



# ASSESSMENT OF THE IMPACT OF COVID-19 AMONG MICRO, SMALL AND MEDIUM SIZED ENTERPRISES IN KENYA AND THEIR RESILIENCE MECHANISM, APRIL 2022

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## BACKGROUND

Micro-small, and medium-sized enterprises (MSMEs) are the economic backbone in Kenya, comprising majority (98 per cent) of all the business entities<sup>1</sup> (registered and non-registered) in the country. Majority of these MSMEs operate in the agribusiness, manufacturing, trade, and services sectors and generate about a third (30 per cent) of job opportunities and contributes approximately 40 per cent to the GDP<sup>2</sup> in Kenya annually. However, the sector remains highly informal as only 20 per cent of the 7.4 million MSMEs operate as licensed entities.

At the wake of COVID-19, majority of the Women led, and Youth led MSMEs operations were affected to a varying degree due to imposed measures to curb Covid, like lock downs, dusk-to-dawn curfew, ban of social gatherings, imposition of sanitation measures, and travel ban. These social and economic disruptions because of COVID-19 led to a shift in business dynamics and un-imaginable scale down of operations to the point of temporary closure or permanent closure for non-essential enterprises.

As per the World Bank report<sup>3</sup>, two million more people in the Kenya have been impoverished and around one-third of household-run businesses have closed down.

The National government launched economic stimulus package aimed at protecting Micro and Small Enterprises (MSMEs) from collapsing as per the President's directives. This includes: -

- 1) Turnover tax rate to be reduced from 3 per cent to 1 per cent for MSMEs.
- 2) KES 3 billion to be allocated as seed capital for the MSMEs credit guarantee scheme with the intention providing affordable credit.
- 3) Another KES 3 billion was prioritized for the supply of farm inputs targeting 200,000 small scale farmers and KES 1.5 billion to aid flower and horticultural producers to access international markets.
- 4) Due to the demand of Personal Protective Equipment's (PPEs) in the country, production companies were directed to adapt to the situation and start producing PPEs hence keeping the job including employment of women.

It is believed that this support has not effectively trickled down to all MSMEs especially the informal ones. Against this background, the United Nations Department of Economic and Social Affairs (UNDESA) funded a national consultant with technical guidance and support from the Micro and Small Enterprise Authority (MSEA), Kenya to conduct a business survey on key indicators of the impact of COVID19 in business operations among women and youth led Micro Small Enterprises (MSMEs) in the manufacturing and service sectors in Kenya. Findings of this survey were validated and enhanced with Key Informant Interviews (KII) and presented in a stakeholder consultations workshop held on 26<sup>th</sup> April 2022 in Nairobi.

The eventual learning objective of the assessment was not only to assess the impact of Covid 19 among the MSMEs, but also to provide policy recommendations that will be useful in strengthening MSMEs supporting policies in Kenya. Learnings from this assessment are expected to eventually expand contributions of MSMEs to progress towards Sustainable Development Goals (SDGs).

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<sup>1</sup> KNBS MSME survey, 2016

<sup>2</sup> KAM, Focus on SMEs

<sup>3</sup> The World bank, Kenya Economy Update, Nov 2020, Vol 22.

## ABBREVIATIONS AND ACRONYMS

MSMEs	Micro-small, and medium-sized enterprises
MSEs	Micro and Small Enterprises
UNDESA	United Nations Department of Economic and Social Affairs
MSEA	Micro and Small Enterprises Authority
COVID-19	Corona Virus Disease 2019
PPEs	Personal Protective Equipment's
SDGs	Sustainable Development Goals
NGOs	Non-Governmental Organizations
SACCO	Savings and Credit Cooperative Organization
GDP	Gross Domestic Product
KRA	Kenya Revenue Authority
PIN	Personal Identification Number
KNBS	Kenya National Bureau of Statistics
KeNIA	Kenya National Innovation Agency
KIPPRA	Kenya Institute of Public Policy Research and Analysis
KAM	Kenya Association of Manufacturers
KIIs	Key Informant Interviews
EPZA	Export Processing Zones Authority
KIE	Kenya Industrial Estates

# DEFINITION OF TERMS

## **Statistically significant**

When data set is large enough to accurately represent the phenomenon or population sample being studied, or when differences observed do not occur by chance but can be explained by a specific cause.

## **Formalization**

An MSE is considered formalized in Kenya if it has been registered by the Registrar of MSEs under the Micro and Small Enterprises Act No. 55 of 2012. However, the Registrar of MSEs will normally register MSE Associations and or Umbrella Organizations and not individual businesses. Consequently, individual businesses may seek registration under the Business Registration Services (under the Business Names Act, Partnerships Act, Limited Partnerships Act, or Companies Act) as sole proprietors, partnerships or limited companies. Upon registration, businesses will obtain County Government licenses/permits to trade as well as registration as tax payers with the Kenya Revenue Authority. This assessment considered all those businesses that had any form of licenses, permits and registrations as having some form of formalisation. There is, however, the need to harmonize the definition of formalization across the different Government agencies and Registrars for clarity on what enterprises are formal.

## **COVID 19 period**

The period between the first Covid 19 case to the time of assessment in April 2022. At the time of the assessment, COVID 19 cases had subsided. In Kenya, the first COVID 19 case was reported on 12<sup>th</sup> March 2020.

## EXECUTIVE SUMMARY

The assessment on Micro, Small and Medium Sized Enterprises (MSMEs) in Kenya was implemented in March 2022 by way of business survey, key informant interviews complemented by extensive literature review and stakeholder validation workshops. The business survey targeted 800 respondents spread across 45 counties in the country. All interviews were telephone based and administered virtually through phone calls. By the end of data collection exercise, a total of 841 calls had been attempted whereby 320 respondents were either not available for interview or unreachable, 109 aborted the call or dropped the interview, while 410 were effectively administered. Due to data cleaning and quality control measures, the final data used in the analysis had 400 complete surveys. Key Informant Interviews were carried out among 23 participants drawn from MSEA, Kenya National Chamber of Commerce and Industry, Women Fund, National & County Government and other stakeholders. The findings were validated in a stakeholder workshop that was constituted by approximately 70 individuals drawn from Kenya's National Government (State Department of Trade and Enterprise Development); MSEA National, Regional, and County representatives; UN DESA representatives, several MSME entrepreneurs; leaders of Umbrella Organizations serving MSMEs; National Youth Council (NYC); Association of Microfinance Institutions (AMFI); Kenya Institute of Public Policy Research and Analysis (KIPPRA) and other partnering organizations.

The following is the summary findings as per the objectives: -

### **a) Impact of COVID-19 on business operations**

From the assessment findings, majority of the MSMEs had been impacted by COVID-19 across several indicators, both in the services and manufacturing sectors.

During the COVID period, close to half of the MSMEs (46 per cent) temporarily closed their businesses for more than one year. Two thirds of the women led MSMEs had closed businesses temporarily as compared to youth and men led who were below the median. This temporary closure of enterprises varied significantly between the manufacturing and services sectors.

92 per cent of the MSMEs scaled down their size of operations during the COVID period though the scale down did not vary significantly with the type of business leadership (i.e., youth, women and men led) or across different sectors. As a result of this change in operations size, one third of the MSMEs (33 per cent) had to release some employees to cope with the hard economic times. Majority of the businesses released between one and three employees while the maximum number of employees released were 30.

More than half (56 per cent) of the MSE's experienced reduced profitability; 35 per cent had their profitability reduced by double score, 4 per cent had their profitability remain the same while 5 per cent had increased profitability. Among those that increased profitability, majority were those that did not close business during COVID – 19 period. This proportion accounting for close to 8 times more than the ones who closed businesses during the COVID-19 period.

Majority of the businesses reported that lock down and dusk to dawn (7pm to 5am) curfew adversely affected their business negatively while half of the business indicated that they were adversely affected by lockdowns. In as much as COVID-19 measures were not friendly to the business operations, more than a quarter of the business reported to have benefited from sanitation, and ventilation of indoor spaces.

### **b) Coping mechanisms of MSMEs during the COVID-19 period**

To cope with COVID-19, close to one third of the MSMEs reported that they took loans from digital lenders. Digital lenders, informal saving groups and friends altogether were reported to have lend 59 per cent of MSMEs loans within that period.

To increase sales, a quarter of the MSMEs resulted to marketing of goods using different platforms with youth led MSMEs leading the trend. Social media was highly embraced among majority of the MSMEs.

**c) Formalization of MSMEs as a key driver of Government support**

When asked about formalization of their businesses, two thirds of the businesses had a business permit or trade license. The most common trade license is the county single business permit forming 57.3 per cent of those who had a permit or trade license and only 5.8 per cent of those had a tax registration certificate (KRA PIN). Among those that did not have any type of permit or trade license, 43.3 per cent indicated that they could not afford the trade licenses while others felt that that it was not necessary as they did not have a permanent business address.

Participants of the key informant interviews ranked high cost of formalization, and inadequate information about formalization as the top disincentives towards MSMEs formalization.



## 1.0 SURVEY INFORMATION

### 1.1 THE RESEARCH PROBLEM AND OBJECTIVES

The purpose of this consultancy was to assess the impact of Covid-19 pandemic on women and youth-led entrepreneurs in the manufacturing and service sectors in Kenya: “Assessment of the Impact of COVID-19 Among MSMEs in Kenya and their Resilience Mechanism” using existing literature review, business survey and key informant interviews. This study provided evidence-based information against which policies will be reviewed and endorsed by stakeholders, including policymakers and MSME entrepreneurs.

The objective of the study was to assess impact of COVID-19 on business operations and activities among MSMEs in services and manufacturing sector in Kenya. The specific objective of the study is to make policy recommendations based on the findings from the assessment.

### 1.2 RELEVANCE OF THE RESEARCH

The survey focused on assessing impact of Covid-19 pandemic on MSMEs and identify resilience mechanisms youth and women-led MSMEs in manufacturing and services sector have initiated. The survey focused on a sample of 400 MSMEs selected across 45 counties in Kenya.

### 1.3 LIMITATIONS OF THIS STUDY

This assessment was envisioned to cover women and youth led MSMEs (both formal and informal) in the manufacturing and services sectors. However, due to time constraints and the impact of the Covid-19 pandemic on domestic travel, the assessment was done virtually. Accordingly, it was not possible to target informal youth and women led MSMEs as the data was not immediately available.

The data for medium sized enterprises was also not immediately available. The research therefore relied on the database of over 9,605 MSEs available within the MSEA management information systems from which the sample was drawn.

The MSEA did not have data for manufacturing and services MSEs in West Pokot County. Responses from MSEs in Baringo County were incomplete and were therefore excluded from the final analysis. The survey therefore covered 96 per cent of the counties in Kenya.

The Act<sup>4</sup> categorises micro and small enterprises on the basis of: (1) Turnover (2) Number of employees (3) Total assets and financial investment and (4) in the case of manufacturing sector; investment in plant and machinery or the registered capital of the enterprise and in the case of the service sector, investment in equipment or the registered capital of the enterprise. Due to challenges in obtaining quality financial and statistical information, this assessment adopted employment size as the basis for categorization of MSMEs as shown: Micro-enterprises - less than 10 employees. Small enterprises - 11 to 49 employees. Medium sized enterprises - 50 and 99 employees. This categorization may be limiting.

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<sup>4</sup> Micro and Small Enterprises Act No 55 of 2012, Laws of Kenya



As is the case with all retrospective studies, the possibility of recall bias could impact the reliability of the reported data. This suggests that findings be considered only in the context of this study; extrapolation of the results to all MSMEs in manufacturing and services sector requires extra caution.

## 2.0 METHODOLOGY

### 2.1 RESEARCH DESIGN

A mixed approach was used which included desktop review, business survey, key informant interviews (KIIs) and validation workshop. The desktop review provided critical knowledge on the impact of the Covid-19 pandemic on MSMEs in Kenya before the assessment kicked-off. A telephone-based assessment then was conducted, which provided convenience for MSME entrepreneurs in the context of uncertainties brought forth by the Covid-19 pandemic.

### 2.2 SURVEY AREAS

**TABLE 1: SURVEY AREA BY COUNTY**

		Manufactures goods (count)	Offers services (count)	Manufactures and offers services (count)	Total	Proportion (%)
County						
	Mombasa	1	4	1	6	1.5
	Kwale	3	14	4	21	5.3
	Kilifi	0	12	0	12	3.0
	Tana River	0	0	3	3	0.8
	Lamu	1	0	0	1	0.3
	Taita Taveta	1	1	0	2	0.5
	Garissa	0	3	0	3	0.8
	Wajir	0	3	0	3	0.8
	Mandera	1	3	0	4	1.0
	Marsabit	2	5	3	10	2.5
	Isiolo	0	2	1	3	0.8
	Meru	2	6	0	8	2.0
	Tharaka-Nithi	5	5	0	10	2.5
	Embu	4	21	1	26	6.5
	Kitui	4	3	0	7	1.8
	Machakos	2	2	0	4	1.0
	Makueni	8	8	5	21	5.3
	Nyandarua	0	2	0	2	0.5
	Nyeri	1	6	2	9	2.3
	Kirinyaga	2	8	0	10	2.5
	Murang'a	2	4	2	8	2.0
	Kiambu	2	7	2	11	2.8
	Turkana	1	2	0	3	0.8
	Samburu	5	2	0	7	1.8
	Trans Nzoia	1	8	0	9	2.3
	Uasin Gishu	1	0	1	2	0.5
	Elgeyo Marakwet	3	12	1	16	4.0
	Nandi	0	7	1	8	2.0
	Laikipia	0	2	0	2	0.5
	Nakuru	7	10	6	23	5.8
	Narok	1	2	1	4	1.0
	Kajiado	3	12	1	16	4.0
	Kericho	0	3	0	3	0.8
	Bomet	1	5	0	6	1.5
	Kakamega	0	15	1	16	4.0
	Vihiga	0	8	0	8	2.0
	Bungoma	2	6	0	8	2.0
	Busia	4	2	1	7	1.8
	Siaya	2	4	0	6	1.5
	Kisumu	2	6	0	8	2.0
	Homa Bay	2	5	2	9	2.3
	Migori	1	1	2	4	1.0
	Kisii	2	18	4	24	6.0
	Nyamira	1	3	2	6	1.5
	Nairobi City	2	17	2	21	5.3
<b>Total</b>		<b>82</b>	<b>269</b>	<b>49</b>	<b>400</b>	<b>100.0</b>

## 2.3 DATA COLLECTION

The data collection tool was divided into three sections 1) demographics 2) impact of COVID-19 on business operations 3) coping mechanisms and 4) business formalization. Participants were drawn across all the counties in Kenya using a pool of 9605 registered manufacturing and services micro and small enterprises in MSEA database. The database contained a list of contacts of micro and small enterprises that were used for the study. The data collection period was between 14 March and 25 March 2022.

## 2.4 SAMPLING PROCEDURE

Since the aim of the assessment is to get a representative sample of MSMEs across the country, proportionate stratified approach and random sampling methods were used to select businesses to be interviewed. Stratification was conducted by county, the type of business, leadership group and gender. A total of 45 counties were included in the assessment, out of which a representative sample of 400 MSEs participated in the business survey.

## 2.5 DATA PROCESSING AND REPORTING

### **Data quality control**

Data quality assurance procedures on this assignment included but not limited to:

- 1) Open communication and collaborative relationships with and timely reporting to MSEA, UN DESA, and other stakeholders in-country, by use of email, Skype video conference, telephone, and face-to-face meetings where possible.
- 2) Detailed kick off procedures, including inception meetings and thorough testing of understanding of the business survey questionnaire from a pilot study.

With specific reference to data collection, a multi-tier quality assurance system was adopted. The first tier starts with scripting and testing of the quality script and understanding of questions at pilot stage. The second tier was the use of [KoBo toolbox](#) which ensures skip rules are programmed in the software including out of range and completeness. The third quality control tier was the handling of data quality that ensured data was cleaned before analysis. The fourth tier was that the consultant undertook daily data quality reviews and initiated mechanisms to correct the data appropriately.

### **Analysis and Reporting**

In quantitative analysis, the consultant aimed to assess the impact of COVID-19 on business operations across the services and manufacturing sector, and different ownership patterns i.e., men, women and youth.

Analysis began by cleaning, tabulation, and synthesis of raw data collected with the aim to create a dataset suitable for use in subsequent analysis.

The following detailed analysis was carried out: -

- 1) Descriptive statistics: frequencies, proportions, and measures of central tendency (mean, mode, median) of different indicators were calculated and compared side by side for the sectors and business leadership
- 2) Tests of association: methods such as Kruskal Wallis test, Chi-square was used to test significant relationships/ association between the men, youth and women led businesses and different sectors among other aspects of interest.

Quantitative data was analysed with SPSS.

## 3.0 SURVEY FINDINGS

### 3.1 PROFILE OF THE RESPONDENTS

Among the 400 MSME business leaders interviewed; two thirds of the respondents were male while one third were female. Two thirds of the businesses were owned by individuals who hold post primary school education. Out of the business owners who went for tertiary college or university, one out of ten managed to complete their education to a certification level. Radio, television, and social media are the most common platforms accessible to more than half of the business owners. Table 2 shows demographic profile for business owners interviewed.

**TABLE 2: DEMOGRAPHIC PROFILES OF BUSINESS OWNERS, GENDER, LEVEL OF EDUCATIONS AND AGE.**

Category		Count	Percentage
Gender	Male	266	67
	Female	134	34
Highest level of education attained	Never attended school	10	3
	Primary incomplete	39	10
	Primary complete with certificate	89	22
	Secondary incomplete	78	20
	Secondary complete with certificate	96	24
	Tertiary College University Incomplete	44	11
	Tertiary College University complete with certificate	44	11
Age of respondent	Youth 18-35 years	161	40
	Adult 35 and above years	239	60
Media accessibility	Radio	227	57
	Television	234	59
	Home internet	34	9
	Smartphone	215	54
	Email	121	30
	Social media	209	52
	Basic Phone	84	21

When considering the businesses profile, two thirds of the businesses offered services, 20.6 per cent were manufacturing goods, while 13 per cent either offered services or manufactured goods. Majority of the businesses sampled have been in operation for more than four years across manufacturing and services sector. Majority of the businesses interviewed had between 1 and 10 employees, those who had 11 to 49 employees were 2 per cent while only one business had more than 49 employees of the sampled businesses. Table 3 below illustrates different demographics across the two sectors.

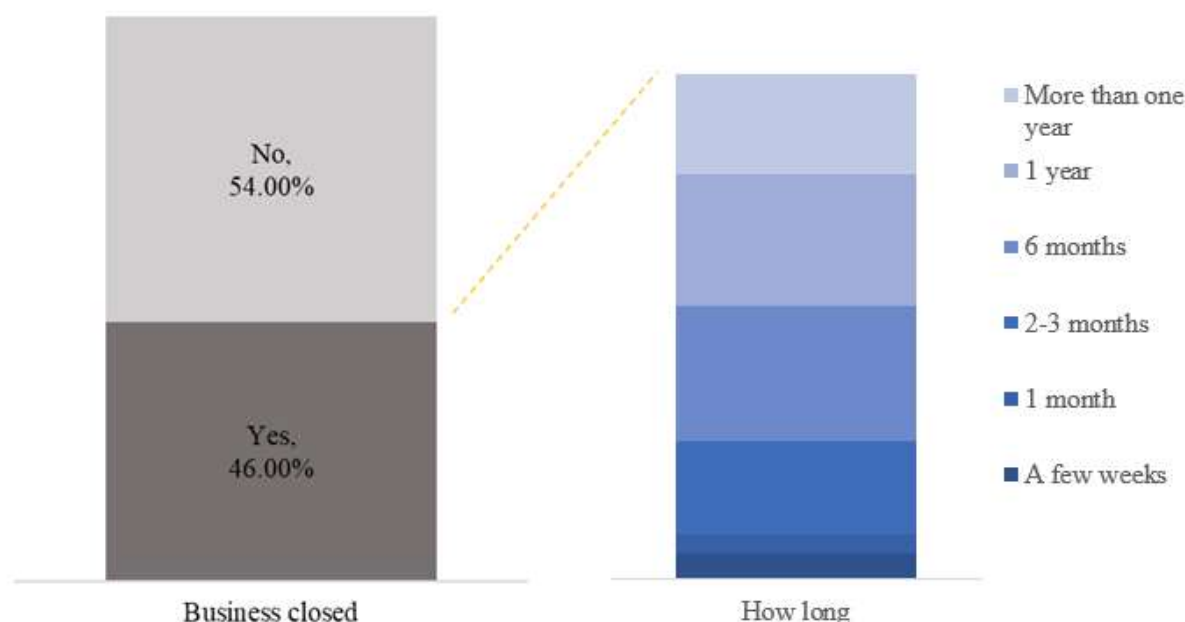
**TABLE 3: BUSINESSES DEMOGRAPHIC PROFILES**

		Manufacturing		Services		Manufacturing & services		Total	
		Count	%	Count	%	Count	%	Count	%
<b>Business Ownership</b>	Male led	44	54	99	37	24	49	167	42
	Youth led	26	32	122	45	13	27	161	40
	Women led	12	15	48	18	12	24	72	18
<b>Number of employees employed</b>	0-10	79	96	264	98	48	98	391	98
	11-49	3	4	4	1	1	2	8	2
	50-99	0	0	1	0	0	0	1	0
<b>Sector of operation</b>	Manufacturing	82	100	0	0	0	0	82	21
	Services	0	0	269	100	0	0	269	67
	Manufacturing & services	0	0	0	0	49	100	49	12
<b>Years of operation</b>	0 to 3	27	33	59	22	16	33	102	12
	4 to 5	79	96	264	98	48	98	391	31
	6 to 10	3	4	4	1	1	2	8	32
	above 10	0	0	1	0	0	0	1	26
<b>Source of funds for starting business</b>	Informal savings group	7	9	19	7	5	10	31	8
	Micro finance	2	2	13	5	1	2	16	4
	Bank	4	5	7	3	1	2	12	3
	SACCO	4	5	11	4	1	2	16	4
	Govt subsidy/ loan	0	0	1	0	0	0	1	0
	Informal money lender	1	1	3	1	0	0	4	1
	Friend	4	5	17	6	3	6	24	6
	Family relative	44	54	151	57	28	58	223	56
	NGO	0	0	0	0	0	0	0	0
	Digital money lender	1	1	6	2	0	0	7	2
	Personal savings	20	25	59	22	12	25	91	23
	Farming	1	1	5	2	0	0	6	2
	Salary	0	0	3	1	0	0	3	1
	Grants	0	0	1	0	0	0	1	0

## 3.2 IMPACT OF COVID ON BUSINESS OPERATIONS

### Proportion of businesses closed

FIGURE 1: HOW LONG BUSINESSES WERE CLOSED



During the COVID period, 46 per cent of the businesses closed for more than one year. Close to two thirds (63 per cent) of the women led MSMEs closed while 44 per cent of the youth led and 40 per cent of the male led businesses closed business temporarily as shown in Figure 1 above.

TABLE 4: CLOSURE OF BUSINESS BY AGE OF BUSINESS

Covid.1. Between 2020 and 2021, did you close your business? * Years of operation						
% within years of operation						
		Years of operation (%)				Total (%)
		0 to 3	4 to 5	6 to 10	above 10	
Covid.1. Between 2020 and 2021, did you close your business?	Yes	37.0	43.9	50.4	46.1	45.8
	No	63.0	56.1	49.6	53.9	54.3

There was no significant relationship between the length of time a business had been in existence and the possibility of closing the same business due to the effect of COVID 19. This was also the case of resuming business operations. The assessment however noted that a higher percentage of younger enterprises (below three years) did not close business during COVID period as compared to older businesses. This is indicated in Table 4 above.

Statistical examination established that there was a significant variation in the period of closure between manufacturing and services sectors ( $P=0.022$ ) though the variation the period of closure by types of business leadership was not significant ( $p=0.88$ ) at 95 per cent level of significance.

## Operation size change

**TABLE 5: CHANGE IN OPERATIONS**

		Sector of operation (%)			
		Manufacturing	Services	Manufacturing & services	Total
Business operations Change	Decrease	92.7	92.2	91.8	92.3
	No change	6.1	5.6	6.1	5.8
	Increase	1.2	2.2	2.0	2.0

Overall, majority (92 per cent) of the businesses decreased their size of operations with 5.7 per cent retaining the same size of operations while 2 per cent reported to have increased their size of operations during the COVID period.

Further analysis established that the change in the size of operations did not vary significantly with different types of leadership (i.e., youth, women and men led) and across different sectors (i.e., manufacturing and services) at 95 per cent level of significance. Among the businesses that scaled down operations, half of them reported to have scaled down by more than twice.

Upon validation of this findings, participants indicated that most of the exhibitions and markets were closed which led to difficulties in market access hence they were forced to scale down operations. Curfews affected manufacturing. There was low manufacturing activity especially for non-essential goods. Non-essential services like sale of liquor that have favourable business at night were highly affected by curfews. Supply chain had minimal disturbance as goods movement was allowed though upon obtaining required permits.

## Profitability

**TABLE 6: PROFITABILITY COMPARED TO WHETHER A BUSINESS WAS CLOSED**

		Did you close your business?		Total (%)
		Yes (%)	No (%)	
How was your business profit affected during Covid period	Profit increased	1.1	8.3	5.0
	No change	0	6.5	3.4
	Profit reduced	61.2	52.1	56.3
	Profit reduced by double score and more	37.7	33.2	35.3
Total		100.0	100.0	100.0

More than half (56 per cent) of the micro and small enterprises experienced reduced profitability, 35 per cent profitability reduced by double score, 4 per cent profitability remained the same while 5 per cent had increased profitability.

Further analysis identified that the profitability change did not vary significantly with the types of leadership, sector of operation or the period of the business operation at 95 per cent level of significance.

Among those that increased profitability, majority were those that did not close business, which accounts for close to 8 times more than the ones who closed businesses during the COVID-19 period as shown in table 5 above. It was further established that profitability varied significantly with closure of businesses with a P-value= 0.012 at 95 per cent level of significance.

## COVID 19 measures that adversely affected business negatively



**TABLE 7: COVID-19 MEASURES THAT BUSINESS NEGATIVELY BY SECTOR**

		Sector of business operation			Total (%)
		Manufacturing (%)	Offers services (%)	Manufacturing & services (%)	
What COVID 19 measures do you feel STRONGLY affected your business negatively	Lock down	57.3	45.4	49.0	48.3
	Curfew 7pm-5am	26.8	30.5	16.3	28.0
	Curfew 10pm-4am		0.4		0.3
	Border closure	4.9	11.2	18.4	10.8
	Social distancing & public gathering restrictions	8.5	9.3	8.2	9.0
	Quarantining	0	0.4	2.0	0.5
	Sanitation measures and ventilation of indoor spaces	1.2			0.3
	Other Specify	1.2	3.0	6.1	3.0
Total		100.0	100.0	100.0	100.0

Majority of the businesses reported that lock downs and the curfew lasting from 7pm to 5 am adversely affected their business whereby lockdowns negatively affected half of the businesses. The 10pm to 4am curfew, quarantining, sanitation measures and ventilation of indoor spaces barely affected 1 per cent of businesses in a negative way as shown in table 7 above.

**TABLE 8: MEASURES THAT AFFECTED BUSINESSES NEGATIVELY BY BUSINESS LEADERSHIP.**

		Business leader			Total (%)
		Male (%)	Youth (%)	Women (%)	
What COVID 19 measures do you feel STRONGLY affected your business negatively	Lock down	51.5	45.3	50.0	48.8
	Curfew 7pm-5am	28.7	27.3	30.6	28.5
	Curfew 10pm-4am	0.6	0	0	0.3
	Border closure	11.4	12.4	5.6	10.8
	Social distancing & public gathering restrictions	4.8	12.4	11.1	9.0
	Quarantining	0.6	0	1.4	0.5
	Sanitation & ventilation of indoor spaces	0	0.6	0	0.3
	Closure of schools	0.6	0	1.4	0.5
	none	1.8	1.9	0	1.5
Total		100.0	100.0	100.0	100.0

Youth led business were affected more negatively by lockdowns as compared to those led by men and women while women led businesses were more affected by 7pm to 5am curfew as compared to those led by youths and men. Period on which the business has been in operation did not vary with the different measures taken on COVID-19

Further, statistical analysis indicated that the association between business leadership and COVID-19 measures taken was significant association at 95 per cent level of significance. The reason behind this is that lockdowns and curfews varied greatly as compared to other measures taken across the different types of leadership. Table 8 above illustrates the negative impact of different COVID measures by leadership.

## Covid measures that affected business positively

**TABLE 9: MEASURES THAT AFFECTED BUSINESSES POSITIVELY BY SECTOR**

		Sector of business operation			Total
		Manufacturing (%)	Offers services (%)	Manufacturing & services (%)	
What COVID 19 measures do you feel STRONGLY affected your business positively	Lock down	4.9	7.1	6.1	6.5
	Curfew 7pm-5am	14.6	10.8	12.2	11.8
	Curfew 10pm-4am	8.5	5.9	4.1	6.3
	Border closure	8.5	4.1	4.1	5.0
	Social distancing & public gathering restrictions	6.1	4.8	4.1	5.0
	Quarantining	4.9	3.0		3.0
	Sanitation measures and ventilation of indoor spaces	17.1	27.5	36.7	26.5
	none	32.9	35.7	32.7	34.8
	Other Specify	2.4	1.1		1.3
Total		100.0	100.0	100.0	100.0

As much as COVID-19 measures were not friendly to the business's operations, more than a quarter of the businesses reported to have benefited from sanitation, and ventilation of indoor spaces. This was common among businesses that offered both services and manufactured goods. A third of businesses cited that they did not directly benefit from any of the measures taken to combat the Covid 19 pandemic.

**TABLE 10: MEASURES THAT AFFECTED BUSINESSES POSITIVELY BY BUSINESS LEADERSHIP**

		Business leader			Total
		Male (%)	Youth (%)	Women (%)	
What COVID 19 measures do you feel STRONGLY affected your business positively	Lock down	5.4	8.1	5.6	6.5
	Curfew 7pm-5am	10.2	15.5	6.9	11.8
	Curfew 10pm-4am	7.8	5.6	4.2	6.3
	Border closure	6.6	3.1	5.6	5.0
	Social distancing & public gathering restrictions	3.0	6.2	6.9	5.0
	Quarantining	3.6	2.5	2.8	3.0
	Sanitation measures and ventilation of indoor spaces	30.5	23.0	25.0	26.5
	none	32.3	34.8	40.3	34.8
	Other Specify	0.6	1.2	2.8	1.3
Total		100.0	100.0	100.0	100.0

Further investigation indicated that there was no significant association between leadership and measures that affected business positively at 95 per cent level of significance as the variation of measures that positively affected the businesses were not different among each other. Table 10 above illustrates the positive impact of different COVID 19 measures by leadership.

### 3.3 COPING MECHANISMS

This section highlights measures MSMEs has taken to keep businesses afloat during the COVID-19 pandemic. Some of the measures highlighted include financing, operations, government support and subsidization mechanism.

#### Government support:

When asked whether they received direct support from the government to keep their business afloat, only 5 per cent indicated that they had received support from the government. The majority of government support includes cash, food and sanitizers that was distributed to individuals rather than businesses.

Among those who claimed that they did not receive support, 69 per cent indicated that they were not aware of the support, 18 per cent claimed they applied but got rejected, while the rest cited other reasons.

#### Release of employees:

One third of the MSMEs (33 per cent) had to let go some employees as a measure to cope with COVID-19. Further statistical analysis indicates that this move was not significantly associated to the type of business or the type of business leadership at 95 per cent level of significance. The reason behind this is that the number of employees released across the businesses or sectors was not different.

TABLE 11: NUMBER OF EMPLOYEES RELEASED BY TYPE OF BUSINESS LEADERSHIP

		Business leader							
		Male led		Youth led		Women led		Total	
		Count	%	Count	%	Count	%	Count	%
Number of employees released recoded	0 to 3	40	69.0	30	61.2	22	84.6	92	69.2
	4 to 5	11	19.0	9	18.4	3	11.5	23	17.3
	6 to 10	5	8.6	8	16.3	0	0.0	13	9.8
	above 10	2	3.4	2	4.1	1	3.8	5	3.8
Total		58	100.0	49	100.0	26	100.0	133	100.0

Majority of the businesses released between one and three employees while the maximum number of employees released were 30. Additional statistical analysis indicated that release of employees did not vary significantly with the business type though there was significant variation by the type of leadership at 95 per cent level of significance. A third of the employees (33 per cent) who had been released have since been recalled by the MSMEs.

During the Covid period, small proportion (1 per cent) of the MSMEs increased the number of employees.

## Management of existing loans:

**TABLE 12: PROPORTION OF BUSINESSES THAT DEFAULTED LOANS DURING COVID-19**

Did you default on any loan instalments during the COVID period? * Business leader					
Crosstabulation					
% Within Business leader					
		Business leader (%)			Total (%)
		Male led	Youth led	Women led	
Did you default on any loan instalments during the COVID period?	Yes	72.1	71.4	71.9	71.8
	No	27.9	28.6	28.1	28.2
Total		100.0	100.0	100.0	100.0

Before the pandemic took place, 31 per cent of the MSMEs reported that they were furnished with existing loans of which a quarter of these had been acquired through bank loans or digital lenders. Due to the tough economic times over the COVID period, majority of the MSMEs (72 per cent) had defaulted loan instalments at some point.

To sustain the repayment of loans during the COVID period, a significant number of the businesses resorted to applying for loan moratorium, debt relief, partial repayment, or disposing assets to ease the loan burden.

## Financing: Business loans during COVID-19 period

**TABLE 13: PROPORTION OF MSMEs THAT TOOK LOANS DURING THE COVID PERIOD**

		Business leader							
		Male owned		Youth owned		Women owned		Total	
		Count	%	Count	%	Count	%	Count	%
Got a loan during Covid period	Yes	46	35.4	54	41.5	30	23.1	130	32.5
	No	121	44.8	107	39.6	42	15.6	270	67.5
	<b>Total</b>	<b>167</b>	<b>41.8</b>	<b>161</b>	<b>40.3</b>	<b>72</b>	<b>18.0</b>	<b>400</b>	<b>100.0</b>

When asked if businesses procured loans during the COVID period, a third of the businesses indicated that they had taken loans of with youth and male owned businesses showing a higher appetite for loans as shown in Table 13 above.

**TABLE 14: SOURCE OF FUNDING DURING COVID -19 PERIOD.**

		Business leader			
		Male owned	Youth owned	Women owned	Total
		% Of cases	% Of cases	% Of cases	% Of responses
Source of business loan during Covid	Informal savings group	15	17	30	18
	Micro finance	9	7	17	9
	Bank	11	9	10	9
	SACCO	11	7	10	9
	Government subsidy / loan	0	0	0	0
	Informal money lender	4	11	3	7
	Friend	22	19	3	15
	Family/ self-funding/ relative	2	2	7	3
	NGO	0	0	3	1
	Digital money lender	30	31	17	26
	Others (specify)	0	4	7	3

During the COVID-19 period, close to one third of the MSMEs reported that they took loans from digital lenders, including Tala, and Branch. Digital lenders, informal saving groups and friends altogether contributed to 59 per cent of MSMEs loans during COVID-19 period. This clearly indicates that there exists an opportunity in advancing knowledge on informal lending and saving and how they contribute to MSME resilience.

**TABLE 15: USE OF BUSINESS LOAN OBTAINED DURING COVID-19 PERIOD**

		Business leadership		
		Male led	Youth led	Women led
		% Of cases	% Of cases	% Of cases
What was the main use of the loan taken during Covid?	To expand business operations	8.7	13.0	6.7
	To pay employees wages/salaries	4.3	3.7	3.3
	To boost business operations	69.6	64.8	63.3
	To recover/revive business	19.6	22.2	33.3
	Personal use	10.9	1.9	6.7
	Start another business	0.0	3.7	0.0

Majority of the MSMEs took loan to firstly boost business operations; a quarter of those who took loan during the period prioritized recovering or reviving the business. More male led than women led businesses diverted loans taken for personal use, indicating responsibility in household expenditure.

### Digital platforms:

To increase or boost sales, a quarter of the MSMEs resulted to marketing of goods using different platforms with youth led MSMEs leading the trend. Social media formed the backbone of marketing goods across youth, men and women led businesses. Social media was embraced by majority of the youth led businesses. Women led MSMEs only relied on social media when marketing their goods.

While observing social distance was a high priority during the Covid period, majority of the businesses opened digital payment platforms to reduce cash interactions. The most common payment platforms that

MSMEs subscribed to were M-Pesa bulk payment and Buy Goods Till Number. The distribution of these subscriptions was even across leadership and business type.

### Insurance:

**TABLE 16: PROPORTION OF INSURED BUSINESSES**

		Sector of operation (%)			Total
		Manufacturing (%)	Offers services (%)	Manufacturing & services (%)	
Is your business insured?	Yes	1.2	8.2	2.0	6.0
	No	98.8	91.8	98.0	94.0
Total		100.0	100.0	100.0	100.0

Majority of the MSMEs (94 per cent) were not insured, while among the 24 insured enterprises interviewed, there is only one woman led enterprise. More MSMEs in the services sector are insured than those in the manufacturing sector.

### Diversification

**TABLE 17: SOURCE OF FUNDING FOR STARTING TO MAKING MASKS**

		Type of business leadership			
		Male les % of cases	Youth led % of cases	Women led % of cases	Total % of cases
What was the source of funding in making Masks	Informal savings group	0.0%	5.3	0.0	1.9
	Micro finance	0.0	5.3	0.0	1.9
	Bank	0.0	0.0	0.0	0.0
	SACCO	0.0	0.0	5.6	1.9
	Government subsidy/loan	0.0	0.0	0.0	0.0
	Informal money lender	0.0	0.0	0.0	0.0
	Friend	6.7	5.3	11.1	7.7
	Family or relative	46.7	42.1	55.6	48.1
	NGO	0.0	5.3	0.0	1.9
	Digital money lender	13.3	10.5	0.0	7.7
	Business income	0.0	5.3	5.6	3.8
	Savings	20.0	21.1	22.2	21.2
	Others (specify)	13.3	15.8	5.6	11.5

As part of coping mechanisms, only 13 per cent of MSMEs tapped the opportunity of making protective masks. The most common methods used to raise funds for starting the business of mask making include through borrowings from family members and relatives, business income and individual savings. A few cases who had aborted the telephone interview claimed that's they converted to other temporary jobs like riding motorbikes "boda boda". Participants of the validation workshop indicated that some of the schools were used for poultry farming, passenger vehicles transformed into cargo carriers, individuals started car boot sales, as part of survival mechanism during the COVID-19 period.



### 3.4 MSME FORMALIZATION

To understand MSME formalization in Kenya, the study assesses (1) existence of trade licenses and business permits among MSMEs (2) tax measures and barriers towards not obtaining trade licenses (3) whether the MSMEs were organized under any Associations or Umbrella organization recognised or registered by MSEA. We present the findings below.

**TABLE 18: COUNTY BUSINESS PERMIT BY BUSINESS LEADER**

		Business leader (%)			Total (%)
		Male led	Youth led	Women led	
Trade licenses available in your business - County business permit	No	32.3	46.6	58.3	42.8
	Yes	67.7	53.4	41.7	57.3
Total		100.0	100.0	100.0	100.0

Across the business types, more than half of the MSMEs (57.3 per cent) reported to have a county business permit, 7.2 per cent had the business registration certificate and 5.8 per cent had a tax registration certificate (KRA PIN). One third of the businesses (33.5 per cent) did not have any trade licenses. One percent of the businesses that did not have a business name or certificate of incorporation indicated that they operated under an Association registered by MSEA.

Further analysis indicated that there was a significant association between obtaining county business permits with the type of business leadership. Comparatively, there are less women and youth MSMEs who have registered licenses of any kinds and formalized their business than male MSME entrepreneurs. There was no significant association between obtaining trade license with the sector of business operation (manufacturing and services).

Of those who had business registration certificates, only 34.5 per cent had acquired a tax registration certificate (KRA PIN) for their businesses. This meant that two thirds of the MSMEs (65.5 per cent) use their Personal Identification Number (PIN) to file their tax returns hence could not benefit from tax measures provided by the government.

Fear of the county enforcement officers provided a strong incentive for MSEs to acquire trade licenses. Notably, expectation to receive government support was not recognized by interviewed MSEs as the motive to get their business formalized.

Out of those that did not have any type of license, 43 per cent indicated that they could not afford the trade licenses which was also cited by the key informants. Only 3 per cent indicated that they had no idea of how to obtain the trade licenses.

Most of the MSMEs (60.9 per cent) who had a PIN certificate or Value added Tax (VAT) certificate believe that tax measures during the covid period did not help in reducing businesses expenditure.

61.5 per cent of the business leaders existed in an informal savings group commonly known as Chamas. Majority of the women (75 per cent) existed in an informal savings group as compared to the youths (58.4 per cent) and men (58.7 per cent). Across the sectors, 63.2 per cent of business leaders who led MSMEs offering services existed in informal savings group as compared to 60 per cent of those manufacturing goods and 55.1 per cent of those that practiced both.

Key informants ranked financing of businesses as a top priority towards formalizing MSMEs. They strongly advocated for the Government and its partners to incentivize the formalization process. For instance, provide support towards reducing production cost, enhance access to markets, enhance access to trainings on digital technology and business management skills that will enhance the MSEs understanding of formalization and its benefits.

When the validation workshop participants were asked why there was hesitancy in business formalization, they cited the following reasons: -

1. fear of taxation
2. inadequate information on registration requirement process
3. bureaucracy
4. high cost of formalization
5. lack of capacity building
6. perception that formalization is for big businesses, and
7. low literacy levels among MSMEs.

Participants in the validation workshop pointed out that most of the businesses benefitted from the pandemic are those formalized. Some of the government support received by formalized MSMEs include government financial assistance, licenses and single business permit holidays, credit guarantees, access to market information through government agencies e.g., MSEA, KRA etc. and reduction in cash handling cost through M-Pesa pay bill and buy goods till.

## 4.0 CONCLUSIONS AND RECOMMENDATIONS

### 4.1 RECOMMENDATIONS

To support MSMEs in the process of recovering from COVID-19 and elevating formalization, the following policy recommendations are made.

#### Enabling business environment

- a) Mapping of existing gaps in collaboration with all related organizations especially the Kenya Revenue Authority (KRA), Kenya National Innovation Agency (KeNIA) and the county governments among others to set a roadmap towards closing the that constraint MSME resilience.
- b) Support of digital transformation by organizing trainings to strengthen digital marketing and online sales skills. Enhancing access and coverage of driving infrastructure like electricity, internet to MSMEs for online trading. Close to half of Kenyans have access to smartphones<sup>567</sup> according to research done by multiple research organizations and agencies. These can be tapped to grow MSMEs online presence. Accordingly, the Government should consider organizing tailor made trainings and capacity building for MSMEs to strengthen digital marketing and online sales skills.
- c) Promotion of local manufacturing industries through campaigns aimed to advocate local brands e.g., buy Kenya build Kenya
- d) Extension of import and export period once goods have been declared

#### Financing and government support

- a) Targeted **social protection and economic stimulation:** policies should be geared towards (1) short term recovery of lost businesses targeting growth-oriented enterprises, allocation of resources towards performing business (2) revival of firms that had a sustainable growth and operations before COVID-19 (3) avoiding the risk of supporting businesses that would only survive if support was being provided to them (3) supporting MSMEs (especially micro and small enterprises) who provide livelihood and subsistence to groups in vulnerable situations (4) Embrace learning from other working systems like education loan, Older Persons Cash Transfer (OPCT) among others to develop support mechanism based on a social protection fund or low interest loans with minimized requirements on collaterals.
- b) Multi-lingual trainings primarily aimed at strengthening financial management skills, business continuity and resilience during pandemics. The later should aim to graduate the majority of the small and micro businesses to medium organizations and corporations.<sup>8</sup>
- c) Advocate for innovative financing programmes and mechanisms in response to different demands of MSMEs for accelerating business growth. Grants from families, and relatives and informal saving groups forms the major source where MSMEs will receive loans.

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<sup>5</sup> <https://www.ca.go.ke/59-million-mobile-phone-devices-connected-to-mobile-networks-as-at-september-2021-ca-report-shows/>

<sup>6</sup> [https://www2.deloitte.com/content/dam/Deloitte/ke/Documents/technology-media-telecommunications/Deloitte\\_GMCS\\_Report\\_The\\_Kenyan\\_Cut\\_August\\_2019.pdf](https://www2.deloitte.com/content/dam/Deloitte/ke/Documents/technology-media-telecommunications/Deloitte_GMCS_Report_The_Kenyan_Cut_August_2019.pdf)

<sup>7</sup> <https://dalberg.com/our-ideas/kenyas-digital-economy-a-peoples-perspective/>

<sup>8</sup> Impact of the COVID-19 pandemic on MSMEs in the Cebu city the Philippines

- d) Promotion efforts aiming to advance online marketing and integrating MSMSEs in public procurement, promotion of cashless transactions and regulations aimed to reduce cost of mobile money transactions
- e) The government should advance implementation of universal health care to contain the Covid-19 pandemic that highly affects MSMEs
- f) Proper contingency planning and management through food, drugs and vaccination programs, cash transfers programs among vulnerable groups like the elderly, widowed and orphans
- g) Provide opportunities for goods aggregations from small scale manufacturers with the aim to consolidate goods for the export market.
- h) Coordinate intervention and support mechanisms from multiple institutions providing services like start-up capital, business education, among other services. Accordingly, there will be need to establish a robust monitoring and evaluation frameworks including setting up a consolidated database of all beneficiaries to monitor impact of the support on their businesses.
- i) Operationalise the Micro and Small Enterprises Development Fund as established in Section 51 of the Act<sup>9</sup>. The said Fund shall be used to (a) finance the promotion and development of micro and small enterprises in accordance with this Act; (b) provide affordable and accessible credit to micro and small enterprises; (c) finance capacity building of micro and small enterprises; (d) finance research, development, innovation and transfer of technology.
- j) Reduction of taxes on raw materials used by manufacturers
- k) Continuous plan to pay arrears to suppliers and contractors for instance VAT refunds to the formalized MSMEs would improve liquidity among the businesses especially during crisis.

#### **Communication and access of information**

- a) Stronger communication about existing policy interventions for MSMEs as recommended in the report “Kenya Economic Update – Navigating the Pandemic”
- b) Enhance dissemination of information on support to MSMEs, including access to the government tenders and direct support through increasing social media footprint, engagement through vernacular broadcast, exhibition through regional trade fairs, creating open social forums for engagement and leverage the presence of the local administration. Different channels should be used to target different groups.

#### **Capacity building**

- a) Work together with business incubation and innovation centres like Export Processing Zones Authority (EPZA), Kenya Industrial Estates (KIE) among others to promote innovative ideas; policies should aim to grow MSMEs to medium sized businesses, corporations and manufacturing industries. Knowledge sharing through seminars and extension officers, and knowledge exchange among MSMEs will help provide useful information for government to tailor-made MSME supporting policies in a demand driven approach.
- b) Work in collaboration with academic institutions and research organizations to conduct need assessment which will act as a guide in designing trainings. Kenya has comprehensive education system. Entrepreneurial trainings could focus on extra-curriculum activities, which will expand

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<sup>9</sup> Micro and Small Enterprises Act No 55 of 2012, Laws of Kenya.

the skillset for professional development through business mentoring programme. The same recommendation is also included in the start-up ecosystem report<sup>10</sup>.

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<sup>10</sup> Startup Ecosystem Report, July 2019, enpact lab

### **Effective support strategies**

- a) Trade fair and exhibition- marketing opportunities through trade exhibition at grassroots levels should be explored to increase market opportunities. Inclusive opportunities to access to these exhibitions need to be shared among all MSMEs.
- b) Target support to the majority MSMEs- within the COVID-19 period, the Government of Kenya implemented a package of tax reduction measures. Only 5% of the MSMEs had tax registration certificate implying that majority of the MSMEs did not benefit with the tax reduction measures. Coherent policies are needed to simplify MSME registration process in transparent ways to facilitate policy support will target demands of the majority of MSMEs.
- c) Promote the establishment of more Constituency Industrial Development Centres (CIDCs) and effective worksites allocation as recommended in the report by KIPPRA <sup>11</sup>. KIPPRA identified a key issue in allocation of business space (worksite) hence recommended effective management strategies and construction of more CIDCs at subnational level.

### **Formalization**

- a) Articulate messaging aimed to simplify information shared on formalization.
- b) Targeted behavioural interventions- behavioural science experiments have had major impacts in the health sector and most recently in promoting COVID-19 vaccine uptake. Such experiments can be designed to help understand hesitancy to formalization among MSMEs.
- c) Previous financial access studies have found out that 30% of households in Kenya exist in informal groups<sup>12</sup>. Targeting groups such as informal savings groups and business communities could leverage MSME formalization based on the successful experience of Kenya in the area of cooperative enterprise.
- d) Provide incentives for formalization, including linking formalization with tax reductions and access to financial resources and high-value market opportunities
- e) Horizontal harmonization of government departments/agencies at national level and vertical coordination of departments across national, regional and county levels are required to simplify procedures and enhance coherence that will incentivize MSME formalization especially for manufacturing sector
- f) Provide clear and compelling communication on how formalization will benefit MSME growth

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<sup>11</sup> Eliud M. et al Misallocation of Workspaces for MSEs in Kenya: Some Lessons and Models-KIPPRA, 2005

<sup>12</sup> FinAccess Household Survey-KNBS, 2019

## 4.2 CONCLUSION

While it is evident that COVID-19 had posed daunting challenges on business operations among MSMEs in Kenya, especially those that are depended on large public gatherings, it also needs to note that the experience of tackling the pandemic has also opened new opportunities for MSME growth, especially in the digital space, including e-commerce and cashless payments. The adoption of MSMEs to digital technology calls for the attention of the government to harness technological innovations in the design and delivery of MSME supporting policies, such as formalization policy and formulating MSME monitoring framework and database. Nonetheless, uncertainties still loom in the gradual recovery from the pandemic. Government should aim to deliver demand-driven MSME supporting policies to elevate MSME resilience, which will contribute the inclusive and sustainable recovery in Kenya. Public finance, combined with effective policy implementation and inclusive governance structures are the keys.

To encourage formalization among MSMEs, there is a high demand for cooperation among the multiple formalizing state institutions to ensure that the MSME entrepreneurs have a clear understanding on its benefits, and they will possess thorough knowledge on a roadmap for formalization as well as pathway to upscale business operations and resilience.



## 5.0 APPENDIX

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## 5.2 BUSINESS SURVEY

### ECONOMIC STIMULUS PACKAGE ASSESSMENT AND COVID 19 RESILIENCE AMONG MANUFACTURING AND SERVICES MSMES IN KENYA

#### INTRODUCTION

##### Greetings

You recently received an SMS from MSEA inviting you to participate in their survey.

It is important for the Kenyan Government through Micro and Small Enterprise Authority (MSEA) to understand the effects of Covid 19 on business operations to improve on interventions and policies affecting micro, medium and small enterprises in Kenya. The purpose of this survey is to understand your experience, perceptions, and insights on business operations during the Covid 19 period. We are therefore requesting you to share information about your experiences via this short telephone interview. Each survey contribution will enable MSEA to understand your pain points during Covid 19 and utilization of the economic stimulus package, which will help inform the improvement and effectiveness of interventions and strengthen policies that support the growth of the MSME sector in Kenya.

#### CONSENT

As per research guidelines, participation in this survey is voluntary. There are no right or wrong answers. You may choose to not take part in the research or exit the survey at any time without any impact on your relationship with MSEA.

There are no direct benefits attached to participating in this study. However, your responses will be beneficial in improving MSMEs model and shaping policies affecting MSMEs in Kenya.

Your survey responses are stored in a platform that is password protected in electronic format. Data will later be downloaded and stored securely on the MSEA platform for analysis and reporting. The data provided will be treated as confidential and will be reported in an aggregated

format together with one from other respondents in a format that no one can re-identify you from the responses you give.

Do you wish to continue?	1. Yes 2. No [ END Survey and provide contact details]
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Completion of this survey may take you about 15 minutes. We advise that you aim to complete the entire survey in one session.

#### SCREENER QUESTIONS

Has your business been operating in since 2019	1. Yes 2. No [ END Survey and provide contact details]
Are you part of decision makers in the business?	1. Yes 2. No [ END Survey and provide contact details]

#### DEMOGRAPHIC INFORMATION

County	
Name of respondent	[OPTIONAL]

Age of respondent	1= Youth (18-35 years) 2= Adult (35 and above years)
Gender of respondent	1 = Male 2 = Female
What is your highest level of education attained?	1=Never attended school 2=Primary incomplete 3= Primary complete with certificate 4=Secondary incomplete 5=Secondary complete with certificate 6=Tertiary (College, University) Incomplete 7=Tertiary (College, University) complete with certificate
How many employees does your business employ?	1=Micro (0-10 employees) 2=Small (11-49 employees) 3= Medium (50-99 employees)
Are you the leader in your business	1= Yes 2 = No
How can we classify your business	1 = Manufactures goods 2 = Offers services 3= Manufactures and offers services
How many years has your business been operating?	Number
How did you obtain funds to start your business?	1 = Informal savings group 2 = Micro finance (KWFT, FAULU) 3 = Bank 4 = SACCO 5 = Government subsidy/loan

	6= Informal money lender (loan shark) 7= Friend 8= Family or relative / self-funding 9= Non-government institutions (NGO) 10= Digital money lender (Tala, Branch) 99= Others (specify) [MULTIPLE]
Which of the following are accessible to you	1 = Radio 2 = Television 3 = Home internet 4 = Smartphone 5 = Email 6 = Social media (whatsapp, facebook)
<b>IMPACT OF COVID ON BUSINESS OPERATIONS</b>	
Between 2020 and 2021, did you close your business?	1= Yes [Proceed to next] 2 = No
If yes, for how long?	1= A few weeks 2= 1 month 3= 2-3 months 4= 6 months 5= 1 year 6= More than one year
Between 2020 and 2021, did your business operations , increase, decrease or remain the same.	1=Increase [Proceed to next] 2=Remained the same 3=Decrease [Proceed to next]

By how many times did your business {1,3 above}	1= Once 2= Twice 2= More than twice
Why do you think your business operations {business operations effects}	...
How was your business profit affected during Covid period	1=Profit doubled 2=Profit increased 2=No change 4= Profit reduced 5= Profit reduced by double score and more
What covid 19 measures do you feel <b>STRONGLY</b> affected your business negatively	1=Lock down 2=Curfew (7pm-5am) 3=Curfew (10pm-4am) 4=Border closure 5= Social distancing & public gathering restrictions 6=Quarantining 7= Sanitation (Ventilation of indoor spaces, covering coughs and sneezes, hand washing) 8=Other Specify
What covid 19 measures do you feel <b>STRONGLY</b> affected your business positively	1=Lock down 2=Curfew (7pm-5am) 3=Curfew (10pm-4am) 4=Border closure 5= Social distancing & public gathering restrictions 6=Quarantining 7= Sanitation (Ventilation of indoor spaces, covering coughs and sneezes, hand washing) 8=Other Specify

COPING MECHANISMS DURING COVID	
Have you received any support from the government to keep your business afloat?	1= Yes 2 = No
If yes, what type of support?	1= Concessional loans 2=Debt relief 3=Tax exemption or reduction 4=Subsidies for rental, employee salary and social insurance 5=Cash/food aid 6=Free trainings
If no, why have you not received the support?	1= Unaware of the support 2= Applied but rejected [PROCEED]
what are reasons for being rejected?	...
Would you like to apply again?	1= Yes 2 = No
During the Covid 19 period, did you ever need to get a loan/credit?	1= Yes 2 = No
If yes, where did you get the loan from?	1 = Informal savings group 2 = Micro finance (KWFT, FAULU) 3 = Bank 4 = SACCO 5 = Government subsidy/loan 6= Informal money lender (loan shark) 7= Friend 8= Family or relative / self-funding



	9= Non-government institutions (NGO) 10= Digital money lender (Tala, Branch) 99= Others (specify) [MULTIPLE]
If yes, what was the MAIN purpose of the loan?	1=To expand business operations 2=To pay employees wages/salaries 3=To boost business operations 4=To recover/revive business 99=Other specify
Is your business insured?	1=Yes [Proceed to next] 0=No
What risks have you insured your business against?	1=Natural disasters- floods, fires earthquakes etc 2=Theft/ burglary 4=Key property damage 99=Other specify
During Covid 19 period, did you have to release some employees?	1=Yes 0=No
If yes, how many?	Number
Out of the number of employees released, how many have you managed to recall back?	Number
During Covid 19 period, did you increase the number of employees?	1=Yes 0=No 2=Not sure

How many new employees did you acquire?	Number
Did you manufacture or start making masks during the covid period?	1=Yes 0=No
What source of funding was used to start making the masks	1 = Informal savings group 2 = Micro finance (KWFT, FAULU) 3 = Bank 4 = SACCO 5 = Government subsidy/loan 6= Informal money lender (loan shark) 7= Friend 8= Family or relative / self-funding 9= Non-government institutions (NGO) 10= Digital money lender (Tala, Branch) 99= Others (specify) [MULTIPLE]
Did your business have any loan before the covid period?	1=Yes 0=No [ Proceed to the next section]
What was your source of your loan?	1 = Informal savings group 2 = Micro finance (KWFT, FAULU) 3 = Bank 4 = SACCO 5 = Government subsidy/loan 6= Informal money lender (loan shark) 7= Friend 8= Family or relative / self-funding 9= Non-government institutions (NGO) 10= Digital money lender (Tala, Branch)

	99= Others (specify) [MULTIPLE]
Did you default on any loan installments during the covid period?	1=Yes 0=No
What measures did you take to ensure the loan repayment is up to date	1= I took another loan 2= I sold assets from my business/household to repay loan 3= Applied/ was given a relief period 4= None of the above 99= Others (specify)
What measures helped you during Covid period?	1=Reduction in loan interest 2=Suspension of listing from CRB 3= Corporate tax reduction from 30% from 25% 4= VAT refunds 5= None of the above 99= Others (specify)
What online payment platforms did you register during Covid period?	1=Mpesa Bulk 2= Till-Mpesa to Bank 3= Bank to bank transfer 4= E wallet like paypal, Jambo pay 5= None of the above 99= Others (specify)

What government online services did you access during the covid period?	....
Did you market/sell good through online market/media e.g., Jumia	1=Yes 0=No
What platform did you use to market your goods?	1=E-commerce (Jumia, Ebay, Jiji..) 2= Social media 3= Radio/TV 99= Others (specify)
<b>BUSINESS FORMALIZATION</b>	
What trade licenses are available in your business?	1 = Business registration certificate 2 = County business permit 3 = Food/health related permits 5 = Fire safety permit 6= KRA Pin/ VAT certificate 7= Music/media permits 8= NEMA 9= NHIF/NSSF 8= None of the above [Proceed to next] 99= Others (specify) [MULTIPLE]
Why don't you have any permit or trade license?	1 = I have no idea how to do it 2 = I am not interested 3 = The process is tedious and lengthy 5 = I can not afford 6= I am afraid of taxation 7= Too many permits

	99= Others (specify) [MULTIPLE]	
Do you think formalization has helped you to stay in business during the pandemic?	1=Yes 0=No	How?
What group do you exist in?	1 = Registered Cooperative 2 = Informal savings group/ Chamas 8= None of the above [Proceed to next] 99= Others (specify) [MULTIPLE]	
What tax measures helped you reduce expenditure during Covid period?	1=Turn over tax reduction from 5% to 1% 2=VAT reduction from 16% to 14% 3= Corporate tax reduction from 30% from 25% 4= VAT refunds 5= None of the above [If selected trade license 6= KRA Pin/ VAT certificate]	
Are there any of your employees who are paid on net income terms?	1=Yes 0=No	

Thank you for taking time to respond to our survey.

## 5.3 KEY INFORMANT INTERVIEW GUIDE

1. How would you rate MSEA departments (in this county) in the following aspects?

Capacity Dimension	Rating	Score
Communication means	1=Very unsatisfied 2=Unsatisfied 3=Neutral 4=Satisfied 5=Very satisfied	
Software/tool		
Personnel presence		
Training and advocacy		

2. What platforms exist for disseminating information to MSMEs?
3. What proportion of MSMEs have information about the role of MSEA?
4. Do you believe that licensing services should be tailored to meet needs of the MSMEs involved in Manufacturing and services? What are challenges/opportunities that dissuade or encourage MSME licensing?
6. What gaps and opportunities exist in accelerating growth and enhancing resilience of the MSMEs in response to shocks like economic crisis and epidemics? On a scale of 1-5, one being least and five the highest, rank the level of gaps and opportunities.

Course	MSMEs have knowledge <b>Rank 1-5</b>	Have received/ receiving training in this gap/opportunity <b>Rank 1-5</b>	MSEA is capable of providing training <b>Rank 1-5</b>
Opportunity- Enter opportunity			
Gap- Enter gap			