

# Women, Work, and the Informal Economy in Uganda: What's Holding Businesses Back?





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The Inclusive Labor Institute (ILI) is a worker-led, resource hub dedicated to understanding the conditions and experiences of the essential workers who power the informal economy and the future of work. ILI believes that knowledge on the conditions of work should come from workers and that the solutions to enable more decent work must be defined by workers themselves. ILI provides a space for worker-led organizations to collect and share knowledge, share their stories and advocate for a more just, secure future for workers. ILI supports a coalition of formal and non-traditional unions by providing knowledge, services and resources to ensure that the future of work(ers) is determined by workers.

Launched by the Global Fairness Initiative and a coalition of grassroots partners, ILI is fundamentally pro-women. We provide a collaborative space to protect labor rights and create dialogues that promote socio-economic progress, ensuring that communities of promise can become centers of prosperity.



## ACKNOWLEDGEMENTS

This report was developed through the GFI's Grassroots Center on Women in Work, a pilot initiative supported by the Bill & Melinda Gates foundation aimed at strengthening the rights and economic empowerment of women in the informal economy. This report was created in partnership with Foundland Consults Uganda Ltd, GFI Regional Program Manager, Sharifah Mwajabu with support from Asha Metcalf. GFI would like to thank the Council for Economic Empowerment for Women in Africa, Uganda chapter (CEEWA-U) and Uganda Hotels Food, Tourism, Supermarkets and Allied Workers' Union (HTS-Union) for their role in the review of tools, the methodology, and the strategy which helped to refine and focus the research study; we are indebted to these teams who worked tirelessly to accomplish this assignment. Appreciation also goes to the project beneficiaries who participated in this research study, and to the different community structures and the private sector, you made a significant contribution by accepting and taking part. Thank you for sparing your valuable time and giving us information without hesitation.

### Authors

This report was written by Abdul-Ghafter Adam, Samuel Darko Tenkorang and Mohammed Habib Sulley Al-Hassan. A thanks to Devt Plan Consulting who were instrumental in coordinating and conducting data collection, and writing of this report.

### About The Council for Economic Empowerment for Women in Africa, Uganda Chapter (CEEWA-U)

The Council for Economic Empowerment for Women in Africa, Uganda Chapter (CEEWA-U), is a non-governmental, non-partisan professional women's organization established in 1995 and legally registered in 1997/98. With over 27 years of experience, CEEWA-U promotes inclusive economic development by advocating for gender-responsive policies, expanding access to economic resources, and equipping vulnerable women and youth in Uganda's informal sector with transformative skills and knowledge.

### About Uganda Hotels, Food, Tourism, Supermarkets, and Allied Workers' Union (HTS-Union)

The Uganda Hotels, Food, Tourism, Supermarkets, and Allied Workers' Union (HTS-Union) is a labor organization dedicated to advocating for the rights and welfare of workers within Uganda's hospitality and service sectors. Established in 1957, the union was officially registered in 1959 as Trade Union No.2 under the name "Uganda Hotels and Domestic Workers Union." Over the years, it has evolved to its current designation, reflecting its expanded scope to include workers from hotels, food services, tourism, supermarkets, and related industries.

### Special thanks to:

Deborah Mirembe, Aidah Kagoya Betty Babirye, Ivan Kibaale, Sarah Mutesi, Claire Nakawuka, Annet Namayiga, Patrick Kasozi, Juliana Nalukwago, Milly Nattimba, Ssebandeke Robert, Kiconco Ronah, Nakagwa Phionah, Namata Ritah, Murungi Doreen, Babirye Annet, Tibisina Oliver, Mpalampa Denis, Iseru Hope, Naluko Patricia, Mundeke Josephine, and Faruku Kato.





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# LIST OF ABBREVIATIONS

<b>CEEWA-U</b>	Council for Economic Empowerment for Women in Africa, Uganda in
<b>EPRC</b>	Economic Policy Research Centre
<b>FGDs</b>	Focus Group Discussions
<b>GCWW</b>	Grassroots Center for Women in Work
<b>GFI</b>	Global Fairness Initiative
<b>HDI</b>	Human Development Index
<b>HTS-Union</b>	Uganda Hotels Food, Tourism, Supermarkets and Allied Workers' Union KCCA
<b>Union KCCA</b>	Kampala Capital City Authority
<b>KIIs</b>	Key Informant Interviews
<b>LPO</b>	Local Partner Organizations
<b>MTIC and NDP NDP IV</b>	Ministry of Trade, Industry and National Development Plan IV
<b>NSSF</b>	National Social Security Fund
<b>ODK</b>	Open Data Kit
<b>PDM</b>	Parish Development Model
<b>SMEs</b>	Small and Medium-sized Enterprises
<b>TIN</b>	Tax Identification Number
<b>TOR</b>	Terms of Reference
<b>UBOS</b>	Uganda Bureau of Statistics
<b>UDB</b>	Uganda Development Bank
<b>UNHS</b>	Uganda National Household Survey
<b>URA</b>	Uganda Revenue Authority
<b>URBS</b>	Uganda Registration Services Bureau
<b>UWEP</b>	Uganda Women Entrepreneurship Programme



# EXECUTIVE SUMMARY

This report presents the findings of the research study on the barriers to business formalization and entrepreneurship gaps and challenges faced by women in informal business in Kampala, Wakiso, Mayuge, and Mbarara districts, Uganda. The study was conducted by the Council for Economic Empowerment for Women in Africa, Uganda in Chapter (CEEWA-U) and the Uganda Hotels Food, Tourism, Supermarkets and Allied Workers' Union (HTS-Union), commissioned by Global Fairness Initiative (GFI). The study is being implemented by GFI under the Grassroots Center for Women in Work (GCWW) initiative in Uganda.

The purpose of this research was to examine why informal business owners are not transitioning to the formal sector as well as to understand the entrepreneurial and capacity gaps faced by women-owned informal businesses. The research study adopted a participatory mixed-research method targeting respondents from Kampala, Wakiso, Mayuge, and Mbarara and combined both quantitative and qualitative procedures that followed concurrent methodological paradigm triangulation to maximize benefits from blending both methods. A questionnaire was administered to project beneficiaries by trained research assistants and achieved a total of 974 participants, of these 908 (93.2%) were female and 66 (6.8%) were male. Additionally, 14 key informant interviews were conducted with stakeholders and staff, and 17 Focus Group Discussions (FGDs) were conducted with beneficiaries and the different project teams. The study also utilized transect walks to observe behaviors in enterprises, households, and

hardware stores that were supportive to the project. The field team conducted transect walks through communities and used an observation checklist to guide the location of community resources, protection centers, social and economic welfare of project beneficiaries in communities visited among others.

**Formalization of business in Uganda:** The study used a number of legal frameworks to establish the definitions and framework of what formalizing a business across the country entails. The most common ones included; 1995 Constitution of the Republic of Uganda, Uganda Registration Services Bureau Act, Cap 210 as amended, Companies Act, 2012 as amended, Business Names Registration Act, Cap 109, Trade (licensing) Act Chapter 101, and Uganda Revenue Authority Act, Cap 196. The objectives of these existing legal frameworks are meant to document and facilitate all the required procedures to register under the relevant laws; to maintain registration, data, and records on registrations affected by the bureaus; and to act as a clearing house for information and data on those registrations.

Reasons why informal business owners are not transitioning to the formal sector: The study noted a number of factors limiting the transitioning of informal business to formal sector including; fear of tax (42.7%), unclear registration process (29.3%), not seeing benefits of registering (27%), high registration costs (25.3%), lack of trust in formal systems (5.2%), Bureaucracy/time-consuming (4.9%), and inconvenient location of registration office (2.5%).



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**The challenges faced by women in informal sector to grow their businesses:** The findings reveal notable differences between informal enterprises operating in peri-urban and urban settings. In the peri-urban settings, the most reported barriers included limited capital (74.9%), limited market (29.3%), high taxes, rent, and/or licenses (23.2%), and insecurity, thieves, scammers, and fraudsters (12.0%). Also, the different FGDs indicated that the financial constraints were worsened by limited business skills, low education levels, and poor household incomes among the informal sector, especially women. The interviews with the different key representatives also confirmed that many women lack the documentation or collateral security needed to secure loans which pushes women to rely on informal sources.

The urban women entrepreneurs were primarily challenged by high operational costs such as the cost of utilities (68.2%) being the most notable obstacle, followed by environmental disruptions such as natural calamities, seasonal factors, and climate change which affected 26.0% of the respondents. Poor business location (20.2%) and high taxes, rent, and license fees (11.2%) were other barriers for women business owners. FGDs in Wakiso showed how unreliable and expensive utilities reduces profits, especially for businesses needing power like refrigeration, and caused a strain on small businesses.

**Entrepreneurship and capacity gaps faced by women owned informal businesses:** Findings from the quantitative survey revealed that the entrepreneurship and capacity gaps faced by women owned informal businesses included limited access to capital (70.9%), with the highest rates in Mayuge (76.8%) and Wakiso (76.7%). In addition, time constraints (31.7%) often due to childcare responsibilities was highlighted and hindered women's engagement and productivity. Other notable challenges included gender discrimination (17.5%) and limited support from family (18.3%). Furthermore, from the qualitative survey findings, women-owned informal businesses face the following challenges: limited access to capital, competition from other vendors, legal and regulatory barriers, limited support from spouses, lack of business skills, fear of taxation, and a lack of knowledge and awareness of business registration.

**The coping mechanisms and resilience:** Women running informal businesses relied heavily on support received from informal groups, friends, and family to access startup capital and emotional help during challenges such as domestic violence or illness. Many women joined saving groups like “Tukwature Wamu” that offered small loans with low interests while others borrowed directly from trusted people to launch or sustain their business ventures. To keep their businesses going, they often made changes like selling different products, combining multiple incomes from different activities such as food vending and tailoring, or relocating to better markets.

This ability to adjust and multitask highlighted their resilience, creativity, and determination to sustain their businesses despite personal and systemic challenges.

In conclusion, business formalization in Uganda has demonstrated a significant positive impact on the country's economic development. Formalized enterprises have, as reported, improved their access to credit, experienced higher investment levels, and recorded increased productivity.

**Support and capacity needs:** Women in informal businesses expressed strong need for support in the form of practical training, financial access, childcare, and secure workplaces to help grow and stabilize their businesses. Other women called for training in areas such as product development, digital skills, and customer service, and believed mentorship from fellow experienced women could help them avoid common mistakes. They pointed out that access to soft loans and SACCO-based credit with low interest and minimal collateral was a major need since most of them could not meet traditional banking requirements. Childcare responsibilities significantly limited their productivity, where many suggested the need for daycare or community caregiving solutions. Additionally, women working from roadsides or home environments requested access to affordable, safe, and weather-proof vending spaces, noting that threats of eviction and poor infrastructure made it difficult to operate or expand their businesses. These needs reflected their desire for practical, accessible support to help women improve their income and build a stable future.

**Aspiration and future plan for women in informal businesses:** Many women running informal businesses voiced strong aspirations for the future despite facing ongoing challenges. A key goal was growing their businesses within the next 3 to 5 years through training, increased capital and better market access. Some have a hope of opening formal shops, hiring staff, or supplying products and services to larger institutions. Education for their children was another motivation as profits were to be used for school fees, reflecting a long-term vision of improving their families' future. Several women aimed to purchase land and build homes, seeing their businesses as a path to escape rental insecurity and achieve lasting stability. These dreams revealed their resilience and commitment to improving their lives and taking care of their families.

However, to achieve the main objective of formalizing a business is still far from reach because of the institutional weaknesses, high compliance costs, and a lack of trust in formal systems. Therefore, in line with stakeholder recommendations, the Government of Uganda should prioritize the strengthening of legal and regulatory frameworks, with a particular focus on enforcement and compliance mechanisms, to ensure long-term economic prosperity and good corporate governance.



# 1.0 INTRODUCTION

The report presents the findings from a research study on the barriers to formalization and entrepreneurship challenges faced by women in Kampala, Wakiso, Mayuge, and Mbarara districts. The research study was conducted by the Council for Economic Empowerment for Women in Africa, Uganda Chapter (CEEWA-U) and the Uganda Hotels Food, Tourism, Supermarkets and Allied Workers' Union (HTS-Union), commissioned by Global Fairness Initiative (GFI) under the Grassroots Center for Women in Work (GCWW) project in Uganda.

The research study aimed at examining why informal women business owners are not transitioning to the formal sector, including understanding their entrepreneurial and capacity gaps. The report was written in four (4) sections i.e. 1) Introduction, Background and Methodology, (2) Study Findings, (3) Challenges, and (4) Recommendations.

## 1.1 Country Overview and Context

The informal sector in Uganda contributes to more than 50% of the country's economy, and it is responsible for more than 80% of employment. Most of the informal businesses offer income and survival to people who are the most vulnerable to poverty, including to women.<sup>1</sup> Uganda's Human Development Index (HDI) value stands at 0.582, placing the country in the medium human development category and ranking it 157 out of 193 countries and territories.<sup>2</sup> This sector includes a

diverse range of businesses such as street vending, urban farming, roadside food and chapati stalls, tailoring, poultry keeping, grocery stalls, and charcoal selling among others. The informal economy often characterized by their small size, lack of formal registration, and flexible nature. These businesses play a crucial role in poverty reduction as informal enterprises serve as the primary source of income for vulnerable groups including women, youth, and the elderly. Informal work also improves livelihoods stability and makes food more secure for communities.

According to the Uganda National Household Survey (UNHS) 2023/2024, over 10 million women were reported to be in the working age range (14–64 years) with about 75% of them working, which is slightly lower compared to 82% of men.

In line with this, the unemployment rate was observed to be higher for women (14.4%) compared to men (6.2%).<sup>3</sup> Uganda Vision 2040.<sup>4</sup> and the National Development Plan IV (NDP IV)<sup>5</sup> acknowledges the central role played by women in the informal sector, describing them as the “engine” of the informal sector. These national frameworks aim to support women's economic empowerment through targeted interventions such as the Uganda Women Entrepreneurship Programme (UWEP), the GROW initiative, “Emyooga,” the Parish Development Model (PDM), and funding mechanisms like the Uganda Development Bank (UDB).



Despite its significant contribution to Uganda’s economy, the informal sector faces substantial challenges, particularly around its lack of legal recognition. Informal businesses are often excluded from formal markets, financial institutions, and legal protections, limiting their ability to access services such as credit, insurance, and social security. The invisibility of these businesses complicates the enforcement of regulations, leaving many informal workers vulnerable to exploitation and legal uncertainties. Additionally, the widespread geographical dispersion of informal enterprises, especially in rural and underserved urban areas, makes it difficult for government agencies to effectively monitor and regulate activities. Many

informal businesses often operate under unclear legal status, and owners may avoid formal registration due to the bureaucratic hurdles involved. The process of registering a business or obtaining licenses from local authorities is often complex and time-consuming which can discourage formalization. Moreover, the costs associated with acquiring a business license or permit can impose a substantial financial burden on small-scale operators, particularly those in low-margin sectors such as retail and street vending. The absence of business licenses further limits access to competitive formal markets, financing, and other vital services that could support the growth and development of these enterprises.

**TABLE 1: Geographical Scope**

District	Region	Working Population	# of Informal Businesses	% Women Owned Businesses or Working Women
Kampala	Central	3,500,000	100,000	83%
Mbarara	Western	587,564	698	12%
Mayuge	Eastern	700,258	100,000–150,000	13.2%
Wakiso	Central	3,700,000 (2024 <sup>5</sup> )	800,000–1200,000	25.2%

Source: UBOS report 2024 Report<sup>6</sup>

### 1.1.1 Kampala District

The city has a population of 1,875,834 (2024)<sup>6</sup> and is divided into the five political divisions including Kampala Central, Kawempe, Makindye, Nakawa, and Rubaga divisions. The total population of Kampala district is estimated to be 1.8 million.<sup>7</sup> Were approximately 3.5 million people enter the city for employment every day. Much of this relates to the informal sector, accounting for around 1.5 million jobs.

The informal sector in Kampala, Uganda, is significantly larger than the formal sector. It is estimated that over 80% of the city’s economy operates informally. The city is spatially characterized by a high level of underserved, auto-constructed neighborhoods alongside a vibrant informal economy for transport, trade, recycling, and smaller business.<sup>8</sup> The majority of Greater Kampala’s informal sector work is in trading and services. These firms typically operate either in a trader’s market, from home, or will trade from the street with no physical premises. This means that most informal sector businesses are either exempt, or ineligible, for a trading license. With a pervasive informal sector, city governments have been struggling with how best to respond.<sup>9</sup>

This study carried out research across 4 urban and peri-urban areas of Kampala, Mbarara, Mayuge, and Wakiso districts. Most of the women entrepreneurs were home-based workers, street vendors, market traders, domestic workers, urban

farmers, herbalists, seamstresses, second hand cloth hawkers, and charcoal sellers among others.

### 1.1.2 Wakiso District

Wakiso district also being located in the Central Region of Uganda, is characterized by its proximity to the capital, Kampala, and its role as a peri-urban and semi-urban area with a high rate of urbanization. It surrounds Kampala and borders several other districts, including Mukono, Mpigi, Luweero, and Kalangala. The district is known for its diverse population, with the Baganda being the dominant ethnic group. Other ethnic groups include the Bakiga, Banyankore, and Basoga. Wakiso is known for its high population density and rapid urbanization, with many residents working in Kampala but living in Wakiso, and for its mix of economic activities, including agriculture, fishing, manufacturing, and commercial services.

The most recent estimates put Wakiso District’s population at 3.7 million as of January 2024,<sup>10</sup> making it the most populous district in Uganda. Females account for 51% of the total population and males 49%. By 2020, over 800 million women joined the business sector as producers, consumers, employees, and entrepreneurs.<sup>11</sup>

In Wakiso district, the research findings indicate that many women engaged in a variety of informal businesses including

food-related ventures such as frying snacks like chapati, mandazi, samosas; preparing breakfast meals like katogo and tea; roasting maize; making pancakes; and selling chips and chicken. Others operate small retail businesses such as grocery stalls, vegetable stalls, beverage sales from home, selling polythene bags, hawking second-hand clothes, and running small shops. Some women are engaged in tailoring using sewing machines or beading crafts like rosaries. A few women provide services like laundry work.

### 1.1.3 Mbarara District

Mbarara district is located in the Western Region of Uganda, bordering Ibanda and Kiruhura districts to the north, Isingiro to the east and south, and Sheema to the west. It's known for its cattle rearing, particularly the Ankole long-horned cattle, and is a major transit town between Uganda and Rwanda. The district has a population of 587,564 people. The Ugandan Cabinet approved part of Mbarara District, the then-Mbarara municipality, to be upgraded to city status effective July 2020. Mbarara Municipality, as the largest town in the district and western Uganda, plays a significant role in social services, trade, informal sector activities, and industry. It recognized that women play an important role in community development through their participation in various social and economic activities at the grassroots level.<sup>12</sup>

In Mbarara district, women are significantly engaged in the informal business sector, which serves as a crucial source of livelihood and economic activity. These women are often part of various informal groups focusing on savings and loans, agriculture, and vocational training. Their participation in these groups fosters social networks, enhances leadership skills, contributes to household decision-making, and provides alternative income sources.

According to the research study in Mbarara district in the areas of Kiyanja Cell, Kagando A, Karujembe, and Rwebikona market, a diverse range of informal businesses were identified and included livestock and animal rearing such as piggery, poultry, goat, and cow farming; crop-based enterprises like banana farming, maize selling, and mixed agriculture (carrots, watermelon, cassava, matooke); fuel-related businesses including charcoal and firewood selling; and small trading activities such as grocery stalls, fruit and vegetable stalls, and agricultural produce selling. Clothing and fashion-related activities were also prominent, involving second-hand clothes sales, hawking at universities, and tailoring (both sweater knitting and general sewing). Additionally, some women operated food businesses, including local restaurants and pancake sales. Despite the variety, most businesses were small, self-started, and operated with minimal capital, and most commonly ran from home or in an informal market setting. Many women expressed a need for capital support, basic business training, and better access to financial services to help grow their enterprises.

### 1.1.4 Mayuge District

Mayuge District is characterized by extensive undulating lowlands, isolated hills, and pediments of approximately 115m with linear and convex slopes between 2%–8%. There are flat valley bottoms with slopes less than 2%. The population of Mayuge District in Uganda was estimated to have grown from 327,045 in 2002 to a projected population of 700,258 by 2025.

Across areas of Magamaga central and Budhebera, in Mayuge district, the women operated many different small businesses to earn a living. Some sell fruits and vegetables like tomatoes, onions, greens, eggplants, and silverfish. Others run food stalls where they cook and sell meals. A number of women are tailors who sew or repair clothes, while others sell second-hand clothes like dresses, diiras, bed sheets, and skirts. There are also women who run small boutiques, make and sell crafts like mats and baskets, or sell household items like plastic cups, plates, basins, and saucepans. Some sell charcoal, cassava, sweet potatoes, and matooke. A few women sell plastic sandals (Crocs), while others operate small shops selling items like sugar, salt, soap, and maize flour. Some women offer hairdressing, laundry, and babysitting services. Most of these businesses were started using money saved from daily home allowances (kameeza), small loans, or help from family members. The women started these businesses mainly to support their families, to become independent, and to reduce their dependency on their husbands or employers.

## 1.2 Purpose and Objectives of the Research Study

### Major objectives of the research study

The overall purpose of this research was to understand:

- Why women informal business owners are not transitioning to the formal sector
- The entrepreneurial and capacity gaps faced by women-owned informal businesses
- Coping mechanisms and resilience strategies of women in informal business
- Aspirations and future plans of women in informal businesses.

## 1.3 Methodology

The study adopted a cross-sectional design using participatory mixed research methods that combined both quantitative and qualitative approaches. This method was chosen because it allows for the collection of both quantitative, which provides measurable patterns; and qualitative insights, which offer deeper explanations of the observed phenomena. The participatory nature of the approach ensured that stakeholders such as district and sub-county officials actively contributed to the research process. Their involvement enhanced the relevance, validity, and ownership of the

findings. Combining these methods enabled triangulation of data, enriched interpretation, and produced robust evidence to inform practical interventions and policy recommendations. These procedures and processes followed concurrent methodological paradigm triangulation to maximize benefits from blending both methods. Both primary and secondary data were collected to inform the study. Primary data were collected from direct project beneficiaries and stakeholders including non-government and civil society actors and organizations, implementing partners, and staff working in collaboration with Local Partner Organizations (LPOs). Secondary data was obtained from a broad range of project documents, reports, and relevant national and international sources that informed and contextualized the project focus.

### 1.3.1 Sample size determination

The research study adopted three (3) parameters to determine the sample size; 1) with a 3% margin of error, 2) 95% Confidence Interval, and 3) a calculation of the population sample size of (10,000) according to organization records. In total, 974 (66 males, 908 females) informal business entrepreneurs participated in the study, with 93.2% being female respondents. (<http://www.raosoft.com/samplesize.html>)

The sample size ( $n = 974$ ) was equally distributed across the four districts; Kampala, Mbarara, Mayuge, and Wakiso with a target of approximately 240 respondents per district. The study achieved a 100% response rate, as all targeted respondents participated in the survey. This was attributed to effective mobilization, prior engagement with local leaders, and close supervision of the data collection process ensuring no cases of non-response.

### 1.3.2 Data collection techniques

Quantitative data was collected using a structured online questionnaire designed to capture key indicators relevant to the predefined objectives of the project. The questionnaire comprised mainly of closed-ended questions, enabling uniform responses and facilitating quantitative analysis.

Prior to administration, the data collection tools underwent expert review to ensure validity, clarity, and contextual relevance. The review process was led by the LPOs with technical support from the Foundland Consults Uganda Limited whose feedback informed revisions to enhance the accuracy and reliability of the instrument. Focus group discussion (FGDs) and key informant interview (KIIs) were designed to generate qualitative insights through structured guides in line with the objectives of the study. Both tools were reviewed and validated by LPOs with technical input from Foundland Consults Uganda Limited to ensure clarity, consistency, and alignment with the study objectives. Data from FGDs and KIIs were recorded using digital forms to



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allow structured coding and subsequent aggregation into quantitative datasets.

A two-day virtual training sessions was conducted in April 2025 followed by a four-day in-person training workshop. The in-person training used GFI's newly developed grassroots data collection training curriculum and included 20 participants from the LPOs' research team (team leaders, supervisors and enumerators).

The trainings were aimed at equipping the research team with knowledge and skills to manage the data collection exercise and understand the mobile data collection application (Open Data Kit software installation and application).

The study also conducted face-to-face interviews to 14 key informant interviews with project stakeholders i.e. District and sub county officials (Community Development Officers, line departments, parish-level structures), INGOs/UN agencies (UNDP, UWONET) and staff using a series of approved interview questions and 15 FGDs in each district. The research team conducted transect walks through communities and business premises using an observation checklist to guide the location of community resources, businesses, demonstration sites, and other assets that were supported by the LPOs.

The study conducted in-depth reviews of secondary data and report to collect information related to the study objectives, and included international and national-level policies (e.g. Strategic Development Goals, Uganda Vision 2040, National Development Plan IV, Human Development report 2025, Ministry of Finance and Economic Development reports 2025, World Bank reports 2025, and Private Sector Development Uganda reports 2025).



**TABLE 2:** Summary of Study Population

Data Collection Method	Sample Size	% of Women	Category of Sample
Questionnaire survey	974 (908F, 66M)	93.2%	Informal business owners
FGDs	154 (135 F, 19M)	88%	Traders
KIIs	14 (7F, 7M)	50%	District & sub county officials, UNDP, UWONET
Other methods (observation methods)	50 (45F, 5M)	90%	Women-led business

Source: Primary Data, 2025

### 1.3.3 Data management & analysis

Preliminary review of the data was conducted in order to identify errors, omissions, and to do final coding of open-ended questions and any other new responses. This was necessary to ensure a quality data set. Information was then exported to SPSS version 20 to support the analysis. Data was analyzed using descriptive statistics (e.g. mean, frequencies, percentage, totals, and cross-tabulations) and generated in SPSS 20 and MS Excel.

Qualitative data collected through key informants, FGDs, document review, and observations were analyzed as guided by the study objectives and by identifying domains and topics that were being investigated. Data analysis involved documenting a range of issues, through multiple readings and interpretations of the raw data and using thematic and content analysis approaches with the assistance of NVIVO software.

### 1.3.4 Ethical considerations

This study implemented ethical principles such as informed consent, voluntary participation, confidentiality, privacy, protection from potential damage or threat, and scientific validity to protect participants and uphold ethical practices in both the data collection and data analysis phases. However, the study did not seek Ethical approval from any Research



Ethics Committee. Further, clearance was not obtained from the Uganda National Council for Science and Technology (UNCST) before fieldwork commenced.

### 1.3.5 Study limitations

The data collection exercise for this study was conducted during the early stages of the 2026 nominations for the Presidential and parliamentary campaigns that caused a big hurdle during the identification and mobilization process for study beneficiaries. This led to divided loyalty among the different LPO's beneficiaries during the research. To mitigate this, all responses were treated confidentially, findings were reported fairly, and any potential conflicts of interest were disclosed to uphold ethical responsibility to all beneficiaries.

The GCWW project's aims to developing and disseminating knowledge from the grassroots level that directly will impact women's worker rights and economic empowerment. This objective prioritizes women as the main priority group for the study. Male respondents reported feeling discriminated for not fully being engage evenly like their female counterparts during the collection of the quantitative data for the study.



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## 2.0 DISCUSSION OF RESEARCH STUDY FINDINGS

### 2.1 Demographic Characteristics of Respondents and How they Impact on Study

A total of 974 participants consented to participate in the study and were included. Of these, 908 (93.2%) were female and 66 (6.8%) were male. This is because the study was mainly focusing on women led business. The median household size was 4.4 in line with the national average of 4.5<sup>13</sup>. Additionally, 67.2% of respondents reported having not completed secondary education, which is slightly higher compared to the SDG 4 Target 4.1<sup>14</sup> which emphasizes ensuring that all girls and boys complete free, equitable, and

quality primary and secondary education leading to relevant and effective outcomes. Further investigation revealed that this is as a result of lack of awareness among parents, deliberate refusal of youth to attend schools, coupled with high prevalence of poverty which prevent many youths to complete school. UNICEF education report (2020) on challenges facing education system in Uganda, indicated that costs associated with education accounted for 6 out of 10 people leaving school among poor households.<sup>15</sup>

Table 3 shows the distribution of the respondents according to their social-demographic characteristics.



To mitigate this, all responses were treated confidentially, findings were reported fairly, and any potential conflicts of interest were disclosed to uphold ethical responsibility to all beneficiaries.

**TABLE 3: Demographic Characteristics of Respondents**

Parameter	Categories	% of Responses
<b>Gender of Household Head</b>	Female	59.5%
	Male	40.5%
<b>Marital Status</b>	Single	35.8%
	Married	52.9%
	Widowed	5.4%
	Divorced/separated	5.8%
	Never married	1.1%
<b>Household Size</b>	1–3	38.1%
	4–6	47.7%
	7–9	10.9%
	Over 9	3.3%
	Child headed	11%
	Other	0.1%
<b>Highest Education of Respondents</b>	No formal education	9.9%
	Some primary	17.4%
	Completed primary	15.2%
	Some secondary	34.7%
	Completed secondary	9.8%
	Tertiary/technical/university	13.1%

Source: Primary Data, 2025

The distribution of demographic characteristics shows significant variations across respondent categories ( $p < 0.05$ ) indicating that the sample is consistently representative across all groups. The confidence level is 5% and is statistically significant. This data can be confidently used to guide decision-making for similar project interventions in Uganda.

**TABLE 4: Sampled Respondents by District**

District	Freq	Percent
<b>Kampala</b>	240	24.6%
<b>Mayuge</b>	248	25.5%
<b>Mbarara</b>	244	25.1%
<b>Wakiso</b>	242	24.8%
<b>Total</b>	<b>974</b>	<b>100%</b>

## 2.2 Formalization of Business in Uganda

In Uganda, a business is considered formal when it has legally obtained a business or company name with the Uganda Registration Services Bureau (URBS), obtained a Tax Identification Number (TIN) with Uganda Revenue Authority (URA), and obtained a license to trade or provide services.<sup>16</sup> According to the Uganda Bureau of Statistics (UBOS),<sup>17</sup> informal businesses are defined as those without formal accounting systems, social security coverage for employees, or business registration.

### 2.2.1 Legal framework and relevant bodies/authorities on business formalization in Uganda

#### 1. 1995 Constitution of the Republic of Uganda

Article 40(2) provides for the right of every person to practice a profession or perform any lawful occupation, trade, or business. This guarantees the right to engage in business although this implies that businesses must comply with lawful procedures, including registration and licensing. Article 20 and 21 upholds equality before the law and non-discrimination, supporting equal opportunity for business formalization across regions and genders.

#### 2. Uganda Registration Services Bureau Act, Cap 210 as amended

This law establishes the URBS as the key institution for business registration, including companies, partnerships, and business names. URBS is mandated under section 3 to maintain the Business Registration System and promote formalization of businesses in Uganda. The URBS Act, Cap 210, as amended, establishes URBS as a body corporate with perpetual succession and common seal, and may sue or be sued in its corporate name. To administer this objective, the bureau has the following functions,<sup>18</sup> to carry out all registrations required under the relevant laws; to maintain registers, data, and records on registrations affected by the bureau, and to act as a clearing house for information and data on those registrations.



### 3. Companies Act, 2012 as amended

The Act has the mandate to govern the incorporation of companies, including private limited companies, public companies, and non-profit companies.

This main law that governs company law in Uganda today. The first key step in formalization is name reservation,<sup>19</sup> which is made to the registrar of companies at URSB as discussed above. A reserved name remains in force for a period of 30 days,<sup>20</sup> and during this period no other company is entitled to be registered under this name.

### 4. Business Names Registration Act, Cap 109

Section 2 (1) (b) requires registration of a business name by all individuals carrying on business in Uganda. Section 2(2) further requires business names to be registered whether partnership or otherwise. Also, section 3 and 4 of the same Act details the registration of sole proprietorships and partnerships under a business name.

### 5. Local Governments Act, Cap 243

The Act empowers District, Municipal, and City Councils to issue trading licenses and ensure compliance with local business regulations.

### 6. Uganda Revenue Authority Act, Cap 196

The Act mandates Uganda Revenue Authority (URA) to assess and collect taxes. This law further provides that formal businesses must obtain a Tax Identification Number (TIN) to fulfill their tax obligations.

### 7. National Social Security Fund (NSSF) Act, Cap 222

Requires formal employers to register and contribute to employees' social security. This is provided for under section 7 of the NSSF Act, Cap 222 which provides for compulsory registration of employers and eligible employees.

### 8. Trade (licensing) Act Chapter 101

This Act was drafted to amend and consolidate the law relating to trading and other matters connected therewith.<sup>21</sup> The Minister responsible for local administrations and urban authorities may, by statutory order, declare any specified area in Uganda a trading center by an administration of a district.<sup>22</sup>

This is essential in business and trade since it fortifies legal spaces within which traders can legally carry out business today. No person may open any business or carry out any form of trade in any area within a radius of two miles outside the boundary of any trading centre.<sup>23</sup>

Upon successful completion of the registration of a company or business under URSB, a business owner needs to apply for a trading license, since trading is prohibited without a trading license.<sup>24</sup> A business owner does not qualify<sup>25</sup> to be granted a trading license if they are disqualified from holding a trading/service license under an order made by the court; have not

attained the apparent age of eighteen years unless they trade in partnership with one or more persons all of whom have attained the apparent age of eighteen years; or if the granting of the license contravenes any other provision of any written law. The Duration of trading license<sup>26</sup> is for 1 year, ending on the following year of acquisition. which should always be exhibited in a conspicuous place of his or her trading premises. Examples of licenses include; a hawker's license, a travelling whole salers license, and a trading license.<sup>27</sup>

#### 2.2.2 Summary of institutions with the mandate to formalize business in Uganda

- Uganda Registration Services Bureau (URSB). This is the main agency with the overall mandate for registering companies, business names, partnerships, and legal entities.
- Uganda Revenue Authority (URA). This regulatory body registers businesses for tax purposes and issues Tax Identification Numbers (TIN).
- Local Government Authorities. These authorities issue trading licenses and location permits.
- National Social Security Fund (NSSF). This is a body that manages social security contributions for formal employees.
- Ministry of Trade, Industry and Cooperatives (MTIC). This ministry also guides business and cooperative policy in Uganda.

#### 2.2.3 Process of formalization of business in Uganda

**Step 1:** Business/company registration with URSB. The Business Formalization process begins with the URSB to get a Certificate of Registration (business) or a Certificate of Incorporation (company). Businesses can be registered as local, public, or foreign entities. The business types vary from partnerships, sole proprietorships, Limited Companies, and among others Trustees. How to register with Uganda Registration Service Bureau (URSB):

- A search will be conducted to find out if the business/company name is under use
- The submitted name will be reserved and if approved, it be registered within 30 days
- After name reservation, the following documents are filed with the Registrar of Companies to verify registering a company:
  - Form S18**—(in case of a Local Company limited by shares or limited by guarantee) Memorandum and Articles of Association (in case of Local Company limited by shares or limited by guarantee)
  - Form A1**—Statement of Nominal Capital (for companies limited Shares)



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- d. Following submission and payment of assessed fees, payment of registration fees and stamp duty, a certificate of incorporation is issued specifying the name, place and date of incorporation or registration.
- e. A certificate of Registration is issued where a business is registered in business owners' own names or incorporated outside Uganda. A company is, however, issued a Certificate of Incorporation since it is a separate legal entity with its own identity under law.

**Step 2:** Registration with Uganda Revenue Authority (URA) for a Tax Identification number (TIN), a 10-digit numeric number starting with 1 and is used for all tax purposes. A TIN differentiates one taxpayer from another and is supposed to be quoted on all business transactions. It is issued electronically to the business owner's email address inclusive of the effective date of registration and log-in information to the URA website. These are used to create an account for the business on the URA website. Documents required for TIN Registration vary for all different types of applicants;

- (i) **Individual applicants.** A National Identity Card or any two IDs such as Passport, Voters Card, Drivers Permit, NSSF Card, Employment ID, Bank Statement, Village ID, Work Permit, Local Council ID. Note, The National Identity Card is the most ideal requirement which can be used solely in this process.
- (ii) Sole proprietor Certificate of registration statement of particulars in addition to a National ID or any two in (i) above.
- (II) Non-Individual applicants/Company TIN of Directors, Company Form 7 or 20 Certificate of incorporation.



**Step 3:** Registration with the Local Council Authority (such as, KCCA or Local Government) for an operational License. A Trading License is permission granted by a controlling authority to someone upon application to do something in a prescribed manner, usually after fulfillment of certain conditions and payment of a fee.

- a. At the local council authority, upon approval of a Trading License application, business owners' will be given a trading license to enable then operate their business in a delineated Local Authority country wide.
- b. "Trade" or "trading" means the selling of goods and services for which a license is required in any trading premise. A trading "premise" includes any structure attached to the land, whether of a permanent or temporary nature.
- c. A trading license is valid for twelve months from the date of issue and expires immediately at the lapse of the twelve months after which it must be immediately renewed.

#### **Requirements for trade license application**

- a. Nationals. A National ID or any 2 of the following—passport/driving permit/employment ID/financial card for individuals, and for Directors, in the case of non-individuals, URSB Registration Certificate for individuals/ original certificate of incorporation of the company for the new business. Statement of particulars for individuals and Company Form 20 for non-individuals/Companies.

A Tax Identification Number (TIN) Original Trading License for the previous year for an already existing business. Original KCCA or Local Council Authority receipt for the previous year for an already existing business original rental receipt and tenancy agreement from the landlord for the new business. The client must be of at least 18 years of age and if a minor, should be in partnership with a person above 18 years of age.

- b. Non-Nationals Clearance from Ministry of Trade, Industry and co-operatives for non-East Africans Clearance from OPM for refugees Identification of the sole trader.

Source URBS

## 2.3 Why Informal Business Owners are not Transitioning to the Formal Sector

### 2.3.1 Informal business sector definition

In Uganda, different bodies, authorities, personalities, and authors have defined the informal business sector according to their different school of thoughts as follows:

The Economic Policy Research Center defined the informal business sector to refer to businesses that operate outside of the formal regulatory framework. These businesses are typically not registered with the relevant authorities and often lack formal licenses, making them difficult to track for taxation and other regulatory purposes.<sup>28</sup>

According to the UBOS, the informal business sector in Uganda refers to economic activities that are not regulated or protected by the State and often operate outside the framework of formal business registration, taxation, and labor laws. This informal business sector includes businesses that are unregistered, unincorporated, and mostly small-scale, often employing family labor or a few paid workers without formal contracts.<sup>29</sup>

Internationally, informal businesses are referred to as enterprises engaged in the production of goods or services for sale or barter, which are not formally registered with the government and lack legal recognition.

In Uganda, these informal businesses include street vendors, market traders, tailors, boda boda operators, subsistence farmers engaged in commercial sales, small informal manufacturers, and other service providers who operate without formal business licenses.<sup>30</sup>

Review of the report from the ministry of finance and economic development, it is noted that Micro, Small and Medium Enterprises (MSMEs) play a crucial role in the Ugandan economy, constituting 90% of private sector production and employing over 2.5 million people.

Furthermore, MSMEs play a critical role in knowledge transfer, industrialization, export promotion and domestic resource mobilization. Despite their importance, most operate in the informal sector. According to the World Bank (2020), the informal sector encompasses businesses, workers, and activities operating outside the legal and regulatory systems or frameworks of the laws of the land.<sup>31</sup>

### 2.3.2 Reasons for joining informal business

#### The need for financially support

Most women joined informal businesses out of economic desperation. They were either widowed, abandoned, laid off, or lacked any form of support. Some shared stories of being the sole breadwinners for their families after their spouses left or losing their jobs due to pregnancy or childcare duties. To them, entrepreneurship was not a choice but rather a survival tactic in the absence of formal employment.

*“I lost my job because I stayed home for two weeks when my child was sick and admitted in the hospital. When I returned, they had replaced me and said I was no longer needed. That made me start a small business to take care of my children and family.”*

FEMALE FGD RESPONDENT, Mayuge District

#### Flexible work arrangements

Participants emphasized the value of flexibility in informal business. The ability to choose their working hours allowed them to juggle responsibilities at home, especially childcare, with income-generating activities. Several women explicitly stated that they could not hold down formal jobs because of their children or domestic obligations, which made informal trading the only viable option.

*“I had a baby and didn’t want to go to work with the baby. I also had more children with little space in between, so I decided to stay home and take care of them. Luckily, my home is near the market.”*

FEMALE FGD RESPONDENT, Kampala District

#### Utilization of skills acquired

Some women entered business as a way to monetize existing skills. Tailors, liquid soap makers, food vendors, and fruit processors recounted how they used knowledge from short courses, peer learning, or life experience to start ventures. This form of entrepreneurship was often sparked by a desire for independence, creativity, and dignity in self-reliance.



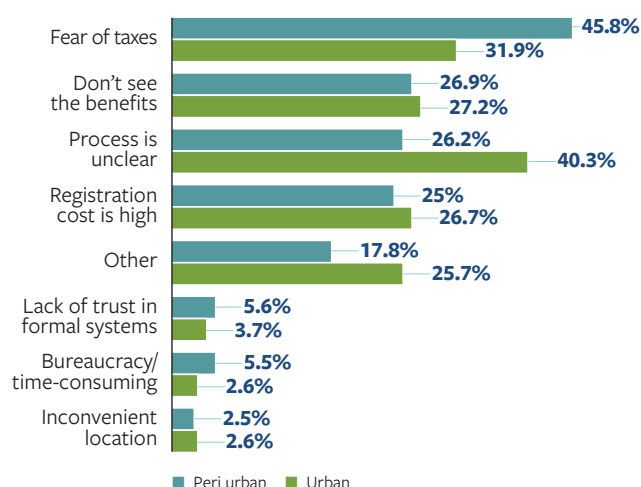


*“I wanted to utilize the skills I had gained from the institute (YMCA) and this made me do my work as a professional in my skills and this was effective, which was fulfilling to my desire and heart and now I’m growing up gradually.”*

FEMALE FGD RESPONDENT, Wakiso District

### 2.3.3 Reasons why informal business owners are not transitioning to the formal sector

**FIGURE 1: Why Businesses Are Not Registered**



### Fear to pay taxes after formalization

Quantitative findings indicate that more than 43% of the respondents did not want to formalize their businesses due to fear of taxes. This was noted higher in Kampala (72%) as compared to other districts like Mayuge (15.4%), Mbarara (43.8%), and Wakiso (40.2%).

In addition, research findings from the Key Informative Interview (KII) conducted with the Uganda Registration Services Bureau personnel indicated that a significant number of entrepreneurs harbor a deep-seated fear that formalization is a direct funnel to taxation by the URA. During the FGDs with informal business owners, it was further reported that many informal entrepreneurs believed that registering their business will immediately expose them to high and unaffordable tax, which discouraged them to formalize of their businesses.

### Limited awareness and misinformation

According to responses from the FGD interviews from Wakiso and Kampala districts, there were limited or no knowledge among business owners about the procedures and advantages of formal business registration. Many informal entrepreneurs are unaware of where to go, what documents are needed, or how to initiate the registration process. In addition, there was widespread misconceptions about high taxation associated with registered businesses. Others assume that a trading license from the local government is equivalent to formal registration, unaware of the distinct role of URSB. The perception that business registration is only for the elite or large enterprises further deters micro-entrepreneurs, particularly those with limited capital and education.

*“They think it is for the educated and people with big businesses.”*

FEMALE KII RESPONDENT, Kampala District

One of the key barriers to formalization of informal businesses highlighted by the Uganda Registration Services Bureau (URSB),<sup>32</sup> is the lack of awareness of benefits of business registration among informal business owners.

Additionally, business owners shared that they often lack clear and trustworthy information about what formalization truly entails and a clear criterion on the process. Rumors and negative narratives circulate within informal networks, warning peers against registration due to perceived risks such as unexpected taxes, high compliance costs, or increased scrutiny from multiple authorities. The absence of consistent, transparent communication from government agencies and relevant authorities further erodes trust, leaving informal business owners reliant on informal channels that reinforce misinformation.

Relatedly, further research findings indicate that women-owned businesses are greatly hindered by a lack of education, knowledge, and skills that are aided by norms, beliefs, religion, and family backgrounds (Amadi & Adim, 2020; Rani, 2020). Similar research findings were identified in a Key Informant Interview (KII) with the District Commercial Officer in Mayuge district who mentioned that many informal business owners do not know the process, the benefits of formalization, the requirements, or the correct office for registration, and these unknowns caused a reluctance to register.

#### **Perceived high registration cost**

Some participants felt that the registration fees are too high and deters members from registering their business. For example, even though the statutory fee is UGX 90,000, many business owners report additional costs such as transport, middlemen (brokers), and the time lost in navigating bureaucracy. It was further noted that hiring a court approved advocate/lawyer to file registration documents costs approximately 1 million Uganda shillings per company registration.

*“Most people don’t see the benefit of formalizing. They think it only brings taxes and rules.”*

FEMALE KII RESPONDENT, Kampala District

The mandatory requirement to pay taxes upon registration has been documented in literature as a hindrance to registration by non-registered businesses. Furthermore, research from the Economic Policy Research Center report<sup>33</sup> discovered that perceptions about annual tax payment by already registered businesses has proved to be a big setback to the formalization of businesses.

In Uganda, the Uganda Bureau of Statistics (UBOS) 2021 Informal Sector Survey highlighted that limited access to finance remains the most cited challenge among informal businesses, with 78% reporting that they operate entirely on personal savings or informal borrowing without any access to formal credit. Without adequate capital to pay for registration costs, taxes, business premises fees, and formal compliance requirements, business owners opt to remain informal to maintain their limited operational funds for immediate business survival and household needs.

#### **Lack of access to registration services**

Most of the people in the informal sector and in the markets lack access to registration services, especially in rural or peri-urban settings. Business owners are often required to travel to major towns like Jinja, Mbarara, or Kampala to reach URSB or URA offices. Online platforms like the OBRs are inaccessible to most informal traders due to low digital literacy and lack of internet access. Additionally, bureaucratic

complexity, with multiple steps, forms, and unclear instructions, makes formalization intimidating for those with low education levels.

*“Most of the women are illiterates... they fear anything to do with documentation.”*

FEMALE KII RESPONDENT, Wakiso District

Study findings indicate that more than 77.1% of women had not completed secondary school education and have limited skills and knowledge on how to use online platforms to register their businesses. Relatedly, further research findings indicate that women-owned businesses are greatly hindered by a lack of education, knowledge, and skills that are aided by norms, beliefs, religion, and family backgrounds.<sup>34</sup> Rani further claims that in most communities, education for girls is not a priority but rather they are encouraged for a good future marriage. This limits girls in the future to be good women entrepreneurs with formal businesses because they lack knowledge, technical skills, and competencies, and they are limited to an access to information, support services, business development, and management skills.

#### **Don’t see the benefits for business formalization**

Most of the participants (27%) said that many of the women in the market view their businesses as too small or too temporary to merit registration. Because of the volatile nature of their ventures shifting locations, seasonal sales, or unstable income, they see formalization as an unnecessary burden.

*“They just do it for a short time, then they’ll shift to other things. That’s why they don’t think they should register their business.”*

MALE KII RESPONDENT, Wakiso District

*“Most informal business owners don’t understand the advantages of formalizing... We need proper education through saving groups and SACCO meetings.”*

FEMALE KII RESPONDENT, Kampala District

#### **Weak implementation of policy guidelines**

The absence of harmonized, pro-MSME policies across URA, URSB, and local governments creates confusion and redundancy in requirements. Furthermore, lack of attractive incentives such as tax holidays or startup capital discourages registration. Government outreach is inconsistent and underfunded, leaving many communities unreached by formalization campaigns.

According to the research findings, it was found that the slow pace at which informal businesses are transitioning into the formal economy is another significant challenge despite of the Laws which are available in Uganda regarding formalization. For instance, the Companies Act of 2012 and the National Social Security Fund (NSSF) Act were introduced to simplify business registration and extend benefits to informal sector workers, respectively. While these laws are important in providing legal protections and benefits, the process of formalization remains cumbersome. Many informal workers are unaware of the potential benefits or are unable to meet the complex registration requirements. The slow implementation of NSSF benefits and the stringent eligibility criteria have further complicated the formalization process, leaving many informal workers vulnerable to exploitation and outside the protective framework of the law.<sup>35</sup>

During the research study, majority of the informal business owners (60%) consistently explained the confusion and frustration about the steps required to transition to the formal economy. Many respondents (70%) indicated and shared that they lack clear, accessible information on the procedures, documentation requirements, and institutions involved in registration, licensing, and tax compliance. This lack of clarity discourages them from pursuing formalization, as it appears to be a cumbersome and bureaucratic process.

Study findings indicate that those respondents who had not registered (88.7%) their informal businesses, more than 70% of them attempted registration, citing lack of information and the complex nature of the process as major barriers. It was mostly prominent in Mbarara district, where the majority of respondents cited long travel distances from villages like Katete, Ruti, and others, incurring high transport costs and time wasted which had proved to be deterrents to formalizing their businesses.

Equally, Uganda National Informal Sector Survey (UBOS, 2021), highlighted that many informal operators are unaware of the benefits of formalization due to inadequate dissemination of information. The report emphasizes that government and supporting agencies often fail to present the registration process in simple, relatable terms that resonate with grassroots entrepreneurs.

Additionally, a report from the *World Bank Doing Business Report* (2020)<sup>36</sup> ranked Uganda low in ease of starting a business due to bureaucratic red tape and unclear requirements. The report showed that while reforms have been made, their impact is undermined by a lack of awareness and the absence of on-the-ground support to guide informal businesses through the transition.



Courtesy of Jonathan Torgovnik/Getty Images/Images of Empowerment

### **Lack of trust in the formal systems**

It was identified during the research study that (5.2%) informal business owners perceive formal systems as corrupt, exploitative, and unreliable. Participants explained that previous experiences with formal institutions such as local governments, tax authorities, or regulatory agencies have been marred by incidents of unfair treatment, bribery demands, delayed services, or arbitrary penalties. This history has created a deep-rooted fear, hence leading to a belief that formalization exposes them to harassment rather than supporting their growth.

Similar findings also stipulate that the inconsistent enforcement of laws further erodes trust in the regulatory system. Informal businesses, already hesitant to engage with the formal regulatory process, are reluctant to use whistleblowing mechanisms to hold local authorities accountable. They often fear retaliation or believe that these channels will not result in meaningful change. This lack of trust hampers efforts to create a transparent and effective regulatory environment, preventing informal businesses from fully benefiting from legal protections and services.<sup>37</sup>

Additionally, business owners (70%) shared that they often lack clear, trustworthy information about what formalization truly entails. Rumors and negative narratives circulate within informal networks, warning peers against registration due to



perceived risks such as unexpected taxes, high compliance costs, or increased scrutiny from multiple authorities. The absence of consistent, transparent communication from government agencies and relevant authorities further erodes trust, leaving informal business owners reliant on informal channels that reinforce misinformation.

### **Bureaucracy and time**

During the focus group discussions held in Kampala district in places such as Kamwokya, Busega, Natete, and Kalerwe, participants shared strong concerns about the bureaucratic processes involved in formalizing their businesses. Many informal business owners explained that registering a business requires navigating multiple offices, filling out several forms, and making frequent follow-ups, which they perceive as time-consuming and complex. Some participants narrated experiences of spending several days moving between Uganda Registration Services Bureau (URSB), Kampala Capital City Authority (KCCA), and Uganda Revenue Authority (URA) offices to complete registration and licensing requirements. This tiresome process, combined with the need to leave their businesses unattended while processing documents, discourages them from pursuing formalization as it directly affects their daily income flow.

Further research findings also acknowledge that although steps have been taken to decentralize registration services, the process still requires interfacing with multiple authorities for full compliance (for instance, trade license and tax registration), which can be intimidating and time-consuming for informal business owners.<sup>38</sup>

Equally, the Trade Licensing Act and Microfinance Act were introduced as part of broader efforts to formalize Uganda's informal sector. These reforms aimed to simplify business registration and provide access to financial services for micro-enterprises. However, these initiatives have not achieved their intended results due to several challenges. High registration fees, bureaucratic red tape, and a lack of awareness among informal sector workers have prevented many businesses from transitioning to the formal economy.

In addition, similar FGD were conducted in Mbarara district in places such as Mbarara city north where participants similarly raised bureaucracy as a major hindrance to formalization. Informal business owners mentioned that the registration process often feels lengthy and intimidating, especially for small enterprises that are run by single individuals especially women without administrative support. They further reported difficulties in understanding the procedures, the different requirements needed at each stage, and the prolonged waiting time to receive certificates. For many of them, spending several days or weeks away from their market stalls or workshops to follow up on registration issues translates into loss of customers and revenue, and making the informal sector a more practical choice for survival.

Furthermore, focus group discussions in Magamaga, Mayuge district and others revealed that informal business owners are discouraged from formalizing due to the perception that the process is too bureaucratic for small rural entrepreneurs. Participants highlighted that even when mobile registration outreaches are conducted, there is still a need to travel to the district or regional offices to complete other aspects of formalization, which consumes both time and money. For small-scale market vendors, fishermen, and roadside traders, dedicating time to go through lengthy processes is not always possible for them, as it affects their ability to sustain daily household needs that depend on continuous daily earnings.

Relatedly, during the interviews in the Kampala district, most participants emphasized that bureaucracy in the formalization process demotivates many informal business owners. They explained that even though offices such as URSB and local government authorities are accessible, the procedures still require multiple steps and departments, each with its own requirements. This fragmented process consumes a lot of time, and many fear the possibility of being sent back to correct minor errors, leading to additional delays. As a result, business owners prefer to continue operating informally to avoid the perceived waste of productive time and the frustration associated with bureaucratic bottlenecks and hurdles.

Notably, from the key informant interviews in Wakiso district, participants considered the process to be too bureaucratic, lengthy and time consuming for small business owners. The fragmented and bureaucratic process included repeated form corrections and inter-department referrals, as unnecessary barriers. This resonates with ILO (2022)<sup>39</sup> findings from East Africa which reported that the lack of procedural efficiency in registration systems hinders formalization, especially where informal businesses are operated by individual owners without administrative staff to handle compliance requirements.

### **Limited capital**

From the study findings of the FGDs conducted in Mudhebera community Mayuge district, it was discovered that many informal business owners, especially women, do not have enough capital to start or sustain their businesses. It was noted that many women started their businesses with extremely low capital. For example, a respondent shared her business experience that she started her charcoal stall using only UGX 150,000 saved from her daily home upkeep money ("kameeza"). Another respondent also mentioned that she started with just one basin of potatoes worth UGX 25,000. Because profits are minimal and immediately reinvested or used to meet household needs, they have no spare funds to invest in formalization processes such as registration or licensing, causing business owners to consider formalization unnecessary. Similarly, it was also discussed in the interviews with the Uganda Registration Services Bureau, who explained that most of the informal business owners do

not have enough capital to maintain their businesses or even fund the formalization process. It was noted that because of insufficient funds, most informal business owners operate from their homes, road sides, hawking and do not see the value in formalizing their businesses.

## 2.4 The Challenges Faced by Women in the Informal Sector in Growing Their Businesses

### Differences of urban vs. peri-urban

The research study explored the informal business sector across Kampala, Wakiso, Mbarara, and Mayuge in Uganda, and the findings revealed notable differences between informal enterprises operating in peri-urban and urban settings.

Peri-urban areas, marked by rapid and often unplanned growth, showed a unique blend of urban and rural land uses. This dynamic environment fostered a complex interplay of both formal and informal economic activities, shaping the landscape in which these businesses operated. These areas experienced an interactive exchange between rural and urban characteristics, resulting in unique challenges and opportunities for informal businesses.

On the other hand, urban areas are characterized by high population density, an environment with infrastructure like buildings and roads, and a concentration of economic, social, and cultural activities. These areas had a significant presence of informal businesses, which can be seen as both a challenge and an opportunity. These businesses operated outside the formal regulatory framework and were a major source of employment and income most especially for the low-income populations.

According to the research findings, the main challenges faced by the women in growing a business in the peri-urban areas include; limited capital or financial challenges; limited market; high taxes, rent, and licensing costs; and insecurity caused by thieves, scammers, and fraud. The challenges faced by women in the urban setting include: high cost of utilities; natural calamities, seasonal factors and climate change; poor location of the business; and high taxes, rent, and licensing fees.

According to the research findings from the survey, the sampled area predominately focused on peri-urban, with an overall high rate of 77.1%. All the sampled locations within Kampala were classified as entirely peri-urban with a 100%. This was followed by Mayuge at 82.3%, Wakiso at 74.0%, and Mbarara at 52.5%. The findings showed that a significant majority of women (93.2%) were involved in informal work, particularly in neighborhoods around cities that were growing quickly.

**TABLE 5: Challenges of Informal Women Business Owners In Growing Their Businesses**

	Peri urban	Urban
No challenge	0.0%	4.5%
Pests and diseases	0.3%	1.3%
Sexual harassment	0.5%	2.2%
Shortage of labor	0.7%	3.6%
Unfavorable working conditions	0.9%	4.5%
Gender discrimination	1.2%	3.6%
High costs on utilities	2.0%	68.2%
Business losses	2.1%	3.1%
Natural calamities/seasonal factors/ climate change	2.4%	26.0%
Price fluctuations	4.1%	4.0%
Poor location of the business	4.4%	20.2%
Stiff competition	4.5%	4.9%
Others	4.5%	2.2%
Poor business management skills	6.5%	0.9%
High prices of raw materials/ input costs	9.1%	0.0%
Poor infrastructural facilities	9.2%	0.0%
Debtors	10.3%	1.3%
Household responsibilities	11.1%	3.1%
Insecurity/thieves/scammers/ fraudsters	12.7%	0.4%
High taxes/rent/license	23.2%	11.2%
Limited market	29.3%	0.4%
Limited capital/financial challenges	74.9%	0.4%

### 2.4.1 Challenges faced by the informal business women in the peri-urban areas

The challenges faced by the informal business women in the peri urban areas are as indicated below:

Limited capital and financial challenges Access to startup and operational capital was a barrier noted during the research study at 74.9%. It was observed that many participants operated with minimal funds and were discouraged by their inability to expand. Formal credit institutions were viewed as inaccessible due to lack of collateral and harsh repayment terms. Some feared debt altogether, citing emotional stress and potential asset loss.

***“The loan processing is long, yet we are small business owners. If you urgently need money, you cannot borrow from the bank. Some bank officials have to be bribed; you need to give something to someone to make it easier. You come today and tomorrow, if you have not put in something. And sometimes it even takes a week or you end up giving up.”***

FEMALE RESPONDENT FGD, Mbarara District

These have been the main barrier women face in actively engaging in, and running, their businesses. The participants in the different Focus Group Discussions (FGD) mentioned that the lack of access to funds made it difficult to start, sustain, or grow their businesses. In one of the FGD conducted in Mayuge district, most participants (9 out of 10 respondents) shared starting their businesses with very small amounts of money often from personal savings, “kameeza” funds, or small profits from farming. These small amounts severely held back the growth of their businesses. For example, one woman began her charcoal selling business with just 150,000 Uganda Shillings, while another started her clothing stall with 200,000 Uganda Shillings earned from rice farming. With such limited capital, business owners’ find it hard to stock enough goods, expand, or even sustain, business operations during difficult seasons.

In addition, women also find difficulties in accessing credit from financial institutions such as Banks, saving groups, Savings and Credit Cooperative Organizations (SACCOs), or money lenders. The women described the loan application process as challenging as it required many documents such as collaterals, LC1 recommendation letters, passport photos, saving records, and upfront fees. They found these procedures too complicated, costly, and time consuming. Furthermore, the respondents mentioned the high corruption rate in the loan application system while others shared that they were denied loans simply because they are women, single

mothers, or viewed as “not serious” businesspeople. Others are told that they did not qualify even when they meet the requirements because officials prioritize others who have money, connections, or influence. As a result, many women did not like borrowing, referring to money lenders as “guma offe” which means “you might as well die than take such loans” highlighting how burdensome and risky they perceive the process to be. Women stated that loans usually ended up pushing them into further financial stress rather than helping their businesses to grow. One of the respondents explained how high interest payments forced business owners to focus on repaying loans instead of investing. The same message was echoed in different group discussions that were held in Kampala, Wakiso, and Mbarara districts where women shared the same information and had similar experiences with lending facilities and money lenders.

The interest rates are high for small businesses to manage in Uganda. For instance, in the three months period from November 2022 to February 2023, the weighted average shilling lending rate increased to approximately 19.2 % from 18.5%. Similarly, prime lending rates increased to 20.5 % from 20.2 % over the same period as commercial banks passed their refinancing costs onto borrowers (Uganda’s banking sector report for the year 2023).<sup>40</sup>

#### **Limited market access resulting from poor locations and fewer customer acquisition opportunities**

Limited market access has emerged as another significant barrier women face in running and growing their businesses. According to the survey, 29.3% of the sampled respondents encountered limited and unstable market environment which restricted business expansion and contributed to the overall uncertainty. During the Focus Group Discussions (FGD) in Kampala, many participants (28 out of 34 respondents) emphasized that even when they manage to start a business, existing local markets are either unstable or overcrowded, making it difficult to sustain steady income or plan for the growth of their businesses. Others expressed a desire for better business locations or increased exposure to improve visibility and attract more customers.

***“My wish is to get a better location and large market where I can access more customers. Also, if I can get a place along a busy street my business will grow and my targeted market is the student and those going for work early in the morning.”***

FEMALE FGD RESPONDENT, Wakiso

Business owners stated that because they are not being seen in their current work place it makes it hard for customers to reach them. Many respondents (8 out of 8 respondents)



reported limited access to larger, more stable markets such as schools, restaurants, supermarkets, and other urban based customers, which limits their business growth. Additionally, some respondents highlighted the role of networking and partnerships as vital means to access bigger market opportunities and enhance their sales potentially. Some emphasized the need for marketing support, including advertising and customer outreach, to expand beyond their immediate locations, such as street corners or home-based setups.

***“I see an opportunity if they help me in marketing and reaching out to new customers in my business of poultry, for example, star rated hotels, which will help me grow to a big poultry farm than rearing from home.”***

**FEMALE FGD RESPONDENT**, Kampala district

With many entrepreneurs operating in small, localized settings the minimal exposure to wider or more profitable markets limits their customer base and holds back business growth and innovation. Without targeted support in marketing, access to larger networks, and improved visibility, these entrepreneurs remain confined to saturated and competitive local environments.

Equally, in an interview with the URSB officer in Mbarara City, they indicated that restricted market access emerges as a significant obstacle for informal businesses. The officer pointed out that many informal business owners, especially single mothers and widows, struggle to sustain and run their businesses due to a lack of capital and financial assistance, which restricts their ability to grow and reach broader markets. Moreso, poor marketing and leadership skills further limit their market expansion, as well as the misconception about taxation also discourages formalization keeping businesses small and focused only on local customers. As a result, their businesses often remain small and localized, serving only nearby customers and this reflects an indirect but clear indication of limited market access. These factors make it harder for the informal business in the area to find customers and grow.

### **High taxes, rent and licenses**

The other most pressing challenges faced by the women in the informal business sector in the peri-urban settings of Kampala, Wakiso, Mayuge, and Mbarara was high taxes, rent, and licensing fees at a rate of 23.2% in accordance to the quantitative survey. These financial demands significantly affect their ability to sustain and grow their businesses.

From the Key Informative Interview (KII) with the secretary of the Cooperatives Society from Busega Market Tomato Suppliers, Dealers and Vendors Group, the issue of high taxes, rent, and licensing fees was highlighted as a major obstacle to business formalization among the women entrepreneurs in Kampala. The respondent emphasized that while registering a business through official channels like the Uganda Registration Services Bureau (URSB) is possible, the associated costs are prohibitive for most small business owners. She explained that obtaining a URSB alone costs 250,000 Ugandan Shillings, in addition to the costs incurred in getting approval letters from local authorities such as the LC1, Community Development Officer (CDO), and the RCC. These multiple steps make the process both expensive and time-consuming. She stated that the moment a business is registered, it is immediately expected to start paying taxes, regardless of its size or profits gained, which scares away small-scale entrepreneurs. She noted that *“they think once they register, they will be fined or taxed.”* (Female, KII Respondent, Kampala district).

Pointing out that the perceptions of formalization as a gateway to more financial challenges hinder informal business owners from transitioning. This concern is compounded by the lack of visible benefits or incentives, most entrepreneurs *“don’t see what they gain from it,”* (Female, KII Respondent, Kampala district), and chose to remain unregistered to avoid additional costs and obligations, however, choosing to remain informal limits their access to broader economic opportunities, support, and business growth. Respondents stated that taxes were too high on the businesses they run and produce minimal benefits. One posited, *“it’s like the government just likes their businesses to collapse.”* Informal business women feel that the current tax and regulatory environment is harsh and unsupportive which threatens the survival of their small businesses.

According to the findings from the Focus Group Discussions (FGDs) in Wakiso district, women entrepreneurs in the informal business sector consistently mentioned high taxes, rent, and licensing as major obstacles to sustaining and growing their businesses. Respondents shared that the operating costs are heavily burdened by the expensive rent and monthly license fees, where some reported payments of 50,000-80,000 Uganda Shillings per month for only the licenses. One respondent said that *“the rent is very expensive and the monthly license fees are too high for my small business to handle.”* (Female, FGD Respondent, Kampala district). Other respondents mentioned the lack of proper sensitization about these charges and were often unaware of what their taxes covered. As another respondent explained, *“we pay money but no one explains what these taxes are for or where they go,”* (Female, FGD Respondent, Kampala district). Additionally, some women (25 Out of 32) raised concerns about the excessive fees from KCCA, the difficulty in renewing trading licenses for those who are registered, and the unregulated enforcements from the different authorities who

frequently demand money without receipts or explanation. A respondent noted that *“they ask for money from us without receipts and we don’t even know what we are paying for.”* (Female, FGD Respondent, Kampala district). Another added, *“the taxes are too high, and we don’t get any support or benefits in return.”* (Female, FGD Respondent, Kampala district). For women working on the roadside or home-based businesses, they expressed frustration over tax officials from the town council who demand daily or weekly fees without offering any form of business support, road maintenance, or clear justification for the charges. One respondent aired out that *“these tax collectors come demanding money every day or week, but the road remains dusty and no one helps us.”* (Female, FGD Respondent, Wakiso district). Other women emphasized that the lack of affordable rental space pushes them into the informal setups, where they become targets for harsh tax enforcement which worsens their already vulnerable financial positions. As a respondent put it, *“because we don’t have money for rent, we work from the roadside, and that is why they keep taxing us heavily, yet there is no improvement in the road or our business environment.”* (Female, FGD Respondent, Mayuge district).

### Harassment, thieves, scammers, and fraudsters

Harassment, thieves, scammers, and fraudsters are other challenges affecting the growth of informal businesses, particularly those run by women.

These issues not only threaten their livelihoods but also hinder their ability to grow and formalize their businesses. During one of the Key Informative Interview (KII) in Kampala district, the market administrator shared insights on how theft, scams, and exploitation by middlemen impact women traders, highlighting the need for improved security measures and awareness. The respondent noted of the presence of scammers *“who pretend to be KCCA officials and take money and property from people.”* (Female, KII Respondent, Kampala district). Additionally, women face exploitation from dishonest middlemen, as described by one woman who said she was *“cheated by the middlemen/brokers through giving [her] the wrong products claiming that they are good hence earning losses.”* (Female, FGD Respondent, Wakiso district). Furthermore, the market environment is also marked by frequent thefts where goods and money are stolen which creates an unsafe atmosphere, as she added that *“people are being robbed of their goods and money,”* (Female, FGD Respondent, Wakiso district). These challenges increase the risks and uncertainties that women who operate in the informal businesses navigate daily in order to sustain their livelihoods and grow their businesses.

In the research findings and the Focus Group discussions (FGDs) in Mbarara, informal entrepreneurs faced theft, fraud and harassment by opportunistic individuals. Several women operating in open markets and roadside stalls expressed concerns about the lack of security in the market areas,



especially at night or early mornings, leaving their goods and earnings at risk. One of the respondents pointed out that *“insecurity in the market and poor garbage disposal make it hard to even protect what little we earn.”* (Female, FGD Respondent, Mbarara district). Others raised fears of scammers and fraudsters, especially when dealing with unfamiliar customers or in the situations where payments are made through the mobile money services without proper verification. A respondent said that *“when the business is registered, you are protected from conmen,”* (Female, FGD Respondent, Mbarara district), noting the importance of formal registration. Unregistered operations experience more targeted attacks by corrupt individuals or imposters who pose as officials demanding bribes. The business owners, particularly those selling perishable goods or operating in areas with many people, feared that someone would steal and of being deceived by the customers. As one respondent said, *“customers eat my food and do not pay on time; sometimes they even fail to pay completely,”* (Female, FGD Respondent, Mbarara district). Additionally, several women reported gender-based disrespect, leaving them feeling vulnerable to economic manipulation, especially when male customers or counterparts looked down on small-scale female entrepreneurs and attempted to exploit or intimidate them. One respondent explained, *“if someone, especially men, see you operating a small business, they think they can take advantage of you and demean you,”* (Female, FGD Respondent, Mbarara district). These insecurities deepen the fear of expanding operations and also threaten livelihoods which deters many from pursuing formal growth.

### 2.4.2 Challenges faced by women informal business owners peri-urban areas

According to the research study findings, the urban areas accounted for 22.9% of the sampled respondents in the survey. The women operating the informal businesses in these settings specifically in Wakiso, Mayuge, and Mbarara, reported facing various challenges that hindered their business operations and growth. While multiple issues were identified, some were prominent than others, the high cost of utilities was the chief among others which affected 68.2% of the respondents indicating a significant barrier to sustainable informal enterprises in these urban areas. This was followed by the impact of natural calamities, seasonal factors, and climate change with 26.0%, which disrupted business activities and income flows. Others challenges included poor location of the business with 20.2%, which limited visibility and customer access, and the burden of high taxes, rent, and licensing fees with 11.2%, all of which significantly limited the growth of the informal businesses run by women in these urban areas. These are further explained below:

#### High cost of utilities

In Wakiso's urban setting, the survey findings indicated that approximately 68.2% of the sampled respondents expressed concerns about the high cost of utilities as a major challenge to sustain and grow their informal businesses. In the FGDs in Wakiso, one respondent explained that *"We do have a big problem with electricity as it goes off at 3 pm and takes long to come back... I lose customers because I sell drinks and customers don't like buying warm drinks,"* (Female, FGD Respondent, Wakiso district.) This unreliability leads to a loss of income, especially for the businesses that depend on power to run such as lighting and refrigeration. Additionally, there are hidden costs linked to poor infrastructure, for example dust from unpaved roads requiring laundry vendors to rewash clothes also indirectly increases the utility burden. High utility related costs not only reduce profit margins but also contribute to business stagnation which makes it very difficult for women to grow their businesses.

#### Natural calamities, seasonal factors, and climate change

Natural calamities, seasonal factors, and climate change are other challenge faced by women entrepreneurs operating the informal businesses in the urban settings in Wakiso, Mbarara, and Mayuge districts. Survey responses found that climate impacts affected 26.0% of the sampled respondents.

In Focus Group Discussions (FGDs) conducted in Mbarara, entrepreneurs reported direct and indirect barriers linked to natural calamities, seasonal factors, and climate related issues. Many respondents (27 out of 33 respondent) mentioned that the seasonal nature of their businesses, such as door-to-door laundry services and agriculture related activities like poultry and produce, are affected by changes in weather and customer demand. For produce and fish vendors, the problem

of perishability due to increasing heat and lack of proper infrastructure to preserve food caused a loss of income. One fish vendor mentioned that the scarcity of fish at the source and high costs are likely influenced by the climatic conditions.. Women business owners' stated that training on how to keep fish and vegetables fresh would assist their business operations. In farming, the rising costs of agricultural inputs are curtailing sales. Necessary inputs such as pesticides or seeds are becoming expensive due to broader climate and market dynamics. One respondent who rears poultry noted that *"too much sunshine damages crops,"* (Female, FGD Respondent, Mbarara district). and affected the availability and affordability of the poultry feed she needed for her business.

Women in these areas experienced vulnerabilities due to environmental shifts and seasonal uncertainties. The lack of formal support systems such as climate resilient practices or training in preservation techniques, underscores a critical gap in sustaining these women-led informal businesses under changing environmental conditions.

Similarly, a study reported that climate change poses significant challenges to informal street vendors, particularly in urban settings where they operate in vulnerable environments (Impact of Climate Change on Informal Street Vendors: A Systematic Review to Help South Africa and Other Nations (2015–2024)).<sup>41</sup>

#### Poor location of the business

In urban settings, 20.2% of women stated that they were affected a poor location for their business. In an interview with the Kamu Kamu Vendors Association, they revealed that the market area has been neglected by the political and community leaders, which has left the vendors isolated and lacking support. They note that the market has been *"laid back"* and *"left behind"* with no proactive engagement or targeted interventions to vendors such as sensitization, education, or formalization initiatives. This lack of presence and tailored outreach has made it difficult for informal business owners, especially women, to access information, resources, and incentives that could improve their operations and encourage registration. The respondent stressed that without leaders coming directly into the market to provide education and assistance in a one-on-one manner, *"the vendors remain uninformed and hesitant to formalize,"* (Female, FGD Respondent, Mbarara district), resulting in missed opportunities for growth and support. Also mentioned was that *"nobody has come on the ground"* (Female, FGD Respondent, Mbarara district), to educate or collect dues, which highlights the disconnection between authorities and the market traders.

In the Focus Group Discussions (FGDs) in Mayuge, many entrepreneurs ran their businesses from roadsides, verandas, or crowded market stalls, which lack proper infrastructure and expose them to environmental hazards such as dust



during dry seasons and flooding during rains. One respondent noted the difficulty, saying *“We operate from roadsides and market stalls where there is limited space and bad roads make it hard to bring stock and attract customers.”* (Female, FGD Respondent, Mayuge district). A poor business location limits customer access and affects the quality of goods and services offered. Women in particular, tend to operate from these informal settings, unlike men who more often run businesses from rental shops or permanent premises, underscoring a gender disparity in business growth potential. The lack of secure and stable premises creates vulnerabilities, including theft and damage which reduces the ability to expand and formalize their enterprises. As another respondent pointed out that *“the roads are impassable during rainy seasons, and the dust affects our food stalls, making it hard to maintain hygiene and customer satisfaction.”* (Female, FGD Respondent, Mayuge district). Overall, the challenge of poor location of the business hinders the growth and financial stability of the informal businesses.

During the FGD interview in Wakiso, respondents noted that many vendors *“don’t have permanent residence and frequently move due to disruptions such as road construction.”* (Female, FGD Respondent, Wakiso district). The constant movement of their business made it difficult for them to establish permanent structures or commit registering their company, as they *“don’t think it’s a permanent business”* (Female, FGD Respondent, Wakiso district). and instead view their activities as temporary. This lack of stability reduces their incentive to register since they are unaware about the benefits, and often see no advantage in transforming into formal businesses. The respondent suggests that without permanent infrastructures and proper sensitization these seasonal and environmental challenges will continue to hinder growth and formal registration efforts.

### High taxes, rent, and licenses

Urban survey respondents (11.2%) reported that high taxes, registration fees, and licensing costs as significant challenges discouraging informal business owners from formalizing their operations. During an interview with the URSB officer in Mbarara, she specifically points out that *“URSB charges a lot of money, they charge like 90,000 shillings plus to get a trading license,”* (Female, KII Respondent, Mbarara district), which many small-scale women traders find unaffordable. These businesses often operate on small margins, with starting capital as low as 100,000 Ugandan Shillings. Registration costs are too exorbitant and as a result, many women remain informal, especially since *“they don’t have ownership of their businesses,”* (Female, KII Respondent, Mbarara district), husbands often initiate and control these businesses. She recommended *“reducing registration fees”* and adjusting tax policies to encourage compliance, noting the need for a policy where businesses *“register first before starting up... and obtain a trading license before operating.”* (Female, KII Respondent, Mbarara district). These actions, coupled with

improved financial literacy and access to low-interest loans, would reduce the burden of high taxes and licensing costs that currently discourage formalization.

According to various reports, the study found that women entrepreneurs face a range of challenges related to taxation, including high tax rates, complex tax regulations, and limited access to information about tax laws and regulations.<sup>42</sup> In Focus Group Discussions (FGDs) with informal entrepreneurs in Mbarara City, women entrepreneurs repeatedly mentioned their concerns about high taxes, rent, and licensing fees as critical obstacles to running their businesses. One respondent explained that *“I faced a challenge of being responsible for facilitation of the Health Inspectors, like paying their fuel bills, yet it is costly,”* (Female, FGD Respondent, Mbarara district), while another noted that *“the tax collectors just dictate the amount to pay without considering capital in the business, customer base, business location, or average income.”* (Female, FGD Respondent, Mbarara district). Others confessed to not registering at all out of fear of taxes or because they lacked information, saying, *“I know nothing about business registration,”* and added that *“no, I fear taxes.”* (Female, FGD Respondent, Mbarara district). A respondent who sold tomatoes and onions shared that *“I face a challenge of paying the local council whereby charges are too high. I also face a challenge of paying rent yet my business earns little money.”* (Female, FGD Respondent, Mbarara district). Another participant selling produce added, *“I incur more expenditure than income,”* (Female, FGD Respondent, Mbarara district) linking it to the burdens of high taxes and poor market conditions.

The Focus Group Discussions (FGDs) in Mayuge, similarly expressed significant challenges related to high taxes and fees that directly impact their small-scale informal businesses. One respondent expressed disappointment with the higher taxes inserted on all commodities such as clothes, wholesalers, food and food items, explaining how these taxes increase prices and reduces profit because it limits sale volume and also squeezes an already thin profit margin.

### 2.4.3 Entrepreneurship and capacity gaps faced by women owned informal businesses

#### Limited capital

According to the survey, limited capital was identified as the most common challenge, with 70.9% of the respondents across all districts citing it as a major barrier in starting and running their informal businesses. The highest numbers were reported in Mayuge (76.8%) and Wakiso (76.7%), showing that over three-quarter of women in these areas face financial difficulties. Kampala (65.2%) and Mbarara (64.7%) also reported significant figures.



From the FGDs, many participants (95%) operated with minimal funds and were unable to expand. Formal credit institutions were viewed as inaccessible due to lack of collateral and harsh repayment terms. Some feared debt altogether, citing emotional stress and potential asset loss.

Based on an interview with the commercial officer of Mbarara City, limited capital was identified as a major challenge faced by women-owned informal businesses. The officer highlighted that many women entrepreneurs struggle with financial gaps that hinder their ability to grow. When asked about key capacity gaps, he stated that *“Financial literacy, lack of funds,”* (Female, FGD Respondent, Mayuge district) pointing to both the absence of knowledge and resources as significant barriers. He further emphasized the financial strain in response to challenges women face in the informal sector, saying that *“Most of them cannot afford to pay taxes and trading licenses.”* (Female, FGD Respondent, Mayuge district) These insights reflect the broader issue of limited access to startup and operational capital, which continues to affect women’s participation in the formal economy.

### Time constraints

From the study findings, it is indicated that 31.7% of the respondents reported time constraints as an obstacle to operating their businesses. Childcare in particular was mentioned as one of the most time-consuming duties, limiting the time women could dedicate to business activities. This issue was most marked in Kampala (36.6%), followed by Wakiso (32.2%), Mbarara (29.9%), and Mayuge (28.3%). These findings suggest that while childcare is a universal challenge, it is especially acute in urban areas like Kampala, where balancing home duties with business demands is even more difficult.

Based on the FGDs, respondents highlighted how childcare and household responsibilities significantly limit their time and energy for business. One woman shared, *“We have too many responsibilities. For example, we have to finish housework before leaving home, and that makes us arrive late at our workplaces.”* (Female, FGD Respondent, Kampala district). A single mother explained, *“I have to take care of everything at home by myself so my family can be okay. Sometimes it becomes too hard, especially when I have to take the children to school, and this makes me late for work.”* (Female, FGD Respondent, Kampala district). Another woman added, *“I get very tired because I first have to do a lot of work at home before going to the market. Sometimes I even end up sleeping at the workplace because of the exhaustion, yet I still have to go back and do more work at home after that.”* (Female, FGD Respondent, Kampala district)

According to interview with a representative from SACCO, she noted, *“a lot of these women are single mothers who carry heavy responsibilities...they handle everything on their own.”* (Female, KII Respondent, Kampala district)

These statements reflect how balancing domestic duties with business demands often leads to late arrivals at work, fatigue, and limited productivity, especially for single mothers who bear the full burden of home care.

### Limited support from family

The study revealed that 18.3% of the respondents received limited support from family. This challenge was mostly evident in Mayuge (22.3%), Mbarara (21.7%), and Wakiso (19.4%), with Kampala (9.7%) reporting the lowest percentage. Many women expressed that lack of support with childcare and household responsibilities from spouses or family members as a barrier to managing and expanding business operations.



From the FGDs, one vegetable stall owner stated that she started her business because she “was tired of requesting [her] husband for money to cater for [her] personal needs like Vaseline, plaiting hair, and buying new clothes and shoes.” (Female, FGD Respondent, Wakiso district).

Financial dependence on spouses and family and a lack of support in conducting everyday needs creates challenges in managing time between home and business. Many women chose to run their businesses from home or near their homes to help ease the burden and to remain close in order to fulfill caregiving responsibilities.

During an interview, a respondent highlighted the emotional and financial burden many women in informal businesses carry due to limited support from their families, especially from spouses. She noted that domestic issues often spill into the marketplace, saying, “Sometimes, you even hear women arguing in their stalls because of domestic violence at home.” (Female, FGD Respondent, Wakiso district). Personal and household struggles that include abandonment and lack of spousal support, affect women’s ability to focus on or grow their businesses.

Single mothers shoulder the entire responsibility of providing for their families, which not only limits capacity to in their businesses but also reinforces their dependence on informal income sources for survival.

### Lack of confidence

According to the research, lack of confidence was identified as another challenge affecting women business owners, with 7.4%. Mbarara recorded the highest percentage at 14.9%, followed by Mayuge at 6.4%, Wakiso at 4.4%, and Kampala at 4.0%. Many women felt uncertain about their abilities to start, manage, or expand their businesses. In an FGD with women entrepreneurs in the Budhebera community, located in Mayuge district, women feared that big businesses might collapse and or become too hard to maintain or manage.

Doubts may have originate from limited access to formal education, absence of role models, and common social norms that discourage women from taking leadership roles in business. As a result, women have become hesitant to take financial risks, seek loans, or participate in business training programs. To overcome this barrier, confidence-building initiatives such as mentorship programs, peer learning networks, and entrepreneurial skills training tailored specifically for women are essential.

### Gender discrimination

Gender discrimination was reported by 17.5% of all respondents, making it one of the most substantial and considerable challenges highlighted in this study.



Mayuge district had the highest level of reported gender discrimination at 24.0%, followed by Mbarara at 20.3%, Kampala at 18.9%, and Wakiso at 7.0%.

In FGDs with women in Mayuge district, discriminatory practices included: restricted access to credit and financial services, especially to widows who do not have husbands to stand in for them as guarantors; exclusion from business networks; bias against their businesses because of gender; limited ownership of property; and a lack of decision-making power both in the household and business settings.

In discussions with women entrepreneurs in Kawoto A and B, Wakiso district, women shared their experiences of being discriminated against and overlooked by male customers.

**“Some men say I have a weak body and hands and they think I can’t handle anything properly.”**

**FEMALE, FGD RESPONDENT, Wakiso District**



Even though there is the existence of the Equal Opportunities Commission Act which promotes gender equality and women's empowerment, many women continue to face occupational segregation, often restricted to low-skilled and low-paying work, especially within the informal sector. On top of that, women operating in informal business sectors still struggling to access funding, training, and markets due to limited formal registration, inadequate documentation, or lack of awareness about support programs. Entrenched cultural norms and weak enforcement of gender equality policies further hinder women-led businesses. There is a need for gender-responsive policy implementation, legal empowerment of women, and awareness-raising campaigns that challenge harmful stereotypes and promote inclusivity in the business environment.

### Limited mobility and transportation

Limited mobility was another highlighted restriction women entrepreneurs experienced, with 8.5% of the total respondents indicating it as a challenge. Mayuge district reported the highest proportion at 13.1%, followed by Mbarara at 8.8%, Wakiso at 7.0%, and Kampala at 5.2%. The limited ability to move freely affects women's capacity to travel to markets, attend training, or network with other entrepreneurs. Poor infrastructure, lack of reliable public transportation, domestic responsibilities, and social restrictions can discourage women from traveling alone or far from home.

Respondents in Mayuge district stated that poorly constructed roads delays the delivery of items and contribute to the wastage of goods, particularly perishable products sourced from distant areas. One participant stated that up to 90% of her profits were consumed by transportation costs, which threatened her expected income and undermined the sustainability of her business. For small-scale women traders, especially those dealing in food items or charcoal, poor infrastructure and high transport costs, affects their ability to reach larger markets or restock in a timely and cost-effective manner.

Relatedly, hawking businesses, which are by nature mobile and dependent on weather conditions and foot traffic, are significantly affected during rainy seasons. One woman who sells a mix of stoves, pots, herbs, and crafts explained that during heavy rains, her movement and business operations are disrupted, making it difficult to access her customers. The lack of formal locations for market vendors and hawkers forced some sellers them into a cycle of constant relocation. Frequent movements not only disrupt their business operations but also hinder their ability to build customer loyalty or market their products consistently. It also makes them vulnerable to harassment and displacement, especially where authorities do not recognize their informal status.

Women's limited mobility was indirectly impacted by heavy domestic and childcare responsibilities. Respondents mentioned how they have to juggle multiple roles like caring for children, managing households, and running businesses. These responsibilities restrict their ability to travel far or spend long hours away from home, unlike their male counterparts. One woman stated that while men often abscond from responsibilities, women are left to provide for all needs, further anchoring them to the home and limiting their business reach and time flexibility.

These mobility constraints therefore, greatly limit women's economic participation and access to growth opportunities.

## 2.5 Coping Mechanisms and Resilience by Women in Informal Business

### Support From Informal Financial Groups

Savings groups, friends, and family played a key role in helping these women receiving their first business capital. These systems provided financial and emotional support during difficult seasons like domestic violence, debt, or illness.

*"Me I get support from a saving group called Tukwatire Wamu Saving Group which offers loans to group members."*

FEMALE, FGD RESPONDENT, Wakiso District)

*"I sell Irish potatoes. I started my business with 15,000 Uganda shillings, thanks to the help of a friend who lent me the money."*

FEMALE, FGD RESPONDENT, Kampala District

### Diversifying of the business

To stay afloat, women diversified their businesses, moved to better locations, or switched product lines based on demand. Some combined several income-generating activities like selling food during the day and tailoring at night. This adaptability kept their businesses going.

*"I started by purchasing charcoal stoves, but when I noticed that the market demand was low, I decided to diversify. I added other items like vegetables to my stock."*

FEMALE, FGD RESPONDENT, Wakiso District

### 2.5.1 Support and capacity needs

#### Training and mentorship

Women consistently requested practical training in business management, product development, digital skills, and customer service. They believed mentorship from successful businesswomen could help them overcome common pitfalls and improve their performance.

*“I want to be trained on product development like packaging and branding my liquid soap which will attract more customers to buy or make orders from me.”*

Female FGD Respondent, Kampala District

#### Access to financial services

Participants expressed a need for soft loans, grants, and SACCO-based credit that didn't require heavy collateral. They wanted fair interest rates and repayment schedules that aligned with the slow cash cycles typical in informal trade.

#### Childcare and family support

Childcare was one of the biggest constraints to women's business operations. Many wished for support systems like daycares or community caregiving that would enable them to focus on their businesses without neglecting their children.

*“Yes, Kyebando SACCO it has low interest rates for those saving regularly.”*

FEMALE, FGD RESPONDENT, Kampala District

*“I get very tired because I first have to do a lot of work at home before going to the market. Sometimes I even end up sleeping at the workplace because of the exhaustion.”*

FEMALE, FGD RESPONDENT, Kampala District

#### Affordable workspaces

Women working by roadsides or at home wanted access to affordable, secure stalls or vending spaces. They cited relocation or eviction threats, congestion, and exposure to bad weather as hindrances to business stability.

*“If the government and the existing NGOs gave us a space and support, we would grow faster and even be able to employ others.”*

FEMALE, FGD RESPONDENT, Wakiso District

### 2.5.2 Aspirations and future plans for women in informal businesses

#### Desire for business growth

Despite hardships, women owners saw potential for their businesses to grow in 3–5 years if given capital, training, and market access. Some wanted to open formal shops, hire employees, or supply institutions like schools and hotels.

*“If in any way I got more capital, my business would grow in the next 5 years. I will be able to increase the number of hens I'm rearing and also stock the feeds... I will be able to buy medicine for them in time to avoid losses once the hens die.”*

FEMALE, FGD RESPONDENT, Mayuge District

#### Supporting education for their children

A recurring theme was the desire to use business profits to educate their children. School fees were often the first expenditure from any surplus made, showing a generational vision for social mobility through education.

*“What highly motivated me was my children's education. I came to the market to work so I could earn money for their school fees. Now, I've managed to educate three of my children.”*

FEMALE FGD RESPONDENT, Wakiso District

#### Housing and land ownership

Several women narrated aspirations to buy land or construct homes as a long-term investment. Business income was viewed as a means to exit rental poverty, offering their families stability and dignity.

*“I started from there, step by step, and eventually, I was able to buy a plot of land where I built my house. I'm now living there with my children. That's how working for myself changed my life.”*

FEMALE FGD RESPONDENT, Mbarara District



Courtesy of Jonathan Torgovnik/Getty Images/Images of Empowerment

## 3.0 CONCLUSIONS

According to the Ministry of Finance, Planning and Economic Development (MoFPED)<sup>43</sup>, informality costs Uganda's economy approximately 40% of GDP annually, largely due to tax evasion. In line with this, the Economic Policy Research Centre (EPRC) recently estimated that informal businesses are withholding about UGX 474 billion in potential tax revenue by operating outside legal and fiscal frameworks.<sup>44</sup>

In accordance with the research observations, the formalization process has contributed to the creation of a more conducive business environment, fostering entrepreneurship, attracting foreign direct investment, and stimulating economic growth. These outcomes align with broader national development goals and economic reform agendas.

According to various stakeholders engaged during the key informant interviews, particularly officials from the Uganda Registration Services Bureau (URSB), Uganda

Revenue Authority (URA) and local governments, the implementation of policy interventions such as simplified regulatory procedures, targeted incentives for formalization, and strengthened business support services is crucial to increasing the number of formalized businesses in Uganda. In conclusion, Uganda's potential to promote widespread business formalization is evident. However, feedback from discussions and interviews of women business owners in Mbarara, Wakiso, Kampala, and Mayuge, numerous challenges continue to hinder the full realization of this potential. These include institutional weaknesses, high compliance costs, a lack of trust in formal systems, and on-going social barriers that inhibit full participation of women in the workforce. Therefore, in line with stakeholder recommendations, the Government of Uganda should prioritize the strengthening of legal and regulatory frameworks, with a particular focus on enforcement and compliance mechanisms, to ensure long-term economic prosperity and good corporate governance.





Courtesy of Jonathan Torgovnik/Getty Images/Images of Empowerment

## 4.0 RECOMMENDATIONS

### 4.1 Recommendations

#### **Streamline the registration process**

Simplifying the registration process is critical. This includes reducing procedural delays, lowering paperwork requirements, and expanding access to online registration platforms. In line with these suggestions, the government should consider establishing registration help desks at local government offices to support entrepreneurs through the process.

#### **Reduce formalization costs**

In accordance with perspectives shared by small business owners during the FGDs, government should reduce registration fees and tax burdens, particularly for Micro, Small, and Medium Enterprises (MSMEs). Doing so would remove a key financial barrier to formalization. This was in accordance to the survey results of revealing that in Kampala 27.4% reported this as a major barrier, followed by Mayuge at 32.6%, Mbarara at 27.8%, and Wakiso at 14.7%.

#### **Raise awareness on the benefits of formalization**

Informal business owners in Mayuge district stated that many informal operators lack awareness about the advantages of formalization (47.9%). National sensitization campaigns should be launched to inform entrepreneurs about benefits such as access to credit, legal protection, and eligibility for government contracts.

#### **Improve access to finance**

Several SACCO leaders and financial experts posited in interviews recommended that the government should facilitate greater access to credit for formal businesses and reduce taxes that come after formalization. This could involve credit guarantee schemes and partnerships with banks and MFIs tailored to support newly formalized businesses. Similar findings revealed that 72.2% of informal business owners in Kampala district are deterred by the taxes which come after formalization. Addressing taxation stigmas and implementing mechanisms to ease taxes after formalizing will generate stronger interest in formalizing.

### **Enhance business support services**

Recommendations from interviews and discussions in Mbarara, Mayuge, and Wakiso districts presented that training, mentorship, and advisory services should be scaled up. These support services are especially vital for guiding informal enterprises through the transition to formal status. This recommendation came after research findings revealed that mostly in Mayuge district informal business owners face a challenge of limited capital to facilitate their businesses as well as formalization.

### **Ensure fair enforcement of regulations**

Consistent and fair enforcement of business regulations would level the playing field and discourage businesses from remaining informal to avoid unfair treatment.

### **Invest in infrastructure**

According to discussion responses from participants in Mbarara and Mayuge rural areas, improved roads, electricity, and internet connectivity would facilitate business operations and attract investments. Such infrastructure upgrades are essential for supporting growth in formal business sectors.

Participants shared difficult experiences of traveling from villages to cities/towns to access offices for registration of their businesses, which is tiresome and time consuming. Poor infrastructure was mostly prominent in Mbarara district, where respondents cited long travel distances from villages like Katete, Ruti and others, incurring high transport costs, and time wasted (5.1%).

Additionally, there is need for reducing operational strain to improve access to markets, visibility and business growth opportunities. Local governments and development partners should prioritize upgrading feeder roads, establishing secure and affordable market stalls and improving transport connectivity in both urban and peri urban. This would help to address the issue of critical need to improve physical infrastructure particularly roads, transport services and access to affordable work spaces.

### **Monitor and evaluate formalization initiatives**

In interviews with the URSB and MoFPED informants, they recommended continuous monitoring and evaluation mechanisms to be established to track the performance of formalization initiatives and guide necessary policy adjustments.

### **Support women in managing childcare and household responsibilities**

In regards to the focus group discussion responses from Wakiso and Kampala districts, programmes supporting women's entrepreneurship should integrate community-based childcare solutions such as extending daycare centers near markets or business premises to help women increase business

hours. In addition, training women on time and financial management tailored to juggling dual roles could further enhance their capacity to grow and sustain their businesses.

### **Develop technical assistance and financial support systems**

Government should provide support to startups and young businesses through incubator programs, innovation hubs, and centralized information platforms.

This includes both financial and non-financial support to foster innovation and scalability.

### **Develop a national supplier database**

According to comparative evidence from other countries<sup>45</sup>, a well-designed supplier database could provide benefits such as preferential access to finance and market visibility but only to formal businesses. This would act as an incentive for informal businesses to formalize. Government should integrate systems and link URSB, URA, and local government systems to create a one-stop registration portal in order to ease the processes of registration/formalization of businesses.

By implementing these recommendations, Uganda can create an enabling environment that encourages informal businesses to formalize, leading to greater economic stability, improved access to finance and markets, and enhanced revenue generation.

Ultimately, formalization is a crucial pathway toward inclusive and sustainable development for all Ugandans.

## **4.2 Way Forward**

The study findings revealed that most informal businesses in the study areas were ran by women and were small, low-income ventures such as food stalls and street vending. These businesses often remain unregistered due to lack of awareness, high registration costs, complex procedures, and exploitation by brokers and scammers. The study also noted other factors including; discrimination, child care priorities, and infrastructure barriers. While programs like EMYOOGA and PDM provide some support, access remains limited, especially for vulnerable groups like single mothers and widows. Addressing these challenges will require simplifying the registration process, reducing fees and paperwork, using local networks for outreach, and offering targeted training, mentorship, and market access to support women entrepreneurs in formalizing and growing their businesses.

# ENDNOTES

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