

**ANALYSIS OF THE REGULATORY FRAMEWORK FOR FINANCIAL INCLUSION  
OF MICRO AND SMALL ENTERPRISES (MSES) IN KENYA.**

**BY**

**DR. CALISTUS WEKESA WASWA (PHD)**

**KENYA**

## TABLE OF CONTENTS

<b>TABLE OF CONTENTS .....</b>	<b>112</b>
<b>LIST OF ABBREVIATIONS.....</b>	<b>113</b>
<b>ABSTRACT.....</b>	<b>114</b>
<b>CHAPTER ONE: THE REGULATION OF MSEs IN THE INFORMAL SECTOR .....</b>	<b>115</b>
1.1 Introduction.....	115
1.2 Historical Perspectives Regulation of MSEs in Kenya .....	117
1.3 Relevant Laws on MSEs in Kenya.....	118
1.3.1 Constitution of Kenya 2010.....	118
1.3.2 The Micro and Small Enterprises Act .....	119
1.3.3 Kenya Micro and Small Enterprises Policy 2020.....	120
<b>CHAPTER THREE:MSEs ACT, REGULATIONS AND POLICIES EFFECTIVENESS</b>	<b>122</b>
<b>CHAPTER FOUR: MSES REGULATORY INSTITUTIONAL CHALLENGES IN KENYA .....</b>	<b>125</b>
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>127</b>
5.1 Summary of Findings from the reviewed literature .....	12727
5.2 Conclusion .....	12828
5.3 Recommendations .....	12828
<b>REFERENCES .....</b>	<b>120</b>

### **LIST OF ABBREVIATIONS**

GOK:	Government of Kenya
GDP:	Gross Domestic Product
ILO:	International Labour Organisation
KNBS:	Kenya National Bureau of Statistics
LED:	Local Economic Development
LLPs:	Limited Liability Partnerships
MSEs:	Micro and Small Enterprises
SACCO:	Savings and Credit Cooperative Organization
SMEs:	Small and Micro Enterprises

**ABSTRACT**

The Micro and Small Enterprises Act was introduced in Kenya in 2012, which was a significant step towards regulating micro and small enterprises, especially those operating in the informal sector. The Act lays out the procedures for registration and account-keeping and establishes the MSE Authority and the MSE tribunal. Despite poor policy implementation in the sector, the MSE sector in Kenya has grown significantly over the last two decades. However, the growth is characterized by low productivity and survivalist activities, even though this sector provides future employment. Unfortunately, the implementation of this Act has been suboptimal, with no policies formulated to date, and no evidence of the tribunal's utilization. The study aimed to scrutinize the regulatory framework of MSEs, identify gaps and challenges, and develop recommendations to strengthen the Kenyan MSEs legal framework and enhance performance, access to resources, and economic efficiency in the MSE industry in the informal sector. The researcher examined relevant secondary documentation, including reports, various policy documents, and Internet sources.

## **CHAPTER ONE**

### **THE REGULATION OF MSEs IN THE INFORMAL SECTOR**

#### **1.1 Introduction**

The MSME sector presents a significant opportunity for the socio-economic transformation of Kenya's economy. It also provides opportunities for individuals who are economically excluded, including youth, women, persons with disabilities, and those with low levels of education, by offering low-skill employment. Most of the MSMEs are involved in agribusiness, manufacturing, trade, and services.

The current constitutional framework and the new Micro and Small Enterprise Act 2012 (MSE Act, 2012) create an opportunity through which SMEs can be developed through the devolution framework. However, the effectiveness of devolution on SME development is influenced by the regulatory and institutional framework's structure that supports SMEs in an economy. Therefore, it is essential to evaluate the regulatory and institutional framework for SMEs, given the existing devolved government system in Kenya. This study was undertaken to assess the regulatory and institutional framework in the SMEs subsector concerning the emerging devolved governance system in Kenya.<sup>1</sup>

Micro and Small Enterprises (MSEs) present significant opportunities for the socio-economic development of Kenya's economy. Despite receiving policy attention since 1965, the sector has not yet fully realized its potential. Therefore, the development of this sector is crucial in achieving national development goals anchored in the Kenya Vision 2030 and the country's Big Four Agenda. This sector is particularly important as it provides job and income opportunities for economically disadvantaged segments of the population, including youth, women, persons with disabilities, and low-skilled individuals who experience disproportionately high unemployment rates.<sup>2</sup>

---

<sup>1</sup> The Micro and Small Enterprise ACT NO. 55 OF 2012

<sup>2</sup> <https://mse.go.ke/wp-content/uploads/2021/07/MSEs-Policy.pdf>

Despite previous policy interventions, the development of the sector has been hindered by persistent challenges and emerging issues. These challenges include difficulties in accessing affordable finance and markets, outdated technology, gaps in the ecosystem for start-ups, regulatory environment, and institutional coordination. Nonetheless, the decentralization of public services and roles of county governments under the Constitution presents opportunities for development in infrastructure, enterprises, and trade. Additionally, there are new national policies at the sector-level that provide opportunities for the development of Micro and Small Enterprises (MSEs). In this regard, it is necessary to incorporate emerging issues and developments in the legal framework of MSEs.<sup>3</sup>

A nation's economic development depends on various factors and how they are coordinated. Kenya has many challenges such as unemployment, political instability, corruption, diseases, and natural disasters. To tackle these issues, the Government is promoting the growth of micro and small enterprises (MSEs) to create job opportunities and increase incomes, which can lead to better living standards.<sup>4</sup>

It is crucial for Micro and Small Enterprises (MSEs) to have access to finance to help them survive, expand, and succeed. Various options for financing include overdrafts, retained earnings, factoring, leasing, equity, and bank loans. Kenya should ensure that microfinance institutions are adequately regulated. The Micro-Finance Act established guidelines for regulating and licensing microfinance institutions. Any entity seeking to operate as a microfinance institution must apply to the Central Bank for a license, which will be issued upon approval.<sup>5</sup>

---

<sup>3</sup> Sessional Paper No. 05 of 2020 on Kenya Micro and Small Enterprises Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation

<sup>4</sup> International Journal of Economics, Commerce and Management United Kingdom Vol. III, Issue 5, May 2015  
Licensed under Creative Common Page 1337 <http://ijecm.co.uk/> ISSN 2348 0386 THE ROLE OF MICRO AND SMALL ENTERPRISES (mSES) IN ACHIEVING KENYA VISION 2030

<sup>5</sup> <https://www.centralbank.go.ke/wp-content/uploads/2016/06/Directory-of-Licensed-Microfinance-Banks.pdf> on 24 January 2018

## **1.2 Historical Perspectives Regulation of MSEs in Kenya**

The first government strategy for micro and small enterprises (MSEs) was documented in the International Labour Organization (ILO) report of 1972.<sup>6</sup> In Kenya, MSEs (Micro and Small Enterprises) have been recognized as an important sector for creating income and employment opportunities. The International Labour Organization (ILO) began implementing employment initiatives in Kenya in 1972, following a paper by Hart in 1973, due to increasing unemployment. The Kenya Employment Mission, through its fieldwork and official report, acknowledged that the traditional sector had not only persisted but expanded to include profitable and efficient enterprises, as well as marginal activities. This traditional sector is commonly referred to as the informal sector. The problem of employment in developing countries is not a lack of jobs, but rather low wages that do not provide a living wage.<sup>7</sup>

The people is based on their lack of access to formal employment opportunities and productive resources. The importance of micro and small enterprises (MSEs) was highlighted in Sessional Paper No.1 of 1986, "Economic Management for Renewed Individuals who work within the informal sector are often referred to as the 'working poor' as they earn wages that are below the poverty line and cannot sustain their basic needs. This interpretation is based on their lack of access to formal employment opportunities and productive resources. The importance of micro and small enterprises (MSEs) was highlighted in Sessional Paper No.1 of 1986, "Economic Management for Renewed Growth" (GOK,1986). Individuals who work within the informal sector are often referred to as the 'working poor' as they earn wages that are below the poverty line and cannot sustain their basic needs. This interpretation Growth" (GOK,1986).<sup>8</sup>

The government took steps to improve the conditions for Micro and Small Enterprises (MSEs). One of these steps was the creation of a policy framework for MSEs in Sessional Paper No.2 of 1992, which focused on Small and Medium Enterprises and Juakali Development in Kenya.<sup>9</sup> The Sessional Paper

---

<sup>6</sup> Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya, International Labour Office, Geneva, 1972. [http://www.ilo.org/public/libdoc/ilo/1972/72B09\\_608\\_engl.pdf](http://www.ilo.org/public/libdoc/ilo/1972/72B09_608_engl.pdf) on 10th December 2024

<sup>7</sup> [http://www.ilo.org/public/libdoc/ilo/1972/72B09\\_608\\_engl.pdf](http://www.ilo.org/public/libdoc/ilo/1972/72B09_608_engl.pdf) on 10 September 2017.

<sup>8</sup> Sessional paper no. 1 of 1986 on economic management for renewed growth, Kenya National Assembly, Republic of Kenya, 1986 -<<http://agri.s.fao.org/agris-search/search.do?recordID=KE8641472> On 2 January 2024.

<sup>9</sup> Sessional Paper No.2 of 1992, "Small and Medium Enterprises (MSMEs) and Jua kali Development in





### **1.3.2 The Micro and Small Enterprises Act**

The Micro and Small Enterprises Act was enacted on December 31, 2012 and commenced on January 4, 2013. Its aim is to promote, develop, and regulate micro and small enterprises. The Act also establishes the Micro and Small Enterprises Authority, which has the mandate of overseeing the implementation of the Act.

Section 3 of the Act states its objectives and purpose, which include providing an enabling business environment, inspiring an entrepreneurial culture, facilitating formalization, promoting representative organizations, and upgrading informal MSEs.<sup>13</sup>

The Micro and Small Enterprises Act was passed in 2012 to regulate micro and small businesses. These businesses are part of the informal sector, which is a major source of employment and has a higher growth rate than the wage sector. If the growth rate continues with a better environment for MSEs, their contribution to the Gross Domestic Product will increase. Section 55 of the 2012 SMES Act is relevant to this topic.

The Act provides the Authority with the responsibility to create and coordinate policies that will promote, develop, and regulate Micro and Small Enterprises by integrating and harmonizing various public and private sector initiatives. It also establishes the Micro and Small Enterprises Authority and outlines its connected purposes.<sup>14</sup>

In Kenya, the mandate of managing the development of Micro and Small Enterprises (MSEs) is assigned to the MSE Authority. This authority is established under Section 29 of the MSE Act and currently operates under the Ministry of Industry, Trade, and Cooperatives. The authority is composed of a non-executive chairperson appointed by the President, five principal secretaries who are responsible for development, finance, trade, and industrialization, and twelve nominated members, each with a specific function.<sup>15</sup>

---

<sup>13</sup> Section 3, Micro and Small Enterprises Act (Act No. 55 of 2012).

<sup>14</sup> Section 55, Micro and Small Enterprises Act (Act No. 55 of 2012).

<sup>15</sup> Section 5, Micro and Small Enterprises Act (Act No. 55 of 2012).

Section 73 of the Act states that the authority publish an annual report to the Cabinet Secretary. The report should contain information about the Authority's activities and plans during the year, which should be sufficient to provide an accurate understanding of the nature, scope, plans, and priorities of the Authority.<sup>16</sup> In Section 3, the document outlines the objectives for the provision of an enabling business environment. This includes inspiring an entrepreneurial culture, facilitating formalization, promoting representative organizations, and upgrading informal micro and small enterprises. It is evident that the government has taken steps towards regulating micro and small enterprises and creating a conducive space for the flourishing of this sector.<sup>17</sup>

Section 4 of Part 2 establishes an office for the registrar to regulate MSEs.<sup>18</sup> Section 5 outlines the process for applying for registration..<sup>19</sup> Section 21 states that registered association treasurers must provide accounts. This promotes transparency in businesses.<sup>20</sup>

### **1.3.3 Kenya Micro and Small Enterprises Policy 2020**

Micro and Small Enterprises (MSEs) have the potential to transform Kenya's economy and create opportunities for socio-economic development. Despite receiving policy attention since 1965, the sector is yet to realize its full potential. The development of this sector is crucial for achieving the national development goals set out in the Kenya Vision 2030 and the country's Big Four Agenda. MSEs are particularly important for providing employment and income opportunities for marginalized groups such as youth, women, persons with disabilities, and low-skilled individuals who often face high levels of unemployment.

Despite previous policy interventions, there are still some ongoing challenges and emerging issues that are impeding the development of the sector. Despite these challenges, the devolved governance structure under the Constitution provides development opportunities through the

---

<sup>16</sup> 16 (Section 73, Micro and Small Enterprises Act (Act No. 55 of 2012))

<sup>17</sup> Section 3, Micro and Small Enterprises Act (Act No. 55 of 2012).

<sup>18</sup> Section 4, Micro and Small Enterprises Act (Act No. 55 of 2012).

<sup>19</sup> Section 5, Micro and Small Enterprises Act (Act No. 55 of 2012).

<sup>20</sup> [https://www.google.com/search?q=Micro+and+Small+Enterprises+\(MSEs\)+have+the+potential+to+transform+Kenya%27s](https://www.google.com/search?q=Micro+and+Small+Enterprises+(MSEs)+have+the+potential+to+transform+Kenya%27s)

decentralization of public services and the roles of county governments in developing infrastructure, enterprises, and trade. Furthermore, new sector-level national policies provide opportunities for the development of Micro and Small Enterprises (MSEs). In this regard, it is necessary to incorporate emerging issues and developments at both the regional and global levels. The East African Community (EAC) Vision 2050 acknowledges the role of MSEs in the regional industrial development agenda, emphasizing the need to enhance competitiveness through innovation and value addition to tap into intra and inter-regional trade opportunities. The AU Agenda 2063 aims to transform and grow the industrial base of the African Continent through value addition of natural resources and sectoral productivity growth, focusing on MSEs and agri-business. At the global level, the Sustainable Development Goals (SDGs) recognize the broader socio-economic significance of MSEs and prioritize the development of the sector through enhanced innovation and competitiveness.<sup>20</sup> The Policy aims to create a business-friendly environment that fosters the growth and development of productive MSEs in Kenya. These MSEs make significant socio-economic contributions to the economy by providing decent jobs and quality products.

## CHAPTER THREE

### MSEs ACT, REGULATIONS AND POLICIES EFFECTIVENESS

As mentioned earlier, there is a legal framework that governs Micro and Small Enterprises (MSEs). One of the main issues is the lack of a proper legal structure for MSEs. According to a survey conducted by the Kenya National Bureau of Statistics, there are approximately 14.9 million people engaged in MSEs, with unlicensed enterprises accounting for 57.8% of the total number.<sup>20</sup> Unlicensed businesses that are not registered are operating illegally, which creates a problem as there is no way to collect taxes from them. Additionally, it is difficult to establish whether such businesses are producing or selling prohibited goods and services. This lack of legal structure is a major issue for the country. To address this problem, the Micro and Small Enterprises Act provides for registration of businesses in the sector. However, it is unclear how well this provision has been implemented.<sup>21</sup>

In this sector, many enterprises tend to avoid paying taxes. Small businesses, in particular, may not declare their profits to evade paying taxes. Despite the large amount of money circulated in this sector, a significant portion goes untaxed due to non-disclosure. This lack of tax payment is harmful to the country, especially since this sector plays a crucial role in providing employment opportunities. Taxes are essential for the government to fund public goods and to promote development. Therefore, the more taxes collected, the more development can be achieved.<sup>22</sup>

Kenya has implemented policies aimed at developing Micro Small and Medium Enterprises (MSMEs) for many years. The policies were first introduced in the Sessional Paper No. 10 of 1965 "African Socialism and its Application to Planning in Kenya", which emphasized developing African-owned and managed businesses, promoting skills development, and encouraging cooperative development. These policies led to the creation of the Micro Small

Enterprises (MSEs) Act No. 55 of 2012, which provided a regulatory framework for the sector and granted the Micro Small Enterprise Authority the mandate to promote, develop and regulate

---

<sup>21</sup> Micro, Small and Medium Enterprises (MSME) Survey Basic Report, 2016

<sup>22</sup> <https://www.degruyter.com/document/doi/10.1515/ael-2017-0001/html?lang=en>

the MSE industry in Kenya. However, despite the government's increased involvement in MSE policy in the 1990s, there has been little implementation of these policies. One of the main reasons for the lack of policy implementation is the government's failure to consider MSE policy as part of a broader economic policy framework that encompasses macroeconomic policies. This has resulted in minimal growth in the MSE sector.<sup>23</sup>

The Micro and Small-scale Enterprises (MSEs) sector in Kenya has experienced significant growth in the past two decades, despite poor policy formulation and implementation. However, this growth is mainly characterized by low productivity and survivalist activities, despite the sector's strategic role in providing future employment. This paper reviews the history of policy development in the MSE sector, identifies the challenges that hinder policy implementation in the sector, and suggests recommendations for the sector's development. The support framework pursued since 1986 in this sector has been characterized by unsustainable subsidies and stop-go policies that emanate from an inadequate understanding of the sector and its relationship with the rest of the economy. The mismatch between policy pronouncement and resource allocation—capital financial and human—has brought about poor implementation of these policies.<sup>24</sup>

The obstacles that hinder the growth of the Micro and Small Enterprises (MSE) sector are still present even after 30 years of being identified. Despite the lack of successful policy implementation, the government views the MSE sector as crucial to generating employment opportunities. However, for the sector to fulfill this role, it must enhance its competitiveness.<sup>25</sup> Recent policies that promote trade liberalization have created both new opportunities and competitive pressures for micro and small enterprises (MSEs). However, institutional and legal barriers to obtaining commercial lending and poor infrastructure have limited access to capital and financial services for the MSE sector, making it difficult for them to adjust to these reforms.

Despite the incentive-based approaches included in these policies, the productive sections of the sector have stagnated. Therefore, the study recommends that the government intervenes by

---

<sup>23</sup> <https://ijecm.co.uk/wp-content/uploads/2015/05/3587.pdf>

<sup>24</sup> KIPPPRA Discussion Paper No. 20 November 2002: Review of Government Policies for the Promotion of Micro and Smallscale Enterprises

<sup>25</sup> [https://pdf.usaid.gov/pdf\\_docs/pnads072.pdf](https://pdf.usaid.gov/pdf_docs/pnads072.pdf)

building the capabilities of these enterprises in order to increase competitiveness. This will involve developing human capital, technological capabilities, and institutional structures that facilitate the effective functioning of markets.<sup>26</sup>

Government policies have a significant impact on small enterprises. These policies include increased access to credit, improved information on available market opportunities, better production techniques for small-scale manufacturing, expansion of Youth Polytechnics, training focused on skill development, and relaxation of existing restrictions on informal sector activities.<sup>27</sup>

---

<sup>26</sup> file:///D:/law%204.1/sms%20policies.pdf

<sup>27</sup>[https://www.google.com/search?q=government+policies+on+smes+in+kenya&sca\\_esv=251b1afa33144db8&rlz=1C1GCEA\\_enKE1080KE1080](https://www.google.com/search?q=government+policies+on+smes+in+kenya&sca_esv=251b1afa33144db8&rlz=1C1GCEA_enKE1080KE1080)

## **CHAPTER FOUR**

### **MSES REGULATORY INSTITUTIONAL CHALLENGES IN KENYA**

The implementation of the Micro and Small Enterprises Act has been a significant step in regulating Micro and Small Enterprises (MSEs), especially those operating in the informal sector. Economic reports have shown that the MSE sector is a major contributor to employment in the country, as well as to the production of goods and services. Promoting this sector is thus crucial. However, there are legal challenges that MSEs face, which must be addressed to improve the sector.

Based on the literature reviewed, small and medium-sized enterprises (MSMEs) face challenges in obtaining credit, whether through formal or informal channels. This difficulty is due to several factors, including the struggle to obtain and prepare the necessary documents that lenders require, the poor financial position of the borrowers, and the lack of collateral. However, despite these challenges, the demand for bank loans among MSMEs is primarily determined by several factors.

These include the suitability of loan products to meet the unique needs of MSMEs, awareness of available loan opportunities offered by banks, the desired loan amount, the cost of credit, product design features, the room for negotiation with the bank, the availability of credit guarantee services, and the collateral requirements. Lack of coordination of the various implementing agencies in the development MSEs vibrant laws, one possible reason for the poor implementation record in the micro and small-scale enterprise (MSE) sector is the lack of proper resource management and insufficient encouragement from policymakers to promote the growth of the informal sector in urban areas. This attitude among policymakers may stem from the perception that the MSE sector is a sign of failure in other areas. Despite economic growth at the national level, the desired job creation has not materialized, and the informal sector has grown due to stagnation in the agricultural sector. Additionally, a significant ambiguity in defining micro and small-scale enterprises makes it difficult to target the right businesses, which can contribute to the poor implementation of MSE policies.

The existing literature on SME-related programs and policies in Kenya reveals limited coordination in their implementation. The legal and regulatory framework presents obstacles to MSEs, as several laws and regulations remain burdensome. Furthermore, local authorities' by-laws are not standardized, and the registration process for businesses and the requirement for a permanent physical address pose challenges to MSEs. Dispute resolution in the complex judicial system results in wasted time and expenses.

Poor coordination of SMEs activities: Closer analysis of the key study findings and literature review confirms the existence of multiple institutions and departments handling SMEs issues in Kenya. For instance, the Ministry of Trade, the Ministry of Industrialization and the Ministry of Labour have departments related to SMEs. There is a lack of coordinated strategies and approaches to stimulate SME development in Kenya. However, the scenario is contrary in the case of India and RSA. For instance, the Ministry of Micro, Small and Medium Enterprises in India and the Department of Internal Trade and Industry in South Africa are designated line ministries responsible for the overall coordination of the SMEs-related activities in these countries.

Despite the emphasis on private-public dialogue at the central level through the Kenya Private Sector Alliance (KEPSA), stakeholders have cited inadequate consultation at the ground level during policy-making processes in the local (county) level. This lack of consultation has been attributed to the absence of strong sector-specific associations of Small and Medium-sized Enterprises (SMEs) at the local level. Some of the existing associations are weak and lack funding to participate in relevant policy-related discussions. In comparison, a comparative case analysis from India and RSA confirms the importance of a formal institutional structure for SMEs development. The existing regulatory structure in these countries depicts an institutionalized system for private and public dialogue for SMEs consultation. This framework allows for stronger SME association, and stronger institutional linkages and coordination.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary of Findings from the Reviewed Literature**

According to the reviewed literature, the Micro and Small Enterprises (MSEs) sector plays a significant role in providing goods and services, promoting competition, encouraging innovation, and enhancing the enterprise culture essential for private sector development and industrialization.

However, the sector still faces various constraints highlighted in the 2005 Sessional Paper, which have hindered the realization of its full potential. Urgent development of legal and policy frameworks is needed to address these constraints. The Sessional Paper of 2005 on Development of Micro and Small Enterprises for Wealth Creation, Employment Generation and Poverty Eradication was published by the Government of Kenya through Government Printers in Nairobi.

The high cost of credit is mainly caused by issues with the legal framework of MSEs. These issues include limited use of positive information sharing about borrowers in the market, inefficiencies in the collateral registration process, high overhead costs, and the cost of the judicial process. To improve the situation, the collateral registry should be made more efficient in terms of the speed and range of accepted items as collateral. Significant reforms in the legal and regulatory environment, particularly in the contractual environment, will be necessary over several years. Innovation in SME financing may also be facilitated by developing factoring and financial leasing.

It is important to review the collateral requirements and regulations that have restricted the flow of funds to the sector. By making these requirements more flexible, it will accommodate the needs of micro and small enterprises (MSEs). Developing incentive policies, such as trade policies, is crucial as it provides a link to a market for MSE outputs. It also serves as a source of inputs and opportunities to produce within an international production chain. Since Kenya adopted an open trade policy, MSEs have increasingly been involved in the global market.

## **5.2 Conclusion**

It is evident that there is a lack of proper follow-up and evaluation mechanism for the MSE sector, despite the government's recent efforts to improve policy formulation in the sector. To ensure successful implementation, policy documents should clearly outline the lines of responsibility, accountability, and ultimate answerability for the policies.

To support the growth of the small and medium-sized enterprises (SMEs) sector, the Government of Kenya has reviewed the existing legal and structural framework. The aim is to put in place several structures and interventions, such as affordable credit facilities with key banks, an MSE fund that will be launched in December 2022 to support small businesses, infrastructure development to promote decent working spaces, and sensitization and formalization of the businesses to inform the government of required interventions. Additionally, the government will provide capacity-building programs through training and coaching, as well as market access through trade fairs and exhibitions.

## **5.3 Recommendations**

There is a critical need for the government to establish mechanisms that can improve and facilitate the environment for Micro and Small Enterprises (MSEs) in Kenya. This improvement can be achieved through the implementation of regulatory and policy frameworks, infrastructure development, and networking of business linkages. With these mechanisms in place, MSEs can effectively contribute to the economic growth of the country.

The lack of proper laws and policies that regulate the micro and small enterprise sectors in the formal sector is a problem that needs to be addressed. The micro and small enterprise sector is an essential part of the country's economy, as many citizens are employed in this sector. However, there is little implementation of MSE legislation, which has led to improper working conditions and a lack of development opportunities. This situation makes people in this sector more prone to living and dying in poverty.

Developing a strong legal framework for the Micro and Small Enterprises (MSEs) sector in Kenya can help create a supportive business environment for productive MSEs. These businesses

play an important role in the country's socio-economic development by providing quality products and decent jobs. The MSEs framework should be based on a critical review of past policies, literature, and laws. The legal framework should enhance the regulatory environment at both the national and county levels while mitigating external business risks. Policy interventions should focus on enhancing the competitiveness, productivity, and sustainability of MSEs. This will support the economy by providing quality goods and services, creating decent jobs, generating income, and promoting wealth creation.

---

**REFERENCES**

The Micro and Small Enterprise ACT NO. 55 OF 2012

<https://msea.go.ke/wp-content/uploads/2021/07/MSEs-Policy.pdf>

Sessional Paper No. 05 of 2020 on Kenya Micro and Small Enterprises Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation

International Journal of Economics, Commerce and Management United Kingdom Vol. III, Issue 5, May 2015 Licensed under Creative Common Page 1337 <http://ijecm.co.uk/> ISSN 2348 0386

THE ROLE OF MICRO AND SMALL ENTERPRISES (MSEs) IN ACHIEVING KENYA VISION 2030

[https://www.centralbank.go.ke/wp-content/uploads/2016/06/Directory-of-Licenced-Microfinance Banks.pdf](https://www.centralbank.go.ke/wp-content/uploads/2016/06/Directory-of-Licenced-Microfinance-Banks.pdf) on 24 January 2018

Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya, International Labour Office, Geneva, 1972. [http://www.ilo.org/public/libdoc/ilo/1972/72B09\\_608\\_engl.pdf](http://www.ilo.org/public/libdoc/ilo/1972/72B09_608_engl.pdf) on 10th December 2024.

[http://www.ilo.org/public/libdoc/ilo/1972/72B09\\_608\\_engl.pdf](http://www.ilo.org/public/libdoc/ilo/1972/72B09_608_engl.pdf) on 10 September 2017.

Sessional paper no. I of 1986 on economic management for renewed growth, Kenya National Assembly, Republic of Kenya, 1986 -<<http://agris.fao.org/agris-search/search.do?recordID=KE8641472> On 2 January 2024.

Sessional Paper No.2 of 1992, "Small and Medium Enterprises (MSMEs) and Jua kali Development in Kenya -<[www.kenpro.org/sme-policy-in-kenya-issues-and-efforts-in-progress/](http://www.kenpro.org/sme-policy-in-kenya-issues-and-efforts-in-progress/) on 2 January 2024.

<https://repository.kippra.or.ke> > handle on January 30, 2024

<https://unesdoc.unesco.org> > ark: on 20<sup>th</sup> January 2024

The Constitution of Kenya in 2010

Section 3, Micro and Small Enterprises Act (Act No. 55 of 2012).

Section 55, Micro and Small Enterprises Act (Act No. 55 of 2012).

Section 5, Micro and Small Enterprises Act (Act No. 55 of 2012).

(Section 73, Micro and Small Enterprises Act (Act No. 55 of 2012)

Section 3, Micro and Small Enterprises Act (Act No. 55 of 2012).

Section 4, Micro and Small Enterprises Act (Act No. 55 of 2012).

Section 5, Micro and Small Enterprises Act (Act No. 55 of 2012).

[https://www.google.com/search?q=Micro+and+Small+Enterprises+\(MSEs\)+have+the+potential+to+transform+Kenya%27s](https://www.google.com/search?q=Micro+and+Small+Enterprises+(MSEs)+have+the+potential+to+transform+Kenya%27s)

Micro, Small and Medium Enterprises (MSME) Survey Basic Report, 2016

<https://www.degruyter.com/document/doi/10.1515/ael-2017-0001/html?lang=en>

<https://ijecm.co.uk/wp-content/uploads/2015/05/3587.pdf>

KIPPRA Discussion Paper No. 20 November 2002: Review of Government Policies for the Promotion of Micro and Smallscale Enterprises

[https://pdf.usaid.gov/pdf\\_docs/pnads072.pdf](https://pdf.usaid.gov/pdf_docs/pnads072.pdf)

<file:///D:/law%204.1/sms%20polices.pdf>

[https://www.google.com/search?q=government+policies+on+smes+in+kenya&sca\\_esv=251b1afa33144db8&rlz=1C1GCEA\\_enKE1080KE1080](https://www.google.com/search?q=government+policies+on+smes+in+kenya&sca_esv=251b1afa33144db8&rlz=1C1GCEA_enKE1080KE1080)