



# Being in business

## Kenyan citizens' experience and opinions on business ownership

### 1. Introduction

A strong business environment is one of the keys to a thriving economy. When entrepreneurs—and potential entrepreneurs—can exploit the market opportunities they see, this in turn helps to create job opportunities, to generate wealth and to provide an overall boost to the economy. On the other hand, if obstacles – such as excessive regulation and taxes, skills shortages, or access to finance – stand in their way, such opportunities will be wasted and economic growth suffers.

This brief presents data on citizens' experiences and opinions on matters relating to owning and running a business in Kenya. How many citizens currently own a business, and how many did so previously? What types of business are these? How many borrowed money to start their business, and what licences do business owners hold? What obstacles do business owners face in starting and running businesses? How do they rate the business environment as a whole?

Data for the brief come from a special round of Twaweza's *Sauti za Wananchi* mobile-phone panel survey. This was created through random sampling from a database of contacts from previous surveys to establish a new representative panel of the country's population. Statistical weightings have been applied to the panel, to ensure it is fully representative at national level, for rural and urban areas, as well as for Nairobi and Mombasa. For this brief, data were collected from 3,000 respondents in the fifth round of the special *Sauti za Wananchi* panel, conducted between September 11 and 24, 2021.

Key findings include:

- 1 out of 3 citizens currently own a business, and half have done so in the last five years
- Among those who currently own a business, the most common type of business is agricultural
- Business owners name a variety of

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licences needed to run their businesses

- 1 out of 4 business owners took a loan in order to start their business
- 1 out of 10 business owners have been denied a loan to support business operations
- 3 out of 10 business owners say their business is growing, 4 out of 10 say it is declining
- Most business owners are optimistic about their business's future prospects
- The biggest challenge business owners face is accessing finance
- 1 out of 10 citizens say doing business in Kenya is easy, 7 out of 10 say it is difficult
- The most critical business challenges cited by citizens are difficulties with input prices, capital and demand
- Kenyans are divided on the state of the business environment in Kenya, but most say taxes on business are too high

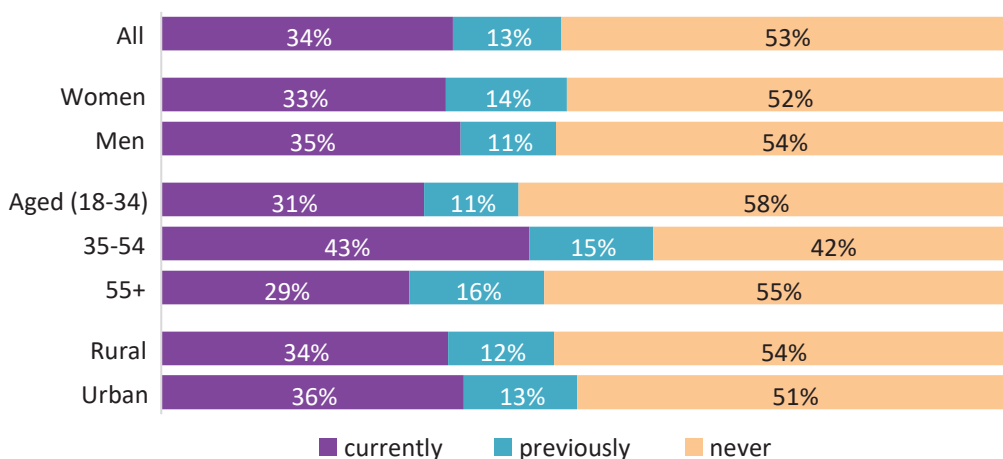
## 2. Kenyan citizens' experiences and opinions on running a business

### Insight 1: 1 out of 3 citizens currently own a business, and half have done so in the last five years

One out of three citizens (34%) currently own a business, and a further 13% have done so at some point in the last five years. Combined, this means that, overall, half (47%) of all citizens have owned a business in the last five years.

This figure is higher among those aged 35-54 (58%) than among both younger (42%) and older (45%) adults. It is consistent across women and men, and in both urban and rural areas.

**Figure 1: Do you currently own a business?<sup>1</sup>**  
**If not, have you owned a business in the last five years?**



**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

**Base:** all respondents (n=3,000)

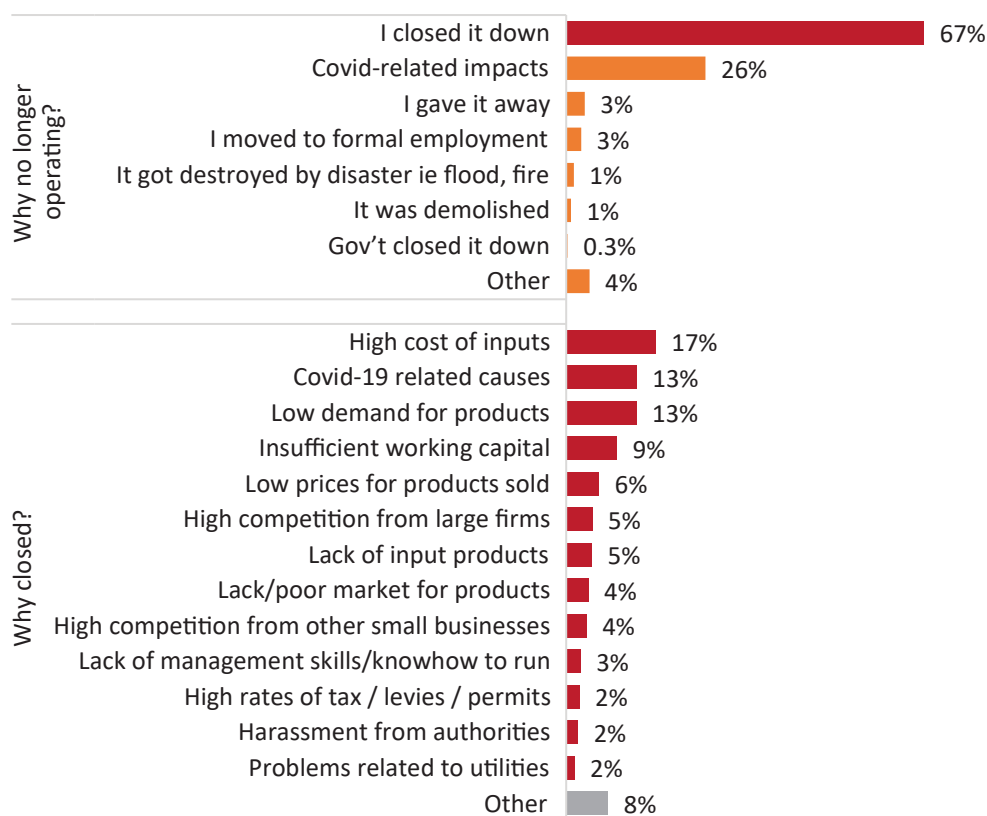
1 Percentages in charts may not add up to 100% due to rounding

## Insight 2: Among those who no longer own a business, the main reason is that they closed it down

Among those who no longer own a business, the main reason for no longer owning the business is that they closed it down (67%), though a significant number (26%) point to Covid-related reasons.

The main reasons given for closing down businesses are the high cost of inputs (17%), Covid-related causes (13%), low demand for products (13%) and a lack of working capital (9%). A small number pointed to either high tax rates (2%) or difficulties with the authorities (2%).

**Figure 2: Why don't you own / operate your business any longer? Why did it close?**  
(multiple responses permitted)



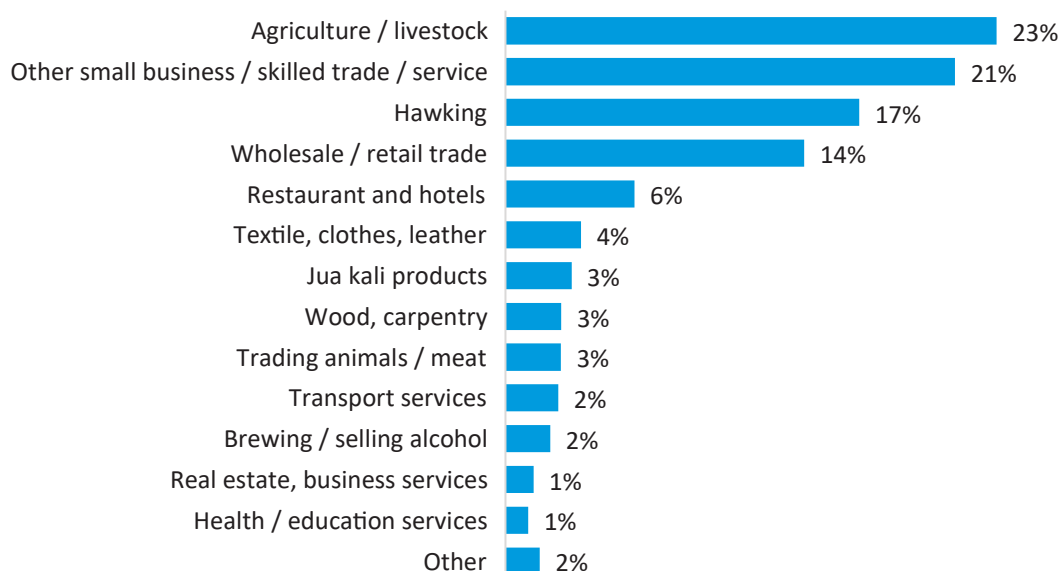
**Source:** Sauti za Wananchi mobile phone survey, special panel r5 (11-24 Sep, 2021)

**Base:** those who previously owned but do not currently own a business (n=423)

## Insight 3: Among those who currently own a business, the most common type of business is agricultural

Three out of ten business owners (31%) own a business in the agriculture sector, more than any other type of business. This is followed by small businesses providing skilled trades or services (20%), wholesale and retail trade (13%) and hawking (12%).

**Figure 3: What type of business(es) do you own? Which is the main one?**  
(multiple responses permitted)



**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)  
**Base:** those who currently own a business (n=1,122)

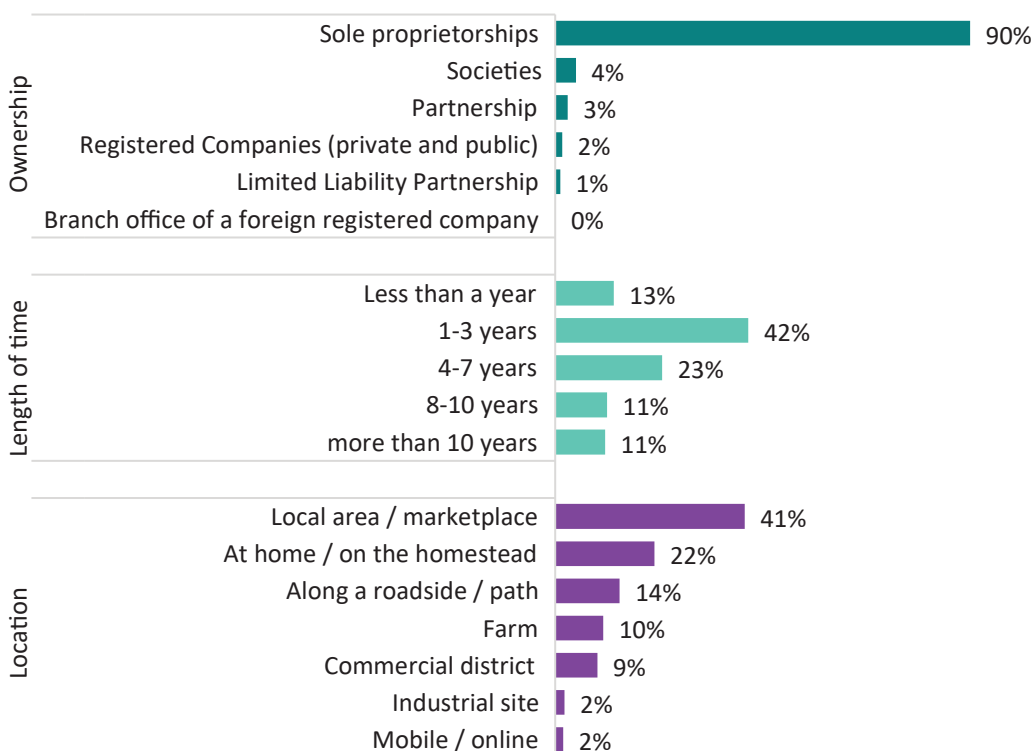
Most of those who own a business (90%) describe this as a sole proprietorship, where they are the sole owner of the business. A small number own their business as part of a society (4%), partnership (3%), registered company (2%) or limited liability partnership (1%).

Most have owned their current business for three years or less (55%), though a significant number (22%) have owned their business for eight or more years.

The most common locations for business operations are the local area / marketplace (41%), at home (22%), along the roadside (14%), on a farm (10%) or in a commercial district (9%). A small number run their business on an industrial site (2%) or as a mobile operation (2%).

The average size of businesses is 2.4 employees (including the business owner), of whom 1.3 are family members and 1.1 are from outside the family. More than half of businesses (55%) have just a single employee – usually the owner (not shown in charts).

**Figure 4: What type of ownership does your main business have?  
How long have you owned it? Where is it located?**

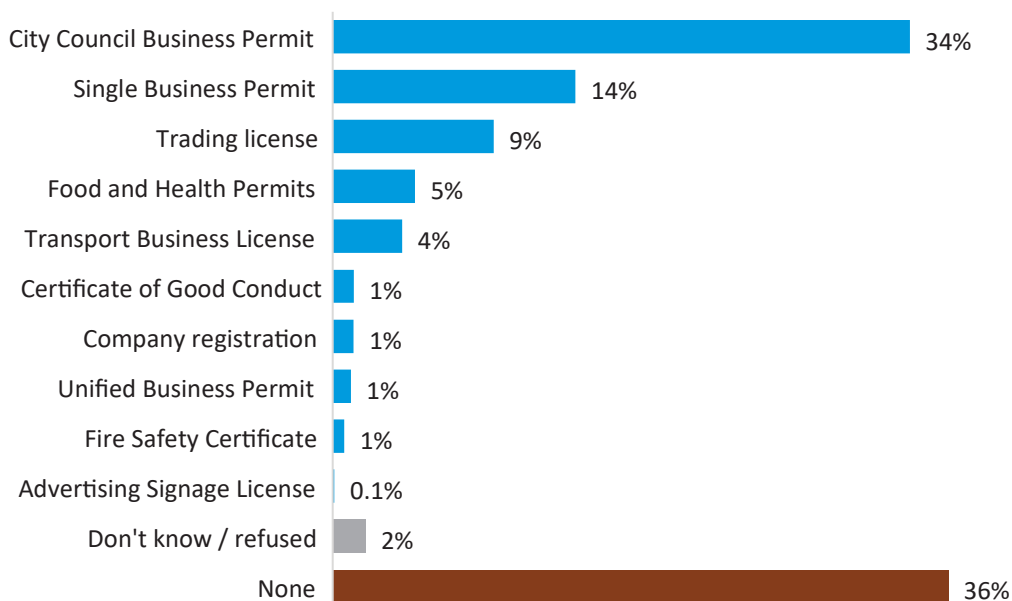


**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)  
**Base:** those who currently own a business (n=1,122)

#### **Insight 4: Business owners point to a variety of licences they need**

Business owners point to several different licences they need in order to run their business. The most commonly cited is the City Council Business Permit (34%), followed by a Single Business Permit (14%), trading licence (9%), food and health permits (5%) and a transport business licence (4%). A significant number (36%) say they need no license or permit to run their business.

**Figure 5: What license/s do you require to operate/run your business?**  
(multiple responses permitted)

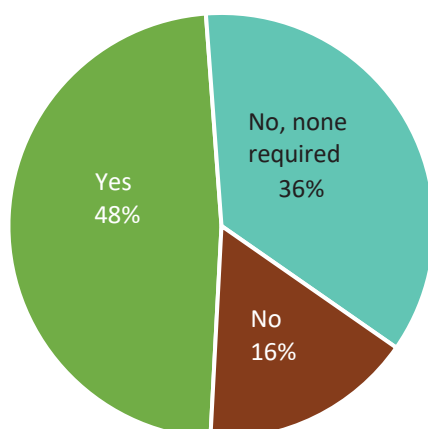


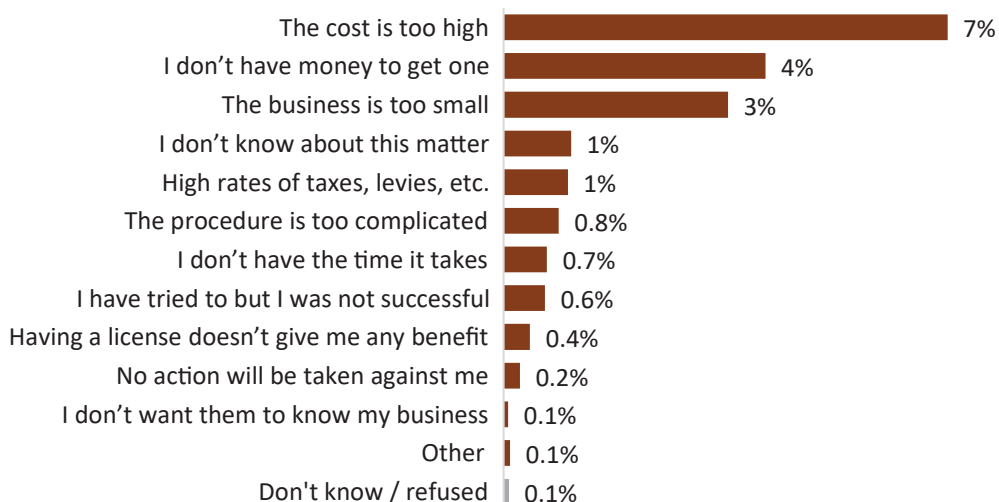
**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

**Base:** those who currently own a business (n=1,122)

One out of six business owners (16%) say they operate without the required licence/s. The main reasons given are that the cost is too high (7%), that they lack the money required (4%) or that the business is too small (3%).

**Figure 6: Do you have the required licence/s?**  
If not, why not? (multiple responses permitted)





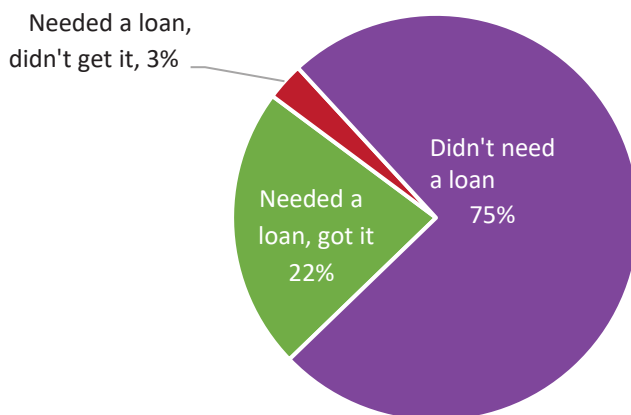
**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)  
**Base:** those who currently own a business (n=1,122)

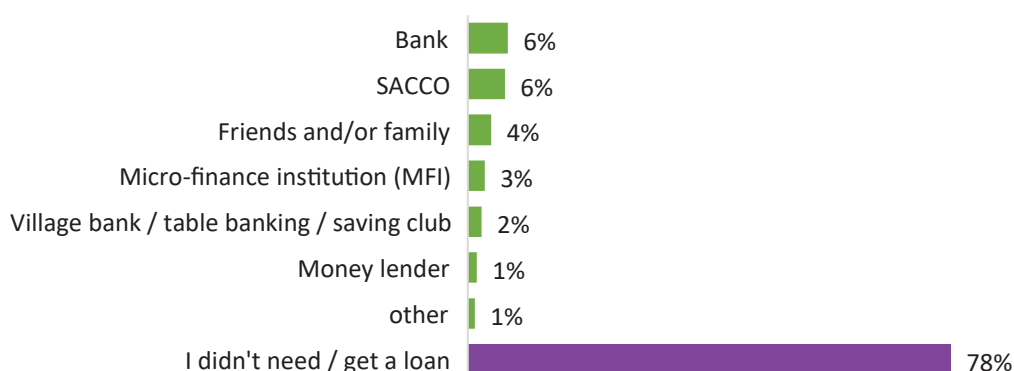
### Insight 5: 1 out of 4 business owners took a loan in order to start their business

One out of four business owners (22%) took a loan in order to start their business, while a few others also said they needed a start-up loan but weren't able to secure one (3%). This leaves three out of four business owners (75%) who did not need a loan in order to start their business.

The most common sources of loan finance to start a business are banks (6%), Savings and Credit Cooperative Organisations (SACCOs; 6%), friends and/or family (4%) and micro-finance institutions (3%).

**Figure 8: Did you need to take a loan/ borrow money to start the business?  
 And if so, where did you get it from?**  
*(multiple responses permitted)*





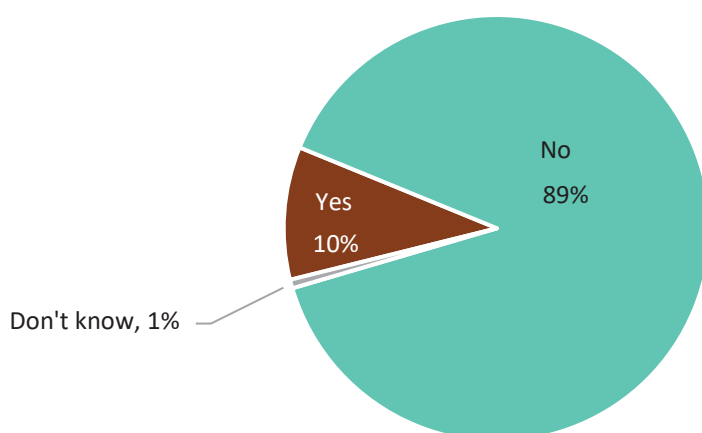
**Source:** Sauti za Wananchi mobile phone survey, special panel r5 (11-24 Sep, 2021)

**Base:** those who currently own a business (n=1,122)

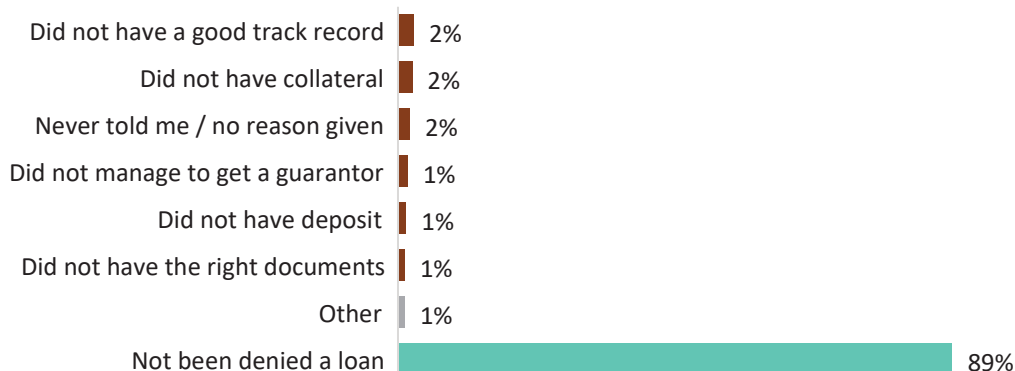
### Insight 6: 1 out of 10 business owners have been denied a loan to support business operations

One out of ten business owners (10%) have sought but been denied a loan to support the running of their business (separate from those who sought funding to **start** their business). The main reasons given for being denied a loan are the lack of a track record (2%) or collateral (2%), and a similar number (2%) said the reason for the denial was never explained to them.

**Figure 9: Besides the money to start the business, have you ever been denied a loan to run/operate the business? If so, why was this denied?**  
(multiple responses permitted)







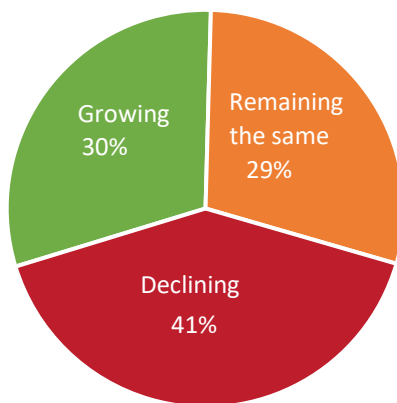
**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

**Base:** those who currently own a business (n=1,122)

### Insight 7: 3 out of 10 business owners say their business is growing, 4 out of 10 say it is declining

More business owners say their business is currently declining (41%) than those that say it is growing (30%), while a significant number (29%) say it is consistent at the same level.

**Figure 10: Is your business currently growing or declining?**



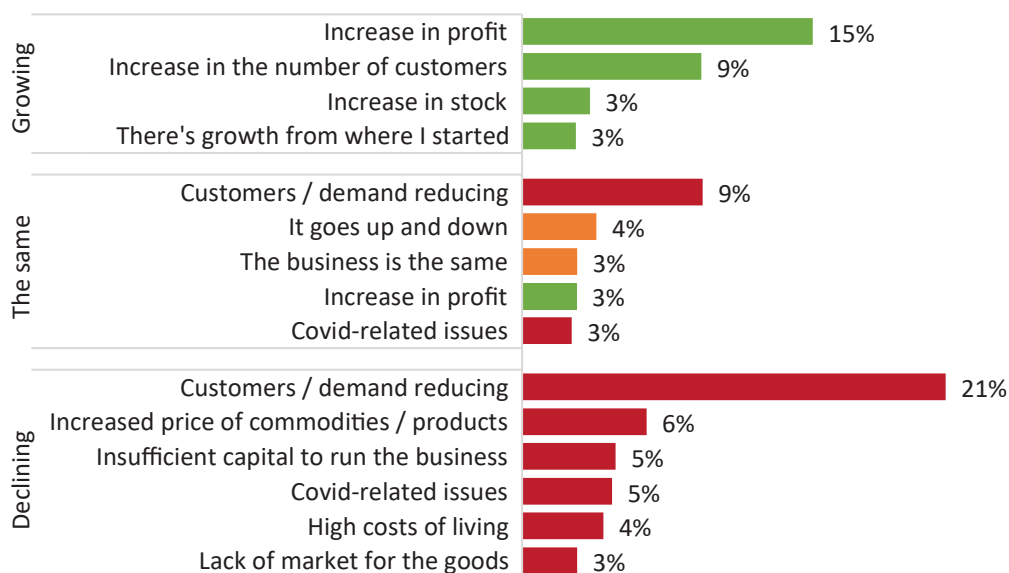
**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

**Base:** those who currently own a business (n=1,122)

The main reasons given for saying the business is growing are that they are seeing an increase in profits (15%) or in the number of customers (9%).

The main reason given for decline is a reduction in demand (21%). Others point to a rise in the price of products (6%), a lack of capital (5%), Covid-related matters (5%), the high cost of living (4%) or difficulty finding markets for their goods (3%).

**Figure 11: Why do you say your business is growing / declining?**  
(multiple responses permitted)



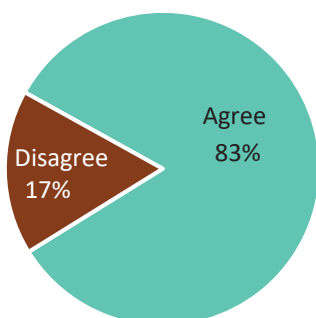
**Source:** Sauti za Wananchi mobile phone survey, special panel r5 (11-24 Sep, 2021)  
**Base:** those who currently own a business (n=1,122)

## Insight 8: Most business owners are optimistic about their business's future prospects

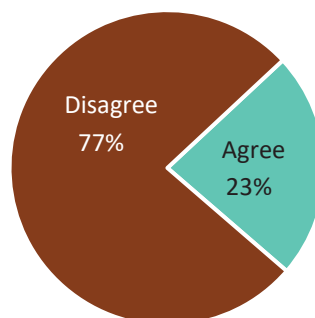
Most business owners (83%) say they expect their business to be more successful in the future, while a relatively small number (23%) say their business is growing too big to handle.

**Figure 12: Thinking about your business, do you agree/disagree with the following?**

My business is going to be more successful in the future



My business is growing too big for me to handle

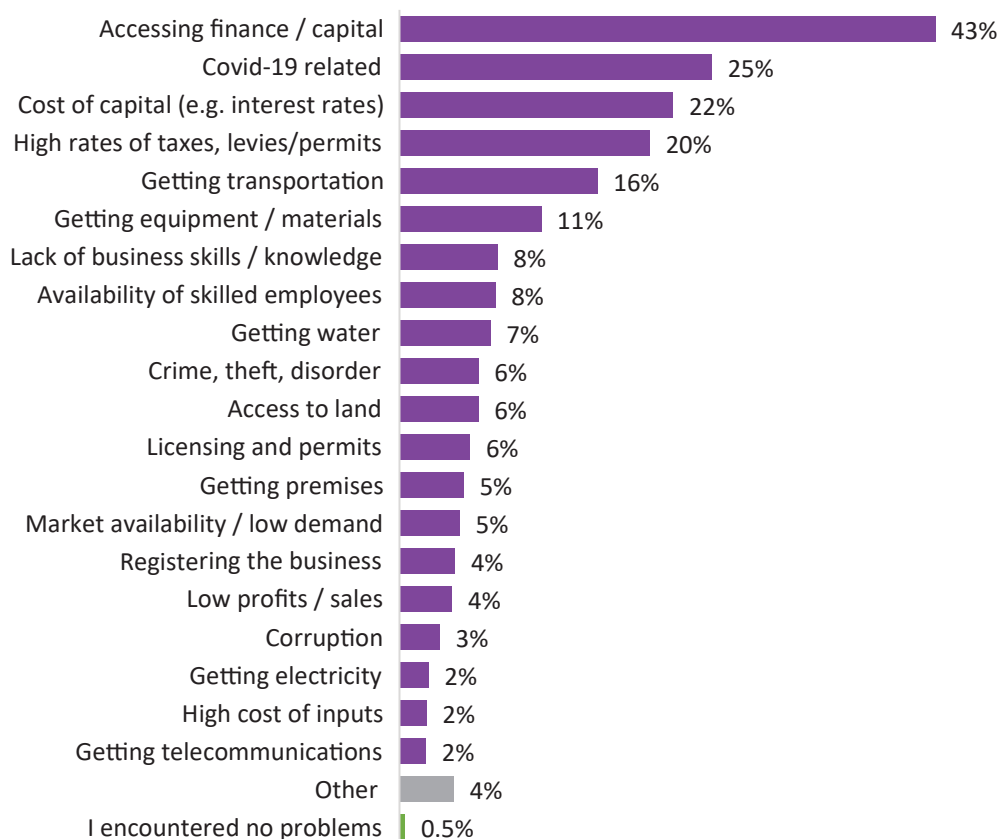


**Source:** Sauti za Wananchi mobile phone survey, special panel r5 (11-24 Sep, 2021)  
**Base:** those who currently own a business (n=1,122)

### Insight 9: The biggest challenge business owners face is accessing finance

The most common challenge reported by business owners in running their businesses is a difficulty in accessing finance / capital (43%). This is followed by Covid-related challenges (25%), high interest rates on loans (22%), high rates of tax / cost of permits (20%), transportation challenges (16%) and difficulty in sourcing supplies (11%).

**Figure 13: What are the three main problems /challenges you face as a business owner?**



**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

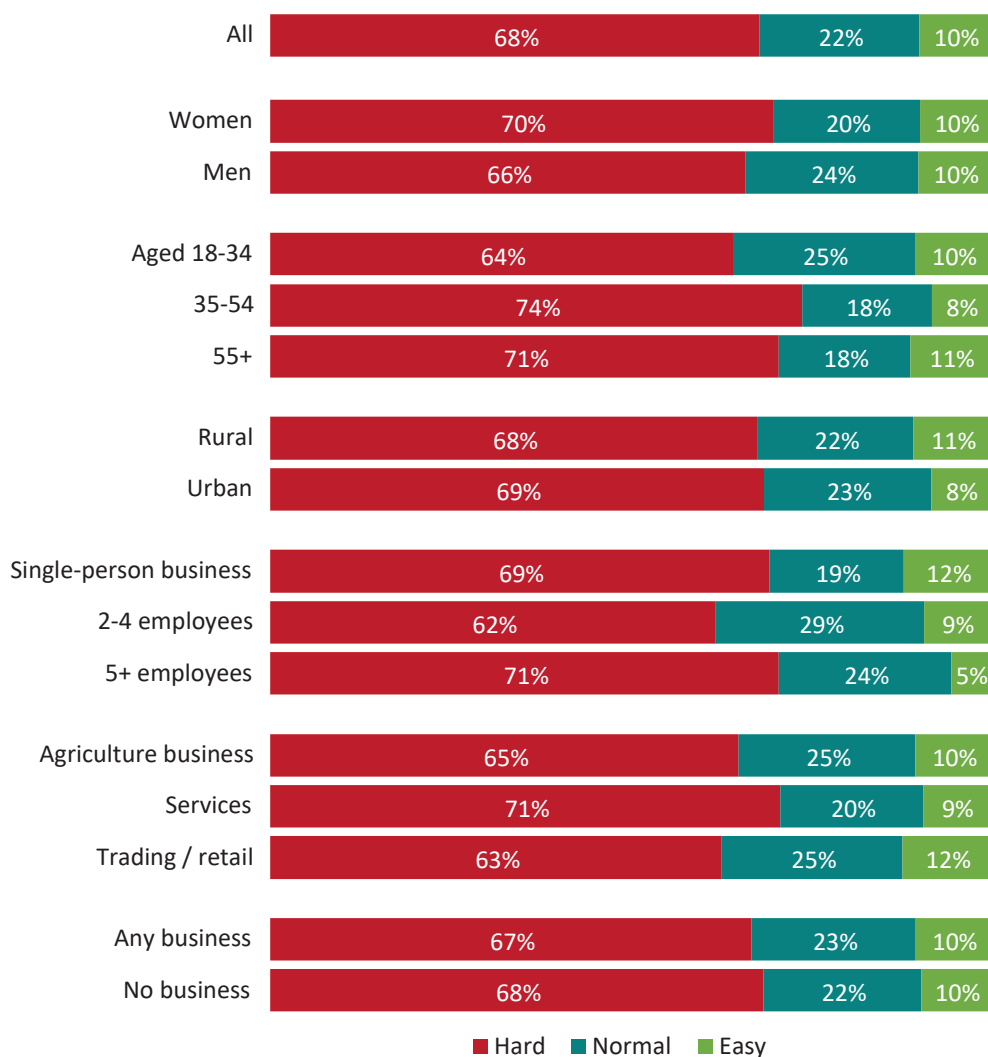
**Base:** those who currently own a business (n=1,122)

### Insight 10: 1 out of 10 citizens say doing business in Kenya is easy, 7 out of 10 say it is difficult

One out of ten citizens (10%) say it is easy to do business in Kenya, while seven times as many (68%) say it is difficult.

These figures are consistent across those who own a business and those who do not. They are also broadly consistent across owners of different types of business, though owners of larger business (judged by the number of employees) are slightly less likely to say it is easy.

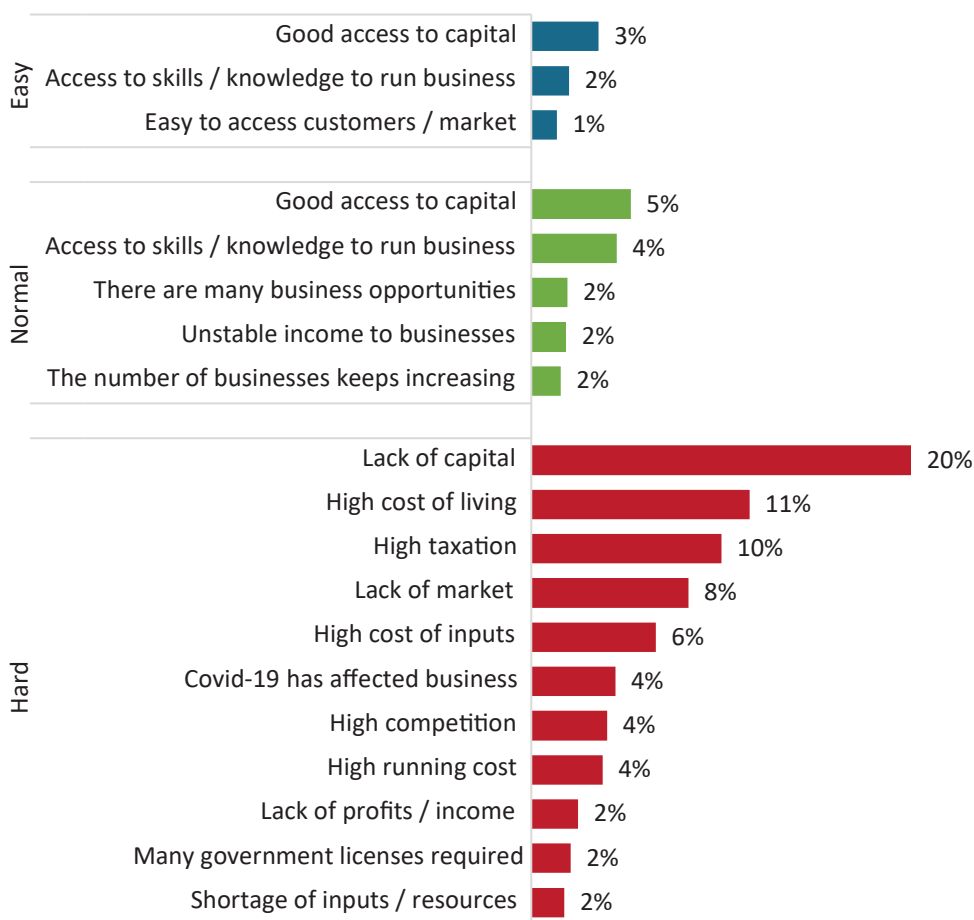
**Figure 14: Overall, how would you rate the ease of doing business in Kenya?**



**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)  
**Base:** all respondents (n=3,000)

The main reasons given for saying that doing business is hard are a lack of capital (20%), the high cost of living (11%), high taxes (10%), lack of markets (8%) and the high cost of inputs (6%).

**Figure 15: Why do you say doing business in Kenya is easy / hard?**  
(multiple responses permitted)



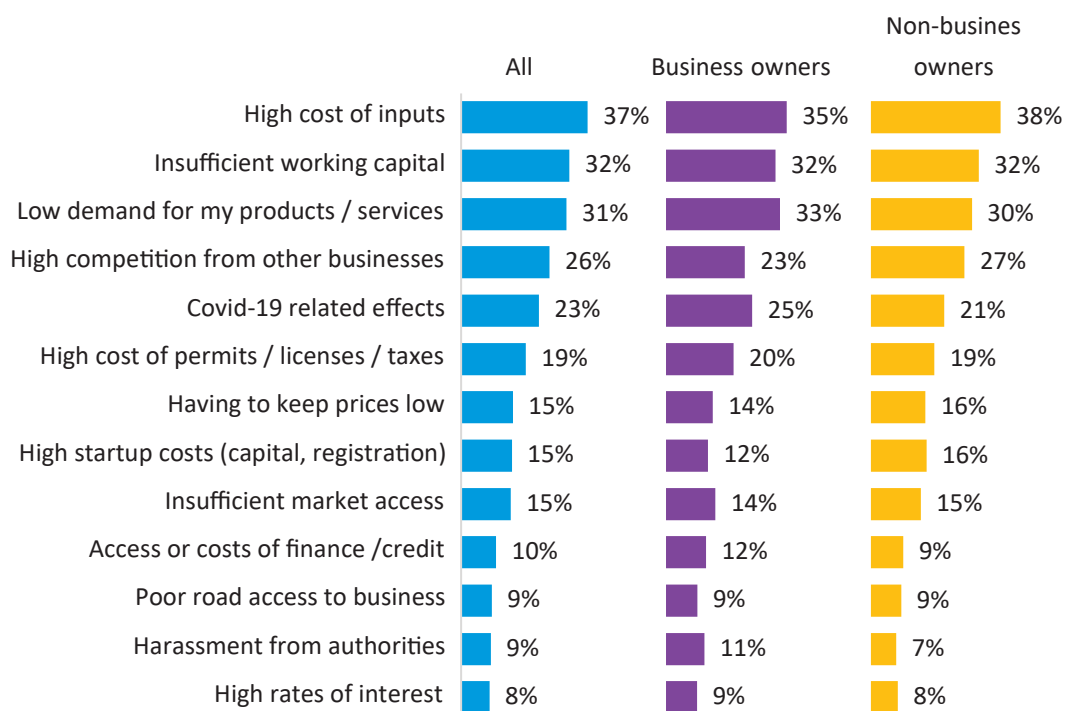
**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)  
**Base:** all respondents (n=3,000)

### Insight 11: The most critical business challenges cited by citizens are difficulties with input prices, capital and demand

The most critical challenges faced by business in Kenya today, as identified by citizens, are the high cost of inputs (37%), a lack of working capital (32%), low demand (31%), high competition (26%), Covid-19 (23%) and the high cost of permits and taxes (19%).

The list of challenges does not vary greatly between those who do and those who do not currently own a business: both groups mention a very similar list of challenges faced by business.

**Figure 16: What would say are the three most critical problems/challenges faced by business in Kenya today?**



**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

**Base:** all respondents (n=3,000)

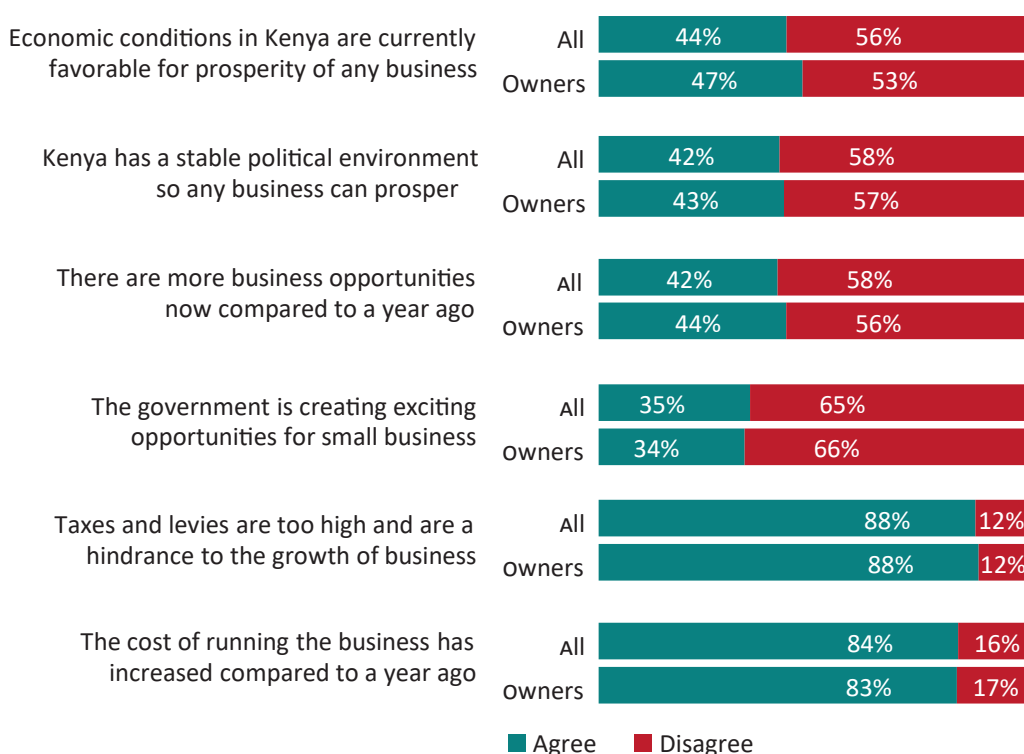
### **Insight 12: Kenyans are divided on the state of the business environment in Kenya, but most say taxes on business are too high**

Kenyans are divided on the state of the business environment in Kenya. Close to half say economic conditions in the country are currently favourable for the prosperity of any business (44%), that Kenya has a stable political environment that is conducive for business success (42%), that there are currently more business opportunities than a year earlier (42%). In each case, slightly more than half disagree with these statements.

However, a majority (65%) disagree with the statement that the government is creating good opportunities for small business, and a large majority agree that taxes and levies are too high and hindering business growth (88%). A large majority also feel the cost of running a business has increased compared to a year earlier (84%).

Across all these statements, business owners and those who do not own a business give very similar responses.

**Figure 17: Thinking about the business environment in Kenya, how much do you agree/disagree with the statements below?**




**Source:** *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)  
**Base:** all respondents (n=3,000)

### 3. Conclusions

Familiarity with the cut-and-thrust of business is high among Kenyan citizens. Half have owned a business at some point in the past five years, including a third who still do so. Much of this is at a very small scale – half say their business has only one worker – the owner – and often in the informal sector. Half operate without any form of licence, either because they don't need one or because the cost or time involved to get the relevant licenses is too great.

Even amid the fallout from the Coronavirus pandemic, business owners are reasonably confident in the state of their businesses. While slightly more owners say their business is declining than say it is growing, the vast majority say they expect their business to grow in future and most are confident that they can handle such growth.

This is despite citizens being seven times as likely to say that doing business in Kenya is difficult



as to say that it is easy. This may well be because people do not expect running a business to be easy. Indeed, one of the reasons mentioned is strong competition for customers which is a sign of a healthy business environment.

Nevertheless, some challenges stand out as areas the government could take action to address. First, while few business owners took a loan to get started, access to finance is consistently listed as among the biggest challenges faced by Kenyan businesses. Second, high taxes and the cost of licences and permits are listed as a challenge. This can be harder to address, since lowering taxes for someone generally means either that they need to be raised for someone else or that spending on public services needs to be cut – neither of which are easy decisions.

The government needs to find a delicate balance between collecting the revenue they need now and so keeping taxes high, and encouraging the growth of current and new businesses to spread the tax burden, support economic growth and increase investment into public services by keeping taxes sufficiently low.