

# Kenya needs to improve business environment for SMEs to grow

By [Ngugi Mungai](#) 14 Dec 2015

The conduciveness of starting and conducting a business in Kenya currently stands at 47 percent, placing the country behind eight African economies polled by South African based Thinkroom Consulting.

The East Africa's largest economy falls behind Mauritius, South Africa, Botswana, Namibia, Rwanda, Ghana, and Zambia, which garnered 79, 78, 65, 62, 59, 57, and 51 percent in Thinkroom's *Conduciveness of Starting and Conducting Business in Africa: An SME Landscape Study*. Kenya, however, is above Nigeria, Uganda, Ethiopia, and Zimbabwe, which garnered 40, 31, 30, and 25 percent. According to Thinkroom, the information was analysed to provide an overall score reflecting a country's conduciveness for SMEs to start and operate businesses.



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On the macro economic front, the report shows Kenya's economy is expected to grow at a rate of six to 6.6 percent in the 2015/2016 financial year. However, the report shows the country needs to improve the fight on corruption as it attained a 3.5 percent rating in the 2014 Corruption Clean Score by Transparency International. Kenya also needs to lift more people out of poverty, as 43.4 percent of its 44-million population is currently below the poverty line, according to the World Fact Book.

Kenya has performed relatively well in mobile phone penetration, which currently stands at 74 percent of the population, according to 2014 Mobile cellular subscriptions by the World Bank. On the other hand, Internet World Stats show internet penetration in Kenya is at 47.3 percent. Thinkroom's findings show Kenya's SME environment has a low ranking because of the country's poor performance in the World Bank's Ease of Doing Business and Ease of Starting a Business.

World Bank's Ease of Doing Business index shows Kenya ranked position 136 out of the 189 economies measured, while the Ease of Starting a Business placed it at position 143. The Ease of Starting a Business indicates there are 10 procedures of starting a business in Kenya, which takes 30 days to complete. World Bank's Logistics Performance Indicator, which uses benchmarks like clearance process efficiency, trade and transport related infrastructure quality and shipment timeliness for reaching destination on time, ranks Kenya at position 76 out of 160 countries.

In terms of entrepreneurial strength, the latest Global Entrepreneurship Index (GEI) ranks Kenya at position 86 out of 130 economies. According to GEI, cultural support for entrepreneurs is very low in Kenya at 12 percent, compared to access to the highest quality human capital which is at 43 percent and businesses' exporting potential at 30 percent. The GEI shows the accessibility of equity investment by the SMEs is relatively high at 55 percent. "This report sheds light on the rapidly developing African SME landscape and highlights the strengths and potential improvement areas of each of the countries' SME landscape. As Africa embarks on a journey of economic growth and socio economic development, more emphasis is:

being placed on the role that SMEs can play in job creation," Thinkroom said.

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