



Open for business?

Citizens' experiences and opinions on the business environment in Kenya


1. Introduction

The new administration, under President William Ruto, faces some serious economic challenges – from the lingering effects of the Covid-19 pandemic to the impact of the war in Ukraine on global food and fuel prices – with potentially serious consequences for the national economy, and for citizens' livelihoods. President Ruto's campaign emphasised a bottom-up approach to rejuvenising the economy, with a particular focus on expanding opportunities for "hustlers" – young people and small business owners.

This brief presents data on citizens' experiences and opinions on business in Kenya. How many citizens own businesses, and what types of businesses are these? For those who no longer own a business, why did it close? What are the main challenges faced by business owners? And how do they see the state of their businesses, and of the business environment in Kenya more generally?

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 nationally representative panel comprising 3,000 respondents. The sample size was boosted in Nairobi, Mombasa and four other counties – Kajiado, Kiambu, Machakos and Nakuru – designated in this brief as "hotspot counties" to create sub-panels that are themselves representative of the population of these specific areas. Statistical weightings have been applied to the panel, to ensure it is fully representative of each of these areas, and that the overall panel is fully representative of Kenya as a whole.

For this brief, data were collected from 3,000 respondents in the ninth round of the special *Sauti za Wananchi* panel, conducted between 3 and 17 November, 2022.



Key findings include:

- 1 out of 4 citizens currently owns or runs a business
- The most common type of business is retail
- The most common reasons for closing a business are lack of capital, high cost of inputs and low demand for products
- The main challenges faced by business owners are the cost of inputs and low demand for products
- Half of business owners say their business is declining
- Most business owners believe their business will become more successful over the coming year
- Most business owners think the economic conditions for business in Kenya are not currently favourable
- Business owners are optimistic about the future business environment
- Most citizens are dissatisfied with the country's progress on key business and economic matters

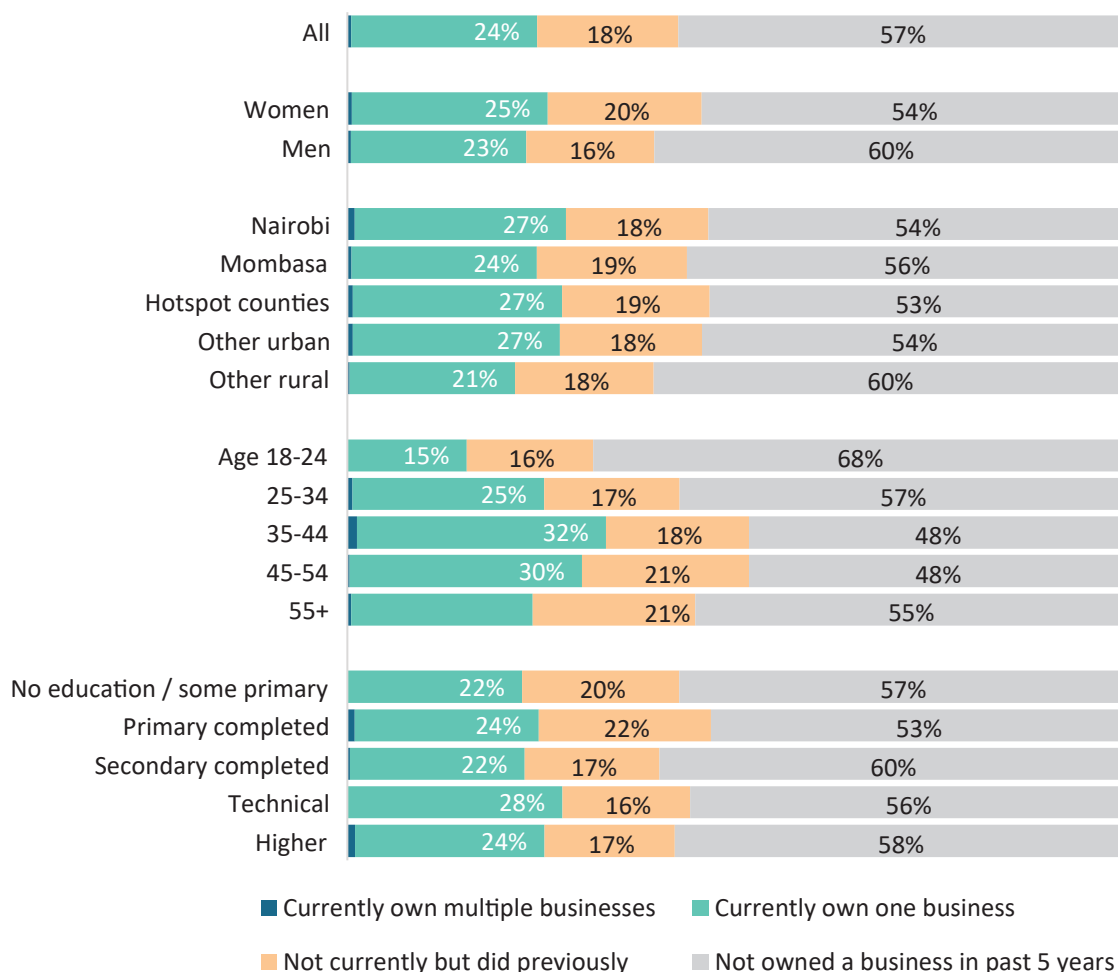
2. Citizens' experiences and opinions of the business environment in Kenya

Insight 1: 1 out of 4 citizens currently owns or runs a business

One out of four citizens (24%) currently own or run a business, including a small number (0.5%) who have more than one business. A significant number of others (18%) also owned a business at some point in the past five years, but no longer do so.

Business ownership is a little lower in rural areas and among both younger and older citizens.

**Figure 1: Do you currently own/run a business?
If not, have you owned a business in the past 5 years?¹**



Source: Sauti za Wananchi mobile phone survey, special r9 (November 2022)

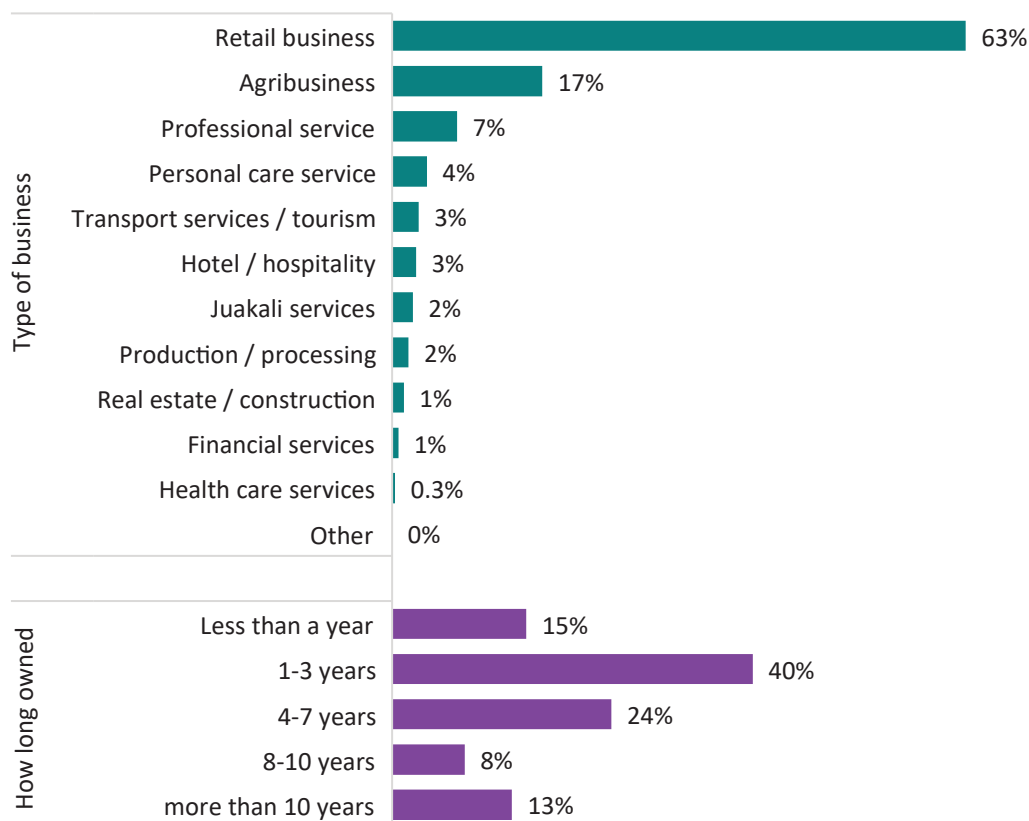
Base: all respondents (n=3,000)

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

Insight 2: The most common type of business is retail

The most common type of business is retail, which accounts for well over half of all businesses (63%). A substantial number of Kenyans (17%) own agricultural businesses, while smaller numbers own professional service businesses (7%), personal care services (4%) transport services (3%), hospitality (3%) or *juakali*² services (2%).

Figure 2: What type of business is it? And how long have you owned it?
(multiple responses permitted)



Source: Sauti za Wananchi mobile phone survey, special r9 (November 2022)

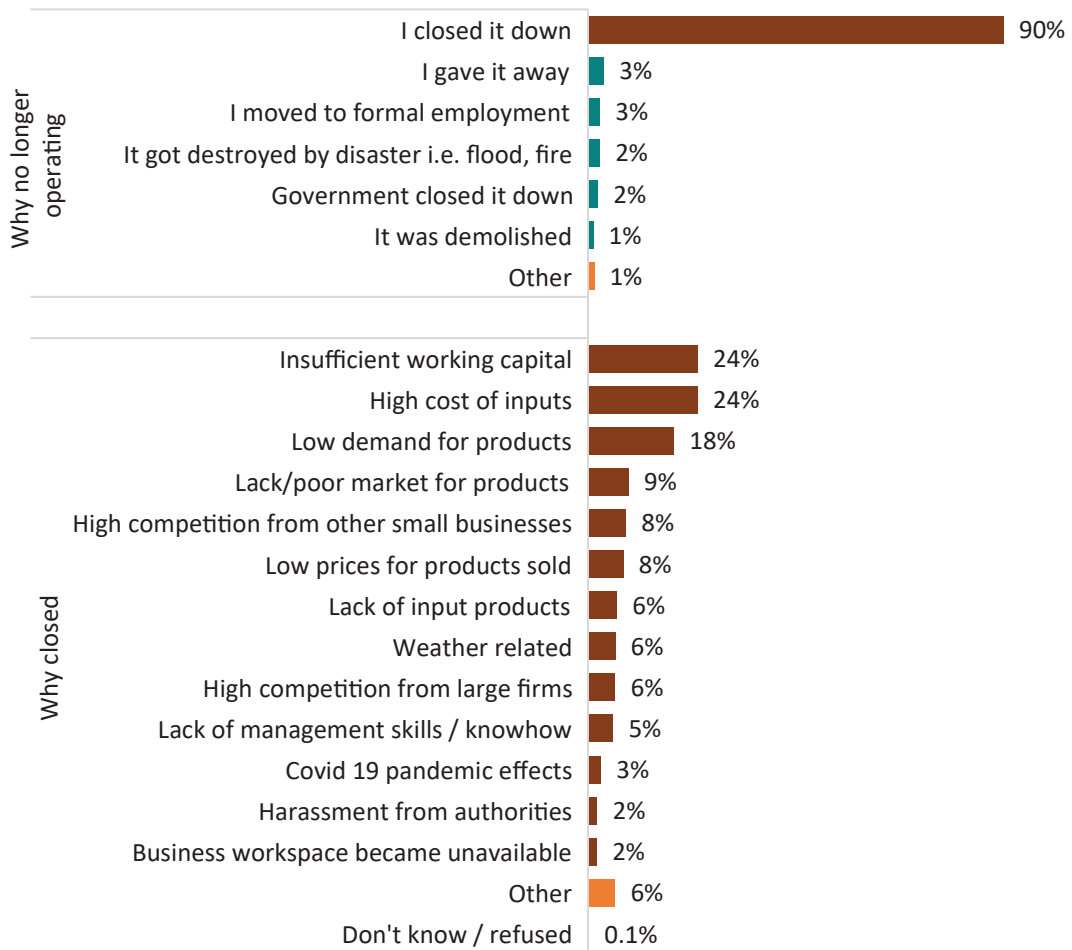
Base: current business owners (n=874)

Insight 3: The most common reasons for closing a business are lack of capital, high cost of inputs and low demand for products

Among those who previously owned a business, a substantial majority (90%) closed their business down. Reasons for closing down businesses include a lack of working capital (24%), the high cost of inputs (24%) or low demand for products (18%).

² Informal sector businesses, including particularly street vendors and artisans.

Figure 3: Why don't you own/operate a business now?
If you closed it down, why did you do so?
(multiple responses permitted)

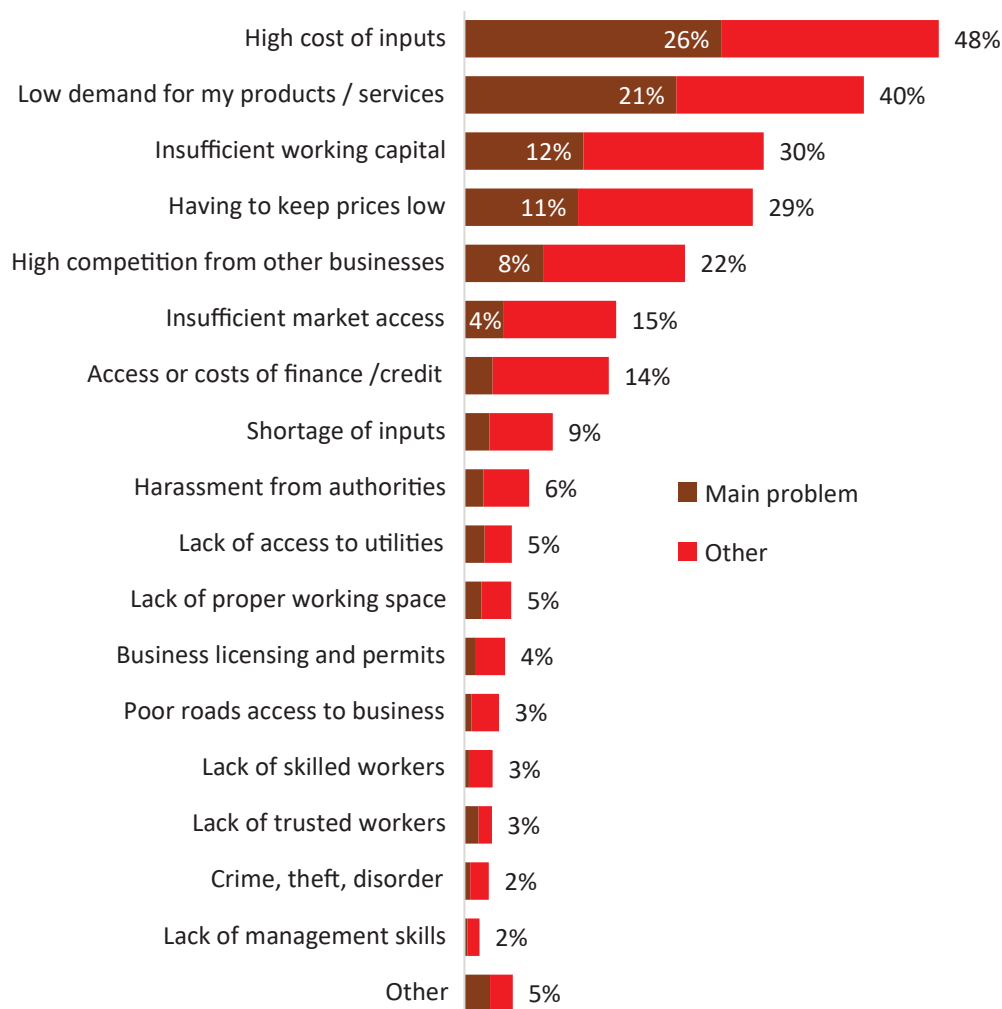


Source: Sauti za Wananchi mobile phone survey, special r9 (November 2022)
Base: owners of businesses that closed in the past five years (n=570)

Insight 4: Business owners report the cost of inputs and low demand for products as the major challenges

The main challenges reported by current business owners are the high cost of inputs, cited by half of business owners (48%), and low demand for products (40%). Significant numbers also point to a lack of sufficient working capital (30%), the need to keep prices low (29%), high competition from other businesses (22%), lack of market access (15%) and access to credit (14%).

Figure 4: What are the three main problems / challenges you face in doing business?
(multiple responses permitted)



Source: *Sauti za Wananchi* mobile phone survey, special r9 (November 2022)

Base: current business owners (n=874)

Insight 5: Half of business owners say their business is declining

Half of business owners (49%) say their business is currently declining, compared to two out of ten (22%) who say their business is currently growing.

Compared to a year earlier, business owners are currently less optimistic about the state of their businesses.

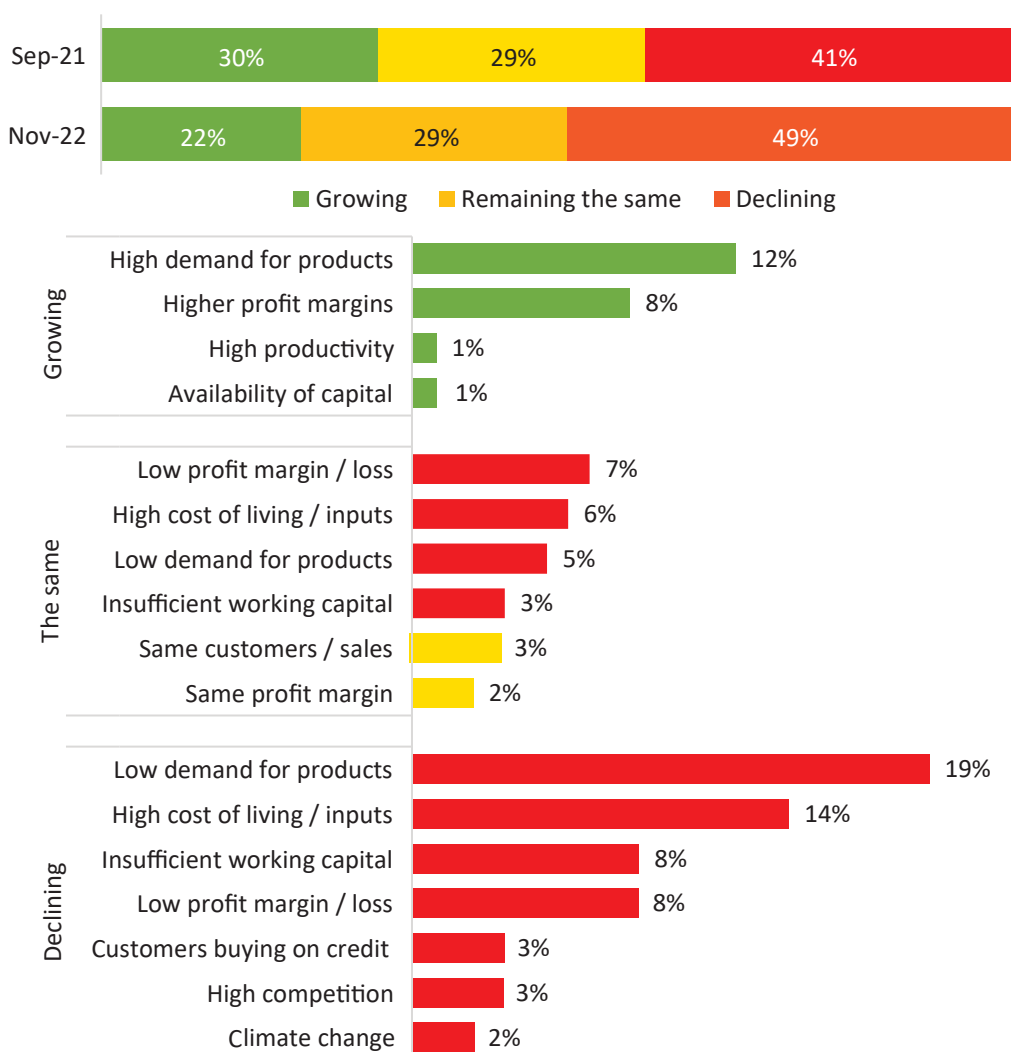
The main reasons given for saying their business is declining are low demand for products

(19%), the cost of inputs is high (14%), a lack of sufficient working capital (8%) and low profit margins (8%).

The main reasons given for saying their business is growing are that there is high demand for products (12%) and that profit margins are healthy (8%).

There is no contradiction in these responses, which simply indicate that different businesses face different circumstances.

Figure 5: What word best describes the current status of your business?
Why do you say so? (multiple responses permitted)



Source: Sauti za Wananchi mobile phone survey, special r9 (Nov 2022; n=874) and r5 (Sep, 2021; n=1,122)

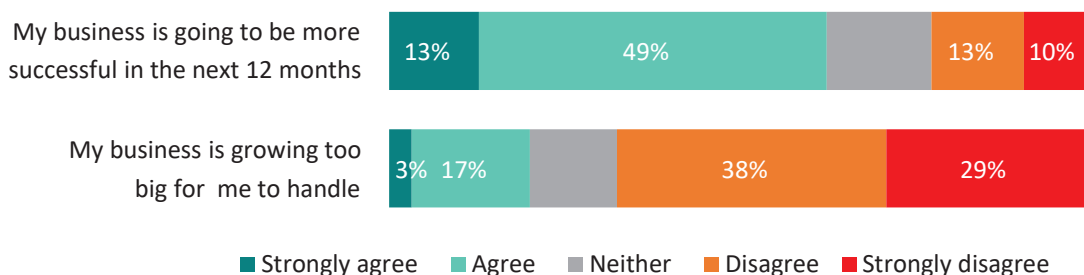
Base: current business owners

Insight 6: Most business owners believe their business will become more successful over the coming year

Most business owners (62%) agree with the statement that their business is going to become more successful in the next twelve months, including 13% who strongly agree with this view. This compares with one out of four business owners (23%) who either disagree or strongly disagree with the statement.

Most business owners (67%) disagree with the statement that their business is growing too big to handle. One out of five business owners (20%) agree with this statement.

Figure 6: Do you agree/disagree with the statements below?



Source: *Sauti za Wananchi* mobile phone survey, special r9 (November 2022)

Base: current business owners (n=874)

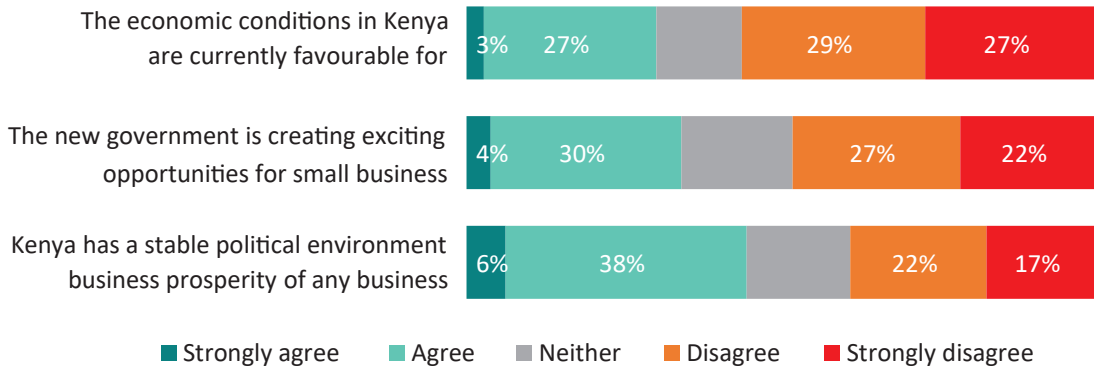
Insight 7: Most business owners think the economic conditions for business in Kenya are not currently favourable

A majority of business owners in Kenya (56%) disagree with the statement that the economic conditions in Kenya are currently favourable for the prosperity of any business. This compares to three out of ten business owners (30%) who agree with the statement.

Business owners are also largely disappointed by the new government's efforts to create opportunities for small businesses: one out of three (34%) say the government is creating exciting opportunities while half (49%) say it is not.

Business owners are evenly split on whether the political environment is sufficiently stable to support the prosperity of business. A little under half (44%) say this is the case, while slightly fewer (39%) say it is not.

Figure 7: Do you agree/disagree with the statements below?

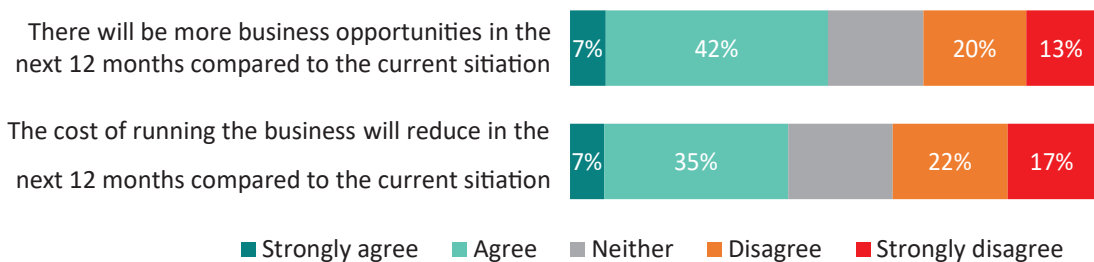


Source: *Sauti za Wananchi* mobile phone survey, special r9 (November 2022)
Base: current business owners (n=874)

Insight 8: Business owners are optimistic about the future business environment

Business owners are more likely to say that business opportunities will have increased in the coming year (49%) than to disagree with this statement (33%). They are also slightly more likely to say the cost of running a business will be lower in twelve months' time (42%) than to disagree with this view (39%).

Figure 8: Do you agree/disagree with the statements below?



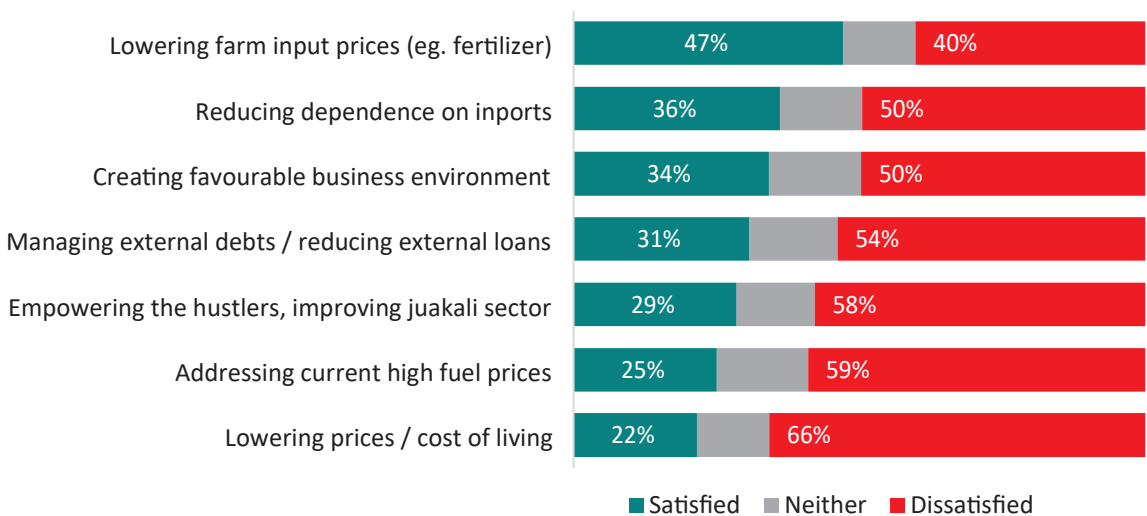
Source: *Sauti za Wananchi* mobile phone survey, special r9 (November 2022)
Base: current business owners (n=874)

Insight 9: Most citizens are dissatisfied with the country's progress on key business and economic matters

Across a range of business and economic matters, citizens are more likely to say they are dissatisfied than satisfied with the country's direction. This includes the cost of living (66% dissatisfied), fuel prices (59%), empowering hustlers / the juakali sector (58%), managing external debt (54%), creating a favourable business environment (50%) and reducing dependence on imports (50%).

The exception is on farm input prices, where more citizens are satisfied (47%) than dissatisfied (40%) with the direction of progress.

Figure 9: In general, how satisfied or dissatisfied are you with the direction Kenya is headed in the following areas?



Source: *Sauti za Wananchi* mobile phone survey, special r9 (November 2022)

Base: all respondents (n=3,000)

3. Conclusions

This brief paints a challenging picture of the business environment in Kenya, particularly with regard to the state of the economy. While a substantial proportion of citizens are either currently or recently involved in owning and/or running a business, the challenges they face in doing so are considerable.

Most particularly, the story told both by current business owners and those who recently closed a business is consistent: the biggest challenges relate to the market: high input costs, low demand for produce, and lack of capital.

What is perhaps surprising – and therefore worthy of comment – is that access to credit features come way down these lists, not right at the top. In other words, the main challenge faced by business owners is not accessing the finance to set up a business, but in making it profitable to operate. This is not to say that accessing finance is easy in Kenya. But in comparison, 63% of Ugandan business owners said accessing finance was one of the top three challenges they face, more than any other challenge, while 14% of Kenyan business owners said the same.

It is also interesting that business owners are more optimistic about the future of their businesses and of the business environment in Kenya overall than about the current state of the same. For example, while a majority disagree with the statement that the current environment is favourable for business, and most are dissatisfied with the country's progress on matters of business and economics, most expect new business opportunities will emerge over the next twelve months. Similarly, while half of business owners say that their business is declining, more than half expect that it will become more successful over the coming year.

This contrast between current concern and future optimism may be due to the new administrations' pro-“hustler” outlook, or about expected recovery from the challenges of high food and fuel prices. Most likely it is a combination of both factors.

Whatever the cause, confidence among business owners is a positive sign for the national economy. While it is “only” a quarter of citizens own or run a business and “just” one out of five households say this is their main source of income, these entrepreneurial citizens can play an outsized role in shaping the economic mood of the country. Optimistic business owners are more likely to invest in improving their business – for example by taking on new staff – with all the positive knock-on effects that this can have for the economy as a whole.

