



MICRO AND SMALL ENTERPRISES AUTHORITY PRESENTATION

ADOPTION OF DIGITAL PLATFORMS BY MSES DURING COVID AS A BUSINESS CONTINUITY STRATEGY

APRIL 2022

INTRODUCTION

- Micro, Small and Medium Enterprises (MSMEs) play a major role in most economies, particularly in developing countries.
- They account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide.
- MSMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included.
- A large share of African firms tends to be small scale, informal, necessity-driven (survivalist) with a stunted life cycle, low productivity in labour-intensive sectors and low incidence of innovation

OVERVIEW OF THE MSME SECTOR IN KENYA



EFFECTS OF COVID-19 ON MSME IN KENYA

- Reduction in Operations
- Reduction in Customer Numbers
- Low Sales
- Supply Chain Disruptions
- Cash Flow Problems
- Making new customers
- Meeting financial obligations
- Obtaining capital for business
- Increased cost of business

DIGITAL ADOPTION IN BUILDING MSME RESILIENCE AND BUSINESS CONTINUITY

- Following the crisis brought on by COVID-19 MSMEs initiated various remedial measures including retrenchment of staff, reduce working hours, diversification of business and adoption of digital technology among others to mitigate the negative effects of the pandemic.
- Digital technology proved to be a critical lifeline for businesses and may continue to be so beyond the COVID-19 pandemic. It will likely be a critical accelerator and enabler of business recovery and continuity.
- UNDP/MSEA research shows that the negative impact of COVID-19 on income of MSMEs was inversely related to the level of digital maturity. Enterprises at higher digital maturity had lower levels of negative impact on income. Those with digital maturity showed resilience during the pandemic.
- However, the aptitude and capacity for adoption digital technology in MSMEs is quite low.
- During the pandemic MSMEs used digital platforms to reach their customer base and transitioned mainly to online marketing using various platforms.
- Common platforms used by MSMEs were social media platforms i.e. WhatsApp, Facebook and Instagram

DIGITAL PLATFORMS USED BY MSMES DURING THE PANDEMIC

Representation of most commonly used digital platforms by MSMEs

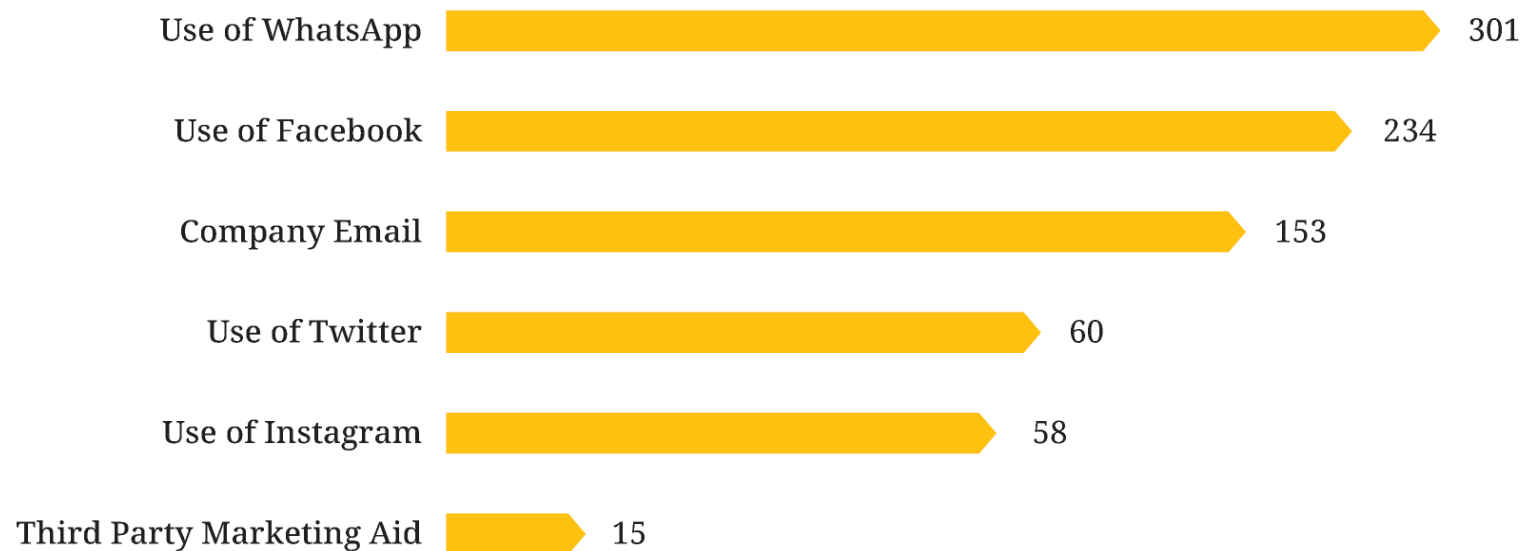


Figure 24: MSMEs that use common digital platforms 19

RELATIONSHIP BETWEEN DIGITAL MATURITY ON MSME OPERATIONS AND INCOME

Relationship between impact of COVID-19 on operations by digital maturity of MSMEs

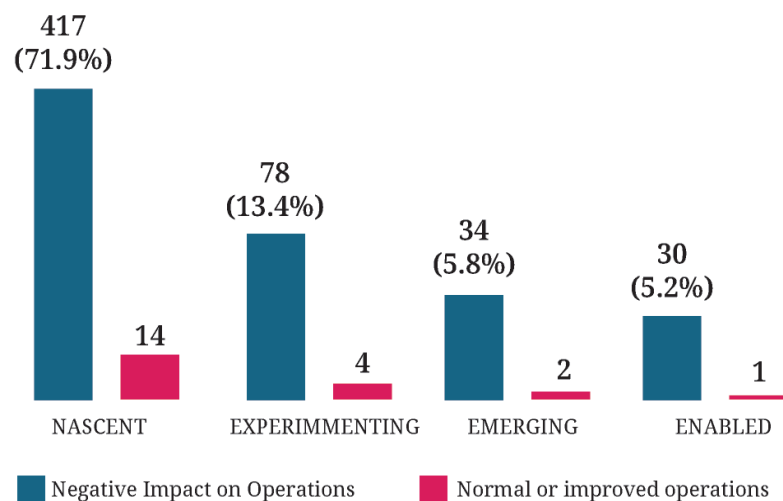


Figure 3: Membership of MSMEs in Associations

Relationship between impact of COVID-19 on income by digital maturity of MSMEs N=580

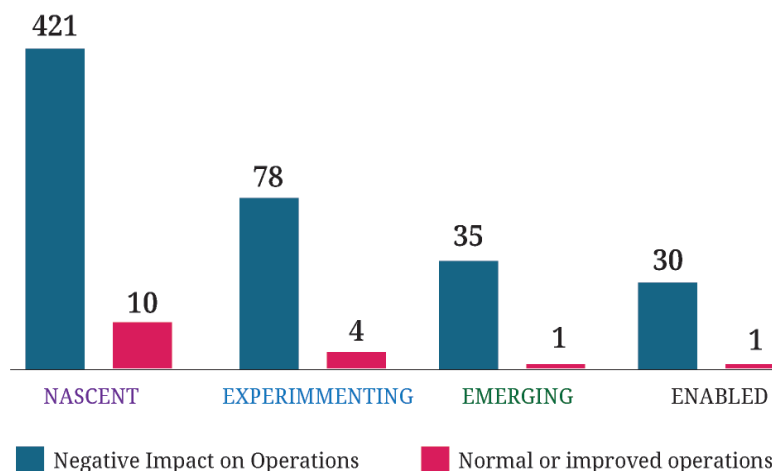


Figure 27: Relationship between negative impact of COVID-19 on income by digital maturity of MSMEs

Nascent-Low comfort or trust in use of digital tools

Experimenting- use of digital tools is somewhat limited but are open to explore new tools

Emerging- High level of comfort in use of digital tools for certain cases

Enabled- Digitally savvy and willingness to try new and more advanced digital tools

MSME SUPPORT NEEDS IN APPLICATION OF DIGITAL TECHNOLOGY

Percent distribution of digital support needs

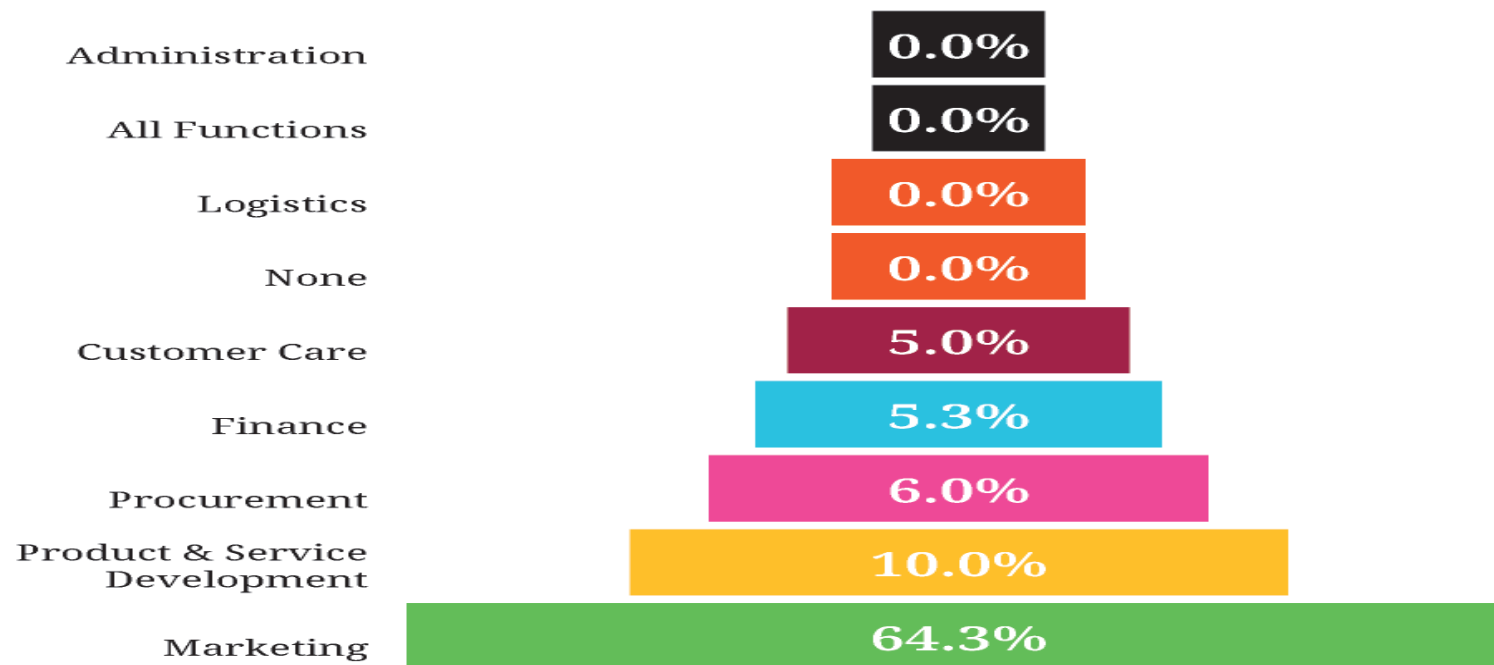


Figure 28: Digital Support needs of MSMEs

MSME SUPPORT IN ADOPTING DIGITAL TECHNOLOGY

Needs for adoption of digital technology by MSMEs

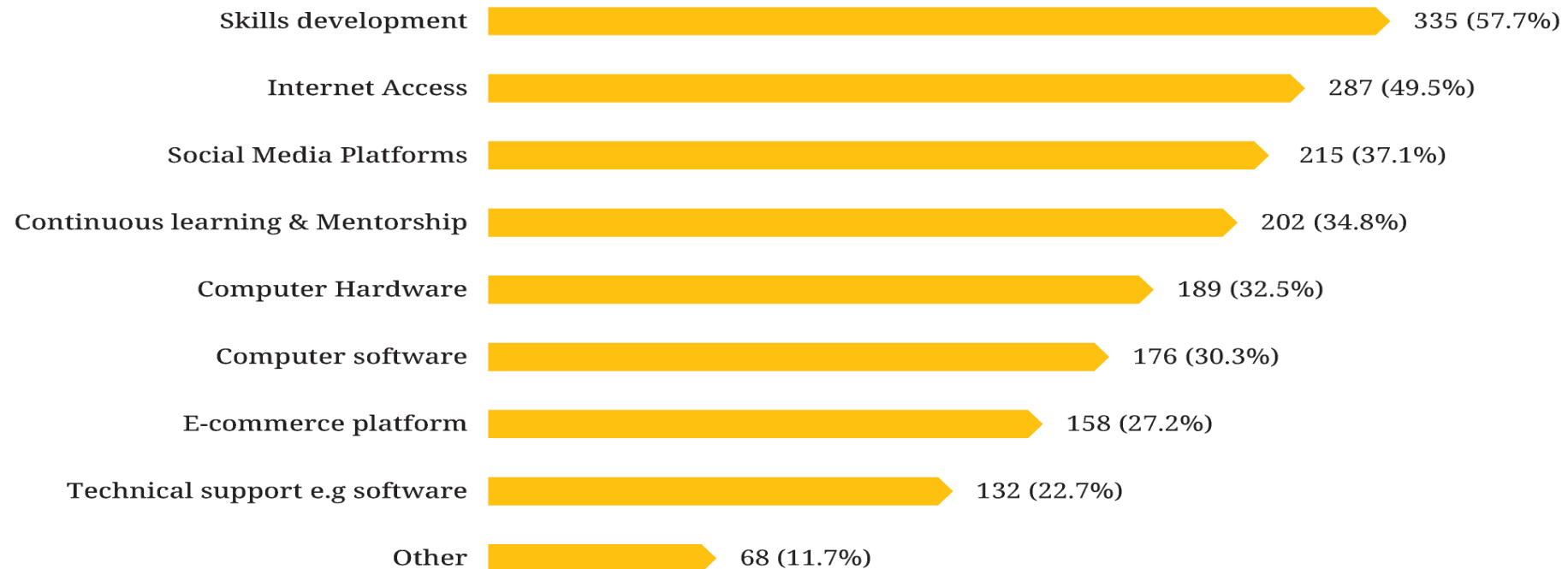


Figure 29: Support need for digital transformation

KEY POLICY INTERVENTION AREAS

Digital technology has been identified as an enabler for MSME marketing interventions and business resilience. Key areas of interventions to support MSMEs in digital transformations include:

1. Capacity building and skills development of MSMEs in digital technologies..
2. Access to affordable and reliable internet
3. Promoting e-government and e-services for MSMEs

MSEA PROGRAMMES TO SUPPORT DIGITAL LITERACY

FUTURE NI DIGITAL PROGRAMME

- The Ministry of Industrialization Trade and Enterprise Development, (through its agencies namely MSEA, KIRDI and KIE) partnered with Stanbic Foundation and Stanbic Bank Kenya to support the Micro Small and Medium Enterprise (MSME) sector in Kenya in the COVID-19 environment.
- The project aims at capacity building of MSMEs through enhancement of digital skills literacy to promote youth employability and economic empowerment under the Digital Learning and Skills initiative dubbed “**Future ni Digital Initiative**”.
- UNDP has supported the Authority in order to facilitate implementation of FutureNiDigital project across the four pilot counties of Nairobi, Kisumu, Murang’a and Meru.

ACHIEVEMENTS PROGRAMME

- 70 Computers have been donated to various regions across the country Kariobangi Center of Excellence (10), Meru (20), Murang'a (20) and Kisumu counties (20) by stanbic foundation and stanbic bank.
- UNDP has support the project with laptops and related accessories, provision of internet infrastructure, provision of office equipment, outreach and sensitization on the digital skills program to MSEs across the enlisted four counties.
- 55 MSEA officers across all 47 counties participated in the Training of Trainers activities and acquired relevant digital skills which will be passed down to MSMEs countrywide through the training program. This was facilitated by the African Centre for Women Information and Communication Technology (ACWICT) and it was based on the Microsoft Curriculum.
- A total of 248 MSEs have been trained and equipped with the digital literacy skills at the Kariobangi centre of excellence with the majority being the youth.
- The program targets to train **400 MSEs** on digital skills by the end of 30th June 2022.

Entrepreneurship Transforming Kenya

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THANK YOU