

MSEs' Business Environment in Kisii 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 Kisii County.

Kisii County Demographics and Outputⁱ

1

Total population, 1,266,860; Female, 52.2%
Contribution to total GDP: Average 2.1% for the period 2013-2017
Contribution to Gross Value Added: 2.2% in 2017

2

Sectors driving growth in economic activity: Manufacturing (1.8%); Agriculture (52%); and Services (40%)

Importance of MSEs and Challengesⁱⁱ

IMPORTANCE

1999

Employed 50% 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 Add

CHALLENGES

Due to poor business environment MSEs in Kenya are faced with the 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 (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). Kisii County scored a total of 31.4.

Figure 1: Kisii County scores



Worksites and Infrastructure for MSEs

Scores

- Access to worksites: 65.4
- Electricity connection 61.5
- Water connection: 24.7
- Access to common manufacturing facilities: 23.3
- Availability of public toilets: 37.6
- Waste management services: 18.0

Constraints

- Inadequate designated areas for waste disposal
- Inadequate common manufacturing facilities
- Lack of adequate tools, machinery and equipment
- High electricity and water connection costs
- Frequent power outages

Market Environment for MSEs

Scores

- Road infrastructure: 49.0
- Access to physical markets: 43.5
- Access to Government Procurement Opportunities (AGPO): 13.2
- Fair competition: 11.9

Constraints

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

Financial and Technical Capacity for MSEs

Scores

- Training (capacity building) for MSEs: 23.3
- Knowledge and skills mapping: 24.5
- MSEs survival rate: 10.5
- Access to digital finance: 5.6
- Innovations: 1.2
- Patenting: 1.3

Constraints

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

Governance and Regulatory Framework for MSEs

Scores

- Licensing and issuance of permits: 77.2
- Self-regulation: 76.7
- Crime and public security: 48.9
- Corruption and governance issues: 18.7

Constraints

- Multiple licences and permits
- Corruption
- Misallocation and exploitative tendencies within the worksites

Way Forward in Creating an Enabling Environment for MSEs

a) Worksite and adequacy of infrastructure

- Collaborate with Micro & Small Enterprises Authority (MSEA) and other agencies to facilitate access to common manufacturing facilities.
- Provide worksites and market centres with adequate water supply, waste disposal and toilet and bathroom facilities.

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 financial sector players such as banks, SACCOs and micro finance institutions in targeting MSEs through financial innovations with an opportunity to penetrate and deepen financial services.
- Collaborate with Kenya Industrial Research and Development Institute (KIRDI) and Kenya Industrial Property Institute (KIPI) to sensitize MSEs on innovation and patenting of their products. KIRDI and KIPI need to facilitate mechanisms of subsidizing cost of innovations and patenting, respectively.

d) Governance and Regulation Framework

- Collaborate with MSEA to eliminate missallocation and exploitative tendencies within the worksites; Enhance collaboration with Ethics and Anti-Corruption Commission in ensuring prosecutions where necessary.

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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