INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - DECEMBER 2025

PROGRAMME: BHRM
YEAR/SEM: YEAR 1/SEMESTER 2
COURSE CODE: GMT 1203
NAME: BUSINESS ENVIRONMENT

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

Section A is a case study and it is Compulsory (40 marks)

Question 1:

Case Study 1:

Small Traders in Kikuubo, Kampala

Kikuubo, located in the heart of Kampala's central business district, is one of Uganda's most vibrant and congested informal commercial centers. The narrow streets are lined with makeshift stalls, wholesale shops, hawkers, and mobile traders who sell a wide range of goods from groceries, clothes, and electronics to cosmetics and household items.

Despite the limited space and high competition, Kikuubo traders have developed unique ways to organize, compete, and sustain their businesses. Some traders operate as sole proprietors, using family labor and personal savings, while others form partnerships to pool resources, share rent, and bulk-purchase goods at lower prices. A few have evolved into small limited companies, employing several workers and using basic accounting and digital tools.

The business environment in Kikuubo is dynamic but challenging. Traders must navigate unstable supply chains, fluctuating exchange rates, seasonal demand, and occasional government regulations targeting informal trade. They depend heavily on relationships both with suppliers and loyal customers and rely on quick adaptation, networking, and informal credit systems ("trust sales") to survive.

Competition is intense. Traders often differentiate themselves through pricing, customer care, and product quality, or by using creative marketing strategies such as loudspeakers, discounts, or packaging innovations. Many traders sustain their operations through resilience, diversification (selling different goods in different seasons), and strategic alliances. Even with congestion, inadequate infrastructure, and limited access to formal financing, Kikuubo continues to thrive illustrating how informal enterprises contribute to urban employment, distribution, and economic growth in Uganda.

Having read the case study, Please answer the following questions

1. Define and differentiate various forms of business found among traders in Kikuubo. (10 marks)
2. Describe the characteristics and importance of the business environment in which Kikuubo traders operate. (10 marks)
3. Discuss both the internal and external factors that affect small traders' performance. (10 marks)
4. Examine how small traders in Kikuubo organize and compete in a congested informal market. (10 marks)

Question 2:

The Business Environment of Gikomba Traders, Nairobi, Kenya

Background

Gikomba Market, located near the central business district of Nairobi, is one of Kenya's largest and busiest trading hubs. It is widely known for its wholesale and retail trade in second-hand clothes (mitumba), shoes, household goods, electronics, and fresh produce. Every morning, hundreds of traders, porters, transporters, and buyers flood the market's narrow alleys, creating a lively but congested commercial atmosphere.

Businesses in Gikomba range from small wooden stalls and open-air vendors to medium-sized shops dealing in bulk goods. Although many operate in the informal sector, traders have built an organized trading ecosystem where products flow efficiently from importers and wholesalers to small-scale retailers who supply customers across the country. However, their success depends greatly on the business environment a mix of internal and external factors that influence how they operate, compete, and grow.

The business environment in Gikomba is highly dynamic and unpredictable. Traders constantly face challenges such as fluctuating foreign exchange rates (especially affecting imported goods), changing government import regulations, and shifting consumer

preferences. External factors influencing business include: Government policies (taxes on imports, business licensing, and city council regulations), Financial institutions (banks, SACCOs, and mobile lending platforms),Infrastructure (roads, electricity, and market sanitation), and Suppliers and transporters who link Nairobi to other towns in Kenya and neighboring countries.

Internal factors such as inventory control, customer relations, employee management, and pricing strategies also affect performance. An important characteristic of Gikomba's business culture is informal credit systems, locally known as *chama* or *trust-based lending*, where traders extend goods on credit to trusted partners and pay later. Additionally, technology has reshaped business practices: traders now use mobile money (M-Pesa) for daily transactions and WhatsApp or Facebook to advertise goods, communicate with suppliers, and coordinate deliveries.

For Gikomba traders, understanding their business environment is key to survival and growth. When the Kenyan government introduced stricter import rules on second-hand clothes, many traders diversified into locally produced garments or sourced goods from regional manufacturers. During the COVID-19 pandemic and subsequent economic slowdowns, others shifted to selling essential goods or partnered to share stall spaces and reduce operational costs. The environment also provides opportunities access to new suppliers, expanding customer networks through digital platforms, and growing urban demand for affordable goods. However, it presents challenges such as rising transport costs, insecurity, and competition from supermarkets and online stores. Traders who continuously monitor, adapt, and innovate in response to environmental changes tend to perform better and sustain their businesses over time.

Having read the case study, please answer the following questions

1. Define the term *business environment.* Using examples from Gikomba Market, explain how both internal and external factors influence business operations. *(10 marks)*

2. Discuss three opportunities and three challenges that Gikomba traders face as a result of their business environment. *(10 marks)*

3. Explain how technology has transformed business operations in Gikomba Market.

4. Give at least three examples from the case study. (10 marksBased on the case study, outline five strategies you would use to cope with the dynamic and unpredictable business environment. (10 marks)

SECTION B

Answer any Three Question

Question 1:

Distinguish internal and external components of the business environment (20 marks)

Question 2:

Define corporate social responsibility (CSR), and explain how businesses would care for employees, customers, suppliers, government, and the community. (20 marks)

Question 3:

Define mixed economy, and explain the advantages, and disadvantages of a mixed economy. (20 marks)

Question 4:

Differentiate between public sector and private sector. (20 marks)

Question 5:

Explain the objectives and implications of industrial policy. (20 marks)

Question 6:

Analyze the merits, and demerits of liberalization to the business environment. (20 marks)

Question 7:

Evaluate how globalization influences business growth.(20 marks)

Question 8:

Examine the importance of fiscal and monetary policies to national stability and growth. (20 marks)

Question 9:

Examine the role government in business environment. (20 marks)

Question 10:

Highlight challenges faced by developing countries in international trade. (20 marks)

Question 11:

Evaluate how technology contributes to business transformation. (20 marks)

Question 12:

Demonstrate how to would use the SWOT for your business analysis. (20 marks)