

# **IMPACT OF AFFIRMATIVE ACTION PROGRAMS ON MSME DEVELOPMENT IN KENYA: A COMPARATIVE BEST PRACTICE FROM EMERGING MARKETS**

**Victor Otieno Agolla.**

Managing Director, Viffa Consult Limited, One Padmore Place, Kilimani Nairobi, Kenya.

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## **ABSTRACT**

MSMEs play a key role in driving economic growth and fostering innovation within communities. They serve as the backbone of many economies, creating jobs and providing essential goods and services. Affirmative action initiatives aimed at the development of MSMEs can bridge the gap for marginalized entrepreneurs, offering access to funding, training, and resources that were previously out of reach. By promoting inclusivity, these initiatives empower diverse voices and ideas, driving sustainable development. Furthermore, supporting MSMEs not only boosts local economies but also encourages a

culture of resilience and adaptability in the face of changing market dynamics. Their growth is vital for inclusive prosperity. This paper is a review of affirmative action in various countries with the intention of developing MSMEs. The review provides a clear foundation of the best practices that can be adopted in the implementation of affirmative action initiatives in Kenya, in order to fulfill the ambition of a vibrant SME sector in the country.

**Key words:** Affirmative Action, Innovation, Initiatives, Financial, Procurement, Regulatory

## **INTRODUCTION**

Globally, MSMEs are considered a reliable avenue to solve the problem of job creation, economic development, and innovation in both developed and developing economies. These enterprises are pivotal in driving economic growth, fostering innovation, and creating employment opportunities, thereby contributing significantly to the overall economic landscape. Recognizing their importance, governments are increasingly looking for ways to support this sector through affirmative action initiatives. Such measures include providing access to finance, implementing capacity-building programs, and creating favorable regulatory environments. These initiatives are designed to enhance the competitiveness and sustainability of MSMEs, ensuring they can thrive and contribute to economic resilience. Through empowering MSMEs, affirmative action not only addresses unemployment and poverty but also promotes a more inclusive and dynamic economic development globally.

Affirmative action initiatives significantly benefit the development of small businesses by fostering a diverse and inclusive environment that enhances creativity and innovation. These initiatives help small businesses attract a broader talent pool, leading to varied perspectives and

solutions that drive business growth. By promoting equal opportunities, affirmative action reduces barriers for underrepresented groups, enabling them to contribute effectively to the business landscape. This inclusivity not only improves employee morale and retention but also enhances the company's reputation, making it more attractive to customers and investors. Furthermore, businesses that implement affirmative action policies are better positioned to avoid discrimination lawsuits, ensuring a more stable and harmonious workplace. Affirmative action initiatives create a more dynamic, competitive, and resilient small business sector.

This paper reviewed affirmative action initiatives undertaken in different countries with aim of enhancing the development of MSMEs. MSMEs are the backbone of economies, driving economic growth, job creation and innovation<sup>1</sup>. Affirmative action policies, such as preferential access to finance, training programs, and market opportunities, can significantly boost MSMEs' productivity and competitiveness. By examining successful initiatives globally, Kenya can adopt best practices tailored to its unique context, thereby fostering a more inclusive and dynamic MSME sector. This comparative approach can help Kenya address challenges like limited access to capital and markets, ultimately leading to sustainable economic development and poverty reduction. Moreover, learning from countries with robust MSME support systems can inspire innovative solutions that enhance the resilience and scalability of Kenyan MSMEs, ensuring they contribute effectively to the national economy.

The paper also examines the successes and challenges of affirmative actions taken to enhance small businesses in Kenya. Affirmative action policies, such as access to government procurement opportunities, financial support programs, and capacity-building initiatives, have significantly contributed to the growth of MSMEs in Kenya. These measures have enabled many small businesses to thrive, creating jobs and fostering innovation. However, the paper also highlights challenges such as bureaucratic hurdles, limited awareness of available programs, and difficulties in accessing finance. By analyzing these successes and challenges, the paper provides a comprehensive understanding of the effectiveness of affirmative action in the Kenyan context. This analysis is crucial for identifying areas of improvement and ensuring that future policies are more inclusive and impactful, ultimately leading to a more robust and dynamic MSME sector in Kenya.

Additionally, the paper provides an in-depth analysis of success stories from countries that have successfully revitalized their SME sectors and enhanced entrepreneurial culture. By examining these international examples, Kenya can identify effective strategies and best practices that can be adapted to its unique context. This comparative analysis is crucial for addressing the challenges Kenya faces in implementing its affirmative action policies aimed at supporting small businesses. Learning from the experiences of countries that have overcome similar obstacles will provide valuable insights into overcoming bureaucratic hurdles, improving access to finance, and fostering a more inclusive business environment.

### **Comparative of Affirmative Action on MSMEs development**

<b>Countries</b>	<b>Affirmative Action Plans</b>	<b>Its Advancement</b>
<b>Kenya</b>	Uwezo Fund	Provides youth and women access to grants and interest-free loans
	Youth Enterprise Development Fund (YEDF)	Offers loans and business development services to youth
	Women Enterprise Fund (WEF)	Provides affordable credit to women entrepreneurs
	Access to Government Procurement Opportunities (AGPO)	Reserves 30% of government procurement for youth, women, and persons with disabilities
	Micro and Small Enterprises Authority (MSEA)	Supports MSMEs through trade fairs, capacity building, and market access
	Kenya Industrial Estates (KIE)	Provides credit and business advisory services to MSMEs
	Kenya Youth Employment and Opportunities Project (KYEOP)	Offers training, internships, and business grants to youth
	Constituency Industrial Development Centres (CIDCs)	Establishes industrial centres to support local manufacturing
	Kenya National Chamber of Commerce and Industry (KNCCI)	Advocates for MSMEs and provides business support services
	Kenya Export Promotion and Branding Agency (KEPROBA)	Supports MSMEs in accessing international markets
	Kenya Industrial Research and Development Institute (KIRDI)	Provides research and development support to MSMEs <sup>2</sup>
	Digital Literacy Program	Provides digital skills training to MSMEs
	Biashara Kenya Fund	Provides financial support to MSMEs
	MUDRA Scheme	Offers micro-finance to non-corporate, non-farm small/micro enterprises
	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	Provides collateral-free credit to MSMEs

<b>India</b>	Prime Minister's Employment Generation Programme (PMEGP)	Offers loans and working capital to MSMEs
	Micro and Small Enterprises-Cluster Development Programme (MSE-CDP)	Supports infrastructure development and common facilities for MSMEs
	Procurement and Marketing Support Scheme (PMS)	Provides marketing support and assistance to MSMEs
	Raising and Accelerating MSME Performance (RAMP)	World Bank-supported initiative to enhance MSME performance
	Capacity Building of First-Time MSME Exporters (CBFTE)	Supports first-time MSME exporters with training and resources
	Udyam Registration Portal	Facilitates easy registration and access to government schemes
	E-Commerce Export Hubs	Facilitates MSME exports through e-commerce platforms
	SIDBI Direct Credit Scheme	Provides direct credit to MSMEs in clusters
	National SC/ST Hub (NSSH)	Supports SC/ST entrepreneurs with financial and market access
	Technology Upgradation Fund Scheme (TUFS)	Provides financial support for technology upgradation <sup>4</sup>
	Digital MSME Scheme	Promotes digital transformation of MSMEs
	SME Masterplan 2012-2020	Focuses on innovation, technology adoption, and market access
	New Economic Policy (NEP)	Focuses on poverty eradication and restructuring society to reduce economic disparities
	Bumiputera Enterprise Enhancement Programme (BEEP)	Provides financial assistance and capacity building for Bumiputera SMEs
	TEKUN Nasional	Offers micro-financing to Bumiputera entrepreneurs
	SME Corp Malaysia Initiatives	Supports SMEs with grants, loans, and advisory services

<b>Malaysia</b>	Digital Transformation Acceleration Programme (DTAP)	Promotes digital adoption among SMEs
	Halal Industry Development Corporation (HDC)	Supports SMEs in the halal industry with certification and market access
	Market Development Grant (MDG)	Provides financial support for SMEs to participate in international trade fairs
	SME Emergency Fund (SMEEF)	Offers financial relief to SMEs affected by natural disasters
	Business Accelerator Programme (BAP)	Provides financial assistance and advisory services to SMEs
	Rural Economy Funding Scheme (SPED)	Offers financial support to rural SMEs
	SME Digitalisation Initiative	Provides grants for SMEs to adopt digital technologies
<b>China</b>	SME Promotion Law	Provides tax incentives and financial support to SMEs
	Inclusive Finance Development Plan	Launched in 2015, aims to improve financial services for MSMEs.
	Special Relief Funds for MSMEs	Local governments provide subsidies for rentals, guarantee fees, and loan interests.
	Preferential Tax Policies	Implemented various tax incentives for MSMEs.
	Digital Transformation Initiatives	Promoted digital tools and platforms for MSMEs.
	Women-Led MSMEs Support Programs	Focused on empowering women entrepreneurs through training and funding.
	Innovation and Entrepreneurship Demonstration Bases	Established hubs for innovation and entrepreneurship.
	E-commerce Support Programs	Provided training and resources for MSMEs to engage in e-commerce.
	SME Basic Act	Provides support for technology development and market expansion

<b>Japan</b>	SME Financing Programs	Government-backed loans and credit guarantees for MSMEs.
	Subsidies for Business Innovation	Grants for MSMEs to adopt new technologies and innovate.
	Digital Transformation Support	Initiatives to promote digital tools and e-commerce platforms.
	Women Entrepreneurs Support	Programs providing training, networking, and funding for women-led MSMEs.
	Procurement Policies	Preferential treatment for MSMEs in government procurement.
	Tax Incentives	Tax reductions and exemptions for MSMEs.
	Regional Revitalization Initiatives	Support for MSMEs in rural areas to stimulate local economies.
<b>Australia</b>	Small Business and Family Enterprise Ombudsman	Offers dispute resolution and advocacy for small businesses
	SME Loan Guarantee Scheme	Government guarantees a portion of loans to MSMEs.
	Export Market Development Grants	Financial assistance for MSMEs to explore and expand into international markets.
	Digital Solutions Program	Support for MSMEs to adopt digital technologies and improve online presence.
	Indigenous Business Australia	Support for Indigenous entrepreneurs through funding and business advice.
	Women in Business Initiative	Programs to support women entrepreneurs with training and funding.
	Small Business Procurement Policy	Preferential treatment for MSMEs in government procurement.
	Tax Incentives for Startups	Tax offsets and incentives for new and innovative MSMEs.

<b>Canada</b>	Canada Small Business Financing Program (CSBFP)	Provides loans to small businesses for growth and expansion
	Canada Small Business Financing Program	Government guarantees a portion of loans to MSMEs.
	Export Development Canada (EDC)	Financial assistance for MSMEs to explore and expand into international markets.
	Digital Adoption Program	Support for MSMEs to adopt digital technologies and improve online presence.
	Indigenous Business Initiative	Support for Indigenous entrepreneurs through funding and business advice.
	Women Entrepreneurship Strategy	Programs to support women entrepreneurs with training and funding.
	Procurement Strategy for Indigenous Business	Preferential treatment for Indigenous MSMEs in government procurement.
	Scientific Research and Experimental Development (SR&ED) Tax Incentive Program	Tax incentives for MSMEs engaged in research and development.
<b>South Africa</b>	Broad-Based Black Economic Empowerment (B-BBEE)	Encourages black ownership and management of businesses
	National Empowerment Fund (NEF)	Provides financial and non-financial support to black-owned businesses.
	National Empowerment Fund (NEF)	Provides financial and non-financial support to black-owned businesses.
	Preferential Procurement Policy Framework Act (PPPFA)	Ensures government procurement favors historically disadvantaged groups.
	Black Business Supplier Development Programme (BBSDP)	Provides grants to black-owned small businesses for capacity building.
	Technology and Human Resources for Industry Programme (THRIP)	Supports research and development in businesses.



	Incubation Support Programme (ISP)	Provides funding for business incubators.
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**Results of the review**

Based on the affirmation action programs identified, it is clear that governments across the world have adopted various initiatives intended to enhance the development of entrepreneurship, with a particular focus on fostering the growth of small and medium-sized enterprises (SMEs) and micro, small, and medium enterprises (MSMEs). These programs aim to create an enabling environment for entrepreneurship by providing necessary resources, training, access to financing, and market opportunities. The initiatives can be categorized into distinct themes as follows;

**Financial Inclusion among MSMEs**

In Kenya, several programs, including the Uwezo Fund, Youth Enterprise Development Fund (YEDF), Women Enterprise Fund (WEF) and Biashara Kenya Fund, are specifically designed to promote financial inclusion among micro, small, and medium enterprises (MSMEs). These initiatives focus on providing accessible and affordable credit to marginalized groups, particularly youth, women, and persons with disabilities, enabling them to establish and expand their businesses. However, despite their noble intentions, these programs encounter notable challenges. Issues such as inadequate loan amounts offered to entrepreneurs, a limited capacity in terms of human resources to manage and implement the programs effectively, and the politicization of funds often lead to poor repayment rates (WTO, 2020). In contrast, India’s initiatives, such as the MUDRA Scheme, Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), and the Prime Minister’s Employment Generation Programme (PMEGP), have showcased more success. These programs provide significant financial resources and credit guarantees, resulting in enhanced business growth and higher employment opportunities (Bagde et al., 2016). Similarly, Malaysia's TEKUN Nasional and SME Corp Malaysia initiatives have demonstrated considerable success by offering targeted financial support to Bumiputera entrepreneurs, fostering sustainable business development (Lee, 2023). Compared to these international examples, Kenyan programs suffer from administrative inefficiencies and political interference, which hinder their ability to meet intended objectives effectively.

**Inclusivity in Government Procurement**

In Kenya, the Access to Government Procurement Opportunities (AGPO) program is designed to promote inclusivity by enabling minority groups to access government procurement processes. While the initiative has commendable objectives aimed at uplifting marginalized communities, it has encountered significant challenges that undermine its overall effectiveness. One primary obstacle is the lack of awareness among the target groups, which limits their ability to actively participate. Additionally, bureaucratic hurdles slow down the process, making it difficult for minority group members to navigate the procurement system. Corruption further complicates the situation, creating unfair advantages for well-connected individuals and organizations (WTO, 2020). In contrast, South Africa's Broad-Based Black Economic Empowerment (B-BBEE) policy,

alongside the Preferential Procurement Policy Framework Act (PPPFA), has shown greater success. These programs establish mandatory procurement quotas for black-owned businesses, significantly enhancing the participation of historically marginalized groups in the economy (Mbugua, 2017). Similarly, Australia's Small Business Procurement Policy and Canada's Procurement Strategy for Indigenous Business have effectively fostered increased involvement of minority groups in government contracts. These initiatives provide clear guidelines and robust support mechanisms, ensuring that minority enterprises gain fair access to lucrative government contracts (Schotte et al., 2023).

### **Supporting Digital Transformation**

The Digital Literacy Program in Kenya was established with the goal of enhancing digital skills among the youth, effectively preparing them for participation in the rapidly evolving digital economy. Despite its noble intent, this program has encountered several significant challenges. Chief among these is the issue of inadequate infrastructure, which hampers access to essential technology and resources necessary for effective learning. Additionally, the program suffers from a shortage of qualified and trained teachers, limiting the quality of instruction provided. Furthermore, its limited reach particularly affects rural areas, where access to digital education and resources is even more scarce (Kiriti & Mogeni, 2022). In contrast, programs like India's Digital MSME Scheme and Malaysia's Digital Transformation Acceleration Programme (DTAP) have reported more favorable outcomes (Bagde et al., 2016; Lee, 2023). These initiatives offer comprehensive support that includes infrastructure development, training programs, and financial incentives specifically designed for micro, small, and medium enterprises (MSMEs). This holistic approach has led to notable enhancements in digital adoption among these businesses. Similarly, Japan's Digital Transformation Support and Australia's Digital Solutions Program also demonstrate success by providing tailored assistance to businesses, thereby effectively boosting their digital capabilities (Schotte, Leone & Gisselquist, 2023).

### **Promoting Women Entrepreneurs**

In Kenya, the Women Enterprise Fund (WEF) plays a crucial role in empowering women entrepreneurs by providing them with access to affordable credit and essential business support. Although the fund has experienced some level of success in facilitating women's entrepreneurship, it faces several significant challenges that limit its overall effectiveness. For instance, the low loan amounts available to applicants restrict their ability to scale their businesses. Additionally, the WEF's limited outreach means that many potential beneficiaries are unaware of the availability of these resources. Furthermore, the high default rates on loans can deter financial institutions from expanding support for women-led enterprises (World Trade Organization, 2020). On the other hand, both India's National SC/ST Hub (NSSH) and Malaysia's Bumiputera Enterprise Enhancement Programme (BEEP) have demonstrated greater effectiveness in assisting women entrepreneurs. These government initiatives provide a more comprehensive support system, including financial assistance, training programs, and access to market opportunities. This multi-

faceted approach has led to notably higher business success rates among women entrepreneurs in these countries (Bagde, et al., 2016). Additionally, Australia's Women in Business Initiative and Canada's Women Entrepreneurship Strategy highlight the importance of targeted support, as both programs have yielded significant success by delivering tailored resources to facilitate women's entrepreneurial endeavours.

### **Youth Employment and Opportunities**

The Kenya Youth Employment and Opportunities Project (KYEOP) was designed with the primary goal of increasing employment and earning opportunities for the youth population. Despite its well-intentioned objective, KYEOP has encountered several challenges, including limited funding, which constrains its capacity to implement effective programs. Additionally, there has been inadequate training, which fails to equip young people with the necessary skills needed in the job market. Moreover, the skills provided through the program do not align with the current needs of the job market, leading to a mismatch that hampers the employability of participants (World Bank, 2023). In contrast, India's Prime Minister's Employment Generation Programme (PMEGP) and Malaysia's SME Masterplan 2012-2020 have shown greater success in enhancing youth employment. These programs are designed to provide a comprehensive range of support, including financial assistance, training tailored to industry needs, and improved access to market opportunities. This multifaceted approach has resulted in higher employment rates among young individuals (Ministry of Micro, Small & Medium Enterprises, 2023; World Bank, 2020). Additionally, Australia's SME Loan Guarantee Scheme and Canada's Canada Small Business Financing Program (CSBFP) have also demonstrated significant success by offering targeted support and essential resources specifically for young entrepreneurs (Reserve Bank of Australia, 2021).

### **Industrial Development**

Kenya Industrial Estates (KIE) and Constituency Industrial Development Centres (CIDCs) were established with the primary objective of promoting industrial development while simultaneously creating employment opportunities for the local population. Despite their well-meaning intentions, these initiatives have encountered several challenges that hinder their effectiveness. Notably, they suffer from issues such as inadequate funding, which limits their capacity to implement comprehensive programs; poor infrastructure, which affects the operational efficiency of industries; and limited market access, which restricts the growth potential of businesses (Muindi, 2017; Kenya Industrial Estates, 2023). India's Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) and Malaysia's Business Accelerator Programme (BAP) have demonstrated greater success in fostering industrial growth. These programs offer a more holistic approach by providing essential support that includes not just financial assistance, but also infrastructure development and pathways for market access. This multifaceted support structure has resulted in enhanced industrial growth and higher employment rates in both nations (Ministry of Micro, Small & Medium Enterprises, 2023; SME Corporation Malaysia, 2023). Moreover,

China's Innovation and Entrepreneurship Demonstration Bases, along with Japan's Regional Revitalization Initiatives, have also achieved notable success. These programs offer targeted support and allocate crucial resources specifically tailored to address the needs of industrial enterprises, further driving industrial development (State Council of China, 2020; Ito, 2019).

### **Export Promotion**

The Kenya Export Promotion and Branding Agency (KEPROBA) was established with the primary objective of promoting Kenyan products in international markets. Despite this noble aim, the agency has encountered several significant challenges that have hindered its effectiveness. Among these challenges are limited funding, which restricts its ability to execute comprehensive marketing campaigns and initiatives. Additionally, inadequate infrastructure, such as poor transportation and logistics systems, complicates the distribution of goods. Furthermore, a lack of market access means that Kenyan producers often struggle to penetrate foreign markets, reducing potential revenue (Kenya Export Promotion and Branding Agency, 2024). In stark contrast, India's Capacity Building of First-Time MSME Exporters (CBFTE) and Malaysia's Market Development Grant (MDG) have achieved notable success. These programs provide a holistic approach to support entrepreneurs by offering financial assistance, targeted training, and crucial access to international markets. Such comprehensive support has resulted in significantly higher export growth rates for these nations (Ministry of Micro, Small & Medium Enterprises, 2022; SME Corporation Malaysia, 2023). Additionally, China's E-commerce Support Programs and Japan's Export Market Development Grants have also demonstrated success by delivering focused resources and assistance to exporters, thereby fostering robust international trade (State Council of China, 2020; Ito, 2019).

### **Research and Development**

The Kenya Industrial Research and Development Institute (KIRDI) was established with the primary goal of promoting research and development within various industrial sectors in Kenya. Unfortunately, it has encountered numerous challenges that hinder its effectiveness, including inadequate funding, which limits its ability to undertake comprehensive research initiatives. Additionally, the limited infrastructure available for research activities severely restricts the scope and quality of projects undertaken. Moreover, there is a critical shortage of skilled personnel, which further compromises the capacity of KIRDI to drive innovation and development effectively (Kenya Industrial Research and Development Institute, 2024). In contrast, other countries such as India and Malaysia have established programs that have proven to be more successful. India's Technology Upgradation Fund Scheme (TUFS) and Malaysia's Halal Industry Development Corporation (HDC) offer robust support systems that encompass financial assistance, the development of essential infrastructure, and training to cultivate a skilled workforce. These comprehensive initiatives have contributed to significantly better research and development outcomes in these regions (Ministry of Textiles, 2020; Halal Industry Development Corporation, 2023). Likewise, China's Innovation and Entrepreneurship Demonstration Bases and Japan's

Subsidies for Business Innovation have achieved notable successes by offering targeted resources and support tailored to advancing research and development endeavors (State Council of China, 2020; Ito, 2019).

### **Digital Adoption**

The Digital Literacy Program was specifically designed to improve digital skills among the youth, equipping them with the necessary competencies to thrive in the increasingly digital economy. Despite its noble intentions, this program has encountered several challenges that hinder its effectiveness. These challenges include inadequate infrastructure, which limits access to necessary technologies; a shortage of trained educators capable of delivering digital literacy training; and a limited reach, particularly in rural areas where resources are scarce (Choudhary & Bansal, 2019). India's Digital MSME Scheme and Malaysia's Digital Transformation Acceleration Programme (DTAP) have achieved notable success and demonstrated more favorable outcomes. These programs offer a holistic approach to digital transformation, providing essential support such as infrastructure development, comprehensive training, and attractive financial incentives. This multifaceted assistance has led to significant improvements in digital adoption among micro, small, and medium enterprises (MSMEs) (Choudhary & Bansal, 2019). Additionally, Japan's Digital Transformation Support initiative and Australia's Digital Solutions Program illustrate further success stories by offering tailored support that caters specifically to the unique needs of businesses. These efforts significantly enhance the digital capabilities of enterprises, promoting overall growth and competitiveness in a digital landscape (Choudhary & Bansal, 2019).

### **Indigenous and Minority Groups**

Access to Government Procurement Opportunities (AGPO) was established with the objective of ensuring that minority groups have equitable opportunities to participate in government procurement processes. Although the program has noble intentions, it has encountered several challenges that have significantly hindered its effectiveness. Among these challenges are a lack of awareness among the targeted minority groups regarding the opportunities available, which limits their participation. Additionally, bureaucratic hurdles can complicate the process, creating delays and obstructions that discourage potential beneficiaries. Corruption within procurement processes further exacerbates these issues, undermining the integrity of the initiative (Omariba, 2020). In contrast, South Africa's programs, namely the Broad-Based Black Economic Empowerment (B-BBEE) and the Preferential Procurement Policy Framework Act (PPPFA), have demonstrated greater success in elevating the involvement of historically disadvantaged groups in the economy. These initiatives require that a significant portion of government procurement be sourced from black-owned businesses, effectively increasing their participation in various sectors (Department of Trade Industry and Competition, 2014). Similarly, Australia's Indigenous Business Australia and Canada's Indigenous Business Initiative have shown promising results by establishing clear guidelines and support mechanisms, which have fostered increased participation of minority groups in government contracts (Government of Australia, 2021; Government of Canada, 2021).

## **Tax Incentives**

Kenya's tax incentive programs are designed to stimulate business growth and encourage investment within the country. Despite their intended goals, these programs face significant challenges that hinder their effectiveness. Some of the primary issues include complex tax regulations, which can be difficult for businesses to navigate and comprehend, leading to confusion and compliance difficulties. Moreover, many businesses are not adequately informed about the available tax incentives, resulting in limited participation and engagement with these programs. Additionally, enforcement of these regulations is often inadequate, allowing businesses to take advantage of loopholes and diminishing the intended impact of the incentives (Oxfam in Kenya, 2022). In contrast, programs from other countries, such as India's Small Industries Development Bank of India (SIDBI) Direct Credit Scheme and Malaysia's SME Emergency Fund (SMEEF), demonstrate more successful outcomes. These initiatives offer comprehensive support systems that encompass financial assistance, favourable tax incentives, and regulatory guidance, contributing to higher rates of business growth and investment (Small Industries Development Bank of India, 2024; MIDF, 2022). Furthermore, China's Preferential Tax Policies and Japan's Tax Incentives for Start-ups also illustrate significant achievements by providing targeted support and vital resources, empowering businesses to thrive (Government of China, 2023; Government of Japan, 2023).

## **Scientific Research and Development**

The Kenya Industrial Research and Development Institute (KIRDI) plays a crucial role in promoting research and development within various industrial sectors. Despite its importance, KIRDI has encountered numerous challenges that hinder its effectiveness, including inadequate funding which restricts the scope of its projects, limited infrastructure that affects operational capabilities, and a lack of skilled personnel essential for innovative advancements (Kenya Industrial Research and Development Institute, 2024). In contrast, other nations have successfully implemented programs that offer robust support for industrial research and development. For example, India's Technology Upgradation Fund Scheme (TUFS) provides not only financial assistance but also promotes infrastructure development and enhances the availability of skilled professionals, resulting in impressive research and development outcomes (Technology Upgradation Fund Scheme, 2024). Similarly, Malaysia's Halal Industry Development Corporation (HDC) sustains its initiative through comprehensive support that fosters innovation in the halal sector, leading to notable advancements (Halal Industry Development Corporation, 2022). Furthermore, China has seen success with its Innovation and Entrepreneurship Demonstration Bases, while Japan offers valuable resources through its Subsidies for Business Innovation, both prioritizing targeted assistance to research and development initiatives (Government of China, 2023; Government of Japan, 2023).

## **Regional Development**

Constituency Industrial Development Centres (CIDCs) are designed to promote regional development and create job opportunities within local communities. These centres serve as hubs for fostering local entrepreneurship and industrial growth. Despite their noble objectives, CIDCs have encountered several significant challenges that hinder their effectiveness. Inadequate funding restricts their ability to implement programs fully, while poor infrastructure limits operational efficiency and accessibility. Additionally, limited market access makes it difficult for entrepreneurs to sell their products, which ultimately stunts regional growth and employment opportunities (Muindi, 2017). In contrast, India's Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) and Malaysia's Business Accelerator Programme (BAP) have demonstrated greater success. These initiatives offer more comprehensive support systems that include not only financial assistance but also targeted infrastructure development and enhanced market access. This multi-faceted approach contributes to higher rates of regional development and significant increases in employment (Development Commissioner Ministry of Micro, Small & Medium Enterprises, 2022; Halal Industry Development Corporation, 2022). Furthermore, programs like China's Innovation and Entrepreneurship Demonstration Bases and Japan's Regional Revitalization Initiatives exemplify successful frameworks that provide tailored support and critical resources to bolster regional enterprises (Government of China, 2023; Government of Japan, 2023).

## **Recommendations**

### **Enhanced Financial Support Mechanisms**

To improve the growth of MSMEs in Kenya, it is crucial to establish an enhanced financial support mechanism that draws inspiration from successful international models. Programs similar to India's MUDRA Scheme and Malaysia's TEKUN National can be adapted to Kenyan needs by providing significant credit guarantees along with more substantial loan amounts. This would mitigate the inadequate funding issues currently faced by MSMEs. Additionally, developing a streamlined application process could improve accessibility. By implementing a tiered system that offers different loan packages based on business sizes and projections, these initiatives can ensure that financial resources effectively cater to the diverse requirements of micro, small, and medium-sized enterprises. This comprehensive financial backing would not only promote business establishment and expansion but also lead to increased employment opportunities within communities.

### **Comprehensive Training and Capacity Building Programs**

Kenya should implement comprehensive training programs aimed at enhancing the skills and competencies of MSME owners and employees. Following the examples set by India's and Malaysia's initiatives that provide extensive training tailored to industry needs, Kenya can develop

workshops and seminars focused on practical business management, marketing strategies, and technology adoption. By collaborating with local universities and industry experts, the government can ensure that these training programs are relevant and effective. Such initiatives would fill the existing skills gap that currently limits productivity and growth for many MSMEs and help align the capabilities of the workforce with market demands. The long-term benefits of such training would include improved business performance, increased innovation, and thus, heightened competitiveness in both local and international markets.

### **Strengthening Digital Adoption Initiatives**

To enhance MSMEs' efficacy in the modern economy, Kenya should prioritize the development of robust digital adoption initiatives. By drawing from the successes of India's Digital MSME Scheme and Malaysia's Digital Transformation Acceleration Programme, Kenya can invest in infrastructure that ensures widespread access to digital tools and resources. This includes improving internet connectivity, particularly in rural areas, and providing MSMEs with access to essential technology at affordable rates. Additionally, offering targeted training sessions aimed at enhancing digital literacy will empower entrepreneurs to leverage e-commerce platforms and digital marketing techniques. By creating a digitally-savvy entrepreneurial ecosystem, Kenya can drive innovation and efficiency within MSMEs, ultimately paving the way for greater business growth and access to global markets.

### **Inclusive Procurement Policies**

Kenya should adopt refined procurement policies that mirror the successful elements of South Africa's Broad-Based Black Economic Empowerment (B-BBEE) initiatives. Establishing mandatory procurement quotas for minority-owned and small enterprises can significantly broaden their participation in government contracts. To ensure transparency and fairness, the government needs to implement an extensive awareness campaign about AGPO and streamline the application process. By reducing bureaucratic hurdles and ensuring effective monitoring to minimize corruption, these initiatives can create a more favourable environment for marginalized groups. Such inclusive policies would not only empower local enterprises but also strengthen the overall economy by redistributing wealth and creating employment opportunities within underserved communities.

### **Closer Collaboration Between Government and MSMEs**

There is a pressing need for closer collaboration between the Kenyan government and MSMEs to address challenges effectively and streamline affirmative action programs. Establishing structured public-private partnerships similar to what has been seen in Malaysia and India can create a more collaborative environment. Such partnerships can enrich policy-making through the input of entrepreneurs, ensuring that the initiatives directly address their needs. Furthermore, by creating a feedback loop where MSMEs can voice their challenges, the government can adapt and refine support programs accordingly. This synergy will foster a more sustainable growth trajectory for



MSMEs, encouraging innovation and enhancing the overall business climate in Kenya. Such collaboration can significantly amplify the impact of government initiatives and drive adaptive solutions to existing constraints faced by the MSME sector.

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