

MSEs' Business Environment in Meru County

Introduction

The County Business Environment for MSEs (CBEM) framework has been developed to monitor key issues that require policy interventions in creating an enabling environment for the Micro and Small Enterprises (MSEs) sector in the counties. The framework covers four key areas affecting the operations of MSEs: Worksites and adequacy of their infrastructure; Market environment; Financial and technical capacity; and Governance and regulatory framework. This brief indicates the business environment for MSEs in Meru County.

Meru County Demographics and Outputⁱ

1

- Total population, 1,545,714; Female, 50.3%
- Contribution to total GDP: Average 2.9% for the period 2013-2017
- Contribution to Gross Value Added: 3.1% in 2017

2

- Sectors driving growth in economic activity: Manufacturing (2.3%); Agriculture (54%); and Services (38%)

Importance of MSEs and Challengesⁱⁱ

IMPORTANCE

1999

Employed 50.0% of working population
Contributed 18.9% of GDP

2016

Employed 81.0% of working population
Contributed 24.7% of National output and
23.6% Gross Value Added

CHALLENGES

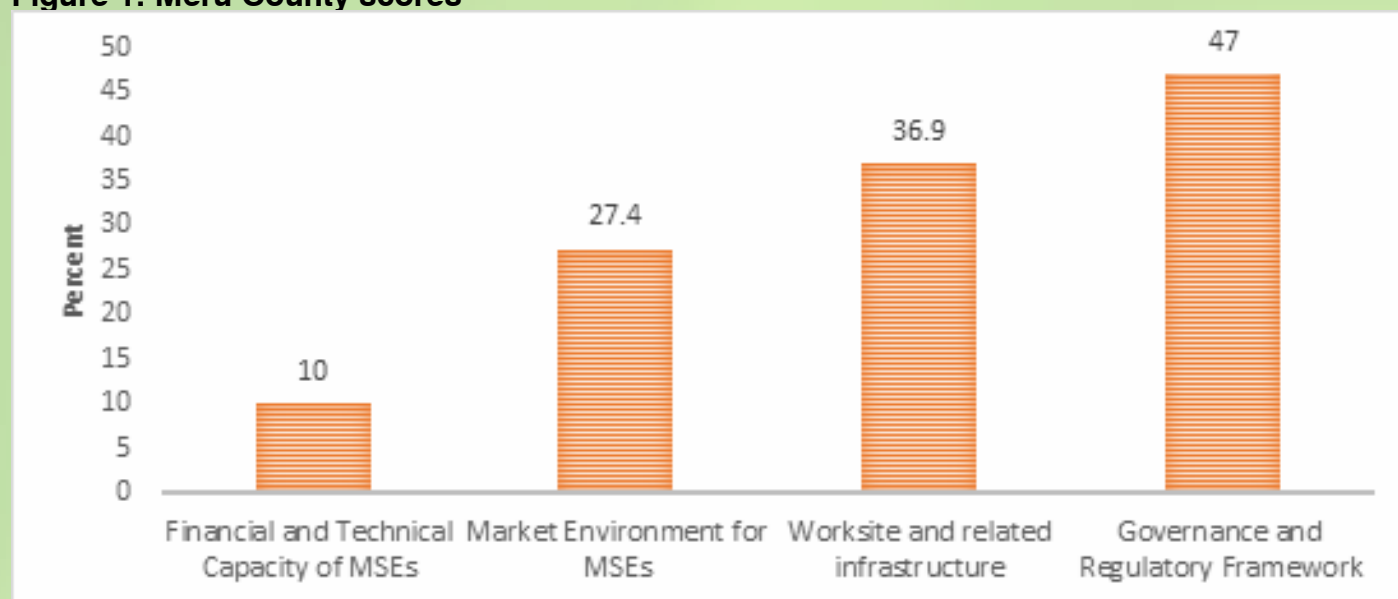
Due to poor business environment MSEs in Kenya are faced with challenges of:

Low survival rate of MSEs
Limited skills
Capital and workspaces
Informality
Low productivity

MSEs' Business Environment

All the scores for MSEs business environment are drawn from the CBEM framework (KIPPRA, 2019). The MSEs' business environment is measured using the following: Worksite and related infrastructure; Market environment; Financial and technical capacity; and Governance and regulatory framework. The scores range between lowest (0) and highest (100). Meru County scored a total of 27.8.

Figure 1: Meru County scores



Worksites and Infrastructure for MSEs

Scores

- Access to worksites: 36.0
- Electricity connection: 53.5
- Water connection: 38.3
- Access to common manufacturing facilities: 15.3
- Availability of public toilets: 27.9
- Waste management services: 28.0

Constraints

- Insufficient worksites and where available some are remotely located
- Lack of adequate tools, machinery and equipment
- High electricity and water connection costs
- Frequent power outages
- Pending electricity bills
- Inadequate common manufacturing facilities

Market Environment for MSEs

Scores

- Road infrastructure: 36.8
- Access to physical markets: 46.7
- Access to Government Procurement Opportunities (AGPO): 14.6
- Fair competition: 11.4

Constraints

- Poor road infrastructure
- Unfair trade practises manifest through: contract enforcement, counterfeiting, dumping (sub-standard goods) and misrepresentation (through weight, price, ingredient)
- Low uptake of AGPO due to information asymmetry and informality

Financial and Technical Capacity for MSEs

Scores

- Training (capacity building) for MSEs: 8.2
- Knowledge and skills mapping: 41.3
- MSEs survival rate: 7.3
- Access to digital finance: 1.2
- Innovations: 0.8
- Patenting: 0.8

Constraints

- Lack of a training and apprenticeship programme for artisans
- High cost of doing business
- Fragmentation due to multiplicity of players who offer training and capacity building
- Low uptake of digital finance
- Lack of training needs assessment for MSEs
- Lack of monitoring and evaluation of training programmes

Governance and Regulatory Framework for MSEs

Scores

- Licensing and issuance of permits: 68.6
- Self-regulation: 73.8
- Crime and public security: 39.8
- Corruption and governance issues: 5.7

Constraints

- Corruption
- Multiple licences and permits
- Insecurity

Way Forward in Creating an Enabling Environment for MSEs

a) Worksite and Adequacy of Infrastructure

- Work with Micro & Small Enterprises Authority (MSEA) and relevant agencies to facilitate access of common manufacturing facilities.
- Enhance provision of sanitation and waste management facilities in worksites.

b) Market Environment for MSEs

- Collaborate with the Anti-Counterfeit Agency and Kenya Revenue Authority to curb counterfeits and dumping of goods to ensure fair trade.
- Collaborate with the AGPO secretariat to promote and enhance sensitization of MSEs on this affirmative action to increase uptake.

c) Financial and Technical Capacity for MSEs

- Collaborate with the Anti-Counterfeit Agency and Kenya Revenue Authority to curb counterfeits and dumping of goods to ensure fair trade.
- Collaborate with the AGPO secretariat to promote and enhance sensitization of MSEs on this affirmative action to increase uptake.

d) Governance and Regulation Framework

- Collaborate with Ethics and Anti-Corruption Commission (EACC) to root out corruption tendencies among revenue collection officers, and ensure prosecutions where culpable.
- Collaborate with the National Government agencies to enhance security in/around worksites to reduce on crime and create a safe business environment.

End notes

ⁱ Gross County Product 2019 and Kenya Population and Housing Census, 2019

ⁱⁱ KNBS, Various

About KIPPRA Policy Briefs

KIPPRA Policy Briefs are aimed at a wide dissemination of the Institute's policy research findings. The findings are expected to stimulate discussion and also build capacity in the public policy making process in Kenya.

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