales due to increase in the demand for its products by customers and hence increase in the market share.

Increased Profits. If the profits of a business have been persistently increasing, it shows that a business is successful.

Expansion of Business. A business that is successful will expand its business operations through increased market, more products being produced and employing more workers.

Factors Leading to Success in Business

Personal and Entrepreneurial Qualities of the Business Owner: A successful business depends on the qualities exhibited by the owner. If the business owner possesses the entrepreneurial qualities, the business will be operated successfully so as to generate enough profits.

Clear Objectives: For a business to be successful, it should be able to set clear and open objectives to be achieved within a specific period of time. If these are not clearly set out, it may be hard for the business to succeed in its operations.

Proper Location of the Business: For any business to be successful, it should be located in an area where its customers can easily access its products, it can also get raw material quickly at less transportation cost, and labour is easy to get among others.

Presence of Business Support Services. The availability of supportive services like financial services, transport services, internet services, communication services, water, power etc enables the business to succeed in its operations and grow bigger in a short time.

Presence of Market. A business will be successful if there are enough customers to buy its products for it to make profits and even inject back for it to grow.

Benefits of a Successful Business to an Entrepreneur

An entrepreneur enjoys a lot of advantages as a result of running/operating a business successfully. These include the following:



Signs of success in tasks



Signs of success in tasks

Self-reliance and fulfillment. An entrepreneur takes independent decisions and gains self-confidence when he/she runs the business operations successfully. This will in the end help him/her meet the personal needs for his/her survival.

Recognition and Respect in the community. Successful entrepreneurs are always respected and recognized in the community. Most people want to associate with people who are successful in business and this will also help to attract more customers to their business and hence grow further.

Improved Standards of Living. As the entrepreneur operates the business successfully, more profits are got as the reward. This will help him/her to meet his/her needs in terms of goods; services etc and hence improve on his/her standard of living.

Increased income and Further Investments. As more profits are got by the entrepreneur during the operation of the business, part of these profits can be used to expand the business bigger.

Activity.2.3. In groups of 5-10 learners visit both successful and failing businesses in their community and identify the following:

- 1) Reasons for their success or failure.
- 2) Measures that can be undertaken by the business owners to revive the failing businesses.
- 3) Make a presentation to classroom about your findings from the field study.

Business Failure

In this world, no one would like to fail either in business, studies or any activity, however it may be inevitable or unavoidable. You may start a business expecting to succeed but you end up failing. Business failure occurs when the entrepreneur fails to realize his or her goals in business. Signs of a failing business are: empty shop shelves, low sales, low profits, and many debts.



Factors that Lead to Business Failure

The factors for the business failure are in most cases as a result of management mistakes and these include the following:

“Think Critically, Solve the Problem”

Mistaking Cash for Profit. When business makes sales, the business owners in most cases take this to be profits made when actually not and take this for private use. This will in the long run reduce on the capital of the business and hence business failing.

Limited or Lack of proper record keeping. Most entrepreneurs do not record down the business transactions to know the trends in their activities. This may sometime make it hard to know the people being demanded and those demanding the business. If this continues, it may lead to the failure of the business.

Poor Customer Care. If the business customers are mishandled, they end up buying from competing businesses as they leave yours and this may lead to the failure of the business as customers disappear.

Neglect of the business by the owner. Some businesses fail because the owners do not supervise them. In this case, those running them may mismanage the business and hence businesses failing.

Poor Business Location. Some businesses collapse because they are located in areas where customers can not reach to buy the business products/ services and hence end up collapsing.

Incompetence. This is simply the inability of the business owners and employees to manage the business operations efficiently and effectively leading to collapse.

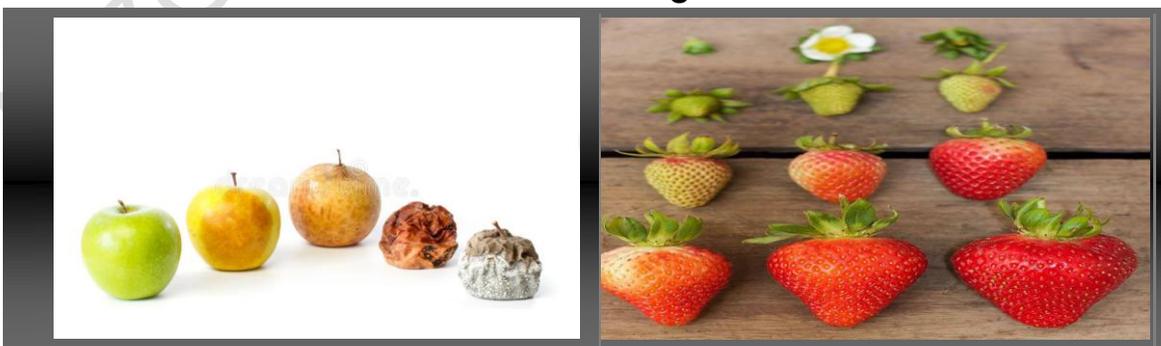
High Taxes Charged: High taxes charged on the businesses can some time make it fail to operate as this increases the operational costs of the business. The taxes can be income tax, corporation tax, import taxes of raw materials etc.

Theft of business funds and assets. If the employees or thieves steal the business funds or assets like stock, furniture etc, the business may suffer losses which it may not recover and this can make it to fail operating.

Interference of the family members. If the family members interfere in the running of the business by taking business money for private/personal use, taking goods on credit and do not pay etc the business may end up collapsing or failing.

Death of the business owner. The death of the business owner may sometime result into wrangles of who to manage the business or no one with the good skills to manage the business and in the end this may make the business to fail or collapse.

How to Revive a Failing Business



Many business owners start with the hope of making profits in a short period and expand. This however, may not be the case as most collapse in their earlier stages.

The following measures can therefore help to revive/pick up a business that is collapsing.

- ✓ Ensuring good customer care to the existing and prospective customers.
- ✓ Producing/ selling quality products.
- ✓ Locating the business in areas where the customers can easily access.
- ✓ Expanding the market size locally and internationally.
- ✓ Asking for the government to lower the taxes being charged on the businesses.
- ✓ Ensuring proper bookkeeping for all financial transactions done by the business.
- ✓ Ensuring that the business complies with the business laws e.g. paying taxes, registering the business, environmental conservation etc.
- ✓ Being creative and innovative in business.
- ✓ Using modern technology in the business operation to produce quality goods.
- ✓ Finding cheap sources of raw materials for the business than expensive sources.
- ✓ Advertising the business extensively to attract more customers buy the products/services.

Activity of Integration

- i. Give three common types of business in your community
- ii. State how these businesses have benefited the society.
- iii. Name three successful businesses and two failing businesses.
- iv. State the factors that have led to the success of those businesses.
- v. Suggest ways of reviving the failing businesses

CHAPTER THREE

BUSINESS IDEAS AND BUSINESS OPPORTUNITIES:



Key Words	By the end of this chapter you will be able to:-
<ul style="list-style-type: none"> ✓ Business Ideas ✓ Business Opportunities ✓ Market Survey 	<ul style="list-style-type: none"> ✓ Generate business ideas ✓ Select a business opportunity from the environment ✓ Conduct a market survey.

Introduction:

During the business initiation period, an entrepreneur starts with a small idea which grows to become large. From the many and large ideas, an entrepreneur selects one best alternative to take. This will greatly depend on the resources available and later he/she conducts a market research to determine whether the selected business is viable in the chosen area for location before starting.

DECISION TREE

What is a Decision Tree?

A decision tree is a flowchart-like diagram that shows the various outcomes from a series of decisions. It can be used as a decision-making tool, for research analysis, or for planning strategy. A primary advantage for using a decision tree is that it is easy to follow and understand.

Structure of a Decision Tree

Decision trees have three main parts: a root node, leaf nodes and branches. The root node is the starting point of the tree, and both root and leaf nodes contain questions or criteria to be answered. Branches are arrows connecting nodes, showing the flow from question to answer. Each node typically has two or more nodes extending from it. For

example, if the question in the first node requires a "yes" or "no" answer, there will be one leaf node for a "yes" response, and another node for "no."

How to Create a Decision Tree:

Start the Tree. Draw a rectangle near the left edge of the page to represent the first node. In this rectangle, write the first question, main idea, or criterion that will lead to a decision.

Add Branches. For every possible alternative draw a separate line that begins at the node and moves away toward the right of the page. Using a loan approval process as an example, the first node may have been "Income", and the associated branches might be <\$50K, \$51K - \$100K, >\$101K.

Add Leaves. The bulk of the decision tree will be leaf nodes. At the end of each branch add a leaf node. Fill each of these leaf nodes with another question or criterion.

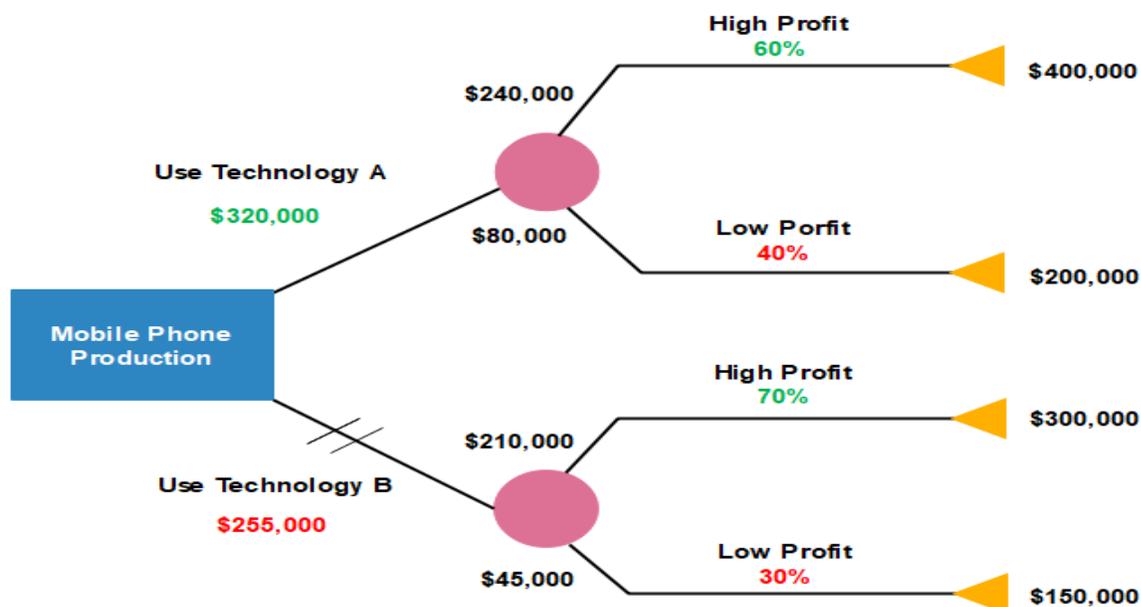
Add more Branches. Repeat the process of adding a branch for each possible alternative leading from a leaf. Label each branch just as before.

Complete the Decision Tree. Continue adding leaves and branches until every question or criterion has been resolved and an outcome has been reached.

Terminate a Branch. Continue adding leaves and branches until every question or criterion has been resolved and an outcome has been reached.

Verify Accuracy. Consult with all stakeholders to verify accuracy.

Example of Decision Tree:



Decision Tree Analysis Example 1: Illustration:

ABC Ltd is a company manufacturing skincare products. It was found that the business is at the maturity stage, demanding some change. After rigorous research, management came up with the following decision tree:

In the above decision tree, we can easily make out that the company can expand its existing unit or innovate a new product, i.e. shower gel or make no changes. Given below is the evaluation of each of these alternatives:

(i) Expansion of Business Unit: If the company invests in the development of its business unit, there can be two possibilities, i.e.:

- (a) 40% possibility that the market share will hike, increasing the overall profitability of the company by UGX 2,500,000/=
- (b) 60% possibility that the competitors would take over the market share and the company may incur a loss of UGX 800,000/=. To find out the viability of this option, let us compute its EMV (Expected Monetary Value):

$$EMV = \frac{(40 \times 2,500,000)}{100} + \frac{(60 \times 800,000)}{100}$$

$$EMV = 1,000,000 - 480,000$$

$$\text{Expected Money Value} = \underline{\text{Shs. 520,000/=}}$$

(ii) New Product Line of Shower Gel: If the organizations go for new product development, there can be following two possibilities:

- (a) 50% chances are that the project would be successful and yield UGX 1,800,000/= as profit;
- (b) 50% possibility of failure persists, leading to a loss of UGX 800,000/=

To determine the profitability of this idea, let us evaluate its

$$EMV: \frac{(50 \times 1,800,000)}{100} + \frac{(50 \times 600,000)}{100}$$

$$EMV = 900,000 - 300,000$$

$$\text{Expected Money Value} = \underline{\text{Shs. 600,000/=}}$$

(iii) Do Nothing: If the company does not take any step, still there can be two outcomes, discussed below:

- (a) 40% chances are there that yet, the organization can attract new customers, generating a profit of UGX 1,000,000/=
- (b) 60% chances of failure are there due to the new competitors, incurring a loss of UGX 400,000/=

Given below is the EMV in such circumstances:

$$EMV = \frac{(40 \times 1,000,000)}{100} + \frac{(60 \times 400,000)}{100}$$

$$EMV = 400,000 - 240,000$$

$$\text{Expected Money Value} = \underline{\text{Shs. 160,000/=}}$$

Interpretation: From the above evaluation, we can easily make out that the option of a new product line has the highest **Expected Money Value**. Therefore, we can say that the company can avail this opportunity to make the highest gain by ensuring the best possible use of its resources.

Advantages of Decision Tree Analysis:

Depicts Most Suitable Project/Solution: It is an effective means of picking out the most appropriate project or solution after examining all the possibilities.

Easy Data Interpretation and Classification: Not being rocket science, decision tree eases out the process of segregation of the acquired data into different classes.

Assist Multiple Decision-Making Tools: It also benefits the decision-maker by providing input for other analytical methods like nature's tree.

Considers Both, Categorical and Numerical Data: This technique takes into consideration the quantitative as well as the qualitative variables for better results.

Initiates Variable Analysis: Its structured phenomena also facilitate the investigation and filtration of the relevant data.

Disadvantages of Decision Tree Analysis:

Inappropriate for Excessive Data: Since it is a non-parametric technique, it is not suitable for the situations where the data for classification is vast.

Difficult to Handle Numerous Outcomes: If there are multiple possible results of every decision, it becomes tedious to compile all these on a decision tree.

Chances of Classification Errors: A less experienced decision tree maker usually makes a mistake while putting the variables into different classes.

Impact of Variance: Making even a slightest of change becomes problematic since it results in a completely different decision tree.

Unsuitable for Continuous Variables: Incorporating many open-ended numerical variables increases the possibility of errors.

Sensitive towards Biasness: A decision tree maker may lay more emphasis on preferable variables which may divert the direction of analysis.

Expensive Process: Collection of sufficient data, its classification and analysis demand high expense, being a resource-intensive process.

Business Ideas.

A business idea is any thought that an entrepreneur may come up with for the purposes of developing it into a business to solve an identified problem in the community. It is the response of a person or an organization to solving an identified problem to meet the perceived needs of the society. It is a concept which can be used for commercial purposes. It typically centers on a commodity or service that can be sold for money, according to a unique model.

Sources of Business Ideas.

Emerging Technologies: Changes in the technology can be a good source of business if taken with care. For example, assuming a person has a typing pool with only typewriters and then computers come in where people need computer typed documents, buying computers to have a typing pool of computers would be a good business venture.

Change in Consumption: People's consumption pattern in a given area provides a good source of business. E.g. assuming ladies have been putting on miniskirts and changes to long skirts, this shows that there is now business in long skirts than miniskirts.

Hobbies/Interests: Many people, in pursuit of their hobbies or interests have founded businesses. If, for example, you enjoy playing with computers, cooking, music, traveling, sport or performing, to name but a few, you may be able to develop it into a business.

Personal technical Skills and Experience: Over half of the ideas for successful businesses come from experiences in the work place, e.g. a mechanic with experience in working for a large garage who eventually sets up his/her own car repair or a used car business.

Watching Mass Media: Newspapers, magazines, television, and nowadays the Internet are all examples of mass media. Take a careful look, for example, at the commercial advertisements in newspaper or magazine and you may well find businesses for sale.

Trade shows and Exhibitions: By visiting such events regularly, you will not only discover new products and services, but you will also meet sales representatives, manufacturers, wholesalers, distributors which are sources business ideas.

Conducting / Carrying out Surveys: Such a survey might be conducted informally or formally by talking to people usually using a questionnaire or through interviews and/or through observation.

Talking to your family and friends to find out what they think is needed or wanted and is not available. Or, for example, whether they are dissatisfied with an existing product or service and what improvements or changes they would like to see.

Observations. For example, in deciding whether to open a shop on a particular street, you can observe and count the number of people going past on given days and compare these to other sites.

Customer Complaints: Complaints and frustrations from customers have led to many new products or services. Whenever consumers complain bitterly about a product or service, or when you hear someone say 'I wish there was ... etc., you have the potential for a business idea.

Vocational Training and Experience: People who have trained in some areas are most likely to start their own businesses. At the same time people who have got some experience can start businesses like doctors, lawyers, teachers, after working and gaining some experience, they may decide to have their own firms that working for others.

Personal Contacts with people who are already in business.

Discussion and carrying out interviews with the buyers of goods and services.

Generating Business Ideas:

A good business idea can be generated through the following ways:

- a) Taking note of the obvious problems that you encounter in your day-to-day life.
- b) Travelling to new areas and or to gather information about the different business ideas.
- c) Listening to and observing what is going on around you.

Activity 3.1. Generate any six business ideas based on the problems of the people in your community and record them in the table below

Problem	Business idea
1.	
2.	
3.	
4.	
5.	

Factors to Consider When Selecting a Good Business Idea.

An entrepreneur should put the following factors into consideration when selecting a good business idea that can be started to generate profits.

Present Market: The size of the present market should enable immediate sales to accommodate the current operations. The factors to look at here are: Market size, Sales effort required.

Customer's Identity: Determine the categories of the customers in the market by looking at your customers in terms of age and gender, their occupation, marital status etc.

Production costs to be incurred: Estimate the costs required operating or starting the business in terms of startup capital required and how to get it, costs of acquiring raw materials etc.

Customers' wants or needs: Look at what particular products do the people need, what features are they looking for in the products, size, colour, texture, shape etc.

Level of Competition: Establish who your competitors are in the market and their location; what are their strength and weaknesses, what is their market share in terms of sales, what is the quality of their product compared to mine (yours)?

Market growth trends: Find out whether there are population shifts (are more people coming to live in the area or leaving, lifestyles of the people, Is the market expanding or reducing etc.

Business risks involved: Estimate the possible risks that may be involved in the business you wish to set up and find ways of reducing the risks.

Activity 3.2.

1. In your notebooks list four possible business ideas of your choice.
2. Select one business idea which you can turn into a business.
3. Give reasons for your selection.

Importance of Generating Business Ideas:

It helps to respond to market need by producing the products required by the people there.

It helps to stay ahead of the competitors as new and quality products are produced.

It helps to spread the risk to many ventures such that in case one does not yield the benefits another one can yield.

It helps in exploitation of technology in the market and be creative and find new ways of competing with others in the market place.

It helps to respond to new demands in the market by producing goods that match the customers' changing fashions and requirements.

It helps to target specific groups of people like the elderly, disadvantaged and those with disabilities as they join to become customers.

It helps to respond to natural threats and scarcity like pollution, draught, and deforestation that may have come up as result of over usage of the natural resources.

It helps the firm and its product life cycle to grow and marketed, promoted etc. Therefore new idea generation enables and shows that the business is growing.

BUSINESS OPPORTUNITIES:



Meaning of a Business Opportunity:

1. This is an identified situation or chance that can be turned into real profitable business.
2. It is an attractive investment idea that provides the possibility of monetary return for the person taking a risk.
3. It is the prospect of going into business brought about by identified gaps of products or services not offered in the market place.

Business is the occupation that a person is engaged in of selling of products or services for a profit where risk is likely to be involved.

An opportunity is an attractive and excellent project idea an entrepreneur searches for as an investment decision for his or her benefit. It is the evidence that the entrepreneur's idea can be turned into reality. Business opportunities start as ideas, which are generated by entrepreneurs.

Characteristics of a Good Business Opportunity:

Not all good business ideas are good business opportunities. Most businesses begin and collapse early due to many reasons. Therefore the features of a good business opportunity are:-

Market and Potential Demand: This refers to people who are looking for & willing to buy the products or services of the business.

Meeting the intended objectives: The business opportunity should be in position to meet the goals of those that set it up.

Availability of Resource: The resources may include time, raw materials and labour required to run and operate the business and should be enough.

Availability of skills Required: If the skills to run the business like communication skills, marketing skills, management skills etc. are available shows that the business opportunity is good for the entrepreneur.

Return on Investment: The business should be profitable to the entrepreneur to put in money as an opportunity.

Competition: The opportunity should be as equal as those available or better than them so as to generate demands from customers.

Acceptability from the community: If the community in which the business is to be set up likes the business idea and are willing to help in the business operations, it shows that the business is good and go ahead to put in money.

Low start-up cost: Having a low startup cost means you can use your money to start the business and bootstrap your business growth in terms of advertising, research etc.

Ease of entry into the market: The business products should be easy to enter into the market and people accept it as good and of quality.

Having a good potential for growth: A good business opportunity should have the potential to survive and grow as time goes on. It should not remain stagnate from the start.

Activity 3.3. You are an aspiring entrepreneur and from the rubbish that litters and seen from your school compound,

- 1) Use your creativity to generate business ideas out of the school's situation.
- 2) Look around your community and figure out the products that may be on demand 10-15 years to come; list them down and share with the rest of the class.

MARKET SURVEY

A market means all the people or institutions that need the business products and are willing and able to buy/pay for the same products.



Buyers and sellers in the market for produce

Meaning of Market Survey

This is the process of determining the market for the products of a business. It refers to the process of collecting and analyzing market information which leads to establishment of opportunities and problems in the market. It involves any organized effort to gather information about markets or customers. After deciding on the opportunity to put in your money, there is need to go into the field and talk or ask people whether the product will be good. This involves finding the business strength, weaknesses, opportunities and threats and this process is called market survey/research. You have to know that there is enough market for the product to be produced before putting in your money to produce the said product as, if there is no market, then there is no need to invest in your money to produce the product.

Importance / Benefits of Conducting a Market Survey:

- ✓ It helps to find out the customers' needs in terms of quality and quantity required.
- ✓ It helps to establish the strength of the competitors and see how to counteract them.
- ✓ It helps to establish the incomes of the customers so as to decide what to produce for them.
- ✓ It helps to establish a strategic place where to locate the business.
- ✓ It enables the business educate the customers of the business how to handle and use the products.
- ✓ It helps to find out the prices customers are willing and able to pay for the products.
- ✓ It helps in finding out the trends in the market, are more leaving or coming to stay in the area.

- ✓ It enable the business establish the number of people to buy the product and how often.
- ✓ It helps to find out the response of the customers on the company products.

Steps in Conducting a Market Survey

- 1) Selecting the product for which market survey/assessment / research is to be done.
- 2) Choosing / determining the target area where the survey is to be carried out.
- 3) Selecting the appropriate method / technique to use in the market survey. This may include observation, interviews or using questionnaires.
- 4) Developing the data / questions to be collected from the market and going in the field to get / collect the data.
- 5) Analyzing the data collected from the field to come up with market strategy to take
- 6) Assessing the feasibility and viability of the product basing on the collected data.

Preparations for Conducting a Market Survey:

Before going for the survey, it is important to know the reason as to why you are going for it, the information you have to look for during the process then write down the following down.

- a) Where to obtain the information required
- b) The amount of time required
- c) How much money you will need
- d) The method you will use to gather information

Data Collection Methods:

Methods	Description
Observation Method.	Watching what people are doing and recording / writing down the outcome of the observation. To be effective, the person being observed need not to be told
Interviewing Method:	Talking to people to find out their opinion about a product. You can use a decoder to capture their voice and a note book to note the response.
Questionnaires Method:	Questions are set and given to selected people to fill. It helps to get information from a big population.
Telephone Surveys:	Information can be got by telephoning different people to give you information concerning the product being surveyed on.
Sampling Method:	Pick a small part of the population from a big one and determine or find out their interest. The answers provided by this group will act on all the population as those required by all of them.
Brain Storming:	Generate many ideas as possible to help in solving a problem. You may decide to have a group of people each with its leader and then they come up with questions where solutions are sought.
Visiting Shops or Factories:	The researcher alternatively visit the shops or factories to see for himself what is happening and then notes down some information that he is looking for.
Secondary Source Method	Read about literature written about the topics being researched on from books and conclusions made for future use to help the entrepreneur.

Guidelines for Market Research

The following tips are important during conducting a market survey.

- ◆ Be patient and persistent and record information immediately after visits.
- ◆ Know the type of information required from the respondents.
- ◆ If you are talking to competitors, pose as a potential customer
- ◆ The questions should be simple and clear for the respondents to understand.
- ◆ Do not ask questions that are likely to annoy the respondents.
- ◆ Always aim/look at hiding the respondents' name for privacy.
- ◆ Questions should be short and precise for the respondent understand and answer quickly.
- ◆ Questions should be constructed to take care of the respondents' behaviours.

Presentation of Market Survey Information.

After you have gathered the information required, edit it to remove the one not required. Analyze the information to prepare the findings in a written report. This information is relevant to prepare and write a business plan in case the business is profitable.

Activity of Integration

- (a) Generate 7 business ideas. (b) Select one business opportunity from those generated
- (c) Design a market survey guide/questionnaire you will use to carry out a market survey.
- (d) Visit the area you have identified and carryout a market survey.
- (e) Write a report of your market survey for presentation.

CHAPTER FOUR: BUSINESS START-UP PROCESS



Key Words	By the end of this chapter you will be able to:-
<ul style="list-style-type: none"> ✓ Resources ✓ Start Up Process ✓ Business Opportunity 	<ul style="list-style-type: none"> ✓ Follow The Steps Involved In Starting A Business ✓ Save Money ✓ Invest in a profitable venture and ✓ Find out a suitable location for the business.

Introduction.

After conducting a market survey for the selected business opportunity the entrepreneur is ready to start the business. The process of starting a business requires the entrepreneur to put together the necessary resources needed for the business such as the raw materials, building, labour, machinery and the required amount of money.

Activity. 4.1.

In your books list the basic requirements you need to start the business opportunity you selected in the previous chapter.

STEPS IN STARTING A BUSINESS:

The various steps involved in finding and commencing business includes the following;

- 1) **Identifying the potential available business opportunities.** This involves scanning the environment to generate business ideas.
- 2) **Selecting a suitable business opportunity** from the identified business opportunities, one that suits to your capacity.
- 3) **Carrying out market survey for the selected business opportunity** to determine whether it will be profitable and competitive.
- 4) **Preparing a business plan for the selected business.** The entrepreneur starts putting on paper the business he/she will run. He/she specifies the required resources to see whether they are enough and if not find solutions early in time. It predicts the cash inflows and outflows and when will the business start to break even.
- 5) **Mobilizing the necessary resources.** These may include money required, raw materials to use in the production of the goods or services and where to get them from.
- 6) **Selecting the legal form of business to start** i.e. Sole trade, partnership, company etc and then formalizing it by registering the business selected.
- 7) **Selecting the location of the business.** This involves acquiring land plus other fixed assets and the required labour for the production process. The location should be in an area where the customers can easily access and the business to also access raw materials easily.
- 8) **Preparing a marketing Plan.** It should involve how the products will reach the customers, pricing strategies for the business in relation to the competitors' prices etc
- 9) **Commencing or launching the business operations.** Start the business operations and open it officially.
- 10) **Managing and monitoring the business operations.** Carry out the management activities in the business and monitor how it is operating than leaving it entire to other people to run it.

Factors that Enable an Individual to Start Up a Business:

- ✓ Personal interest in the business
- ✓ Technical skills for the business
- ✓ Presence of government support in terms of tax incentives and subsidies
- ✓ Presence of market for the product
- ✓ Inspiration from successful business role models
- ✓ High degree of creativity and innovation of an individual
- ✓ Presence of raw materials/inputs to use in the business
- ✓ Presence of well-developed infrastructures e.g. good roads, communication network and adequate power supply.

Activity. 4.2. In your notebooks state the benefits and challenges for any four sources of business finance.

SOURCES OF BUSINESS FINANCE



- 1) **Personal Finance/ Own Savings:** Personal savings are often used to provide the first injection of money into a business. However this is usually a very limited source.
- 2) **Trade credit (Acquiring goods on credit):** This involves acquiring goods from the suppliers on credit and pays at a later period after selling.
- 3) **Funds from friends and family Members:** The business owner may seek the help of family members & friends to provide some of the required finance for business.
- 4) **Bank loans:** Entrepreneurs can get loans from the bank after presenting a collateral security. The loan can be for an agreed period of time to finance the business.
- 5) **Issue of shares:** An entrepreneur can raise additional finance through the issue/selling of shares i.e. selling part of the business.
- 6) **Grants and Donations:** Some governments at times make various grants available to businesses depending on what the government sees as a priority.
- 7) **Debentures:** These are long-term loans made to companies. The loans are made at an agreed rate of interest.
- 8) **Retained profits:** This is probably the most important source of finance for a business because it is this source that ensures that the business is self-financing.
- 9) **Sell of personal property:** People wishing to start businesses can also sell any of their fixed assets and raise money. This money can then be used to start or expand business.
- 10) **Fundraising:** People wishing to start businesses can arrange functions to fundraise and raise money which can be used to run business operations.
- 11) **Gambling:** Money can be got during gambling to start business ventures. This come from sports betting, going for lotto, scratch for cash activities among others.
- 12) **Inheritance of funds/ wealth:** One can start business using the money got after taking over the property of the deceased person.

Activity. 4.3. In groups. 1. Visit the business community around your school and interview them on how they raised their capital for business and write a report to be presented to class.

2. Select any five sources of finance & identify the benefits & challenges for each.

SAVINGS AND INVESTMENT

Savings.

Saving is the proportion of one's income which is not spent on current consumption but put aside for future use. Or it is the act of abstaining from current consumption to create funds for future use. It can be either:- **Voluntary Savings:** This is the saving made by a person at his or her own will or choice e.g. bank deposits, life insurance or saving in any fixed asset like buying land.

Involuntary Savings: This is a forced saving where one is required to save by the laws of the country. E.g. Savings to National Social Security Fund (NSSF), medical insurance scheme etc.



Factors that Determine Savings:

Level of one's income: Other factors constant, one cannot save when he is not earning. Therefore the level of one's income will determine his saving level as those who earn more money to sustain their needs and remain with a balance are most likely to save than those who earn little as what is earned may all be consumed with no or less left for saving.

Government policy: If the government set policies concerning savings, the people of that country will have to abide by the policy and save but if there are no specific policies regarding savings, the level of savings are most likely to be low. For example, saving towards N.S.S.F.

Taxation level: Increasing of a tax reduces the disposable incomes of the people and therefore low savings in an economy and when the tax level is low, the disposable income of the people is high which leaves them with enough money for eating and some for saving for future plans.

Political situation: In a country or an area with political stability people will be encouraged to save with the hope of enjoying their incomes in the future as compared to areas with political instability where people are running up and down making savings hard since they are not sure of their life and even earnings also hard and also saving becoming hard and low.

Stability of the value of money: In a country where the value of money is relatively stable, people will be encouraged to save but if the value of the currency is not stable (depreciating all the time), people will not be encouraged to save as their money is most likely to lose value. So they will better consume now than saving it.

Person's confidence about the future: If one is sure of the future, he will be encouraged to save now since there is hope of using the saved money in future without difficulties but if a person sees no hope in the future, it may be hard for him or her to save other than consuming the money now and hence less saving in an economy.

Culture of the society / individual: In the culture where people are encouraged to save to cater for future use like paying for bride price, people will save more but in cultures where the saving attitude is low, the level of saving is likely to be low.

Interest Rate: Where the interest rate given by the banks on the saved money is high, people will be encouraged to save but where the rate is low people will see no need to save other than consuming their money and hence affecting the saving levels.

Size of the family: People with big families are most likely to consume most of their earned incomes leaving nothing or less for saving but those with small families other factors being constant are most likely to consume little and remain with some money for saving for future use.

Level of entrepreneur development in the country: If the level is high, the level of savings will also be high with the plans to create more businesses in the future but where the development level is low, the level of savings is also expected to be low.

Availability of financial institutions: In areas where there are many financial institutions, people may be encouraged to save than those in areas with no financial institutions. The financial institutions may be banks, micro finance institutions, SACCO's etc.

Future plans of the person: If a person has plans in the future like building a house, marrying etc., he or she will be encouraged to save today to meet those future demands or expectations, but if a person has no future plans, saving now may be hard and hence affecting the level of savings of an individual or a country.

Level of government expenditure: If the government increases her expenditure, people's income will also increase which may increase the level of saving but where the government spending is low, the incomes of her citizens will also be low and hence low savings.

Business expectations: A business with desires to finance its transactions in the future, its savings will increase now but where there are no such expectations, the savings will be low.

Size of the monetary sector in the economy: If the level is high, the level of saving will also be high but where the sector is dominated with the subsistence sector, the level of saving will be low as people will only be growing crops for own consumption.

Investment:

This is the process of creating capital stock. It is the process of devoting part of a person's national income to creation of capital stock or goods. The saved money can

be used to start investments in form of business, buying fixed assets, depositing money in the bank which will earn interest, buying shares in companies to be a share holder.

Factors that Determine Investment

1. Availability of investment opportunities
2. Favourable government policies on investment
3. Determination to work hard

Importance of Saving and Investment.

It acts as precaution for the future needs: People save part of their income to cater for unforeseen problems that may arise in the future and will require them to suddenly spend money. This could be used to pay for school fees, medical bills, survival in case of unemployment etc.

For Self- employment: Individuals save to for investment and hence creating employment opportunities where he/she gets self employed. This will make the person to become independent on his/her own job.

For Transactions: People save in order to meet both future personal and business transactions. Saved money can be used by people for buying day-to-day goods and services or expanding the business or acquiring new technologies.

The equality argument: Investment helps in the creation of more wealth by producing more goods and services and income to the investors and employees. Investment therefore helps to bring more people into economic activities and in a way helps in the distribution of income.

For employment of others: Savings can be used to start businesses that are labour intensive which will employ people and hence reducing unemployment situation in the country. As people are employed, earns income, get goods and services for their life and hence increasing their standard of living.

For utilization of resources: By establishing starting businesses either small or big, an entrepreneur will be able to use the available resources like land, technology, human resources, water and plants. His will later lead to the growth of the economy of the country.

For exploitation of idle resources: Investment in business helps to utilization of the idle resources in the community to produce more goods and services to satisfy the people's needs.

Forms of Savings:

Individuals can save in any of the following:

1. Cash or bank deposits by opening up an account in the bank or cash box at home.
2. Near cash investments which bear interests like Treasury bill.
3. Trading in currencies i.e. buying foreign currencies at a lower rate with the hope of selling them when the rate increases in the future.
4. Saving in/buying land which is highly yielding, as land does not depreciate in value.
5. Investment in business so as to generate more profits.

6. Buying and stocking valuable items like gold, jewels and sell them later period at a profit.
7. Buying assets like buildings, animals etc.

Steps in Saving Plan:

This is an investment in which an individual contributes money on a regular basis in order to reach a financial goal on a short or long term basis. One needs to establish how he is going to save, when (how long the saving will take) and how much he intends to save depending on the incomes earned. Develop budget to know how your expenses measures up to your incomes.

1	Identifying of needs	Determine why you need to save accomplish in time
2.	Setting saving targets	Start thinking of what you might want to save for , getting married, for retirement, investment etc.
3.	Prioritizing the needs	Have clear idea of where to start saving which could be replacing your car in near future.
4.	Finding out the cost of each need	Determine how much each need requires to achieve so to know how much to be the saving amount monthly.
5.	Determining the costs for all needs.	After establishing the unit cost for each need, add all the needs to know how much is required to achieve all the needs in relation to your income and see whether you will manage.
6.	Carrying out a review of prioritizing needs,	The costs and saving need to be reviewed to ensure that they can match with the income available and if not find other sources.
7.	Choosing how to save income.	Determine whether you will save in the bank, cash box at home, in buying fixed assets etc.
8.	Making the saving	Go ahead and start saving so as to fulfill your dream in future
9.	Spending part of the income on the priority	Now that saving has been done, look at the priority items in the budget and start fulfilling them by spending on them.

Activity: 4.4.

1. In groups make a saving plan on how to raise resources to start up a business.
2. Start a saving group/ SACCO to be monitored by the Entrepreneurship teacher.
3. Decide on a possible investment for the savings in your SACCO.

LOCATION OF A BUSINESS:

This refers to the setting up of a business in a particular area. Where to locate the business is one of the important factors in business set up process. There are a number of factors that affect the location choice of a facility by an entrepreneur though these may depend on the type of business.



Factors Affecting/Influencing Location of a Business:

Market Availability: It is wise to locate facilities nearer to market or customers to reduce on transportation cost, provide a better service to customers or respond quickly to changes in demand. E.g., Entertainment centres are located in crowded areas of town.

Presence of land / buildings for business operations. Business should be located in areas with enough land to provide for expansion of the business with time when the market increases. If it is to rent buildings, they should be available and enough to accommodate the business operations.

Presence of human resources/ labour: Labour intensive undertakings are always located in areas endowed with labourers. Find a location with both skilled and unskilled labour abundance for little pay.

Presence of power supply. Businesses that use a lot of power in their operations need to be located as nearer as possible to the power source.

Source of raw materials. Businesses should be located in areas of easy access to raw materials quickly to reduce of transportation costs. E.g. Sugar business locating near sugarcane plantation.

Government policy on business location: Governments sometimes encourages some businesses to locate in some areas for political reasons, provide employment opportunities in the area, balance of industrial growth etc like Nalukolongo industrial park.

Accessibility to transport and communication network. An entrepreneur should locate the business where to easily access roads for easy transportation of goods and raw materials to the market or business. Goods intended for export may require business to be located near a sea port.

Presence of water sources. Businesses that use water as a material in their production should be located in areas near the water source. This includes businesses like soft drinks, beer, dairy farm and brick making.

Presence of Security. Entrepreneurs should locate their businesses in areas with good and enough security to protect their businesses, property and workers.

Presence of business support service. It is important to consider being near the reach of services like banks, insurance companies, drainage systems, disposal of waste etc.

Presence of social amenities: Housing, shops, community services, recreation centres etc. attract customers and employees to a place. Therefore an entrepreneur should consider such amenities in locating a firm or business.

Political, cultural and social factors: You need to have knowledge of the political, cultural and local issues/ difficulties of an area before setting up an enterprise in that area. E.g. what would be the prospects of locating a piggery business in a Muslim dominated area?

Group Activity: 4.5.

- a) Conduct a field activity around your school and identify the available businesses.
- b) Find out from the businesses the factors that led to their location where they are.

Activity of Integration: Think of a business idea in your community & do these questions:

1. What is the business idea?
2. How can you raise capital to start a business?
3. Design a saving and investment plan for the business.

Project work- Liquid Soap

In groups of 10-12 students divided by the teacher and with the guidance of the teacher, each group of learners should buy the items below and make liquid soap following the procedures below:

Requirements	Quantities	Uses	Procedure/process
Sulphonic Acid	1/2Kg	Killing germs & making form	Pour Sulphonic acid, caustic soda, ungallo, salt, colour, urea in the basin and mix until you get a posho or wheat likes paste. Add 2-3litres of water and stir thoroughly until you get porridge like paste. (Do not
Caustic Acid	1kg / 4 Spoons	Neutralizing the acid & removing stains from the cloth	
Ungalo	1Kg	Thickening the soap	
Urea	6 Table Spoons	Removing heat from the liquid	
Normal Salt	1Kg	Preserving the soap	
Colour	1Pcs,	Beautifying the soap made	

			leave in any particles)
Perfume	5 Bottle tops,	Attracting customers	Add perfume and the water remaining in the Jerry can and stir thoroughly until you get a uniform solution that's liquid soap. Pack & use, sell your soap.
Gloves	1 Pair	Wearing them on the hands	
Water	25 Litres	Increasing the soap volume	
Basin	2	Mixing the materials	
Mingling Stick	2	Stirring/mixing the materials	
Spoon	1	Measuring of the quantities required.	
Bucket	2	Holding the mixture.	
Jerricans	Any Number	Packaging in the liquid soap	NB: Don't use any metallic tools when making liquid soap/ in the process to avoid reactions.

CHAPTER FIVE: GOVERNMENT REVENUE

Key Words	By the end of the chapter, you will be able to:-
<ul style="list-style-type: none"> ✓ Government Revenue ✓ Taxation and Taxes ✓ Tax Revenue ✓ Non-Tax Revenue 	<ul style="list-style-type: none"> ✓ Appreciate why government needs revenue. ✓ Know that taxation is one of the major sources of government revenue.

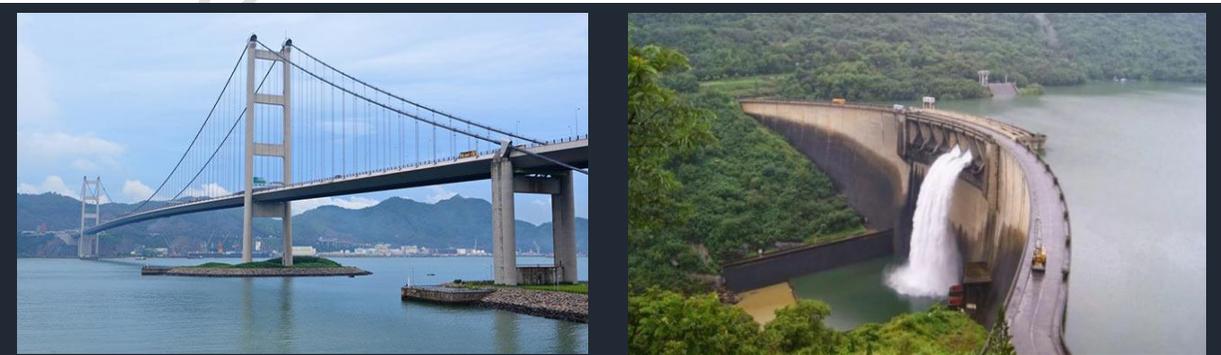
Introduction:

Government Revenue is the total amount of money received by a government and local authorities from different sources in order to finance different sectors. The government needs money to provide social and economic services to her citizens. The major source of this revenue is taxes. Taxes are of different types and come from different sources purposely to generate the required revenue by the government. When people pay taxes the government is able to fulfill its obligations.



Uses /Importance of Government Revenue.

Promoting infrastructural development. The government needs revenue to build schools, dams, provide piped water, build markets, provide good roads, bridge etc to be used by her people.



Bridge and Dam constructed using government Revenue

Providing and improving social services such as health, education, security, transport and communication. This helps to improve peoples' welfare.



Both congested Hospital & bad roads need government revenue for improvement

Help in overcoming the effects of disasters. Government revenue helps to overcome disaster effects by providing humanitarian services to her people affected by natural problems like draught, floods, landslides etc.



Promoting modernization of agriculture in the country. The government revenue can be used to reduce on raw materials, tools, setting up demonstration farms, among others.



“Think Critically, Solve the Problem”

Setting up development schemes. These schemes can help the youth and needy people. They include financing SACCOs, school fees loan schemes, senior citizen benefit schemes and others.



Facilitating the repayment of government debts. Government revenue is used to pay back borrowed funds from both internal and external sources to finance her activities.

Facilitating Public administration. Government revenue can be used to pay salaries or wages to government workers, pay for office supplies, pay pension and gratuity to government workers, repair or renovate government property etc.

Sources of Government Revenue

Government gets its revenue from many/different sources which both are taxes and non-tax source as seen below.

A. Tax Sources.

A tax is a compulsory monetary payment charged by the government on individuals or companies to help it finance its expenditure. It is a monetary charge imposed by the government on persons, entities, transactions or property to yield public revenue.

B. Non-Tax Sources.

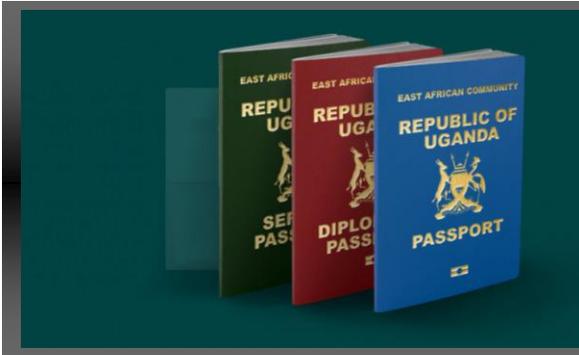
Non-tax revenue is the income earned by the government from sources other than taxes. These include:

Fines and Penalties. These are charges imposed on offenders of laws of the state as a punishment for having gone against the law for example police traffic fines.

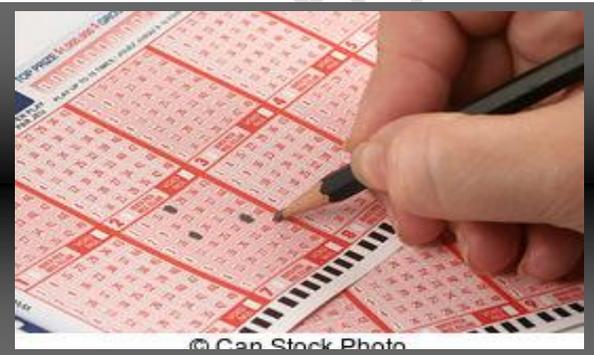


Law offenders are sometimes fined or pay penalties as sources of government revenue

Fees. This is payment to government for services offered to people by the government or by its agents for example court fees, registration fees, passport fees, licensing fee.



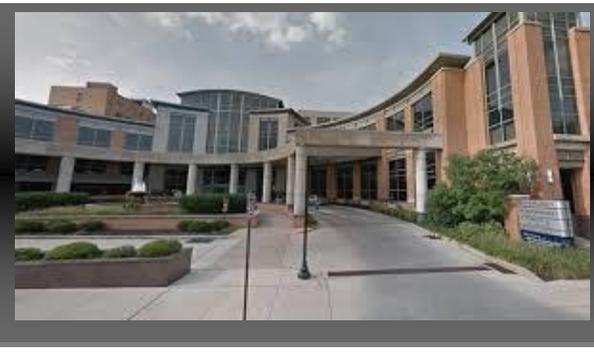
Proceeds from national lottery. Businesses in lottery and gaming activities sale tickets to customers and these pay revenue to the government after winning. The revenue from sale of tickets issued by the national lottery is used to provide services to people.



Gifts and Donations. Other governments and individuals make voluntary contributions to the government and these are revenues to the state.



Rent and Rates. This is the money paid by people and organizations that are using government buildings and premises.



“Think Critically, Solve the Problem”

Earnings from Government Enterprises. The government earns revenue from the sale of services to people and sale of its properties to the private people. These are profits earned by the government from the sale or service provision to people. Example: - National Enterprises Corporation (NEC), Soroti Fruits factory etc.



Road and Bridge Tolls. These refer to revenue collected from users of roads and bridges to enable government maintain these facilities.



Road Toll Points at Different Points / Sites along the Road

Royalty Income: These are payments received for the use and exploitation of artistic or literary works, patent and mineral right.



Royalty Incomes can come from mining of minerals or fuel like petroleum

Activity of Integration

Learners should visit their community and find out social and economic services the government has been able to provide to community members.

CHAPTER SIX

FORMS OF BUSINESS OWNERSHIP

Key Words	By the end of this chapter, learners should be able to:
<ul style="list-style-type: none"> ✓ Limited Companies ✓ Shares ✓ Guarantees ✓ Legal businesses ✓ Profit 	<ul style="list-style-type: none"> ✓ Compare the business forms and select a suitable one. ✓ Describe the legal forms of business ownership. ✓ Identify the types of Limited Companies. ✓ List the characteristics of each form of business ✓ List advantages and disadvantages of each form.

Introduction:

There are many forms of businesses that an entrepreneur can decide to choose from. This will depend mainly on his/her choice plus the amount of money available to inject in the business.



Legal Forms of Business.

There are many and different forms of businesses that a person can choose / decide to start. These however will depend of the available money by the person and the legal requirement to start such a business. These can include:-sole proprietorship, partnership business, co-operative societies, and joint stock companies.



Legal forms of business that can be started by an entrepreneur/ a person

Sole Proprietorship.

This is a form of business owned by only one person who contributes capital towards the business and undertakes all the risks and responsibilities of the business. A sole proprietor carries on business by himself and sometimes with the family members. These are common with shops, bakeries, furniture workshops, small businesses alongside the roads etc.



Picture One



Picture Two

Activity: 6.1. (i) In your note book, describe the businesses above
(ii) What the requirements for business in picture one?

Features of Sole Proprietorships.

- ✓ The business is owned by one person.
- ✓ It is controlled by one man.
- ✓ There is no separate entity between the business and the owner.
- ✓ No or less government interventions.
- ✓ All risks fall on one person.
- ✓ There is unlimited liability on the business owner.

Advantages of Sole Proprietorship Business.

- ✓ It requires little capital to start hence being easy.
- ✓ It is flexible as one can easily change from one line of business to another business.
- ✓ It can easily keep its secrets since the owner is alone and does not publish the accounts of the business in the media.
- ✓ It enables the owner have direct personal contact with the customers and therefore he knows what his customers need.
- ✓ It enables the business owner to enjoy all the profits and other benefits of the business alone.
- ✓ It requires less or no legal formalities to set it up.
- ✓ It makes a sole trader his own boss since he is not controlled or answerable to anyone.
- ✓ It makes the owner enjoy maximum freedom as he can open the business and close it any time.
- ✓ It requires little space to set up the business and start operating.
- ✓ It provides employment opportunities to the owner and family members.

- ✓ It enables quick decision making in the business since the sole trader need not to consult anybody for decisions concerning the business.

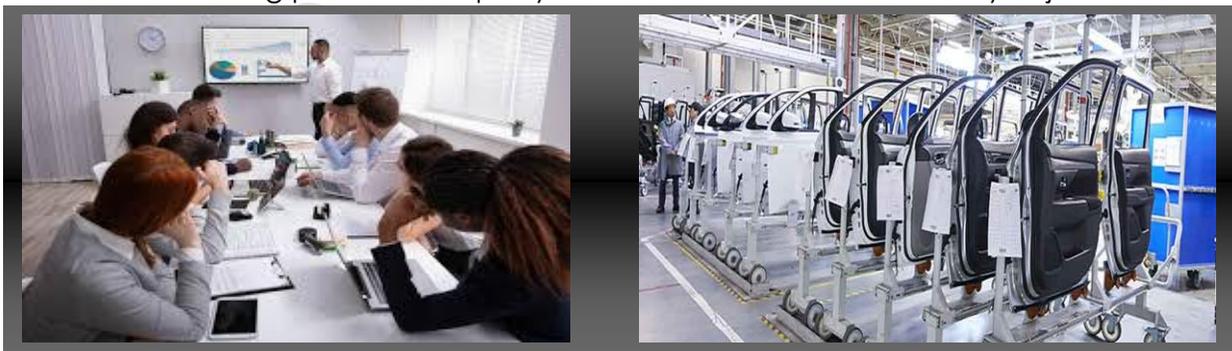
Disadvantages of Sole Proprietorship Businesses:



- ✓ A sole trader bears all the risks or losses of the business alone including bad debts.
- ✓ Lack of continuity as when the owner dies the business may come to an end.
- ✓ Unlimited liability in the business as private assets of the proprietor can be sold off to pay the business debts.
- ✓ Little capital makes it hard for the business to expand.
- ✓ Less time for the business owner to rest as he works for long hours of the day.
- ✓ Fewer goods for customers to choose from due to little capital in the business.
- ✓ A sole trader may not easily carry out advertising and market research to increase sales due to limited capital in the business.
- ✓ Most sole proprietors lack managerial skills and in the end employ family members who also have no skills and experience hence worsening the situation.
- ✓ Lack of separation between the business and the owner.
- ✓ Lack proper accounting systems in the businesses which make it hard to prepare financial statements.

Limited Companies.

A company is a group of people joined together for the purpose of conducting a business for making profit. A company can be called as limited liability or joint stock.



Types of limited Liabilities:

There are two types of limited liabilities i.e. liability by Shares and liability by Guarantee.

- Liability by Shares:** This is a company in which each shareholder's liability is limited to the amount of money he/she contributed to the business as capital.

- b) **Limited by Guarantee:** This is a company in which the liability of each shareholder is limited to the amount of money he/she pledged to pay in the event that the company runs bankrupt and is unable to pay its creditors (people demanding it). A limited liability is owned jointly by different people who are called Share-holders.

Types of Companies:

(a) Statutory Companies: These are companies formed under the Act of parliament and owned by the government. Examples are the government parastatals and public corporations.

(b) Registered Companies: These are companies formed under the companies Act of 1962 and 1985 and are owned by the private sector.

Types of Registered Companies:

These are classified according to the members of shareholders i.e. public and private companies or according to the liability of the members' i.e. limited and unlimited companies.

Public Companies: These are companies that allow the public to buy shares in the company and have a minimum number of two with no maximum.

Characteristics / Features Public Company:

1. The minimum number is two with no maximum.
2. Shares are freely transferable to any member of the public.
3. Members of the public are free to buy shares from the stock exchange.
4. It is owned by individuals and the government cannot influence membership.
5. It must publish its annual accounts /books to enable the public know its financial stand.
6. Members' liability is limited to their capital contributions

Advantages of public Limited Companies:

- ✓ Large finance due to the large numbers of shareholders hence chances of expansion.
- ✓ There is continuity of the company's business even if the entire shareholders die.
- ✓ It is a separate legal entity from the owners and therefore they can be sued and they can also sue for damages or loss.
- ✓ Limited liability as any liabilities or debts can not affect the shareholders of companies.
- ✓ Transfer of shares from one person to another without the consent of other members.
- ✓ Employment of Professionals due to large finance to manage them profitably.
- ✓ They have public confidence since their activities are regulated by the government under the company Act.
- ✓ People with small capital who cannot start business alone can subscribe capital to a company and become shareholders hence earning dividends at the end of the financial year.

- ✓ Shareholders of companies are safeguarded by the legal regulations underlying these companies and therefore their interests in the companies being safe.
- ✓ They can easily borrow money from financial institutions since they are registered and large.
- ✓ They can operate on large scale thereby enjoying economies of scale in their production.

Disadvantages of Public Liability Companies:

- ✓ They lack of secrecy since they publish their information of final accounts in the media.
- ✓ They are difficult and expensive to form as they require a lot of documents to be prepared and presented to the Registrar of Companies.
- ✓ Shareholders of the company have little control as regards the normal running of the company as only few administrators' influence the daily running of these companies.
- ✓ There is excessive government influence and control in companies' form of rules and regulations which reduces the efficiency of these companies.
- ✓ They are characterized by corruption and embezzlement of funds by the administrators.
- ✓ There is slow decision-making process characterized by red tape and a lot of bureaucracy.
- ✓ They cannot change from one line of business to another like the case in sole trade.
- ✓ Some directors may have no personal interest in the business which may slow the company progress.

Private Companies: These usually develop from partners and have a minimum of two and maximum of fifty members.

Features of Private Limited Companies:

1. It is a separate legal entity from the owners.
2. Its capital is divided into various shares.
3. Members' liability is limited to their capital contributions
4. They are formed with the aim of making profits.
5. It is a voluntary organization.

Advantages of Private Limited Companies:

- ✓ More capital can be raised due to the large number of shareholders.
- ✓ The death, bankruptcy, insanity or withdraw of any member cannot affect the operations and existence of the company.
- ✓ Employment of Professional: With their large finance, companies can manage the services of expert with the required skills to run companies profitably.
- ✓ They can easily borrow money from financial institutions since they are registered and large.

- ✓ Market research and marketing can easily be carried out to promote the company sales.

Disadvantages of private limited companies:

- ✓ Shares cannot free freely be transferred as it is the case with public companies.
- ✓ Capital contributed in form of share is limited to 50 shareholders.
- ✓ Formation of private limited companies requires a lot of time, money and documentations.
- ✓ They may face the diseconomies of scales due to the fact that they are big.
- ✓ There is high tax imposed on these companies which reduces on the amount of profits earned by these companies
- ✓ Decision making in these companies take long time as this is done by the directors.

FORMALISING A BUSINESS:

Business formalization refers to the process by which an entrepreneur goes through to make his/her business legal and accepted to operate.

Process of Formalizing Business:

- 1) Searching for a business name of your choice.
- 2) Reserving the name with the Uganda Registration Service Bureau.
- 3) Obtaining a certificate of incorporation from Uganda Registration Service Bureau.
- 4) Obtaining an investment License from URA.
- 5) Obtaining a taxpayer Identification Number from URA.
- 6) Obtaining a Trading license from the local council authority.
- 7) Registering with National Social Security Fund.

Benefits of a Formalized Business.

1. It makes business gains legal status in the country it operates.
2. It enables the registration for license for investment, trading and taxation licenses.
3. It makes business to enjoy public goods like roads.
4. It enables the business to safeguard its name by acquiring a trade name/brand
5. It creates more employment opportunities for the business through business expansion.
6. It leads to better marketing and advertising opportunities for increased clientele.
7. It leads to improve competitiveness in the regional market.
8. It enables the business to enjoy security from the state.
9. It enables the business to get loans/funding from the government e.g. youth funds.
10. It is a basic requirement for any business registration.
11. It makes the business to be recognized and get support from the government and community.
12. It enables the business to get grants and subsidies from the government like tax holidays etc.

Requirements to Register a Business in the Business Community.

1. Memorandum of Association: This is the most important document that shows the company relationship with the general public (outsiders). It must show the following contents:-

- ✓ **Name Clause:** This shows the name of the company and the last word should be Limited.
- ✓ **Location Clause:** The clause says that every company must have a registered office where it operates from. The documents of the company should be in/at this office and the public can be able to get all information from this office concerning the company.
- ✓ **Objective Clause:** This requires the company to declare the aims and objective for starting the company.
- ✓ **Capital Clause:** This indicates the amount of capital the company wishes to raise and how this capital shall be raised plus the value of each share.
- ✓ **Declaration Clause:** This requires the promoters to undertake a particular business and it is illegal to carry out any business they did not register with the Registrar. The declaration should be signed by at least two members usually the founders and the promoters.

2. Article of Association. This shows the internal working rules of the company. It will indicate things like, how to elect management committees, powers and responsibilities of the members and manger, when and how to hold meetings etc.

3. Certificate of Incorporation: This gives the company legal existence and it is issued to the promoters of the company. It allows the private company to start operating. For the case of public company, this certificate only allows them to start selling shares to the general public to raise capital.

4. Certificate of Trading: This gives the right to public limited company to start operating.

5. A prospectus: This is drawn by the directors in public limited company to invite people of the public to buy shares of the company.

6. Directors' List: This shows the directors names and their written promises to take up shares in the company.

7. Statement of Understanding: This is a signed statement by the company directors showing that they have agreed to carryout business operations and as per the stated objectives and aims.

8. Declaration: This just states that the company directors have fulfilled the required requirements for them to start the company and agree to abide by the set rules and regulations to run the company so as to achieve the stated objectives.

Indicators of a Formalized Business

- ✓ It pays taxes to the government authority
- ✓ It has a registered business name with Uganda Business Registration Bureau
- ✓ It is awarded government businesses or tenders

- ✓ It can get government grants, donation and other incentives during operation.
- ✓ It can access bank loans from financial institutions to finance its operations.

Process of Registering Business in Uganda:

- 1) **Reserving the business Name:** The business owner shall reserve the name with the business Registrar and this can take a period of only two days. A clerk in the registrar's office shall conduct an automated search and forwards the application to the registrar for approval.
- 2) **Paying registration fees:** Upon approval of the application by the registrar, the applicant pays registration fees of Shs. 25,000 to the bank.
- 3) **Obtaining the necessary incorporation and Tax registration forms:** When registration fees have been paid, the business owner gets incorporation forms like statement of capital, particulars of the business owners and their consent.
- 4) **Signing the declaration of compliance:** The business owners then sign the declaration form with the commissioner of oath.
- 5) **Obtaining requisition for bank pay-in slip and Bank payment Advice forms:** These forms are got from the Uganda Registration Services Bureau.
- 6) **Paying registration fees:** This is done at a given bank and the registration receipts are got from the bank.
- 7) **Filing with the registrar general:** After paying the registration fees, the documents are now sent to the Registrar General and this should show the registration fees and stamp duty.
- 8) **Filing with the Uganda Revenue Authority:** A personal inquiry form for each director and a corporate preliminary inquiry form, receive a Tax Identification Number (TIN).
- 9) **Applying for corporate tax number:** This is done for free and can be for only one day.
- 10) **Applying for VAT registration:** This is for only income tax payers and it will enable URA to inspect the business before VAT Certificate is issued. It is done free of charge.
- 11) **Inspecting of the business premises:** An inspector from Uganda Revenue Authority (URA) comes to inspect your Uganda business premises.
- 12) **Applying for Pay As You Earn (PAYE):** This tax comes into effect later, upon the business becoming operational and the rates depend on the employee's yearly income.
- 13) **Applying for a Trading License:** The business owner obtains application forms for a Trading License from the local authority where the business is to operate from.
- 14) **Inspecting the Business premises:** Licensing Officer arranges to inspect your business premises and fills out an assessment form. This is a general Uganda business license required for all businesses in Uganda.
- 15) **Paying license fee at the bank.** When the Licensing Officer is satisfied with the business premises being suitable for business operations, the owner now pays for license before getting a trading license. These fees depend on the business to be conducted.

- 16) **Obtaining the Trading License.** When fees have been paid, the next step is now to give a trading license to enable the business start operating.
- 17) **Filing for National Social Security Fund (NSSF):** If the business is to use employees from 5 and above, it has to register for NSSF contribution.

Limitations of Formalizing a Business:

- ✓ Limited access to business loans from financial institutions like banks
- ✓ Limited access to government business like tenders to do business with the government
- ✓ Limited help from the government like donations and grants
- ✓ Limited recognition by the state since it is not formalized
- ✓ It may not pay government taxes and hence denying the government revenue
- ✓ It may not attract skilled and qualified employees with work with it and hence poor services

Deregistration Process of Business:

Deregistration refers to the process of removing or cancelling a registered person from the VAT or URA register. The application for deregistration of a business arises in two ways:-

1. Upon application in writing by the taxpayer to be deregistered.
2. Commissioner General Initiative if he/she is satisfied that the taxpayer was not required to apply for registration. This happens even if the taxpayer does not apply for it.

However, the Commissioner General may initiate deregistration of a person or business under the following circumstances:

- ✓ When the taxpayer has no fixed place of abode or business premises.
- ✓ When the taxpayer has no proper accounting/ business records for the business carried on.
- ✓ When the taxpayer does not submit regular and reliable tax returns.
- ✓ When the taxpayer is not fit and proper in the opinion of the Commissioner General. Cancellation of registration takes effect at the end of the period (month) in which the de-registration decision is made e.g. if the decision to deregister is on 20th March 2019, deregistration will be effective on 31st March 2019.

De-activation: This is a temporary inactivation of a taxpayer's TIN. **Re-registration** is a situation when a tax payer who had been deactivated is activated to the URA VAT register.

Partnership Business:

This is a business owned by two or more people who come together and contribute capital to run business with the aim of making profits. Each member who contributes capital is called a Partners and the partnership may be either be permanent or temporary.



The two pictures above show a mutual agreement of partnerships businesses:

A Permanent Partnership: This is a partnership formed to carry out business indefinitely with no time limit. The time for winding out the business is not disclosed at the time of starting the business.

A Temporary Partnership: This is a partnership formed to operate for a specified period of time say two or six years. This form of partnership can also end on completion of the contract.

Advantages of Partnership Businesses:

- ✓ More capital is raised than in a sole trade business.
- ✓ The business does not require many legal documents hence being easy to start.
- ✓ The burden of losses is distributed amongst the partners unlike in sole proprietorship where he takes all the losses alone.
- ✓ There is time for leisure and holiday as there are many partners involved in running the business.
- ✓ There is better combination of talents from partners which leads to the business success.
- ✓ Specialization is possible as different people with different skills can be acquired.
- ✓ Minorities' interests are protected as no basic changes can be made without consulting all the members.
- ✓ Good decisions and resolutions are made as a result of many partners.
- ✓ The capacity for the firm to survive is high in case a partner dies as compared to sole trade.
- ✓ New partners can be invited in case there is need to get more money for business expansion.
- ✓ The absence of dormant partner cannot stop the running and operations of the business.

- ✓ Business has chances of getting bank loans as compared to sole trade as they are organized.

Disadvantages / Demerits of Partnerships:

- ✓ There is unlimited liability to the partners as the partners are all liable to the debts of the firm.
- ✓ The death or retirement of an active partner may lead to the collapse of the business
- ✓ Profits are shared which reduces the amount of dividends earned by each partner.
- ✓ Decision-making is more difficult due to the number of members involved in the business.
- ✓ Disagreement amongst partners due to difference in options may slow the firm's progress.
- ✓ In situation where a partner makes a poor deal, all partners shall suffer the outcome.

Co-operative Societies:

A co-operative society is a business unit formed by a group of people who have agreed to come together to carry out activities to benefit themselves or attain a common objective. A co-operative is a democratic form of business, organized, owned and controlled by its members, and where all members have an equal say in how the organization is run for the promotion of their economic interests.



Members join their hands together in co-operatives to do work as one for their own benefits

History of Co-operatives in Uganda.

Cooperatives could be traced to present day Mubende District where in 1913, four farmers decided to market their crops collectively. They became known as "The Kinuakulya Growers". In Uganda cooperatives came about as a response to the *unfavorable terms of trade* imposed on peasants by the Asian Traders through organized local middlemen. In 1920, 5 groups of farmers in Mengo met in Kampala to form the "Buganda Growers Association" whose supreme goal was: To control the domestic and export marketing of members' produce.

Counterparts in other parts of the country shared this vision and acted accordingly. A cooperative movement was therefore born to fight the *exploitative forces* of the colonial administrators and alien commercial interests.

The colonial government of the time considered the emergency of cooperatives as premature and subversive. Laws were enacted to make it an offense for any financial institution to lend money to an African farmer. Because of these restrictions, Co-operatives operated underground until 1946 when the cooperative ordinance was enacted to legalize their operations. Peasant farmers saw the 1946 ordinance as a means of increasing government control in their business and many groups refused to register under it. Those that registered were considered as stooge organizations.

When Sir Andrew Cohen came to Uganda as Governor in 1952 with his renowned liberalism to the complaints of old formed coop societies, he appointed commission of inquiry into the progress of the Co-operatives movement. This commission was headed by Mr. R. Dreschfield's committee and submitted its report on June 11 1952 which stipulated that: It was not the function of government to guide private enterprise as doing so, would arouse suspicion. The cooperative movement would be stronger if it was independent of government.

It was a legitimate and reasonable aspiration of cooperative societies to be free of government Control. In light of the above pointer, government amended Co-operative society's ordinance 1946. This gave rise to the cooperative societies Act 1952- which was more accommodative and provided the frame work for rapid economic development.

It provided enough autonomy to make registration acceptable to the Co-operative groups that had defied the 1946 ordinance. It also provided for both the elimination of discriminatory price policies and offered private African access to coffee processing. Thus, between 1952 and 1962 Co-operatives membership increased 8 fold and the tonnage of crops increased 6 fold.

The Co-operatives district unions acquired considerable importance. By 1962, there were 14 ginneries and 7 coffee curing works in the hands of Co-operatives unions. Many people were employed and cooperative unions became the most conspicuous institutions in the districts.

By the time of Uganda's political independence in 1962, participation in cooperative activities had given a number of leaders' national visibility. Their departure created leadership vacuum in the Co-operatives movement. Other aspiring politicians began to see Co-operatives as useful launching pads into politics.

Hence by involving people who had motives other than commitment to serving cooperatives paved way for mismanagement, nepotism and corruption in Co-operatives. This caused discontent in various rural areas. Setting of various commissions of inquiry resulted into repealing of Co-operatives societies ordinance of 1952. Replaced by the Co-operatives societies Act and Rules 1963; this restored control of soc by Registrar.

In 1970, the 1963 Act was repealed and a 1970 cooperative societies Act was put in place. This Act finally took away all the autonomy and gave the minister direct control

over the affairs of registered cooperative societies. Hence members lost control of their Co-operatives to managers, politicians and government officers.

Hope returned for co-operatives in 1986 when NRM took over the administration of this country. Consequently, the NRC enacted Co-operative society's statute in 1991 that was later transformed into an Act Cap 112 in the laws of Uganda; this is still the legislation for Co-operatives up to this day in Uganda.

Features of Co-operative Societies:

- 1) They are registered under the industrial Act
- 2) The services of these societies are mainly for its members.
- 3) Open membership to all people irrespective of religion, education, sex, tribe etc.
- 4) The members are sometime customers of the society
- 5) They are controlled by management committees.
- 6) The minimum number required is 10 with no maximum number.

Principles of Co-operative Societies.

Open and voluntary membership to all interested people from a designated area of operation. All those persons able to use the services of co-operatives and willing to accept the responsibilities of membership should be allowed to join without any gender, social, racial, political or religious discrimination.

Democratic member control: One member, one vote in the case of primary societies in all matters of decision-making. Men and women serving as elected representatives are accountable to membership.

Member economic participation / patronage; Members contribute equitably to and democratically control the capital of their co-operative. Members receive limited compensation if any on capital subscribed as a condition of membership, and interest on their saving deposits.

Autonomy and independence; Co-operatives are autonomous, self-help institutions controlled by their members. If they enter into agreements with other organizations including governments, or raise capital from external sources, they do so on terms and conditions that ensure democratic control by their members and maintain their co-operative autonomy.

Education, training and information to promote member's education and awareness; Co-operatives provide education and training for their members, elected representatives, managers and employees so that they contribute effectively to the development of their co-operatives.

Cooperation among co-operatives; Co-operatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Concern for community development; Co-operatives work for the sustainable development of their communities through policies approved by their members.

Types of Co-Operatives Societies:

Consumer Co-operative Societies: These are formed by people with the main purpose of buying and distributing goods amongst the members at low prices. They buy goods from producers at cheap prices and sell them to members at relatively low prices. The members in these co-operatives pay membership fees and buy shares from the society. There are two types of consumer co-operative societies:-

(a) Retail Co-operative Societies: These are societies owned by and operated by small groups of consumers who purchase and distribute goods amongst themselves. They are in most cases located in remote areas.

(b) Whole Sale Co-operative Societies: These are a collection of retail co-operative societies who come together and form their own wholesale terminals from where they buy and redistribute goods to the respective members of the retail co-operative societies.

Advantages of Consumer Co-operatives:

- ✓ They sell produce to members at low prices after buying from different producers.
- ✓ They help to promote savings amongst the members.
- ✓ They pay dividends to members as a result of surplus profits earned.

Producer Co-operative Societies: These are societies involved in the production, processing, transporting, collecting and marketing of the agricultural produce. These are very important for the development of low developed countries. Members earn dividends according to how much produce one has sold to the society.



Advantages of Produce Co-operative Societies:

- ✓ They collect and grade the farmers' produce.
- ✓ They help to finance members by advancing them credit facilities.
- ✓ They provide extension services to members by educating them on better farming methods.
- ✓ They sometimes provide members with equipment like spraying pumps, tractors, farm inputs.

Savings and Credit Co-operative Societies: These are financial institutions aimed at encouraging their members to save. These co-operatives mobilize savings and provide credit to their members.

Advantages of Savings and Credit Co-operative Societies:

- ✓ They advance credit facilities to members at reduced interest rates.
- ✓ They help to educate members on financial matters.
- ✓ They help and encourage members to save for the future.

Transport Co-operative Societies: These are rare co-operative societies that deal in transportation e.g. Uganda Co-operative Transport Union (UCTU).

Service Co-operatives: These provide services such as housing, health care, funerals, day care, water, power and energy and many other services. Usually people go for services from such co-operatives in order to benefit from lower prices, better quality or when existing services are inadequate. Examples include: A Plus Funeral Services, Rhino Funeral Services etc.

Workers Co-operatives: These are co-operatives which are owned by the people who also work for the same organization. This type of co-operatives is relatively new globally but is gaining popularity as co-operatives under it have proved quite successful.

Challenges Faced By Co-operatives:

- ✓ Poor leadership and governance generally affects their operations.
- ✓ Inadequate capitalization to the cooperatives.
- ✓ Insufficient economic patronization by the members of the co-operatives
- ✓ Lack of access to reliable markets that pay competitive prices.
- ✓ Inadequate storage, post harvest handling and agro processing infrastructure.
- ✓ Massive frauds by management staff and committees of the co-operative funds.
- ✓ High level of dishonesty and lack of transparency on the part of committees.
- ✓ Lack of cooperative member education.
- ✓ Some level of political interference from the local politicians.
- ✓ Insufficient loanable funds to handle big demands, as our membership grows also the demand for big money increases
- ✓ Members do not save but demand for loans.
- ✓ High delinquency levels in SACCOs
- ✓ Lack of security support in relation to guarding SACCO premises.

Process of Forming Co-Operative in Uganda.

Step 1. Developing the Idea (Why do you want to start a Co-operative?)

A co-operative should always be the product of a group of peoples' needs, desires and ideas. Therefore get a group of people to talk about the possibility of forming a co-operative to solve their problems. During the consultative meeting, clearly identify the common needs, desires or problems that they need to address, brainstorm on the possible ways of solving the identified problems, meeting the identified needs, desires, etc. and choosing priorities and agree on the best way of implementing the identified solutions



People brainstorming on why they need to form a co-operative society

Step 2. Conducting a Feasibility and Viability Study of the Proposed Co-operative:

Establish what would be required to start and cover the operating costs of the proposed co-operative before it starts earning its own income. Determine how the running and operating costs of the co-operative will be met. Find other people who share into the idea and therefore would be willing to join the co-operative and whether they would meet the entry requirements including paying membership fees and share capital. Determine which area the proposed co-operative would operate in.



Members establishing the costs for running a co-operative and how they will be met etc.

Step 3. Recruiting Members: After step two, members now start on the exercise of recruiting more members. They sell the idea to many other members of the community and register those interested in joining the co-operative (*but should not collect their money yet*). All activities executed should be done on voluntary basis and should be properly documented. For instance all minutes of preparatory meetings should be written and signed.



Members selling the co-operative ideas to the community and registering those interested

Step 4. Registering the Co-operative: They register the co-operative with the Registrar of co-operatives in the Ministry of Trade, Industry and Cooperatives. The interim committee therefore, obtain and complete the registration application forms, get at least 30 members to sign the application for the purposes of registration, get the district co-operative officer to prepare a recommendation letter to the Registrar based on the co-operatives' interim operating report. This normally takes between 6-9 months or below depending on how well the group is organized. After it has been registered by the Registrar, it becomes a registered Co-operative Society Ltd.



Members take filled forms for the co-operative registration with the registrar of Co-operatives

THE SAVINGS CREDIT AND COOPERATIVES SOCIETIES (SACCOS)

Meaning of Financial Cooperatives (SACCOS).

A Financial Cooperative is a loan society that provides facilities for members to save and borrow money when in need.

Benefits of SACCOs

- ✓ It enables members with small incomes to save and accumulate interest.
- ✓ It provides loans to members at reasonable interest rates with a reasonable repayment periods.
- ✓ It helps to distribute profits to members in proportion to their contribution to total saving to the society.

Challenges faced by SACCOs in Uganda

- ✓ Inefficient basic infrastructure for effective and competitive service delivery.
- ✓ Inefficient safety mechanisms to safeguard members' deposits
- ✓ Inefficient education and skills development to Co-operative members which is either by design or budgetary constraints.
- ✓ Inefficient security support in relation to guarding SACCO premises.
- ✓ Inadequate loanable funds which limit achievement of outreach principle of the Micro-Finance industry.
- ✓ Limited SACCOs in some areas of Uganda for example in Sub-counties.
- ✓ Insufficient loanable funds to handle big demands, as our membership grows also the demand for big money increases
- ✓ Limited saving and demand for loans by the Saccos members.

- ✓ Delay in the repayment of loans by some members especially those who promise to pay in cash after getting the loan as they become reluctant to repay the loan.

Possible Solutions to Challenges Faced by SACCOs:

- ✓ Up-scaling of membership education, skills, development training for governance bodies and management staff.
- ✓ Training of commercial officers to concentrate on helping the SACCOs how to be effective.
- ✓ Encouraging SACCOs to take on deposit insurance as a way of safe guarding members' savings and ensuring confidence in SACCOs.
- ✓ Providing start up kits and basic logistical support to SACCOs in need and those which are starting up by the government.
- ✓ Providing support towards security of SACCO premises by the government. This could be in form of subsidy for the SACCOs that have not yet attained a level of financial self sufficiency.
- ✓ Encouraging the members to repay the loans on time to enable others take loans.

Activity: 6.2.

1. Learners should visit a nearby SACCO and write a report on the following:
 - a) Membership
 - b) Savings
 - c) Credits
 - d) Benefits to the members
 - e) Challenges faced by this SACCO and present the report to the class.

Activity of integration:

1. In groups, discuss the reasons for the high failure of businesses in Uganda.
2. Suggest solutions to the above problems and present them to the class.

CHAPTER SEVEN:

PRODUCTION IN BUSINESS

Key words	By the end of this topic, you should be able to:
<ul style="list-style-type: none"> ✓ Production ✓ Wants and Needs ✓ Human Rights ✓ Sustainable Development Goals (SDGs) 	<ul style="list-style-type: none"> ✓ Appreciate the need for production in Business ✓ Know the difference between wants and need ✓ Know the features of wants and needs

Production is the process that involves the transformation of in puts into outputs to satisfy human needs. You can probably carry out production in agriculture, manufacturing, service, trade or extraction.

The production process is a set of steps or productive activities carried out chronologically when producing a good/service. This means that there are different activities performed chronologically up to when the final product comes out.

Human Wants:

Wants are things that one wishes to have so as to add comfort in his/her life. They are desires of man backed to the ability to acquire them. They can be either basic or secondary.

Basic wants are those wants whose satisfaction is necessary to sustain human life.

Secondary Wants are wants whose failure to satisfy them does not necessary result in death.

Human Wants and Needs



Needs are necessities required by a person for survival. They are important for human being to survive.

Characteristics of Needs:

- ✓ They are unlimited in nature
- ✓ They are satiable, they satisfy the desire when consumed or take or used.
- ✓ They are repetitive in nature, one continues getting and using them
- ✓ They are urgent, you cannot wait to get them
- ✓ They are variable as they vary with age and occupation

- ✓ They are competitive and priority
- ✓ They are complementary, dress with shoes

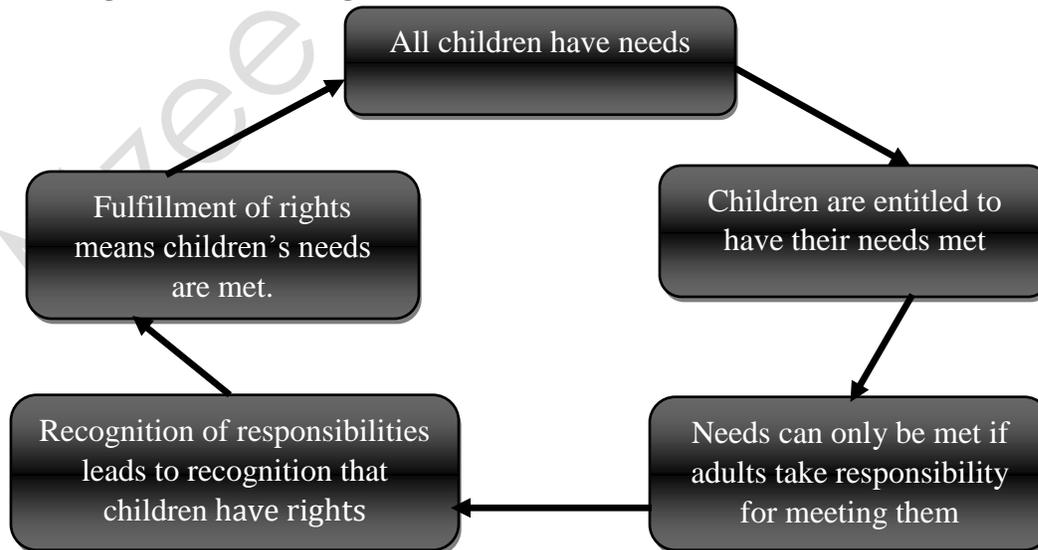
Link Between Needs and Wants, Human Rights and the 2030 Sustainable Development Goals.



Human rights are the basic rights and freedoms that belong to every person in the world, from birth until death. They apply regardless of where you are from, what you believe or how you choose to live your life. They can never be taken away, although they can sometimes be restricted - for example if a person breaks the law, or in the interests of national security.

Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination.

The difference between a need and a right is that a need describes the conditions required for children to thrive. A right is recognition of the child's entitlement, by virtue of being a child, to have that need fulfilled. This in turn, places a specific obligation on adults at all levels of society to take the necessary action to ensure that those rights are implemented for every child. A right is a moral, ethical or legal entitlement to have something or do something.



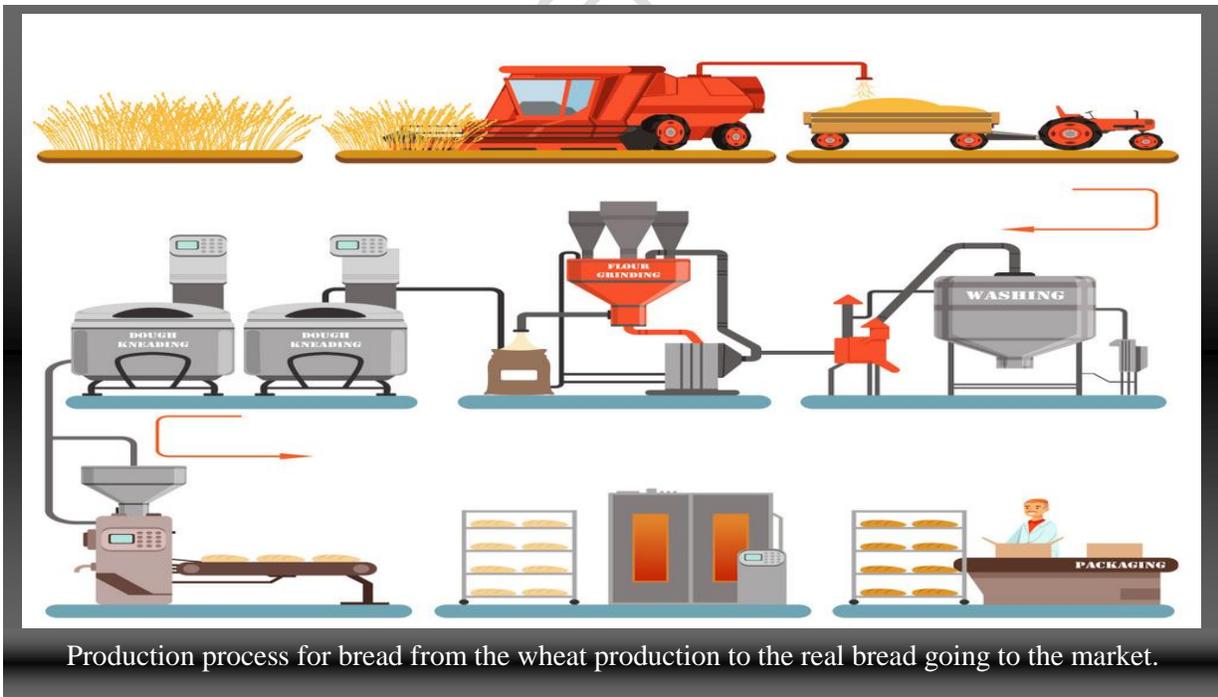
SUSTAINABLE DEVELOPMENT GOALS (SDGS): These are a global agenda adopted by countries in 2015, with a vision of ending poverty, protecting the planet and ensuring that all people enjoy peace and prosperity. They are universal meaning they apply to all countries around the world not just poor countries.

FACTORS OF PRODUCTION:

Production is the process that involves the transformation of in puts into outputs to satisfy human needs. It is the creation of goods and services to satisfy human needs. It is the process by which a change is made in an object thereby increasing its value or utility to its users.



The production process is a set of steps or productive activities carried out chronologically when producing a good/service.



Types of Production:

The type of production an entrepreneur will engage in will depend on many factors which may include among others, the availability of land. However, there are mainly two types of production: Direct Production and Indirect Production.

Direct Production: This is the type of production where a producer produces goods for his/her own consumption. It is also known as Subsistence Production.

Indirect Production: This is where a producer produces goods or services for sale or commercial purpose.



Stages / Level of Production

1. **Primary Production:** This is the removal of the natural resources from wherever they are located say land. Examples include:-Farming, mining, fishing, stone quarrying, oil extraction, lumbering, fur-trapping etc.
2. **Secondary Production:** This is the changing or transforming of the raw materials got from the primary production into finished goods. E.g. food processing, textile industries, oil refining, carpentry, shoe-making from leather, meat or fish canning etc.
3. **Tertiary Production:** Is the production of services only. The services are either commercial or direct services. E.g. teaching, tour guiding, medical services, play-acting, lawyers' services.

Benefits of Effective Record Keeping:

It helps to teach the public on how to manage business in monetary terms.

It helps in comparing the business operations over years and sees which year was good.

It helps in determining the rate of growth of the business

It acts as a tool of control: Proper recording of business transactions helps to minimize unnecessary spending and misappropriation of business funds and hence maximizing profits of the business for future expansion.

It helps in ascertainment of profits and losses: Since the main objective of business is to make profits, accurate and complete recording of all business transactions will help to know whether the business is making profits or losses by preparing trading profit and loss account.

It helps in assessment of taxes: Proper book keeping will help the government or the tax authority in assessing the amount of taxes supposed to be paid by the business. This will minimize the business from being over or under taxed by the tax authority.

It helps in the facilitation of credit transactions: Since it is hard to operate business without credit sales or purchases, proper book keeping helps in knowing who the creditors and debtors of the business are so as to demand them and also know when to pay.

It acts as a base for future planning: For the expansion of any business, there is need to make plans basing on the past and present achievements. This can only be done where proper book keeping is carried out on sales, investments, profits etc for the decision to be made.

It helps in the evaluation of assets and liabilities: Businesses can prepare statements of assets and liabilities to know their financial stand. This help to know the amount due to others and the possessions of the business.

It helps in accessing the loans: Proper books kept will enable the business to access loans from financial institutions as these financial institutions ask for well audited books.

It helps in determining products prices: This help to whether to reduce or increase the price for the commodities. This is because you can base on the present price to see whether you are making losses and it may be necessary to increase the price or the price is high and people cannot buy the products therefore necessary to reduce the price to attract more customers.

Factors of Production:

These are the resources or agents necessary for the production to take place. They can also be called the “**Shock Absorbers**” of production. They include the following.

1. Land: This is any natural resources whenever it is located. It includes forests, minerals, water, animals, crops, sunshine etc. The reward for the use of land is called **Rent**.

Benefits of Land:

- ✓ It used for agriculture.
- ✓ It is a basis for establishing buildings and factories.
- ✓ It is a source of minerals and other raw materials used in production.
- ✓ It is a source of oxygen, water and timber.

2. Labour: It is any human effort either physical or mental used in production of goods or services. The reward for the use of labour is called **Wages or Salaries**.

3. Capital: Is money or any physical asset used in the production of goods or services. It also means resources other than land that assist human effort in the production of goods or services. The reward for the use of capital is called **Interest**.

Benefits of capital in production:

- ✓ It is used in the buying of raw materials and tools to be used in production.
- ✓ It can be used to carry out innovations for the business.
- ✓ It can be used to expand the business operations.
- ✓ It can be used to carry out market research to establish the needs and wants of the customers.
- ✓ It raises efficiency creating a need for the customer good.

4. Entrepreneur: Is the owner of the business. It also means the factor that organizes production. He undertakes all the risks in the business. His reward is called **Profit**.

Benefits of an Entrepreneur:

- ✓ Mobilizing resources to set up a business.
- ✓ Identifying a suitable business to invest in money.
- ✓ Organizing and managing of the business operations.
- ✓ Carrying out market research and marketing in the business.
- ✓ Managing the challenges faced by the business.

5. Organization: Is the factor of production which combines the basic factors in the production process. A person who undertakes the work of organizing is called an Organizer. E.g. the Head teacher, Manager etc. The reward for the organizer is called **Salary/Wages**.

SPECIALISATION, DIVISION OF LABOUR AND DIVERSIFICATION:



Specialization: Is the concentration on production of one commodity or performing of given task where one has advantages and exchanges it for other commodities or money.

Types of Specialization:

Specialization by Craft: This is where an individual concentrates on a commodity in which he/she can do best. E.g. farming, black smith, etc.

Specialization by Process: This is where every stage in production is carried out by different people. E.g. in making clothes, some people sort cotton, others spine and other weave.

Regional Specialization: Is where a region produces what it can produce best and get what it cannot produce from other regions. E.g. Mbarara produces milk which it sells to Gulu etc.

International Specialization: Is where a country produces what it can produce best and exchanges it for what is produced by other countries. E.g. Uganda produces coffee which it sells to Japan for Cars.

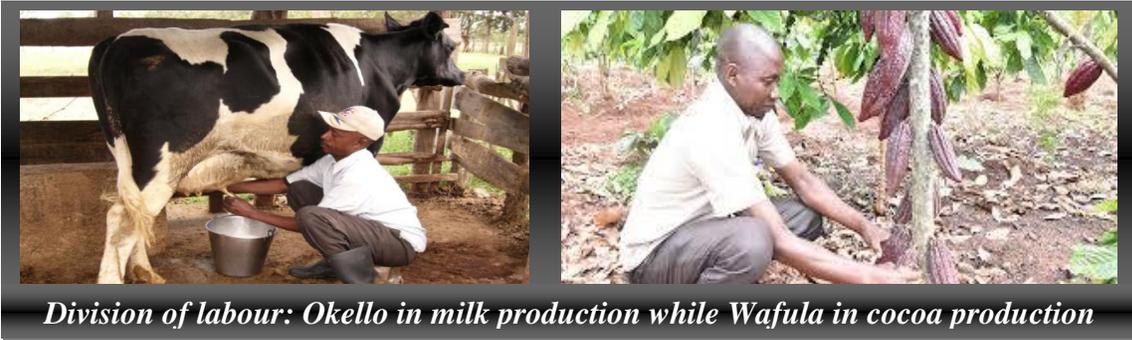
Advantages of Specialization:

- ✓ It saves both time and energy since one does not move from one department to another.
- ✓ It promotes the degree of choice since workers have the freedom to work in departments that they are most suitable for/in.
- ✓ It encourages the development of skills since workers do the same type of work/job over and over again.
- ✓ It helps to make work easier since tools and machines are used in the production process hence leading to mass production.
- ✓ It leads to minimization of wastage since skilled labour is employed promoting better utilization of resources.
- ✓ It promotes the exchange of goods as people are encouraged to produce what they can and exchange them for those that they cannot produce.
- ✓ It enables people to pursue those occupations where they are most suited.
- ✓ It promotes international trade as countries are able to buy and sell to other countries what they cannot produce.

Disadvantages of Specialization:

- ✓ It leads to boredom & tiredness as workers do the same work over and over again.
- ✓ It leads to unemployment due to uses of machines and also during time of being laid off and a worker lacks skills of production.
- ✓ It leads to loss of creativity and craftsmanship as the result of use of machines in production.
- ✓ It may lead to over dependence on other countries due to international division of labour.
- ✓ It encourages the use of machines that are specific to particular fields and may not serve more than one purpose.
- ✓ The whole process may come to a standstill in case there is breakdown in one stage of production or one employee is absent.
- ✓ It may lead to over exploitation of resources by countries in the process of mass production.
- ✓ It makes a country suffer in case it depends on goods from other countries and they later get a misunderstanding.
- ✓ It denies the people of the country a chance to have a variety of goods to choose from and hence affecting their standard of living.

Division of Labour: Is the sharing of work by workers in an enterprise leading to production of a commodity. The division may be according to sex, age or experience.



Advantages of Division of Labour:

- ✓ It places the right person in the right job where every worker is assigned the task for which he is best suited.
- ✓ It leads to greater efficiency in production of goods and services
- ✓ It leads to time saving in production since every worker is on the right job.
- ✓ It leads to economies of large scale production.
- ✓ It leads to less learning period by the worker since he knows the job.
- ✓ It leads to more inventions and innovation due to doing the same work over and over again and hence more skills got
- ✓ It leads to less strain on the side of the employee as work is easy for him/her.
- ✓ It leads to better quality work as a worker can use better and modern machines in production
- ✓ It increases the market for the products due to availability of a variety of goods.
- ✓ It benefits the society due to reduced costs of production of large scale production.

Disadvantages of Division of Labour:

- ✓ It leads to monotony and fatigue due to doing the same work over and over again and hence joyless on the work.
- ✓ It kills the creativeness since many workers contribute to the making of an article and no one can claim to have made it alone.
- ✓ It leads to loss of skills since no one makes the whole items but just repeat a few.
- ✓ It limits worker's mobility and not able to find exactly the same job elsewhere.
- ✓ It leads to risk of unemployment in case the worker is dismissed from one factory.
- ✓ It limits the personality development due to narrow work done in one area only.
- ✓ It leads to loss of responsibility for bad production since no one makes a product to its complete.
- ✓ It leads to problem in distribution to the production of an article as it is hard to determine the share of contribution of one to the item.
- ✓ It may lead to dependency of one country to another which is dangerous in times of war.

Diversification is the process of business enlarging or varying its range of products or field of operations. It is the process of allocating capital in a way that reduces the exposure to any one particular asset or risk.



Diversification: In case one business fails, one will survive and profits got than losing all.



Diversification can take place in the same products but in different stores or areas and places.

Advantages of Diversification:

- ✓ It leads to minimizing risk of loss in case an event happens.
- ✓ It leads to capital preservation and hence protecting savings
- ✓ It helps to generate incomes from different sources than relying on one source only.

Disadvantages of Diversification:

- ✓ It may lead to reduced quality goods or services.
- ✓ It is a bit complicated to practice as it may require more capital and space etc.
- ✓ It reduces focus or attention to a particular business.
- ✓ It leads to double sales expenses as each sales team only understands the details of the business products they sell but not the other.
- ✓ It makes the risk incompatible as all the business's lines of operation are totally different.

Raw Materials for Production:

Identify raw materials for producing a given product. (This is for bread)



Raw materials for production of Bread:

- ✓ Wheat flour -Etc
- ✓ Sugar
- ✓ Salt
- ✓ Cooking oil
- ✓ Baking powder
- ✓ Water
- ✓ Tin/bucket/container
- ✓ Weighing scale
- ✓ Yeast
- ✓ Fire Source
- ✓ Bread Knife

Factors considered when choosing the sources of raw materials:

Raw materials are inputs which undergo transformation in order to produce output.



Sources of the raw materials: The sources of the raw materials should be reliable to supply without any disruption.

Cost of the raw materials: The cost of the raw materials should not be expensive but cheap to enable the entrepreneur make profits on the final product produced.

Quality of the raw materials: The quality of the raw materials should be high or good such that it does not affect the quality of the final product produced.

Lead Time: The time for the supply of the raw material should be short such that it does not delay so as to affect the production process.

Terms and conditions of payment: One would choose a supplier whose terms of payments are reasonable. These terms may include credit purchase or cash basis, discount etc.

Mode and transport availability: The buyer should consider the mode of transport depending on the nature of the items to be purchased.

Taxes charged: The taxes charged on the materials will have an impact on the price of the same product. Therefore one should look at the different taxes charged both in the supplier's country and the buyer's country and one should choose a supplier where taxes are not too much.

Price comparison/ cost of the materials: The buyer should consult different suppliers to select one whose prices are friendly and cheap with good quality of the materials.

Ease of communication: One should choose a supplier whom he / she can easily communicate to or access whenever there is need for any supply of the inventory items.

Risk of damage: It would be wise to buy raw materials that do not easily get damaged as this can increase the costs of production.

Raw material location/Distance: The location of raw materials should be near the factory as production costs can be minimized as compared to those which are far from the plant. This is most likely to increase the transport cost and hence final price for the products.

Quantity of raw materials required by the Entrepreneur. An entrepreneur selects a supplier with quantity raw materials so as to get a trade discount for bulky purchases.

Nature of the product to be produced. The product to be produced determines which raw materials the entrepreneur will select.

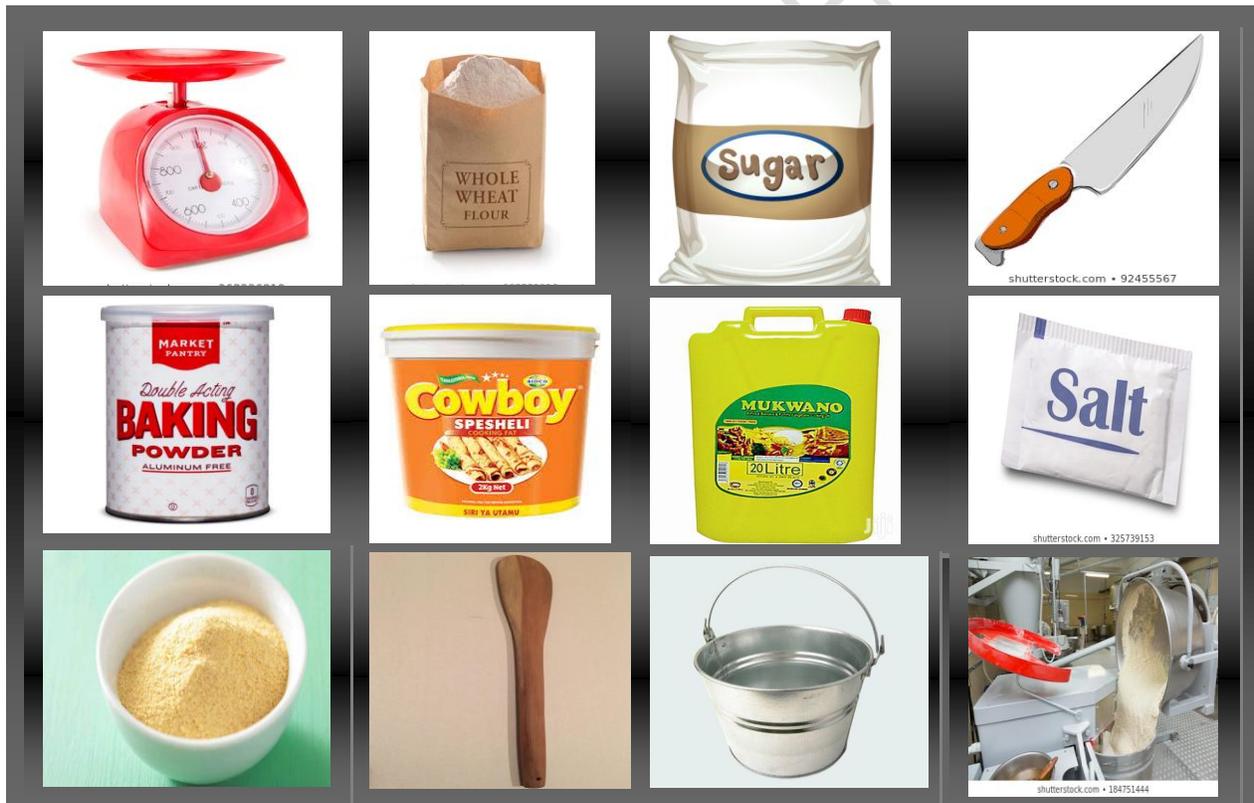
Reliability of the supplier of the raw materials. An individual will make choice for particular raw materials if the supplier for the raw materials is reliable and can supply them at any time when he or she is given an order.

Amount of raw materials to be held in store: Consider the rate at which the finished goods are sold and if the rate is high, then they are most likely to have a lot of raw materials in stock.

Level of material wastage: Businesses prefer to use raw materials with less level of wastage so as to reduce on the costs of acquiring the same materials and also reduce of the production costs.

Amount of units of raw materials used per production cycle: If the business uses more units in its production, more units of raw materials shall be used but if less units are used then less units shall always be bought.

Demonstration of the Use of Raw Materials in Production.



The learners should identify the use of the above items /raw materials and demonstrate how to use them with the help of the teacher.

MACHINERY, EQUIPMENT AND TOOLS USED IN PRODUCTION

Machinery refers to group of machines in general that get work done. A machine is device in which each part works together with others to perform some functions like a washing machine.

Equipment are items that are needed to do some work and are used for specific functions like office computers, calculators etc.

Tools are instruments or apparatus which are held in hands for doing some work. These are semi-durable or durable portable minor equipment and instruments required for producing, measuring or calculating associated with the production of goods or services. E.g. tape measure, weighing scale, ruler, T-square for carpenters etc.



Machinery



Equipment



Tools



Machinery

Factors Considered When Selecting Machinery, Equipment And Tools For Production.

Purposes of the equipment: The prime purpose of buying the equipment should proceed on other uses before buying capital items.

Flexibility: This looks at the ability of tools the item be used for other purposes other than those it was bought or acquired for without throwing them away.

Compatibility: This is to do with the ability of the item to be used with the already existing machinery or items. It would not be wise to buy items which would necessitate throwing the already existing and buy everything new.

Reliability: It is better to buy items that will not easily break down as this can cause delays in production process.

Guarantee from the manufacturer: The buyer would look for a manufacturer / supplier who can offer guarantee in terms of repair in case it is damaged within a specified period, replacement in case it does not work etc.

Durability: Most buyers of capital equipment prefer buying those that can be used for a long period before they are beyond repair.

Cost of maintenance: Items bought should not be expensive to maintain, e.g. items whose spare parts are hard to get locally, items whose technology is hard to get or copy would not be good to be bought by an organization.

Costs of installation: It is better to ascertain whether the purchase price includes installation costs or not. This is because for some capital items the cost of installation is very high.

Miscellaneous factors: These include; space requirement for the item, safety aspects, issues to do with the environment in terms of noise, air pollution etc.

Operation costs: This need to be looked at as the operation costs of the equipment should be low and affordable by the firm.

Initial costs of the items: The costs of buying the capital items should relatively low and affordable but not expensive.

Production capacity of the machinery: The capacity should be high to match with the current demand for the products so as to enable the entrepreneur also meet his/her customers' demand but if it cannot meet the demands, then the items should not be bought by the firm.

Guarantee given by the manufacturer: It is better to buy items from manufacturers who can offer guarantee such that in case of any problem then the entrepreneur can run to the suppliers for a replacement or repair.

Sources of machinery and equipment: This should be reliable than not reliable source of these items.

Complexity of the work to be done: It is better to look at the work to be done by the item to be bought before buying it.

Productivity and efficiency of the items: The item should be able to work for long period and be able to increase production.

Appropriate Machinery, Equipment and Tools for Production.



Used for road construction and maintenance to compact large quantities of soil, sand, rubble or other materials during construction or conversion work and typically equipped at the rear with a claw-like device to loosen densely compacted materials.



This allows people to do math operations more easily. It can add, subtract, multiply and divide and sometimes others do square roots even calculus and draw graphs.



These are used for different purposes like in building, electronic installation, taking measurements during building process, holding objects firmly and bending plus compressing a wide range of materials, striking other objects in construction or furniture workshop etc.

Activity: 7.2.

Ask learners to explain the factors that influence the choice of machinery, tools and equipment bought and used in production. Observe their conversations to check whether learners are able to make reasonable connections between tools etc. and different types of production.

Activity of integration:

In groups, learners should choose the form of business they would prefer to undertake and explain why they have chosen it than others.

Chapter Summary: In this chapter, you have learned the following:

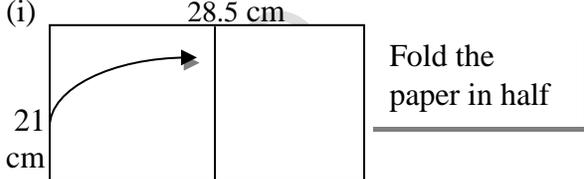
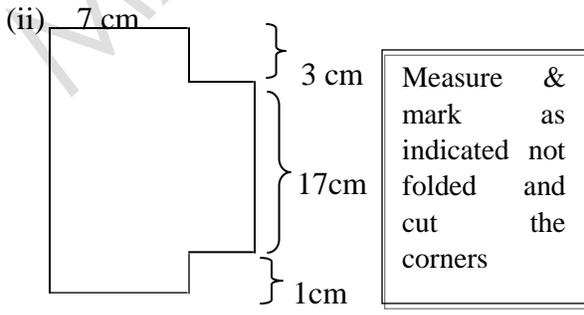
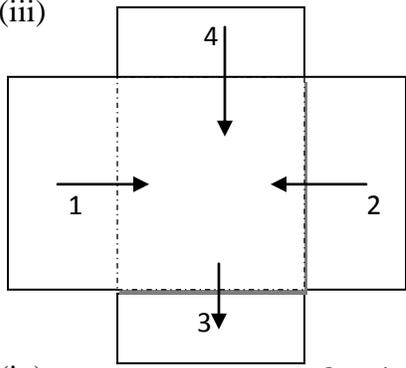
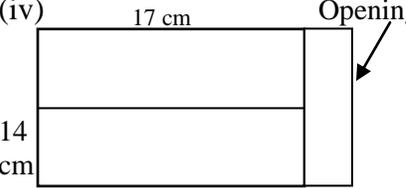
1. Human wants.
2. Factors of production.
3. Specialization, division of labour and diversification.
4. Raw materials for production.
5. Machinery, Equipment and Tools Used in Production.
6. Factors Considered When Selecting Machinery, Equipment and Tools For Production.

Project Work- Making Envelopes

The teacher should divide the learners in groups of five. Each group should have the following materials:

<ul style="list-style-type: none"> ✓ 20 sheets of A4 paper for each group ✓ A pen for each member of the group ✓ A pair of scissors for each member ✓ A tin of glue or other suitable adhesives 	<ul style="list-style-type: none"> ✓ A long ruler for each member ✓ One sample envelope for each group ✓ A table or flat smooth wood for each group
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Procedure:

<p>(i) </p> <p>(ii) </p>	<p>(iii) </p> <p>(iv) </p>	<p>-Unfold the paper; fold 1 & 2 towards the centre & glue the edges.</p> <p>-Fold bottom 3 up and glue</p> <p>This is how your envelope should look like.</p>
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CHAPTER EIGHT: MARKETING IN SMALL BUSINESS ENTERPRISES:

Introduction to Marketing:

Key words	By the end of this topic, you should be able to:
<ul style="list-style-type: none"> ✓ Marketing ✓ Selling ✓ Marketing Plan ✓ Market Research 	<ul style="list-style-type: none"> ✓ Appreciate the need for marketing ✓ Know the difference between marketing and selling ✓ Know the tools of market research



Marketing is the process of identifying, anticipating and satisfying customers' needs effectively and profitably. It also means a number of activities undertaken by an entrepreneur in order to find out who his/her customers are and what they need or want. It refers to a number of activities that are necessary to get goods or services from the producer to the customer resulting into customer satisfaction and profit realization for the entrepreneur. A market is all the people or institutions with in a specific geographical area that need a product and are willing and able to buy the same product.

Selling Function:

This is a two-way communication between the seller and buyer aimed at persuading the buyer to accept the product at the stated price. To win the buyer, the seller has to tell him or her how the product or service will meet his or her needs.

Difference Between Marketing and Selling:

1. In marketing the focus is on the customers' need while in selling the focus is on the seller's needs.
2. Marketing is based on the customer concept while selling is based on the product concept.
3. In marketing an entrepreneur converts customers' needs into products while in selling the product is converted into cash.
4. Marketing involves a series/number of activities an entrepreneur does to find out how the customers are and what they need while selling is a two way communication between the buyer and the seller aimed at persuading the buyer to buy/ take the product.
5. In marketing profits are realized through customer satisfaction while in selling profits are realized through sales volume.

6. There is integrated approach to achieve long term goals in marketing while in selling there is fragmented approach to achieve immediate gains.
7. In selling there is caveat emptor (look before you buy/ let the buyer be aware) whereas in marketing, there is caveat vendetta, let the seller be aware.
8. In marketing, a customer enjoys supreme importance while in selling, the product enjoys supreme importance.

Simple Marketing Plan:

This shows the expected costs for carrying out the marketing process like advertising, sales promotions, sign posts, business cards, commissions to salespeople etc.

Marketing Plan		
Hatuba Enterprises		
P.O Box 805, Busia		
Marketing Plan		
Particulars	Amounts (Shs)	Amounts (Shs)
Fixed Requirements:		
Designing of sign post	100,000	3,600,000
Designing of billboards	1,000,000	
Public address system	200,000	
Motor vehicles	2,000,000	
Designing of advert	300,000	
Current Requirements:		
Printing of business logo	240,000	2,350,000
Advertising on television	600,000	
Advertising on radios	300,000	
Sales person commission	210,000	
Press release	100,000	
Advertising in print media	120,000	
Fuel and maintenance of vehicles	700,000	
Printing of business cards	80,000	
Total		5,950,000

Challenges Faced During Marketing.

- ✓ Challenge of identifying the right technologies that satisfy the needs of the company.
- ✓ Challenge of training the team to carry out the marketing as it requires money.
- ✓ Challenge of hiring the top talents to carry out marketing as they may require higher pay.
- ✓ Challenge of securing enough funds to carry out marketing activities.
- ✓ Challenges of providing returns on investment for marketing activities.
- ✓ Challenge of finding the market segment for the company products to market to.
- ✓ Challenge of getting and choosing the right media to use when marketing the company goods
- ✓ Challenge of coordination between marketing and sales department where the marketing actions do not always relate with what should always be sold.

- ✓ Challenge of not having marketing plan as most companies do not have plans of what products or services to be advertised to encourage sales.
- ✓ Challenge of a good brand image and professional reputation by some companies make it hard to market their products and services.
- ✓ Challenge of creating the right content due to lack of creative skills by most people in marketing.

Activity: 8.1. In groups, Learners,

- Evaluate their market plan and the challenges they faced to market their product. In conversation, ask learners to explain the main challenges they faced.
- Discuss ways to market and promote their product, then market their product and sell it at the local fete.

MARKET RESEARCH:

This is the process of determining the market for the products of a business. It refers to the process of collecting and analyzing market information which leads to establishment of opportunities and problems in the market.



Market research can involve going direct to the field to establish what is happening

Importance of Market Research:

- ✓ It helps in finding out the real and potential market for the products of the business.
- ✓ It helps an entrepreneur to determine the nature and size of his customers, their needs and various ways of increasing the market share and maintain it.
- ✓ It helps in identification of customer complaints or needs about the business product and hence finds ways of working upon them.
- ✓ It provides information concerning many various aspects of the business like how effective the marketing strategies are i.e. advertising, sales promotion etc.
- ✓ It helps in the assessment of the effective marketing and promotional strategies
- ✓ It helps in the identification of market trends i.e. whether more people are coming in the area or leaving the area for other parts, coming in leads to more market and leaving less market.
- ✓ It helps in finding out the prices the customers are willing and able to offer for the products.

- ✓ It helps in finding out the products attributes / features that need or require some improvement to catch a bigger market share on the side of the entrepreneur.
- ✓ It helps to assess the further feasibility and viability of the entrepreneur's products.
- ✓ It facilitates in the making of good decisions on the side of the entrepreneur to establish as to when the product should be launched and how.
- ✓ It helps in the educating the customers about the product like how to handle and use them.
- ✓ It helps in the establishment of the customers' income level and sees what price they can afford.
- ✓ It helps in the establishment and finding out the quantities affordable by the customers of the business in the market.

Market Survey Tool:

A customer service survey is a tool designed to measure customer satisfaction and provide important information about the interaction between your business and your customers. See the questionnaire sample below.

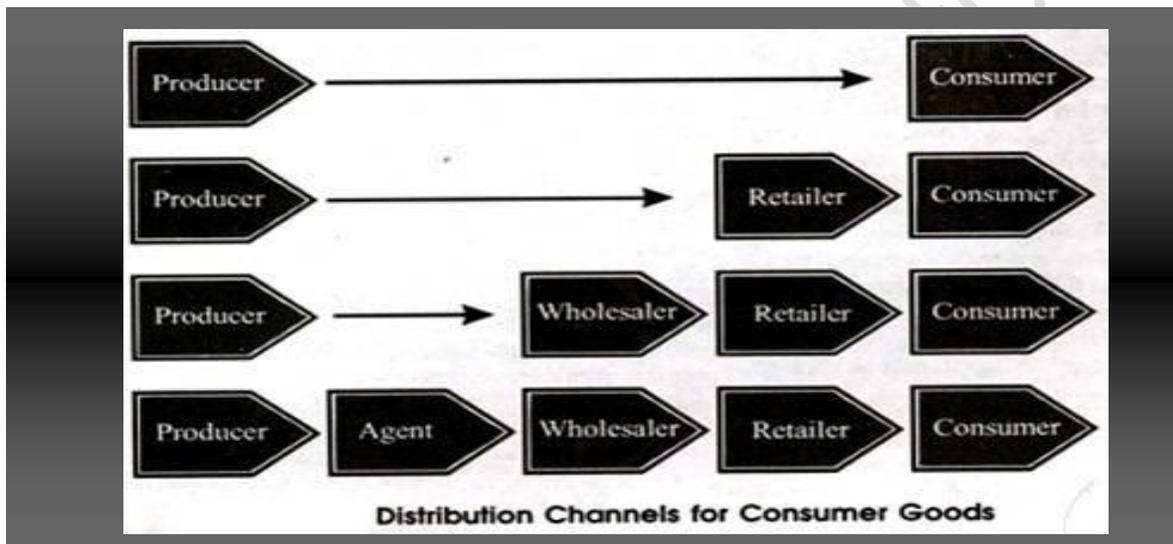
TUKOLE BAKERY COMPANY LIMITED P.O.BOX.3014 KAMPALA <div style="background-color: black; color: white; padding: 2px; display: inline-block;">CUSTOMER OPINION</div>	
<p>Tukole bakery Company produces and sells bread. It has been in existence for over ten years producing quality bread. We are carrying out a market survey to find out how our products rate in the market and the respondents' response shall be kept with the maximum confidentiality it deserves during this process.</p> <p>A. General information about the respondent.</p> <p>a). Name:.....Gender: (i) Female (ii) Male</p> <p>b). What is your age group? (i) Below 25 years (ii) 25-35 years (iii) Above 35 years</p> <p>c). What is your marital status? (i) Single (ii) Married (iii) Single parent</p> <p>B. Question about the Business:</p> <p>a) Comment on the quality of the product: (i) Very good (ii) Good (iii) Fair:</p> <p>b) Comment on the price of the product: (i) High (ii) Fair (iii) Cheap</p> <p>c) How do you rate the company promotional activities?</p> <p style="padding-left: 40px;">(i) Very effective (ii) Not effective (iii) Not sure</p> <p>d). Where do you buy the company products from? Product place, from,</p> <p style="padding-left: 40px;">(i) The Factory (ii) Wholesalers (iii) Retailers</p> <p>e). How do you rank our products to those of the competitors? Product positioning:</p> <p style="padding-left: 40px;">(i) Best (ii) Better (iii) Good (iv) Poor</p> <p>f). Briefly comment on the areas where the company should improve:</p> <p>.....</p> <p>Conclusion: I once again thank you for your co-operation and willingness to answer these questions.</p>	

DISTRIBUTION CHANNELS FOR GOODS:

Distribution channels refer to a set of interdependent organizations through which the products are made available to the final consumer or industrial user. A channel structure is a route selected to move products to the market through different intermediaries.

After goods have been produced, there is need to move them to those people who need them to satisfy their needs and desires. Usually a combination of institutions specializing in manufacturing, wholesaling, retailing and many others join forces in the marketing channel arrangement to make possible the delivery of goods and services to consumers or industrial users.

CHANNELS OF DISTRIBUTION:



Direct Channel: This is also known as the short-channel distribution or Producer to Customer. The goods move direct from the producer to the final consumer without any middleman involved.

Retail Distribution Channel: This can also be called the medium channel. The producer sells goods to the retailers who then sell to the final consumers. It is most common with large scale retailers since they have money to buy in large quantities and can obtain special prices and delivery arrangement from the producers.

Wholesale Distribution Channel: This channel involves selling of goods to wholesalers in large quantities who then sell to the retailers and the retailers to the final consumers in affordable quantities. The channel captures a bigger market for the product.

Selling Agents' Channel: This channel is also called the Sales Representatives. The agents of the producer sell goods on his behalf. It is common with producers who are trying to enter a relatively unknown market. The agents are paid a commission based on the volume of sales.

Factors Considered When Choosing a Distribution Channel

Nature of the product: If the products to be distributed go bad quickly, the direct channel can be used to enable the products reach the final consumer when they are still in good condition. At the same time in case the goods are expensive the direct channel will be good since other channels may involve increasing the price making it hard for the buyer to acquire one.

Nature of the customers: Different customers have different requirements. If they need large purchase and on credit, they can deal directly with the producers.

Availability of storage facilities: The availability of the storage facilities will ensure the safety of the goods and also keep large quantities of goods. Therefore an entrepreneur should choose a middleman with enough storage facilities to enable the storing of large quantities of the goods.

Reliability of the channel: A reliable channel is one which is able to provide the goods to customers where needed. Therefore an entrepreneur should choose a channel which is reliable to make customers get the goods when they need them. This can make the producer have confidence in the channel and continue dealing with the same channel.

Cost of distribution: If the distribution cost is costly in terms of transport, the profits of the producer will be affected. Therefore the producer should opt for a channel which minimizes the costs of distribution to enable him get some profits and enable him continue in the production of goods and or services. At the same time costly distribution channel may make the final price for the products to be high which may attract few customers.

Degree of competition: If an entrepreneur works in a highly competitive environment, he may choose to use the longer channel so as to distribute goods to a large market. Where the competition is not high, the producer can distribute goods directly or use retailers.

Nature of the market: If the customers are located nearer the factory and highly populated, the entrepreneur can use direct channel but where the population is small and far from the factory, wholesalers or the selling agents can be used to distribute the goods.

Size of the market: If the market of the products is small and far from the factory the company can use the selling agents since using direct channel may not generate big sales to cater for incurred transport costs.

Nature or size of the business: A big and financially sounding firm can apply direct selling as it has enough resources necessary to make goods available to the final customer. Where the firm is small and not financially strong, it would be advisable to use the selling agents or the wholesaler channel.

Availability of middlemen: If the desired types of middlemen are available and willing to supply goods, the entrepreneur should use them but where the required middlemen

are not available, the entrepreneur can use direct channel of distribution to make goods available to the final consumers.

Reputation of the middlemen: A firm should choose a channel of distribution whose reputation and image in the eyes of the public is good and can be trusted by many people in the business. If the middleman handles customers harshly, delays to serve them and even cheats them, the entrepreneur should avoid him or her as this will give a bad/image name to the firm.

Producer's desire: In case the producer desires control over the distribution of his or her products, direct selling would be the preferred channel of selling. But in case he needs to deal with the customers directly, then direct channel is the best.

Activity: 8.2. In pairs or groups,

- a) Learners should identify various channels of distribution for selected products in their community. They should discuss what differentiates between distribution channels and the types of products that suit each channel.
- b) Learners should conduct a field study nearby and write a report on a field study aimed at exploring channels of distribution.
- c) They should present key features of their case study to the rest of the class.

ADVERTISEMENT AND SALES PROMOTION:

Key words	By the end of this topic, you should be able to:
<ul style="list-style-type: none"> ✓ Advertising ✓ Sales Promotion 	<ul style="list-style-type: none"> ✓ Define advertising and sales promotion ✓ Differentiate between advertising and promotion ✓ Explain the importance of sales promotion ✓ Explain the methods of sales promotion



Advertisement is the spreading of information about the availability of one's products to customers.



Importance of Advertising:

- ✓ It Increases the usage of certain products and hence acquiring more orders.
- ✓ It creates new customers and increasing brand recognition for the business.
- ✓ It indicates introduction of new products or replacement of old ones by the business.
- ✓ It can inform people about different products and services, their utilities, cost and other requirements and help us in making better purchases.
- ✓ It can help in attracting huge number of potential customers and make positive impact about their products and services for the advertisers.
- ✓ It creates a brand name for the product being promoted. People can recognize the products from the catchy advertisements they see and thus improving the sales.

- ✓ It can lead to direct feedback from customers regarding certain products. It has been seen that a lot of opinions are received by advertisers on their product/service, which helps in improving the product/service.
- ✓ It enables people begin to feel a need for those goods of which they had never heard before and hence creating demand.
- ✓ It enables the message reach a large audience in a short span of time.
- ✓ It provides competition which benefits the customers as prices may come down.
- ✓ It helps finance other media e. TV, Radio, newspapers etc.
- ✓ It provides employment to the people involved in the advertising industry.
- ✓ It helps the economy in terms of revenue contribution through taxation by the government.
- ✓ It creates awareness in people so as know the products, services and goods under the brands and persuades people to buying better brands.

Sales Promotions are the various ways an entrepreneur use to attract or influence people to buy more of his or her goods or services. It also means the methods used by producers or entrepreneurs to either capture a new market or expand and retain an existing market for a given product or service.



Importance of Sales Promotion:

1. It helps to change the customers' attitude by dispelling some widely held perceptions about the company goods.
2. It helps in building and maintaining brand royalty at an existing level in the market.
3. It informs the public about the availability of goods or services in the market.
4. It helps to out-compete the rivals through carrying out these sales promotional activities, more people pick interest in the product and these increases the market share for the business.
5. It helps in reminding and re-assuring the customers of the company's commitment to serving them more and better.
6. It is used to reward royal customers as prizes to royal customers every after a period of time entices them plus others to buy more of the business products.
7. It helps to increase the sales volume of the business where more & more customers get attracted to buy the product as a result of constant persuasive advertisement.

8. It creates awareness, customer desire and interest in the company product and end up buying more of the same.
9. It is used in targeting a particular market segment like most advertisements in the newspapers target the educated people.
10. It is used to support the activities of the distribution channel whereby if advertising is carried out well the channels of distribution will not need to advertise too much again.
11. It is used in building the company and product brand image.
12. It is used to boast public standing as companies can use advertisements that link them with approved campaign such as care for the environment.
13. It is used to support the sales force by attracting potentials customers and motivating them by boasting the profile of the business to give them more information about the business.
14. It is used in offsetting competitors advertising. Businesses may defend market share by responding to competitors' campaign with their own advertising.
15. It helps in launching of new products or services of the business to the market.
16. It creates desire and interest in the product among the customers.
17. It stimulates buying of the product by the customers.
18. It enables the entrepreneur to know who his or her customers are in the market.

Methods Used In Sales Promotion.

Price reduction: This is one way of carrying out sales promotion where companies tend to reduce prices for their products mainly to attract and retain customers.

Sponsoring of social activities: Companies sponsor social activities or tournament like sports. This is aimed at encouraging more people to their products. E.g. MTN sponsoring Kampala Marathon.

Promotional offers: Companies tend to organize promotions and sell their products to people at giveaway price.

Installment selling: This attracts a number of people without ready cash to enjoy the products of a company and pay at a later time.

Provision of after sales service: Some companies provide services to their customers after buying their products all aimed at encouraging customers to go back for more than going to their competitors. E.g. a company selling photocopiers may provide free maintenance to their customers for a period of two months in case the item gets any problem.

Extending credit facilities to trust worth customers: With the increasing businesses competition, some companies now sell goods to customers on credit and pay later.

Attractive packaging: A product which is well and nicely packed or designed will attract customers as a beautiful or handsome and well-dressed person may attract the opposite sex than a person walking naked shabbily dressed.

Giving free sample or gifts: Most of the new emerging businesses always give away free samples of their products to people and at the end this may attract people to have more of the same in case the sample worked well for them.

Persuasive Advertising: Most of the products with many competitors carry out persuasive advertising as a sales promotional activity to attract people to their products.

Improvement on the product quality: A slight change in the quality of the product may attract many customers to the product e.g. New Improved Omo.

Being Polite / Good Customer Care: Handling customers with care and in a friendly manner is very important for any business as it can make the same customer to come back again and also bring others. A mere smile and good welcome to the customers is enough to make one happy and come back for more purchases.

Appealing brand names: An appealing and attractive brand name attracts customers to the product. The product brand name should not be offensive to some people.

Window display and proper arrangement of goods: Goods should be properly displayed & arranged to attract the attention of the customers to come and buy them.

By renovating the firm's premises: The renovating and painting of the factory premises can also help to attract the attention of the customers.

Attending Trade Shows: This help the customers to see & know that these goods exist & therefore whenever they get the money they may buy them anywhere they get them.

Personal Selling: The firm can also employ sales people to sell the company products directly to customers. This will increase on the company sales and also profits.

Showing excellent knowledge of the products: This can increase the company sales in that whenever the customer asks any question about the product, the salesperson is able to answer it well and to the expectations of the same customers and hence possibly buying.

Loyalty Cards: These encourage the customer to return to the retailer by giving them discounts based on the spending from a previous visit.

Money off coupons: Customers receive coupons or cut coupons out of newspapers or a products packaging that enables them to buy the product next time at a reduced price.

Exchange Scheme: This involves returning an old product in exchange for a new one and some small amount of money is paid with an old item.

Use of buy-One-Get-One Free: This is a sales promotion in which buyers are promised two items for the price of one. It offers customers an item of equal or lesser value for free with the purchase of a product at full price.

Use of bonus Points: This allows consumers to be given credit for each purchase they make with the business. The idea is for the customer to build points to a certain level to gain a reward. They induce customers to buy particular products of the company.

Contests and Sweepstakes: This allows consumers to compete for prizes based on skill or ability. Winners are determined by a panel of judges or based on which contestant

comes closest to a predetermined criterion for the contest. Contests were very often used earlier where people have to write slogans, poems, stories etc.

Refunds and Rebates: Refund is the repayment of total money paid for purchase, while the rebate represents repayment of only part of the money paid for the purchase. A refund offer seems to work very well in guaranteeing the trial of a product or service since there is no risk involved for the customer because of the promise of total refund of the purchase amount.

Bonus pack and banded pack: In case of a bonus pack, an additional quantity of the same product is offered free when the standard pack size of the product is purchased at the regular price.

Demonstration of the Promotion of Different Products:



Activity: 8.3. In groups,

- Learners should study a range of advertisements and research how they promote sales and share these findings to the rest of the class.
- Learners design a poster to advertise a given product, considering the intended audience.

CONSUMER PROTECTION:



Consumer Protection is the practice undertaken by the government to safeguard the rights and health of consumers from the exploitation by the suppliers/sellers. This refers to measures taken to ensure that consumers are not cheated of their hard earned money or

exploited by traders.

Importance of Consumers' Protection:

- ✓ It protects the consumer from buying expired goods.
- ✓ It safeguards the consumers' rights.
- ✓ It protects the consumers from the exploitation by the suppliers.
- ✓ It helps the government get revenue in form of taxes charged on sold goods.

- ✓ It prevents suppliers from selling faked goods since they are aware of the rights and health of the consumers.
- ✓ It helps consumers get high quality goods/commodities.
- ✓ It enables consumers to know their rights.
- ✓ It prevents consumers from consuming dangerous to health.

Methods of Protecting Consumers:

Through Self Regulation by Business: Many firms set up their customer service and grievance cells to redress the problems and grievances of their customers to enable them buy their goods and services.

Using Business Associations: These set prepare code of conduct as to how businessmen are expected to behave with their customers for purpose of serving them better.

Through Consumer Awareness: Consumers are educated on their rights from the sellers such that they can raise their voice against unfair practices by the sellers.

Through Consumer Organizations: These help in educating the consumers about their rights and providing protection to them to avoid malpractices and exploitation from sellers.

Enacting laws by the Government: Government enacts laws to protect the interest of the consumer against sellers who may exploit them during selling of goods to them.

Through health and measurement Acts: This is responsible for ensuring that consumers get commodities with the right weights/scales which are accurate.

Using the Public Health Act: This is responsible for inspection of food and drugs which are on market to see that they are of good quality.

Controlling Prices: The government can set a maximum price where producers are not allowed to sell beyond the set price.

Using taxation: Here, the government can increase taxes of those goods which are less desired or which are harmful to the consumers in a way of discouraging their consumption.

Through the National Bureau of Standards: This is the government body that checks the standards and quality of the commodities and ensures that they are of the right quality.

Using the Trade Description Act: The government ensures that the commodities consumed have instruction which show clearly how the product is to be used.

Through Total Ban: This is where the government totally stops the importation and use of those goods which may prove to be dangerous to the consumers.

Removing the Trade License: The government can withdraw the license of the producers especially those who are providing commodities which are of poor quality.

Applying the food and Drug Act: This prevents manufacturers from adding dangerous substance in the commodities which may be harmful to the consumers.

Encouraging the formation of business associations by traders to ensure satisfactory standards of products like KACITA, UMA etc.

By the government directly engaging in the production and marketing of essential goods and services through setting up state enterprises.

Controlling prices: The government can set a maximum price where producers are not allowed to sell beyond the set price.

Common Areas of Consumer Exploitation by Traders

1. High prices of goods and services
2. Wrong and sub-standardized measures and weights
3. Unhygienic and half baked goods sold in unclean markets.
4. Misleading and deceitful persuasive advertisement.
5. Sale of expired drugs
6. Sale of inferior and substandard goods.
7. Product adulteration.
8. Counterfeited / faked product

The Agents Involved In Consumer Protection.

Consumer Financial Protection Bureau: This aims at protecting consumers against deceptive financial products and also ensures that consumers get the required information to select the best financial services like loans, credit cards and mortgages.

Consumer Product Safety Commission: This protects consumers against unsafe consumer products by developing the required standards for quality products.

Food and Drug Administration: This safe guards the consumers against unhealthy drugs and poor quality and expired foods to the population.

Challenges Encountered in Enforcing Consumer Protection In Uganda and Other Countries.

- ✓ Smuggling of goods into the country without the notice of the government.
- ✓ Strikes by people when taxes are high and this leads to civil wars in the country.
- ✓ Production of harmful products by producers and sell them to people indirectly without the state knowledge.
- ✓ Shortage of qualified police officers to arrest and take smugglers to courts of law.
- ✓ Inadequate finance to enable the government bodies carryout inspections in the factories to know their operations and how they conduct their businesses.

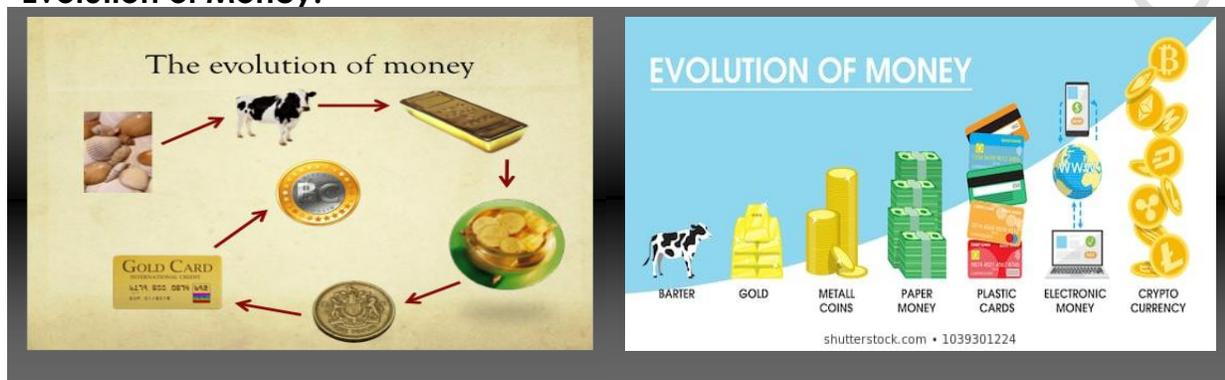
Activity of Integration: In groups, learners should conduct a market research around their school and:-

1. Write a market research report and present it to the class
2. Identify the methods used in collecting the information

CHAPTER NINE: MONEY AND FINANCIAL INSTITUTIONS:

Key Words	By the end of this topic, you should be able to:
<ul style="list-style-type: none"> ✓ Money ✓ Barter trade ✓ Saving 	<ul style="list-style-type: none"> ✓ Identify different forms of money ✓ Give the importance and functions of money ✓ Identify the problems of barter trade ✓ Give the importance of savings

Evolution of Money:



This refers to the process by which money came into existence and how it has changed its form. Before money came into use, there was a system of barter trade where goods were exchanged for goods, goods for services and services for services. During this period, items like stones, metals, skins, shells were used as money but because of developments that took place in the commercial world, people realized that treating something like money may solve the problems of barter trade and hence the introduction of coins and later paper money.

Barter Trade:

This is the exchange of goods for goods, goods for services or services for services.



Advantages of Barter Trade:

- ✓ It eliminates the risks of moving with money which can easily be stolen.
- ✓ It eliminates the burden of converting local currency for foreign currencies in case of foreign trade.

- ✓ It minimizes the use of documentation or paper work hence low cost of operation.
- ✓ It enables individuals to get goods they lack by exchanging what they have.
- ✓ It encourages mutual understanding among or between exchanging parties/people.

Disadvantages of Barter Trade:

Double Coincidence of Wants: It was difficult to find someone who had what you wanted in exchange of what you have.

Divisibility Problem: It was difficult to divide or break down commodities into smaller quantities to cater for those who would wish to get smaller quantities, like dividing a cow for a tin of potatoes.

Valuation Problem: It was difficult to determine or measure the value of a given commodity i.e. to estimate the rate at which commodities can be exchanged e.g. how many hens can be exchanged for a cow.

Storage Problem: It was difficult to store some goods especially perishable goods for a long period of time, e.g. tomatoes, passion fruits etc.

Transportation/Handling: It was difficult to transport bulk goods like a sack of potatoes, cattle, goats etc.

Language Barrier: It was difficult to communicate with people in different regions or countries because different regions and countries used difficult languages.

Future Trade problem: It was difficult to get a commodity on credit because there was no documentation/ paper work.

MONEY:

Money is anything that is generally acceptable as a medium of exchange or settlement of debts. It is a legal tender meaning that everyone in a country must accept it as a medium of exchange.



Forms of money from different countries

Stages of Money Evolution:

- a. **Barter Trade:** The earliest form of exchange did not involve bank notes and coins like the case today. Commodities were exchanged directly for other commodities.



- b. **Commodity Money:** Various commodities were selected by the society to act as money, e.g. cattle, cowry shells, stones, salt etc.



- c. **Precious Metals:** These had a lot of shortcomings as they lacked the qualities that characterize good money therefore precious metals like gold and silver replaced most of them. These were to be weighed and examined for their value.



- d. **Minting of Coins:** Weighing metals was troublesome and a hindrance to trade. Government started manufacturing coins from precious metals which granted value and weight.



- e. **Currency Coins and Notes:** Today's money consists of currency notes and coins together with bank deposits.



- f. **Bank Deposits:** These are paid into the bank in form of coins and paper money and then transferred to another person by means of cheque.



Forms of Money:

1. **Coins:** This is the metallic money. It can be token or standard coins.
 - ✓ **Token Coins:** These are coins whose face value is either greater or less than the material from which it is made.
 - ✓ **Standard Coins:** These are coins whose face value is equivalent to the material or metal from which it is made.



3. **Bank Notes:** This is money in form of paper or paper money.



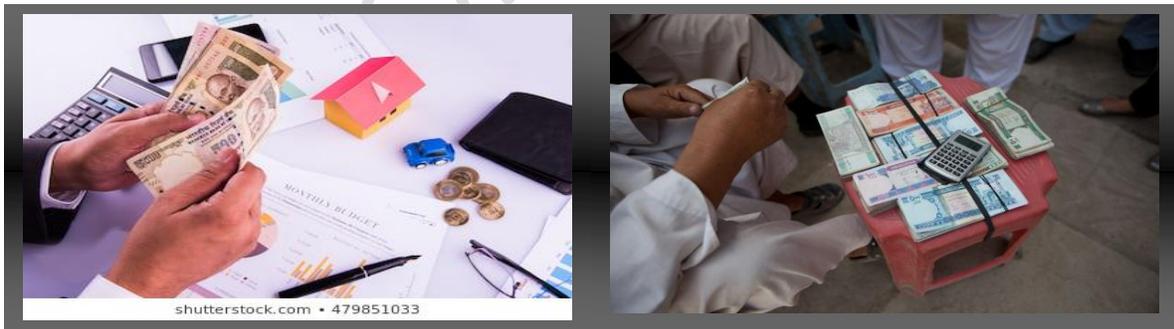
3. Bank deposits: This is the money which is kept in the bank by the bank customer for withdraw anytime.



4. Cheque: This is a written order by the bank customer to his bank to pay a given amount of money to a named person.



Functions of Money:



Medium of exchange: Money acts as medium of exchange acceptable to all concerned i.e. goods and services can be exchanged for money.

Measure of value: Money acts as a measure of value of different commodities i.e. it determines the value or price of the goods and services in a particular country/area.

Store of value: Money is used as a store of value because it's not bulk and doesn't depreciate therefore it can be stored and used any time e.g. in the bank, in property etc.

Unit of account: Money acts as a unit of account to effect or to carry out business transactions because all the records are expressed in terms of money.

Standard for future payment: Money simplifies payment of debts and transactions to some future debt or money can be used for staying debts for the goods taken on credit.

Transfer of fixed Assets: Money can be used to move fixed assets from one place to another. E.g. in case a person has a house in Entebbe but wishes to shift to Jinja, he can sell the houses in Entebbe and uses the money got to set up another houses in Jinja.

Generalization of purchasing power: money generalizes the purchasing power since it can be used in payment for any kind of goods offered for sale as opposed to any other medium of payment that might be restricted to specific commodities only.

Saving Culture:

Saving is reserving one's earnings for future use. Saving requires one to reduce on his/her current consumption to reserve a balance that can be saved for future use. Savings can be done in the banks or any financial institutions.



The money saved in the bank can be put on different accounts depending on the wishes of the one saving. This can later be used to start a business or used for any

Activity: 9.1. In groups,

- (a) Brain Storm on the qualities of good money
- (b) Discuss how saving has developed from traditional to the current saving with banks

Banks and Banking:

A bank is an institution that accepts deposits from those who have some money in excess of their immediate needs. **Banking** is an aid to trade that assist people/public with monetary problems. This is a business activity carried out by banks by accepting people's deposits and releasing them on demand.



Picture One



Picture Two

Types of Banks:

There are basically three types of banks and these are: Central Banks, Commercial banks, and Development banks.



Challenges faced by banks in Uganda:

- ✓ Ignorance/ People lack information on the benefits of keeping money in banks
- ✓ Low deposit by people due to poverty by most Ugandans makes it hard for them to save.
- ✓ Limited banks in the rural areas as most are concentrated in town leaving the rural areas.
- ✓ Political insecurity in some parts of the country limits banks from spreading to such areas.
- ✓ High rates of inflation in the country making it hard for people to save their incomes.
- ✓ Stiff competition from the many banks available in relation the people.
- ✓ Untrustworthy customers who defaults on the loans from banks.
- ✓ Negative attitudes by most people towards the banking services
- ✓ Inadequate transport and communication facilities
- ✓ Limited skilled man power to cope up with the changing technologies in the banks

- ✓ Poor infrastructures in far remote areas where the investors cannot establish up banks.
- ✓ Government interference leading to the closure of some banks
- ✓ Limited trust by the customers to the banks.
- ✓ High taxes charged by the government on the banks that limits their profits

Solutions to the Above Challenges:

- ✓ Improving on the political situation on the country to encourage investors set up banks in rural areas.
- ✓ Sensitizing the public on the importance of saving money with banks.
- ✓ Setting and improving on the infrastructure in the country to enable easy movement.
- ✓ Controlling the inflation so as to encourage people save with the hope of their money not losing value.
- ✓ Setting up banks in the rural areas for people to easily reach them and save their money.
- ✓ Training the personnel on how to use modern technology and programmes applied in banks.
- ✓ Asking for government subsidies especially those that set up banks in rural areas near the people.
- ✓ Lobbying the government to reduce on the taxes charged on banks.
- ✓ Training people on the proper use of loans than using it for the purpose not got for.

Rights of Bank Customers:



- ✓ Right to fair treatment without any discrimination on the basis of gender, age or physical disability etc.
- ✓ Right of transparency, fair and honest dealing by being informed the prices of the bank products, risks involved, terms and conditions.
- ✓ Right to suitability by being offered products that are as per my needs and requirement as a customer.
- ✓ Right to privacy to all my personal information being kept confidential with the banks except from where the customer has allowed the bank to provide it for a particular purpose.
- ✓ Right to grievance redress and compensation for the complaint raised due to their system due to my difficulties in dealing with the bank.

THE CENTRAL BANK:

This is a government institution established to control, guide and assist commercial banks in the country and provide banking services and financial advice to the government. For the case Uganda, it called Bank of Uganda.



Functions of the Central Bank:

Issue of currency: The central bank has the sole role of issuing the country's currency notes/money.

Banker of commercial banks: The central bank offers banking facilities to commercial banks operating in the country.

Banker to the government: The central bank accepts deposits on behalf of the government in form of tax revenues and also provides short-term loans to the government.

Control of foreign exchange: The central bank through the Act of parliament and various regulations exercise strict control issuing foreign currency where no commercial bank is allowed to sell any foreign money without the approval of the central bank.

Overseer of commercial banks: The central bank is entrusted with the responsibility of regulating the activities of the commercial banks on all matters relating to money policies by receiving periodic reports from these commercial banks on the banking activities.

Lender of last resort: The central bank though not essentially money lending institution, it lends money to the government and other financial institutions that are not able to secure loans from other sources.

Control of the interest rates: The central bank has its own interest rate at which it lends money at the same time it has also to determine the interest rate at which commercial banks lends to the public.

Credit control: The central bank regulates the amount of money in circulation so as to avoid inflation in the country through many ways.

Stability of the currency: It is the responsibility of the central bank to maintain the stability of the country's currency to avoid extreme fluctuations in the rate of exchange between the country's currency and foreign currencies.

Regulate, license and supervises financial institutions in Uganda. All financial institutions are regulated and given operational licenses by the central bank before starting to operate legally.

Formulates and conducts monitory policy in the country. Bank of Uganda regulates the supply and demand for money in the economy to maintain the value of money and to ensure price stability.

Issue government securities: Bank of Uganda issues government treasury bills and treasury bonds on behalf of the government of Uganda.

Oversees national payment and settlement system: Bank of Uganda oversees operations of national payment and settlement of systems to ensure fast, secure and reliable transfer of money from for trade, business and economic development.

Manages Uganda's foreign reserves: Bank of Uganda manages Uganda's foreign reserves to meet Uganda's international obligation and emergencies.

It is an agent to international organizations like the World Bank, international monetary fund etc.

Activity: 9.2. In groups, learners

- (a) Should list all the banks in the local community and surrounding areas.
- (b) Discuss the purpose of the banks and agree the differences and similarities of the different banks.
- (c) Discuss the importance of banking to business and share this with another group.

Activity: 9.3. In groups,

- (a) Learners read text on the meaning and functions of the central bank, discuss and present a summary of this to class.
- (b) Learners should compare the role of the central bank to that of more local banks and community saving schemes. Learners should investigate the origins of the Central Bank, identifying reasons for its development.

COMMERCIAL BANKS.

These are financial institutions that accept deposits from the public and release it on demand. They deal in money issues with the aim of making profits. These banks offer a wide range of banking services /activities and are of particular importance to businessmen. Examples in Uganda includes: Centenary bank, Bank of Baroda, Cairo bank, and Stanbic bank etc.



Role of Commercial Banks:

- ✓ Accepting people's deposits and keep them safely until they demand for them.
- ✓ Providing financial assistance to the public in form of loans and bank overdraft.
- ✓ Keeping valuable items and documents in safe custody on behalf of their clients e.g. land
- ✓ Providing cheque facilities to make payment easier by use of traveler's cheques.
- ✓ Giving advice to their clients on financial and investment matters.
- ✓ Acting as trustees to their customers as they even look after the property of the deceased customers and distribute assets as per the laid down will.
- ✓ Safe guarding traders' in international trade through travelers' cheques hence facilitating foreign trade.
- ✓ Buying and sell foreign currencies like pounds and dollars.
- ✓ Providing night safety services to their customers who wish to deposit or withdraw money beyond the normal working hours.
- ✓ Buying and selling share, securities and bonds on behalf of their customers.
- ✓ Provision of revenue to the government through taxation of their activities.
- ✓ Transferring money for their customers through cheques, bank deposits and standing orders.
- ✓ Acting as referees to their customers by giving information to their customers about their financial status.

DEVELOPMENT BANKS.

These are banks created by the government to facilitate industrial, commercial and agricultural development of the country. They give out loans on medium and long-term basis to large capital spenders/expenditures which may not be given by the

commercial banks. Example include: African Development Bank, East African Development Bank, International Development Bank.

MERCHANT BANKS: These are banks that specialize in accepting and discounting bills of exchange and assisting traders in international trade. Originally, they were not accepting deposits from the public but recent trends in the banking industry, they now loans accept deposits.

Activity.9.4. In groups, Learners:-

- a) Should describe any commercial banks they know and present to the class.
- b) Should compare commercial banks to other types of banks and consider in what situations a commercial bank is the best option.
- c) Should write a job description for the manager of a commercial bank.

TYPES OF ACCOUNTS

Savings Account: This is the type of account normally offered to low income earners by both commercial and savings banks.

Features of Savings Account:

- ✓ A minimum initial deposit is required when opening up a savings account.
- ✓ Deposits and withdrawals can be made at any time on and from the account.
- ✓ A small interest is given to the account holder depending on the current balance.
- ✓ A minimum balance is required to be maintained on the account.
- ✓ A pass book is given to the account holder to be used during deposits and withdrawals.
- ✓ Automated Tell Machines card are also issued to the account holder for cash transactions on the account.
- ✓ Bank overdrafts are not given on this account.

Current Account: This is the type of account normally offered commercial banks to businessmen or institutions.

Features of Current Account:

- ✓ A minimum initial deposit is required at the time of opening up an account in the bank.
- ✓ No minimum balance is required and one can withdraw all the money from the account.
- ✓ One can deposit money at any time of the day in any form like cheques, cash, drafts etc.
- ✓ A cheque book is issued to the account holder to be used in withdrawing cash.
- ✓ Bank statements are given to the customer on monthly basis to show the financial standings.
- ✓ No interest is given to the account holder.
- ✓ Withdrawals can be made at any time of the day.
- ✓ Bank overdraft can be given to account holder which shall attract an interest.

Fixed Deposit Account: This can be opened with not less than a certain minimum amount for a specified period of time. It is in most case for people who have excess money that they may not need immediately for spending. This is because withdrawals may not be allowed until the expiry of a specified time.

Features of Fixed Deposit Account:

- ✓ Deposits are for a defined period of time.
- ✓ Withdrawals cannot be allowed before the expiry of the defined period.
- ✓ A receipt is given when depositing money and the same receipt is presented when withdrawing cash from the same account.
- ✓ The account attracts a higher interest rate on the money held.
- ✓ Money on the account can be used as a security when applying for a loan.

Difference Between Investment and Savings:

Saving: Is reserving one's incomes/ earnings for future use. It is the proportion of one's income which is not spent on current consumption but put aside for future use. Or it is the act of abstaining from current consumption to create funds for future use.

People saving money for future use:



Investment: This is the process of creating capital stock. Or it is the process of devoting part of a person's national income to creation of capital stock or goods.



Procedures of Opening an Account:

1. Presenting two reference letters from the employer and the current bank customer.
2. Presenting Personal Current Identity Card/pass port or driving permit showing your true likeness.
3. Presenting a registration certificate for the case of partnership or joint stock Company together with evidence of the appointment of signatories.
4. Filling of application form by the applicant giving personal details.
5. Appending signature on two signature cards given by the bank together with the form to act as specimen signatures to be used to verify the applicant's signatures that may appear on any documents such as cheques or during withdrawals.
6. Issuing of an account number which will appear on all cheques issued by the account holder.
7. Making an initial deposit on the account using deposit slips.
8. Issuing of the cheque book later for current accounts holders.

MICROFINANCE INSTITUTIONS:



Micro Finance Institutions Are a type of banking services provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services.

Types of Microfinance Institutions.

Tier II financial institutions: These class includes credit and finance companies that accept customer deposits and establish savings accounts but do not trade in foreign currency. They are also authorized to make loans backed with collateral or without collateral to savings and non-savings customers. E.g. Brac Uganda Limited.

Tier III Financial Institutions: This class includes microfinance institutions that are allowed to accept deposits from customers but only in the form of savings accounts. They are also as Microfinance Deposit-taking Institutions or MDIs. MDIs are not authorized to offer checking accounts or to trade in foreign currency. E.g. FINCA Uganda Limited, Pride Microfinance Limited, UGAFODE Microfinance Limited, EFC Uganda Limited, Yako Microfinance Limited etc.

Tier IV Institutions: These institutions are not regulated by the Bank of Uganda. They are not authorized to accept deposits from the public. They may, however, offer loans backed with collateral or without collateral to the public. E.g. Letshego Microfinance Uganda, Hofokam Limited.

Activity: 9.5. In groups, Learners should:-

- a) List all the types of bank accounts and share with the class.
- b) Choose one type of bank account & identify its features and demonstrate with the class (a cheque, cash deposit & withdrawal slip)
- c) Work in pairs to investigate the differences between investment and savings

Activity: 9.6. In groups,

- a) Discuss the meaning and role of microfinance institutions to small businesses.
- b) List the types of microfinance institutions, providing examples that interest them from across Uganda.

ELECTRONIC BANKING:



Electronic Banking It is simply the use of electronic and telecommunications network for delivering various banking products and services. It is the provision of banking services through electronic channels where the customers access the data without any time and geographical limitation. It is the use of electronic delivery channels for banking products and services and is a subset of electronic finance.

PRODUCTS OF ELECTRONIC BANKING

1. Internet Banking:

This is where customers of a bank or other financial institution can conduct a range of financial transactions through the institution's website.



2. Mobile Banking:

This allows customers of a financial institution to conduct financial transactions remotely using mobile device like Smartphone or tablet anywhere.



3. Debit Cards:

This is a card allowing the holder to transfer money electronically from their bank account when making a purchase without writing a cheque



4. Phone Banking:

Banks or financial institutions can enable their customers to perform over the telephone a range of transactions which do not involve cash or financial instruments without the need to visit a bank branch.



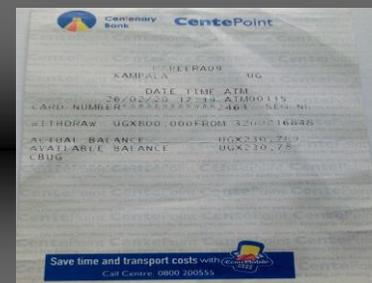
5. ATMs (Automated Teller Machines):

This allows a bank customer to perform electronic banking without the help of a bank teller but with an ATM machine anywhere. It works 24/7 a week



6. E-Statement:

After withdrawing money from an ATM, a mini statement can be produced to enable you know the remaining money on the account before the next transactions.



7. Door-Step Banking:

This is a facility provided by the bank to the customers at their homes to enable them perform banking activities like cash deposit, cash withdrawals or cheque deposit without visiting the bank.



8. Online Bill Pay:

Different utility companies, service providers etc. across the country use their banks to offer online payment of bills like electricity, telephone, mobile phone, etc



9. Electronic Funds Transfer: (EFT):

A customer can transfer funds from his account to another with the same or different bank anywhere in the world. He logs in to his account, specify the payee's name, A/c No, his bank, and branch with the transfer amount.



BENEFITS OF E-BANKING:

It leads to low transaction costs: Electronic transactions are the cheapest modes of transaction with no transportation costs etc.

It has reduced margin for human error: Since the information is relayed electronically, there is no room for human error.

It has lesser paperwork: Digital records reduce paperwork and make the process easier to handle. Also, it is environment-friendly.

It has reduced fixed costs: A lesser need for branches which translates into a lower fixed cost.

It leads to more loyal customers: Since e-banking services are customer-friendly, banks experience higher loyalty from its customers.

It is convenient: A customer can access his account and transact from anywhere twenty fours a week.

It has no geographical barriers: In traditional banking systems, geographical distances could hamper certain banking transactions. However, with e-banking, geographical barriers are reduced.

It enables account reviews: Business owners and designated staff members can access the accounts quickly using an online banking interface. This allows them to review the account activity and also ensure the smooth functioning of the account.

It leads to better productivity: Electronic banking improves productivity. It allows the automation of regular monthly payments and a host of other features to enhance the productivity of the business.

It has lesser errors: Electronic banking helps reduce errors in regular banking transactions. Bad handwriting, mistaken information, etc. can cause errors which can prove costly. Also, easy review of the account activity enhances the accuracy of financial transactions.

It has reduced frauds: Electronic banking provides a digital footprint for all employees who have the right to modify banking activities. Therefore, the business has better visibility into its transactions making it difficult for any fraudsters to play mischief.

Challenges in E-Banking:

Challenge of Privacy Risk: Peoples fear very much from the fact that there is fear of identity theft and disclosing private information in online to other people.

Challenge of trust factor: There is limited trust as many questions may be asked especially when a financial transaction has been done on faithfulness on the medium used, the site you are used about the connection etc. There arise several questions in mind of users: Did transaction go through? Did I push the transfer button once or twice? Is my Password and ID secured? Trust is very important factor which influence the customers”.

Challenge of customer awareness: Peoples are still not aware of banks and therefore there is a long way for E-banking awareness.

Challenge of Holes and hackers: Any defect in hardware, software or privacy policy, and use of banking in open networks or unsecure networks allows hackers to have unauthorized access. The network tolls that can be affected by holes are routers, server software, operating system, firewalls and clients.

Challenge of money laundering risk: Since internet banking can be done remotely, banks may find it difficult to apply traditional methods for preventing and detecting undesirable criminal activities like money laundering.

Challenge of cyber Squatting: It is the act of registering a famous domain name and then selling it for a fortune. Cyber squatters register providers” domains so as to attract their users and benefit from it.

Challenge of languages and literacy barriers: Unfamiliar language and illiteracy are barriers in using E-banking service are mostly in English language. It is very difficult to have a regional language to be applied b all in the transactions.

Challenge of fraud by human resource of the bank: When you have the access to a plenty of information and the information is in hands of a person we can trust anyone. There are several peoples who use their own gain and may cause loss to both customer as well as bank.

Activity: 9.7. Invite a guest speaker

- a) To describe modern technological trends in the banking industry.
- b) In groups, learners present a case for electronic banking and then use this to persuade a teacher who does not use electronic banking.
- c) Learners should list different types of electronic banking products and services.

Activity of Integration: In groups,

1. Learners should write a job description for a General Manager of a commercial bank.
2. Learners should write why microfinance are important compared to commercial banks
3. Learners should form groups, contribute in form of saving and use the saved money to start a small project of their choice with the guidance of their teacher.

CHAPTER TEN: TAXATION

Introduction to Taxation:

Key words	By the end of this topic, you should be able to:
<ul style="list-style-type: none"> ✓ Tax and Taxation ✓ VAT ✓ Customer Obligations and Rights 	<ul style="list-style-type: none"> ✓ Define the term taxation ✓ Know the importance of taxes



Taxation: It is the process by which the government raises/obtains money or revenue from eligible persons, companies and other entities by law. This means by which governments finance their expenditure by imposing charges on citizens and corporate entities.

A Tax Is a none quid-pro-quo payment to the tax authority as a cost of administering certain services to the public. This means that taxes paid do not have a corresponding return or benefits in terms of goods and/ or services from the government. It is a compulsory transfer of money from the public to the government as a source of government revenue. It also means a monetary charge imposed by the government on persons, entities, transactions or property to yield public revenue.

Origin of Taxation.

Taxation traces its way from the various reins of the Egyptian Pharaohs tax collectors known as Scribes. One time, these imposed a tax of cooking oil. To ensure that citizens were not avoiding the cooking oil tax, tax scribes would audit households to ensure that appropriate amounts of cooking oil were consumed than citizens using other byproducts generated by other cooking process as a substitute for the taxed oil.

In East Africa, taxation was introduced by the British Colonial Administrators through compulsory public works like road construction, building administrative headquarters and schools among others. The **Hut Tax** was the first formal tax introduced in 1900 establishing the first common tariff arrangement between Uganda and Kenya. This arrangement made Ugandans start paying an indirect tax called customs duty. This followed the imposition of an ad valorem import duty of 5% on those goods to Uganda through Mombasa port. Another similar arrangement was also made with Tanganyika

for Ugandan goods that entered through Dar-es-Salaam and Tanga ports giving rise to revenue got by Uganda.

Since the indigenous Africans were engaged in activities that could not lead to the growth of the monetary economy, the protectorate government relied on customs duties which was not also enough to finance its activities. This forced the government to introduce and impose a flat rate poll tax on all male adults. This tax forced the indigenous Ugandans to enter into the market sector of the economy by either selling their agricultural produce or hiring out their services for pay to be able to pay the tax imposed on them. Later, another tax to finance local government was introduced which increased the tax burden on the indigenous Ugandans. This led to the first tax legislation in 1919 under the Local Authorities' Ordinance. In 1953, a committee headed by Mr. C.A.G Wallis was constituted which recommended the introduction of Graduated Personal Tax to finance local governments.

In Uganda, Income tax was introduced in 1940 by a Protectorate Ordinance and this was mainly paid by only Europeans and Asians but it was later extended to Africans. Later in 1952, the Ordinance was replaced by the East African Income Tax Management Act, laying down the basic legal provisions found in the current income tax law. The above Act of 1952 was later repealed and replaced by another Act called the East African Income Tax Management Act of 1958.

The departments of the East African Community (EAC) administered both income and customs taxes / duties until its collapse in 1977. During the EAC period, there were regional taxing statutes and uniform administration though the national governments or partner states retained the right to define tax rates.

When the EAC collapsed, the tax departments were transferred to the Ministry of Finance (MoF) with the transfer of the Income Tax Department in 1974, followed by Customs Department in 1977. In 1991, the role of administering the Central government taxes was shifted from the MoF to Uganda Revenue Authority (URA) after its establishment by an Act of Parliament on 15th/September, 1991 to collect central government revenue and facilitate trade in Uganda.

With the re-establishment of EAC in 1999, the community enacted the East African Community Customs Management Act in 2004 to govern the administration of the EAC Customs union, including the legal administration and operations.

KEY TERMS USED IN TAXATION:

Value Added Tax. This is an indirect tax paid by a person who consumes or imports goods and or services in Uganda. It is charged on the value added at different stage of production or supply of goods and services.

Tax Evasion: Is a taxpayer's deliberate refusal to pay the tax. This may take the forms of engaging in smuggling of goods, false declaration of income, among others.

Tax Avoidance: Is where a tax payer takes the advantages in the tax system so as to pay less tax or not to pay the tax at all. The tax pay uses it to reduce one's tax liability.

Taxable Base: This refers to the source of the tax such as property, income and economic activities. This refers to the total number of items that are taxed in a given country.

Tax Incomes: This is the income liable to taxation by the Tax Authority. Is the amount of an individual's income that is subjected to taxation after all other allowances to which he / she is entitled have been deducted from his/her income.

Tax Holiday: It is the period of non-tax payment given by the government to encourage investment. It is done to induce investment to a country.

Tax Exemption: Is where the taxpayer is relieved from paying the tax.

Taxable Capacity: This refers to the extent to which individuals are able to pay taxes imposed to them and remain with enough disposal income to enable them live a decent life.

Tax Liability: Is the amount of money a tax payer is expected to pay in a given period of time.

Tax Incidence: Is the point that receives ultimate burden of the tax.

Tax Compliance: Is the degree to which the tax-paying communities meet the tax obligations as set by the appropriate legal regulatory provisions.

Taxable Person: This is a person who is either registered for VAT or not yet registered but is required to be registered. Such a person may be an individual, partnership, company, Trust, government or local authority like Town Council.

VAT Threshold: This refers to the amount of money or level of income from which the tax liability begins.

E-Taxation: This is a system of tax administration using online technology. It involves the use internet to register, assess and pay taxes.

Tax Returns: This refers to the declaration a taxpayer periodically makes to URA indicating how the taxpayer has transacted during that period and any tax payable for that period. A tax period is the duration for which a return is required i.e. a year, month or week. A due date is the deadline for filing a return beyond which a person is required to pay a penalty.

Types of Taxes.

Taxes are broadly categorized into two types:-

A).DIRECT TAX: These are the taxes imposed on the income and property of individuals and business entities. The burden of this tax falls of the individual or business directly. The common direct taxes include:-

Trading License Fee: This is a fee paid to allow a person carry out a specified business in a given area for a period of usually one year. All businesses regardless of their forms are required to have a valid license before starting operation.

Development Tax: The local authorities impose taxes on businesses and employees in their locality. It is charged to develop the area where the business is located.

Pay As You Earn (PAYE): This is charged on the salary or wage of the employee and is collected in the period when wages are paid. PAYE is not charged on monthly income that does not exceed Shs. 235,000/=.

Property Tax: This is charged on income derived by a person from provisions, use or exploitation of property. The property of a business or a person may include buildings, plants and machinery etc.

Local Service Tax: This is a tax levied on wealth and incomes of all persons in gainful employment. These include self-employment and practicing professionals, artisans, businessmen and women and commercial farmers.

Corporation Tax: This is a tax charged on the company profits normally at a flat rate. It is at a flat rate of 30%. However the rate for mining companies is either 25% or 45% depending on the chargeable income of the company.

Rental Income: This is a tax charged on incomes earned by individuals from letting out immovable property. The tax rate is 20% of the individual's taxable rental income. The formula is equal to 20% of (80% of the rental income less Shs 2,820,000/=).

Presumptive tax: Is a tax imposed on resident persons with small business entities whose annual gross turnover is above Shs.5 million but does not exceed Shs50 millions.

Gaming and Pool Betting Tax: This is a tax that is paid by businesses involved in sports betting activities. The sports involved here include among others football, pool table, cricket etc. These are charged a withholding tax of 15% on every win by the customer and remitted to URA.

Capital Gain Tax: This is a tax levied on incomes from the disposal of a business asset that is not a depreciable asset such as land and buildings.

B) INDIRECT TAX: This is a tax imposed on consumption of goods and services by an individual. The tax payer does not directly feel the burden of the tax. Examples here include:-

Value Added Tax (VAT): This is a tax on consumption of goods or services. It is collected on business transactions and imports which involve the supply of goods and services.

Excise Duty: This is a duty imposed on the production or importation of specific goods with a view to influence their consumption and or supply in the local market.

Customs Duty: This is a duty imposed on goods that cross national border points either as imports into the country or exports leaving the country.

Import Duty: Is the tax imposed on goods entering into a country from other countries and usually paid at the point entry or boarder.

Export Duty: Is the tax imposed goods being exported to other countries and usually paid at the exporting point.

Specific Tax: This is a tax levied according to the weight or quantity of commodities.

Sumptuary Tax: Is the tax paid by consumers to discourage consumption of certain goods like alcohol, cigarettes.

Local Hotel Tax: This is a tax charged on hotels / lodges and paid monthly by the owners to local authorities. The charges vary depending on the location of the hotel or lodge.

Withholding tax: Is the tax payable by every person who imports goods into a country at the rate of 6% based on the Customs Value (Cost, Insurance and Freight) unless the person is exempted from withholding tax.

Advantages of Direct Taxes:

- ✓ They are certain as the tax payer knows when, how much and method of payment
- ✓ They are flexible as they are adjusted according to the prevailing economic conditions in the economy.
- ✓ They are simple to understand by both the tax payers and collectors
- ✓ They are convenient as they are collected when the tax payer has earned an income.
- ✓ They are progressive in nature and hence promoting equitable income distribution in the economy.
- ✓ They are economical to collect by the government as it may not spend much to collect them
- ✓ They cannot easily be avoided by the tax payer
- ✓ They can be used to control inflation through reducing excessive incomes.
- ✓ They are regressive and the rich pay more and the poor pay less.

Disadvantages of Direct Taxes:

- ✓ They are characterized by a lot of tax evasion and avoidance and this reduces the government revenue, for instance, people in the private sector find it very easy to evade taxes.
- ✓ The cost of collection is at times high. This is because government has to employ many officials and pay a lot to do the collection and administer, thus they tend to be less productive.
- ✓ The government is usually not sure about how much revenue it will collect especially in developing countries where there is a lot of corruption in tax administration.
- ✓ They tend to discourage investment especially when they are regressive in nature, for instance, high profit tax may leave the firm with less profit to plough back.
- ✓ Due to low taxable capacity in developing countries, little revenue is collected from direct taxes since majority of people are poor where very few people earn above the threshold of income tax.
- ✓ Direct taxes discourage entrepreneurship especially where the rates of corporate taxes are high.
- ✓ High direct taxes lead to inflation in an economy, for instance, when profit taxes are high, traders increase prices of goods which may cause inflation.
- ✓ High rates of direct taxes make the people resent the government in power hence making it unpopular.

- ✓ Direct taxes tend to discriminate among tax payers especially when tax assessment is not based on impartiality.
- ✓ They reduce the cost of living of people as they reduce on their disposable income
- ✓ They may lead to government unpopularity which can also lead to people unrest.
- ✓ They discourage investment in the country as they are imposed on people's incomes.
- ✓ They discourage hard work among people as it is taxed on income earned after work

Advantages of Indirect Taxes:

- ✓ They are not easy to avoid or evade since they are incorporated in the final prices for goods and services as consumers buy them.
- ✓ They help in the income re-distribution as they are selectively levied for example as the rich consume the goods, the money got is used to provide services for the poor.
- ✓ They encourage hard work since they are not directly linked to people's earnings.
- ✓ They are less felt by consumers as they are normally paid as part of the final price for goods and services.
- ✓ They can be used as the government tool in correcting the balance of payment problems in an economy thereby increasing on the import duties.
- ✓ They can be used by the government to protect the infant domestic industries from competition with the well-established foreign industries.
- ✓ They are more economical in their collection as they are collected by different people at different levels and sent to the tax authorities/concerned authorities.
- ✓ They are more comprehensive and act as a reliable source of government revenue as it cannot be dodged by individuals.
- ✓ They can be used to strengthen the link with other countries through international trade by levying import duties discriminatory on goods from different countries.
- ✓ They are flexible or elastic as the rates can be adjusted either down or up wards to enable the country achieve her goals and objectives.
- ✓ They are convenient to the tax payers since they are paid as when the consumer spends on the goods or and services.
- ✓ They can be used to check the consumption of harmful and dangerous goods by the citizens.

Disadvantages Indirect Taxes.

- ✓ They reduce economic welfare of citizens. This is because the poor may not cope with increasing prices due to indirect taxes.
- ✓ They lead to increased cost of production and this adversely affects the level of investment, production and employment levels within an economy.
- ✓ They interfere with the freedom of trade hence reducing the volume of international trade.
- ✓ They make revenue to fluctuate a lot. This is because the amount of revenue collected depends on the volume of purchases or sales which normally fluctuates.

- ✓ They spark off/fuel inflation because they lead to increased costs of production which results into increased consumer prices.
- ✓ They are more regressive in nature since the poor are more burdened than the rich as these can afford to pay for goods than the poor.
- ✓ They are inflationary since they lead to increase in the general price level for goods.
- ✓ They may not be impartial especially when they are imposed indiscriminatory on goods consumed by few people like on cigarettes etc.
- ✓ They may not be easy to understand by people hence requiring more education on them like VAT.
- ✓ They sometimes discourage production of some goods especially if imposed on products with high elasticity of demand and this will reduce on the demand for goods and also cause unemployment.
- ✓ They can encourage smuggling of goods especially when they are too high.
- ✓ They cause consumers to change their consumption and expenditure patterns especially when they are high which may reduce their standards of living. For instance, if the government imposes high taxes on beer, people may resort to the local brew.

Rights of a Taxpayer:

Equity: A tax payer has a right to tax laws and procedures to be applied consistently without any discrimination and his tax affairs to be handled with impartiality.

Confidentiality: A tax payer's tax affairs shall be kept secret including the tax information and to be used in accordance with the law.

Facilitation of Tax Compliance: A taxpayer and his agent shall be provided with clear, precise and timely information about their enquiries and complaints.

Objections and Appeals: A taxpayer's tax objections shall be attended to in accordance with the relevant laws and procedures.

Prior notices: A taxpayer shall be given prior notices whenever his/her premises are to be subjected to routine inspection or audit to be conducted.

Accountability: A taxpayer's account shall be promptly updated for the tax paid and maintained up to date.

Tax refund: Where tax refund is to be made, it shall be made within the prescribed time limits under the law subject to budget refunds limits.

Processing returns, customs entries and other documents: A taxpayer's tax returns plus other entries and documents relating to tax affairs shall be done as stipulated under the relevant laws.

Customer Care: A taxpayer shall always receive excellent customer care with the URA staff code of conduct.

Obligations of a Taxpayer:

Registration: A tax payer shall register voluntarily with Uganda Revenue Authority as a tax payer.

File Correct Returns and Entries: A taxpayer shall file, correct returns, customs entries or any form relating to taxes and other revenue related obligations at the right time and place as required by the law.

Tax Payments: A taxpayer shall pay correct tax at the right time and place as required by the relevant laws.

Cooperation with the authority: In handling the tax matters, the taxpayer shall be expected to deal and cooperate only with the authorities authorized staff.

Disclosure /declaration: A taxpayer shall be honest when dealing with URA and treat URA staff fairly and with courtesy.

Quotation of TIN: A taxpayer shall always quote his or her Tax Identification Number (TIN) for all dealings with URA for proper taxation and identification.

Completion of Customs Entries: When importing or exporting cargo, a taxpayer shall employ services of a licensed customs agent to complete Customs entries and related clearance formalities.

Disclosure of Information: A taxpayer shall make full disclosure of information and correct declaration of all transactions at all times to URA.

Declaration of Goods: a taxpayer shall declare goods on arrival and have them ready for inspection to avoid indulging in any form of tax evasion and other illegal practices.

Comply with Customs Quarantine: A taxpayer shall beware of and comply with customs quarantine, wildlife, currency and passenger concession while travelling and ensure that you have accurately completed all the necessary forms before you reach the arrival/departure processing point.

Activity:

1. Invite a guest speaker to talk about taxation, rights and obligations of a tax payer
2. The learners should write a report about the rights and obligations of the tax payer

Activity of Integration:

1. Invite a guest speaker to talk about taxation, rights and obligations of a taxpayer
2. The learners should brainstorm on reasons why the government imposes taxes on business and businesses