Adaptation of micro firms to floods:

evidence from Ugandan cities

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Abstract

The impact of natural events on local economy is a key issue on the agenda of policymakers around the world and particularly in developing countries. This paper discusses the impact of floods on micro businesses development in Uganda. We give empirical evidence on how the frequency of events is correlated with the performance of micro enterprises. We exploit a unique dataset from a direct survey on shops in Uganda within a project launched by Ministry of Lands Housing and Urban Development. Data are surveyed from 13 cities and villages where floods occur regularly and are a major problem for population. After controlling for both shop manager and business characteristics, expectedly we find that floods impact negatively on business performance. However business performance is likely to decrease less when events occur with more frequency. This may indicate a sort of adaptation behaviour by shop managers when floods occur regularly. Also, the significance of shop manager’s individual characteristics suggests that the policy for boosting micro-entrepreneurship should combine infrastructure building with human capital improvement, especially with reference to weak groups such as women and young people. Our findings also suggest that encouraging network economies between micro enterprises may have positive impact on business performance.

Keywords

Micro firms; floods; performance; resilience; Uganda.