



In Partnership with



THE STATE OF ENTREPRENEURSHIP IN UGANDA 2024

Profile of Uganda's Micro Small and Medium Enterprises



INTRODUCTION:

In 2024, Ichuli and IPSOS, with support from the Mastercard Foundation and in collaboration with The Government of the Republic of Uganda's ministries and agencies conducted the inaugural State of Entrepreneurship Study to assess the health of Uganda's entrepreneurship eco-system. The study assessed eight dimensions of the entrepreneurial ecosystem (Human Capital, Linkages, Technology, Internal Processes and Systems, Attitudes, Willingness to Grow, and Financial Sustainability and Formal Registration in line with the National Entrepreneurship Index (NIE) tool. Findings showed a moderately healthy entrepreneurial ecosystem with significant gaps in technological adoption, business linkages, and formalization.

This factsheet presents key characteristics of Uganda's MSMEs based on the findings of the study. The study surveyed a total of 3,062 Micro, Small, and Medium Enterprises (MSMEs) across various sectors and regions in Uganda.

MSMEs: THE BACKBONE OF UGANDA'S ECONOMY

MSMEs are pivotal to Uganda's economic development. They employ over 2.5 million people and make up 90% of private sector production. They generate 80% of manufactured output—accounting for 20% of GDP.

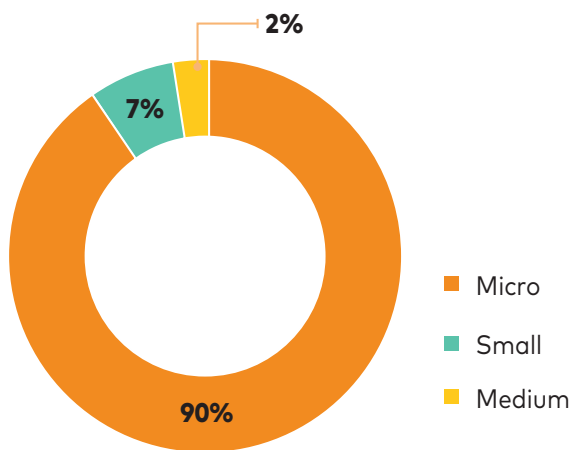


DEMOGRAPHICS: WHO ARE UGANDA'S ENTREPRENEURS?

ENTERPRISE SIZE

90% of enterprises are micro with an average of 2.1 employees.

Category of MSMEs by Size of Employees.



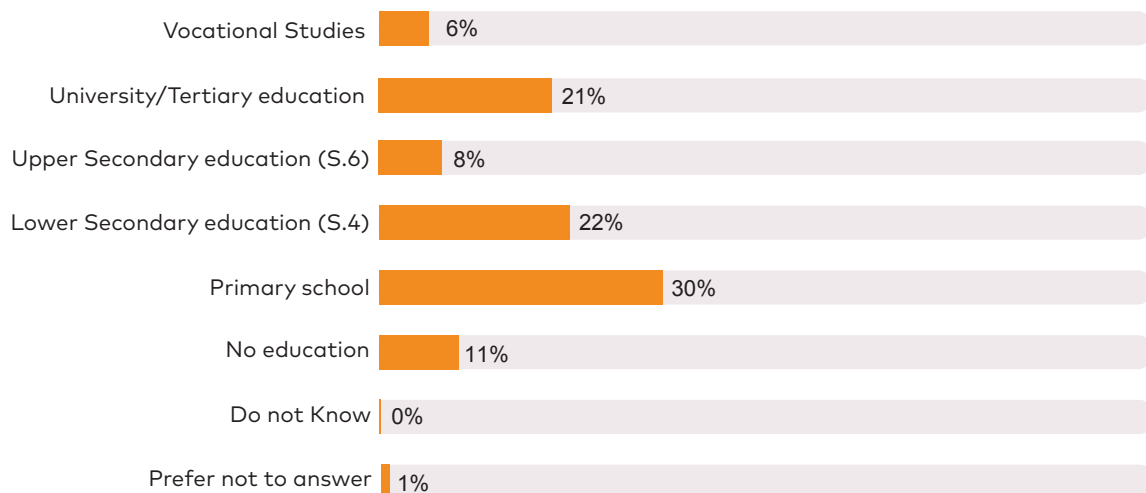
Number of Employees in MSMEs by Gender

Employees	Total	Male	Female
Total	1221	582	639
0	34.7%	26.3%	42.4%
1 - 2	43.8%	44.0%	43.5%
3 - 4	13.2%	16.7%	10.0%
5 -10	6.4%	10.1%	3.0%
10 or more	2.0%	2.9%	1.1%

EDUCATIONAL LEVELS

Over half (57%) of entrepreneurs have attained lower secondary education (S.4) or higher. Meanwhile, 30% reported primary school as their highest level of education, and 11% indicated they had no formal education.

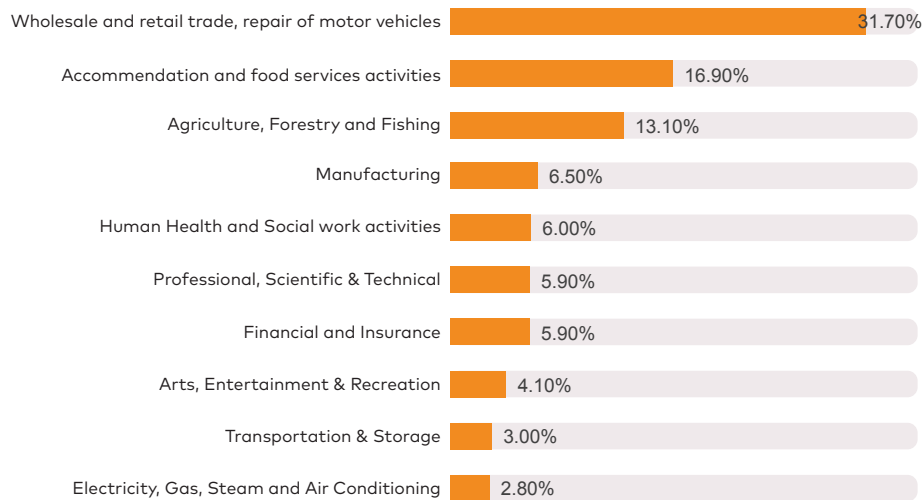
Level of Education



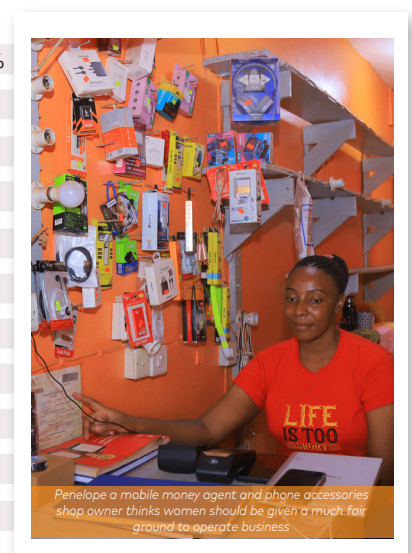
TOP TEN SECTORS FOR MSMEs

The most dominant sector was Wholesale and Retail Trade sector, constituting 31.7% of all businesses in Uganda and highlighting the role of trade and consumer-facing businesses in the country's economic fabric.

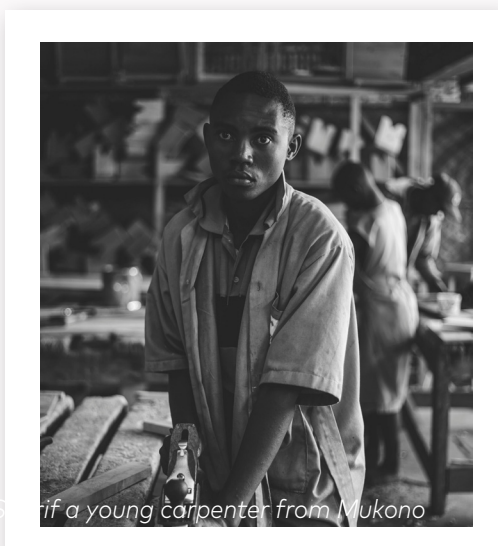
Overall, 10 Top Sector Distribution of the Businesses.



The 10 Top Most Women-Led Businesses



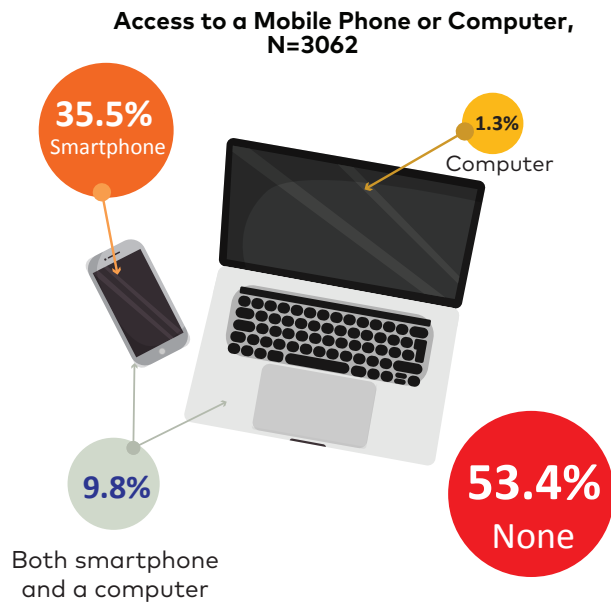
The 10 Top Most Youth-Led Businesses.



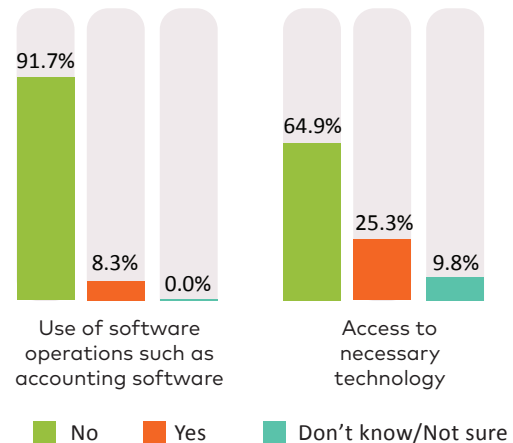
BARRIERS TO GROWTH

Technology Gap

There are **low levels of technology adoption among MSMEs at 35%**. Barriers to technology adoption include lack of digital skills as well as limited access to essential tools such as phones and computers and software needed for modern business operations and digital entrepreneurship. Only 35.5% of MSMEs had access to a smartphone whilst more than half of businesses (53.4%) neither had a smartphone nor a computer. Only 9.8% of the businesses engaged with had access to both gadgets.



Technology Adoption and Access among MSMEs, N=3062



High Levels of Informality

61% of business were not registered. Rural regions bear a disproportionate burden of unregistered businesses highest in the Eastern Region (70.2%), followed by the Western Region (63.4%) regions. Northern Uganda had the highest registration rates at 47.6% followed by Kampala at 45.1%.

Businesses found the registration process complex, costly and marred with inefficiencies, delays, and corruption. Women faced additional barriers such as a lack of knowledge and understanding (language and skills), travel and time constraints and faced higher demands for bribes. In rural regions, the difficulties often involve traveling long distances to access registration offices and higher associated costs.

Weak Business Linkages

Whilst 60% of businesses experienced in customers in 2024 compared to 2023, they had low levels of online sales, moderate Business to Business (B2B) connections and very low import activity, in comparison to the past one year. The business linkages dimension posted the least performance on the NEI at only 24%.

RECOMMENDATION

Address operational challenges faced by MSMEs such as low technology adoption, weak business linkages, and high informality to unlock the full potential of Uganda's entrepreneurial sector. It is vital to invest in technology infrastructure as well as enhancing digital skills and tools, including for underserved pockets of the population. Additionally, streamline and enhance business registration services through decentralization and awareness of processes and requirements. Addressing these gaps is crucial to unlock Uganda's entrepreneurship potential.