



Abstruse business registration process impeding youth entrepreneurship; A case of Katakwi District

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In 2012, with the support of the UK Department of International Development (DFID) and the International Development Research Centre (IDRC)-Canada, the Partnership for Economic Policy (PEP) launched a new program to support and build capacities in “Policy Analyses on Growth and Employment” (PAGE) in developing countries. This brief summarizes the main features and outcomes of one of the projects supported under the first round of the PAGE initiative. The full paper is available at the PEP website.

Introduction

In the midst of a growing youth demographic bulge of the youth¹ population at 78% compounded by growing level of unemployment, the Government of Uganda has developed programmes such as Youth Livelihood Programme (YLP), Youth Venture Capital Fund) amongst others specifically targeted at the youth in an attempt to reverse this worrying trend (New Vision, 2013). The interventions however are impeded by a limited and in some cases a lack of centralized information resulting in a fragmentation and

overlap of activities leading to inefficiency in impact.

Youth unemployment remains a serious growing and critical policy challenge in Africa and at global level. It is reported that in 2013, youth (aged 15 to 24) in sub-Saharan Africa were twice as likely to be unemployed compared to any other age cohort (Ahaibwe & Mbowa, 2014). Uganda remains one of the countries with highest levels of youth unemployment despite a positive economic growth rate over the years. This growth has not been matched with a growth in new employment opportunities (Ahaibwe and Kasirye, 2015). The Uganda National Household Survey (2012/13) reports that the share of unemployed youth among the total unemployed persons in the country was 64%.

¹ Uganda national definition of youth is 18-30 years according to Uganda Bureau Of Statistics (UBOS) 2012.

<http://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/2012StatisticalAbstract.pdf>

International Labour Organization ²(ILO) data puts this figure very high at 83%. Moreover, about 30% of the youths who are institutionally qualified in Uganda are unable to find jobs, and the situation is even worse for semiskilled and unskilled youths. The causes of youth unemployment are multifaceted, ranging from inadequate investment/supply side of jobs, to insufficient employable skills (i.e., youth possess skills that are not compatible with available jobs), lack of access to resources like land and capital, and high rates of labour force growth. The 2015 Uganda Human Development Report indicates that youth unemployment is higher among female (10.9%) compared to male youth (8.1%) at national level.

The Government of Uganda has emphasized youth entrepreneurship as an important avenue for job creation and economic growth. The youth entrepreneurship programmes are guided by a number of policies across the different sectors and embedded within broader policies on youth, employment and BTVET (EPRC, 2015). Uganda was ranked as the second most entrepreneurial economy after Cameroon among the Global Entrepreneurship Monitor (GEM) participating countries with a “Total early-stage Entrepreneurial Activity” (TEA) rate of 35.5% up from a TEA rate of 31.3% in 2010 (GEM,

2014). According to the report, Ugandan youth (aged 18-35 years) registered a higher TEA than the general adult population. However, most of these youth engage in entrepreneurship due to lack of jobs (necessity entrepreneurs) as opposed to being motivated by passion for and pursuit of business (opportunity entrepreneurs).

In 2015, Development Research and Training (DRT) introduced Community Based Monitoring System (CBMS) in Katakwi District. The aim of the CBMS project is to generate information on the youth in order to enrich the understanding on the coping strategies employed by the youths when unemployed as well as informing policies on youth and social protection. A YEE Rider questionnaire was addressed to the youth (18-30 years old) to analyze youth employment and entrepreneurship in Katakwi Town Council and Kapujani Sub-County.

Results from the CBMS study

The findings from the study indicated that the youth constituted 21.2% of the population in both sub-counties. Of this population, 52.6% are currently engaged in some work whilst 46.4% are unemployed. In terms of employment, 15.1% of the employed youth are self-employed of which 158 are males while 2012 are females.

² International Labour Organization (ILO) definition of youth is 15-24 years.

http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_412015.pdf

Table 1. Monthly income range for entrepreneurs by sex in Katakwi Town council

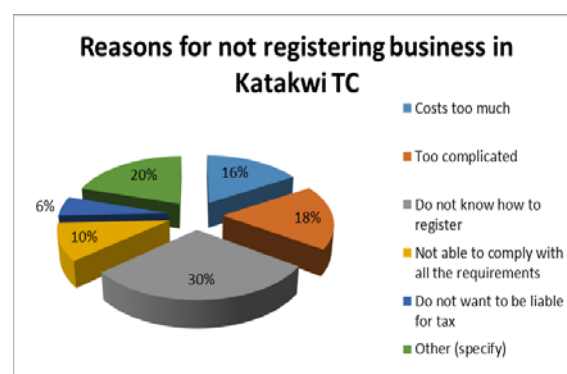
Monthly Income Range (Uganda Shillings)	Kapujani sub-county %			Katakwi Town council %		
	Male	Female	Total	Male	Female	Total
1-50,000	38.5	60.2	52.2	24.2	31.1	28.7
>50,000-100,000	23.8	20.8	21.9	12.9	18.5	16.6
>100,000-200,000	17.7	13.3	14.9	22.6	30.3	27.6
>200,000-300,000	8.5	1.8	4.2	12.9	6.7	8.8
>300,000-400,000	4.6	1.8	2.8	9.7	1.7	4.4
>400,000-500,000	3.1	0.4	1.4	8.1	6.7	7.2
>500,000-1,000,000	1.5	1.8	1.7	6.5	5.0	5.5
>1,000,000	2.3	0	0.8	3.2	0.0	1.1

Source : CBMS Census in Katakwi and Kapujan

According to the data collected, Table 1 above shows that in the rural sub-country of Kapujani, the highest proportion of both female 60.2% and male 38.5% earn in the lowest income range of 1-50,000 shillings monthly. Similarly in Katakwi town council, the highest proportion of male and female youth 24.2% and 31.1% respectively earn within the lowest income range of 1-50,000 followed by 100,000 – 200,000 at 22.6 for males and 30.3 for females.

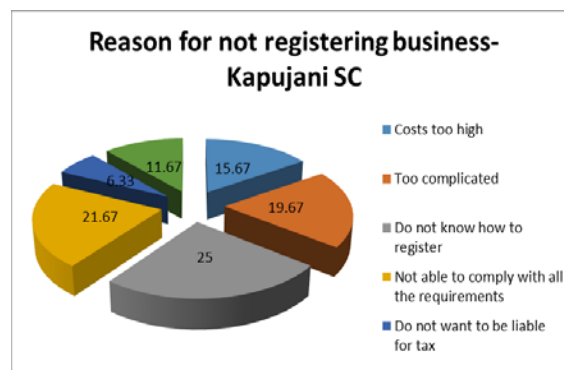
The study also found out that youth undertake different businesses in various sectors however, most of them are unregistered especially those dealing in Retail/ wholesale shops as evidenced in the figures below. At the time of the study (2016), Development Research and Training (DRT) found out that within Katakwi Town Council, a total of 287 youths are entrepreneurs of which 103 (35.9%) are registered while 184 equivalent to 64.1% youth are not registered. The situation is worse among the female youth owned businesses which stand at (79.8%) compared to males which stand at (48.5%). In Kapujani sub-county the total number of youth engaged in entrepreneurship is 349. 53 (14.9%) youth have registered businesses while 297 youth (85.1%) do not have registered businesses.

Figure 1: The reasons for not registering in Katakwi Town council



Source : CBMS Census in Katakwi and Kapujan

Figure 2: Reasons for not registering in Kapujani sub-county



Source : CBMS Census in Katakwi and Kapujan

The findings in the study indicate that 30% of youth in Katakwi Town council and 25% in Kapujani sub-county stated that the most common reason for not registering a business was attributed to lacking the information and procedures on how to register a business.

Unlike the conditions in Katakwi Town council where complications in the registration process were listed second at 18% as the most common deterrent to registering a business, in Kapujani Sub-country, inability to comply with all the requirements was mentioned as the second most common impediment at 21.67% in registering businesses. This could partly be attributed to the resource (knowledge and technology to access and download forms) vacuum often experienced by rural locations such as Kapujani where access to some of the requirements mentioned above such as legal services is difficult.

One youth entrepreneur noted that youth in the district are discouraged from registering owing to the long tedious process entailed in the registration process.

'The registration of the stationery business was done in 2014 in Gulu district with the help of a relative (cousin) who works at URSB. Without capital, the youth cannot register their businesses. Registering the stationery business cost roughly 1,000,000 and the process lasted 2-3 months' (Stationery shop owner in Katakwi town council).

Furthermore, considering that majority proportion of monthly the incomes in both Katakwi Town council (females 79.9% and males 59.7) and Kapujani Sub-county (females 94.3% and males 80%) are in the ranges between 1- 200,000 shillings, a significant number of youth do not earn and therefore cannot afford the minimum 500,000 shillings

required to facilitate the registration of their enterprises.

Business Registration

Registration is a fundamental requirement for starting businesses or enterprises in Uganda. Uganda Registration Services Bureau (URSB) is an autonomous statutory body responsible for registration of companies and business names in Uganda. Majority of youth targeted programs encourage youth to start up economic enterprises as a means of fighting poverty, job creation and economic growth. This has been emphasized by Government of Uganda.

Business registration process

There are four main avenues through which businesses can be registered namely a company limited, Sole proprietorship, Partnership business and a Cooperative organization. The commercial officer in Katakwi district noted that youth are more likely to register their businesses under either a 'Company Limited' or under a 'sole proprietorship' status because they are the most applicable to the businesses they undertake. The nearest regional office to Katakwi district at which the registration can be done is Mbale district estimated at 178 km away at the (Justice Ministry building). However, the process can be done online. This becomes a challenge in areas such as Katakwi with limited access to internet services.

To register a business under a company limited;

- 1) The youth must agree on a name that represents the interests of their business.
- 2) The name must be reserved with the registration bureau.
- 3) Owners of the business have to come up with Articles/ Memorandum of Association documents. These

documents are certified by a lawyer or a person with a legal background.

- 4) The group must fill in Business registration form of company.
- 5) Youth must fill in the statement of Nominal Capital which accompanies the other documents showing capital.
- 6) Business owner pays fees. The documents are assessed at URBS and a certificate is issued. The whole process costs between 500,000 and 1,000,000. The process takes up to a duration of 1-3 months.

Benefits of business registration

Despite the hindrances youth encounter in registering their businesses, several benefits have been documented for both the individual youth and government in registering a business. Firstly, business registration formalizes the business ownership through issuing of the certificate. The business is legally recognized by the district and the state. Legal recognition from the state enables the business owner to lobby for funds using their business e.g. the owner can compete to tender services from a wide range of partners formal and informal including Government, NGOs where registration is a legal requirement. Lastly, the legal status of a registered business can facilitate the owner in mobilizing business capital from the banks. This makes it easier for the business to expand. The business is able to get contract both public and private contracts.

Similarly, the government benefits from registered businesses. Registration of business makes it easy for the district to issue trading licenses and for both the district and government to collect taxes. Furthermore, the government can use the information from the registered businesses to plan and organize capacity building activities and trainings for the respective sectors. This is a mutually beneficial venture for both government and business owners who benefit from skills to aid

in good practices and expansion of their business.

Implications of informal business operations include;

- Business is not recognized by the state meaning it cannot benefit from capacity building initiatives and support from government.
- The business is not legally protected and cannot seek legal support. The business cannot sue or be sued in case of a dispute.

However, it is important to note that the Katakwi district Commercial Officer reported that a number of interventions are being developed to enhance registration of businesses. These include sensitization of the youth on the benefits of legally registering their businesses as well as mobilizing a sizable number of applicants to support them deliver their business registration applications at Uganda Registration Bureau Services in Kampala.

Recommendations.

Raise awareness and intensifying sensitization of youth on the importance and benefits of registering their businesses.

Decentralization of registration offices from the national and regional levels down to the district level is critical to cut down on high logistical costs currently encountered by the youth of registering a business. Youth particularly in the rural areas continue to be excluded and this can be done using mobile registration bureaus.

The government should work towards subsidizing the costs or setting a registration cost basing on the income generated from the business.

To sum, these results indicate that administrators of social assistance programs for the informal sector should

review their mechanisms for targeting beneficiaries. To this end, the use of a multidimensional poverty indicator could make it possible to target the most vulnerable and poorest households more effectively. These social services could effectively be undertaken using data from the CBMS census to target vulnerable groups.
