



In partnership with



THE STATE OF ENTREPRENEURSHIP IN UGANDA 2024

Business Registration



INTRODUCTION:

Business registration is a critical component of economic formalization and development. In Uganda, the rate of formal business registration varies significantly across different sectors, presenting both challenges and opportunities for policymakers and stakeholders. This fact sheet presents key findings from the 2024 State of Entrepreneurship Report, focusing on business registration trends across major economic sectors. A total of 3,062 Micro, Small, and Medium Enterprises (MSMEs) across various sectors and regions in Uganda were surveyed.

By analyzing these patterns, we aim to provide evidence-based insights into the current state of business formalization in Uganda, its potential economic implications, and areas for targeted intervention. Understanding these sectoral differences is crucial for developing effective strategies to promote formal business registration, enhance the business environment, and contribute to Uganda's economic growth and development.



KEY FINDINGS

1. OVERALL BUSINESS REGISTRATION LANDSCAPE

The National Entrepreneurship Index (NEI) for business registration is 39%. 61% percent of businesses are not registered, indicating a high level of informality in the economy.

2. REGIONAL DISPARITIES

Northern Uganda had the highest registration rates at 47.6% followed by Kampala at 45.1%. Eastern Uganda had the lowest rates at 29.8%. Predominantly rural regions faced additional challenges related to travel and higher associated costs underscoring the need to decentralize registration services.



3. REGISTRATION BY SECTOR

There were significant variations in business registration across the top 10 sectors in Uganda. Only 27% of businesses in Wholesale and Retail Trade, the largest sector, were registered versus 35% unregistered. Similarly, accommodation and Food Service Activities and Agriculture, Forestry, and Fishing had higher shares of unregistered businesses relative to their registered counterparts.

In contrast, more established and better regulated sectors such as Human Health and Social Work Activities and Financial and Insurance Activities had higher registration levels compared to their unregistered segments. This trend highlights the need for targeted interventions to meet the unique dynamics of the different sectors.

Formal Business Registration by Sector (Largest to Smallest)

Sector	Count 2750	No	Yes
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	903	33%	67%
Accommodation and food service activities	485	30%	70%
Agriculture, Forestry and Fishing	376	18%	82%
Manufacturing	188	31%	69%
Human Health and Social Work Activities	174	87%	13%
Financial and Insurance Activities	169	74%	26%
Professional, Scientific and Technical Activities	170	50%	50%
Arts, Entertainment and Recreation	119	67%	38%
Transportation and Storage	89	30%	70%
Electricity, Gas, Steam and Air Conditioning	77	51%	49%

WHAT LOW REGISTRATION RATES MEAN FOR THE ECONOMY

Low business registration rates have several implications for the economy:

- 1. Reduced Tax Revenue** Unregistered businesses often do not pay taxes. This lowers government tax revenues, limiting public spending on essential services like healthcare, education, and infrastructure.
- 2. Limited Access to Finance:** Unregistered businesses typically lack access to formal financial services such as credit facilities, restricting their ability to invest in growth and expansion and stifling their contribution to economic development.
- 3. Inefficiency:** Without formal registration, businesses may not adhere to standard regulations and best practices, leading to inefficiencies and reduced productivity.

Promoting business registration is essential for fostering a more robust, inclusive, and competitive market.

FACTORS INFLUENCING REGISTRATION RATES

1. Procedural Complexity Due to Regulatory Requirements

My peers complain about this same registration fee being difficult. The process is quite long as well. It takes a couple of days. So, one keeps going back regarding the same thing for the process to be complete and successful. For example, it took mine three weeks to be fully registered.

Male adult, Motel business, Lira District

2. Limited Awareness of Procedures: younger entrepreneurs cited a lack of knowledge and understanding of the registration process as a significant barrier. While online registration was viewed as a positive development for simplifying the process, its effectiveness was hampered by limited digital skills and insufficient awareness of the steps and requirements involved.

3. Gender Specific Challenges: Women faced additional barriers such as a lack of knowledge and understanding (language and skills), travel and time constraints and faced higher demands for bribes.

You sometimes go to the Chairman LC3, and he asks for some money before giving you a recommendation letter to take to the district health inspector.

Female, Youth, Drug shop business, Kayunga District

4. Access Challenges in Remote Regions: In rural regions, the difficulties often involve traveling long distances to access registration offices and higher associated costs.

5. Registration Related Costs: Smaller enterprises frequently highlighted the disproportionate tax burdens and the procedural complexity relative to their limited resources. Whilst these businesses sometimes manage to navigate the registration process, it often comes at a significant cost and effort.

The process is so long; you need to get a boda rider permit and have third party insurance for each boda rider you have and then also register at the district for license. All those things require money about 1m plus to get so we end up not fully registering and keep dodging the authorities where we can.

Male, Adult, boda-boda rider business, Mubende District

RECOMMENDATIONS TO SIMPLIFY BUSINESS REGISTRATION

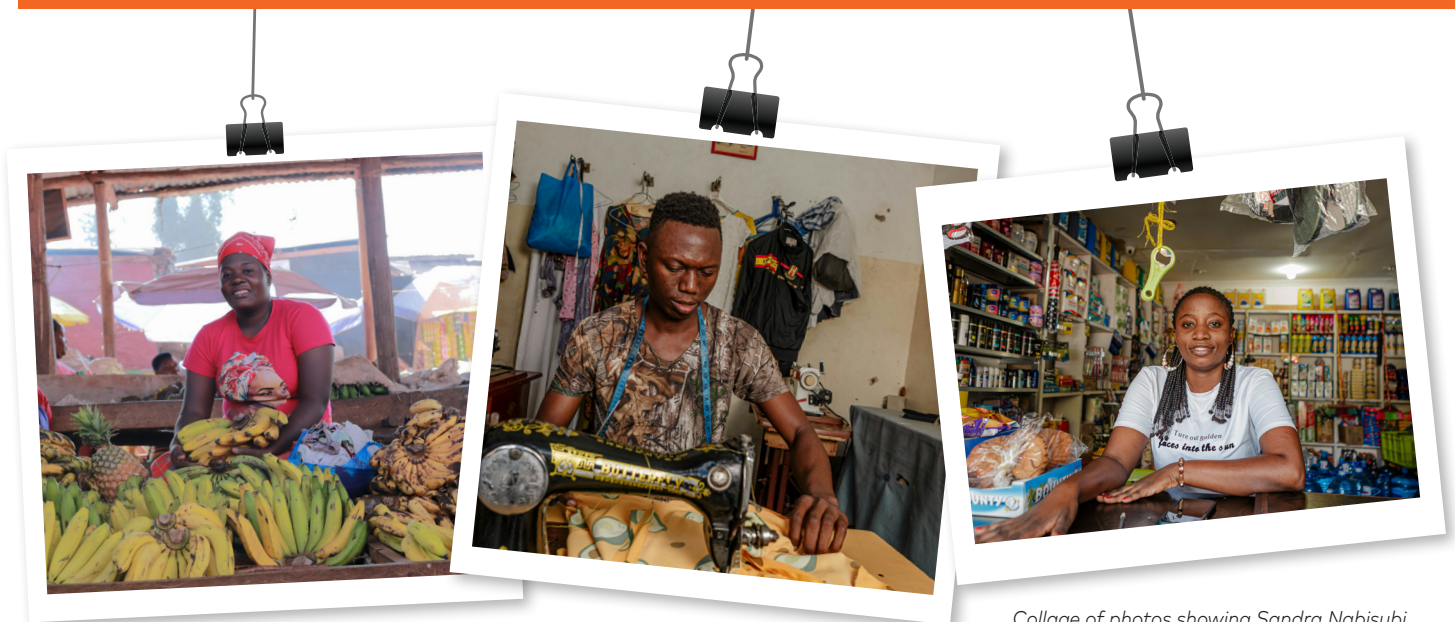
Streamline business registration processes to increase efficiency and accessibility. Several strategies can be deployed to this effect:

- 1. Enhance transparency in the registration process** by raising awareness of procedures, fees and timelines, to reduce opportunities for corruption. Additionally, leverage technology for online tracking of registration applications.
- 2. Increase access in rural areas by further decentralizing registration services.** Decentralization can further be facilitated through mobile stations up to sub-county level.
- 3. Address gender-related challenges** by tailoring support to meet the challenges faced by women-led MSMEs
- 4. Strengthen coordination between the center and decentralized offices** to facilitate data sharing and communication in order to eliminate delays..

CONCLUSION

The analysis of business registration patterns across sectors in Uganda reveals significant disparities and opportunities for intervention. Whilst sectors such as Health and Finance show high rates of formalization, crucial economic sectors like Agriculture, Retail Trade, and Manufacturing lag behind. These findings underscore the need for targeted, sector-specific approaches to promote business registration.

Increasing registration rates, particularly in large sectors with low formalization, could significantly expand Uganda's formal economy, potentially leading to increased tax revenues, improved access to finance for businesses, and overall economic growth. However, achieving this will require addressing the identified barriers to registration through policy interventions and appropriate support mechanisms.



Collage of photos showing Sandra Nabisubi a fruits entrepreneur from Gayaza, Yusuf a tailor from Mbale and Rachel. N a retail shop entrepreneur from Mbarara

