

DRAFT SURVEY REPORT

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EXECUTIVE SUMMARY

The study sought to establish how firms in Kenya engage populations at the bottom of pyramid (BoP) in their value chains either as employees, consumers, suppliers, producers or distributors, and the impact of such engagement on firms' performance, women empowerment and youth employment. Overall, the exercise was a success.

Inclusive entrepreneurship

Many of the managers of inclusive firms were men on their early forties, with at least a bachelor's degree and married mainly through customary or religious system. Beneficiaries of inclusive businesses were majorly the heads of their households. Youth aged 18 to 34 years and women comprised majority of beneficiaries of inclusive business practices, having at least completed secondary education or a certificate/diploma. On average, beneficiaries were integrated into firms as employees, and earned KES15,700 which was about KES2,000 lower than their counterparts who were not linked to inclusive business models.

Adoption of inclusive business

26 per cent of the all firms surveyed had adopted inclusive business. Small firms seemed to be more adaptive to inclusive business. Pointers to firms adopting inclusive business models and practices included the existence of BoP policy or strategy, proportion of BoPs engaged by firms, the number of BoPs integrated and number of years the firm had implemented the BoP strategy. The Agricultural sector had more strategies and policies on BoP. The proportion of BoPs in firms tended to be Private Limited Companies. The Youth between the age of 18-35 years were most integrated segment of BoPs followed by women generally. Both inclusive and non-inclusive businesses had on average implemented BoP strategies for 10 to 11 years, respectively. The main activities that firms had with BoPs is providing training and employment opportunities. On a smaller scale, firms also provided funds and support to BoPs in creating business. Growth and profitability were a major reason for implementing BoP strategy. However, firms faced a myriad of challenges when implementing BoP strategy such as lack of information on BoPs, BoPs lacking adequate skills and inaccessibility to technology.

Firm performance

The manufacturing sector had higher profits in inclusive firms, while the agriculture sector had higher profits for non-inclusive firms. Inclusive firms had higher turnover than for non-inclusive firms. However, for both groups of firms, the agricultural sector had higher turnover than other sectors. The non-inclusive firms had higher net income than the inclusive firms. While the manufacturing inclusive firms recorded higher net income earned, the agricultural non-inclusive firms had higher net earned income. The wage

bill for permanent workers in the non-inclusive firms was generally higher than for inclusive firms. The agricultural and manufacturing firms both inclusive and non-inclusive recorded a higher wage bill for permanent and non-permanent workers. The medium and large inclusive and non-inclusive firms had higher bills for permanent workers. Larger firms also in both groups had a higher wage bill for non-permanent workers. On average, majority of inclusive firms were moderately satisfied while majority of non-inclusive firms were sufficiently satisfied with the results achieved with the integration of vulnerable persons.

Youth employment

Firms on average employed more youth as non-permanent employees. While inclusive firms employed almost an equal number of youths both as permanent and non-permanent employees, non-inclusive firms employed more youth as non-permanent employees. On average, the monthly earnings of the youth beneficiaries were on an increasing trend over the years.

Women empowerment

On average, both inclusive firms and non-inclusive firms had more women non-permanent employees. Women were involved in decision making, implying some level of women empowerment. In general, women had access to credit mainly from Saccos. On access to land, most women owned the land jointly together with their husbands. Finally, women involved in inclusive business recorded on average an increase in income over the years and contributed an average of USD 88 to household expenses monthly.

Household well-being

Both beneficiaries and non-beneficiaries lived in the same neighbourhoods and had access to social services that were not exclusive to either one of the groups. However, the beneficiaries on average, spent less money annually at the household level compared to non-beneficiaries.

Favorable ecosystem to inclusive entrepreneurship

There were no explicit regulation and policies that promoted inclusive business practices in Kenya. However, there were several incentives and policy and regulatory framework that provided for a conducive environment for inclusive business to thrive.

GENERAL INTRODUCTION

This report covers the methodological approach used in the survey. Also, in the report are survey findings including situational analysis of inclusive entrepreneurship, adoption of inclusive business, and inclusive entrepreneurship and firm performance. Other findings in the report include inclusive entrepreneurship and youth employment, inclusive entrepreneurship and women empowerment, inclusive entrepreneurship and household well-being, and finally favorable ecosystem to inclusive entrepreneurship.

CHAPTER 1. METHODOLOGICAL APPROACH

General Introduction

The research project sought to establish how firms in Kenya engage populations at the bottom of pyramid (BoP) in their value chains either as employees, consumers, suppliers, producers or distributors, and the impact of such engagement on firms' performance, women empowerment and youth employment. To achieve this, the study adopted a national approach, whereby firms, and individuals from selected counties were interviewed. Data collection was done primarily using questionnaires.

1.1. The pretest

Sampling Frame

Firm sampling was guided by databases provided by authoritative agencies and associations including Kenya Association of Manufacturers (KAM), Construction Authority of Kenya, Central Bank of Kenya, SACCO Societies Regulatory Authority (SASRA), Export Processing Zones Authority (EPZA) and Kenya Tea Development Agency (KTDA). Additional sources included B-Corp certified, BCtA (SIB-K), UN Global Compact and from the literature reviewed. A total of 1000 firms were identified out of which 325 were sampled.

Choice of Firms

The study covered firms from the following sectors which had been identified from the literature as seemingly inclusive:

- ❖ **Agriculture** - agribusiness particularly on cash crops such as tea and coffee; livestock, aquaculture, nuts, flowers, fruits e.g. mangoes, avocado and vegetables (tomatoes, French beans etc.). Other key players included dealers in agrochemicals, seeds and other agricultural inputs, feed manufacturers and packaging firms.

- ❖ **Financial and FinTech Services-** MSMEs banking solutions, mobile banking, SACCOs etc.
- ❖ **Energy** - clean energy and clean stoves
- ❖ **Manufacturing** in food and beverages, textile and apparel, plastic and rubber, timber, agrochemicals etc.
- ❖ **Building and construction**

The study also covered other sectors not identified from the literature, to avoid selection bias.

- ❖ **Information communication technology (ICT)**
- ❖ **Wholesale and retail trade**
- ❖ **Hotel and accommodation**

Lessons from the Pre-test

- i. Some sub-sectors (tea, construction) were under-sampled hence there was need to expand the study to cover more counties such as Kilifi (Export Processing Zones -EPZ), Bomet (tea), Meru (tea), Uasin Gishu (tea, poultry, dairy) among others.
- ii. More time should have been allocated to Kericho County due to the location of the tea factories
- iii. There was need for an off-road suitable vehicle

1.2 Firm Survey

Sampling

A 3-step criteria detailed below was used to select firms from the sampling framework informed by firm level data from government authorities, associations and networks.

Criteria for firm selection:

1. For profit
2. Private sector
3. Formal

Table 1.1: Sample size by Source

Institution/Authority/Association	Sampling Frame	Randomly selected Sample	Weight
Kenya Association of Manufacturers (KAM)	431	300	1.4
Export Processing Zones Authority (EPZA)	138	105	1.3
Kenya Tea Development Agency (KTDA)	40	25	1.6
National Construction Authority (NCA)	150	100	1.5
Kenya Association of Hotel Keepers and Caterers	189	150	1.3
Agriculture and Food Authority (AFA)	372	300	1.2
SACCO Societies Regulatory Authority (SASRA)	166	100	1.7
Additional firms from pre-assessment survey (identified through snow-ball as being inclusive)	249	120	1.7
Sample (N)	1735	1200	

Data on the sampled firms was obtained from seven sources: four government authorities, two associations and one agency. Additional firms were selected through snow balling during the pre-assessment survey.

Adjustment of the sample according to a purposeful sampling

Weighting was necessary since the selected samples were not self-weighting due to varying probabilities of selection across different sectors. The average weight was 1.4, computed based on the ratio of the sampling frame to the target sample. Weights lower than 1.4 were allocated on sectors that tended to integrate more BoPs into their value chains as informed by the literature and the pre-assessment survey.

The study was conducted in 12 counties, selected based on two factors:

1. The distribution of registered and licensed MSMEs¹ in Kenya (distribution of large firms in the country is assumed to be similar);
2. The distribution of sectors of interest identified from literature on IB practices in Kenya.

The 12 counties selected represented about 57 per cent of the total firms in Kenya. Below are the selected counties, each with the focus sector of study.

Table 1.2: Sampling by Sector

County Name	Share of licensed MSMEs	Sectors identified
Nairobi	17.2%	Manufacturing, ICT, construction, EPZ, trade, hotels and accommodation, energy
Nakuru	7.6%	Agribusiness, hotels and accommodation, energy
Meru	6.1%	Tea, and another agribusiness
Kiambu	5.9%	Agribusiness, Manufacturing, energy
Uasin Gishu	3.7%	Agribusiness
Kakamega	3.4%	Agribusiness
Mombasa	2.7%	EPZ, hotels & accommodation, construction, nuts, energy
Kisumu	2.6%	Construction, fishing, agribusiness, hotels and accommodation
Machakos	2.5%	EPZ, Agribusiness
Kilifi	1.9%	nuts, hotels and accommodation
Kisii	1.7%	Tea and other agribusiness
Kericho	1.3%	Tea
Total	56.6%	

¹ The Micro and Small Enterprises (MSE) Act of 2012 defines firms as follows:

Micro as those with annual turnover of Ksh500,000 and above, and between 1- 9 employees;

Small as those with annual turnover Ksh500, 000 to 5 million, and between 10-50 employees

Medium size firms are those with 51 to 100 employees while large firms have over 100 employees

Note: The study focused on registered establishments which constitute only 25% of the licensed establishments.

1.3 BoPs Sampling

Beneficiaries

Using question S3Q006 in the firm questionnaire, a list of beneficiaries linked to the identified inclusive firms was generated. A sample was then selected randomly from the list. The selection was based on the number of total BoPs that each inclusive firm engaged as follows:

- If firm engages 1-30 BoPs, select 3
- If firm engages 31-50 BoPs, select 5
- If firm engages more than 50 BoPs, select 10

Further, the selection considered the age, sex and disability status of the beneficiaries where a third of the sample was to constitute each of the following groups: youth (18-34 years), women and people with disability.

Sample Size

Using this criterion, a total of 518 beneficiaries linked to the inclusive firms were identified. However, due to budgetary limitations, only counties that had a high concentration of inclusive firms were selected. As a result, ten counties out of the total twelve were selected, making the sample size 486 BoPs. The breakdown is shown in Table 1.3.

Table 1.3: Beneficiaries Sampling by County

County	Number of inclusive firms	Number of Beneficiaries
Nairobi	31	135
Kiambu	6	27
Machakos	10	47
Nakuru	11	44
Meru	15	73
Kericho	7	56
Uasin Gishu	6	18
Kisii	9	52
Mombasa	5	13
Kilifi	7	21
Sample (N)	108	486

1.4 Non-Beneficiaries Sampling

The beneficiaries of inclusive businesses identified their counterparts who were not linked to inclusive businesses, based on the following conditions:

- Be in the same sector as beneficiary
- Be in the same location as beneficiary
- Be under either of these categories: youth, women and people with disability

The interviewers then selected the non-beneficiaries twice the number of beneficiaries, i.e. 972 non-beneficiaries of non-inclusive businesses, making the total 1458.

1.5 Survey questionnaires

The study used three questionnaires: for firm production, firm managers and BoPs. These questionnaires were administered to the respondents across 12 counties in Kenya by 20 trained interviewers. Before administering the BoP questionnaire to non-beneficiaries, the interviewers screened the non-beneficiaries to ensure that they were not linked to any inclusive business, and that they fitted the required categories.

1.6. Organization of the survey and post-investigation operations

- Recruitment and Training of interviewers

A team of 20 interviewers was recruited according the government procedures to undertake the survey. The interviewers were then trained for two days on the questionnaires used in the pre-test and the survey.

- Conduct of the field investigation

In order to be efficient in conducting the fieldwork, the interviewers were divided into 5 groups each with a supervisor. The role of the supervisor was to manage the team and allocate duties effectively to make sure the fieldwork was a success. Each group was assigned at least 2 counties outside Nairobi in which to conduct the fieldwork. However, all the teams conducted fieldwork in Nairobi where majority of firms and beneficiaries were situated. All the interviewers were provided with a tablet to facilitate them in filling in the questionnaires. All teams had to provide report to the project leader every day indicating their achievement.

- Post Investigation Operations

After the completion of the fieldwork, an evaluation of the exercise was done to assess its success. This involved the number of questionnaires filled both for firms and beneficiaries across counties and

sectors against the targets. Also, the completion of questionnaires was accessed. Where, necessary especially on data on financial performance of firms, a follow-up through telephone calls and emails was done to get the missing information.

Conclusion

Overall, the exercise was a success with support from the institute, CAPEC, LAQAD and IDRC through funding, despite a few challenges.

Challenges Encountered during Sampling

Firm Sampling

Failure to access the KNBS database of all firms/establishments in the country to compile the sampling frame for the firms forced the study to rely on various databases from government authorities, associations and agencies which had some shortcomings.

The sample from associations consisted only of members, hence leaving out non-members. To correct for this, an additional 149 firms who are not necessarily members were identified during the pre-assessment through snow balling method (the sampled firms listed five firms in the same sector).

BoP Sampling

The beneficiaries identified by inclusive firms were not restricted to the same locality as firm, hence some, especially suppliers from rural areas were unreachable. This reduced the number of beneficiary suppliers interviewed.

CHAPTER 2. SITUATIONAL ANALYSIS OF INCLUSIVE ENTREPRENEURSHIP

Introduction

The study sought to establish key demographic characteristics of firm managers including sex, age, marital status, religion, nationality and level of education. It also interrogated managers interactions with new business models, especially inclusive business.

2.1. Profile of inclusive business managers

A total of 417 firm managers were interviewed, 26 per cent of whose firms practiced inclusive business. The average age of managers of inclusive firms was 42 years, which was relatively like that of non-inclusive firm managers. Notably, most of these managers were married, mainly through customary or religious system.

Table 2.1: Manager's Age (years)

	Obs	Mean	Std. Dev.	Min	Max

Inclusive	109	42.62385	13.6733	0	98
Non-Inclusive	308	43.53247	13.77373	24	98

Table 2.2: Manager's marital status (%)

	Inclusive	Non-Inclusive
Civil marriage	5.41	4.89
Customary/religious marriage	77.48	81.11
Common-law union	1.8	0.33
Divorced	0	0.33
Separated	0	0.33
Widow/widower	0	0.33
Single	15.32	12.7

Majority of Kenyan managers in the private sector were male. The gender dynamics revealed a similar trend across the firms, regardless of inclusion status. However, more female-led firms tended to be non-inclusive.

Table 2.3: Manager's Sex (%)

	Male	Female
Inclusive	85.59	14.41
Non-Inclusive	77.99	22.01

In terms of nationality, over ninety per cent of the managers were Kenyans. This could be attributed to the sampling frame given that the survey was conducted among Kenyan firms. A comparison among foreign managers revealed that those from European Union countries were the majority followed by South African region.

Table 2.4: Nationality of manager (%)

	Inclusive	Non-Inclusive
Kenya	92.92	93.25
South Africa region	1.77	0
EU countries	4.42	3.86
Other European countries	0	0.32

Other America countries	0.88	2.25
USA	0	0.32
Total	113	100

Christianity was the dominant religion among Kenyan firm managers, with protestants being the majority. Among the non-Christian managers, Hindu dominated.

Table 2.5: Religion of manager (%)

	Inclusive	Non-Inclusive
Catholic	21.1	18.18
Protestant	61.47	52.8
Hindu	6.42	10.14
Budhist	0	0.35
Other Christian	9.17	15.38
No religion	1.83	3.15

Literature reveals that education level is as a proxy for cognitive skills as it is associated with learning-by-doing performance of people. Firm managers are thus expected to have knowledge and skills to enable them manage effectively and efficiently. Agreeably, the survey findings revealed that the majority of managers had at least a bachelor's degree (over 70%).

Table 2.6: Level of education (%)

	Inclusive	Non-Inclusive
Primary not complete	0.9	0.32
Secondary complete	0.9	3.24
Certificate/diploma	18.92	24.27
Bachelor's degree	54.95	51.46
Masters/doctoral	23.42	20.39

The average number of years of study for a manager was sixteen, which under the 8-4-4 Kenyan system implies that they have completed tertiary education.

Table 2.7: Years of Study

	Obs	Mean	Std. Dev.	Min	Max
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Inclusive	109	16.51376	4.587856	3	35
Non-Inclusive	303	16.55116	3.962137	3	32

Dynamism of the business environment and technological advancement compels firm management to engage in continuous skill development in order to enhance strategic decision making. A higher proportion of managers had attended training on new business models (78%) engage BoPs in their operations in inclusive business practices.

Table 2.8: Attended training (%)

Inclusive	78.38
Non-Inclusive	63.75

Further, most managers of inclusive firms ascend to their positions through internal promotions. New graduates and persons outside Kenya were the less likely to ascend to manager positions.

Table 2.9: Mode of accession to manager Position (%)

	Inclusive	Non-inclusive
Internal promotion- national	51.75	52.43
External recruitment - in Kenya	23.68	22.98
External recruitment - outside Kenya	1.75	2.91
Recruitment of new graduate	6.14	8.41
Owner of firm	16.67	13.27

2.2. Profile of inclusive businesses

The study focused on the private sector, hence private limited liability companies comprised majority of the sample. Over 90 per cent of sole proprietors interviewed were not inclusive. This makes sense in the Kenyan context because most BoPs were engaged in inclusive businesses as employees.

Table 2.10: Legal status (%)

	Inclusive	Non-Inclusive
Public limited company (PLC)	0.9	1.32
Private limited liability company (LLC)	96.4	92.11
Sole proprietorship	0.9	4.61
Community interest group/cooperative	0.9	0.99

Partnership	0.9	-
One-person limited liability co	-	0.66
NGO	-	0.33

Sector-wise, agriculture and agro-processing constituted the largest proportion of inclusive firms, followed by hotel and accommodation. Among sub-sectors that showed a small proportion of the engagement of BoPs included auto repairs and motorcycles, professional, scientific and technical activities, manufacture of rubber and plastics, trade and real estate services.

Table 2.11: Sector of Activity (%)

	Inclusive	Non-Inclusive
Agric, hunting & related activities	23.21	14.98
Forestry, logging & related	0.89	0.98
Fishing, fish farming, aquaculture	0	0.33
Food & beverage manufacturing	14.29	14.33
manufacture of clothing apparels, fur	4.46	2.93
Chemical manufacturing	0.89	1.3
Manufacture of rubber & plastics	0.89	2.93
Other manufacturing	4.46	4.56
ICT	2.68	2.93
Energy & renewables	4.46	4.23
Water & sanitation, waste mgt	0.89	0.65
Auto repairs & motorcycles	1.79	3.58
Construction	7.14	5.21
Trade	1.79	3.26
Hotel and accommodation	30.36	26.71
Financial services	1.79	1.63
professional, scientific & technical	0	2.28
Human health & social action	0	1.3
real estate services	0	1.95

A huge proportion of the firms interviewed are mature (average age of 18 years). The results reveal that inclusive firms in Kenya are slightly more mature than non-inclusive firms.

Table 2.12: Age of firm

	Obs	Mean	Std. Dev.	Min	Max
Inclusive	110	21.23636	21.89044	0	110
Non-Inclusive	302	18.91722	18.36805	0	104

The Micro and Small Enterprises (MSE) Act of 2012 defines firms as follows: Micro – 1-9 employees, small – 10-50 employees, medium – 51-100 employees, and large – over 100 employees. From the results, large firms tended to be more inclusive compared to micro, small and medium. Notably, micro firms constituted the smallest proportion of inclusive firms.

Table 2.13: Size of Firm by Number of employees (%)

	Inclusive	Non-Inclusive
Micro	14	10.26
Small	32	45.07
Medium	19	18
Large	36	26.89

2.3. Profile of Beneficiaries of Inclusive Business

Beneficiaries of inclusive businesses were majorly the heads of their households. Among the beneficiaries of inclusive businesses in Kenya, very few were members of cooperatives.

Table 2.14: BoP characteristics (%)

	Beneficiaries	Non-Beneficiaries
Household head	80.5	75.07
Member of household not head	15.94	19.67
Manager	1.19	1.39
Cooperative	0.1	3.05
Employee	1.78	0
consumer	0.3	0.55
supplier	0.2	0.28

Beneficiaries were asked to describe the social category in which they belong. Generally, youth aged 18 to 34 years and women comprised majority of beneficiaries of inclusive business practices. However, comparison of age across the two categories revealed that non-beneficiaries were younger by 3 years.

Table 2.14: Age of BoPs

	Obs	Mean	Std. Dev.	Min	Max
Age of Beneficiary	358	31.22905	8.909633	18	97
Age of non-Beneficiary	644	28.44255	7.078638	18	97

Other major categories of BoPs included those in rural areas, the poor at income level and those spending less than KES125 and KES200 per day. Those with various forms of disabilities constituted about 15 per cent of the beneficiaries.

Table 2.15: BoP Status

	Freq.	%
In rural areas	322	31.85
Mental impairment	14	1.38
Psychic impairment	22	2.18
Visual impairment	25	2.47
Blind	14	1.38
Hearing impairment	20	1.98
Deaf	16	1.58
Speech impairment	22	2.18
Mute	19	1.88
Poor at income level	453	44.81
Youth 17 years	43	4.25
Youth 18-34 years	820	81.11
Youth 35 years	90	8.9
Women generally	423	41.84
Women in rural areas	229	22.65
Women in informal sectors	206	20.38

Men in informal sectors	187	18.5
BoP spending KES125	582	57.57
BoP spending KES200	463	45.8

On sex, majority of beneficiaries were female while no-beneficiaries were male.

Table 2.16: Sex of BoPs (%)

	Beneficiaries	Non-beneficiaries
Male	41.83	54.92
Female	57.62	44.62

Distribution of BoPs per sector revealed a similar trend as that of the firms interviewed, with the majority being engaged in agriculture and agro-processing activities, and hotel and accommodation. The least engaging sectors included manufacture of paper and paperboard and trade.

Table 2.17: Sector of Activity

	Beneficiaries		Non-Beneficiaries	
	Freq.	%	Freq.	%
Agriculture, hunting & related activities	81	24.7	93	14.4
Forestry, logging & related activities	1	0.3	3	0.46
Fishing, aquaculture & fish farming	3	0.91	2	0.31
Extraction of crude oil, natural gas			6	0.93
Extraction of uranium ores, metallic ores	3	0.91	1	0.15
Other extractives	3	0.91	1	0.15
Food and Beverage manufacturing	94	28.66	150	23.22
manufacture of clothing articles, dressing apparel	9	2.74	69	10.68
leatherwork, manufacture of travel accessories	4	1.22	2	0.31
manufacture of paper, paperboard			15	2.32
publishing, printing, reproduction of recordings			4	0.62
oil refining, coking, nuclear industries	8	2.44	12	1.86
manufacture of plastics and rubber	8	2.44	19	2.94
chemical manufacturing-		-	1	0.15

other manufacturing (glass, pottery, stationery)	5	1.52	12	1.86
ICT	4	1.22	3	0.46
energy, including renewables	8	2.44	2	0.31
water, sanitation, waste management	1	0.3	-	-
auto repairs, motorcycles	9	2.74	14	2.17
professional, scientific, technical	2	0.61	3	0.46
human health and social action	3	0.91	6	0.93
real estate services	2	0.61	2	0.31
Construction	11	3.35	3	0.46
Trade	5	1.52	11	1.7
hotel and accommodation	61	18.6	176	27.24
financial services	2	0.61		
manufacture of timber, timber products	1	0.3	2	0.31

In terms of education and training, majority of BoPs had technical training (54%), having at least completed secondary education or a certificate/diploma. A significant proportion of beneficiaries had a bachelor's degree (10%).

Table 2.18: Level of education (%)

	Beneficiary	Non-beneficiary
No formal education	0.28	0.15
Primary not complete	2.77	3.38
Primary complete	6.09	7.38
Secondary not complete	6.37	7.85
Secondary complete	28.25	32.77
CAP/Cert/diploma	33.24	25.85
Bachelors' degree/license	10.25	6
Masters' degree	0	0.15

2.18: Technical Training (%)

Yes	54.92	54.92
No	45.08	28.62

The average household size for beneficiaries was four, which was slightly higher than for non-beneficiaries (3).

Table 2.19: Household size

	Obs	Mean	Std. Dev.	Min	Max
Beneficiaries	358	4.00838	2.560733	1	26
Non-beneficiaries	644	3.136646	1.872273	0	12

Further, beneficiaries were uniformly distributed across rural and urban areas (about 40%).

Table 2.20: Rural versus Urban

	Beneficiaries	Non-beneficiaries
Rural	39.61	27.54
Urban	40.17	46.46

On average, beneficiaries were integrated into firms as employees, and earned KES15,700 which was about KES2,000 lower than their counterparts who were not linked to inclusive business models.

Table 2.21: Earning per month

	Obs	Mean	Std. Dev.	Min	Max
Beneficiaries	316	15711.92	11843.14	0	120000
Non-beneficiaries	603	13552.16	9820.447	0	140000

An analysis of the engagement of BoPs at firms' value chains revealed that the majority were employees (skilled and unskilled) as opposed to being owners or co-owners of small enterprises (about 10%).

Table 2.22: Professional status

	Beneficiary	Non-Beneficiary
owner/co-owner but not working	2.52	0.15
Owner/co-owner and manager	7.56	2.78
owner/co-owner working but not manager	-	0.62
employee/manager	0.56	0.31
employee/supervisor	1.96	1.39
employee/skilled worker	43.14	47.91
employee/unskilled worker	28.01	36.63

civil servant	0.28	0.15
farm laborer	4.48	3.4
intern/attachee	0.56	0.15
Supplier	1.96	0.62

Conclusion

In summary, most inclusive firms were private limited liability companies in hotel and accommodation, agriculture and food and beverage manufacturing. Large firms tended to be more inclusive compared to micro, small and medium. Generally, the majority of the managers of inclusive firms were men on their early forties, with at least a bachelor's degree and married mainly through customary or religious system. Beneficiaries of inclusive businesses were majorly the heads of their households. Generally, youth aged 18 to 34 years and women comprised majority of beneficiaries of inclusive business practices, having at least completed secondary education or a certificate/diploma. On average, beneficiaries were integrated into firms as employees, and earned KES15,700 which was about KES2,000 lower than their counterparts who were not linked to inclusive business models.

CHAPTER 3. ADOPTION OF INCLUSIVE BUSINESS

Introduction

A total of 423 firms were surveyed. The survey covered several topics on Inclusive business as well components about firms that have adopted Inclusive Business as a business model. This section highlights descriptive and analysis on adoption of inclusive business from the survey. The study adopted a working definition to define an inclusive business and one that had adopted the business model by considering the following;

- Is a profit making business
- Has in a policy with strategies of integration/collaboration of economically excluded people in its value chain or engagement of those at the Bottom of the Pyramid (BoP) either as consumers, suppliers, distributors or producers
- The firm responded on the proportion of beneficiaries incorporated;
- The firm responded that it had a specific duration of implementing of the strategy;
- The firm was able to describe the strategy

26 per cent of the all firms surveyed had adopted inclusive business. Small firms (32 per cent) were the majority in adopting the Inclusive Business model, followed by micro (27 per cent), large (21 per cent) and medium firms (19.64).

Table 3.1: Distribution of Firms: Inclusive vs Non-Inclusive Business

	No. of firms	Proportion
Inclusive business	112	26.48
Non-Inclusive business	311	73.52
Total	423	100

The survey also categorised the firms by sector using the Kenya National Bureau of Statistics (KNBS) classification which categorises industries into 4 major sectors namely Agribusiness, Manufacturing, Trade and Services. Firms in the services industry had significantly adopted inclusive business followed by Manufacturing, Agriculture and Trade.

Table 3.2: Sector

	Inclusive	Non-Inclusive	Total
Manufacturing	24.32	29.41	28.06
Trade	1.8	3.27	2.88
Services	49.55	51.31	50.84
Agriculture	24.32	16.01	18.23

3.1. Criteria of inclusive Business adoption

The BOP is a concept of dividing the world into an economic pyramid by keeping the privileged on the top and unprivileged poor at the bottom.

Existence of a BoP policy or strategy

Evidence of firms having a BoP policy is an indication of being an inclusive business. In their endeavor to adopt an inclusive business approach, firms have adopted various Bottom of the Pyramid strategies and policies. Prahalad and Hart (1999) highlight several strategies to engage BoP including creating purchasing power for the BoP, improving access to finance and affordable credit and education among the BoP. From the survey, 264 firms (63 per cent) firms indicated existence of a BoP policy or strategy.

Firms in Agriculture indicated that they have more BoP strategy/policy. Agriculture is the mainstay of Kenya's economy contributing to 32.4 per cent of GDP in 2018 and employs an estimated 70 per cent of those the rural areas.

Table 3.3: Inclusive vs Non-Inclusive_Business

	Inclusive Business	Frequency	Non-Inclusive Business	Frequency
No	1	0.91	148	36.08
Yes	109	99.09	155	63.92
Total	110		303	

Proportion of BoPs by companies

239 inclusive and non-inclusive businesses responded to having integrated BoPs in their firms. The bulk of BoPs ,96 per cent, were engaged in a Private Limited company for both inclusive and non-inclusive businesses.

Table 3.4: Distribution of BoPs by type of firm

	Non-inclusive (n=181)	Inclusive (n=58)	Total (n=239)
Public Limited Company (PLC)	2	0	1
Private Limited Company (LLC)	94	97	95
Sole proprietorship	3	0	2
Community Interest Group/cooperative	1	2	1
NGO	1	0	0
Partnership	0	2	0

Number of integrated BoPs

361 BoPs responded to the survey which included men, women, youth and people with disabilities (PWDs). From the data, youth between the age of 18-35 comprise 75 per cent of BoPs that were integrated in the firms. This was followed by women generally who comprised 50.42 per cent, BoPs in rural areas who compromised 39.61 per cent, women in the rural areas and men in the informal sector. Cumulatively, PWDs comprised 15.53 per cent of BoPs that were integrated.

Table 3.5: Category of BoPs

	%
BoP rural areas	39.61
Bop mental impairment	1.39
Bop psychic impairment	2.49
BoP visual impairment	2.22
Bop blind	1.39
Bop hearing impairment	2.22
Bop deaf	1.94
Bop speech impairment	2.22
Bop mute	1.66
BoP Poor income level	38.50
Bop_youth_17yrs	3.05
BoP Youth 18-34years	75.35
BoP Youth 35years	9.14
Bop women generally	50.42
BoP Women rural areas	27.70
Bop wome informal sector	24.38
BoP Men informal sector	14.40
BoP spending125KES	62.88
BoP spending 200KES	46.26

Number of years of implementation of the BoP strategy (duration)

Inclusive businesses on average have been conducting specific strategies for economically excluded people or at the bottom of the pyramid for 10 years. The number of years was not significantly different from non-inclusive firms.

Table 3.6: Number of years of implementation of the BoP strategy (duration

)				
	Observations	Mean	Std. Dev.	Min	Max
Inclusive business	56	10	12	0	55

Non-inclusive business	86	11	10	1	50
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3.2. Implementation of the BoP strategy

Rate of adoption of BoP practices

The extent to which inclusive business in Kenya adopt BoP strategies is an important measure on the rate of adoption of inclusive business. Since Inclusive Business practices was a nascent area of study, the Survey focused on three areas to gauge the rate of adoption. These included perception of BoP, type of activity that firms engaged with BoP and the level satisfaction by the firms in integrating BoPs in their value chains.

Perception of BoP

The adoption of IB (model and practices) depends on several factors including the perception that the firm has on BoPs. However, there are divergent views and attitudes towards BoP due to a presumption of negative performance of the firm and perceptions of an unproven market where only a limited number of cases can provide evidence of return on investment (Ranjatoelina, 2018; SNV; BoP innovation centre). In this case firm perception of inclusive business is expected to have a significant influence on firms integrating BoP in their value chains and adopting inclusive business practices (Zott et al., 2011).

The survey sought perceptions of firms on BoP asking whether they considered several groups of people as being economically excluded. Majority of businesses both inclusive and non-inclusive, perceived PWDs to be largely BoP while perceiving women generally to be least excluded. These perceptions would influence the probability of firms integrating the various BoP categories.

Table 3.7: Categories of those considered excluded/included

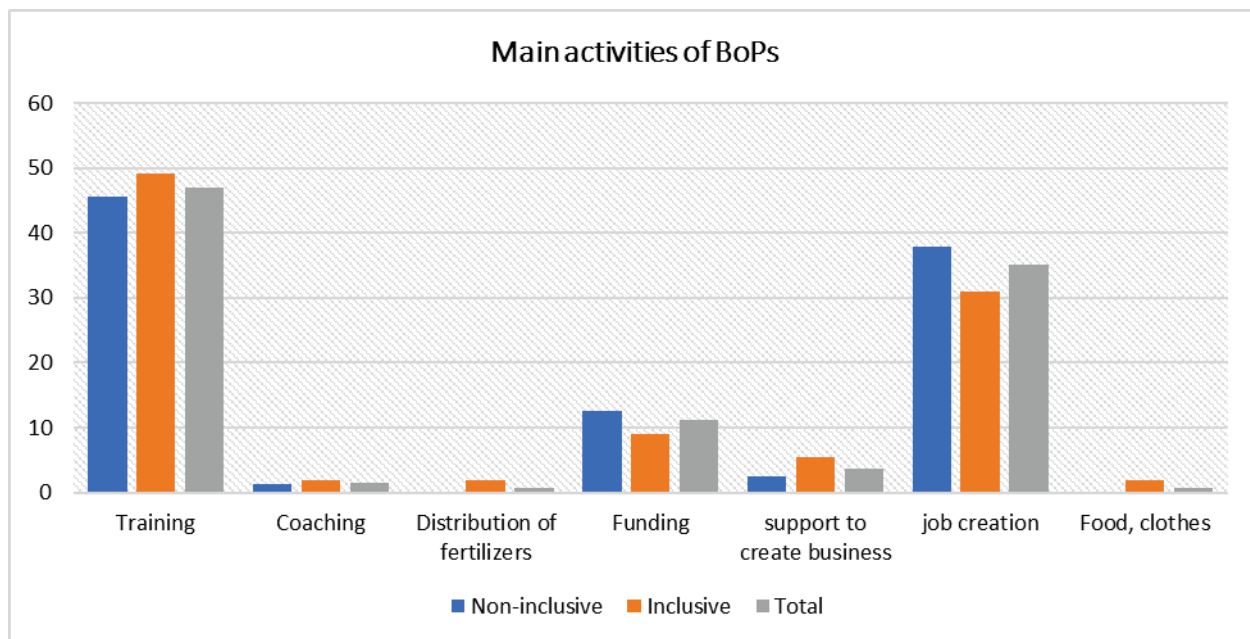
	Perception of BoPs: Yes Economically Excluded		Perception of BoPs: Not Economically Excluded	
	Inclusive (n=58)	Non -Inclusive (n=180)	Inclusive (n=58)	Non-inclusive (n=180)
People living in rural areas	48.28	30.94	51.72	66.3
People with Mental impairment	86.21	70	12.07	24.44
People with Speech impairment	46.55	44.94	46.55	48.88

People with Visual impairment	63.79	49.72	32.76	46.96
Blinded	65.52	61.11	29.31	35.56
Hearing-impaired	63.79	78	34.48	53.07
Suffering from Deafness	68.97	55	31.03	40.56
Self-care impairment	70.69	49.71	22.41	35.84
Mute	55.17	56.46	37.93	36.87
Poor people	65.52	46.96	32.79	49.72
Young people (18-34 years old)	50	23.89	50	76.11
Women generally	32.76	18.89	63.79	80.56
Women in rural areas	48.28	32.6	51.72	64.64
Women in informal sector	44.83	28.89	51.72	68.33
Others		14.69	17.86	9.04

Type of activity with BoP

Firms engaged BoP in various activities including training, coaching, funding, employment and support with entrepreneurship and providing for food and clothes. The main activities that firms had with BoPs was providing training and employment opportunities. On a smaller scale, firms also provided funds and provided support to BoPs in creating business.

Figure 3.1: Type of activity with BoP



Satisfaction with BoP integration

38 and 36.6 per cent of the firms interviewed in the survey were sufficiently and moderately satisfied in integrating BoPs, respectively. Only 18.87 per cent of firms were very satisfied with BoP integration.

Table 3.8: Level of satisfaction

	Freq.	%
Very satisfied	50	18.87
Sufficiently satisfied	101	38.11
Moderately satisfied	97	36.60
Somewhat satisfied	17	6.42
Total	265	100.00

Reasons for implementing the BoP strategy

From the Survey, firms cited various reasons for implementing BoP strategies which were related to firm performance, impact to BoP, compliance with policies and the image of the firm. For inclusive businesses, growth and profitability was a major reason for implementing BoP strategy followed by the need to contribute towards poverty reduction and compliance to Corporate Social Responsibility (CSR). Other reasons include government regulation and contribution to SDGs.

Table 3.9: Reasons for implementing the BoP strategy

	First reason that guided implementing the specific policy and strategies for economically excluded people or BoPs			Second reason that guided implementing the specific policy and strategies for economically excluded people or BoPs		
	Non-inclusive	Inclusive	Total	Non-inclusive	Inclusive	Total
Growth and profitability	34	46	39	16	4	11
Poverty reduction	21	19	20	16	11	14
CSR compliance	12	19	15	11	18	14
Firm reputation	13	7	11	17	14	16
Contribute to SDGs	6	0	4	7	14	10
Innovate	2	4	3	6	4	5
Corporate citizen duty	2	2	2	4	2	3
Improve quality	4	0	2	5	7	6
Government regulation	2	0	1	2	14	7
Better productivity	2	0	1	8	4	6

Difficulties of the BoP strategy implementation

Firms face various challenges in implementing the specific policy and strategies for economically excluded people or the BoP. For all firms, both inclusive and non inclusive these challenges were around the lack of information on BoPs, BoPs lacking adequate skills and inaccessibility to technology.

Table 3.10: Challenges firm faces in implementing the specific policy and strategies for economically excluded people or at the BoP

	Non-inclusive	Inclusive	Total
Lack of information on Bops	41	34	38
Bops lack skills	18	21	19
Inaccessibility to technology	5	19	11
Additional costs of IB	7	9	8
Low capacity of bops to perform	10	4	7
Lack of funding for IB projects	7	4	6
Lack of distribution channels	4	4	4

Lack of trust - firm and bops	0	6	2
Lack ability to develop IB project	4	0	2
Bops not organized	3	0	2
Lack support from management	1	0	1

Conclusion

This was the first survey in Kenya that attempt to investigate inclusive business adoption. As a baseline, the survey provides areas of focus that gauge the extent to which firms adopt an inclusive business approach and by extension, integrate BoPs in their value chains. 26 per cent of the all firms surveyed had adopted inclusive business. Small firms seem to be more adaptive to inclusive business. Several indicators pointed to firms adopting inclusive business models and practices. These included the existence of BoP policy or strategy, proportion of BoPs engaged by firms, the no. of BoPs integrated and number of years the firm had implemented the BoP strategy. The Agricultural sector had more strategies and policies on BoP. The proportion of BoPs in firms tended to be Private Limited Companies. The Youth between the age of 18-35 years were most integrated segment of BoPs followed by women generally. From the survey, both inclusive and non-inclusive businesses had on average implemented BoP strategies for 10 to 11 years, respectively.

Firm perception of inclusive business is expected to have a significant influence on firms integrating BoP in their value chains and adopting inclusive business practices. The extent to which inclusive business in Kenya adopt BoP strategies is an important measure on the rate of adoption of inclusive business. Since Inclusive Business practices is a nascent area of study, the Survey focused on three areas to gauge the rate of adoption. These included perception of BoP, type of activity that firms engage with BoP and the level satisfaction by the firms in integrating BoPs in their value chains. The main activities that firms had with BoPs is providing training and employment opportunities. On as smaller scale, firms also provided funds and support to BoPs in creating business.

18.87 per cent of firms were very satisfied with BoP integration. .For inclusive businesses, growth and profitability was a major reason for implementing BoP strategy. When implementing BoP strategy, firms faced a myriad of challenges. Chief among them was the lack of information on BoPs, BoPs lacking adequate skills and inaccessibility to technology

CHAPTER 4. INCLUSIVE ENTREPRENEURSHIP AND FIRM PERFORMANCE

4.1. Financial results

Tables 4.1 and 4.2 show the average net profit, turnover and net income earned in the periods 2015,2016 and 2017 for inclusive and non-inclusive firms respectively.

Table 4.1: Inclusive

Sector/Item	Net profit (ksh Millions)			Turnover (ksh Millions)			Net income earned (ksh Millions)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
All	5.65	7.20	21.20	333.00	264.00	356.00	18.00	20.60	19.70
Agriculture	1.65	2.73	34.90	610.00	268.00	623.00	11.80	13.00	19.50
Manufacturing	5.12	10.40	30.20	558.00	611.00	602.00	49.80	55.10	47.60
Services	3.05	2.67	4.14	71.70	79.60	90.40	4.65	7.21	5.90
Other sectors	19.10	19.30	19.50	22.40	22.20	22.30	1.10	1.59	1.44

The net profit for inclusive firms were higher than for non-inclusive only in 2017. For inclusive firms, the manufacturing sector had higher profits than other sectors while for non-inclusive firms, the agriculture sector had higher profits. On turnover, it was higher for inclusive firms than for non-inclusive firms. However, for both groups of firms, the agricultural sector had higher turnover than other sectors. The non-inclusive firms had higher net income than the inclusive firms. While the manufacturing inclusive firms recorded higher net income earned, the agricultural non-inclusive firms had higher net earned income.

Table 4.2: Non-Inclusive

Sector/Item	Net profit (ksh Millions)			Turnover (ksh Millions)			Net income earned (ksh Millions)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
All	5.69	10.40	18.00	169.00	194.00	187.00	67.90	75.30	30.90
Agriculture	11.60	36.00	24.70	502.00	631.00	602.00	326.00	171.00	141.00
Manufacturing	2.02	15.50	7.28	243.00	289.00	304.00	23.30	50.60	28.40
Services	3.54	13.80	8.68	203.00	181.00	204.00	10.90	128.00	16.10
Other sectors	9.55	30.30	69.40	311.00	319.00	316.00	6.15	65.60	34.00

Tables 4.3 and 4.4 show the net profit, turnover, and net income earned for a three-year period for inclusive and non-inclusive firms according to their sizes.

Table 4.3: Inclusive

	Net profit (ksh Millions)			Turnover (ksh Millions)			Net income earned (ksh Millions)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Micro	0.17	0.26	34.40	1.64	2.24	36.90	0.62	0.96	8.61
Small	3.32	3.03	24.50	10.10	9.83	31.50	6.61	9.06	13.80
Medium	1.38	6.68	53.30	742.00	435.00	467.00	13.30	19.00	25.40
Large	9.03	9.26	28.70	261.00	305.00	512.00	26.40	26.80	24.70

While the results for net profit and turnover were mixed for inclusive firms, the large non-inclusive firms recorded higher profits and turnover than the other sizes of firms. In both groups of firms, larger firms had higher net earned income.

Table 4.4: Non-Inclusive

	Net profit (ksh Millions)			Turnover (ksh Millions)			Net income earned (ksh Millions)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Micro	0.87	20.50	10.70	343.00	283.00	317.00	15.90	56.80	27.80
Small	0.80	8.48	3.61	118.00	124.00	137.00	8.44	24.70	12.70
Medium	5.93	19.40	11.50	244.00	257.00	264.00	35.30	186.00	29.50
Large	10.50	22.00	42.40	369.00	469.00	461.00	165.00	86.40	72.70

Prospects on turnover

Tables 4.5 and 4.6 show the prospects on turnover for inclusive and non-inclusive firms from 2018 to 2022.

Table 4.5: Inclusive

	2018	2019	2020	2021	2022
Strong growth	26	46	53	53	45
Low or moderate growth	41	43	38	37	41

Static	24	7.1	6.3	6.3	8.2
Slow decline	9.1	3.6	3.6	4.5	4.5
Sharp decline					1.8

In all the prospective years both groups of firms, revealed strong growth on turnover. Low or moderate growth came second in both groups of firms across the years. Few firms expressed prospects for sharp decline in turnover.

Table 4.6 Non-Inclusive

	2018	2019	2020	2021	2022
Strong growth	36	48	53	47	41
Low or moderate growth	38	38	32	33	31
Static	15	1	10	12	13
Slow decline	10	4	7	11	
Sharp decline	2	.3	.3	.7	4

4.2. Employments

On employment, the average wage bill for permanent workers was higher than for non-permanent workers in all the years of comparisons (Tables 4.7 and 4.8).

Table 4.7: Inclusive

sector	Wage bill of workers permanent (ksh Millions)			Wage bill of workers non-permanent (ksh Millions)		
	2015	2016	2017	2015	2016	2017
All	6.38	6.40	6.84	1.13	1.42	1.60
Agriculture	9.81	8.96	9.81	2.66	2.63	3.35
manufacturing	6.40	7.10	7.24	1.52	2.64	2.24
Services	5.07	5.19	5.64	0.08	0.07	0.31
Other sectors	1.41	1.43	1.55	0.14	0.17	0.24

The wage bill for permanent workers in the non-inclusive firms was generally higher than for inclusive firms. The wage bill for permanent and non-permanent workers was highest for agricultural and manufacturing both in inclusive and non-inclusive firms.

Table 4. 8: Non-inclusive

	Wage bill of permanent workers (ksh Millions)			Wage bill of workers non-permanent workers (ksh Millions)		
	2015	2016	2017	2015	2016	2017

All	27.50	6.06	6.39	0.46	0.59	0.70
Agriculture	13.00	22.50	19.30	1.76	2.31	2.88
Manufacturing	5.36	10.10	10.20	0.64	0.80	0.95
Services	62.30	8.04	8.21	0.34	0.39	0.46
Other sectors	6.81	14.80	18.60	0.60	0.67	0.74

On size, the medium and large inclusive and non-inclusive firms had higher bills for permanent workers (Table 4.9 and 4.10). Larger firms also in both groups had a higher wage bill for non-permanent workers.

Table 4.9: Inclusive

sector	Wage bill of workers permanent (ksh Millions)			Wage bill of workers non-permanent (ksh Millions)		
	2015	2016	2017	2015	2016	2017
Micro	0.29	0.35	1.42	0.07	0.08	0.88
Small	2.36	1.60	2.44	0.13	0.14	0.86
Medium	7.79	8.32	9.18	0.04	0.05	0.70
Large	7.26	7.57	8.40	2.39	3.04	3.23

Table 4.10: Non-Inclusive

sector	Wage bill of workers permanent (ksh Millions)			Wage bill of workers non-permanent (ksh Millions)		
	2015	2016	2017	2015	2016	2017
Micro	4.91	11.60	15.50	0.00	0.00	0.00
Small	2.66	5.43	5.71	0.07	0.08	0.08
Medium	89.40	13.80	12.20	0.29	0.40	0.42
Large	4.63	9.12	9.45	0.93	1.20	1.48

Prospects on the dynamics of the workforce

The prospects on dynamics of the workforce for a five-year period by firms are show in Tables 4.11, 4.12, 4.13 and 4.14. Majority of the inclusive firms indicated a strong growth for permanent workers but indicated low or moderate growth for non-permanent workers.

Table 4.11: Inclusive-permanent workers (%)

	2018	2019	2020	2021	2022
Strong growth	19	35	39	62	62
Low or moderate growth	4	42	35	26	21
Static	39	19	21	11	13
Slow decline	2	4	5	1	3
Sharp decline	-	-	-	-	2

Table 4.12: Inclusive-non-permanent (%)

	2018	2019	2020	2021	2022
Strong growth	19	30	31	32	-
Low or moderate growth	35	36	34	36	-
Static	43	31	29	28	-
Slow decline	4	3	3	4	-
Sharp decline		-	1	1	-

Majority of non-inclusive firms indicated a low or moderate growth for permanent workers and a static prospect for non-permanent workers.

Table 4.13: Non- Inclusive-permanent workers (%)

	2018	2019	2020	2021	2022
Strong growth	31	37	41	57	61
Low or moderate growth	36	32	27	21	13
Static	26	25	26	17	17
Slow decline	7	6	6	5	5
Sharp decline	1	-	-	-	3

Table 4.14: Non- Inclusive-non-permanent workers (%)

	2018	2019	2020	2021	2022
Strong growth	23	27	30	28	-
Low or moderate growth	30	33	26	25	-
Static	36	31	33	33	-
Slow decline	9	78	10	12	-
Sharp decline	1	-	1	1	-

4.3. Satisfaction level of the results achieved with the integration of vulnerable persons

Table 4.15 show the satisfaction level of the results achieved with the integration of vulnerable persons.

On average, the result showed that majority of inclusive firms were moderately satisfied while majority of non-inclusive firms were sufficiently satisfied.

Table 4.15: Satisfaction level of the results achieved with the integration of vulnerable persons

	Inclusive (%)	Non- inclusive (%)
Very satisfied	18.5	19.1
Sufficiently satisfied	37.17	38.8
Moderately satisfied	38.9	34.9
Somewhat satisfied	5.3	7.24

Conclusion

Most firms did not provide data on financial performance despite even making a follow-up after the completion of the fieldwork. While the manufacturing sector had higher profits in inclusive firms, the agriculture sector had higher profits for non-inclusive firms. On turnover, it was higher for inclusive firms than for non-inclusive firms. However, for both groups of firms, the agricultural sector had higher turnover than other sectors. The non-inclusive firms had higher net income than the inclusive firms. While the manufacturing inclusive firms recorded higher net income earned, the agricultural non-inclusive firms had higher net earned income. In all the prospective years, both groups of firms revealed strong growth on turnover. The wage bill for permanent workers in the non-inclusive firms was generally higher than for inclusive firms. The wage bill for permanent and non-permanent workers was highest for agricultural and manufacturing both in inclusive and non-inclusive firms. On size, the medium and large inclusive and non-inclusive firms had higher bills for permanent workers. Larger firms also in both groups had a higher wage bill for non-permanent workers. Majority of the inclusive firms indicated a strong growth for permanent workers. On average, the result showed that majority of inclusive firms were moderately satisfied while majority of non-inclusive firms were sufficiently satisfied with the results achieved with the integration of vulnerable persons.

CHAPTER 5. INCLUSIVE ENTREPRENEURSHIP AND YOUTH EMPLOYMENT

Introduction

This section discusses the employability of the youth, and the monthly earnings of the youth beneficiaries.

5.1 Employability of youth (18-34 years)

On youth employment, the average number of youth non-permanent employees was higher at 59 compared to 49 for permanent youth employees. Hence, firms on average employed more youth as non-permanent employees.

Table 5.1: Youth employment: All firms

Youth aged 18-34 years	Mean	Min	Max	%
Permanent employees	49.3	0	2400	60
Non-permanent employees	59	0	3650	76

In the case of inclusive firms, the average number of youth permanent employees was almost the same as that of youth non-permanent employees at 63 and 62 respectively. This implies that inclusive firms, employed almost an equal number of youths both as permanent and non-permanent.

Table 5.2: Youth employment: Inclusive firms

Youth aged 18-34 years	Mean	Min	Max	%
Permanent employees	62.8	0	2400	60
Non-permanent employees	62.1	0	2400	72.4

However, in the case of non-inclusive firms, there were on average more non-permanent youth employees at 58 compared to 44 permanent youth employees. Hence, non-inclusive firms employed more youth as non-permanent employees

Table 5.3: Youth employment: Non-Inclusive firms

Youth aged 18-34 years	Mean	Min	Max	%
Permanent employees	44.5	0	1865	60
Non-permanent employees	58.3	0	3650	78.5

On engagement terms, 5.5% of the youth were not on employed on any contract. However, 2.9% and 4.4% of the youth were employed on a fixed term contract and on renewable contract/indefinite duration contract respectively.

Table 5.3: Contract type

	Frequency	%
None	19	5.53
fixed term contract	10	2.92
contract of indefinite duration/renewable contract	15	4.37

5.2. Income

Generally, the monthly earning of the youth beneficiaries was increasing every year on average from USD 71 in 2015 to USD 147 in 2018.

Table 5.4: Monthly earning for youth who are beneficiaries of inclusive business :USD 2015 - 2018

Income	Obs	Mean	Std. Dev.	Min	Max
monthly earning 2015	185	USD70.89	USD82.19	0	USD375.16
monthly earning 2016	193	USD90.41	USD89.82	0	USD375.16
monthly earning 2017	207	USD119.99	USD98.56	0	USD592.36
monthly earning 2018	227	USD146.5	USD96.12	0	USD493.63

Conclusion

Firms on average employed more youth as non-permanent employees. While inclusive firms employed almost an equal number of youths both as permanent and non-permanent employees, non-inclusive firms employed more youth as non-permanent employees. On average, the monthly earnings of the youth beneficiaries had been on an increasing trend over the years.

CHAPTER 6. INCLUSIVE ENTREPRENEURSHIP AND WOMEN EMPOWERMENT

Introduction

6.1. Employability of women

For all firms that were interviewed, women constituted a third of the total permanent and non-permanent employees. When the data is disaggregated to inclusive and non- inclusive firms. The proportion of women employed in non-inclusive firms (estimated at 40 percent) was larger than that of those employed in inclusive firms (estimated 30 per cent).

On average firms had more women non-permanent employees at 41 compared to 32 for women permanent employees.

Table 6.1:Women employed in All firms

	Mean	Min	Max	%
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Permanent employees	32.5	0	2,100	38.6
Non-permanent employees	40.9	0	2,555	31.2

Inclusive firms had on average more women non-permanent employees at 61 compared women permanent employees at 42.

Table 6.2: Women employed in inclusive business

	Mean	Min	Max	%
Permanent employees	42.4	0	207.6	35.7
Non-permanent employees	61.2	0	287.3	31.2

Similarly, in the case of non-inclusive firms, there were on average more women non-permanent employees at 34 compared women permanent employees at 29.

Table 6.3: Women employed in non-inclusive firms

	Mean	Min	Max	%
Permanent employees	29.1	0	1613	40
Non-permanent employees	34.1	0	2555	37

6.2. Women's decision-making power

Based on the responses given from the survey, a lot of women participated in decision making at the household level in collaboration with their partners. This implies that there is some level of women empowerment in the country. A large proportion of women (82%) made the decision to whether to work or not independent of their partners. Further, 78% of the women disagreed that only men make decisions.

Table 6.4: Women decision making power for different aspects

	Myself	Partner	Both partners jointly	Parents	Myself and parents	Someone else	Myself and someone else
Decision whether to work	82	1	13	2	1		
Decision on Schooling Children	33	2	57	4	3	1	1
Decision Children Health	33	1	58	3	3	1	1
Decision on Education	33	2	56	4	3	1	1
Decision to have another child	31	1	60	4	2	1	2

6.3. Women's access to resources

57.62 % of all the 361 beneficiaries surveyed were female. In the last two years, women of various categories accessed credit with 53.85% generally having accessed credit. Further, 32.83 per cent and 27.55 per cent of women in rural areas and those engaged in the informal sector accessed credit.

Table 6.5: Beneficiaries access to credit

Access to credit	Obs	%
Women generally	142	53.58
Women in rural areas	87	32.83
Women in informal sectors	73	27.55

The major source of credit was Saccos, followed by banks and mobile lending. This was the case in general, women in informal sector and women in rural areas. Individual/informal sources also ranked high as source of credit for women in rural areas.

Table 6.6: Beneficiaries source of credit (%)

	Beneficiaries		
From which organisation	BoP Women generally	BoP Women informal sector	BoP Women rural areas
Commercial Banks	16.36	25	24.05
Cooperative	3.64	1.19	0
SACCO	52.73	47.62	45.57
Micro Finance	5.45	5.95	6.33
NGOs	0	1.19	1.27
Individual/Informal	5.45	9.52	10.13
Mobile lending apps	14.55	8.33	10.13
Employer	1	1.19	2.53

Generally, women were able to access on average Ksh 124,100, with annual interest rate being on average 11%. The duration of the loans was on average 18 months.

Table 6.7: Beneficiaries loan amounts

	Obs	Mean	Std. Dev.	Min	Max
Loan amount requested KSh.	83	125,695	173,691	2	700,000
Loan amount received KSh.	80	124,100	171,870	2	670,000
Annual interest of loan (%)	74	11	7	0	40
Duration of the loan (Months)	79	18	19	1	72

Access to land

On access to land, most women (57%) owned the land jointly together with their husbands. This was the case both for women living in urban and rural areas.

Table 6.8: Access to land (%)

	Obs	%
Alone	21	21.88
Together with husband/wife	57	59.38
Together with someone else	18	18.75

Table 6.8: Land ownership (%)

	BoP Women in informal sector	BoP Women in rural areas
Alone	22.22	17.65
Together with husband/wife	55.56	60.78
Together with someone else	22.22	21.57

6.4. Economic power of women

Regarding monthly income, women involved in inclusive business recorded on average an increase in income from USD 71 in 2015 to USD 151 in 2018. Women contributed on average of USD 88 to household expenses monthly.

Table 6.9: Income for Women Beneficiaries in USD 2015 -2018

Income Women	Obs	Mean	Std. Dev.	Max
monthly earning 2015	147	70.68	83.98	315.92
monthly earning 2016	152	92.09	89.17	345.54
monthly earning 2017	163	115.69	94.0	345.54
monthly earning 2018	178	151.14	136.02	345.54

Table 6.10: Contribution to household expenses by women beneficiaries in USD

Monthly Contribution - women					
Variable	Obs	Mean	Std. Dev.	Min	Max

Monthly contribution	189	88.24	65.28	0	296.18
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Conclusion

On average, firms had more women non-permanent employees both inclusive firms and non-inclusive firms. Women were involved in decision making. implying that there is to some extend some level of women empowerment. In general, women had access to credit mainly from Saccos. On access to land, most women generally owned the land jointly together with their husbands. Finally, women involved in inclusive business recorded on average an increase in income over the years and contributed on average of USD 88 to household expenses monthly.

CHAPTER 7. INCLUSIVE ENTREPRENEURSHIP AND HOUSEHOLD WELL-BEING

Introduction

This section provides an overview of the households at the BoP in regards to household spending, and access to social amenities.

7.1. Consumption expenditures (food and non-food consumption)

Household with beneficiaries spent annually an average of KSh. 158,999, and food expenditure constituted 44 per cent of total spending. While the non-beneficiaries spent an on average of Ksh. 204,809 annually and their food expenditure constituted 26 per cent of the total budget.

Table 7.1:Household annual consumption expenditure (food and non-food consumption)

	Beneficiaries				Non-beneficiaries			
	Obs	Mean	Std. Dev.	Max	Obs	Mean	Std. Dev.	Max
Food expenditure	355	70,590	58,604	360,000	631	65,276	53,655	500,000
Non-food expenditure								
Clothing	352	20,349	31,178	240,000	627	14,550	18,362	168,000
Education	341	42,256	72,120	600,000	575	36,496	97,236	2,000,000
Water	342	10,266	14,012	96,000	611	9,111	14,210	180,000
Gas	338	7,263	10,807	120,000	590	7,282	10,981	180,000
Money transfer	318	8,275	19,350	200,000	565	5,136	10,365	100,000

7.2. Access to ICT

Regarding access to information communication and technology, most (93%) beneficiaries owned a computer, a mobile phone (98%) and a Television set (77%). Both the beneficiaries and non-beneficiaries had access to broad band internet.

Table 7.2 : Access to ICT

	Beneficiaries		Non-beneficiaries	
	Obs	Percent	Obs	Percent
Own Computer				
Yes	93	26	102	16
No	264	73	525	81
Total	361	99	650	96
Own a mobile Phone				
Yes	353	98	633	97
No	6	2	5	1
Total	361	99	650	98
Access Broadband internet				
Yes	128	35	214	33
No	225	62	421	65
Total	361	98	650	98
Own TV				
Yes	277	77	469	72
No	80	22	165	25
Total	361	99	650	98

7.3. Access to basic social services

Social services are necessary for households to thrive. In this study, distance and time taken to access the resource was used as a proxy. Generally, both the beneficiaries and non-beneficiaries took about the same amount of time and travelled the same distance to access health care, education and water. Implying that they resided in the same neighbours.

Table 7.3: Access to Health care

	Beneficiaries				Non-beneficiaries			
	Obs	Mean	Std. Dev.	Max	Obs	Mean	Std. Dev.	Max
Distance to nearest health centre (kms)	356	3.0	5.0	120	634	2.03	2.51	25
Time taken to nearest health centre (mins)	348	24.8	20.3	50	622	24.46	19.87	1
Distance to nearest hospital (kms)	356	13.6	44.3	400	635	4.59	7.43	50

Time taken to nearest hospital (mins)	348	41.9	42.9	250	620	37.21	33.93	250
Distance to nearest pharmacy (kms)	356	2.0	3.2	30	630	2.16	16.93	300
Time taken to nearest pharmacy (mins)	346	19.0	17.8	120	620	16.99	17.54	150

Table 7.4: Access to education

	Beneficiaries				Non-beneficiaries			
	Obs	Mean	Std. Dev.	Max	Obs	Mean	Std. Dev.	Max
Distance to nearest school (kms)	352	1.7	2.7	30	619	1.4	1.9	20
Time taken to nearest school (mins)	345	18.5	17.9	120	609	17.6	18.1	180

Table 7.5: Access to water

	Beneficiaries				Non-beneficiaries			
	Obs	Mean	Std. Dev.	Max	Obs	Mean	Std. Dev.	Max
Distance to the nearest water source (kms)	341	0.64	2.1	30	616	0.57	4.07	100
Time taken to nearest water source (mins)	331	9.2	22.3	180	610	5.55	7.79	60

Conclusion

In conclusion, both beneficiaries and non-beneficiaries lived in the same neighbourhoods and had access to social services that were not exclusive to either one of the groups. However, the beneficiaries on average, annually spent less money at the household level compared to non-beneficiaries.

CHAPTER 8. FAVORABLE ECOSYSTEM TO INCLUSIVE ENTREPRENEURSHIP

Introduction

Since independence there have been many policies geared towards promoting enterprise development to create jobs in the private sector. The policies largely targeting women, youth and People living with Disabilities (PWDs), currently provides preferential procurement opportunities for these groups through the Access to Government Procurement Opportunities (AGPO). Other measure includes the support of Youth and women to access finance for their enterprises through the Youth Enterprise Fund, Uwezo fund and the Women Enterprise Fund. As expected with policies, there were regulations to support their implementation.

8.1. Regulation

There were no explicit regulation on inclusive business. The existing act on such as micro and small enterprises act (2012) provides legislation to guide the enterprises. 61 per cent of the respondents were not aware of any existence of a regulatory framework.

Table 8.1: Awareness government incentives

	Obs	%
Yes	44	39
No	70	61
Total	114	100

Number of measures of which IB has benefited

Several incentives existed to promote inclusion and the respondents identified at least 3 non-permanent such the funds that have been earmarked for youth and women and two of the permanent such as the AGPO and tax waivers.

Table 8.2: No Incentives benefited from during the last 10 years

	Obs	Mean	Std. Dev.	Min	Max
Number non-permanent	42	3	3	0	10
Number permanent	32	2	2	0	8

Total force duration of regulatory or legal integration benefits of BoP

These incentives have been in existence for several years, according to the respondents who reported 2-4 years on average.

Table 8.3: Duration incentives (years)

Variable	Obs	Mean	Std. Dev.	Min	Max
Duration permanent incentives	28	1.8	2.6	0	10
Duration of non-permanent incentives	13	3.6	4.1	0	14

8.2. Monitoring mechanisms

In Kenya, there are vocational training /technical programs provided by both the national and the county governments under the technical and vocational education and training (TVET) under the technical and vocational education and training Authority (TVETA). TVETA is a public corporate agency whose mandate is to co-ordinate training, registration and accreditation of institutions and to promote access and relevance of training programs.

Table 8.4: State vocational technical training

	Obs	%
Yes	65	56.52
No	50	43.48
Total	115	100

Other, incentives that were commonly used is the tax benefits which were provided in several forms namely; tax waiver, tax exemption, tax relief, pay as you earn exemption for BoPs. For the inclusive firms interviewed only eight had taken advantage of one or more of these incentives between the year 2010 and 2017

Table 8.5: Awareness tax benefits-IB

	Obs	%
Yes	15	14
No	91	86
Total	106	100

Table 8.6: Incentives

	Obs	%
Tax waiver	3	21
Other tax incentives	1	7
Tax exemption/Zero rated	2	14
Tax relief	2	14
PAYE exemption for BoPs	1	7
Grants	1	7
Tax summit rewards	1	7
NSSF/NHIF/Government transfers	1	7
WIPA 2007	1	7
NSSF/NHIF/Government transfers	1	7
Total	14	100

Over the years the government has put in place structures to ensure inclusion of youth and women.

Table 8.9: Awareness state structures IB

	Obs	%
Yes	36	32
No	78	68
Total	114	100

There were several funds that are earmarked for these two categories. Of the inclusive business interviewed 46 per cent reported, the youth and women enterprise funds, 12 per cent reported the Uwezo fund and 11 per cent AGPO.

Table 8.10: Initiatives

	Obs	%
Youth Enterprise Fund	15	23
Women Enterprise Fund	15	23

Uwezo fund	8	12
Access to Government Procurement Opportunities	7	11
Council for PWDs	3	5
PWD Fund	3	5
Legislature	3	5
National Government -Constituency Development Fund	3	5
Stipend for Old age	1	2
National Youth Service	1	2
Ministry of Youth & Gender Affairs	1	2
Tourism Fund	1	2
Nation House Program	1	2
Inua Jamii	1	2
Kenya School for the Blind	1	2
USADI/UKAID	1	2
Total	65	100

8.3. Access to information for BoP on inclusive entrepreneurship

Several transmission mechanisms for information existed for the BoPs including; meeting/workshops/conferences (29%), telephone call /text (25%), social media (13%), email (10%) and face to face (10%). These channels were many times used concurrently and not exclusively by the BoPs.

Table 8.11: Existence channels transmitting information BoP

	Obs.	%
Yes	72	63
No	43	37
Total	115	100

Table 8.12 : Channels for transmitting information

	Obs	%
Telephone call/text message	25	25
Social media	13	13
Meetings/trainings/workshops/conference	29	29
Email	10	10
Memo/notice/circula/posters/banners	7	7
Exhibitions/Field days	3	3
Radio/TV	1	1

Verbal/face to face	10	10
Journals e.g. hotels	1	1
Letters	1	1
Total	100	100

Conclusion

The study did not identify explicitly regulation and policies that promoted inclusive business practices. However, the study was able to record several incentives and existing policy and regulatory framework that provided for a conducive environment for inclusive business to thrive.

GENERAL CONCLUSION

Most inclusive firms were private limited liability companies in hotel and accommodation, agriculture and food and beverage manufacturing. Large firms tended to be more inclusive compared to micro, small and medium firms. Most of the managers of inclusive firms were men in their early forties, with at least a bachelor's degree and married mainly through customary or religious system. Beneficiaries of inclusive businesses were majorly the heads of their households. Generally, youth aged 18 to 34 years and women comprised majority of beneficiaries of inclusive business practices, having at least completed secondary education or a certificate/diploma. On average, beneficiaries were integrated into firms as employees, and earned KES15,700 which is about KES2,000 lower than their counterparts who were not linked to inclusive business models.

Several indicators that pointed to firms adopting inclusive business models and practices included the existence of BoP policy or strategy, proportion of BoPs engaged by firms, the number of BoPs integrated and number of years the firm had implemented the BoP strategy. 18.87 per cent of firms were very satisfied with BoP integration with growth and profitability being a major reason for implementing BoP strategy. The Agricultural sector had more strategies and policies on BoP. The main activities that firms had with BoPs was providing training and employment opportunities. On a small scale, firms also provided funds and support to BoPs in creating business. When implementing BoP strategy, firms faced a myriad of challenges. Chief among them was the lack of information on BoPs, BoPs lacking adequate skills and inaccessibility to technology.

On performance, the manufacturing sector had higher profits for inclusive firms, while the agriculture sector had higher profits for non-inclusive firms. The turnover was higher for inclusive firms than for non-inclusive firms. However, for both groups of firms, the agricultural sector had higher turnover than other sectors. The wage bill for permanent workers in the non-inclusive firms was generally higher than for

inclusive firms. The agricultural and manufacturing firms both inclusive and non-inclusive, recorded a higher wage bill for permanent and non-permanent workers. On size, the medium and large inclusive and non-inclusive firms had higher bills for permanent workers. Larger firms also in both groups had a higher wage bill for non-permanent workers. On average, the result showed that majority of inclusive firms are moderately satisfied while majority of non-inclusive firms are sufficiently satisfied with the results achieved with the integration of vulnerable persons.

Firms on average employed more youth as non-permanent employees. While inclusive firms employed almost an equal number of youths both as permanent and non-permanent employees, non-inclusive firms employed more youth as non-permanent employees. On average, the monthly earnings of the youth beneficiaries were on an increasing trend over the years. On average, both inclusive firms and non-inclusive firms had more women non-permanent employees. Women were involved in decision making implying that there is to some extent some level of women empowerment. In general, women had access to credit mainly from Saccos. On access to land, most women generally owned the land jointly together with their husbands. Also, women involved in inclusive business recorded on average an increase in income over the years and contributed on average of USD 88 to household expenses monthly.

Both beneficiaries and non-beneficiaries lived in the same neighbourhoods and had access to social services that were not exclusive to either one of the groups. However, beneficiaries on average, spent less money annually at the household level compared to non-beneficiaries. The study did not identify explicitly regulation and policies that promote inclusive business practices. However, the study was able to record several incentives, existing policy and regulatory framework that provide for a conducive environment for inclusive business to thrive.