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# IMPACT OF COVID-19 ON BUSINESSES IN KENYA

# 2020

## CARRIED ACROSS 47 COUNTIES IN KENYA


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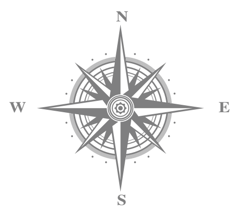
# Impact of COVID-19 on Businesses in Kenya


**KEY**

- Counties Response Received
- Counties Response not Received




## Carried across 47 Counties in Kenya

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# 1 BACKGROUND

The first case of COVID-19 was reported in Kenya on March 13, 2020 (1) and by March 28, 2021, Kenya reported 130,214 cases and 2,117 deaths in the country (2). This prompted the Government to swiftly institute measures to help curb its spread in the country. Schools closed two days after the first reported case on March 15, 2020. On March 25th, 2020, the government suspended most international flights (and required a quarantine of incoming residents who did fly back), closed bars and put restrictions on restaurant hours, and banned large gatherings. These restrictive measures were soon followed by a nationwide curfew from 7 PM to 5 AM daily. On April 5th, 2020, the Kenyan government made face masks mandatory in any public place. This was soon followed by cessation of movement in and out of particular counties, such as Mombasa and Nairobi. In September, restrictions were slightly eased when bars and clubs were allowed to operate again, and the nighttime curfew was pushed to 11 PM (which was later revised again to 10 PM in November and 8 PM in March 2021).

Most business operations were interrupted due to the dusk-to dawn curfew. Social distancing restrictions resulted in a decline in customer traffic. Disruptions in the supply chain led to difficulties for businesses in replenishing stock. Increases in the cost of supplies meant that transportation costs of public transport increased due to fare hikes. Some wholesale businesses became retail shops to help them manage their stock and recover the expenses used in transportation. These measures greatly affected the wholesale and retail sub-sector which is the 5th largest contributor to Kenya's GDP and the 3rd largest contributor to private sector employment (3).

Surveys are being conducted around the world to better understand the impact of COVID-19 on businesses. In Kenya, the Uasin Gishu Chamber of Commerce and Moi University conducted an assessment in Uasin Gishu County that was used to support businesses in the county. Expanding this type of research can generate valuable data and insight on a national scale that could be used to improve government policies and provide better support to businesses weathering this economic and health crisis. Surveys conducted across the country at the county level could provide data to be used to develop business-support strategies that cut across counties, while also developing tailor-made strategies for individual counties.

It is for these reasons that the Center for International Private Enterprise (CIPE) and the Kenya National Chamber of Commerce & Industry (KNCCI), in partnership with the Kenya Pharmaceuticals Association (KPA) and the Retail and Trade Association of Kenya (RETRAK), are implementing a longitudinal study to understand the impact of COVID-19 on business enterprises. Key elements of this study include identifying challenges faced by businesses during the pandemic and ways that the government and relevant associations can support these enterprises in dealing with the effects of the COVID-19 pandemic. The results published here are from the first round of surveying. Later survey rounds will compare to the results in this first round to track changes over time.

Findings from the survey will be used to inform the national government, county governments, and business associations in Kenya as they work in collaboration to improve the operating environment for businesses. Findings will also inform associations on where to target their efforts in advocacy and other areas to support their members during this economic & health crisis. The data collected may also be used over a longer time horizon to develop business support strategies that cut across counties in Kenya and even countries across the continent

# METHODS

Study Site: *40 Counties in Kenya (see Annex 1).*

**Study Population**

The survey was administered to representatives from three types of business enterprises within that sector: 1) mini-markets (grocery stores), 2) pharmacies (chemists), and 3) restaurants (cafes).
Mini markets were surveyed because they provide critical products to the general population and are in areas where most Kenyans buy their goods. Mini-markets represent a variety of value chains and the broader consumer economy as well. Pharmacies were surveyed due to the recent change in purchasing behavior of Kenyans, who are avoiding health facilities during the pandemic and increasingly becoming more dependent on pharmacies and chemists for their health needs. Surveying this category offers an opportunity to study a sector that has been growing during the pandemic. Restaurants were surveyed due to their economic vulnerability caused by the pandemic and associated policy responses. Surveying this category offers an opportunity to study a sector that has been struggling during the pandemic.

In addition to the above selection criteria, all the enterprises surveyed were in business at least 6 months before the COVID-19 pandemic and were active throughout the pandemic as well. Therefore, all businesses surveyed had been fully in operation for more than one year when the contacts were obtained from the county chambers of commerce in September 2020. This selection criteria were chosen in order to limit statistical outliers for businesses that were established shortly before or after the onset of the COVID-19 pandemic.

**Sampling**

Purposive sampling was used for the study. The study sample was obtained by communicating with the Chairpersons or CEOs of different county chambers of commerce, who then provided the study team with a list of potential contacts from member businesses that met the selection criteria. Businesses that responded to the survey were also asked to provide contact information for other businesses in their counties that fit the selection criteria to survey businesses who were not members of their local chamber as well. These additional contacts were then included as part of the study population.

**Data Collection**

Primary data collection was done using a validated Google Forms survey questionnaire. Before filling out the questionnaire, each respondent who participated in the survey was taken through an informed consent process via a phone call with a well-trained Research Assistant. Subsequently, the participants provided their preferred mode of participation, i.e., self-administration or phone interview.

A pilot exercise was conducted on September 24th and 25th, 2020, followed by data collection that took place over a duration of one month (November 25th to December 24th, 2020). Data collected from the questionnaire was saved in an Excel database, verified, and cleaned before any statistical analyses were carried out. To ensure the validity of the quantitative data, all validation rules, constraints, or checks (skips) in the questionnaire were embedded within the Google Forms questionnaire during development. Queries were generated from consistency and validation checks on databases, and consultations were held as necessary to resolve any arising data quality

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### Data Analysis

This was conducted using STATA version 14. Data cleaning was carried out prior to the preparation of summary tables and figures. Descriptive analysis was done as well, generating frequency tables.

# RESULTS

Response Rate

153 businesses from 40 counties provided consent and completed the questionnaire. A comprehensive table showing the business types in each county that were surveyed is in Annex 1.

### General Business Characteristics

Almost half of the businesses (47.7%) surveyed had been in operation for less than 5 years. The respondents were either business owners (77.1%) or employees (22.9%).

The majority (83.7%) of the businesses were registered with the Government. The highest proportion (61.4%) of the businesses were owned by sole proprietors. Nearly three quarters (71.2%) of the businesses specialized in retail trade. This data is summarized in Figure 1 below.

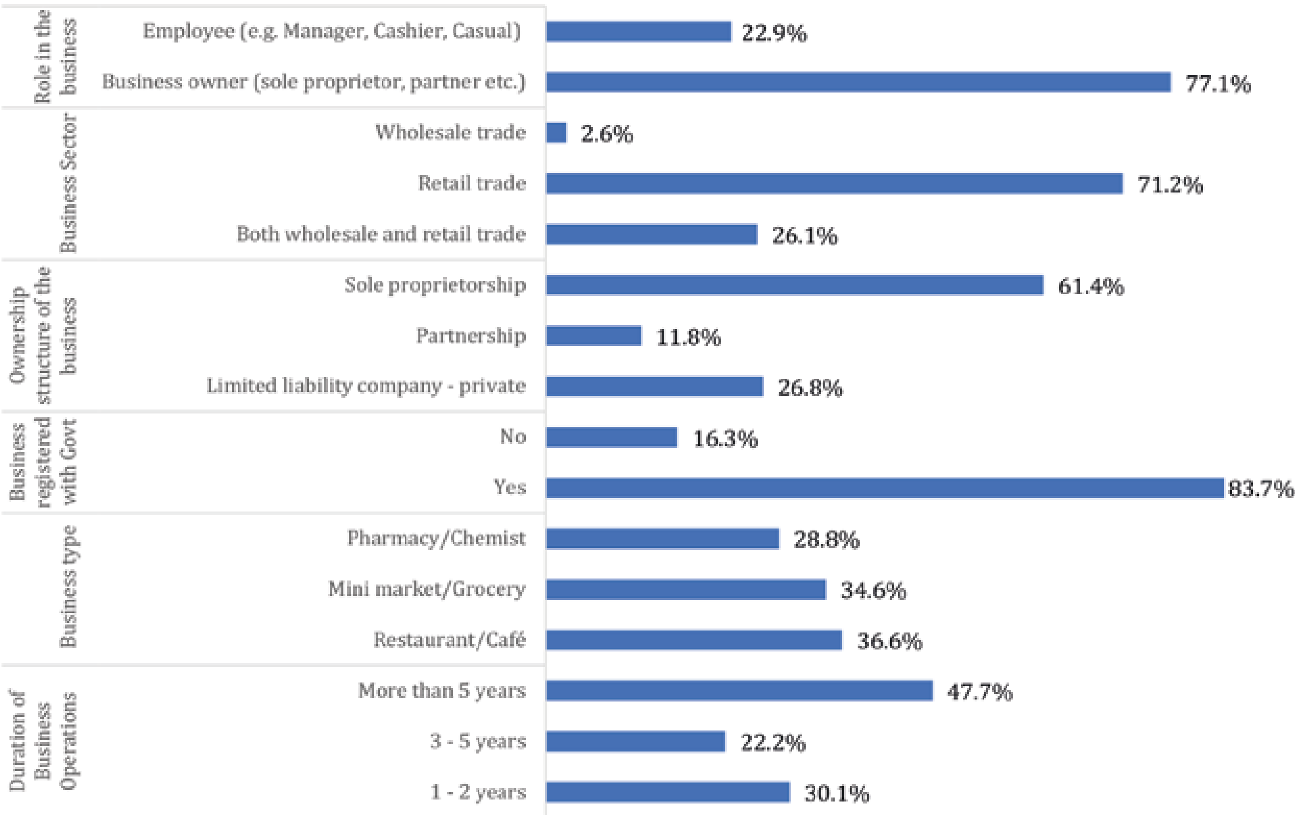



FIGURE 1: GENERAL CHARACTERISTICS OF BUSINESSES SURVEYED

## Comparing Challenges Before and During the COVID-19 Pandemic

**Identifying Most Significant Challenges**

The most reported business challenges before COVID-19 were a decrease in sales (58.2%), problems accessing loans and credit (40.5%) and paying rent (39.2%).

***When surveyed during the COVID-19 pandemic in November/December 2020, businesses reported their biggest challenges as decrease in sales (81.0%), paying of employee salaries (62.7%) and paying rent (49.7%).***

***A decrease in sales was the most significant challenge faced by businesses both before and during the pandemic, but it became a more widespread problem for businesses during the pandemic in late 2020.*** The percentage of businesses reporting declining sales as a significant challenge was 58.2% before the pandemic (March 2020), whereas 81% of businesses reported declining sales as a problem in November/December 2020 – an increase of 22.8 percentage points. **The issue that saw the greatest change over time was the challenge of paying employee salaries,** which increased from 35.3% of businesses before the pandemic to 62.7% reporting it as a challenge in late 2020 – an increase of 27.4 percentage points. Perhaps relatedly, retaining employees also became more of a challenge, as 20.9% of businesses reported it as a challenge prior to the pandemic while 37.9% reported challenges in late 2020. Meanwhile, accessing credit and loans was consistently a challenge throughout, as 40.5% of businesses reported challenges prior to the pandemic and 41.8% reported challenges in Nov/Dec 2020.

These data are summarized in Figure 2 below:

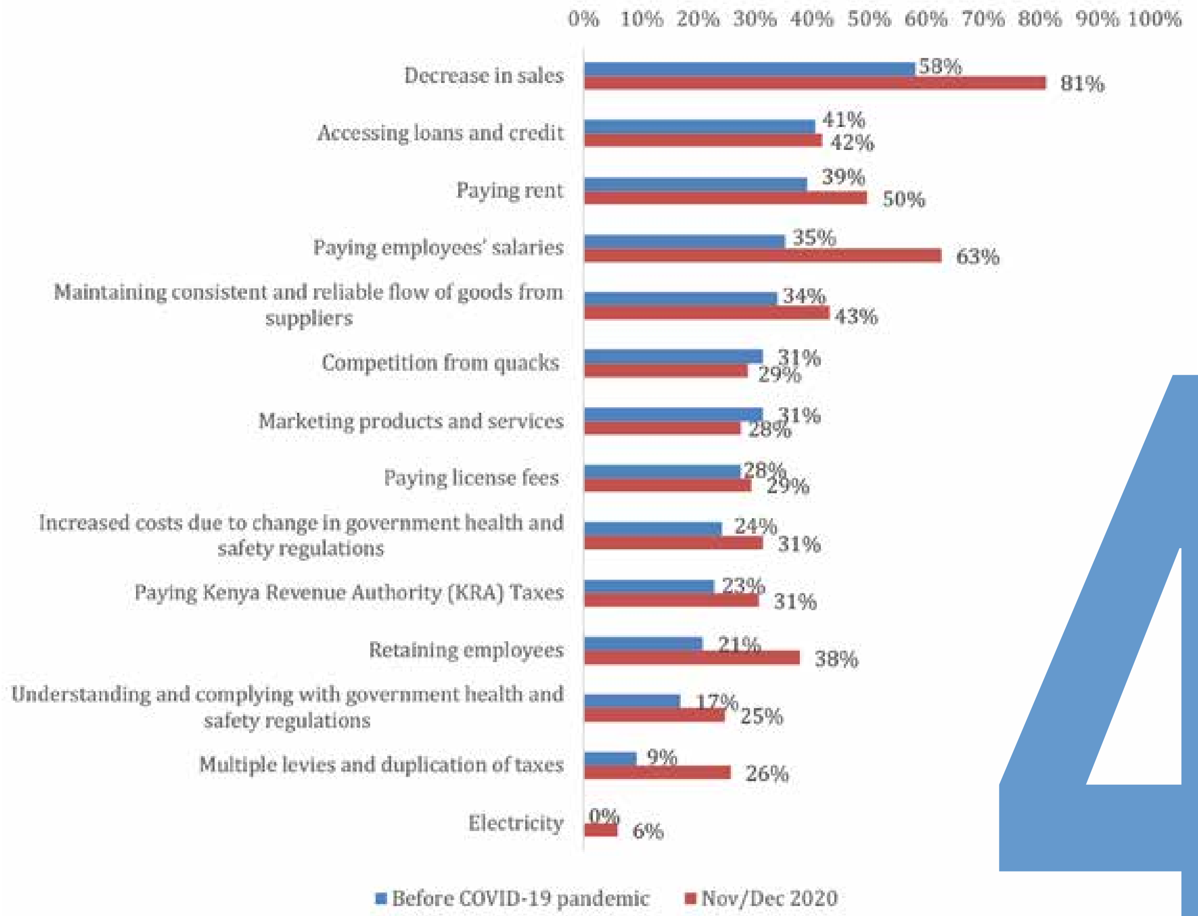
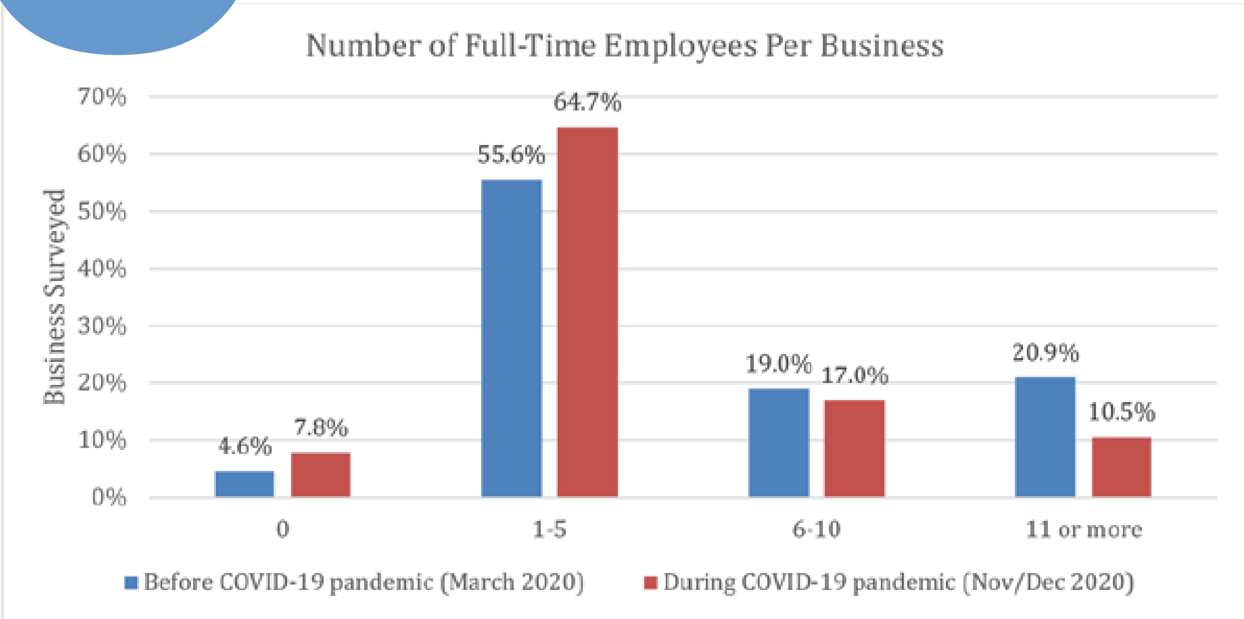


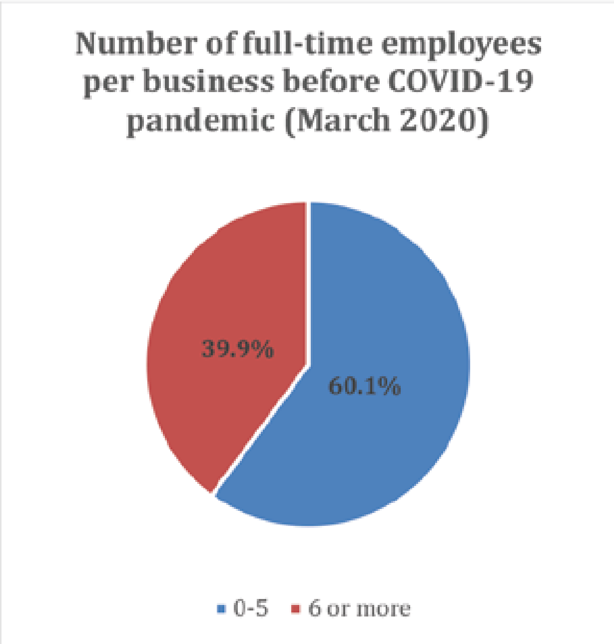

FIGURE 2: CHALLENGES FACED BY BUSINESS BEFORE COVID-19 AND DURING THE SURVEY (NOV/DEC 2020)

## 5

*Effect on Staffing Levels*

**Due to the pandemic, businesses overall shrank their employee size** by various measures. Before the pandemic, the mean number of full-time workers employed by the businesses surveyed was 9.4 employees, but that number decreased to 5.4 employees in November/December 2020. The largest business surveyed had 140 full-time employees prior to the pandemic, but in Nov/Dec 2020, they only had 60 employees remaining – a reduction of 57%. Meanwhile, between March 2020 and the end of the year, it became less common for businesses to have more than 5 employees. The proportion of businesses surveyed with 5 or less employees increased from 60.1% before the pandemic to 72.5% in Nov/Dec 2020, while those with more than 5 employees decreased from 39.9% before the pandemic to 27.5% in Nov/Dec 2020 (Figure 3).



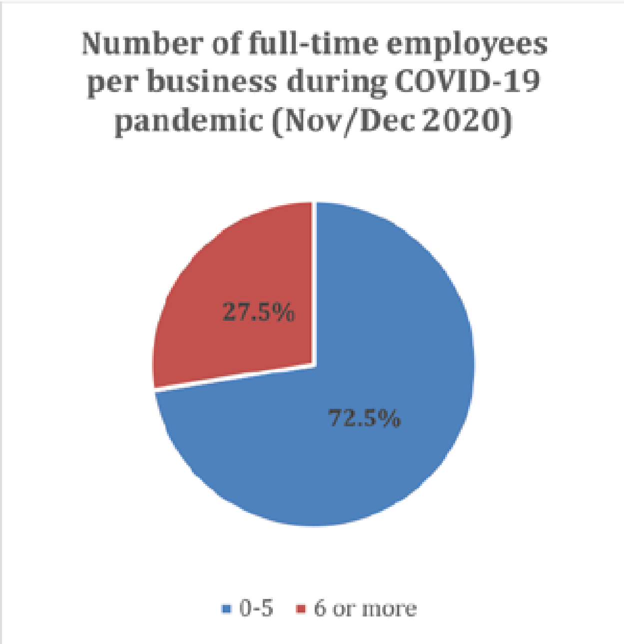
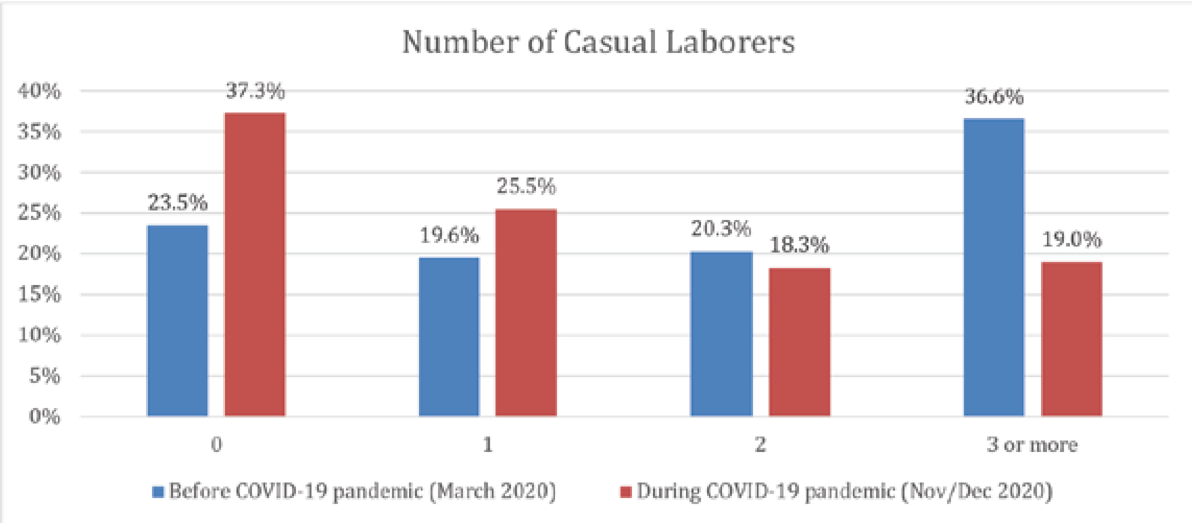




FIGURE 3: NUMBER OF FULL-TIME EMPLOYEES BEFORE COVID-19 DURING THE SURVEY (NOV/DEC 2020)

**Businesses were also letting go of their casual laborers or daily workers during the pandemic,** defined as workers engaged for a day at a time and paid at the end of each day for services rendered. Prior to the pandemic, businesses surveyed reported employing up to 115 part-time or casual workers (with a mean of 4.5 casual workers), but in Nov/Dec 2020 the largest number of casual workers that a business reported was 25 (with a mean of 1.8 workers). Additionally, the number of businesses with no casual workers increased from 36 to 57 during this time (Figure 4).



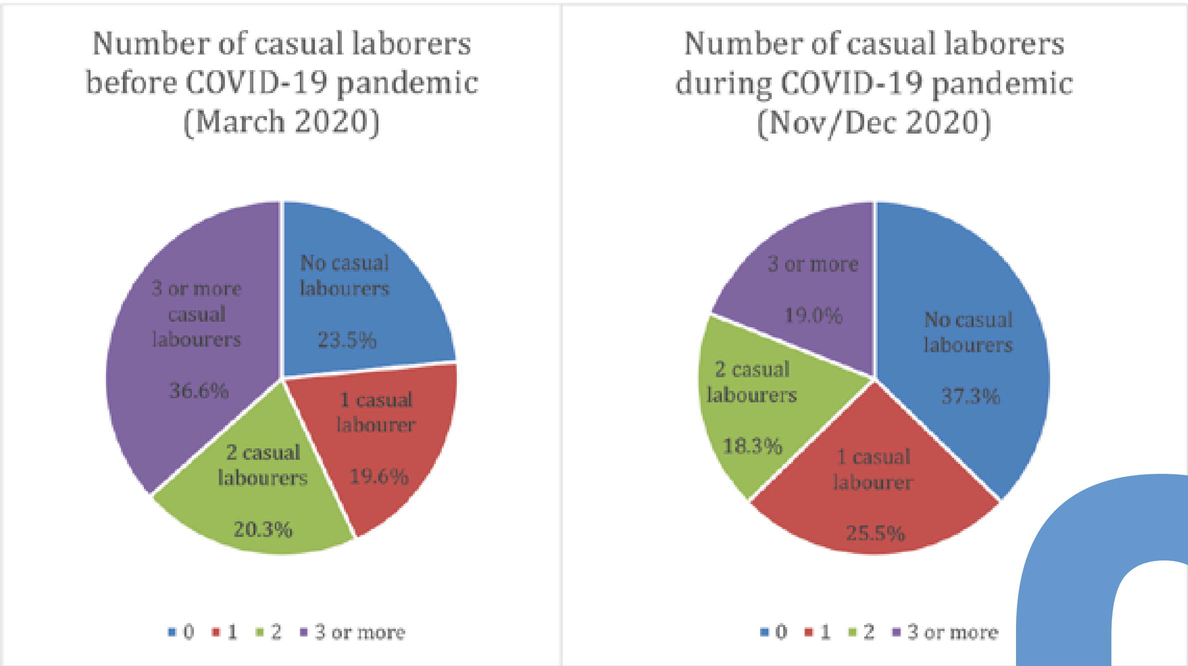




FIGURE 4: NUMBER OF CASUAL LABORERS BEFORE COVID-19 AND DURING THE SURVEY (NOV/DEC 2020)

Business employed several strategies to reduce staffing levels, such as permanently terminating employment and temporarily putting employees on paid or unpaid leave.

**More than half of the businesses surveyed (64.1%) had already dismissed workers between the beginning of the pandemic and Nov/Dec 2020 (Figure 5), while 39.9% were considering letting go of employees in the future because of the pandemic (Figure 6). Out of the 55 businesses that had not dismissed any workers, 14 (25.5%) were considering letting go of their current employees in the future because of the pandemic.**

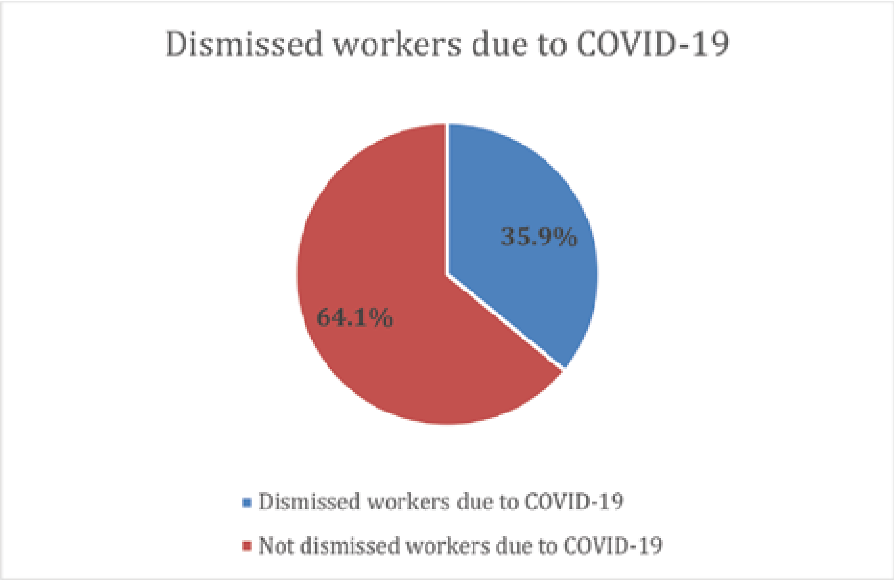



FIGURE 5: DISMISSED WORKERS DUE TO COVID-19

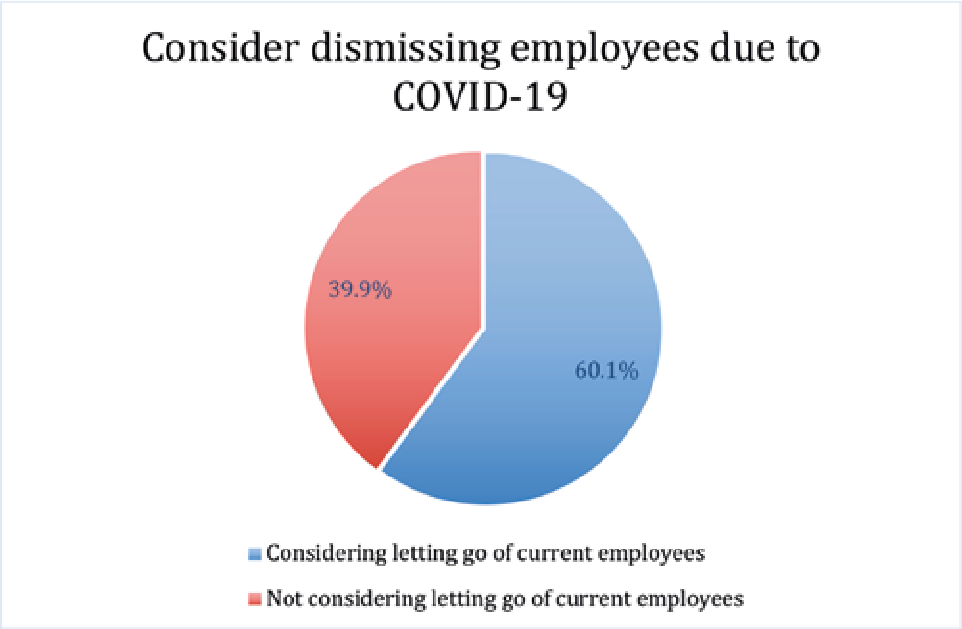



FIGURE 6: CONSIDERING DISMISSING EMPLOYEES DUE TO COVID-19 PANDEMIC

Of those who had already dismissed employees between March and November/December 2020, 69.4% had let go of 1-5 employees, 13% had dismissed 6-10 employees, while 17.4% had dismissed 11 or more employees during the pandemic.

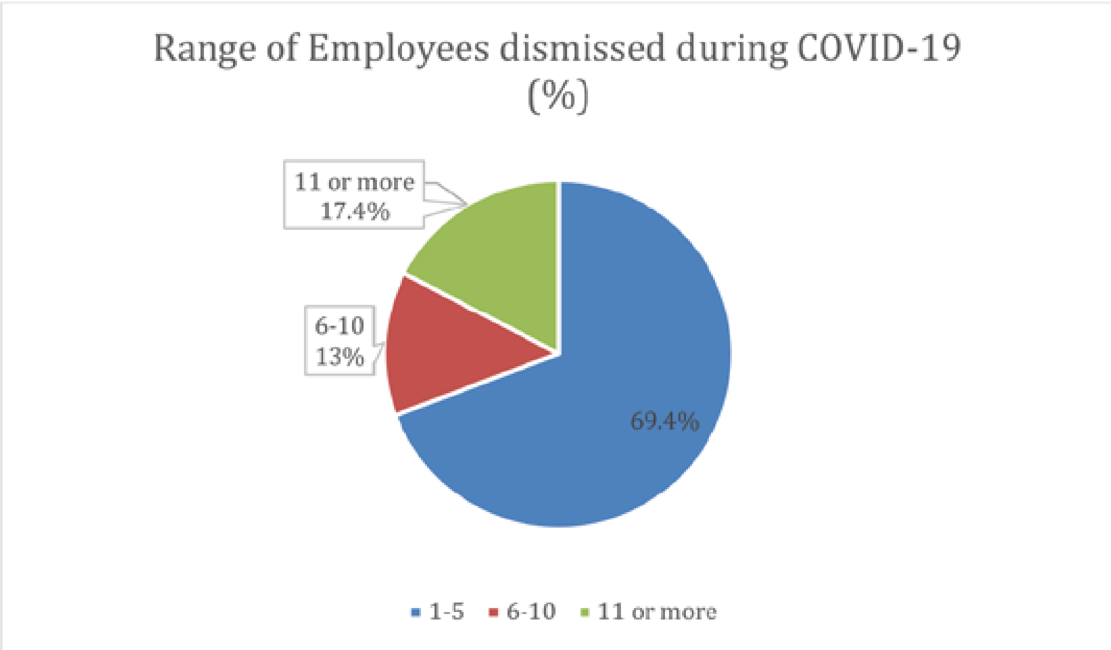



FIGURE 7: RANGE OF EMPLOYEES DISMISSED DURING COVID-1

***Effect on Sales and Customer Numbers***

Of the 128 businesses surveyed, 80.4% experienced a significant decrease in sales from the period before the pandemic to Nov/Dec 2020, and another 16.3% experienced limited sales decrease in their businesses. Below is a figure of showing how the sales were affected and how sales of the different business types were affected.

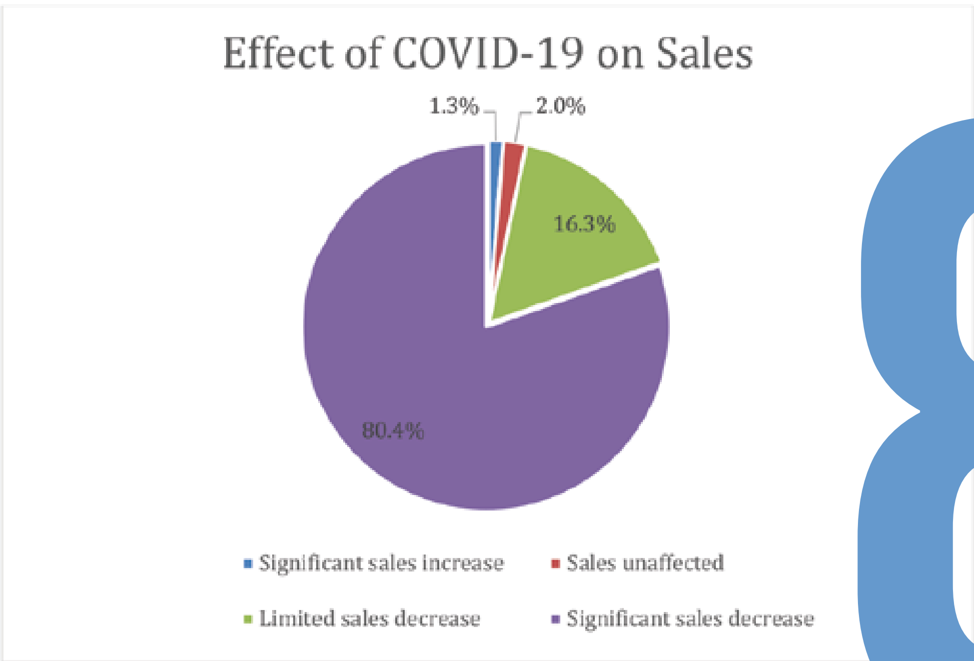



FIGURE 8: EFFECT OF COVID-19 ON SALES

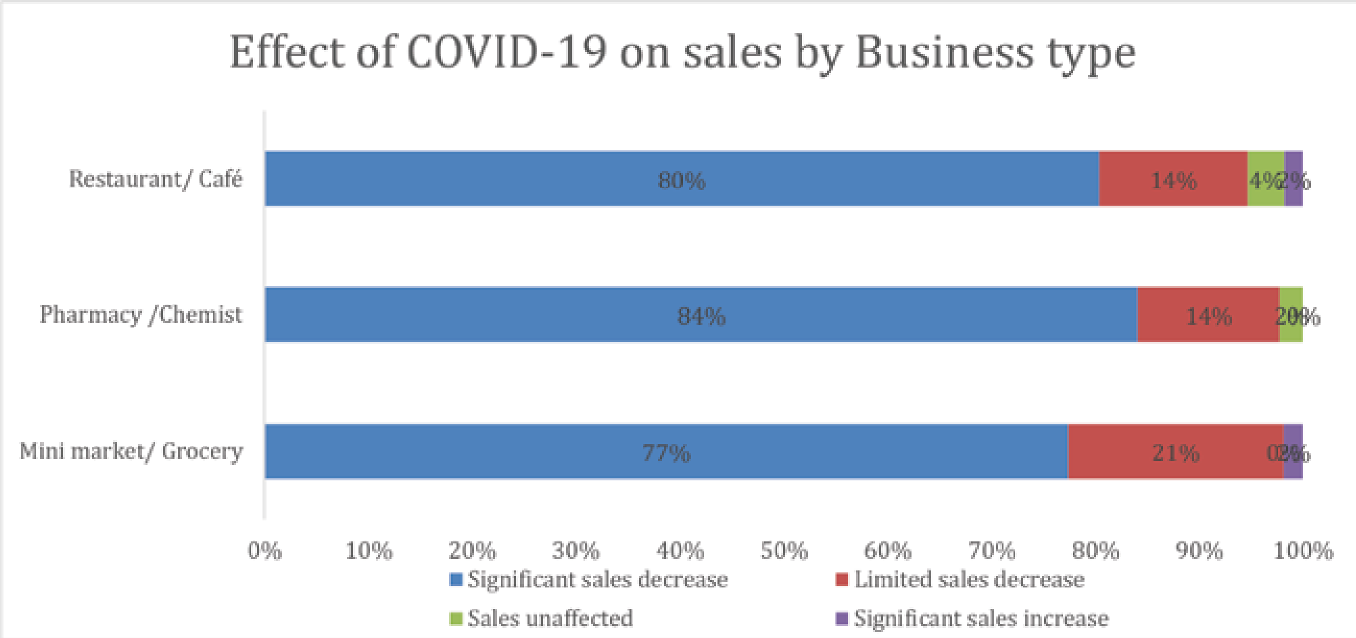



FIGURE 9: EFFECT OF COVID-19 ON SALES BY BUSINESS TYPE

Prior to the pandemic, the mean monthly sales for the businesses surveyed was KES 915,906, or USD $9,159. **After the pandemic hit, in November/December 2020 mean monthly sales dropped a drastic 54%,** to KES 419,312 or USD $4,193. Prior to the pandemic, 28.9% of businesses reported monthly sales above KES 500,000 (USD $5,000), but in November/December 2020, this decreased to only 12.5% of businesses. These stark declines are shown in Figure 9 below. A more detailed summary can be found in Appendix 2.

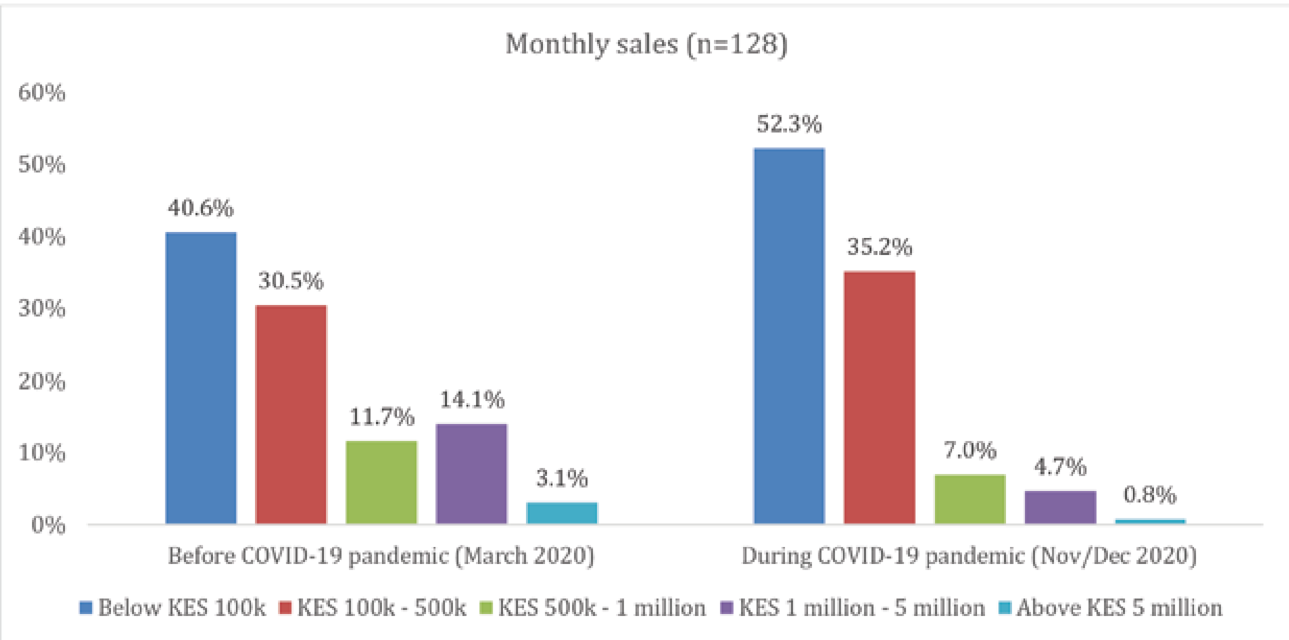
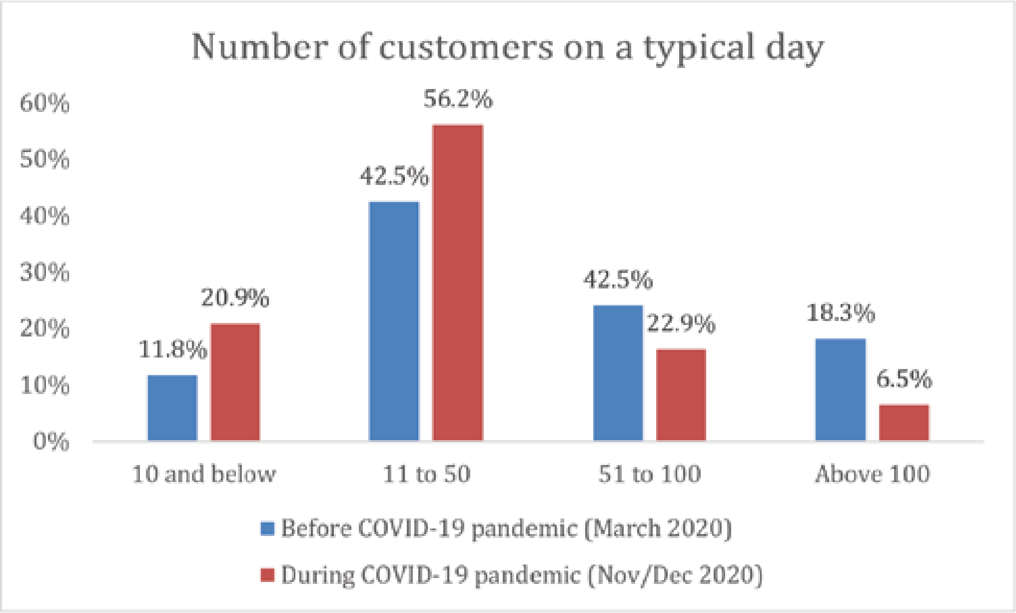
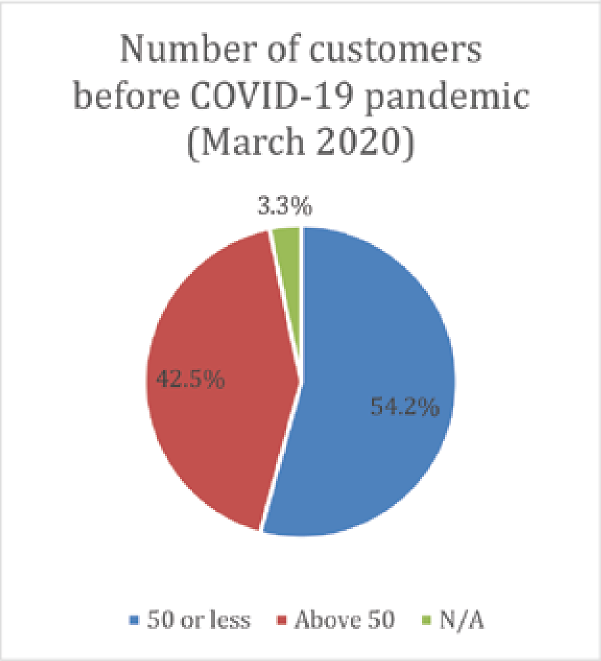



FIGURE 10: MONTHLY SALES BEFORE COVID-19 AND DURING THE SURVEY (NOV /DEC 2020)

**Across the board, businesses reported fewer daily customers because of the pandemic.** Before the pandemic, those surveyed had an average of 209 daily customers, with a maximum of 3,000 customers per day. In Nov/Dec 2020, however, this dropped to an average of 127 daily customers with a maximum of 2,000 customers per day. Businesses who reported more than 50 customers on a typical day dropped from 42.5% before the pandemic to 22.9% in November/December 2020. Meanwhile, businesses with more than 100 customers on a typical day dropped from 18.3% before the pandemic to 6.5% in Nov/Dec2020. These declines are represented in the graphs below:



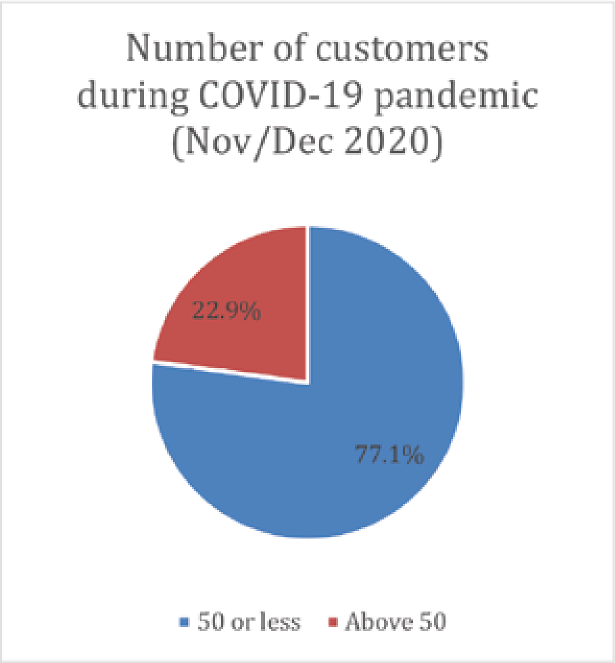




FIGURE 11: NUMBER OF CUSTOMERS ON A TYPICAL DAY BEFORE COVID-19 AND DURING THE SURVEY (NOV/DEC 2020)

# 11

## Effect on Ability to Access Financial Resources

Most businesses reported that their ability to access finance either decreased (58.8%) or remained the same (30.7%) from pre-pandemic (March 2020) to November/December 2020. Only 10.5% of businesses reported an increase in access to finance during this time.

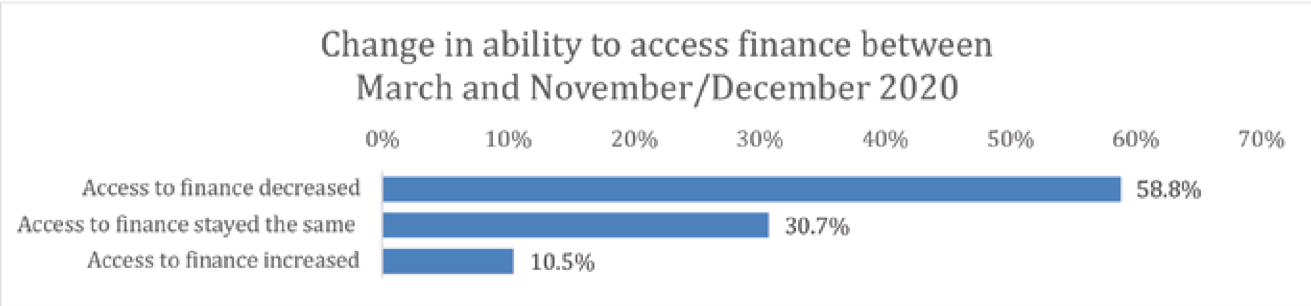



Figure 12: Change in ability to access finance before the COVID-;19 and during the survey (Nov/Dec 2020)

**Regarding access to finance, mini markets are in a better situation than restaurants and pharmacies/chemists.** Approximately 64% of restaurants and pharmacies reported a decreased access to finance between March and November/December 2020, compared to 49% of mini markets. Meanwhile 17% of mini markets reported increased access to finance, while only 7% of restaurants and pharmacies reported increased access to finance.

This lack of access to financial resources is a major concern of the survival of businesses, since 59.6% of the businesses projected that their cash flow at the time of survey response could maintain their current level of operations for one year or less.

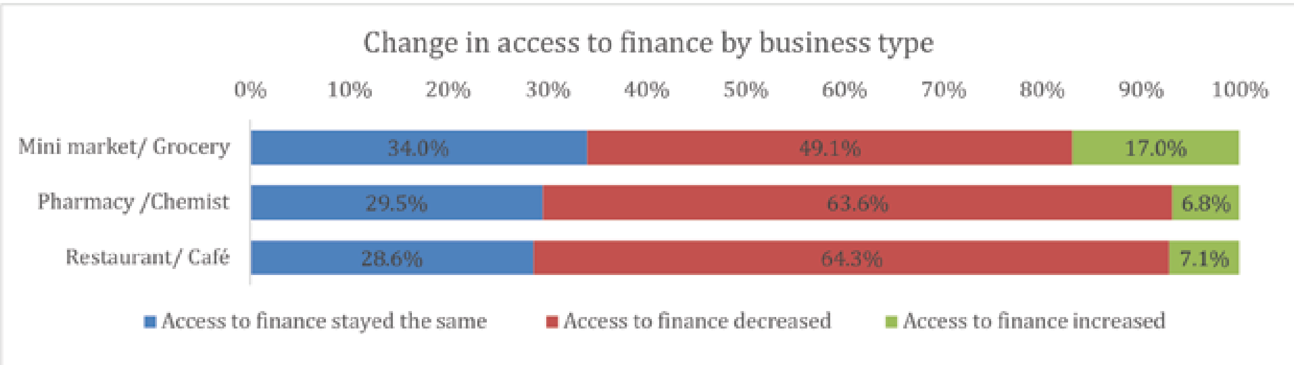
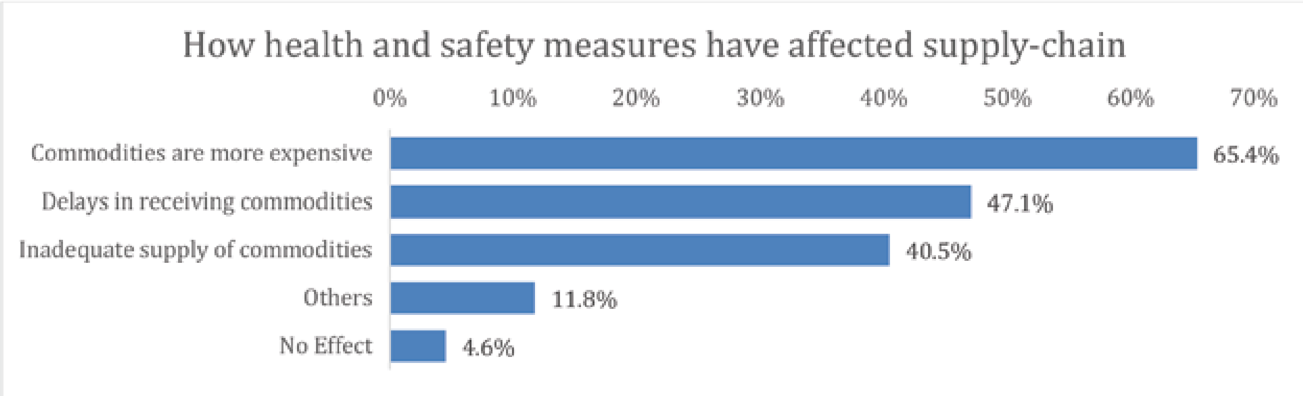



Figure 13: Change in ability to access finance by business type

*__Effect of Government Directives and Regulations__*

The pandemic and government health and safety measures affected supply chains in a number of ways. Almost two-thirds of businesses (65.4%) reported that commodities had become more expensive. Approximately 47.1% of businesses reported delays in receiving commodities and 40.5% reported that they received an inadequate supply of commodities. **Only 4.6% of businesses reported that they had not experienced any effect on their supply chains.**




The national government imposed several directives to mitigate the spread of COVID-19 in the country. Many of the businesses surveyed reported that several government directives had a significantly negative impact on their business operations. When surveyed in November/December 2020, **the top three directives that businesses most often reported as having had a negative impact on their operations included night curfew (64.7%), reduced working hours (60.8%), and restrictions in travelling in and out of some counties (60.1%).** The percentages of businesses impacted by these directives and others are represented in the figure below:

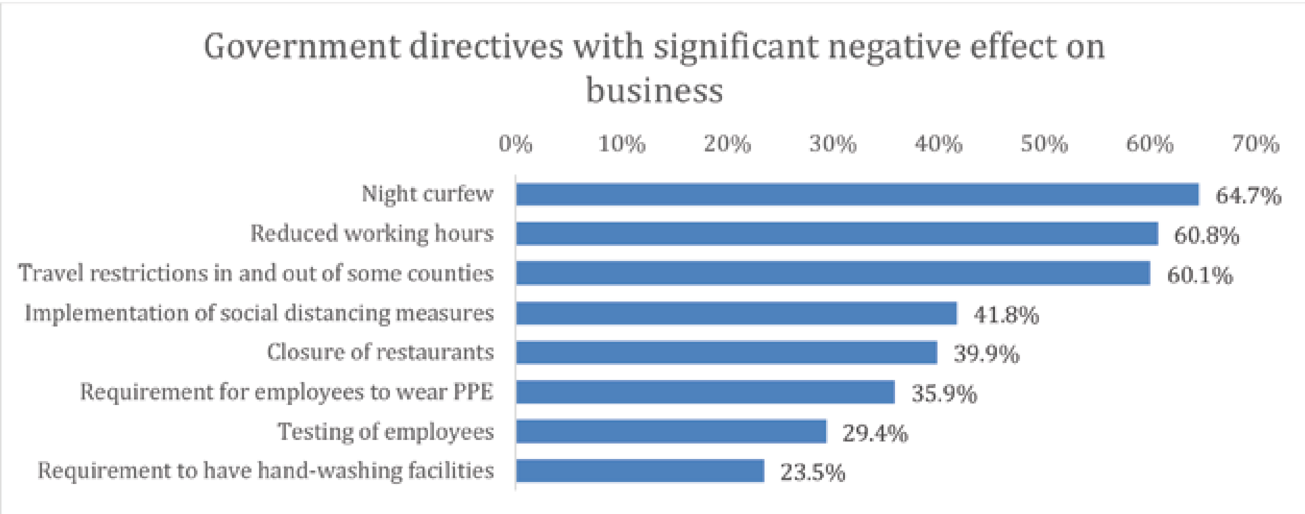



FIGURE 15: GOVERNMENT DIRECTIVES WITH SIGNIFICANT NEGATIVE EFFECT ON BUSINESS

With new government directives and regulations that severely impact businesses' operations, it is important for the government to effectively communicate these directives. However, **while one-third of businesses had no complaints, 69.3% of businesses reported in November/December 2020 that they had found one or more government directives to not have been effectively communicated. The government directives most often criticized for insufficient communication were night curfews (26.1%), travel restrictions in and out of some counties (25.5%) and testing of employees (25.5%).**