IMPACT OF COVID-19 ON THE KENYAN ECONOMY: A CASE STUDY OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) AT VIWANDANI, NAIROBI.

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF MANAGEMENT AND LEADERSHIP IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF DIPLOMA IN ENTREPRENEURSHIP OF THE MANAGEMENT UNIVERSITY OF AFRICA.

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DECLARATION

This research project is my original work and has not been presented for a diploma at any other University.

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This research project has been submitted for review with my approval as the University Supervisor.

Signed: ________________________________ **Date:** ________________

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DEDICATION

I dedicate the study to my family for their immense support and encouragement throughout this project.

ACKNOWLEDGEMENT

First, I would like to thank God for according me grace, wisdom and good health to be able to reach this far.

My family who were very instrumental in the writing process of this project.

My supervisor who patiently counselled and guided me throughout this project.

My lecturers, colleagues and fellow students for their input into this work.

ABSTRACT

Globally, businesses have been brought to a standstill with unparalleled and unanticipated impact on economies as well as livelihoods by the ongoing pandemic. Major victims of the COVID-19 outbreak are micro, small, and medium-sized enterprises (MSMEs). This health crisis has halted operations across all industries and heightened uncertainties amongst societies based on the recurring control measures quarantines, travel bans, border closures, a worst-case scenario in Kenya is foreseen calling for a more integrated approach to effective recovery. Although the sheer magnitude of the shock and the unfolding of the pandemic make it especially challenging to foresee the economic impact, the direct possibility of a recession has become concrete. In order to adapt to the change in the new environment, MSMEs are consistently reviewing their business models to survive and go through past the pandemic.

This research investigates how MSMEs operating in vehicle service industries have been coping with the disruptions caused by the COVID-19 pandemic. This research aims to gain insights into which transformation drivers MSMEs have focused on and which adaptation models they have selected as a means to respond to the disruption as well as create sustainable business models.

This research employed a case study research design. Data was collected through the help of online administered questionnaires, interviews and observations while observing the guidelines from the MOH and the WHO. The study employed simple random sampling design to survey parameters related to MSMEs in Viwandani area Makandara constituency. The study used both qualitative and quantitative methods of data analysis to analyze the findings.

The results indicate that most of the participating Motor vehicle MSMEs have been severely affected and they are facing several issues such as financial challenges, decreased demand, reduced revenue and profits which has led to reduced employment rates and staff retention among other severe impacts. In addition, 100% of the participating MSMEs reported not to have been prepared to handle the impacts of a pandemic because this type of a global pandemic had not been experienced before. Further, all participants reported to have reduced operations or review their business models in one way or the other as a result of the pandemic. In concluding, this research has provided insightful theoretical and practical implications concerning the impact of COVID-19 on MSMEs.

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ABBREVIATIONS AND ACCRONYMS

MSMEs:	Micro, Small & Medium Enterprises
ILO:	International Labor Organization
OECD:	Organization for economic cooperation and development
KNBS:	Kenya National Bureau of Statistics
COVID-19:	Corona Virus
SPSS:	Statistical Package for Social Sciences
GDP:	Gross Domestic Product
P.A.:	Per Annum

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter elaborates and outlines the contents of the first phase of the study. It comprises of the background of the study, the statement of the problem, the general and specific objectives of the study, the research questions, and the significance of the study and the scope of the study.

1.1 Background of the study

Micro, Small and Medium Enterprises (MSMEs) contribute significantly to the economies of most countries globally. According to (World Bank, 2020) MSMEs 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. Formal MSMEs contributes up to 40% of national income (GDP) in emerging economies and arguably these numbers would be significantly higher when informal MSMEs are included. In Kenya, MSMEs provide 80% of the newly created employment every year, thus playing a vital role in the economy. MSMEs employ the women, youth and the marginalized in society and are mostly operational in the suburban and rural areas where opportunities to attain employment in major industries are scarce. Consequently, they encourage economic inclusion and societal empowerment while reducing poverty levels. These ventures encourage creativity into a broad range of sectors which create value chains hence stimulating growth, diversification and transformation within societies. The economic shock due to COVID-19 has predominantly led to higher vulnerability of the MSMEs owing to the fact that they have small cash reserves and limited working capital.

COVID-19 is an infectious viral respiratory disease caused by the novel corona virus and is transmittable through contact of infected persons and surfaces. This deadly disease was first reported in Wuhan, China in December 2019, and spread rapidly to other regions in the world. On 30th January 2020, the world health organization (WHO) declared the disease a pandemic and on 12th March 2020 the first case of the COVID-19 was reported in Nairobi, Kenya. As a result, the government put in place stringent measures to curb the spread of the disease including lockdown and curfew which lead to closure of businesses, schools, churches and other daily activities. Introduction of curfew hours restricted movement in and out of the country. It also restricted inter-county travel and access into certain areas. Lockdown of major business wards within Nairobi such as the Nairobi CBD, East Leigh among others. Stay at home measures and suspension of public gatherings, meetings, conferences and other events. Where gatherings were to happen people were expected to maintain social distancing which automatically reduced the capacity of people that could be in one area at a given time.

COVID-19 has had a profound impact on the MSMEs leading to sudden drop of revenues, creating acute liquidity shortages and in some serious cases threatened the survival of viable businesses. Nationwide lockdowns and behavioral changes due to the fear of the pandemic caused the disruptions in the business activities, production and even demand for goods across all industries. While all this has been unfolding, enterprises have all through been expected to meet their financial obligations to suppliers, creditors and cater for their operations costs while staying afloat. This is still happening at the time of this study despite the tremendous containment measures being put in place to curb the spread of the disease in the country. Further efforts in place are to introduce a vaccine for the novel Coronavirus in Kenya. The projections of the current infection status indicate that the virus will be with us much longer. As a result, as long as the pandemic still persists, the economic impact will continue to be felt across various industries not sparing MSMEs.

In its effort to cushion its people from the atrocious effects of the pandemic, the Kenyan government has been investing heavily in the health care system capacity. It is questionable if the government has at the same time been able to strike a balance in cushioning the informal sector especially in the rural areas, the self-employed and those in the urban and suburban areas earning an informal wage. This is due to the heavy debt burden of up to 6.7 trillion and the massive corruption facing the country.

In the context of this study, MSMEs are viewed typically to have limited resources, limited cash flows, few customers, and concentrate on current performance rather than taking a strategic focus. They often have a flat organizational structure with between 5 to 50 staff members. COVID-19 has brought reduction in the economic activities putting severe stress on enterprises around the globe as well as in Kenya. Those drifts call for swift and strong measures to save the dire situation and protect the markets and economies from sliding further and retain their functionality. Therefore, the essence of this study was to assess the magnitude of the impact as well as find out the survival mechanisms of the MSMEs. This includes the policies put in place to support these enterprises.

1.2 Statement of the Problem

In developing economies such as Kenya, MSMEs make a significant contribution to local employment and to overall gross domestic product (GDP) particularly in urban settings where people are more reliant on waged employment. An economic slump due to COVID-19, to which MSMEs are especially vulnerable, affects these businesses at a great magnitude. Major adjustments have been applied into the MSMEs by some businesses opting to quit, restructuring, introducing flexible working schedules, redundancies and pay cuts or sale of products and services at a giveaway prices. At the same time, many have struggled to survive through the prolonged period of reduced economic activity. This inspires the researcher's curiosity on how the MSMEs have managed from the beginning of 2020 to the first quarter of 2021.

According to projections by OECD center for entrepreneurship, MSMEs output levels have reduced by ¼ in many economies with consumer expenditure dropping by 1/3, and the implication on the GDP P.A also estimated to decline by 2% for each month the COVID-19 containment measures continue. The international Labor Organization (ILO) has estimated the impact of COVID-19 on the global level of employment to reduce between 5.3 million and 24.7 million indicating that sustaining business operations will be particularly strenuous for MSMEs. Thus, this research seeks to identify the effects of COVID-19 on MSMEs, because unlike in most developed economies, developing countries such as Kenya lack the mechanism and funds to help protect and buffer MSMEs from economic shocks, and to provide social safety nets for the unemployed.

1.3 Research objectives

1.3.1 General objective

To find out the Impact of COVID-19 on the Kenyan economy: A case study of the Micro, Small and Medium Enterprises (MSMEs) within Viwandani, Nairobi.

1.3.2 Specific objectives

i. To analyze the economic impacts on Micro, Small and Medium enterprises (MSMEs) in Viwandani due to COVID-19.
ii. To examine survival mechanisms of MSMEs into the new normal of living with COVID-19.
iii. To investigate the policies put in place by the Kenyan government and other bodies to support and help MSMEs recover during COVID-19 and post COVID-19
iv. To find out the MSMEs preparedness to future pandemics

1.4 Research questions

i. What impact has COVID-19 had on the Kenyan Economy specifically on MSMEs?
ii. What strategies are MSMEs employing towards recovery during COVID-19?
iii. What policies have been put in place by the Kenyan government and other bodies to support and help MSMEs recover during COVID-19 and post COVID-19?
iv. How prepared are MSMEs towards future pandemics?

1.5 Significance of the study

In establishing the impact that the pandemic has had on MSMEs, the study established how the motor vehicle repairers in Viwandani have been affected by the pandemic and what the informal industry has learnt in its preparedness to deal with future pandemics. The study found out the industry adoption measures of working in the new normal, which is post COVID-19 era. This research also takes a new dimension. Past research on MSMEs was focused on their contribution to the economies, their advantages and challenges among other aspects. However, in this study the focus was on how the pandemic and in this case COVID-19 that is an unfolding and ongoing health crisis has impacted MSMEs making this study unique and unpreceded.

With the explanations above, this study is expected to contribute to economic growth, especially for MSMEs, and help them prepare better in case of future pandemics which would require stringent measures such as those which the COVID-19 pandemic has subjected nations and communities to.

In addition, this study paved a way for further studies on mitigation and recovery. It also forms a base for future studies on the same area post the pandemic. The study would also be relevant to identify for MSMEs the policies and the cushioning measures they can receive from the Government, to help, develop and create sustainable business models as well as their survival in time of crisis.

1.6 Scope of the study

This study was carried out in April 2021 in Viwandani, an electoral ward within the Makadara Constituency of Nairobi County that bounders the industrial area. Viwandani is made of informal settlements, large numbers of unskilled and semi-skilled laborers who heavily rely on the informal labor sector and small scale enterprises. The target population included both male and female participants working in the motor vehicle repair industry as mechanics and garage owners.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed the primary and secondary sources of literature available on the impact of pandemics towards the medium and small scale enterprises especially on the Kenyan MSMEs. The chapter comprised of an Introduction, theoretical literature review, empirical literature review, summary of the research Gap, conceptual frame work and operationalization of variables.

2.1 Theoretical literature review

This project borrowed from several theories; the theory of business, theory of crisis management and Schlossberg's Transition Theory. According to Drucker, (1994) in discussing the theory of business, organizations have to take into consideration several types of assumptions affecting their way of doing work: assumptions relating to the organizational environment, assumptions relating to the accomplishment of the mission, and assumptions about the competencies and resources enabling the fulfillment of the mission. The theory elaborates further the organizations that have experienced great success or failures. The COVID-19 pandemic has exposed great inadequacies in the current business models and operations of many MSMEs. The theory of business enables organizations to rethink their three elemental assumptions when there arises a crisis in the business environment (Gregurec, Furjan, & Pupek, 2021). Strother, (2016) in the theory of crisis management brings out the necessity of having more than one protective factors to help survive adversity. It calls for companies to have contingency plans and to anticipate emergencies and disruptions that could occur; defines actions to regain normalcy in the company.

Schlossberg's Transition Theory defined a transition as “any event, or non-event that results in changed relationships, routines, assumptions, and roles”. It argues furthermore that perception is very important towards determining the validity of an event or a non-event. In order to understand the meaning that a transition has for a particular individual, the type, context, and impact of the transition must be considered (Anderson, M.L., Goodman, J. & Schlossberg, and N 2012). It lists the following types of transition: such as Unanticipated transitions: this is when certain events are not foreseen or anticipated, but lead to major ripple effects e.g. the COVID-19 Pandemic that has led to global economic shifts.

Traditionally, the transitions theory has been explored mainly in analyzing contemporary and socio-economic systems such as human attitudes and perceptions, energy, transport, climate change or food security (Wells, Peter, Abouarghoub, Pettit, Beresford & Anthony, 2020). However, the COVID-19 pandemic has had an extensive impact on a collective level. Notably, the COVID-19 pandemic has been exceptionally widespread in the way it has disrupted existing traditions and practices. The pandemic is therefore, in the global context, a transition event at the ground level that has simultaneously affected a variety of sectors at different scales. The Transitions theory was used to assess and examine the possible different outcomes of COVID-19, as well as possible mitigation measures towards recovery of the economy (Wells, Peter, Abouarghoub, Pettit, Beresford and Anthony, 2020).

Theoretically, the Transitions theory can be used to generate different scenarios which can then be used to generate illustrative outcomes (McDowall Angheloiu, Chaudhuri, and Sheldrick 2017). However, the downside to the efficiency and accuracy of this means validation is that unforeseen or unprecedented events that may occur, which may adversely affect the outcomes, or have a significant impact on the outcomes. (Tavasszy, Ivanova, and Halim 2015; Zukunftsinstitut 2020). This paper has thus listed the possible scenarios post COVID-19, and possible mitigation measures that has aided in the recovery process. These include; Business as usual: A scenario that assumes that post COVID-19 will be a return to the normal global GDP growth with different sectors going back to normal operations. Managed transition; whereby different sectors will capitalize on government incentives and various mitigation measures to cushion potentially detrimental side effects through different growth and recovery strategies. Chaotic transition: Assumes that the ripple effects caused by the global economic decline would be too massive to recover, leading to an environmental, economic, and political collapse on a global scale. Managed growth: Which would be created by strong regional and international regulations, limiting of various resources, all towards mitigating against a global recession. With those approaches in mind, there is great necessity for MSMEs to have concrete recovery strategies in order to recuperate from the shock experienced as a result of the COVID-19 impacts.

2.2 Empirical literature review

The global GDP before the COVID-19 pandemic had recorded a decelerated growth of 2.9 per cent in 2019 as compared to a growth of 3.5 per cent in 2018. Economies of developed countries are estimated to have grown by 1.2 per cent in 2019 in caparison to a growth of 2.2 per cent in 2018. Sub-Saharan Africa's growth slightly slowed to 3.1 per cent from 3.3 per cent growth in 2018. This growth was mainly caused by increased agricultural production, due to good weather, as well as high infrastructural investments (Kenya National Bureau Of Statistics, 2020). In 2019, the Gross Domestic Product (GDP) of Kenya was estimated to have grown by 5.4% in 2019 compared to a growth of 6.3% in 2018. All sectors had recorded relative growth, but were greater in service oriented sectors. Despite most sectors recording decelerated growths, the economy was supported by accelerated growths in Financial and Insurance (6.6 per cent) and Real Estate activities (5.3 per cent). (Kenya National Bureau Of Statistics, 2020)

Globally, Micro, Small and Medium Enterprises (MSMEs) play an indispensable role in the economic development of a Nation. MSMEs generate diverse sources of income, create employment, inflate innovation and competition, and provide opportunity for upskilling, and ultimately aid in improving living standards. In turn the enterprises promote entrepreneurship, build an industrial base at varied levels and build economy resilience (Anyanga & Nyamita, 2016). According to ILO, (2020), MSMEs represent more than 70% of global employment and 50% of GDP thus cannot go unnoticed. Unfortunately, these businesses have been hit hardest by the ongoing COVID-19 pandemic (World Bank, 2020). The effects of the crisis on business continuity, labor force, revenues and occupational health and safety have been and continue to be devastating beyond imagination (ILO, 2020).

2.2.1. Business Continuity and Survival

The government of Kenya defined MSMEs as all those enterprises with employees ranging between 1 to 99, and are a major revenue contributor to the Kenyan economy since they ensure flow of money within the country therefore enabling the government to have various tax-collection points. Sharp increases in corporate and personal insolvency is a typical result of a crisis period (Apedo-Amah, Avdiu, Cirera, Cruz, Davies, Grover, & Tran, 2020). In the past, viruses such as H5N1 and influenza virus have spread globally but never to such magnitude and extent as COVID-19 has. The H5N1 (swine flu) virus occurred in various countries, but it differs from the COVID-19, which spreads quickly throughout the globe. The influenza virus did not spread throughout the world and did not significantly affect the global economy (Lutfi , Buntuang, Kornelius, Erdiyansyah, & Hasanuddin, 2020).

It is arguable that enterprises in developing economies with shallower financial markets are most vulnerable to liquidity problems and insolvency risks. It is evident that the slowdown of economic activities due to the Novel corona virus led to severe implications for firms to meet their financial obligations The novel corona virus greatly affected the global economy, and its effects greatly felt across all industries both large firms and MSMES, however the smaller businesses have felt the impact more due to their form factors than the larger companies who tend to have more financial muscles and survival strategies in place (Apedo-Amah, Avdiu, Cirera, Cruz, Davies, Grover, and Tran, 2020). As a result, as much as the measures put in place to curb the spread of the virus were necessary, the implications of their implementation on many MSMEs have been to shut down operations. Others have temporarily closed trade by following direct instructions from the authorities. Still, others have closed temporarily due to a reduction in orders, employee's infections with COVID-19 and with some closing doors for good. (ILO, 2020).

2.2.2 Revenue

The COVID-19 Pandemic has led to a massive disruption of both economic and social systems. Largely all industries and sectors have been affected by the global pandemic, with operations in almost every industry being either halted completely or operations severely reduced with warnings of corporate failure and requests for government financial assistance (Wells, Peter, Abouarghoub, Pettit, Beresford & Anthony, 2020). The year 2020 has been projected to set a record for so-called mega bankruptcies (ILO, 2020). There has been substantial reduction of revenue from the time the pandemic hit in the first quarter of 2020. In elaborating further, the impacts of the pandemic, Aum, Lee & Shin, (2020), continues to say that due to the lockdown and other restrictions, many MSMEs have also suffered reduced demand of their products.

Others have had to cut operation by more than half of their original operations which has resulted to cash flow and liquidity challenges as well as the economy of a country. However, MSMEs have arguably suffered the most due to the COVID-19 pandemic largely because most of their business models are based on volumes of sales especially from those that deal in merchandise sales. The low volumes of customers due to containment measures, curfews and self-isolation protocols have led to decreased sales and MSMEs are most affected compared to other business (Winarsih, Indriastuti, & Fuad, 2020).

2.2.3 Labor force

Labor force has not been spared either. Businesses adjusted their employment levels as soon as the revenue was cut short (Apedo-Amah, Avdiu, Cirera, Cruz, Davies, Grover, and Tran, 2020). Enterprises that experienced large sales drop also experienced large reduction in employment. The pandemic directly led to furlough of worker's being denied paid leave and also working under reduced pay. Other companies have faced shortage of workers due to containment measures, family care responsibilities or fear of infections (ILO, 2020). According to (Aum, Lee, & Shin, 2020) in a study conducted in Korea, all employment losses were accounted for by small establishments with fewer than 30 employees. From a number of studies, it is still evident that the most economically vulnerable groups suffered the direst impacts from the effects of the pandemic (World Bank, 2020). Those are the unskilled laborers, youth, workers in low-wage occupations and temporary contracts as well as the self-employed entrepreneurs. (Aum, Lee, & Shin, 2020).

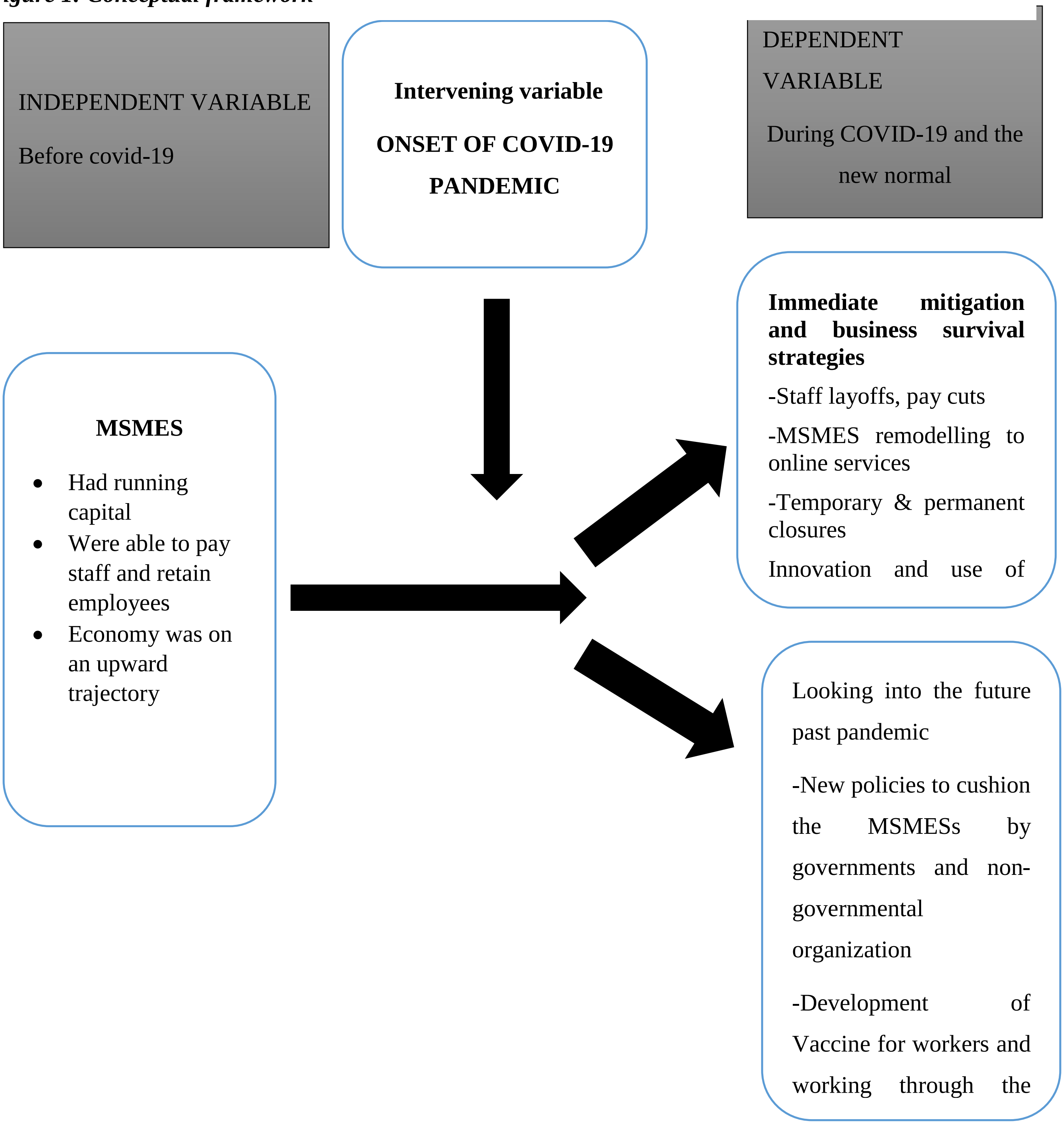
2.2.4. Mitigation

COVID-19 caught the MSMEs unaware and unplanned. Moving forward, there has been a strong call for solid sustainable business models to fit and adapt within the evolving business environments. MSMEs can recover through employing strategic planning. This can be achieved through eliminating some of the hazards, mitigating consequences of adverse effects and being more in control of the outcomes (Obrenovic, Du, Godinic, Tsoyy, Khan, & Jakhongirov, 2020). New strategic approaches for MSMEs should help increase the likelihood of overcoming the impact of the pandemic (Gregurec, Furjan, & Pupek, 2021). From the COVID-19 crisis, MSMEs have learnt the great need for digital innovation and inclusivity within their business frameworks. Exponential technology development in previous years was seen as a promising tool (Obrenovic, Du, Godinic, Tsoyy, Khan, & Jakhongirov, 2020). In the wake of the pandemic, digital technologies did not find a strong and widely based application in the MSMEs sector which resulted to partial or temporary closures of many businesses. It also opened discussions to develop a futuristic business continuity plan. Currently, MSMEs are now trying to avoid a total shut down of economic activities by introducing digital technologies that were not considered a high priority earlier (Gregurec, Furjan, & Pupek, 2021). While it was happening, some of the businesses have been made redundant with no chance of survival in the new normal.

2.3 Conceptual frame work

This study also employed the Keynesian Economics developed by John Maynard Keynes. It is a macroeconomic economic theory of total spending in the economy and its effects on output, employment, and inflation (Davidson, 2011). The theory was developed during the 1930s in an attempt to understand the Great Depression. Based on this theory, Keynes advocated for increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression. Subsequently, Keynesian economics will come in play to try and understand the effects of the COVID-19 pandemic and how the Kenya government and key policy makers could possibly intervene to optimize the recovery of the businesses and lift them from the economic slump by influencing aggregate demand through activist stabilization and economic intervention policies in order to prevent an economic recession and fight unemployment.

Figure 1: Conceptual framework



2.4. Operationalization of the Variables

The above Figure 1. Represents the conceptual framework, which depicts the relationship between the theoretical framework and the findings of this research. This study focused on finding out the

Impact of COVID-19 on the Kenyan economy, with a special focus on the Micro, Small and Medium Enterprises (MSMEs) within Viwandani, Nairobi. In order to help answer the research questions of this study. Figure 1. Above shows the independent variable which are well represented by the economic environment before COVID-19, show how the onset of the pandemic became an intervening variable that cut across all economic sectors, disrupting economies and how the MSMEs operated and shows the dependent variables brought out as the new environment and economic situation as an aftermath of the pandemic. The dependent variables show the current situation as MSMEs are trying to recover and move past the pandemic. As elaborated in the theories above, the new challenges brought by the pandemic necessitated new ways i.e. mitigation and recovery strategies for the businesses to continue surviving the crisis. The effects of COVID-19 to the economy have also led to forced transitions, economically, technologically and socially within the businesses with the efforts directed to better preparedness in case of future pandemics and similar occurrences.

2.5 Conclusion

In post COVID-19, many governments will be working towards putting up various economic policies and directives aimed at mitigating a global recession which could have irreparable consequences. In Kenya, the government has rolled various economic stimulus programs, through creation of accessible credit and moratorium loans, financial inclusions and subsidies. Tax reductions, waivers and various incentives have also been touted as possible recovery stimulus packages. (Kenya National Chamber of Commerce, 2020).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0.Introduction

This chapter highlights research design, target population, the sample, sampling technique, data collection instrument, how the pilot study was conducted, the data collection procedure, data analysis methodology, data presentation and the ethical considerations to be upheld during the research.

3.1.Research Design

A case study research design was followed with the study being conducted in the month of April 2021. The period was arrived at because there has been a 3rd wave of the COVID-19 pandemic that called for lockdown on the central zones of the country which has affected trade between the zone and other areas. The study was conducted in Viwandani as outlined in **Figure 1 and 2** below. The ward was chosen based on its high population of motor vehicle repair MSMES and economic growth the industry brings to the area. Qualitative and descriptive analysis was used. The target population was owners of various MSMEs in the area as well as employed mechanics both women and men.

Figure 2: Location of Viwandani in Kenya (Source: Maps of Kenya)

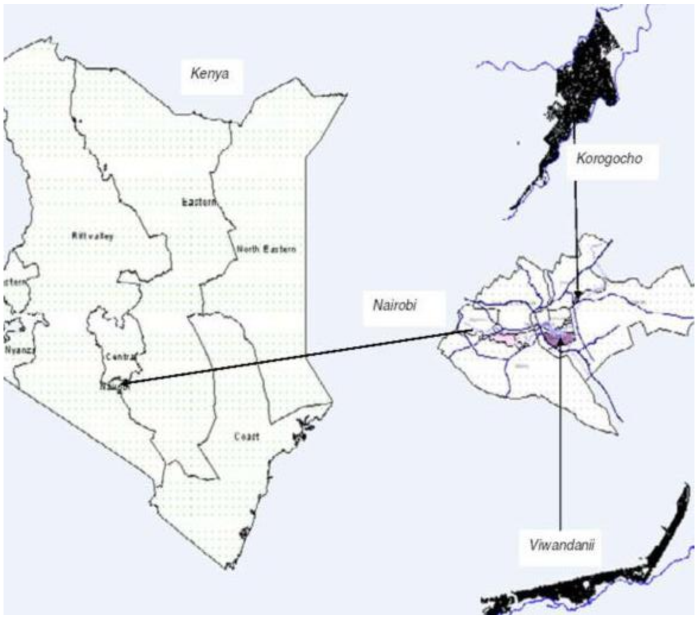


Figure 3: Map of Viwandani (Source: Maps of Kenya)

3.2 Target Population

According, Cooper and Pamela, (2006) a population is the collection of observable elements that have similar characteristics from which inferences can be derived from. A population as defined by (Mugenda and Mugenda, 2003), also refers to an entire group of people, items, events or objects that possess a common observable characteristic. The population targeted in this study will be the Kenyan MSMEs in Viwandani, an electoral ward within the Makadara Constituency of Nairobi County that bounders the industrial area. This study targets MSMES within Viwandani area and are registered by the Nairobi County Government. Those with a functioning business license, and thus only MSMEs with a valid certification was captured and included in this study. The target population included both male and female participants working in the motor vehicle repair industry as mechanics and garage owners.

3.3. Sampling and sampling technique

A sample to represent the population was drawn through simple random sampling method and purposive sampling. Despite having so many participants of MSME sector in Viwandani, it was impossible to get the respondents of all the members due to time and budget restrictions. Therefore, simple random sampling was more suitable for the study. The method was also preferred for its ability to sample a small representative group from a bigger population with limited bias. Any respondent was picked from the main population with equal probability. The investigator aims to sample 80 samples to reflect the situation.

3.4. Data Collection instruments

The primary tool that was used to collect data was online questionnaires guides for the MSMEs since the method helped uphold the social distancing measures and at the same time help to effectively collect data. The study also used interviews guides and observation. Questionnaires were made accessible to literate respondents. The questionnaires were unstructured and had both open ended and closed research questions. The questionnaires were divided into 3 sections, i.e. Respondent's bio data (section 1), information on the enterprises (section 2), effects of COVID-19 pandemic on the MSMEs, mitigation and recovery (section 3).

3.5. Data Collection Procedure

The researcher guided the respondents on areas that require interpretation. For illiterate respondents, the researchers took the respondents through the study using interview guides. The structure and content of the guides was similar to that of the questionnaires. Both the questionnaires and interview guides was designed to collect the same type of data. Observations were made to evaluate some of the situations that could easily be recorded. There was no stipulated guide on observation rather the investigators opinion on notable features of respondents and the MSMEs. The research used both closed and open-ended questions to ensure a balance between qualitative and quantitative data to be collected as this is important in providing crucial information on the study.

3.6. Pilot study

A week before the main study commences, the investigator conducted a pilot study in the area to test the suitability of the proposed data collection instruments, test the validity and the reliability of the tools and see if the data generated were consistent.

3.7. Data Analysis and presentation

The collected data was analyzed and presented using descriptive statistics. MS excel and the Statistical Package for Social Sciences (SPSS) was used. The data was presented in explanations and where need be graphs, pie charts and tables.

3.8. Ethical Considerations

Throughout the study the investigator upheld certain ethical consideration as expounded below.

3.8.1. Informed Consent

The respondents were advised the purpose of the study ahead of gathering any information from them.

3.8.2. Voluntary Participation

Participants were selected voluntarily. The investigator also allowed them consent to participate on their own free will.

3.8.3. Confidentiality

The participants were assured of confidentiality throughout the research process.

3.8.4. Privacy

Each response was treated with high privacy and the data was only used for academic and educational purposes only.

3.8.5. Anonymity

Anonymity was sort in gathering data, analyzing and presenting it.

CHAPTER FOUR

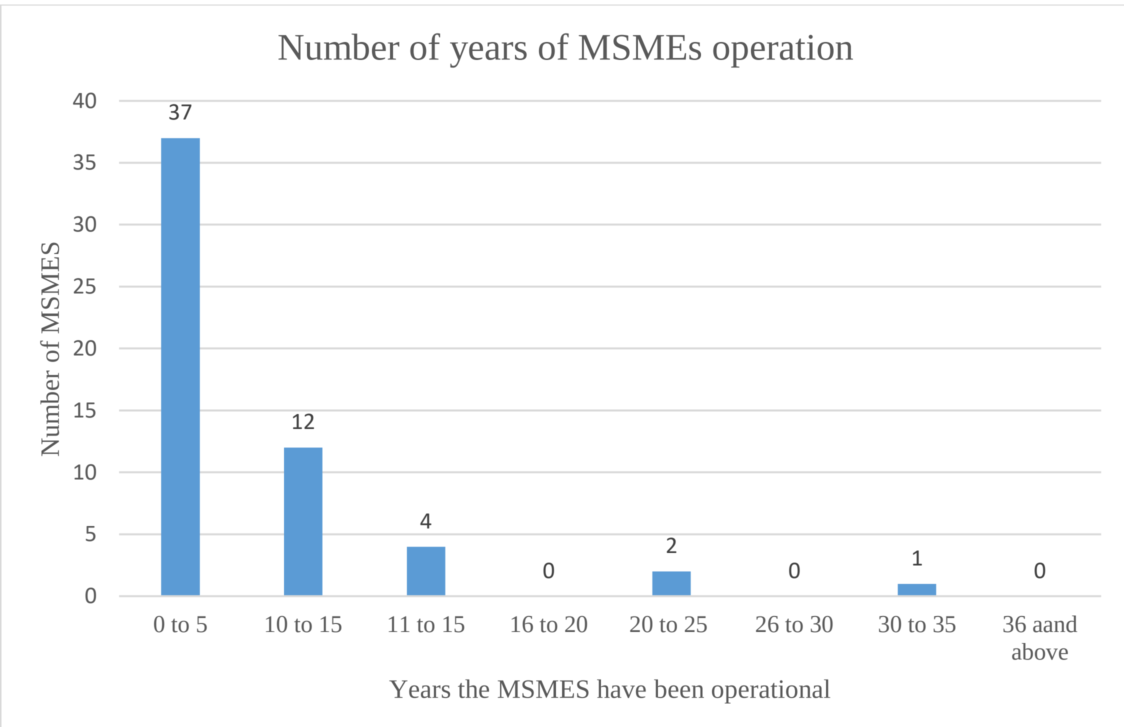
RESEARCH FINDINGS AND DISCUSSION

4.0.Introduction

This chapter provides an overview of the findings. It provides a detailed summary of the data that was collected through the questionnaires and interview guide for the study conducted in Viwandani are Nairobi Kenya. This chapter also highlights the key emerging issues from the interviews on existing recovery strategies in Kenya.

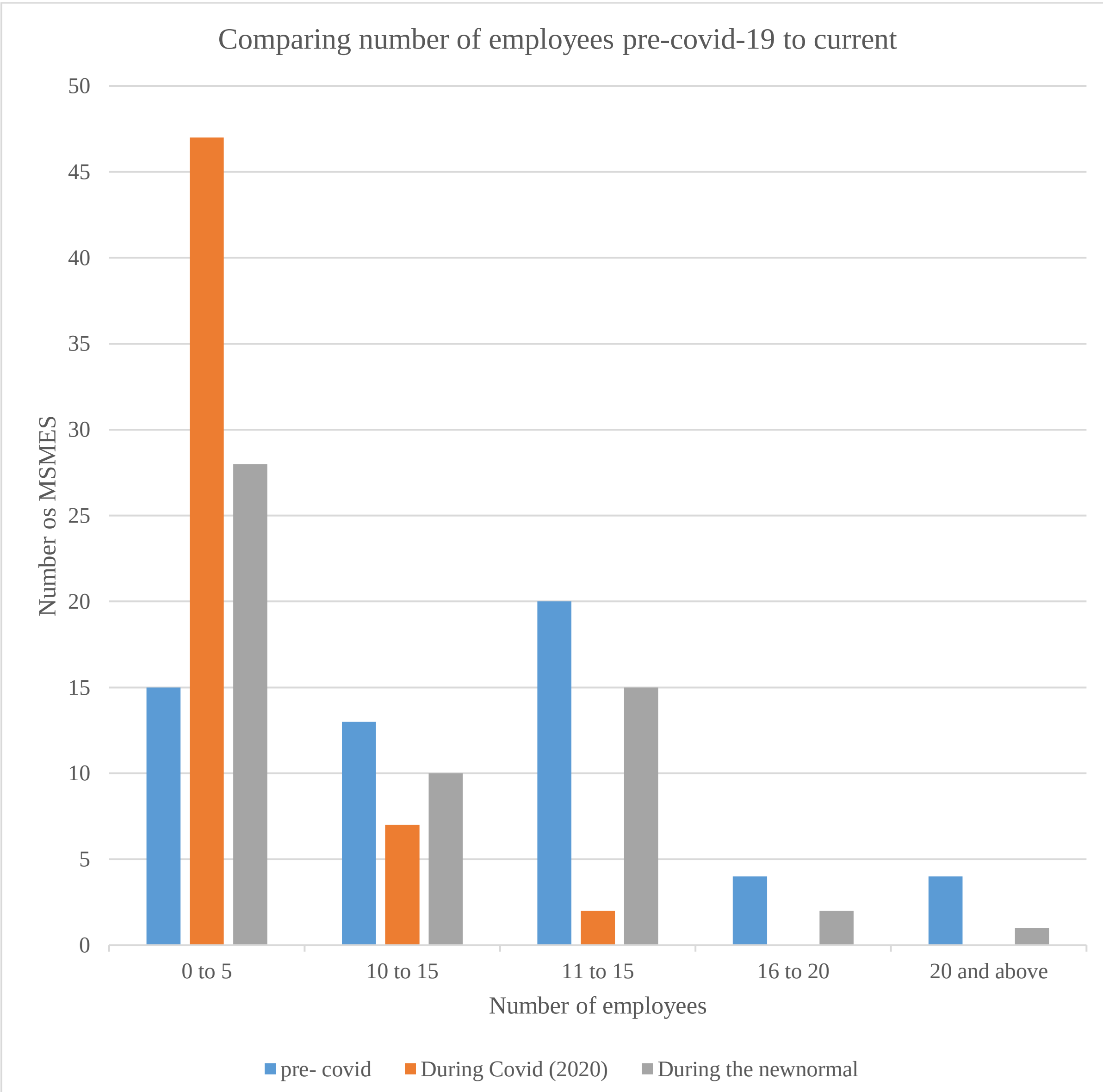
4.1.Presentation of Research Findings

Figure 4: Number of Years MSMEs have been Operational



The findings presented in the Figure 4. Above indicate that majority of the MSMEs have been in operational between 0 to 15 years. While few MSMEs have been operational for more than 1 years. This shows that many businesses in Viwandani are fairly new and until the time of the pandemic they had hardly established themselves well in the market.

Figure 5: Number of employees, pre- COVID-19, during COVID-19 to date

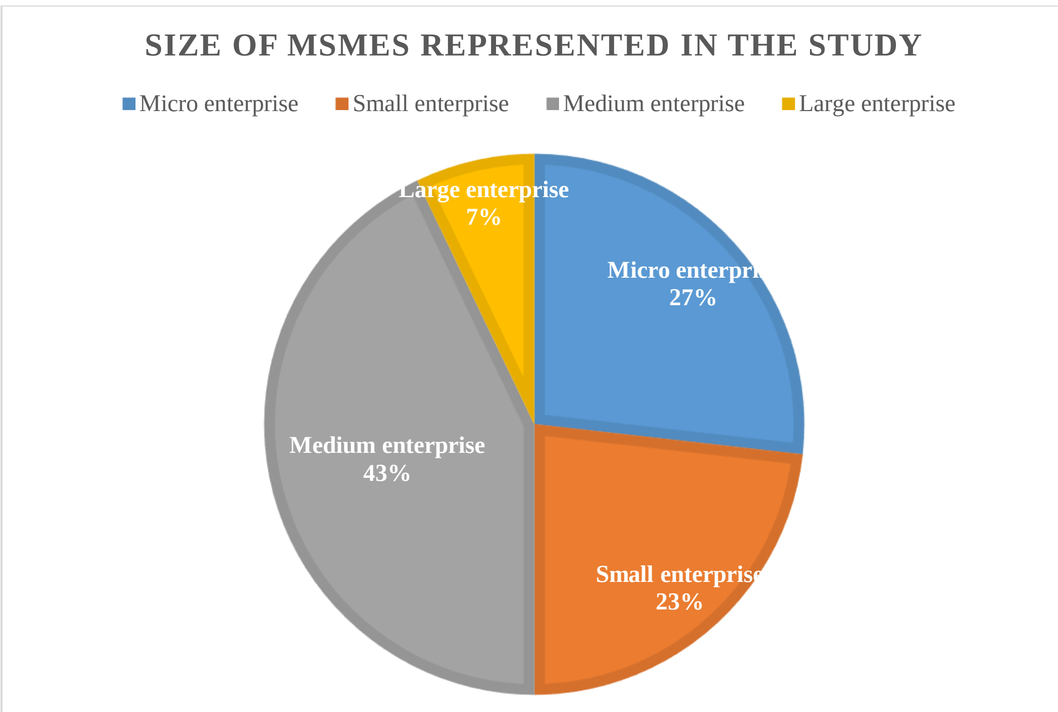


The findings in Figure 5 above compare the pre- COVID-19 era and the current times show that most companies registered lower numbers of employees from when COVID-19 first hit, to present. This was mainly attributed to pervasive staff lay-offs and retrenchments. Some of the respondents also attributed the lower employee numbers to desertions by frightened staff who were either afraid of contracting COVID-19 in the largely high interaction-based motor industry; or some who migrated upcountry.

Table 1: Summary of the sample business profiles:

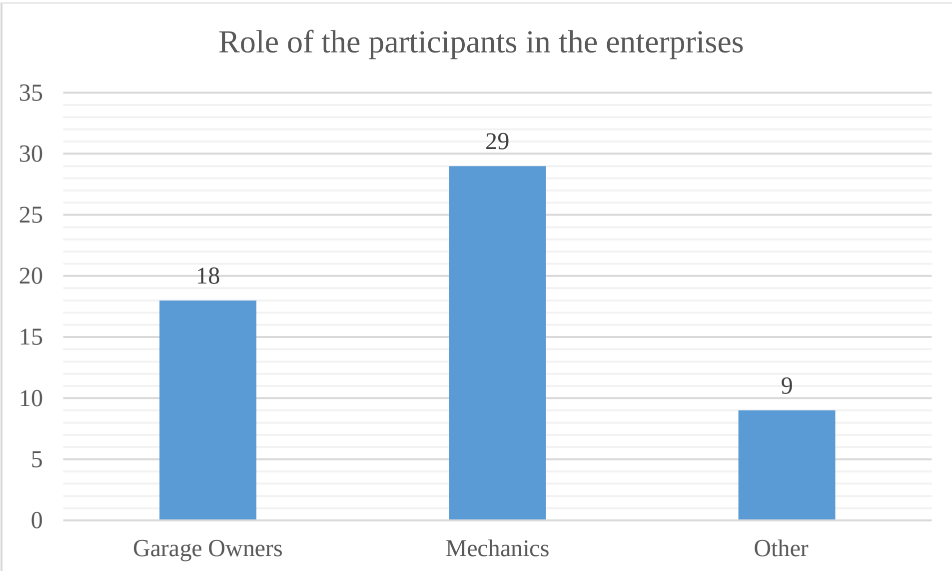
Type	No of enterprises
Micro enterprise	15
Small enterprise	13
Medium enterprise	24
Large enterprise	4

Figure 6: MSMEs Business Profile



The Figure 6. Above depicts that the greater Viwandani area was found to accommodate largely micro, medium and small enterprises, with medium sized enterprises taking the greater share. These were found to be operating with a turnover of between Ksh 2,000,000 to 10,000,000. Of note is that only 7% of all motor vehicle businesses were found to have been operating with a turnover of Ksh 10,000,000 and above. Some of these respondents attributed their success to strategic tactics such as tendering for the repair and servicing of emergency response vehicles, which were still operational.

Figure 7: Role of Participants in the enterprises

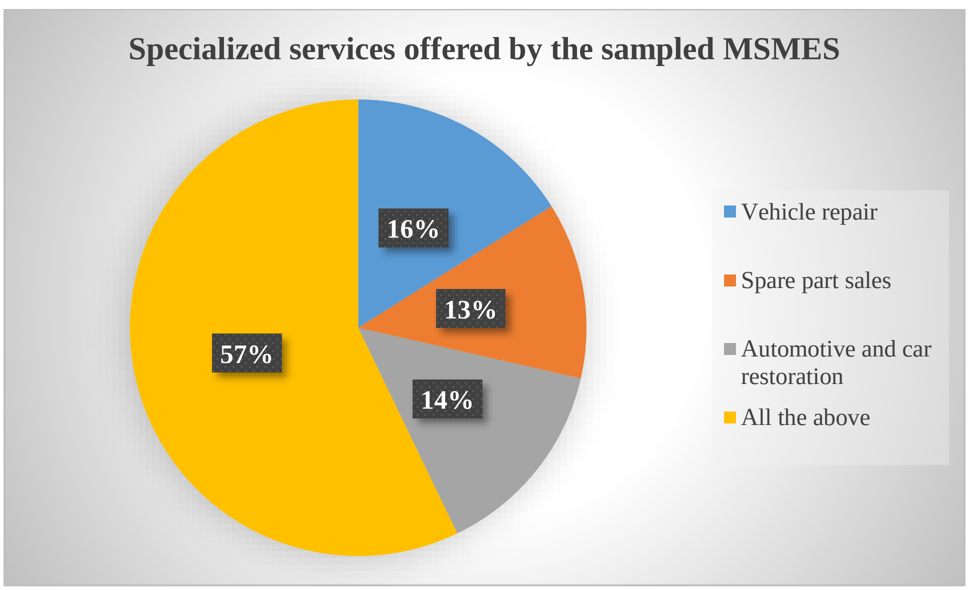


In Figure 7. Above, it is clear that majority of the people working in Viwandani were Mechanics and Garage owners. Majority of the respondents were found to be working on various revenue streaming avenues in the motor vehicle industry, with less than half of the respondents undertaking in specialized services and indicated in Table 2. And Figure 8. below. This was attributed to the owners trying to remain afloat and still generate income, amidst stiff competition.

Table 2: Services Offered

Services offered	**Number of MSMES**
Vehicle repair	9
Spare part sales	7
Automotive and car restoration	8
All the above	32
Total	56

Figure 8: Services offered by the representative MSMEs



PART B: ECONOMIC DATA

Revenue

From the study it is clear that the sale of the spare parts in 2020 dropped with up to more than 150% compared to the 2018 and 2019. With the reopening of businesses, the sale of the items seems to be rising steadily in 2021 as indicated in Figure 9. Below.

Figure 9: Comparative Revenue on Sales

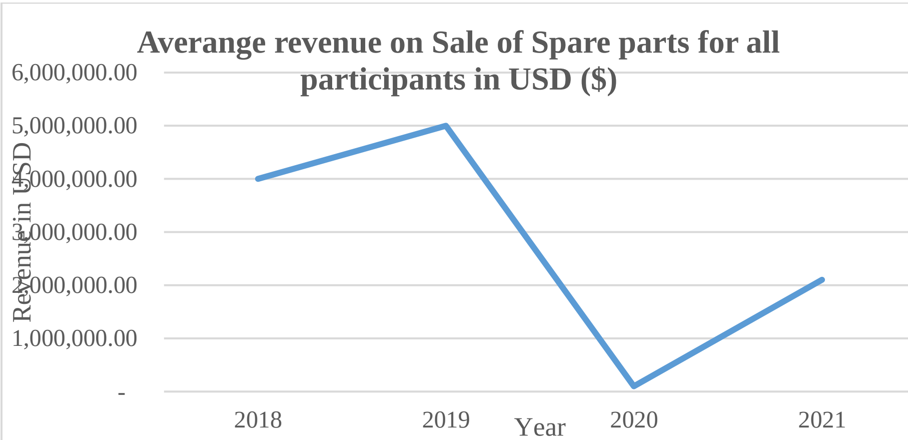
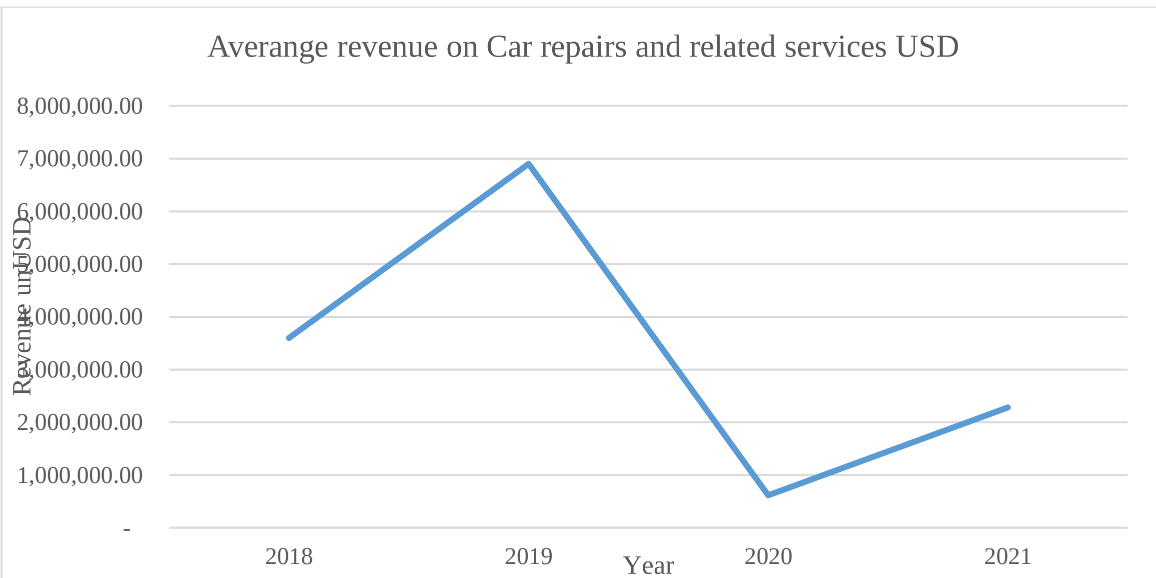


Figure 10: Average revenue on car repair



Similar, as showed in the Figure10. Above, car repair and related services as assessed in the survey; car repairs, automotive restoration, transport request and commissions dropped with up to 200% in 2020 as a result of the pandemic compared to an average of the revenue generated from 2018 and 2019. In 2021, these services are generating income higher than 2020.

Figure 11: Payroll related expenditure

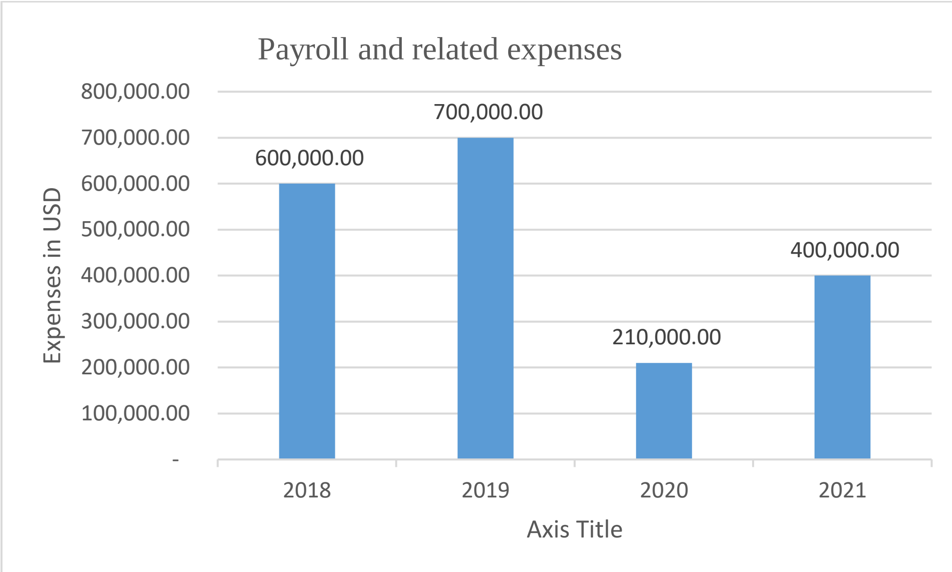


Figure11. Above shows that expenses were mainly streamlined to avoid losses, with businesses employing various tactics amidst a dwindling income. Most businesses recorded the least income in the year 2020, while the year 2019 was estimated to have had the most income. However, most businesses were optimistic of higher incomes for the year 2021, as by mid-2021, the majority had already recorded greater incomes than the whole of 2020.

Figure 12: Expenditure on Utilities

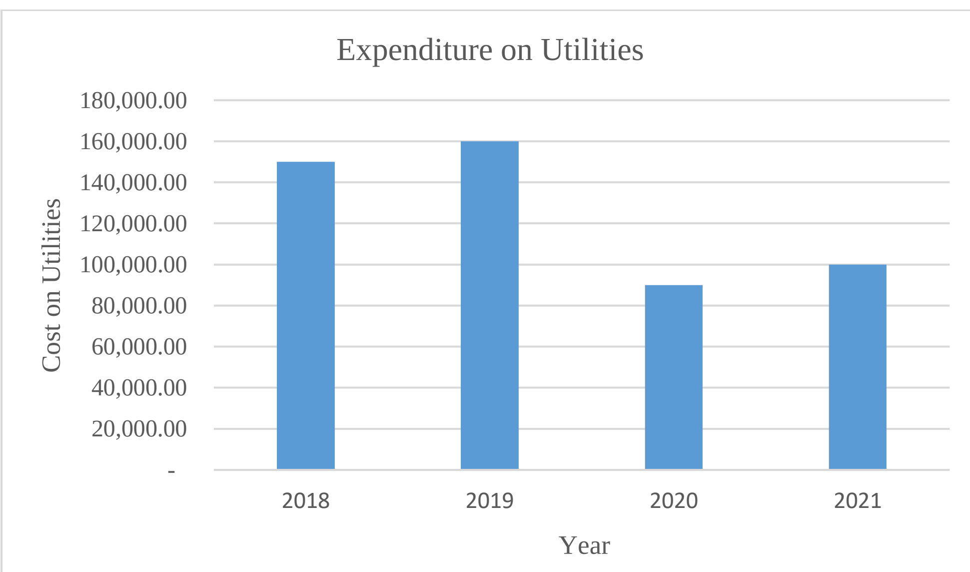
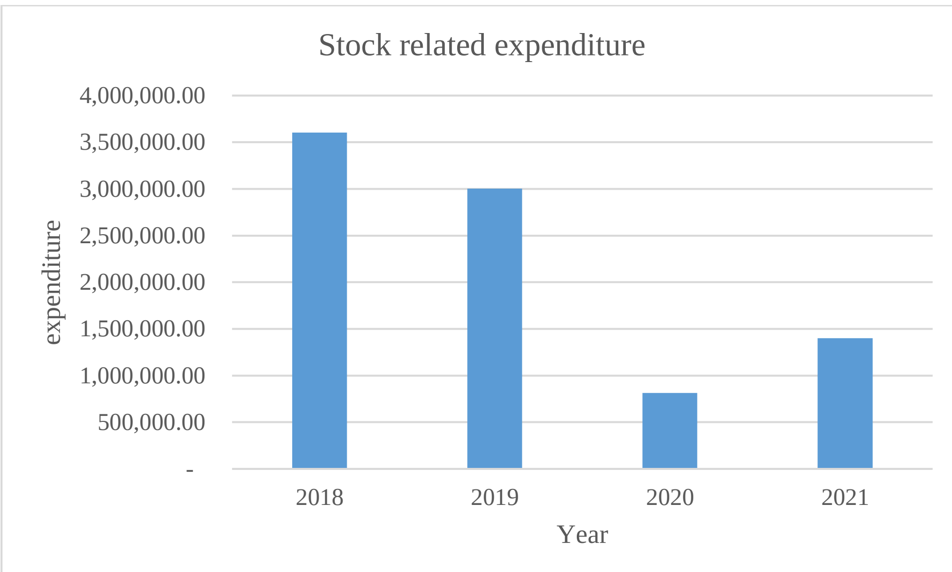


Figure 12. Above shows as with more incomes, expenses on utilities increased, partly due to increased levies and taxes on various energy sources such as petroleum, electricity and gas; but largely due to more use, as incomes gradually increase and more clients gradually increase. Figure 13. Below shows the comparative expenditure on stock related items. The stock purchases reduced by a great percentage in the wake of Covid-19 but substantially increasing in the new normal as businesses continue to open.

Figure 13: Stock related expenditure



PART C: MITIGATION AND RECOVERY

As shown in Figure 14. Below, it was found that most businesses preferred to cushion themselves amidst low income by implementing strategies such as reducing staff or reducing salaries of staff. Reduced operations with some even closing permanently was another strategy that was employed, as businesses looked to cut expenses, most notably rental expenses. While other strategies were employed such as those outlined above, most businesses depended on staff layoffs and reduced business operations to stay afloat.

Figure 14: Mitigation and Recovery

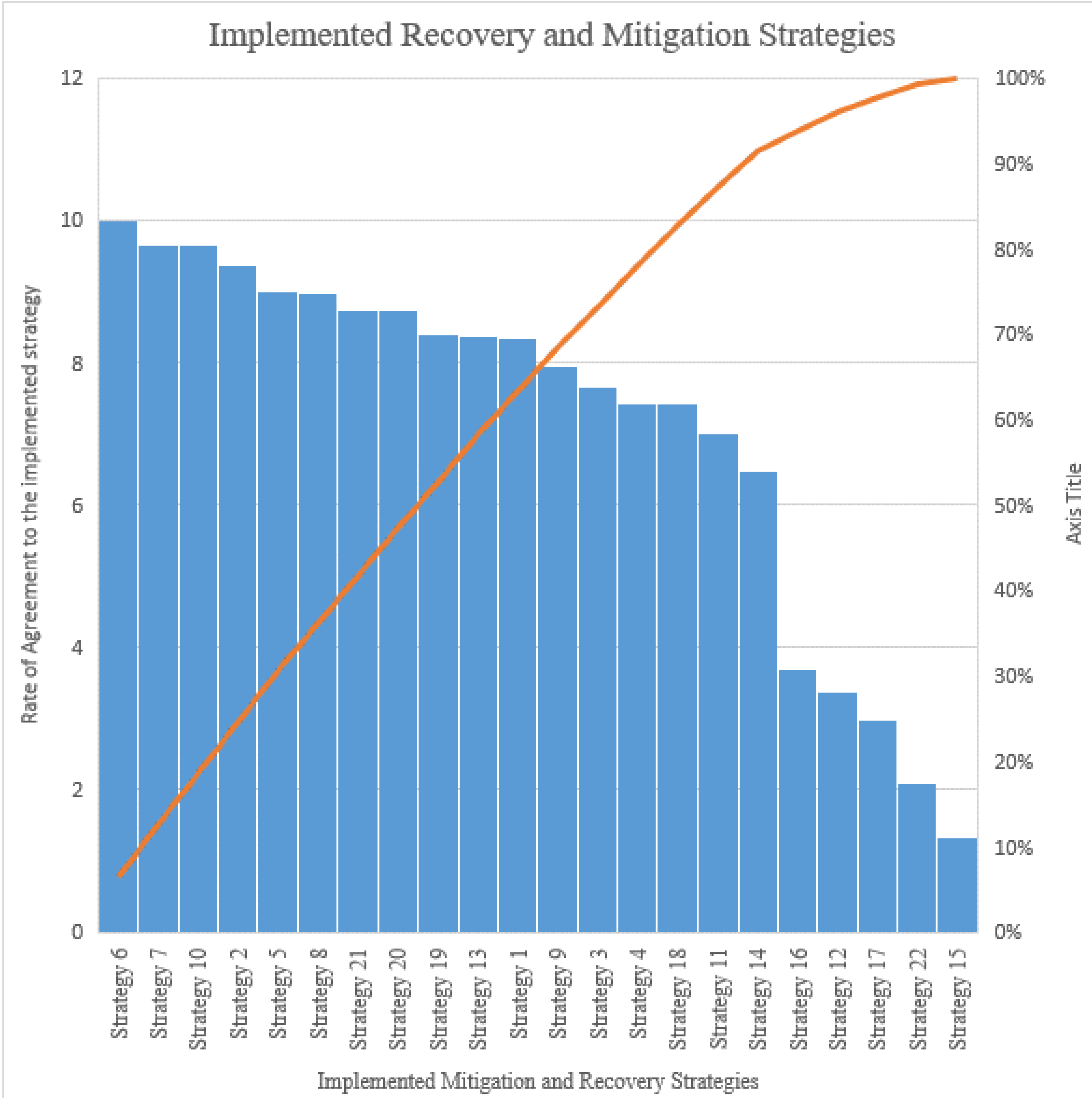


Table 3: KEY to the Figure 14. above (Implemented mitigation and recovery initiatives)

	Mitigation &Recovery initiatives
Strategy 1	Varying product &pricing
Strategy 2	Exploring cash flow options
Strategy 3	Simple messaging for crisis communication to clients(Relationship marketing)
Strategy 4	Exploring online sales for the garage services
Strategy 5	On counter or home visit repairs
Strategy 6	Cost-cutting initiatives e.g. staff taking annual leaves, no pay leaves,
Strategy 7	Staff layoffs
Strategy 8	Reduced pay for management staff
Strategy 9	Closing Garage
Strategy 10	Reducing operation
Strategy 11	Pursuing new and emerging opportunities
Strategy 12	Engaging the governments at various levels for grants/ financial support and stimulus packages
Strategy 13	Exploring moratoria on loans
Strategy 14	Seeking credit loans for working capital to aid cash flow
Strategy 15	Exploring loans to pay salaries and retain staff
Strategy 16	Lobbying for government financial support through interest-free loans
Strategy 17	COVID-19 tax relief policy by GOK
Strategy 18	Exploring collaboration and network with other garages including merging
Strategy 19	Discount packages for clients.
Strategy 20	Market research on new trends to adjust to the new normal
Strategy 21	Change of marketing strategies to emphasize the health and safety of clients
Strategy 22	Reinventing the business model (out of the motor industry)

4.2.Limitations and Challenges of the Study

Indeed, COVID-19 has brought new challenges in all disciplines. In conducting this research, some of the challenges became evident.

4.2.1. The respondents not being in a position to respond.

This study targeted 80 samples, out of the total number conducted only 56 participants were able to participate, the sample size of our study was not enough to well represent the Motor industry this can be improved in future study. A number were unable to answer because their enterprises were restructuring their operation models therefore they did not have data that suited this study.

4.2.2. Provision of inaccurate data.

Some respondents participated but provided inaccurate data thus the data could not be reliable not could it help inform the findings of this study.

4.2.3. Inefficient time due to the stringent measures put by the government to curb the spread of COVID-19.

The guidelines such as curfew, social distancing led to delay in the data collection since many participants could not find time to participate in the survey.

4.2.4. Participant’s unwillingness to participate in the study.

Some of the identified samples refused to participate and share key data that would have been used to determine the results of this study. This made the researcher to search for new participants to get the desired results.

4.2.5. Digitization and New technology advancements.

Majority of the participants were not skilled to participate in the online survey, this made the researcher go out to the field to conduct assisted survey and observation. Which took more time to gather data and exposed the researcher to the vulnerabilities of contracting COVID-19.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.0.Introduction

The main principle of this chapter is to discuss the findings represented in Chapter four in respect to the objectives of the study. This chapter answered to the research questions and the general objective of the study to find out the Impact of COVID-19 on the Kenyan economy: A case study of the Micro, Small and Medium Enterprises (MSMEs) within Viwandani, Nairobi. The results were interpreted in order to answer each of the four research questions mentioned in Chapter one as follows;

5.1.Summary of Findings

5.1.1. The economic impacts on MSMEs in Viwandani due to COVID-19.

The results of this research emphasize that Medium, Small and Micro enterprises are all very important towards the economic growth. It is clear from the findings that the entrepreneurial activities play an important role in the growth of the national economy. As a result of the disruption attributed to the pandemic it is clear that the businesses went to a standstill from the 2nd quarter to the last quarter of 2020. Many businesses recorded very low revenue, low imports, and no or little movement of goods as well as reduced service delivery especially in the Motor repair industry. This as a result led to minimal growth of the economy and many economic sectors as well; there is always a multiplier effect felt by other sectors when one economic sector performs well or performs poorly.

Given the case of Viwandani Motor industry while businesses in general and entrepreneurs in particular, exhibited high degrees of business resilience, economic shocks derived from the lockdowns hit MSMEs more severely and produced uneven impacts in the sector. MSMEs evidently experienced a reduction in labor supply, human and product mobility restrictions, self-isolation, large decreases in capacity utilization, and interruptions in supply and value chains. On the demand side, circular flows of income were interrupted, by both the cessation of payment wages and lower demand for services, products and invested capital. These was all accompanied by an array of negative elements such as the fear of contracting the disease, heightened

uncertainties, lower incomes, and inability to pay loans as well as inability of MSMEs to cater for their utilities due to liquidity challenges among other serious repercussions.
It was also clear that the garage owners, mechanics and others in this sector were not aware of any government financial incentives to assist them in recovering through the new normal.

5.1.2. Survival mechanisms of MSMEs into the new normal of living with COVID-19.

According to the findings of this study the biggest impact of COVID-19 has been closure of businesses for prolonged periods of time and reduction of labor thus affecting livelihoods exponentially. While some of the businesses had to permanently close operations due to the new challenges in both the macro and micro business environments. Others choose to stay afloat by resuming operations in the last quarter of 2020. They had to however re-strategize in order to survive in the new business environment and with COVID-19 still being on its high and the only hope was the news of the vaccines which were still being tried if they would work. Majority of the enterprises adopted certain survival mechanisms to steer through the periods following the emergence of the new normal. The participants in this study indicated that they adopted immediate strategies to cut cost such as; staff taking unpaid annual leaves, no pay leaves, reduced salaries, differed salaries, staff layoffs, reduction of pay for the management staff and furloughs, and reduction of operation.

The participants also indicated to have adopted cash flow options for business survival such as exploring new ways to secure cash in the businesses, exploring home based repairs and exploring online business. A good number also indicated change of marketing strategies to emphasize the health and safety of clients and introducing discount packages to encourage clients to continue buying products and services. Many participants also admitted to have done a new market research on new trends to adjust to the new normal in order to keep the businesses afloat. Others who were servicing both short term and long term loans were forced to explore moratorium on loans due to the strained cash flows. While others who were unable to sell products at the price before COVID-19 were coerced to varying product pricing thus revising product and service fees to low. This study also found out that some businesses that had liquidity challenges opted to Seek credit loans for working capital to aid cash flow. Though none of the businesses went to the extent of taking loan for staff retention and payment salaries.

Some of the businesses reported to have opted to exploring collaboration and network with other garages including merging, while others pursued new and emerging opportunities within the industry. Some even reported to have two or three concurrent businesses in same or different locations. While all this was happening, few of the businesses who had information on government supported explored lobbying for government financial support through interest-free loans and engaging the governments at various levels for grants/ financial support and stimulus packages including COVID-19 tax relief policy by GOK. This research also found it interesting that majority of the participants were not willing to give up being in the motor industry and reinvent their business model and venture into another industry all together this was majorly because all industries were hit with all with more negative impacts such as the case for hospitality industry.

The uptake of digital platforms and technologies by MSMEs.

The pandemic led to unlimited increase in the adoption of digital platforms across the urban businesses. This study found out that, Instagram, WhatsApp, Facebook, Google, Jumia, Jiji, amazon, YouTube and other e-commerce platforms provide an opportunity to enhance sales for the MSMES. At the beginning of the pandemic it was undeniable that many participants of this study struggled with digitization of operations especially due the lack of awareness and understanding to use digital platforms. However, as time progressed, many reported to have had a strong appetite for digital uptake to improve sales. Among enterprises surveyed in in the 2nd quarter of 2021, many have reported using digital transactions, such as mobile money, online sales and marketing, online ordering as well as electronic bank transfers in and out of the country.

5.1.3. Policies put in place by the Kenyan government and other bodies to support and help MSMEs recover during COVID-19 and post COVID-19

This study found out that many businesses' vulnerabilities were exposed because there were no solid policies by both government and other institutions to cushion the Kenyan MSMES. Such a case was realized when many banks and other financial institutions reduced access and exposure to credit facilities for these segment of businesses' which posed a real challenge in enterprises to maintain business liquidity. Some lenders asked for additional collateral or priced the loans higher than usual, which reflects the higher perceived risk associated with MSMEs. Such conditions have made loans expensive for MSMEs and thus have limited their ability to use additional loans to reestablish business. Therefore, on policies to cushion businesses' there is need for the government to establish sustainable, standard policies that will cushion MSMEs in future.

5.1.4. MSMEs preparedness to future pandemics

Looking into the future, from the lessons learnt though the COVID-19 pandemic. Entrepreneurs will be better prepared to deal with the advanced effects of another pandemic. Many have now developed business models that will be more resilient now and in the future as well as incorporating hybrid methods of operation. Others are still conducting high level research and training to ensure that the impacts of another pandemic would not lead to a desperate position as Covid-19 has. Finally, most MSMEs and entrepreneurs are adopting and building into the new normal by taking up the different COVID-19 vaccines available, investing heavily on technology and staff with multiple and easily transferable skills.

5.2.Recommendations

5.2.1. Training

This study recommends that people working in the motor industry invest in training to help them attain extra skills which can be applied even when the motor business is low and be a source of livelihoods.

This study also recommends training of the people in the motor industry on how well to leverage from technology uptake as a way of taking businesses into the new competitive business arena.

The government and the financial policy maker, Central Bank of Kenya, could run a campaign to create awareness among MSMEs on what platforms entrepreneurs can tap to gain and ensure business survival in tough business times such as that brought about by the novel corona virus pandemic.

5.2.2. Government and Private sector cushioning for MSMEs

This study also recommends that MSMES be cushioned by government through incentives. To encourage them continue with entrepreneurship rather than leave them to suffer through such experiences as the pandemic.

- The government could mobilize funding from multilateral agencies to provide one-time emergency relief cash support to MSMEs, especially those owned by the vulnerable groups in society such as the youth and women.
- The government could also establish a multi-agency platform and collaborate with the private sector to support MSMEs with access to digital technologies, and use e-commerce and social commerce, digital payments, and alternate modes of financing including those from the private sector.
- To support the MSMEs and reduce the burden of expenses of their enterprises. The government may formulate futuristic policies that combine incentives and tax-reliefs to revive the sectors affected most by the pandemic restrictions this in turn would reduce the overall operating costs and provide the requisite revenue and liquidity for MSMEs.
- Donors and such agencies may support the financial industry by promoting reduced financing modalities, such as guarantee funds for specific MSMEs sectors that are deeply affected by COVID-19. At a glance, these would enable lenders provide loans with friendly terms.
- To prepare for the future and even in case of other pandemics, both government, private sector and other agencies could develop innovative products for MSMEs finance, such as Insurance for pandemics, business interruption solutions, saving for business uncertainties among other solutions that could come hardy in case of future pandemics.
- This study would also recommend that the Central Bank of Kenya in their role of promoting financial stability formulate monetary policies to protect MSMES from harsh lending and finance access strategies imposed on entrepreneurs by financial institutions.

These recommendations can be well implemented by the Government, Cantal Bank of Kenya, private sector through trade unions and representatives of those working in the motor industry, business owners and mechanics among other industry stakeholders. As the pandemic continues to unfold in the year 2021, and in the next 3 years it is the best time to look into these recommendations and set a pace that will be carried on by future generations. Some strategies for monitoring and evaluation these recommendations can be well scripted in the countries agenda for vision 2030 and 2040, and 2050. This will help the appointed implementing committees work with. It is also important for the education sector to add the lessons learnt in the pandemic into the different curricula. It will help nurture, educate and train future employees and entrepreneurs of the lessons learnt in the wake of COVID-19.

5.2.3. Area of further studies.

The relative effect of MSMEs in different parts of Nairobi city and Kenya at large remains as an open subject for research.

- A similar research could be conducted on large firms across different sectors.
- There is also need to look into policies that cushion MSMEs in time of crisis and how well the sector can be prepared in case of future pandemics.
- Further research can be conducted on how well the mitigation and recovery strategies have been implemented and if they are functional
- Future study can also look into the role of business registration in Nairobi county and its impact on government stimulus packages.
- The outbreak of COVID-19 has created new challenges for the protection of the health and safety of employees and customers along with new workplace operational culture. Hence, future studies can also consider examining these issues to provide more in-depth knowledge about the consequences of the ongoing pandemic on MSMEs.

5.3. Conclusion

This study was conducted to examine the impact of COVID-19 outbreak on MSMEs operating in Viwandani Nairobi county. In order to assist all stakeholders in running of enterprises especially MSMEs, the findings of this study has underline several hardships faced by MSMEs due to the current pandemic. Together with findings of other such researches that may have been conducted in the region, policy makers, entrepreneurs and all stakeholders could collaborate and find lasting solutions to help MSMES. In this study, COVID-19 outbreak and related restrictions led to financial strains, supply chain disruption, decrease in product and service demand and reduced revenue, increase in unemployment among other impacts. Therefore, it is extremely necessary to mitigate not only the ongoing crisis but also the long-term effects caused due to COVID-19. The recommendations offered by this study if implemented would promote MSMEs survive during crisis and these measures would be very constructive to ease the suffering of these businesses during a difficult time. Despite the fact, this research provides insightful theoretical and practical implications concerning the impact of COVID-19 on MSMEs, some limitations remain in this research that provides room for further research as recommended earlier.

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APPENDICIES

APPENDIX I: Introduction letter

IMPACT OF COVID-19 ON THE KENYAN ECONOMY: A CASE STUDY OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) AT VIWANDANI, NAIROBI

Dear Respondent,

My name is Weston Kamau. I am a Student at the Management University of Africa (MUA) in the school of business pursing a Diploma in entrepreneurship. In partial fulfilment of the requirements for the diploma, I am required to carry out a research project in my area of study. Hence, I am conducting a research on the "**Impact of** COVID-19 **on the Kenyan economy: a case study of micro, small and medium enterprises (MSMES) at Viwandani, Nairobi'.**

The COVID-19 pandemic brought economies to a standstill and resulted to unforeseen impacts to societies, livelihoods and increased the risks of a global recession associated with a massive economic impact on the MSMEs. The objective of this survey is to analyze the economic impact of COVID-19 on Kenya's economy especially on the Micro, Small and Medium Enterprises (MSMEs**)** to inform practical and innovative initiatives for mitigation, recovery, and business continuity.

This questionnaire has three parts, A-Company Bio details; B-Economic data; C-Mitigation initiatives and recovery plans. This questionnaire will take 10 minutes to complete and if the questions are guided by the researcher it will take 8 minutes to complete.

The information gathered will be used for academic purposes only and the participant's information will be treated with the utmost confidentiality. The investigator will contact you for the data collection using his personal email address westkamint2010@gmail.com or Phone number 0722 885632. Feel free to use the given contacts for further clarifications or enquiries.

Thank you for taking the time to participate.

Signature

____

Kamau Weston Wambugu

APPENDIX II: Questionnaire

SECTION A: COMPANY DETAILS

Q1. How long has your business been in operation? ______ (Years)

Q2. How many full-time employees do you have?

Post COVID-19 ____________ During COVID-19 __________________

Q3. Please indicate the size of your business (check the correct box that applies)

Micro enterprise (Turnover of between Ksh 1,000 to 500,000 per annum)

Small enterprise (Turnover of between Ksh 500,000 to 2,000,000 per annum)

Medium enterprise (Turnover of between Ksh 2,000,000 to 10,000,000 per annum)

Large enterprise (Turnover of between Ksh 10,000,000 and above per annum)

Q4. Give a description that best describes you

(a) Garage Owner
(b) Mechanic
(c) Other (Please describe)

____

Q5. Please indicate your vehicle capacity (number of vehicles you repair per week) _________

Q6. Indicate the type of business you operate.

☐ Vehicle repair ☐ Spare parts

☐ Automotive car restoration ☐ Vehicle sales

☐ Electrical repairs

☐ All the above

PART B: ECONOMIC DATA

Q7. Please provide information on total revenue earnings and expenditure (in KES) from the revenue lines indicated below, as applies to your business.

Revenues	**2018**	**2019**	**2020**	**2021**
Revenue Items				
Sale of Spare parts				
Car repairs				
Vehicle restoration				
Commissions				
Transport hires				
Others				
(a) Expenditure				
Payroll and related expenses				
Purchase of Merchandise				
Import of spares				
Utilities				

PART C: MITIGATION AND RECOVERY

Q8. Indicate your level of agreement with the following mitigation and recovery measures in your operation**. 1 least agreeable, 10 most agreeable.**

Thank you for your time.

APPENDIX III: Time Schedule

#	DATE	DISCUSSION/OUTPUT
1	Feb 2021	Submit the proposal
2	March 2021	Submit the chapter one general and specific objectives and research questions.
3	April 2021	Make corrections for chapter one and submit Literature review, possible theories to inform the study and guidelines on the Conceptual framework.
4	May 2021	Correct Chapter two and submit
5	June 2021	Submit chapter three on the research methodology and submit the questionnaire
6	July 2021	Send out soft and hard copies of the questionnaire and Collect Data.
7	August 2021	Submit the complete project with chapters four and five. i.e. research findings and discussion for review by the supervisor
8.	September 2021	Submit the final copy for plagiarism check, and submit the final project for marking

APPENDIX IV: Budget

This covers both direct and indirect costs incurred during the research

Item	**Allocation in KS**
Supply and Materials	3,000
Internet relate costs	10,000
Travel	10,000
Airtime	3,000
COVID-19 related PPEs while on the field doing data collection and testing	10,000
Printing and laminating	2,000
Total	**38,000.00**