

MAKERERE



UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

**Business Development Service and the Performance of
Informal Businesses in Uganda: The Case of Pride
Microfinance**

BY

Jesca Mulamula
BBA (Mak)

2016/HD06/1332T

A Research Report Submitted to the Directorate of Research and
Graduate Training in Partial Fulfillment of the Requirements for the
Award of Master of Business Administration of
Makerere University

November, 2018

ABSTRACT

This study sought to examine the contribution of Business Development Service (BDS) towards the Performance of Informal Businesses in Uganda with a major focus on informal businesses in Katwe, a Kampala suburb. The study specifically, aimed at establishing and documenting the BDS offered by Pride Microfinance. Furthermore, the study sought to assess the level of awareness about business development services provided by Microfinance Finance Institutions (MFIs) to informal businesses and finally, investigated the extent to which BDS have led to improved performance of informal businesses particularly in terms of sales, assets growth and brand identity. The study employed a cross sectional design due to its advantages that enables a lot of information to be collected from a sizeable population in a highly economical way, as well as enabling the researchers to use smaller groups of people to make inferences about larger groups which would have been prohibitively expensive to study. Using quantitative and qualitative methods a survey of 150 informal businesses and in-depth interviews with the MFI were conducted.

The findings indicated that Pride microfinance mainly offers BDS in form of financial literacy; specifically sensitizing informal businesses on how to manage revenues and expenditures through proper record keeping, enhancement of sales, utilizing the excess cash wisely for instance by re-investing in acquisition of assets and showing them on how they can be loyal to their clients as a strategy to improve brand identity. The findings also indicated that a big number of informal business owners in Katwe were aware of BDS, however, the willingness to embrace the services was constrained by experience and individual attributes such as age and the level of education attained. In regard to the performance, the findings indicated that there is a strong link between BDS and business performance, in that, in cases where business development services have been incorporated with credit to informal businesses, a big number of them have automatically recorded positive performance in terms of sales, assets growth and brand identity.

The study recommends MFI to widen scope in extending BDS to informal businesses. Informal businesses need to embrace BDS since the findings indicated BDS enhance business performance. Since some informal business owners were found to have negative attitudes towards training, there is need for sensitizing them about the importance of BDS in enhancing business performance.