

THE 2016 NATIONAL MICRO, SMALL AND MEDIUM ESTABLISHMENT (MSME) SURVEY

HIGHLIGHTS OF BASIC REPORT

By

MR. ZACHARY MWANGI

DIRECTOR GENERAL

OUTLINE

- Introduction
- Target Indicators
- MSME Survey Findings
 - i. Entrepreneur and MSME Business Profiles
 - ii. Employment Characteristics in the Micro, Small, and Medium Establishments
 - iii. Comparison of MSME to National value added
 - iv. Changes in Micro, Small, Medium Enterprises
 - v. Constraints and Access to Amenities and Support Services
 - vi. Conclusions

Introduction

- The study adopts Kenya's official definition where MSMEs are defined according to employment size.
 - Micro-enterprises ~ less than 10 employees;
 - Small enterprises ~ 10 to 49 employees
 - Medium sized enterprises ~50 and 99 employees
- The MSMEs covered in the survey were all non-primary product activities or businesses Plus agri-businesses. It excluded primary activities such as agricultural production, animal husbandry, fishing, among others

Introduction

- The previous MSE studies used the household-based approach to identify businesses/establishments. However, the 2016 MSME survey, in addition to the household-based approach, interviewed businesses/establishments identified from business registers maintained by county governments.
- In total, about 50,000 MSMEs were sampled for the survey, targeting licensed businesses. A further 14,000 households were sampled targeting to capture household based enterprises which are largely unlicensed.
- The unit of observation in the survey was the establishment and not the enterprise. Implying that an enterprise that engaged in say three economic activities, was recorded as having three businesses as opposed to one.

Targeted Indicators

- Number of MSME in the country
- Distribution of MSMEs by Sex of Owners
- Level of Innovation in the sector
- Education qualifications and Training
- Persons engaged in the MSME Sector
- Comparison of MSME to National value added
- Financing of MSME operations

Targeted Indicators Cont'

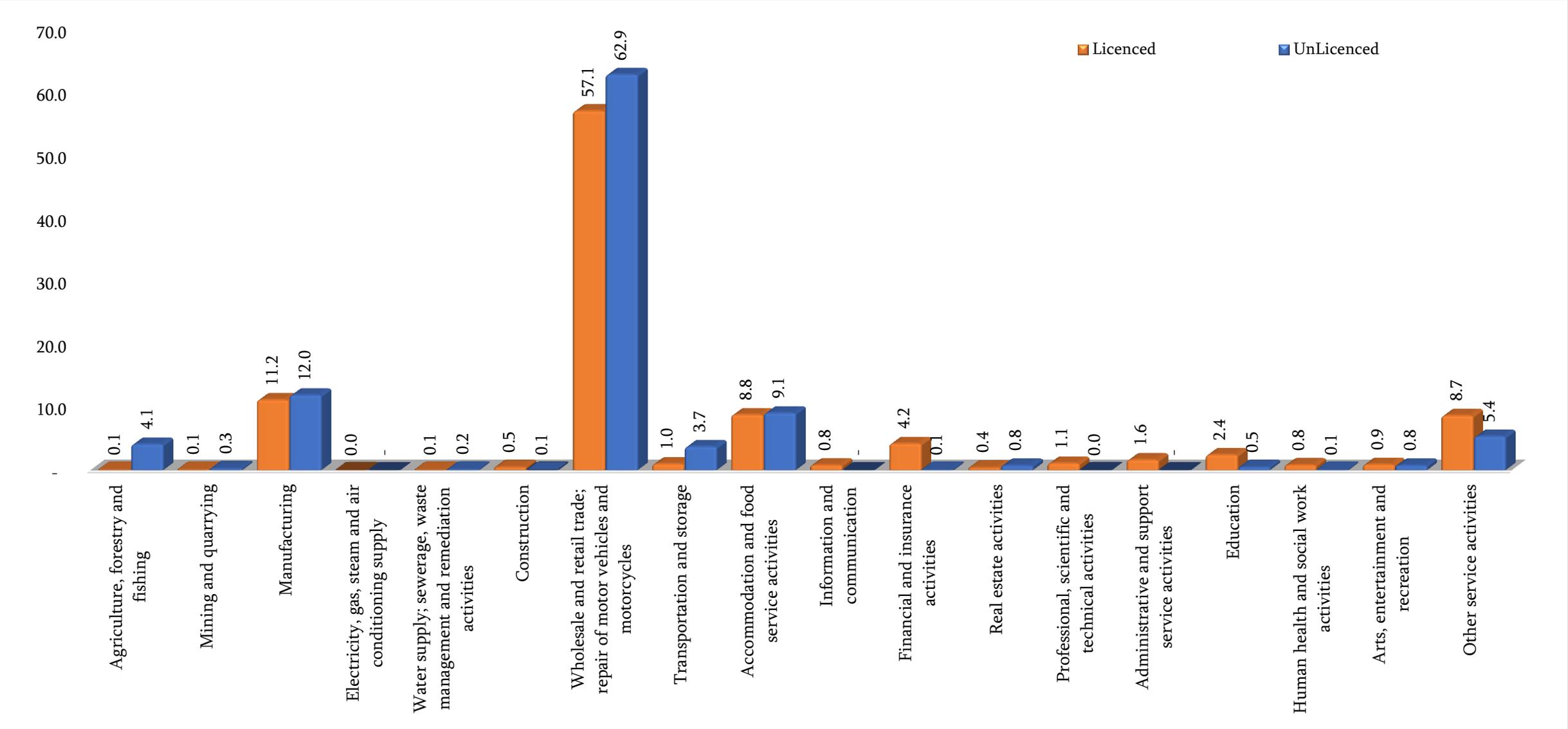
- MSMEs Expenditure structure
- Constraints faced by MSMEs
- Prevalence for Closure of Businesses
- Reasons for Business Closures
- Disposal of Stock after Business Closure

Entrepreneur and MSME Business Profiles

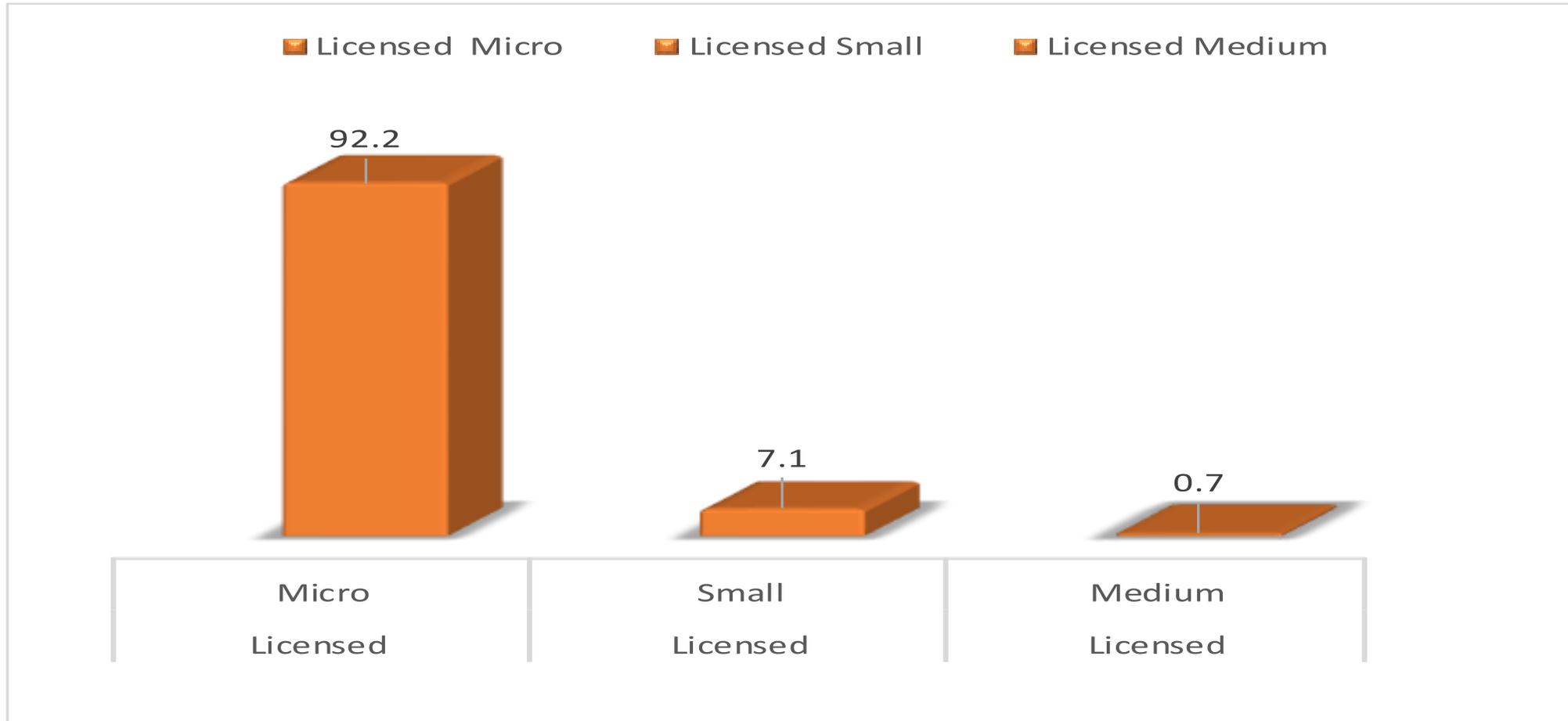
Magnitude of the MSME Sector

- The survey established that there were about 1.56 million licensed MSMEs and 5.85 million unlicensed businesses
- These establishments are both in the formal and informal sectors
- Most of the unlicensed establishments were being operated at the household level

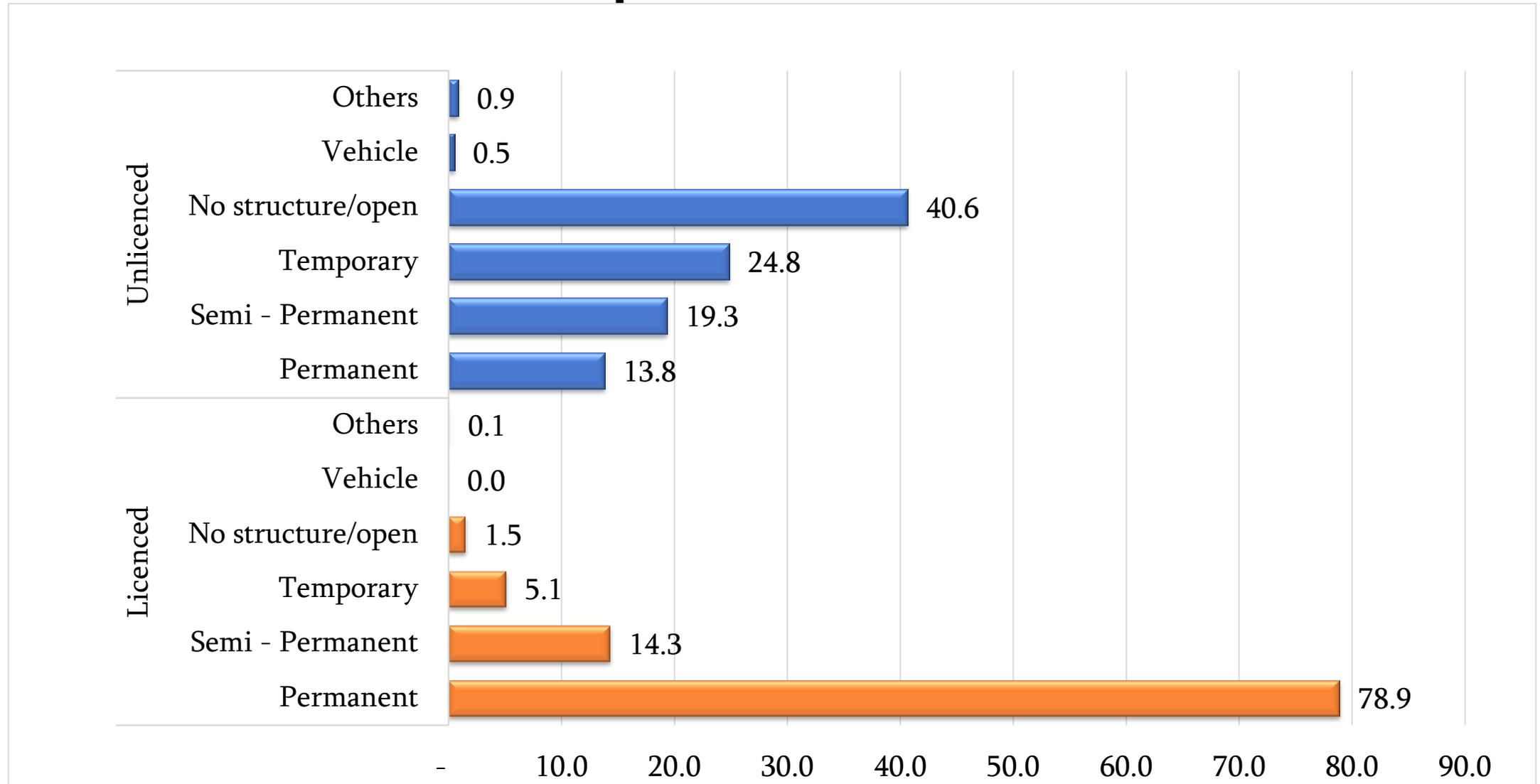
Distribution of Establishments by Economic Activity and Licensing Status



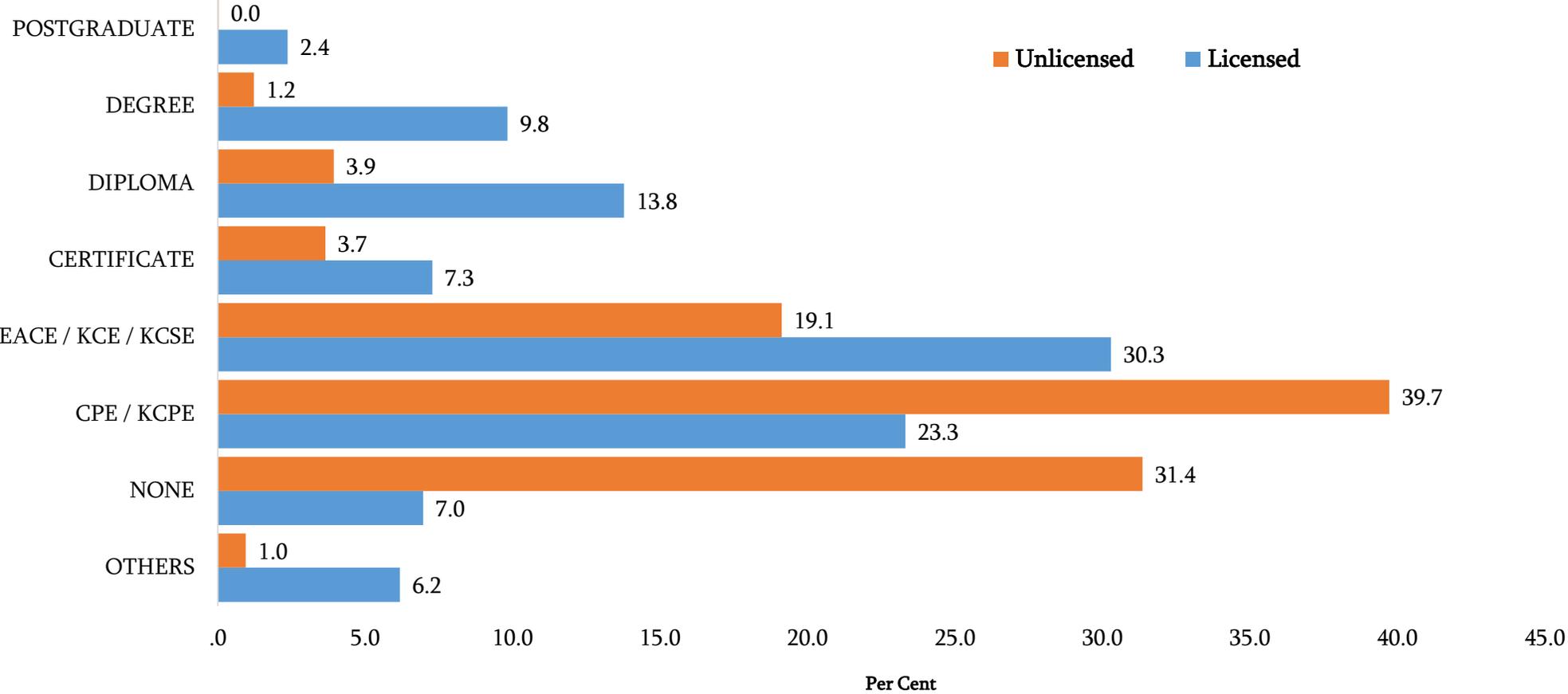
Distribution of MSMEs (Licensed)



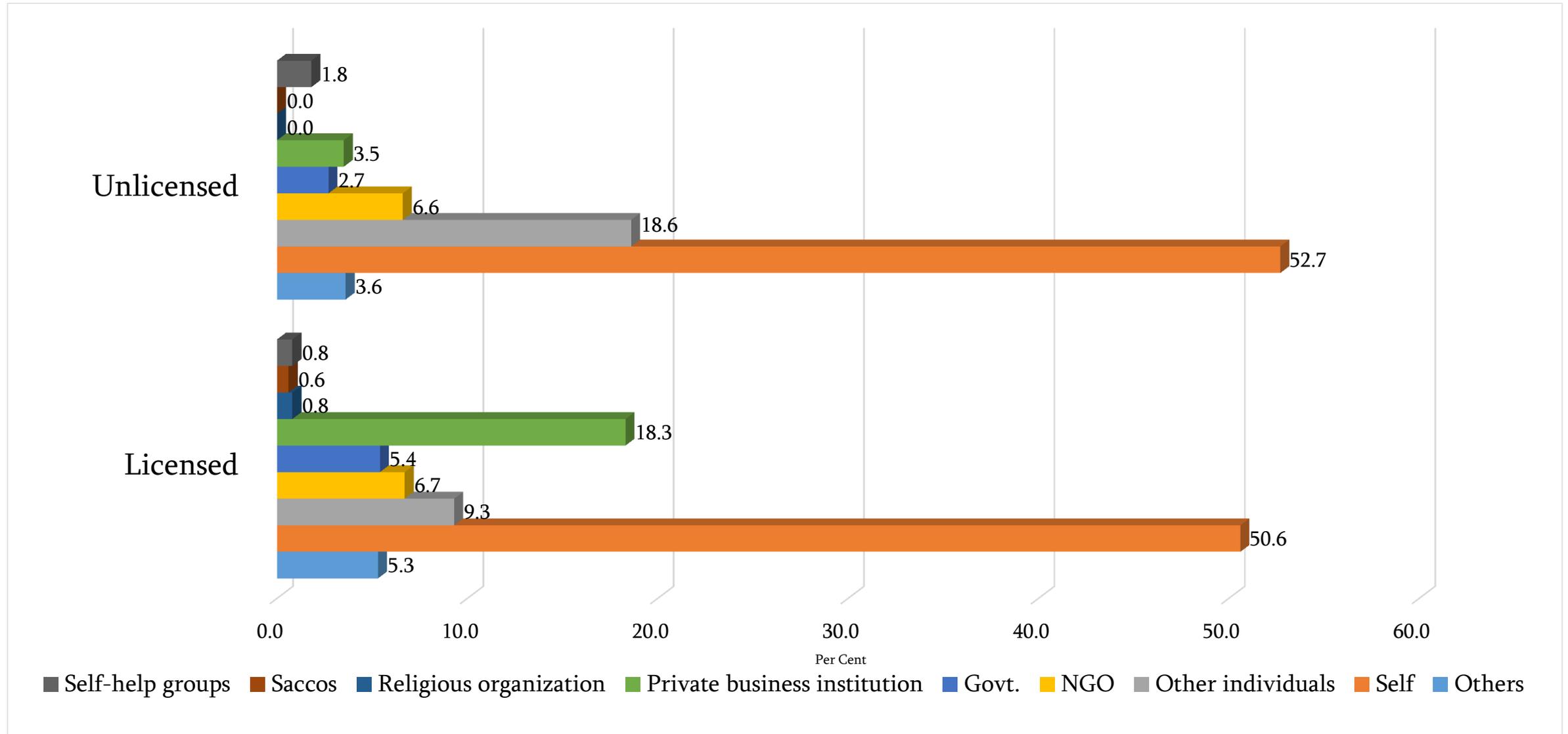
Distribution of MSMEs by Type of Structure of operation



Education Qualification of Business Owners/Operators



Main Sponsor of MSMEs Business Owners' Training

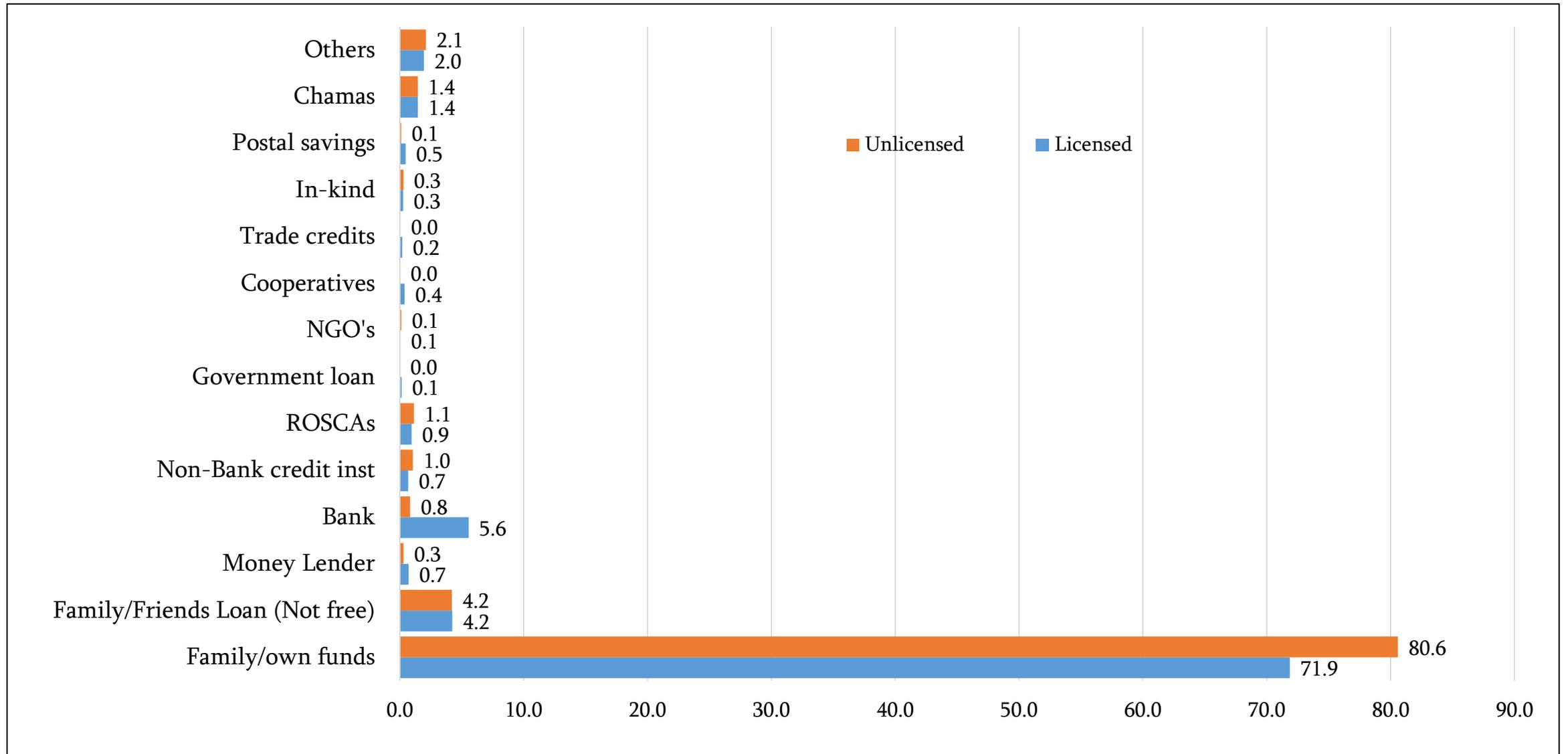


Start-up Capital by Size of Establishments

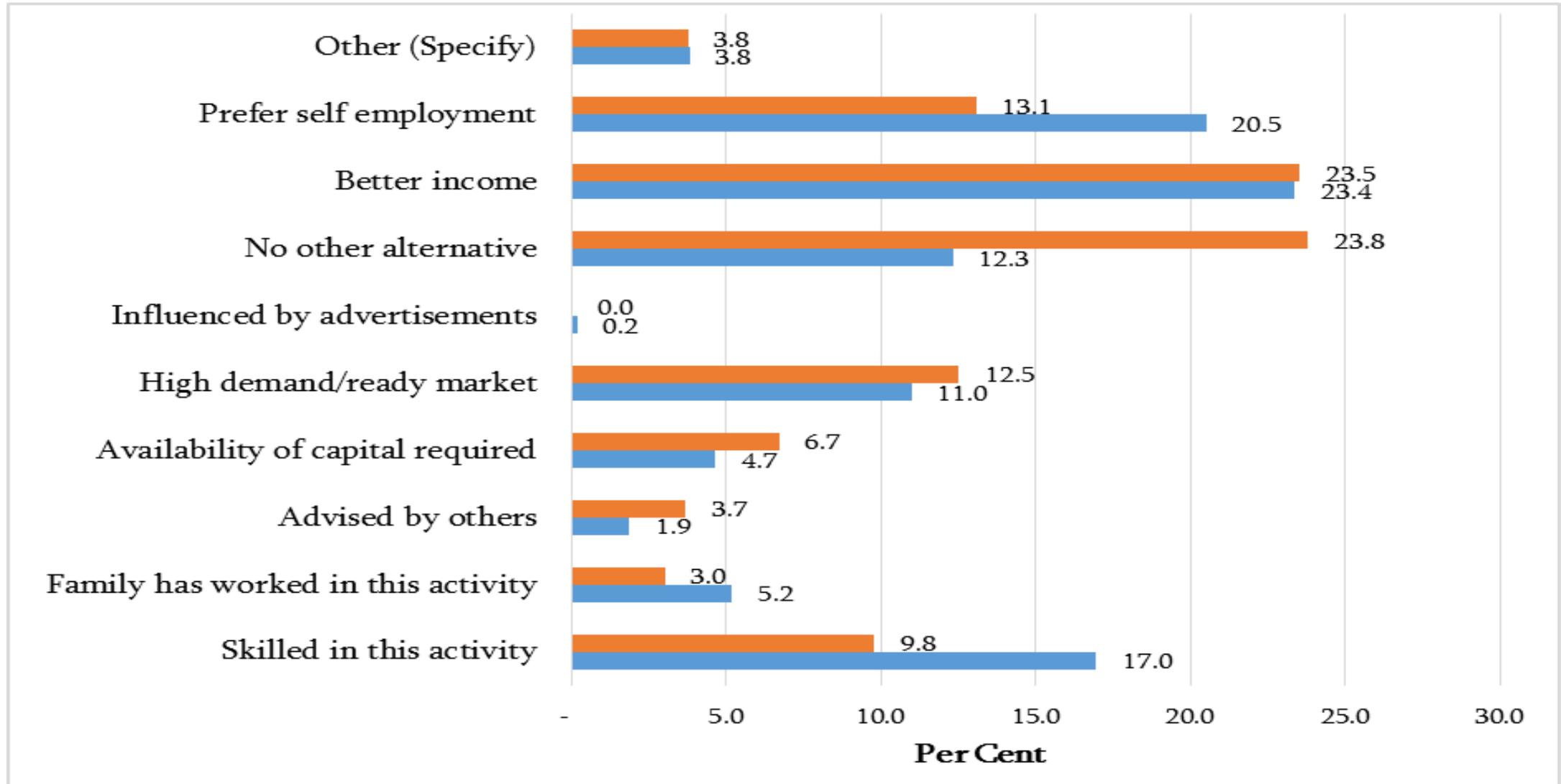
Per cent

		Total	Micro	Small	Medium
Licensed	50,000 or less	57.2	59.0	26.4	33.6
	50,001 - 200,000	27.6	28.0	22.0	13.2
	200,001 - 1,000,000	11.5	10.9	21.8	25.4
	Above 1,000,000	3.7	2.1	29.8	27.9
Unlicensed	50,000 or less	94.5	94.5	-	-
	50,001 - 200,000	4.8	4.8	-	-
	200,001 - 1,000,000	0.7	0.7	-	-
	Above 1,000,000	-	-	-	-

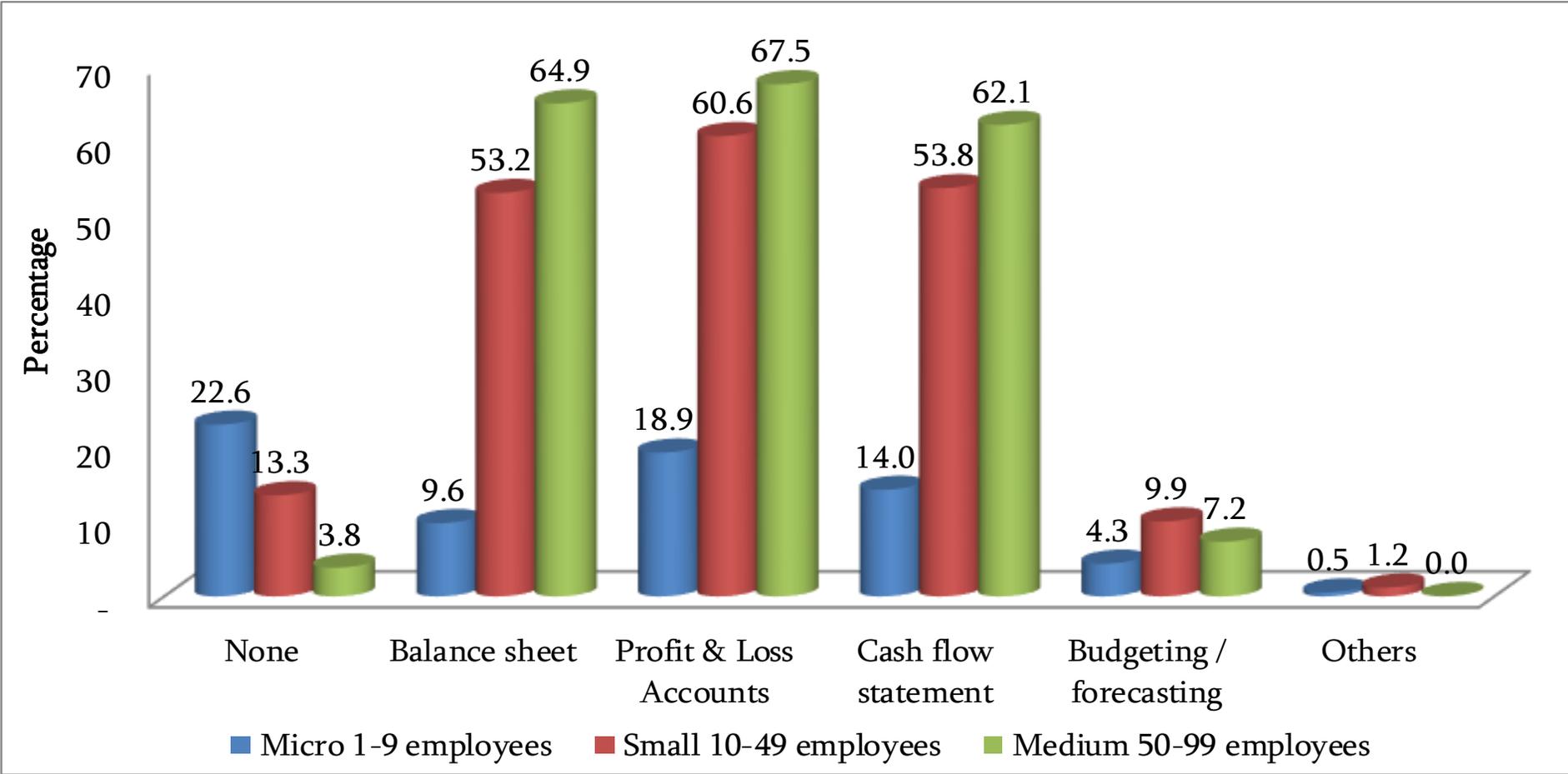
Main Source of Capital for the Business



Reasons for Starting a Business



Type of Reports Generated from Business Records



Establishments by Location of Business

- Over 70 per cent of all licensed MSME were operating from commercial premises
- About 28 percent of the unlicensed enterprises were operating at the residential areas
- On the other hand, most of the unlicensed businesses operated in residential areas with no special outfits for the business or were mobile (no fixed location)

Main Buyers of Products from MSME Establishments

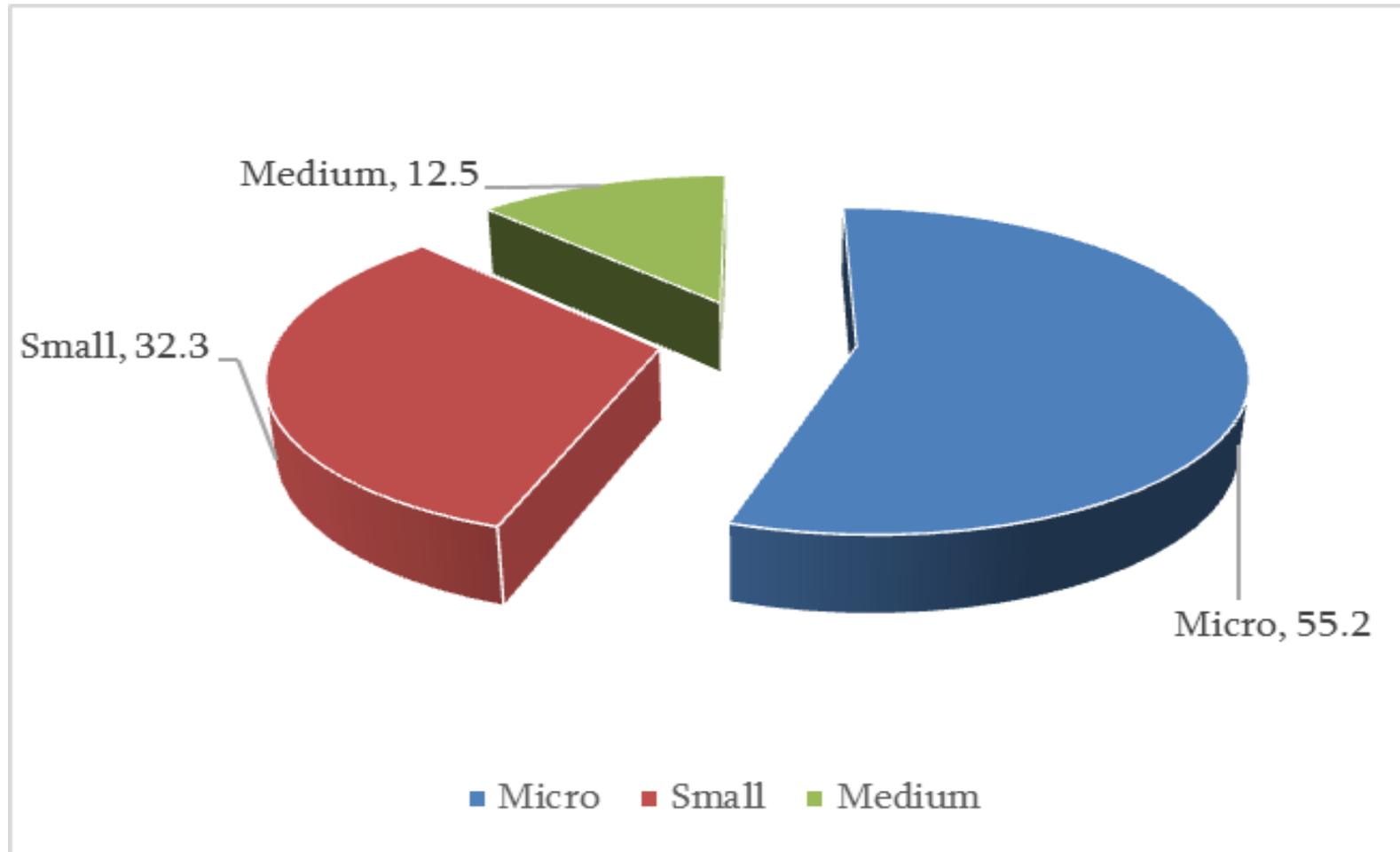
- Individual consumers and other MSMEs were the main buyers of goods/services from these businesses.
- Government, non-MSMEs (large establishments) and direct exports constituted a very small proportion of consumers of MSME products and/or services.
- There was no unlicensed business which reported to be exporting their products

Employment Characteristics in MSMEs

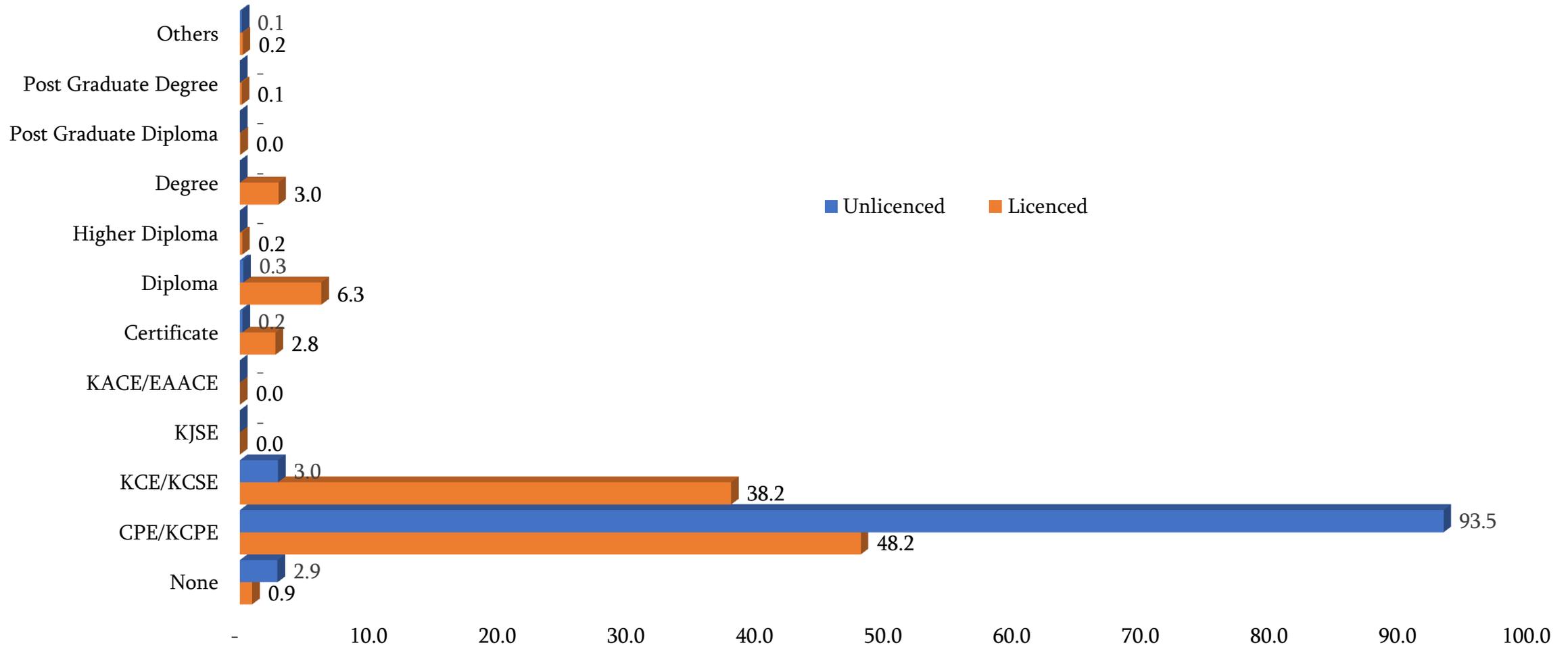
Employment by Economic Activity

- MSMEs engaged about 14.9 million persons
- Wholesale and retail trade and; repair of motor vehicles and motor cycles accounted for more than half of the total persons working in MSMEs (over 8 m)
- Manufacturing, Accommodation and food service activities accounted for 11.8 per cent and 11.1 per cent of all persons engaged in MSMEs, respectively.

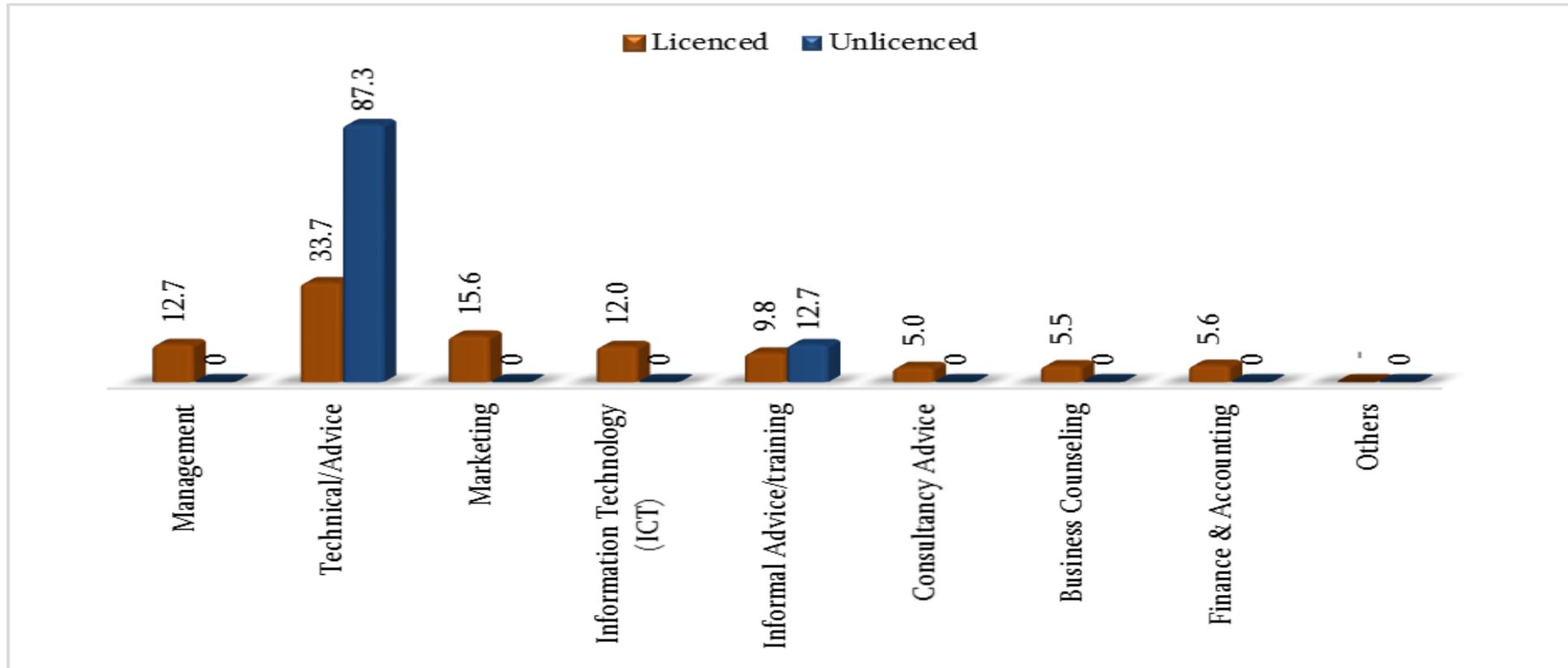
Percentage Distribution of Employment in Licensed Establishments



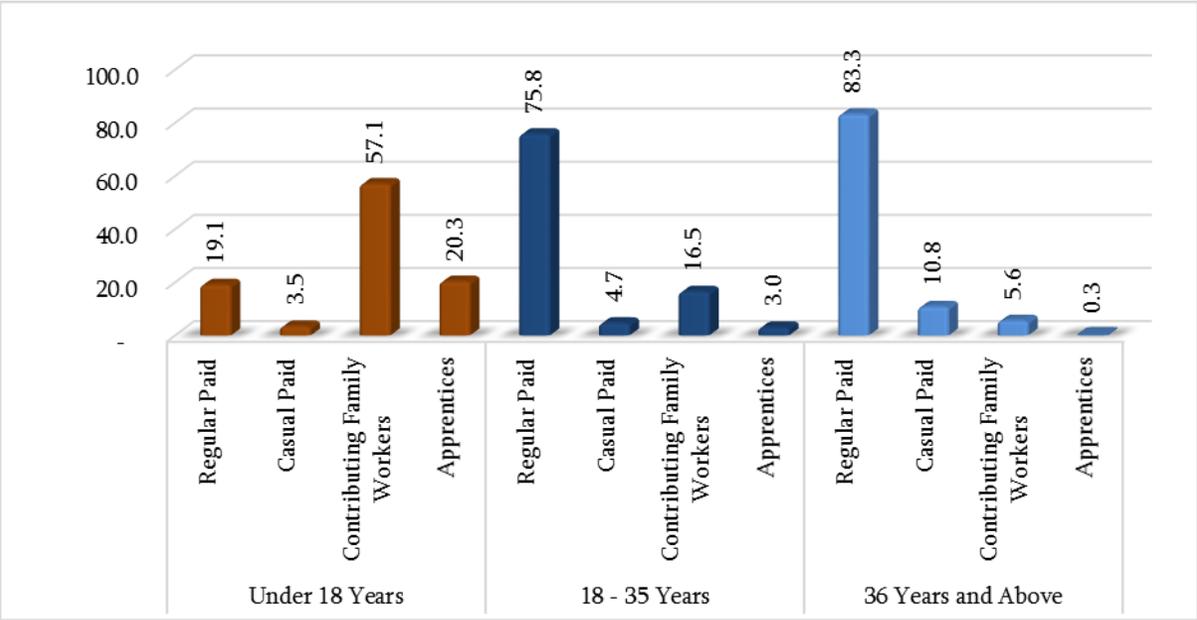
Percentage Distribution of Employees by Highest Educational Qualification Acquired and Establishment Licensing Status



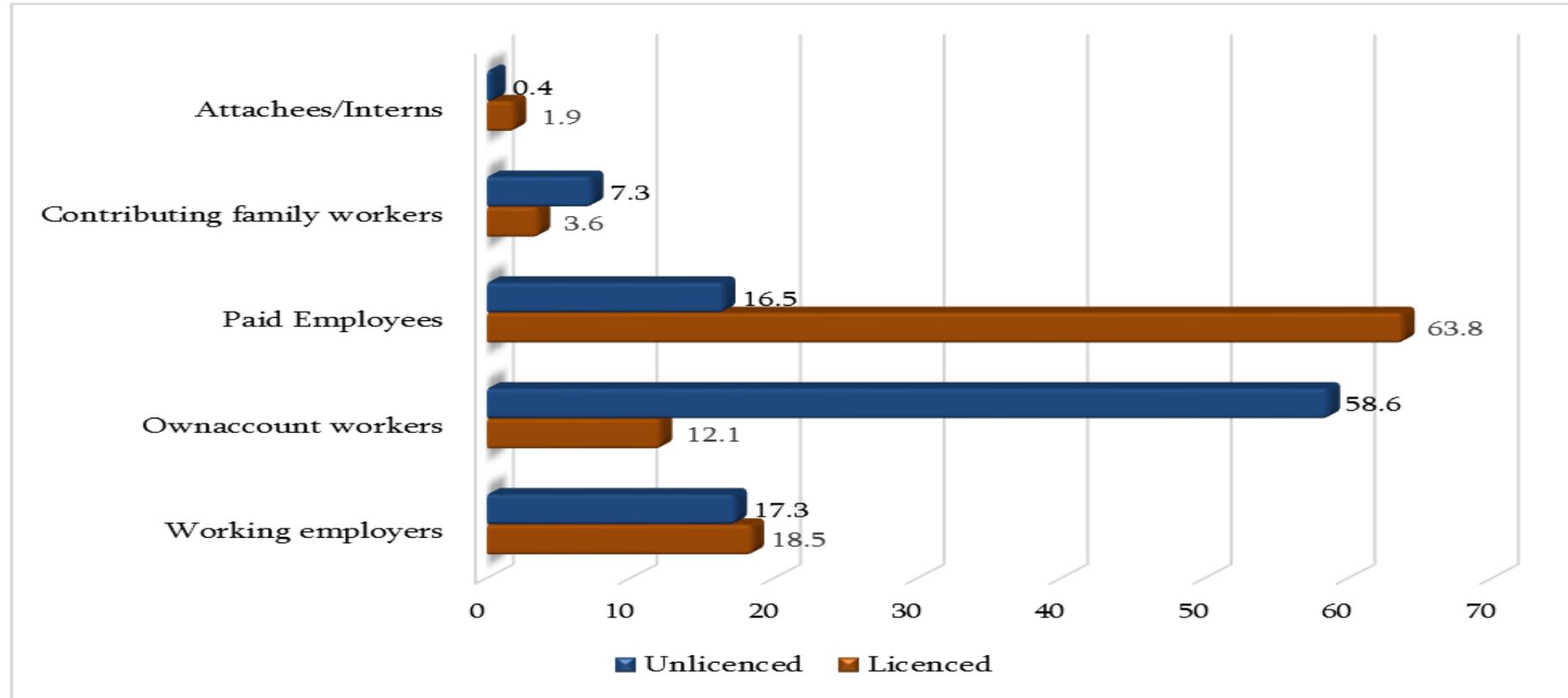
Percentage Distribution of Employees by Training Received and Establishment Licensing Status



Distribution of Employees by Age and Terms of Engagement (Excluding owners)

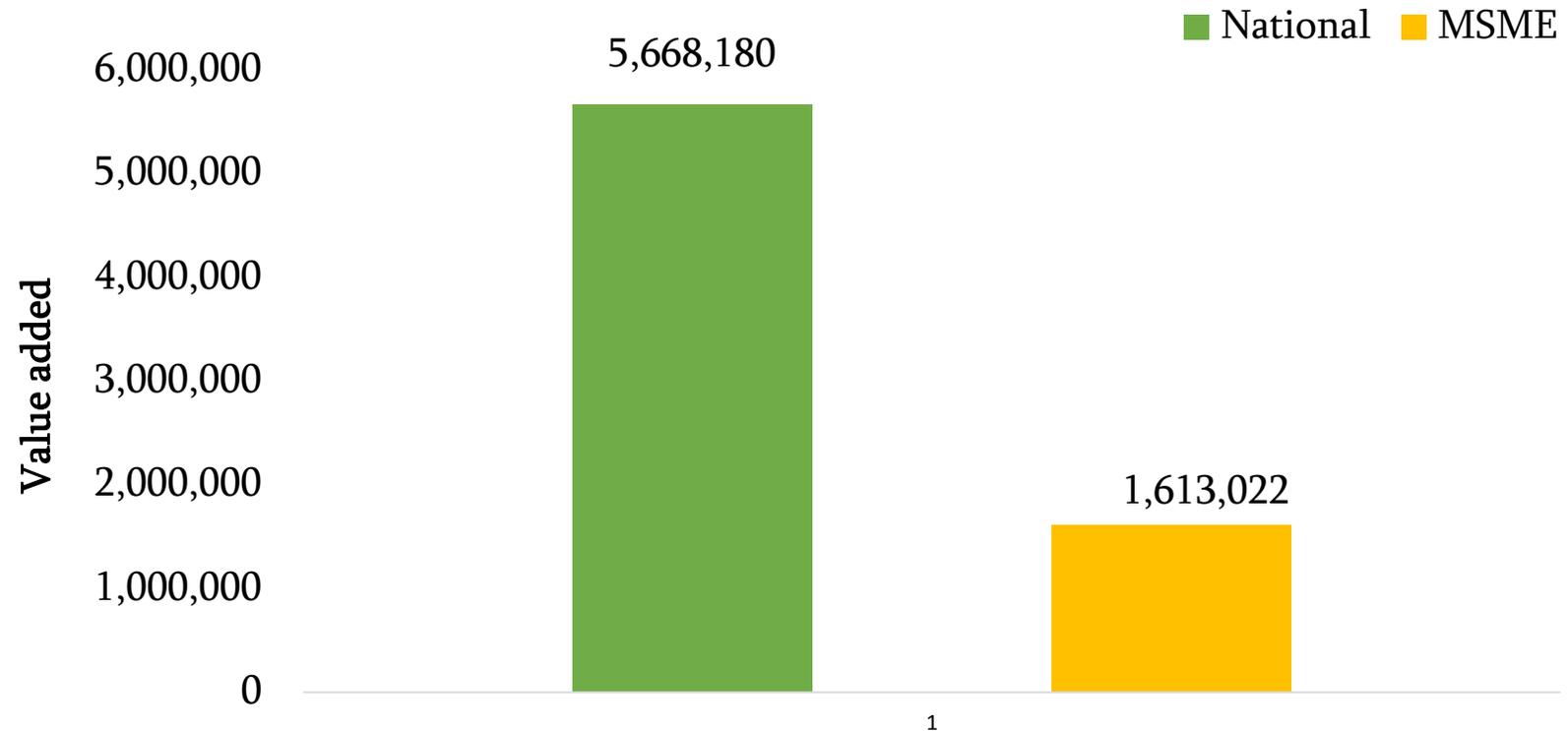


Distribution of persons by Employment and Licensing Status



Comparison of MSME to National value added

Comparison of Value Added



MSME contribute 28.5 percent of the total economy

Proportion of Income Generated by MSME by Type and Most Important Use

- Licensed micro establishments reported spending 45.3 per cent of their net income on investments, either as re-investment or investing in new businesses and investment in agriculture, while expenditure on household and family needs accounted for 44.5 per cent.
- Small and Medium establishments spent significantly high part of their net income on investment at 63.4 and 69.7, per cent, respectively.
- This result indicate a positive correlation between the proportion of savings and the size of the establishment.

Expenditure by Size of Establishment

- Monthly expenditure on salaries and wages for licensed businesses was reported at KSh 64.1 billion while unlicensed MSMEs spent KSh 9.0 billion which translates to approximately 25.0 per cent of total outlays a piece.
- A look at the expenditure components revealed that unlicensed businesses are poor in remitting social security payments
- Results of the survey further indicate that licensed MSMEs spent about KSh 1.0 billion on all forms of innovation

Changes in Micro, Small, Medium Enterprises

Changes in Employment Size by Sex and Sector

- Employment in licensed MSMEs was 6.3 million persons by the time of carrying out the survey compared to 3.1million persons at inception.
- Overall, male and female participation remained almost the same at the time of the survey compared to inception.
- A significant rise was reported in the wholesale and retail trade, repair of motor vehicles and motorcycle sector from 1.4 million employees at inception to 2.6 million employees during the time of the survey.

Kind of Changes

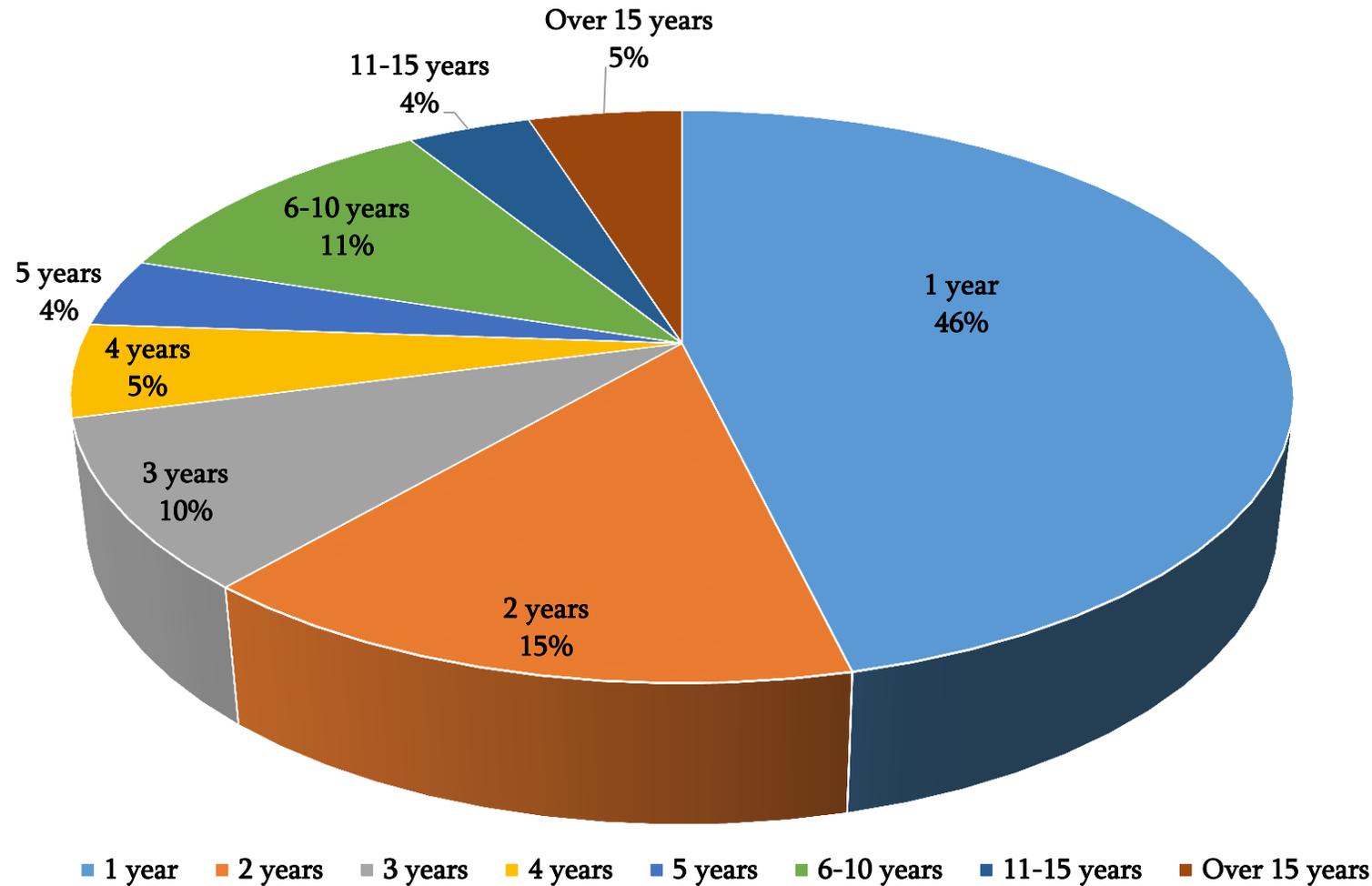
- The changes examined here are those that have occurred in MSME activities with regard to employment size, age, business mutations, startups, closures and their distribution by counties.
- Change in employment relative to inception provides critical information on establishment growth.
- Establishment mutations has been associated with activity changes in either the same sector or to different sectors.

Changes in Employment Size at Inception, Peak and at Closure

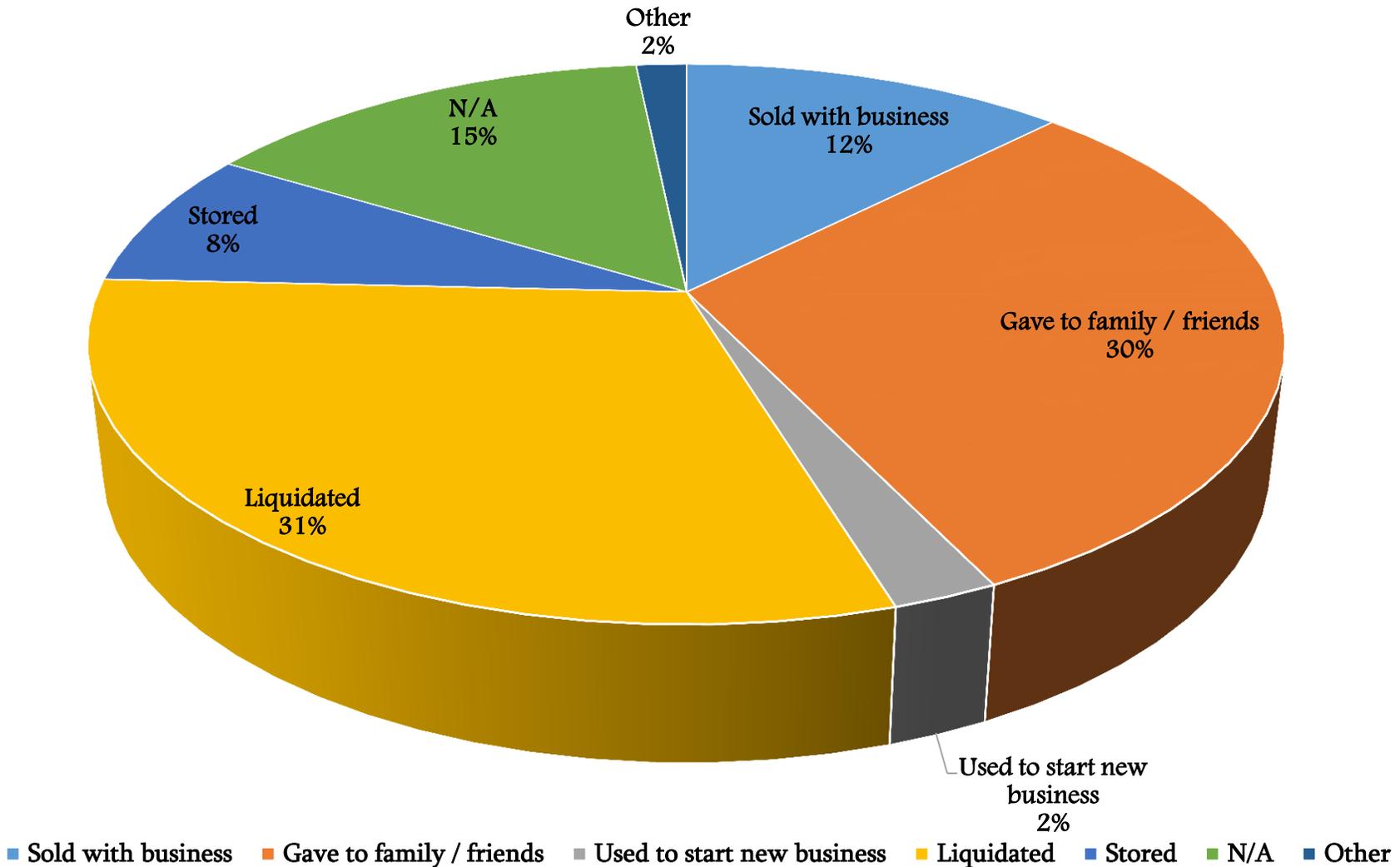
- There were no significant changes in the number of employees engaged at inception and at closure.
- On average, each establishment engaged 1.4 persons at inception and at closure but at peak times the average number rose to 1.6 employees.
- At closure, the number employees had increased by 3.5 per cent compared to the time of inception.

Closure of Businesses

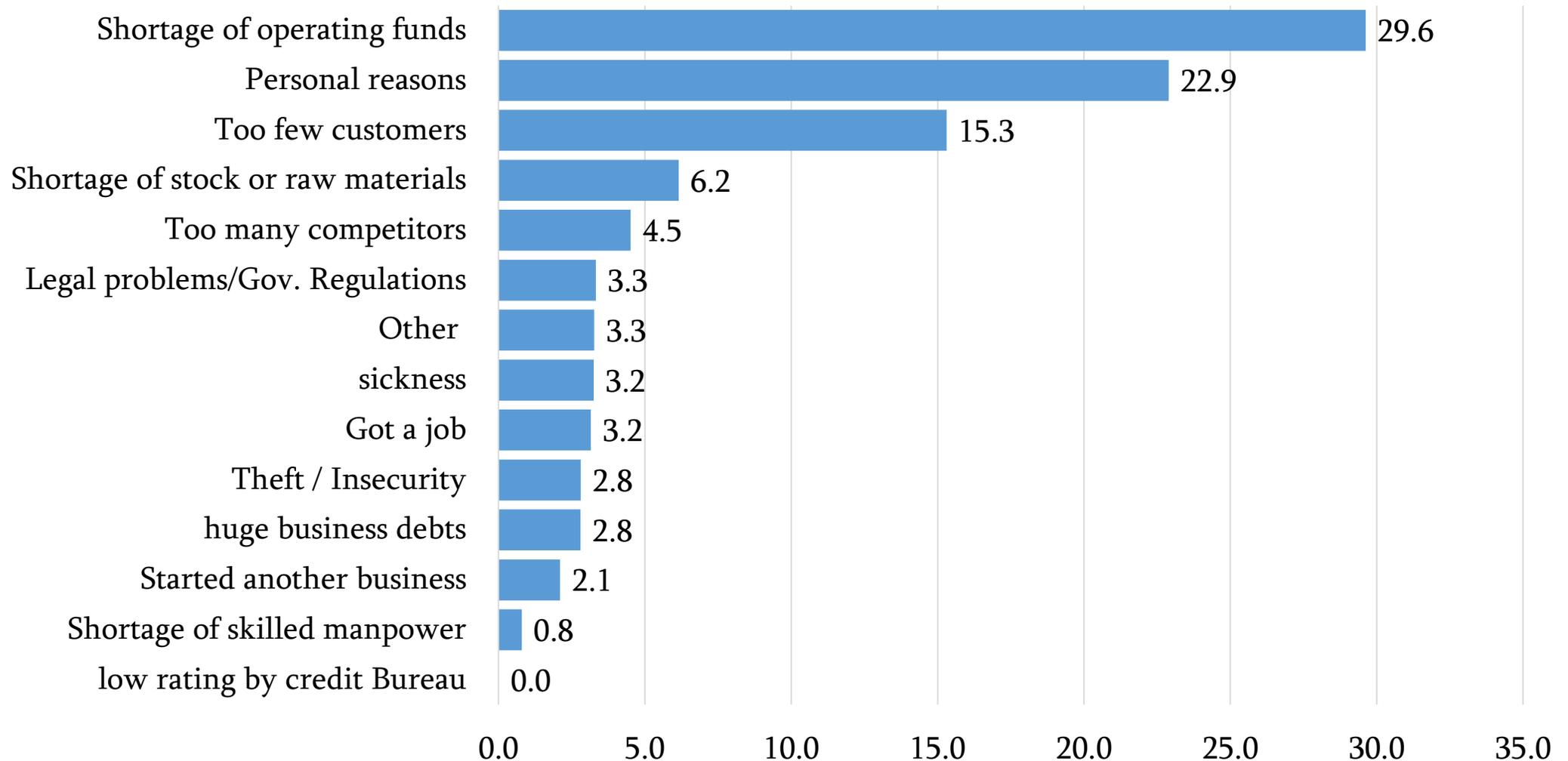
Distribution of Closed Establishments by Age at Closure



Disposal of Stock after Business Closure

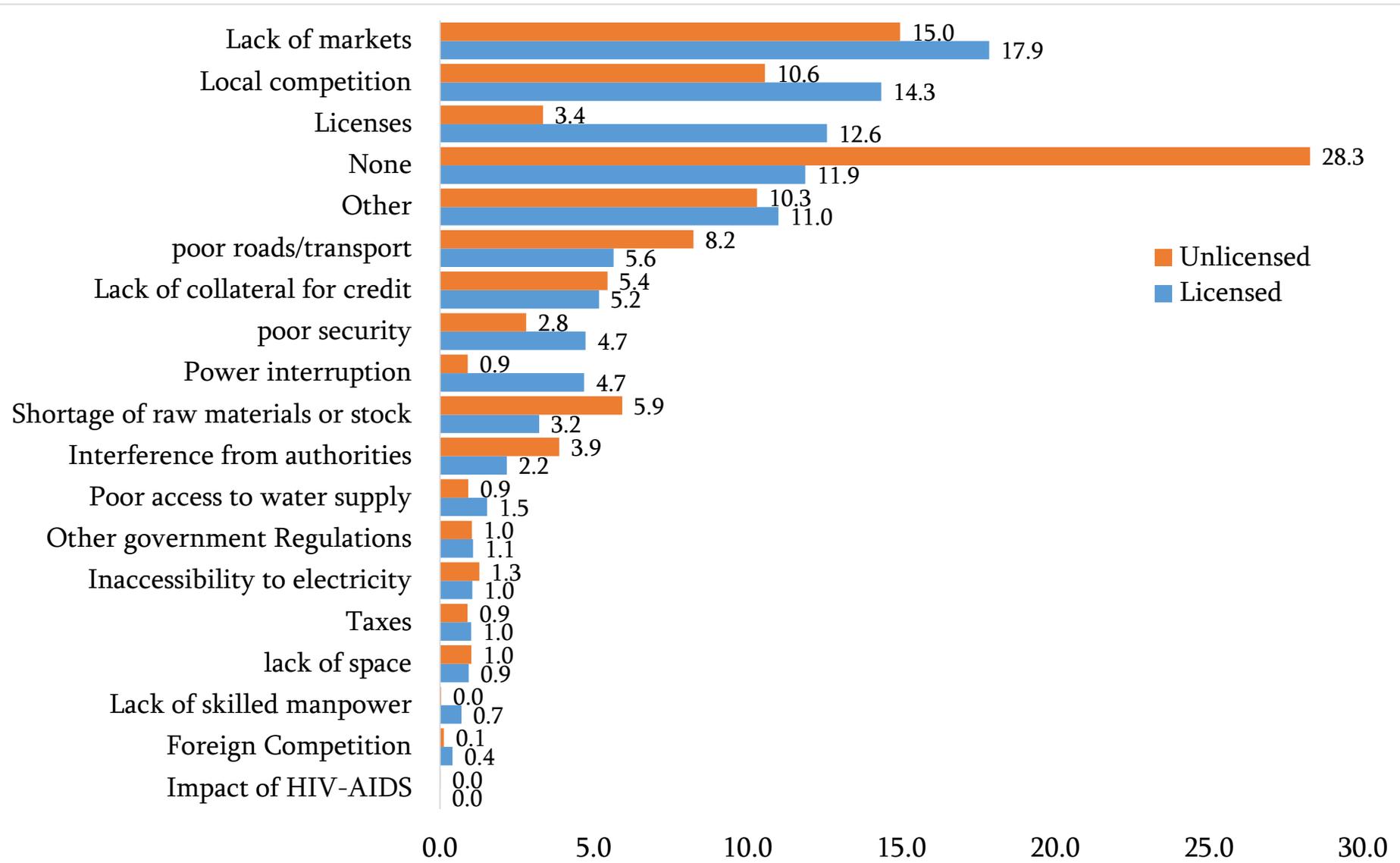


Percentage Distribution of Reasons for Closure of Establishment

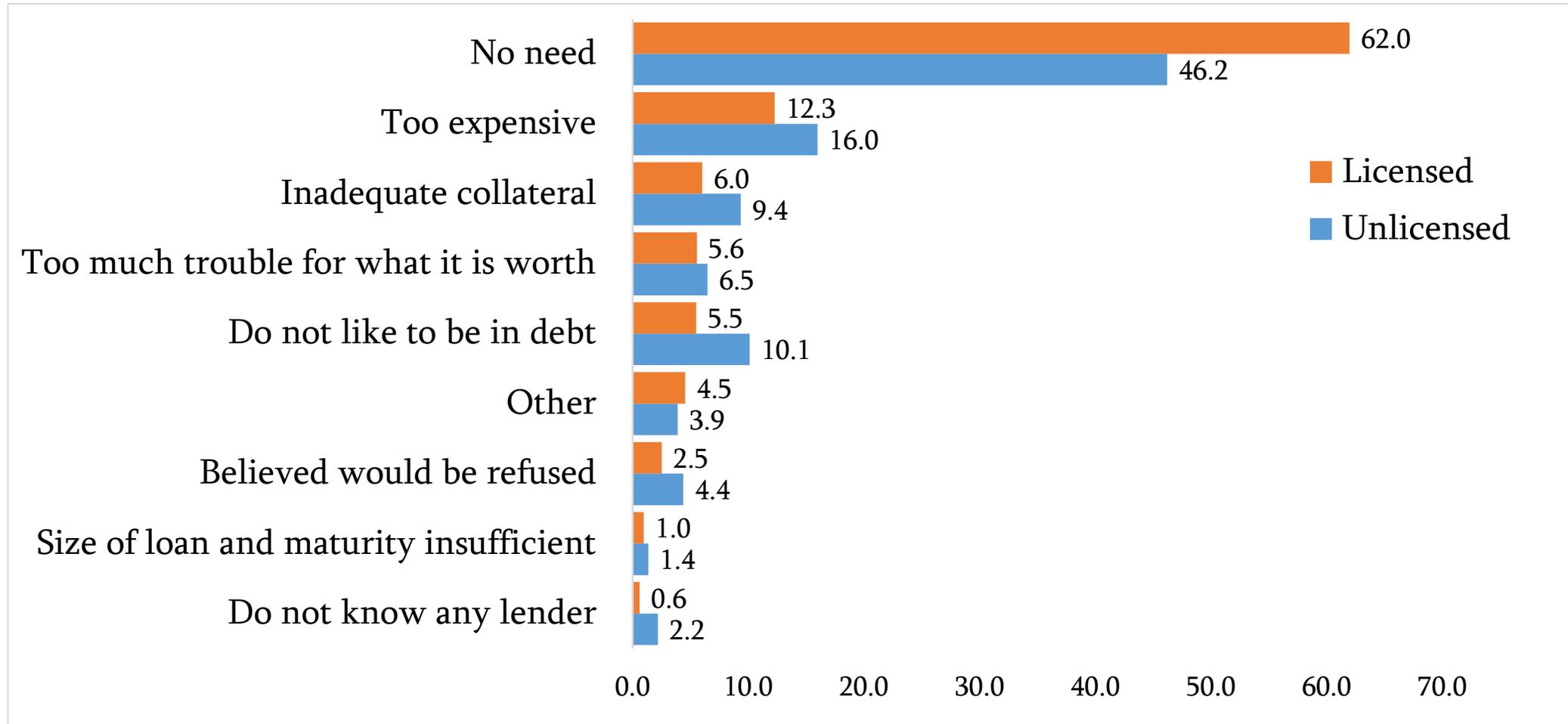


Constraints and Access to Amenities and Support Services

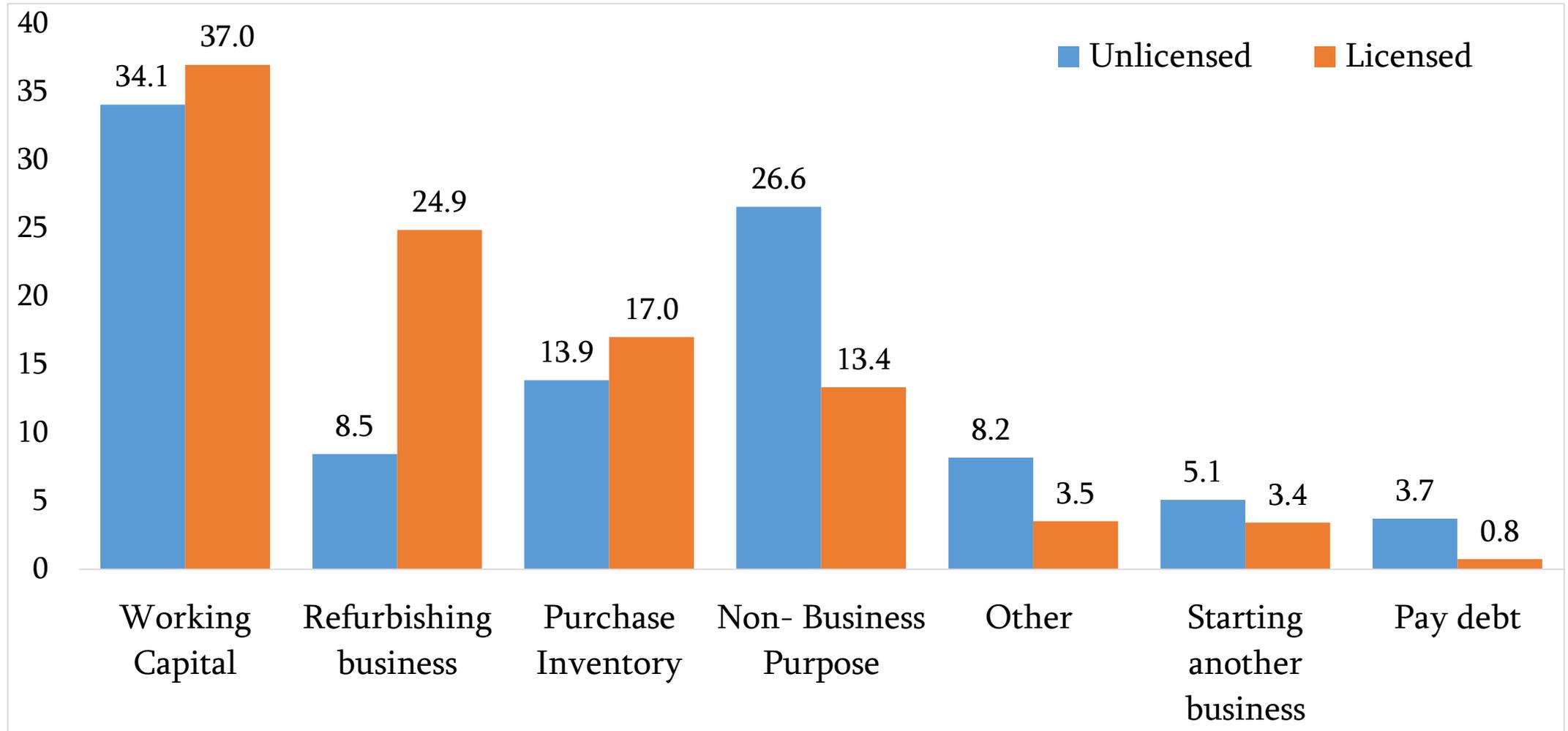
Challenges Faced by MSMEs



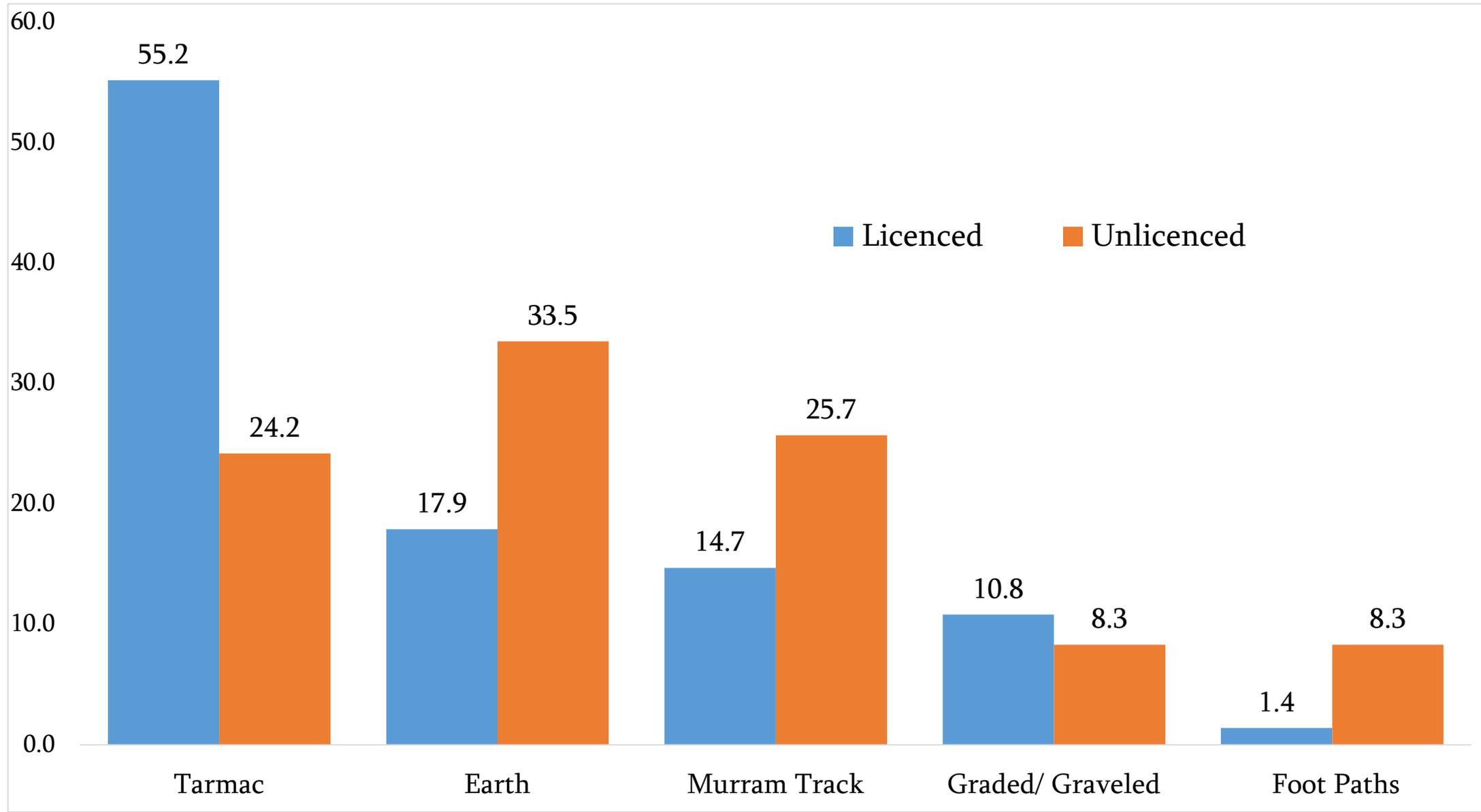
Reasons for Low Uptake of Loans by MSMEs



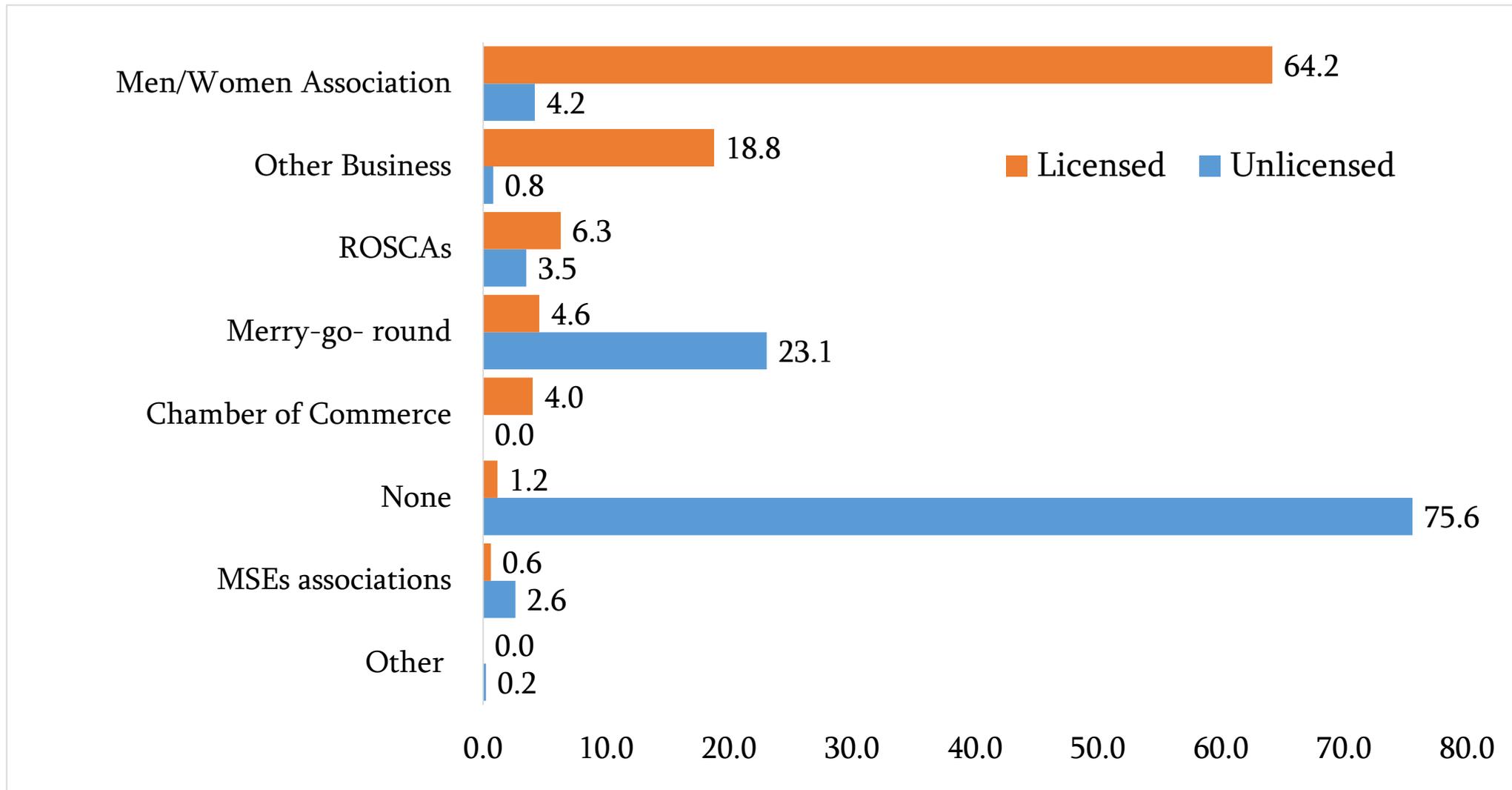
Reasons why Persons in Licensed and Unlicensed Businesses took Loans



Accessibility to MSMEs' Premises by Type of Roads



Support Groups for MSMEs



Conclusions

Conclusions

- MSME sector has evolved to a highly vibrant and dynamic sector of the Kenyan economy over the last few decades
- *Number of MSMEs:* A high number of MSMEs are undocumented businesses operating informally in Kenya.
- *MSME Categories:* Most of the MSME were micro establishments which were mostly operated by own account workers with few or no employees engaged.
- *Education Level:* The bigger firms were mostly owned by highly educated individuals but these were few. Persons with university degree should be encouraged to engage in businesses.

Conclusions Cont'd

- *Training:* Majority of the business owners adopt self-sponsored training which indicates that business owners are aware of their skills' deficits and they seek training to improve their entrepreneurial competencies.
- *Employment in the MSME sector:* The MSME sector arguably provides the highest employment opportunities in Kenya. Overall, the sector makes key contributions towards improving the economic and social sectors of the country through nurturing large scale employment across the country.

Conclusions Cont'd

- ***Employment per MSME Categories:*** There is a skewed concentration of MSMEs in micro and small categories. This underscores the fact that majority of the businesses are only able to support small numbers of employees as majority are only operated by their owners. There is high potential for creating more employment with growth and expansion of MSME sector.
- ***Value of MSME output:*** The high contribution of the MSME sector underscores the fundamental role played by the MSMEs towards economic growth and development. All efforts therefore should be put in place to support and build the capacity of MSMEs to be in a position to sustainably absorb more employees.

Conclusions Cont'd

- ***Net Income:*** The biggest proportion of net income generated by MSMEs is injected back into the business as re-investment and also spent to meet household and family needs. In order for the businesses to grow and transit from micro to small and small to medium, there is need for increase savings and re-investment by ploughing back the income.

THANK YOU