INFLUENCE OF LICENSING ON INVESTOR BEHAVIOR AMONGST THE MICRO, SMALL AND MEDIUM ENTERPRISES IN NAIROBI CITY COUNTY

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DECLARATION

I declare that this research project is my original work and has never been submitted for the award of a degree in any university or college.

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DEDICATION

I would like to dedicate this research paper to my beloved husband Andrew Odhiambo Odera. He has been my rock and given me support whenever I was feeling down. Without his encouragement and concern, I wouldn’t have been able to finish this research project.

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ACRONYMS AND ABBREVIATIONS

COMESA	-	Common Market for Eastern and Southern Africa
DB	-	Doing Business Indicator
GDP	-	Gross Domestic Product
ICA	-	Investment Climate Assessment
KAM	-	Kenya Association of Manufacturers
KRA	-	Kenya Revenue Authority
MSE	-	Medium and Small Scale Enterprises
NCPB	-	National Cereals and Produce Board
NHIF	-	National Hospital Insurance Fund
NSSF	-	National Social Security Fund
VAT	-	Value Added Tax
MSME	-	Micro, Small and Medium Enterprises
PIN	-	Personal Identification Number

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ABSTRACT

Government regulations in Kenya have been identified as major impediments in doing business, among other factors, making Kenya a low investments country internationally. Licensing has been identified as one of the major government regulations that businesses must comply with. The study investigates the influence of licenses on investor behavior. It highlights the exact problems encountered by business people when acquiring licenses. The methodology used to perform this research is the collection of data from a random sample of the MSMEs within the Nairobi CBD. Questionnaires have been used as the main instruments that enable the collection of data from the respondents. The issues highlighted by the research are costs of licenses, time consumed in acquiring licenses, efforts made in acquiring licenses, corruption issues and number of licenses required. The findings of the research show that cost of licenses, time spent to obtain licenses, efforts made in acquiring licenses, informal payments made by the investors while obtaining licenses and the number of licenses required affect the investor behavior. The findings show that many MSMEs prefer to make informal payments such as bribes so as to obtain their licenses quickly and to evade the penalties charged by the government. The conclusion of the research shows that a lot is yet to be done by the government in terms of reforming the licensing procedures. The reforms that have been made are not enough to encourage investors to make investment decisions. There are still many aspects of licenses that negatively affect investor behavior. The recommendations made in this research paper include reviewing the cost of obtaining licenses so as to reduce the costs if possible; reducing the number of licensing procedures so as to reduce time spent in obtaining licenses; reducing the number of licenses required; instilling ethics so as to prevent corruption; and adopting electronic methods of issuing licenses so as to reduce the efforts required in obtaining licenses.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Many investors avoid investing when they face too many obstacles. Government regulations have been identified as one of the factors that create obstacles for investors (Booth, 1997). Whereas government regulations are formed with the view of promoting safe products, and protecting consumers, many investors look at the regulations as factors that lower their returns on investment. Licensing is a government regulation that is aimed at ensuring that the investor or business complies with some set rules that enforce the quality and safety of product, consumer protection against harmful products, and fair competition. Therefore, licenses are permits given out by the government to the investors or businesses so as to allow them to carry out trade, participate in certain activities and to use or own items.

Much economic theory is based on the belief that individuals behave in a rational manner and that all existing information is embedded in the investment process (Baker & Nofsinger, 2010). However, researchers questioning this assumption have uncovered evidence that rational behavior is not always as prevalent as we might believe. Behavioral finance tries to understand and explain how human emotions influence investors in their decision-making process (Ferguson, 2008). Investor behavior is determined by the situation that the investor is facing. Government regulations play a big role in the business environment, and have an impact on the returns that the investor is likely to get from his investment. As a result, government regulations influence investor behavior. Many countries have government regulations in place, but they end up creating reforms so as to reduce some of the negative effects caused by these regulations particularly in areas that affect the economy of the country.

The Micro, Small and Medium Enterprises (MSMEs) sector face issues that are unique to the enterprises. These issues can affect the profitability and growth of the businesses leading to the diminished ability of the MSMEs to contribute towards sustainable development. Entrepreneurs in the MSMEs sector are faced with issues such as registration and certificates, lack of credit, and inadequate business skills. Many MSMEs in Kenya have complained about the tedious processes of registration and certification. There are times when entrepreneurs evade such processes, but they end up paying more money compared to those entrepreneurs who follow the processes.

1.1.1 Government Regulations

The field of investor behavior explains investor decisions by combining the topics of psychology and investing on a micro level and a macro perspective (Brouwer, 2012). The micro level could be the decision process of individuals and groups while the macro perspective could be the role of financial markets. The decision making process of investors incorporates both a quantitative and qualitative aspect that is based on the specific features of the investment product or financial service (Wood, 2010). Investor behavior examines the cognitive factors and emotional issues that individuals, traders, and financial experts reveal during the financial planning and investment management process (Tuckett & Taffler, 2012). In practice, individuals make judgments and decisions that are based on personal beliefs, preferences, and past events.

In the 1990s, Kenya's economic performance was far below the country's potential due to several reasons such as inadequate economic management, widespread corruption, periodic drought, poor infrastructure and a lack of investments. Since 2002, a number of important efforts have been made to promote economic growth under the Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007 (WB, 2008). Nevertheless, the private sector in Kenya is still facing a number of serious obstacles that slow down the country's growth potential. An assessment done by World Bank on the Investment Climate in 2004 showed that the business environment in Kenya was characterized by poor infrastructure, complex and bureaucratic administrative and regulatory regimes, poor governance, poor service delivery, insecurity, and unsuitable financial instruments (WB, 2004).

A central reform committee was created under the authority of the Ministry of Finance, and a government-wide program began. The first task was to assemble Kenya's first complete inventory of licenses and fees. Ultimately, 1,325 licenses were identified by the committee, far more than originally expected (WBG, 2010). Over two years, the committee worked with more than 240 regulators across the public sector to help them comply with the circular issued by the Government, and brought additional expertise into the reform process by involving sector and other experts to carry out more detailed reviews of licenses in certain sectors. Many licenses were found to be unneeded, illegal, or unnecessarily costly. In the 2006/07 budget of Kenya, the government launched an ambitious licensing reform program, which led to the elimination of 110 business licenses and the simplification of eight. The licensing reform program is expected to simplify or eliminate more than 600 of the 1300 licenses (WB, 2008).

According to the budget speech read by the finance minister for the fiscal year 2008/2009, the government took steps to improve the investment climate. It eliminated 315 licenses and simplified another 379 out of the 1325 licenses that had been identified as hindering growth for small businesses. The government is still taking further steps to improve the investment climate. For instance, the Communication Commission of Kenya (CCK) reduced licenses from 300 to 16, Ministry of Tourism from 25 to 2, Mines and Geology department from 24 to 8, Betting Control and Licensing Board (BCLB) from 26 to 9, Kenya Forest Service from 15 to 11 among others. These resulted in the reduction of the number of licenses of the key regulators from 360 to 46.

The positive impact of such reforms is also reflected in the amount of time managers spend in dealing with requirements imposed by government regulations. While in 2003 managers had to dedicate approximately 14 percent of their time in dealing with the requirements of the government regulations, in 2007 they spent approximately half of that. From an international comparison Kenya was much better than some countries which were also under study. These countries included China, India, South Africa, Uganda, Senegal and Tanzania (WB, 2008).

Reforms notwithstanding, there are, however, other areas of the business environment related to business licensing where Kenya did not perform as well as China, Tanzania, Uganda, South Africa and India. For instance starting a business in Kenya remained a lengthy process. Kenya was second only to Senegal in the number of days required to start up a new business, with China, India, and South Africa requiring approximately one third less time. The problem was not in the number of procedures necessary to follow, but rather in the actual processing time (WB, 2008). Similarly the costs of these processes were relatively high when compared to both China and South Africa.

Over the last few years, the Kenyan Government has taken strides in creating a favorable business environment through a number of reforms in access to finance and improving the business environment by streamlining the business registration process (WBG, 2010). Despite these efforts, Kenya remains a low investment country. This study is aimed at giving better knowledge of the impediments to investment, productivity, and growth at the firm level and to pinpoint areas of reform, with a focus on the influence of government regulations. The study focuses on regulations such as licensing and permits that include starting new businesses, renewal of businesses licenses, cost of licenses and duration of time spent in obtaining the licenses.

1.1.2 Investor Behavior

Much economic theory is based on the belief that individuals behave in a rational manner and that all existing information is embedded in the investment process (Baker & Nofsinger, 2010). However, researchers questioning this assumption have uncovered evidence that rational behavior is not always as prevalent as we might believe. Behavioral finance tries to understand and explain how human emotions influence investors in their decision-making process (Ferguson, 2008). Psychologists and other social scientists have made great strides in understanding how individual and group behavior, as well as brain function, shape the decisions people make (Statman, 2011). Scholars and financial commentators have recognized the impact of human psychology on financial decision-making and market outcomes.

Investor behavior is well explained by some theories such as the classical decision theory, the personality traits theory and the need for achievement theory. The classical decision theory looks at an investor as a person who is allowed to trade freely in his area of specialization while competing with other persons. Decision making requires humans to evaluate choices under conditions of uncertainty (Schindler, 2007). The classical approach takes a normative view of decision making in that it attempts to identify the best decision. Classical decision theory assumes that people are rational decision makers who are self-interested and optimize in the presence of constraints (Shiller, 2000). Unfortunately, uncertainty greatly complicates financial decision making.

The personality traits theory explains investor behavior by focusing on the personal characteristics of an individual. These personal characteristics possessed by the investor influence the investor behavior especially when it comes to making investment decisions. The need for achievement theory identifies the investor as a person who has a high need to succeed or accomplish something. The need for achievement drives the investor into making decisions that will enable him to achieve his goals. Some of these decisions may face tough government regulations, but the investor may be willing to make the sacrifice so as to achieve his desire to succeed.

1.1.3 The Micro, Small and Medium Enterprise Sector in Kenya

The medium and small scale enterprises (MSEs) sector has grown very fast and has employed 42% of the working population. MSEs also accounted for 75% of the modern establishments in Kenya in the year 2011. MSEs have managed to dominate the majority of sectors within Kenya. One of the challenges facing MSEs is informality (KIPPRA, 2013). The number of informal MSEs has increased over the years despite the introduction of licensing reforms such as Single Business Permit (SBP).

The informal sector has been identified as one of the factors that can boost the economic growth in Kenya. It deals with the development of practical skills at low costs. Various small scale technologies can be developed in this sector, leading to more job opportunities for job seekers. However, adequate business skills that can be obtained through education are lacking in this sector. Knowledge of how to produce high quality goods is not sufficient for the entrepreneur. The entrepreneur also needs to learn how to sell his products in an effective manner and how to control the financial aspects of the business.

Entrepreneurs in the Micro Small and Medium Enterprises (MSMEs) sector are faced with issues such as registration and certificates, lack of credit, and inadequate business skills. Many MSMEs in Kenya have complained about the tedious processes of registration and certification. There are times when entrepreneurs evade such processes, but they end up paying more money compared to those entrepreneurs who follow the processes. Lack of access to credit is one of the key problems that MSMEs face. This reduces the level of funds available to the MSMEs and can limit the number of technology alternatives available for the MSMEs. The end result is the use of inappropriate and substandard technologies that reduce the production levels of the MSMEs.

1.2 Research Problem

Many businesses in the Nairobi Metropolitan area face a variety of regulatory impediments in the form of business licenses (WB, 2008). The growth and competitiveness of the private sector is negatively affected by the onerous business licenses. This has adversely affected economic growth and the creation of job opportunities in Kenya. Many inefficient and costly licenses, permits, and certifications of businesses hamper business growth and competitiveness in Kenya. Potential investors have shied away from making investment decisions because they are driven by their need for achievement. Some licenses create obstacles that lower the investors' expected returns.

Lengthy licensing procedures, prohibitive costs of starting business and insufficient legal and regulatory protection for investors are hindering investments in Kenya (DB, 2012). The elasticity of the Kenyan market products forces the producers, sellers, and distributors to pass on the increasing costs of doing business to the end consumer. This not only means an incremental price tendency but also a ripple effect on the competitiveness of the industry players leading to a reducing number of businesses. Consequently, there are less employment opportunities in the country.

Burdensome market entry regulations aim at increasing the quality of products, make work safer and reduce pollution (Booth, 1997). However, they constrain private investment; push more people into the informal economy; increase consumer prices; and fuel corruption. Furthermore, an investor in Kenya would need to have at least 39.7% of income per capita to foot the costs of starting a business (DB, 2012). The investor will also have to wait for a maximum of 30 days to be licensed. From an international perspective, more firms in Kenya complain about business licensing today (28%)

compared to the other countries such as China, Uganda, Tanzania, South Africa, Senegal and India (Larossi, 2010). Finally, this constraint has been perceived by Kenyan firms as more binding, moving from 15% of firms complaining about it in 2003 to 28% in 2007.

Musau (2007), conducted a study on reforms introduced by the Kenyan government with regard to licenses. His findings showed that a number of reforms directed at reducing the numbers of licenses were approved in 2006. The reform program eliminated 110 business and cut both the time and cost of getting building permits. The program was aimed at eliminating or simplifying more than 900 of the country's 1,300 licenses. The findings of Musau's study also revealed that the Kenyan government had made substantial achievements in licensing as evidenced by the fact that in 2007 Kenya appeared among the top 10 reformers in the world according to the Doing Business Indicators. As an example, since 2005 Kenya has been able to improve both the time and the cost to deal with construction licenses by 30% and 20% respectively. The research gap in Musau's study is that it focused on big companies and ended up neglecting the MSME sector. The MSME sector is very important to the economic growth of any country.

The findings of a study by Larossi (2010), revealed that some government officials who were responsible for the licensing procedures asked the investors to pay bribes so that they could acquire their licenses quickly. He found out that corruption in obtaining licenses in Kenya was very common. Licensing represented an opportunity for informal payments to take place because Kenyan firms were required to obtain licenses when they started operating as well as renewing these licenses every year. The research gap in Larossi's study is that it did not look at the attitude of the investors towards the issue of informal payments such as bribes.

There is limited research that has been conducted on the influence of government regulations on investor behavior in Kenya. The studies that were conducted by Musau and Larossi have failed to focus on some angles such as MSMEs and investor attitude towards corruption respectively. Therefore, it is necessary to conduct this research so as to highlight the licensing obstacles that the potential investors in Kenya are facing. The proposed research seeks to address the following research question: How do government regulations such as licenses influence investor behavior in Kenya?

1.3 Research Objective

The objective of the study is to determine the influence of licensing on investor behavior.

1.4 Value of the Study

The study is important to the government since it will identify the regulations that hinder growth of the private sector beyond the scope of the study. In addition, business owners and managers will have a chance to air their views in regards to government regulations, make them known to the regulatory authorities, and suggest some of the solutions to those barriers. The government will be able to enact proper legislation that will encourage new investments into the country. The study will inform the government on other areas that need reforms. The reforms could be on licenses that need to be simplified or those that need to be abolished. This study can also serve as a link between the private sector and the government by voicing their concerns on the state regulation regime. This is important if any progressive corrective adjustments are to be made.

The study will contribute towards entrepreneurship theory and practice by enabling the readers to understand entrepreneurial behavior. It will also highlight some of the obstacles caused by government regulations, and their role in discouraging investments. It will highlight some of the key areas that entrepreneurs need to know before they start up new businesses. It will also help in explaining why entrepreneurs make some investment decisions.

The study will explain licenses as types of government regulations and how investors adapt to these regulations. The study will offer solutions that the government needs to follow so as to encourage investments. It is important for the business environment to be conducive for investors and entrepreneurs so as to encourage investments.

Entrepreneurship helps in the creation of job opportunities to the people in the society. The study will look at some of the obstacles that discourage start-ups and expansion of businesses in Kenya. New businesses lead to the creation of employment opportunities in a country. More jobs help in the reduction of unemployment and poverty in the country. The study will enable entrepreneurs to identify business opportunities that do not experience burdensome government regulations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on licensing as a type of government regulation that influences investor behavior. The literature review first discusses the theories supporting the study. Secondly, it looks at the influence of licensing on investor behavior.

2.2 Theories Supporting the Study

The following subsection discusses theories that support this study. The theories are drawn from different disciplines that include economics; psychology; and sociology. Some of these theories include classical theory; personality traits theory; and the need for achievement theory.

2.2.1 The Classical Decision Theory

The classical decision theory focuses on virtues of specialization, free trade, and competition (Simpeh, 2011). The classical decision theory developed as a result of Britain's Industrial Revolution that occurred in the mid 1700 up to the 1830s. The classical movement focused on the directing role of the entrepreneur while engaging in activities such as production and the distribution of goods within a competitive market. The classical theorists highlighted three modes of production that include capital, labor and land. The classical decision theory supports this study by looking at an investor as a person who is allowed to trade freely in his area of specialization while competing with other persons.

Decision making requires humans to evaluate choices under conditions of uncertainty (Schindler, 2007). The classical approach takes a normative view of decision making in that it attempts to identify the best or optimal decision. Classical decision theory assumes that people are rational decision makers who are self-interested and optimize in the presence of constraints (Shiller, 2000). Unfortunately, uncertainty greatly complicates financial decision making. Assessing the probabilities of outcomes is generally difficult and people may be unaware of all the possible outcomes (Wood, 2010).

2.2.2 The Personality Traits Theory

The personality traits theory involves the stable qualities that a person shows in various situations (Simpeh, 2011). According to the traits theorists, there are potentials or inborn qualities that naturally make a person an entrepreneur. Traits are determined by identifying the characteristics associated with the entrepreneur. To explain personality traits, one must make inference from behavior. The personality traits theory supports this study by looking at the investors as entrepreneurs who have different characteristics that influence their investment decisions.

One of the entrepreneurial traits that support this study is the tendency of entrepreneurs to be opportunity driven. The opportunity of making large profits encourages investors to make investment decision. However, government regulations that lower these profit margins discourage investment. Entrepreneurs are also known to be highly creative and innovative. These characteristics enable them to come up with new products or techniques that make the firms competitive.

2.2.3 The Need for Achievement Theory

The need for achievement theory focuses on locus of control and inborn qualities of the investors (Simpeh, 2011). Henry Murray was the first person to use the term “need for achievement”. However, this theory was made popular by David McClelland. McClelland explained that human beings have a need to accomplish, achieve, excel or succeed. Entrepreneurs are driven by the need to achieve and succeed. The need for achievement is characterized by a consistent concern for meeting goals that have been set at high standards of achievement. The need for achievement is influenced by intrinsic and extrinsic motivations. Intrinsic motivation is the internal drive that spurs a person into action. Extrinsic motivation can come from the pressure that is exerted on a person due to the expectations of other people.

The investors require motivation for them to achieve success. Achievement motivation is a personal factor that is related to the creation of new ventures. Therefore, this theory supports the study by showing that investors are encouraged to invest due to their need for achievement. Burdensome government regulations tend to de-motivate the investors from making investment decisions. However, these burdensome government regulations can be reformed so as to motivate the investors.

2.3 Influence of Licensing on Investor Behavior

Licensing can be defined as the giving of permission to someone or an entity so as to enable him or the entity to carry out some activities. The party granting the license is known as the licensor while the party receiving the license is known as licensee. The license acts as an element of the agreement made by the two parties. Governments issue licenses so as to permit businesses or individuals to partake activities that are usually forbidden (Orbach, 2012). The licensees have to pay fees for the licenses and prove that they are capable of conducting the said activity as per the rules laid out by the government. Licenses enable the government to stay informed about the activities being carried out by the investor and enable the government to set limitations and conditions. The public services can face conflict between commercial procedures (such as maximizing profit) and the interests of the consumers. Therefore, most governments have some form of control or regulation so as to manage these possible conflicts. The government regulations ensure that a safe and appropriate service has been delivered without discouraging the development and effective functioning of businesses.

Some of the businesses controlled by regulations include the sale and consumption of alcohol; prescription drugs; food; provision of residential or personal care; public transport; construction services; and media. The government also regulates monopolies so as to ensure that the consumers do not suffer. The government highly regulates the financial sector because this area poses a high risk for the consumers of financial products (Prosser, 2010). A key element in the government regulation is the licensing process that is charged with the approval and issuance of permits to people or organizations.

Regulation has entered both academic and political debate in ways that could not be imagined several decades ago. The debate on regulations is hugely beneficial in raising the profile of previously neglected areas of economic and social life (Prosser, 2010). The government regulations are now focusing on improving the operations of economic and social life. However, a large part of the debate has suffered due to lack of focus. For example in the political debate, the meaning of regulation has been taken for granted and considered to be simplistic (Prosser, 2010). It is considered as imposing a burden rather than encouraging free markets. This is to say that as much as regulation is needed, it is depicted as a second choice for social organization. In the principle free markets, giving people economic freedom and consumer choice is preferred at all times. Regulation is thus considered as a regrettable means of correcting market failures (Orbach, 2012). This concept of regulation is narrow considering the fact that regulation is part of economic management.

Much economic theory is based on the belief that individuals behave in a rational manner and that all existing information is embedded in the investment process (Baker & Nofsinger, 2010). However, researchers questioning this assumption have uncovered evidence that rational behavior is not always as prevalent as we might believe. Behavioral finance tries to understand and explain how human emotions influence investors in their decision-making process (Ferguson, 2008).

Psychologists and other social scientists have made great strides in understanding how individual and group behavior, as well as brain function, shape the decisions people make (Statman, 2011). Scholars and financial commentators have recognized the impact of human psychology on financial decision-making and market outcomes. Despite the recognition that human psychology has an important role in determining economic and financial decisions, traditional finance theory reflects the abrupt and overwhelming movement of economists toward the mathematical modeling tools used in the hard sciences (Davies and Servigny, 2012). In other words, the finance theorists are driven with the desire to use mathematics in the study of financial behavior. Mathematical paradigms are useful in numerous applications, but the empirical evidence contradicts the traditional finance models mounted over recent years. Even simple choices in controlled environments were inconsistent with the theories that dominated past decades. Thus, behavioral finance theorists moved toward incorporating what has been learned from the social sciences more formally into models of financial behavior (Baker & Ricciardi, 2014).

All businesses, regardless of type, must comply with statutes and regulations. These statutes and regulations can come from all levels of government; federal, state, and local (Worthington & Britton, 2009). Some of these statutes and regulations apply regardless of the nature of the business and, of course, a venture engaged in business in more than one state or local jurisdiction must comply with applicable laws and regulations from all applicable jurisdictions. The enforcement agency has no obligation to notify the business that it must comply with the law. It is the business's obligation to inquire and comply. These laws and regulations include the licensing and registration of the business.

The nature of some businesses makes them susceptible to special laws and regulations. Special professions such as medicine, law, architecture, accountancy and engineering require specific licensing and have to go through several additional steps before receiving approval to conduct corporate business or other forms of business. Businesses supplying food or ingested items must obtain health permits and undergo initial and periodic inspections (Booth, 1997). Pharmaceutical manufacturers undergo lengthy and costly approval processes before receiving approval to offer their products for sale. Those engaged in inherently dangerous businesses such as handling or detonating explosives require special permits. Many lawful products are only sold to persons who have attained a certain age or meet specific criteria.

It is important for entrepreneurs to know the laws and regulations that apply to their particular businesses. Once engaged in business, they must constantly update themselves with new or amended laws and regulations (Booth, 1997). Trade associations provide excellent sources of such information and offer advice on how to comply with the laws and regulations. Often, trade associations will lobby for or against proposed changes in statutes or regulations on behalf of their members. Many trade groups offer education to their member organizations as new or amended regulations are promulgated. The buying power of a large group and the economy of scale generally deliver these services at a bargain price.

In 2005, the government of Kenya launched an innovative reform to reduce its growing number of business licenses and fees, and the corruption connected to those instruments. With the support of FIAS/World Bank, private sector leaders, and a leading international consultancy, the government moved beyond previous strategies based on reforming licenses one at a time, and adapted a broad “guillotine approach” to rapidly identify, review, and streamline all business licenses and associated fees in Kenya (Jacobs, Ladegaard & Musau, 2007).

The Government accepted recommendations of the committee for large-scale changes. As of October 2007, 315 licenses had been eliminated and 379 simplified. A total of 294 licenses were retained (WB, 2008). Out the remaining licenses, approximately 300 licenses have been deferred due to new Bills under preparation or new Laws already passed, and 25 were reclassified and not counted as licenses. Results from the licensing reform were a key contributor to Kenya’s status as a top reformer in the World Bank report in 2008. The broad approach, core competencies, and support in the political economy that were developed in the licensing reforms have been instrumental in expanding the reform from one focused on instruments (licenses) to an even broader one focused on improving the capacities of regulatory institutions towards motivating investors.

The Investment Promotion Act (2004) is the main Government of Kenya legislation with a purpose of promoting and facilitating both local and foreign investments. The Act particularly specifies the licenses and other related requirements that a local or a foreign investor in Kenya should have. Most of the local investment businesses in Kenya fall under the Micro and Small Enterprise (MSE) business sector. The sector employs about 74.2% of the Kenyan workforce and contributes to about 18.4% of the country’s Gross Domestic Product (GDP). The government of Kenya therefore considers MSEs as an important sector in the development process, and is in the process of putting in place some programs to develop this sector. The Economic Recovery Strategy Paper for Wealth and Employment Creation (ERS) 2003-2007 identifies SMEs and in particular Jua Kali expansion as one of those activities that will assist in economic recovery and growth.

The publication of Sessional paper no. 2 of 2005 on ‘Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction’ is one of the most important current government efforts to develop the MSE sector (Munyes, 2012).

The Act sets policies for developing the MSEs. Some of these policies include, continued legal and regulatory reforms in the sector, harmonization of trade licensing and regulatory services, decentralization of business registration, quickening the process of business registration, reforming and enforcing the local authority Act to limit and maintain its essential regulatory powers, formulating and implementing an MSE Act, improving market and marketing opportunities for MSEs both locally and internationally, increasing financial services to MSEs, promoting gender equity by increasing equal access to financial services for women and men, empowering women, improving gender access to education, technology development and entrepreneurship (Munyes, 2012).

2.4 Research Gap

The research gap in previous studies can be identified in the study conducted by Musau in 2007 and the study conducted by Larossi in 2010. Musau's study focused on big firms and did not look at the influence of government regulations on the MSME sector in Kenya. Larossi conducted his study and reported findings that focused on the corruption that was carried out by government officials in the licensing process. Larossi failed to investigate the attitude of the investors towards corruption.

Table 2.1: Research Gap

Name of Researcher and Year of Study	**Research Topic**	**Findings**	**Research Gap**	**Focus of my Research Study**
Ben Musau. (2007)	Final Report of the Working Committee on Regulatory Reforms for Business Activity in Kenya	The Kenyan reform program eliminated 110 business and cut both the time and cost of getting building permits	The Research was focused on big companies	To focus my study on the MSME Sector in Kenya

Giuseppe Larossi. (2010)	An Assessment of the Investment Climate in Kenya	Government officials asked the investors to make informal payments such as bribes so as to shorten the licensing process	The research did not investigate the attitude of the investors towards corruption	To investigate the attitude of the investors towards corruption

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter begins by looking at the research design. Secondly, it explains the population that was studied. Thirdly, the sample design that was followed is discussed. Fourthly, the data collection methods are identified. Finally, the chapter explains the methods that were used in data analysis.

3.2 Research Design

The research design was a cross-sectional descriptive study and it involved a survey on the MSMEs located within the Nairobi CBD. A cross-sectional descriptive study was the best research design for this study because the aim of the study was to describe the population with respect to the outcome and set of risk factors. The purpose of the study was to find out the influence of government regulations on investor behavior. The study involved the observation of MSMEs in Nairobi while also studying the government officials who were in charge of issuing licenses to the business owners. A descriptive research helped in the collection of data and described the influence the government regulations on investor behavior.

3.3 Population

The population that was studied comprised of business owners, business managers and operators working in MSMEs located within the Nairobi CBD. The MSMEs in the Nairobi CBD contained business owners and employees who were involved in the daily operations of these enterprises. These enterprises were all required to obtain business licenses as well as renew these licenses periodically. The enterprises faced similar challenges that are associated with the licensing process and enabled the collection of data needed to carry out the research. The nature of the businesses performed by these MSMEs varied to include several industries in the economy such as food, tourism, electronics, textiles, and pharmaceuticals.

3.4 Sample Design

The survey was conducted on MSMEs within the Nairobi CBD. This is because the Nairobi CBD hosts a variety of diverse MSMEs. In addition, the Nairobi CBD is comprised of Kenyans from all backgrounds. Stratified Sampling was used because the selection of the MSMEs to be studied involved probability sampling. Another reason for choosing stratified sampling is because the stratified sample is known to be more representative of the population compared to a random sample. Stratified Sampling involved the separation of the population into homogeneous groups and then randomly selecting the subjects from each stratum.

Businesses were stratified according to the size of the enterprises. Size was measured according to the number of employees working in an enterprise. The businesses were classified according to number of employees and then the sample was randomly selected.

Table 3.1: Classification of Businesses

Employee Range	**Size**	**Sample Size**
Below 10 employees	Micro	15
10-49 employees	Small	10
50-99 employees	Medium	5

3.5 Data Collection

In order to collect quality data from the field, both quantitative and qualitative data collection methods were used to collect primary data. The qualitative research method used was a semi-structured questionnaire. The questionnaire also used a Likert Scale so as to give a visual difference on the subjective opinions of the respondents. The quantitative research method that was used was a semi-structured questionnaire targeting entrepreneurs, business managers and operators in the area of study. The entrepreneurs were the business owners and it was possible to reach them in the case of micro businesses. The business managers who were interviewed were the operations managers because they were responsible for all the operations of the businesses and were aware of all the licenses that are required by the businesses. The operators were interviewed where the MSMEs fell in the category of medium sized businesses. In this case of medium sized businesses, the interview was conducted on the clerks whose job description involved the business licenses.

3.6 Data Analysis

Both quantitative and qualitative data analyses were used. Quantitative data was analyzed using descriptive statistics. These descriptive statistics included use of percentages and mean scores. Contingency tables were used. Qualitative data was analyzed using non numerical methods such as narrative analysis.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the findings of the study based on the analysis of the primary data collected from various MSMEs. The findings focus on establishing the effects of licensing on MSMEs in Nairobi.

The target population consisted of MSMEs in the Nairobi CBD. A random sample of 30 MSMEs was selected for the study. One questionnaire was distributed to each of the 30 firms. Some MSMEs were uncooperative and declined to even participate in the study. Out of the 30 questionnaires, only 23 were completely filled while there was no response from the other 7. This represented a responsive rate of 76.67 per cent.

4.2 The Respondents' Profile

All the respondents are affected by government's licensing procedures and requirements. Data was collected from a sample of 23, differently sized, MSMEs located within the Nairobi CBD. The respondents that had less than 10 employees which classify them as micro had 47.8%, 30.4% had between 10 and 49 employees classifying them as small and 21.8% were medium firms since their number of employees ranged from 50-99.

Table 4.1: Size of the companies based on number of employees

Size of the firm	Number of firms	Percentage
Below 10 employees	11	47.8%
10-49 employees	7	30.4%
50-99 employees	5	21.8%

Source: Primary data – Respondents (2015)

The sample varied in the number of years that they had been in operation. Seven of the firms had operated for less than 5years, 6 between 5 and 9 years, 3 between 10 and 14years, 1 between 15 and 19 years, 6 firms had been in operation for more than 20years.

Table 4.2: Number of years in operation

Number of Years	Tick Where Appropriate
Less than 5	7
5-9	6
10-14	3
15-19	1
20 and above	6

Source: Primary data – Respondents (2015)

Results in Table 4.2 demonstrate that only 21.7% of the firms had branches of which a proportion of 60% required their own individual licenses. These factored in an additional cost to both the parent and branch in attaining the licenses.

Table 4.3: Categories of Firms according to Nature of Business

Industry	**Number of firms**	**Percentage**
Food	5	21.7%
Tourism	2	8.7%
Electronics	4	17.4%
Textiles	8	34.8%
Pharmaceuticals	4	17.4%
Total	23	100%

Source: Primary data – Respondents (2015)

The enterprises were stratified according to the nature of products they dealt with. Out of these enterprises, 21.7% of dealt with food, 8.7% dealt with tourism, 17.4% dealt with electronics, 34.8% dealt with textiles and 17.4% dealt with pharmaceuticals.

4.3 Licenses

The respondents required licenses for each of their products. The firms that produced more than one product were 30.4% of the respondents. Most of the licenses are to be renewed periodically while some of them were only issued once, at the commencement of operations. The respondents that required 4 business licenses to operate were 48%, 22% required 3, 17% required more than 4, 13% required 2 while none of the respondents required only one license.

Table 4.4: Number of Licenses Required by Respondents

Number of Licenses	**Percentage**
1	0%
2	13%
3	22%
4	48%
Above 4	17%

Source: Primary data – Respondents (2015)

It was established that all the firms had to renew most of their licenses annually. However, some of the licenses like VAT are only paid once and have no renewal. All firms indicated that they had to remit their tax returns and required this license.

4.4 Costs of obtaining licenses

Acquiring and renewal of licenses is subject to payment of certain amount of fees. All of the firms complained about the cost of obtaining the licenses. Firms interviewed had to foot costs ranging from Kshs 14,000 to Kshs. 400,000 to acquire and renew the licenses. This according to them is a great impediment to doing business since it increases their costs of operation. Firms have to pass these costs to consumers, which makes them opt for substitute products which may be more affordable.

4.5 Corruption

Out of the firms interviewed, 82.6% said that they had to pay informal payments in terms of bribes in order to acquire their licenses. This made them acquire the licenses faster and without harassment. This increased their costs of acquiring licenses and hence increasing the cost of doing business. However, corruption was also seen as beneficial to the respondents since it enabled them avoid penalties imposed by the regulatory authorities. For example a respondent indicated that instead of paying a probable penalty of up to 5%

per month of the total license fee and probable court proceedings, they instead opted to split up the costs and back-date the license. Though this is illegal, many of the firms opted to follow this line.

4.6 Time Spent to Acquire Licenses

The respondents complained that it took too long to obtain the business license and permits. The respondents that took one month or less to acquire business licenses and permits were 39.1% while 60.9% required more than one month. The latter can be attributed to the fact that the numerous licenses cannot be issued at once, there is a queuing process. This refers to a situation where one license serves as a pre-requisite of another. Respondents also complained about bureaucracy involved in obtaining licenses. This is a point of harassment especially by local authorities, who are very strict and lack proper public relations training, where one has to go to many offices in order to be assisted.

Table 4.5 Time Spent to Acquire Licenses

Time Spent in terms of Weeks	**Percentage**
2	8.7%
4	17%
6	20.7%
8	17.4%
Above 8	36.2%

Source: Primary data – Respondents (2015)

Table 4.5 indicates the time spent by firms to obtain business licenses and permits. The respondents that spent 2 weeks to acquire their licenses were 8.7%, 17% needed 4 weeks to obtain their licenses, 20.7% spent 6 weeks, 17.4% spent 8 weeks and 36.2% spent over 8 weeks to get their business permits and trade licenses.

4.7 Effects of Licenses on Investor Behavior

The questionnaire asked the respondents to rank the effect of licenses on specific variables that affected their willingness to invest. Rank 1 represented to a very large extent, 2- to a large extent, 3-moderate extent, 4- small extent and 5 represented to a very small extent. Table 4.6 shows the results of these rankings.

Table 4.6: Effects of Licenses on Investor Behavior Rankings

Factors affecting Investor Behavior	**Mean Score**	**Standard Deviation**
Money Spent	2.22	7.16
Time Spent	2.13	9.07
Effort Required	2.04	10.81
Informal Payments	3.39	13.15
Number of Licenses	1.83	5.22

Source: Primary data – Respondents (2015)

From table 4.6, according to the Likert average rankings, number of licenses is ranked first with a mean score of 1.83, effort required second with a score of 2.04, time spent is ranked third with a score of 2.13, money spent is ranked fourth with a score of 2.22, and informal payment was ranked fifth with a score of 3.39. The results show that the investors are affected more by the number of licenses required rather than the money spent, time spent, effort required and informal payments. The highest score is in number of licenses required while the lowest score is in the informal payments that the investors make. This shows that licenses are a great drawback on the investment behavior of entrepreneurs.

The respondents were further asked to rank the effect of licenses on some of the dimensions of investor behavior. Table 4.7 shows the results of these rankings.

Table 4.7: Effects of Licenses on the Dimensions of Behavior Rankings

Dimensions of Investor Behavior	**Mean Score**	**Standard Deviation**
Starting up new Businesses	1.87	5.73
Expansion of the Business	2.17	7.48
Product Development	2.48	10.04
Risk Taking	2.26	3.91
Industry Exit	2.35	7.85

Source: Primary data – Respondents (2015)

From table 4.7, according to the Likert average rankings, starting up new businesses is ranked first with a score of 1.87, expansion of business is second with a score of 2.17, risk taking is third with a score of 2.26, industry exit is fourth with a score of 2.35, and product development was ranked fifth with a score of 2.48. The ethical dimension of investor behavior with the highest score is starting up new businesses while the lowest score was on product development. That means that licenses affect the starting up of new businesses more than other ethical dimensions of behavior such as expansion of business, risk taking, industry exit and product development.

CHAPTER FIVE: SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter begins with a summary of the entire research paper. It then follows with a discussion of the findings collected from the respondents as compared to the literature review. A conclusion is drawn based on the results. The chapter ends with some recommendations on what the government should do to encourage investment.

5.2 Summary

This study identified the positive and negative effects of government regulations on investor behavior. A literature review was carried out to determine academic content concerning government regulations and investor behavior. The study focused mainly on licenses as opposed to other government regulations. A data collection exercise focusing on the impact of licensing on MSMEs in Nairobi was then carried out. The results obtained from the data collection exercise showed that licensing has a great impact on the propensity to invest more in an economy, therefore, proper licensing procedures that will not scare away investment, but regulate businesses and at the same time earn the government revenue, should be developed. The government reforms on licensing were seen as a good start, but the respondents were of the opinion that more needed to be done.

5.3 Discussion

Licenses play a major role in influencing investor behavior. Many investors get discouraged by a number of factors concerning licenses. These factors include the costs incurred while obtaining licenses; the amount of time spent in obtaining licenses; the efforts required in the process of obtaining licenses; the number of licenses required for a business to be fully operational; and the informal payments they meet along the way as they try to obtain licenses in a faster way. Content gathered from other literature materials show that these factors negatively affect investor behavior. The results of the research findings that I collected from random MSMEs within the Nairobi CBD also show that these factors affect the investor behavior. Many investors would like further reforms to be introduced to the licensing procedures so as to minimize the factors that discourage them from investing.

Licenses were also seen to affect some of the dimensions of investor behavior. These dimensions include starting up businesses; expanding businesses; product development; risk taking; and industry exit. The literature review and the research findings agree that licenses affect these dimensions of investor behavior. Many potential investors are afraid to start up new businesses because they do not want to end up making heavy losses due to the cost of licenses. Starting up a business requires a lot of money and many people do not have that kind of money. They want to start making profits immediately. Some MSMEs would like to expand their businesses but they get discouraged when they think about the extra costs they will have to pay as well as the amount of time that will be spent to obtain additional licenses.

The investors would like to develop new products, but there are some special licenses for special products. Some of these licenses cost a lot of money and they discourage the investors from developing new products. Investors like taking risks if they can see the possibility of high returns. The cost of licenses is too high and makes it impossible for the investors to see higher returns in the future. One of the greatest drawbacks is the fact that the investors have to obtain these licenses before they can start their business operations. Most investors do not have a lot of money to cater for both the licenses and business needs. They are also afraid to take business risks because the future is uncertain and they may end up making heavy losses as a result of the costs outweighing the benefits. Many would prefer if these payments could be made later so that they can get the chance to make good profits.

Some investors would like to exit the industry, but they are unable to do so because of the costs tied with entry into other industries. They are also reluctant to leave the industry because of the costs they have already incurred in the present industry. Investors tend to give their businesses plenty of time to see whether the businesses can survive in the industry. Some businesses end up becoming bankrupt because the owners are afraid of leaving the industry considering the high costs they have already incurred. The research findings showed that most MSMEs preferred to continue staying within the industry with the hope that things would get better.

5.4 Conclusion

Every regulation has stakes. Most regulations have some public good intention behind them. Quantifying costs and benefits at firm level clarify where good intentions are outweighed by unintended consequences. Reforming registration, licensing and other business entry procedures is a cost effective and progressive way to promote indigenous private sector development. Kenya's change to a Single Business Permit (SBP) is estimated to save businesses 3.8 million pounds per year. At its peak expenditure level, the Kenya Deregulation Project was spending in the order of 400,000 pounds per year. Moreover, as smaller firms are the hardest hit by excessive and inappropriate regulation, Kenya's smallest firms will be the largest beneficiaries from this reform.

Enabling environment reform needs more than good cost-benefit analysis and legal drafting. Implementing policy change needs hands-dirty work, in building and sustaining constituencies for reform, and managing the day-to-day chores of advocacy. It needs strong champions in the public and the private sector**.** While Kenya has made significant progress in implementing the SBP, much potential reform still remains on the table. This has not been due to any shortage of quality analysis and proposals. Instead, it has been due to the absence of strong champions for reform in the public and the private sector. The future of reform in Kenya will depend on establishing an institutional champion for better regulation at a high level in government, and on nurturing the development of the Kenyan economy.

The regulatory guillotine process is only one example of the kinds of reforms that can simultaneously produce both short-term results, and lay a foundation for sustainable change. Given the right conditions such as administrative and legal strategies combined with political commitment, the deregulation can be adapted and work well. This is a tool that merits further attention, assessment, and implementation. Broad solutions towards the improvement of the regulatory environment can work better than small reforms. Narrow and one-off reforms to reduce regulatory and administrative costs do not generally produce sustainable and visible results in better business environments. It is also clear that unsystematic and ad hoc reforms, such as attacking a few selected reforms, and reforms that are bottom-up and driven by insider interests, are likely to fail in producing visible benefits.

5.5 Recommendations

The findings of the study show that licenses influence investor behavior and this leads to several recommendations so as to encourage investment in Kenya. These recommendations are based on the factors affecting investment behavior. These factors include cost of licenses; time spent acquiring licenses; number of licenses required; corruption; and effort required while obtaining licenses. The regulatory authorities should review the costs of obtaining and renewing business licenses and where possible reduce them. This will make it easier to start new businesses and thus attract new investors.

The number of procedures needed to get a license should be reduced. If possible, a one-off process should be implemented. This will reduce the time spent in obtaining licenses. Computerization of licensing procedures is also beneficial since it will reduce frustration of being sent from one office to another and also reduce the time spent in acquiring the licenses. Although the government has made tremendous efforts in reducing the number of licenses, the licenses are still numerous and they need to be reduced. Effectively, this will reduce the number of processes involved in obtaining licenses hence reducing the time spent.

Some businesses prefer to part with some informal payments so as to obtain licenses quickly. Even though corruption is somehow beneficial to businesses, ethical standards should be instilled to public servants and a watchdog formed to oversee their operations. This will reduce frustrations of businessmen and give the government its fair share of revenue. The efforts put in by businessmen while obtaining licenses can be reduced if electronic means are adopted.

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Appendix 1

Letter to the Respondents

Njenga Sharon Chepkorir,
C/o University of Nairobi,
School of Business,
Department of Business,
Administration,
P. O. Box 30197-00100,
Nairobi.

Dear Respondent,

<u>RE: REQUEST FOR RESEARCH DATA</u>

I am a postgraduate student in the school of business, University of Nairobi. I am carrying out a "Research on the Influence of Government Regulations on Investor Behavior: A Research on SMEs in Nairobi", as a partial fulfillment of a Masters' degree in MSC Entrepreneurship and Innovations Management.

You as a respondent have been selected to form part of this study. Therefore, please assist me in completing the questionnaire to the best of your knowledge. This information will purely be used for academic purposes. As a respondent of this study you are free to access the findings of the study. The questionnaire will be anonymous and treated in a confidential manner.

Yours Faithfully,

Njenga Sharon Chepkorir,

QUESTIONNAIRE

The questionnaire below has two parts. Section A is aimed at giving a general background of your business. Section B is aimed at gathering more information about licenses.

Section A: General Background of Business

1.What is your product line? (e.g food, machinery) ……………………………………………………...

2. How many employees do you have?

Number of Employees	**Tick Where Appropriate**
Less than 10	
10-49	
50-99	

3. How many years have you been in operation?

Number of Years	**Tick Where Appropriate**
Less than 5	
5-9	
10-14	
15-19	
20 and above	

4. Are there any branches?

Yes [ ]

No [ ]

If yes, how many branches do you have and where are they located?

....…...............

……………………………………………………………………………………

……………………………………………………………………………………

Section B: Questions about Licenses

1.How many licenses do you need to operate your business?……………………….........

2.What kind of licenses do you need to operate your business?

....

....

3. Do the branches need their respective/ individual licenses?

Yes [ ]

No [ ]

4. Have there been any changes in the type of licenses required since you started operating your business?

Yes [ ]

No [ ]

If yes, state these changes

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

How have the changes been beneficial to your business?

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

5.What are the approximate total costs of obtaining those licenses?

Type of License	**Cost of License (Kshs.)**

6.What is the approximate time spent in obtaining the licenses?

Type of License	**Processing Time**

7. Please indicate the extent to which the following affect your investment behavior.

Factors affecting investment behavior	**To a very large extent [1]**	**To a large extent [2]**	**To a moderate extent [3]**	**To a small extent [4]**	**To no extent [5]**
Amount of money spent to obtain licenses					
Amount of time spent in obtaining licenses					
Effort required to obtain the licenses					
Informal payments required to obtain licenses					
Number of licenses required					

8. Please indicate the extent to which the following dimensions of behavior are affected by licenses.

Dimensions of Behavior	**To a very large extent [1]**	**To a large extent [2]**	**To a moderate extent [3]**	**To a small extent [4]**	**To no extent [5]**
Starting up new businesses					
Expansion of the business					
Product development					
Risk taking					
Industry exit					

9. Please state the obstacles faced while obtaining the licenses

…………………………………………………………………………………………………

…………………………………………………………………………………………………

10. Have you been asked to make any informal payments while obtaining licenses?

Yes [ ]

No [ ]

If yes, kindly note the type of informal payment, and how this informal payment has affected the operation of your business

……………………………………………………………………………………

……………………………………………………………………………………

11. What services do you obtain as a result of paying for licenses?

…………………………………………..

……………………………………………………………………………………………..

12. What are the consequences of not paying licenses?

……………………………………………………………………………………………..

……………………………………………………………………………………………..

……………………………………………………………………………………………..

13. Has licensing affected the growth or expansion prospects of your business?

Yes [ ]

No [ ]

If yes, how has licensing affected the growth and expansion of your business?

………………………………………………………………………………………

………………………………………………………………………………………

Recommendations (Optional)

Do any of the licenses need amendments/simplifications or abolishment?

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Appendix 2

REGULATORY REQUIREMENTS IN OPERATING A BUSINESS

Requirement	How often (frequency)	Businesses applicable	Regulatory authority
Single business permit issued under local Government Act (Cap 265).	Every year	All businesses in Kenya	Local authorities
Trade license Issued under Trade Licensing Act (Cap 497)	Every year	All businesses	Ministry of Trade and Industry
Valued added Tax (VAT) No.	Once	All businesses	Kenya Revenue Authority
Personal identification Number (PIN)	Once	All businesses	Kenya Revenue Authority
National Social Security Fund (NSSF) No.	Once	All businesses employing more than 5 workers	(NSSF), Ministry of labour
National Hospital Insurance Fund (NHIF) No.	Once	All businesses employing more than 5 workers	NHIF Ministry of Health
Environmental impact Assessment No.	Every year	All manufacturing and processing businesses	National Environmental Management

			Authority (NEMA).
Exporter's Code number	Once	All export businesses	Department of customs and excise
Export Licenses Issued under exports and essential Supplies Act (Cap 502)	Every year	Businesses which touch on public and food security; conservation of wildlife and natural resources and preservation of national heritage	Department of internal trade (Ministry of Trade and Industry).
Import licenses	Every year	Import businesses of a few items restricted for security health or environmental reasons.	Department of External Trade (Ministry of Trade and Industry).
Plants and plant products import or export	Plant import permit Plan export permit Phytosanitary Certificate	Every year	KEPHIS
Requirement	How often (frequency)	Businesses applicable	Businesses applicable
Drugs and pharmaceuticals imports	Drugs and pharmaceuticals import permit	Every time imports are made	Pharmacy and Poisons Board

Buying and selling of pharmaceuticals	Registration of premises	Once	Pharmacy and Poisons Board
Livestock trading	Stock traders	Every year	City/County councils
Horticultural products	Export permit- compliance to traceability of produce, hygiene, maximum residue level (MRL), Good Agricultural Practices (GAP) and proper post harvest handling procedures	Every time exports are made	Horticultural crops development Authority (HCDA).
Live animals export	Health clearance certificate	Every time exports are made	Department of veterinary services.
Motor vehicle components or accessories	Dealers license	Every year	City councils
Used motor vehicles	Buying or selling business license. Certificate of roadworthiness for used vehicles originating from Japan and Dubai	Every year Every time imports are made	City councils Ministry of transport

Public transport	Public carriers license Road license Transport business license (TBL)	Every year Every year Every year	Ministry of transport Kenya Revenue Authority (KRA) Kenya Revenue Authority (KRA)
Scrap metal	License under scrap metal Act.	Every year	Ministry of Trade and Industry
Fishing	Certificate of registration of fishing vessel. License to catch fish under Fisheries Act	Every year Every year	Department of fisheries
Processing and export of fish	Processing license Fish movement permit Certificate of compliance with KEBS for fish handling and processing Export permit Health certificate.	Every year Every time exports are made.	Department of fisheries
Hotel/restaurant businesses	Hotel/Restaurant Restaurant Manager's License General retail liquor license	Every year	City/town council after providing a certificate of health

Food business (selling and preparing)	License to use premises that purpose	Every year	City/county council
Milling of Maize	Miller's license	Every year	National cereals and produce board (NCPB)
Tea factory	Manufacturing license	Every year	Ministry of Agriculture
Sugar mill	Sugar or jaggery mill license	Every year	Ministry of Agriculture
Coffee buying, selling, milling, warehousing or exporting	License to carry out the relevant transactions Movement permit	Every year	Ministry of agriculture
Dairy	Registration under the Dairy Industry Act Dairy Manager License Registration of premises as a dairy Milk purveyor license	Every year	Department of veterinary services

Hides, skin and leather	Buyers license Exporter or importer license Registration certificate for the premises under hides, skin and leather Trade Act.	Every year	Department of veterinary services (Ministry of livestock and fisheries development)
Bacon factory	License under pig industry License to slaughter pigs. License to keep pigs.	Every year	Department of veterinary services (Ministry of livestock and fisheries development)
Slaughter house	License to operate a slaughter house. License under the Kenya Meat Commission Act. License to slaughter pigs License to keep pigs	Every year	Department of veterinary services (Ministry of livestock and fisheries development)
Export of meat	License under Kenya Meat Commission Act. Certificate of health	Every year Every time one has to export	Department of veterinary services (Ministry of livestock and fisheries development

Pest control products	License for premises	Every year	Pest Control Board (PCB).
Dealing in precious metals	License to trade in unwrought precious metals	Every year	Ministry of Trade and Industry
Diamond dealing	Diamond dealer’s license	Every year	Ministry of Trade and Industry
Making of films	Filming license Authorization to make film in a national park	Every year	Ministry of information and telecommunications.