

MICRO, SMALL AND MEDIUM ENTERPRISES:

A Micro Enterprise is an enterprise employing maximum 4 people with annual Sales /revenue turnover of maximum Ugandan Shillings 12 million with total assets of maximum Ugandan Shillings 12 million.

A Small Enterprise is defined as an enterprise employing maximum 50 people with annual Sales/revenue turnover of maximum Ugandan Shillings 360 million and total assets of maximum Ugandan Shillings 360 million.

A Medium Enterprise is defined as an enterprise employing more than 50 people with annual sales/revenue turnover of more than Ugandan Shillings 360 million and total assets of more than Ugandan Shillings 360 million.

Features of Micro Enterprises:

- ✓ They employ few people not more than five including the owner.
- ✓ They are flexible with high rate of mobility from one place to another.
- ✓ They have low revenue and profits as compared to small enterprises.
- ✓ They serve a small market area with few customers.
- ✓ They do not usually file their own taxes.
- ✓ They do not in most cases have multiple outlets.
- ✓ They are in most cases not separate between the business and the owner

Features of Small Enterprises:

- ✓ Their periodical sales are relatively higher than those of micro businesses.
- ✓ They are easy to start & operate as they may not require formal registration.
- ✓ Those that are well established may export their goods directly or through large businesses.
- ✓ They sometimes use basic & simple technology in their production processes.

Features of Medium Enterprises:

- ✓ They operate from well established & permanent business premises.
- ✓ They use mainly advanced technology in their process and produce on large scale.
- ✓ Their business produces for both the local and international market (Export)
- ✓ They require large capital for the business to start operations.
- ✓ The businesses are formally registered as limited liability companies.

Factors Affecting MSMEs Growth in Uganda:

Limited access to finance: This is because these businesses do not have security to access loans from financial institutions for their operations and hence remaining small.

Limited entrepreneurial skills: Most people that begin such businesses do not have entrepreneurship skills to enable them run the businesses successfully.

Limited skills in management: The owners of these businesses lack management skills in business like in terms of personnel management, financial management where they end up using business money for personal use among others.

Limited marketing skills: This has left them dropping out of business since they cannot market the products produced to get customers.

Limited proper financial planning: Most people owning these businesses use the business money without good planning and this affect the business operational capital and hence failing in the general business operations.

Limited /Lack of business plans: Entrepreneurs of these businesses start their businesses without plans of how the business will be conducted, where to start from, who to do what and so on and all these end up affecting the business operations.

Limitation of proper business records: Poor business records in term of who the debtors are, the creditors, expenses incurred during the business operations, taxes to be paid to the tax authority among others are associated with these businesses and all these affect their operations.

Short-term business outlook: Most SMEs start operating looking for short term profit but not long term. This in the end has made them making poor quality products for quick profits and hence collapsing in the short run as they cannot compete with those which can make quality products.

Poor banking and borrowing history: Most entrepreneurs running these businesses prefer keeping money in their houses other than banking it and those that have borrowed from financial institutions have defaulted from repaying the loans and this has left their businesses being taken up and sold by the banks which affect SMEs operations and growth in Uganda.

Bad culture that disrespects business contracts: Most SMEs do not honor their business contracts with other businesses. This is in terms of failure to supply services or goods as agreed, failure to pay their suppliers among others and all these leave people losing confidence in them.

Competition from both local and international businesses: This competition has enabled already established businesses to have a competitive edge over SMEs and this has led to some SMEs collapsing.

Limited access to information on market opportunities: This has made the majority of entrepreneurs start SMEs as a copy or duplicate of others and leave out those that are able to generate more profits. This has affected them to the extent of collapsing.

Limited sources of competitive technology. This limits substantially the productive capacity and competitiveness of SMEs in Uganda within the context of globalization.

Role of SMEs in Development:

- ✓ Distribution income and tax revenue and maintaining social stability.
- ✓ Utilization of idle resources efficiently and stability of family income.
- ✓ Creation of wealth for the entrepreneurs and the society.
- ✓ Production of goods and services for domestic consumption by using labour intensive technology.
- ✓ Creating the political and social environmental conditions necessary to allow desirable changes to occur elsewhere in the system.
- ✓ Absorbing resources and workers from the large enterprise sector and at the same time help to create a labour market situation.
- ✓ Creation of competitive market for the local products..
- ✓ Provision of employment opportunities to the people by establishing industries.
- ✓ Providing information for research and study purpose to students and researchers.
- ✓ Recycling wastes that would be harmful and dangerous to the community.
- ✓ Facilitation of rural development by establishing businesses in the areas they operate.
- ✓ Creating markets for products produced in the community
- ✓ Contributing to the community development programmes like sponsoring education etc.
- ✓ Providing social services needed for economic development like health services etc.

Advantages of SMES

- 1) They allow owners to easily monitor the performance of managers while the cost of monitoring labour is also lower.
- 2) They have personal contact between the owner and customers which promotes good relationship.
- 3) They bring goods nearer to customers and hence saving the customers time of moving far.
- 4) They require little start-up capital as compared to large enterprises and companies.
- 5) They have greater flexibility and potential for innovation which are especially important in the unsettled conditions of the transition period.
- 6) They are less prone to monopolist behaviors due to their small size.
- 7) They sell goods in small affordable quantities to customers.
- 8) They are likely to have higher productivity in those product areas where there are no or few scale economies (e.g., services and specialty or niche manufacturing processes).
- 9) They are the promote / engine of growth in any economy including Uganda.
- 10) They are essential for a competitive and efficient market.
- 11) They have easy decision making process. Decision making process is easy in these SMEs.
- 12) They can easily be transferred from one location to another and continue with the operations.
- 13) Their operation costs are low as compared to large enterprises.
- 14) They are critical for poverty reduction by providing incomes to homesteads.
- 15) They play particularly important role in developing countries as they contribute revenue.
- 16) They are the largest provider of employment in most countries especially of new jobs
- 17) They are a major source of technological and innovations.

Disadvantages of SMEs:

- 1) Regulations impose disproportional costs on SMEs
- 2) Private institutional agreements are more costly to SMEs due to their lack of economies of scale
- 3) They do not have the same capacity to influence the environment in their favor as larger firms
- 4) They in most cases produce low quality products which limits their markets.
- 5) They suffer raw material shortages due to little capital they have.
- 6) They usually lack management capacity because of their small size.
- 7) They cannot afford costly support services(e.g., financial, human resources, legal, training)
- 8) Their Ability to access and analyze information is particularly weak.
- 9) They may not compete favorably with large enterprises.
- 10) They lack skilled man power to run and manage the business successfully.
- 11) They can easily collapse as the owner dies.
- 12) They are often associated with producing low quality goods or services for their customers.
- 13) They cannot easily access and obtain loans from financial institutions.
- 14) They usually have little capital which may hinder their expansion.

FORMAL AND INFORMAL BUSINESSES:

Formal businesses are those businesses that are registered by the registrar of companies.

Informal businesses refers to that part of an economy that is not taxed, monitored by any form of government or included in any gross national product (GNP). These businesses are not registered though they may have license.

Advantages of Formal Business

- ✓ They are properly organized and managed.
- ✓ They are protected by the government since they pay taxes
- ✓ They are legally recognized since they are registered.
- ✓ They are reliable and sometimes permanent.
- ✓ They can employ qualified personnel to run them
- ✓ They can easily access loan facilities since they are legally recognized.

Disadvantages of Formal Businesses:

- ✓ They are faced with rigid laws and regulations.
- ✓ They are sometimes over taxed which affect their profitability
- ✓ They sometimes publish their books of accounts to the public and seen by their competitors.
- ✓ They cannot easily be adaptable to changes.
- ✓ They are difficult to form since they require many legal procedures like license to operate.

Advantages of informal businesses:

- ✓ They lead and promote faster employment generation in the country.
- ✓ They can easily adapt with changes.
- ✓ They are easy to start and run by most people
- ✓ They enjoy the tax advantages as some do not pay.
- ✓ They form the basis for initiating new industries.

Disadvantages of informal businesses:

- ✓ They are not legally recognized therefore benefiting from government incentives may be hard.
- ✓ They always have difficulties in accessing loans from financial institutions.
- ✓ They do not comply with the social security regulation as they do not pay NSSF for their workers
- ✓ They are not reliable form of businesses as they can easily collapse.
- ✓ They undermine the taxation regulations thereby weakening the overall economy.
- ✓ Their management systems are not properly streamlined.
- ✓ In most cases there is no separation between the business owner and the business
- ✓ They are in most case not properly organized.
- ✓ They have limited expansion due to limited capital.

Reasons for High Rate of Failure of MSMEs in Uganda:

1. Limited / Insufficient capital by people who begin businesses due to poor planning.
2. Failure to carryout market research to establish the market for the products/ services
3. Death of the entrepreneurs and the remainders cannot continue with the businesses remaining
4. High charges for utilities like electricity, water, and telephone bills among others
5. High competition from the existing companies especially multinationals
6. Heavy tax burdens from the tax authorities or the government

7. Poor choice of business opportunities by the entrepreneurs
8. Poor transport network to which hinders transportation of goods to the market like poor roads.
9. Limited and poor storage facilities for the goods which affect the goods produced
10. Rapid or over expansion of the business by the owners in a short time so as to get quick profits.
11. Poor financial management like no financial records, lack of separation between the business and private affairs of the owner of the business.
12. Poor record keeping of the book accounts by the business owners
13. Poor location of the business like locating hardware shop near a school.
14. Weather changes and natural disasters which lead to destruction of people's businesses.
15. Inexperience of some entrepreneurs beginning business where they have no experience
16. Fluctuating and high interest rates in the economy towards business borrowing money
17. Limited support from the government towards the businesses
18. Unstable financial markets that deal in short term loans
19. Poor quality of products produced by most businesses which limits customers buying them.
20. Limited land for expansion due to poor land tenure system
21. Limited commitment by the business owners where they fail to supervise and monitor the business operations.
22. Bad debtors/ debts as a result of selling goods and services on credit where customers do not pay.
23. Industrial strikes and unrest by the employees of the business
24. Poor customer care by the business which limit the business customers
25. Embezzlement and corruption by the business employees who swindle money from the business
26. Dependence on family labour who may not have any experience in running the business
27. Poor business philosopher like people working shorter hours
28. Inadequate and limited markets for the finished goods
29. Limited business plans when starting business by people beginning businesses.
30. Interrupted supply of raw materials for business operations
31. Arrogance of some products that could be having market
32. Non compliance to set standard like failure to pay taxes, incorrect measures and poor hygiene.
33. High inflation in the countries.
34. Over dependence on a single customer for the product who may close and also close business.
35. Insecurities and wars that lead to destruction of people's business by burning then etc.
36. Choosing of non-profitable businesses by most people.
37. The desire to over expand within a short period after starting operations.
38. Failure to price their products correctly to the customers.
39. Poor management of businesses by the founders.
40. Failure to clearly and adequately anticipate cash flows of the business to operate for long time.
41. Entrepreneurs believe that he can do everything by himself etc.

Suggestions to the above Problems:

1. Carrying out research to establish the right form of business to start and where to locate it than just starting.
2. Carrying out proper planning to establish the amount of money that will be required by the business, which products to produce etc.
3. Employing qualified personnel to help in the running of the business and proper financial management.

4. Avoiding over expanding the business as they may not have the capacity & finance to run it.
5. Involving and training their children such that they have business skills and be able to take over the business in case the owners die.
6. Attending some small business courses to know how to run and manage business can be of great help.
7. Beginning business after establishing that the sources of raw materials are enough to supply for a long period of time.
8. Training in good management of business so as to create a good work environment to foster productivity.
9. Producing good quality products so as to attract customers to buy them
10. Starting the business for good reasons
11. Locating the business in areas where it can easily be accessed by customers
12. Planning properly before starting the business to establish whether there is enough cash flow.
13. Avoiding over and rapid expansion of the business.

LEGAL REQUIREMENTS FOR BUSINESSES:

Before an entrepreneur starts and launches a business, he or she need to be well compassed with the legal requirements for the business, where to obtain various information concerning businesses, taxes payable by different businesses, procedures of registration, different support services available in the area he or she is establishing the business among others.

Organizations Supporting Entrepreneurship in Uganda:

1. Business support organization: These can provide information regarding the type of business you aim at setting up. The organizations or Associations here include:

- a) Uganda Manufacturers Association (U.M.A). This is for medium and large sized manufacturers and service providers. They organize trade shows on behalf of its members; carry out training, lobbying authorities on behalf of its members etc.
- b) Uganda National Chamber of Commerce and Industries (U.N.C.C.I). This is for traders and industrialists. It provides training, information on production techniques, markets and funding and lobbying authorities on behalf of the members.
- c) Uganda Investment Authority (U.I.A). This mainly lobbies foreign investors to come and invest in the country. They also organize seminars for both local and foreign investors to find out their problems and find solutions on how to overcome them.
- d) Uganda National Farmers' Association (U.N.F.A). This is for farmers and agro-businesses. It organizes trade fairs for farmers, provides training, factor inputs, information on production techniques, markets and funding, lobbying authorities on behalf of the members.
- e) Uganda Small Scale Industries Association (U.S.S.I.A). This is for small/ micro industries, partnerships and liability Companies. They help in mobilization and promoting their relationship with the government, look for markets, financial and technical assistance and in the purchasing of inputs and raw materials for members.
- f) Uganda Women Entrepreneurs Association (U.W.E.A). This is for women owning and managing commercial enterprise. It establishes a forum for women entrepreneurs organizes seminars and workshops, carries out research, training, source for financial support on behalf of the women entrepreneurs.

g) Kampala City Traders Association (KACITA). This is for traders carrying out their activities in and around Kampala city. It organizes workshops, lobby the authorities for tax reduction, and advise the members where to buy goods at low prices among others.

h) Northern Uganda Manufacturers Association (N.U.M.A). This is mainly for industrialist and service providers in northern Uganda. They look for markets, funds and provide technical assistance to the members.

2. Utility Service Institutions. These can provide information regarding utility supplies. The bodies include; Umeme Uganda Ltd, Airtel Uganda, Posta Uganda Ltd, MTN Uganda, National Water and Sewerage Corporation.

3. Non-Government Organizations (NGOs). These are either local or foreign organizations. They offer services like charitable services, economical services. Such services may include provision of credit facilities, medical facilities, training, scholarships to needy students etc.

4. Financial Institutions. These include commercial banks licensed under the financial institutions Statute of 1993, Microfinance Deposit Taking Institutions (MDI), Credit Institutions, Savings and Credit Cooperatives (SACCOs), Rotating Savings and Credit associations (ROSCA)

5. BUDS-EDS (Business Uganda Development Scheme and Enterprise Development Support)

6. Private Sector Foundation Uganda: This came into existence in 1995 and offers many activities to private sector in dialogue with the government. These include but not limited to, training and capacity building, resource mobilization, proposal development, coaching & mentorship etc.

Legal Concepts in Business Contracts:

A contract is a legally binding agreement or relationship that exists between two or more parties to do or abstain from performing certain acts

Parties to a Contract:

A contract will exist if it has the legal persons or parties with common interest. Such parties are referred to as parties to a contract. These parties must have the legal capacity to contract like persons of 18 years and above and registered firms.

Discharge of a Contract:

1. Discharge by Performance. This is where both parties have performed the obligations which the contract placed upon them.

2. Discharge by agreement: This is where each of the parties to the contract is yet to perform his contractual obligation; the parties may mutually agree to release each other from their contractual obligation.

3. Discharge by frustration: A contract is said to be frustrated if an event occurs which brings its further fulfillment to an abrupt end, and upon the occurrence the parties are discharged.

4. Discharge by breach: A contract is said to be breached when its terms and conditions are broken. Failure to honor ones contractual obligation is what constitutes a breach of contract.

5. Discharge by operation of law: A contract may be discharged by operation of law in certain cases. Like, Lapse of time etc

Reasons for Registering a Business:

- ✓ To meet the legal requirements for business registration and be able to obtain the business name.
- ✓ To easily be identified as a legal business entity.
- ✓ To facilitate government planning in terms of subsidization of businesses & pricing of essential products.

- ✓ To enable data collection by the Registrar of companies and UNBS
- ✓ To enable the government check on its policies of regional enterprise distribution.
- ✓ To enable the business be able to access finances from financial institutions.
- ✓ To be recognized by the government and be able to do business with it.

Reasons As To Why Some Businesses Are Unregistered:

- ✓ Lack of information by entrepreneurs about the registration process and benefits.
- ✓ Long procedures associated the registration process which discourages most people.
- ✓ Rampant corruption by the people involved in the registration which discourage most people.
- ✓ Higher costs associated with the registration process threaten most people.
- ✓ Lack of monitoring and supervision of the business by the government is taken as an advantage by some business people.
- ✓ Delays in the issuing of the registration certificates by the registrar make some people to be reactant at registering their businesses.
- ✓ Lack of strict laws to enforce the registration of businesses.

INSURANCE FOR SMES:

Insurance is the equitable transfer of the risk of a loss from one entity to another in exchange for payment. An insurer is a company selling the insurance, the insured or policyholder is the person or entity buying the insurance policy. The amount to be charged for a certain amount of insurance coverage is called the premium.

The contract of Insurance is a promise of compensation for certain potential future losses in exchange for a periodic payment known as premium.

Principles of Insurance:

Utmost Good Faith (Uberrima Fides): This states that the client should disclose/give all relevant the material/information facts relating to the risk being covered. If any information is hidden regarding the item insured, it may be lead to the policy being closed and the paid premium not refunded.

Indemnity: This principle states that compensation must be made to those who suffer a loss but should not profit from the policy. When the event that is insured against occurs, the insured will be placed in the same monetary position that he/she occupied immediately before the happening of the event.

Proximate Cause: This principle states that there must be a clear close connect between the cause of the loss and the actual risks insured against to enable an insured to seek compensation. E.g. if Okello insured his house against fire but it is destroyed by floods, he cannot be compensated as the cause of the accident (floods) is not the insured risk.

Subrogation: This states that one is not allowed to gain from his policy. After compensation, the remains of the destroyed property should not be left to the insured but retained by the insurance company.

Insurable Interest: One must insure something in which he has interest such that when the loss occurs, he suffers. He must have an insurable interest in the subject matter of the insurance, which means that he benefits from its preservation and suffers from its loss.

Types of Insurance for SMEs:

General Liability Insurance: This policy provides both defense and damages if you, your employees or your products or services cause or are alleged to have caused Bodily Injury or Property Damage to a third party.

Property Insurance: This is taken up by those own your buildings or have business personal property, including office equipment, computers, inventory or tools you should consider purchasing a policy that will protect you if you have a fire, vandalism, theft, smoke damage etc

Business owner's policy (BOP): A business owner policy packages all required coverage a business owner would need. Often, BOP's will include business interruption insurance, property insurance, vehicle coverage, liability insurance, and crime insurance .

Commercial Auto Insurance: This protects a company's vehicles. You can protect vehicles that carry employees, products or equipment. With commercial auto insurance you can insure your work cars, vans and trucks from damage and collisions. I

Worker's Compensation: This provides insurance to employees who are injured on the job. This type of insurance provides wage replacement and medical benefits to those who are injured while working.

Professional Liability Insurance (Errors and Omissions Insurance): The policy provides defense and damages for failure to or improperly rendering professional services. Your general liability policy does not provide this protection, so it is important to understand the difference.

Directors and Officers Insurance: This type of insurance protects the directors and officers of a company against their actions that affect the profitability or operations of the company. If a director or officer of your company, as a direct result of their actions on the job, finds him or herself in a legal situation, this type of insurance can cover costs or damages lost as a result of a lawsuit.

Data Breach Insurance: If the business stores sensitive or non-public information about employees or clients on their computers, servers or in paper files they are responsible for protecting that information. If a breach occurs either electronically or from a paper file a Data Breach policy will provide protection against the loss.

Renter's Insurance: This is a homeowner's insurance which applies only to those who rent their home. The coverage is to protect against damage to the physical property, contents of the property and personal injury within the home.

Life Insurance: This protects an individual against death. If you have life insurance, the insurer pays a certain amount of money to a beneficiary upon your death. Having life insurance allows you to know that your loved ones will not be burdened financially upon your death.

Fire Insurance: An entrepreneur can take a fire insurance policy to protect his business against loss as a result of fire burning business items.

Loss of profit Insurance: This is where an entrepreneur takes up an insurance policy against making losses in the businesses. In case the loss happens, he will be compensated to a certain percentage of the suffered loss.

Theft and burglary Insurance: An entrepreneur can insure against a loss as result of theft or burglary of the business goods or property. If the event of loss from theft and or burglary happens, the entrepreneur will be compensated.

Money in transit and at premises Insurance: This is taken up such that if money is being moved from one place to another say bank or home and it is lost or robbed, it is compensated to the owner.

Aviation insurance: This is taken against a loss resulting from personal accident and cargo damages due to aircraft crashes.

Marin insurance: This is taken against the goods that are being transported on water such that they are compensated in case of loss from water pirates, ship sinking with the goods etc.

Insurance Contracts:

There are mainly two parties to a contract i.e. the insurer and the insured. The insurer is the insure company selling the insurance services and the insured is the business or individual who buys /pay money to the insurance company for protection in case of loss.

Essentials of a Valid Insurance Contract:

- ***Offer and Acceptance:*** When applying for insurance, the first thing you do is get the proposal form of a particular insurance company. After filling in the requested details, you send the form to the company. This is your offer. If the insurance company accepts your offer and agrees to insure you, this is called an acceptance.
- ***Consideration:*** This is the premium or the future premiums that you have to pay to your insurance company. For insurers, consideration also refers to the money paid out to you should you file an insurance claim.
- ***Legal Capacity:*** You need to be legally competent to enter into an agreement with your insurer. If you are a minor or are mentally ill, for example, then you may not be qualified to make contracts.
- ***Legal Purpose:*** If the purpose of your contract is to encourage illegal activities, it is invalid.

Process / Steps Taken When Buying Insurance Policy:

1. **Taking quotation** from at least three insurance companies before deciding on which insurance company to do business with.
2. **Deciding** on which insurance company and type you want to get along with.
3. **Checking** your budget and deciding how much money you can pay for the insurance.
4. **Filling in the proposal form:** A person to be insured fills the proposal form indicating his/her name, address, age, occupation, the risk to be insured against, sum insured(value of the property) and then declaration showing the information given is true.
5. **Payment of premium:** After filling the proposal form, the applicant now pays the premium that is calculated by the actuary. Where need be, the insurer may first visit the property before the premium is paid by the insured.
6. **Signing** the proposal form after making first payment. This means that you are now insured.
7. **Taking** regular payments to your insurance company called the premiums.
8. **Issued with the Insurance Policy:** This is issued to confirm a contract between the insurers and insured. It details the risk covered, terms and conditions and date on which the next premium is to be paid.

Programme For Taking An Insurance Policy:

KABOTONGO TRADERS P.O BOX 728 JINJA-UGANDA PROGRAMME FOR TAKING AN INSURANCE POLICY			
Date	Activities	Person in charge	Remarks
	Identifying the property to insure		
	Identifying the potential insurance company		
	Contacting the insurance company and selecting the best		
Fill in	Checking the insurance budget	Fill in	Don't fill
	Filling the proposal form		
	Paying the premium and signing the proposal form		
	Receiving the cover note		
	Making regular payments		
	Receiving insurance policy		
Designed by: Signature:..... Name:..... Title:.....		Approved by: Signature:..... Name:..... Title:.....	
} Fill in please		} Don't fill	

Importance of Insurance:

It removes uncertainties: Insurance Company takes the risks of large but uncertain losses in exchange for small premium. So it gives a sense of security, which is real gift to the business man. Insurance removes many uncertainties and to that extent is profitable.

It is a stimulant of business enterprise: Insurance facilitates to maintain the large size commercial and industrial organizations. It safeguards capital and at the same time it avoids the necessity on the part of industrialists.

It promotes savings: Saving is a device of preparing for the bad outcomes of the future. Insurance policy is often very suitable way of providing for the future. It promotes savings by making it compulsory which has a beneficial effect both for the individual and nation.

It corrects distribution of cost: Insurance helps to maintain correct distribution of cost. Every business man tries to pass on to the consumer all types of costs including accidental and losses also. In the various fields of insurance such losses are correctly estimated keeping in view a vast number of factors bearing on them. In the absence of insurance these losses and costs would be assessed and distributed only by guess work.

It is a source of credit: Modern businesses depend largely on credit; insurance has contributed a lot in this regard. A life insurance policy increases the credit worthiness of the assured person because it can provide funds for repayment if he dies.

It reduces the chances of loss: Insurance companies spend large sums of money with a view to finding out the reasons of fire accidents, theft and robbery and suggest some measures to prevent them. They also support several medical programmes in order to make the public safety minded.

It is a solution of social problems: Insurance serves as a useful device for solving big social problems e.g. compensation is available to victims of industrial injuries and road accident while the financial difficulties arising from old age, disability or death are minimized. It thus enables many families and business units to continue operating even after a loss.

It leads to productive utilization of fund: The insurer accumulates large resources from the various insurance funds. Such resources are generally invested in the country, either in the public or private sector. This facilitates considerably in overall development of the economy.

It acts as an investment: The premium that the insured pays go on accumulating in a fund every year. The sum so accumulated by the insurance company earns interest. Under life assurance a person may also invest his capital in an annuity which will pay him an income every year till death. Therefore, insurance may be regarded as an investment.

It leads to promotion of international trade: The growth of the international trade of the country has been greatly helped by shifting of risk to insurance company. A fire breaks out and burns to ashes all the merchandise of a business man. But insurance is one of the devices by which these risks may be reduced or eliminated.

It removes fear: Insurance helps to remove various types of fear from the mind of the people. The insured is secured in the knowledge that the protection of the insurance fund is behind him if some sad event happens. It thus creates confidence and eliminates worries which are difficult to evaluate, but the benefit is very real.

It leads to growth of business competition: Insurance enables the small business units to compete upon more equal terms with the bigger organizations. Without insurance it would have been impossible to undertake the risks themselves. Moreover insurance removes uncertainty of financial losses arising out of the certain causes.

It is a source of employment opportunities: Insurance provides employment opportunities to jobless persons which is helpful for the improvement and progress of social condition.

It helps establish a good relation between the employee and employer by providing various facilities i.e. group life insurance, social security scheme, retirement income plan, and workman's compensation insurance.

It provides valuable services of skilled and expert persons to industries and business in order to eliminate various risks.

It promotes economic growth and development. This would be impossible in the absence of insurance.

It makes security of dependents is made possible through life assurance. It gives relief to helpless families after the death of the earning member of the family.

Categories of Insurance Policies:

A. Essential Coverage:

1. Fire insurance: Fire, lightning and other perils can seriously damage your property and impact your business severely and these require insuring against them for protection. It also covers things like riot & strike, malicious damage, explosion, aircraft damage etc.

2. Liability Insurance: This insurance ensures safety of all the people who are required to maintain a safe work place of the business. Public liability insurance is important for your business because it will pay out in the event that a mistake is made which causes an injury to a member of the public or customer or which damages their property.

3. Automobile Insurance: This insurance is purchased for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage and/or bodily injury resulting from traffic collisions and against liability that could also arise there from.

B. Desired Insurance Coverage:

i. Business Interruptions insurance: This insures against loss or damage to the income or profit of a business due to an interruption in the business operations until you resume the operations again.

ii. Accident and sickness: This aims at paying hospital bills plus income lost while you were hospitalized and recovering.

iii. Rent insurance: This pays the landlord for the rental income lost until he rebuilds.

v. Storekeeper's burglary and robbery coverage: This covers many types of coverage to losses other than shoplifting by the shopkeeper or employees. It covers policies like robbery inside the premises or outside the premises, kidnapping, theft from night deposits etc.

vi. Fidelity bonds: This is the same as Crime Insurance which provide first party coverage or coverage for the business owner as a result of dishonest or fraudulent employees.

vii. Boiler and machinery: This refers to the insurance of machines. Boiler insurance is not applicable only to boilers, but any machine that generates electrical power, for example, generators, motors etc and also cover explosions, fire etc.

viii. Health Insurance: This is against the risk of incurring medical expenses as a result of your hospitalization or you dependents and it covers large expenditures after deductible amount have been paid.

ix. Life insurance: This involves the insurer promising to pay a designated beneficiary a sum of money upon the death of the insured person. The policy holder typically pays a premium, either regularly or as a lump sum.

xi. Glass insurance: This is an insurance policy which will pay for the replacement of broken or damaged glass.

xii. Automobile added coverage: This includes comprehensive coverage which cover against fire, theft, flood, and car damages like glass breakage, collision which covers payment damage of the car in the event of accident, towing of the car to the garage and labour which pays the insured to get the car started.

Paper Three: Case study: Olanya Enterprises:

Lanyero Lamo was born 17 years ago. His father, Olam was a long time vehicle mechanics in Kiseka yard. He developed the idea to open up a shop for spare parts but the cost of renting a room to house the shop was high on his side. He got a friend and agreed to share the costs of renting, each paying a monthly contribution of Shs. 100,000/= the shop was named **Japan Auto Spares**.

Lanyero had completed his studies from Masaka Technical College where he did a diploma in Electrical Engineering. He looked for employment but failed to secure any and decided to help the father in his vehicle garage.

Due to working with his father in the garage, Lanyero gained experience and skills and decided to also open up his own garage in the names of Olanya Enterprises but this time repairing motorcycles for the beginning.

Lanyero using the help of his father approached Dfcu Bank loans Officer and was given a loan after presenting a good business plan. The father gave him a small part on the plot to put up a temporary shed. He managed to employ five workers in all his businesses.

The spare parts shop and motorcycle garage raised enough money to enable him put up a permanent garage on the father's plot which was big that it managed to accommodate all of them. During night when Lanyero was a sleep, the garage caught fire and everything including the customers' motorcycle that had been left in the garage was burnt to ashes. He had not repaid the loan and he is not sure of what to do next.

Tasks:

1. What risks did Olanya Enterprises face?
2. What are the entrepreneurial skills exhibited by Lanyero?
3. Advise Lanyero on what to do in future ventures in relation to the present dilemma.
4. Advise Lanyero on how to go on with the loan issue.
5. What factors influenced Lanyero to go into Motorcycle repairing business?