INFORMAL SECTOR BUSINESS INSTITUTE

PROVIDING ICT TRAINING PROGRAM FOR INFORMAL BUSINESS OWNERS IN KENYA

*Trainees at the Informal Business Sector Institute. Photo credit: Eastland College of Technology*

# Executive Summary

The Eastland College of Technology (ECT) in Nairobi, Kenya, is host to the Informal Sector Business Institute (ISBI), that offers a training course in micro-entrepreneurship with emphasis on information and communications technology (ICT) education. ECT was established in 2004 to develop educational programs for the formal sector, training technicians to aid Kenyan industrialization. The micro-entrepreneurship course aims to improve economic development and business practices and alleviate poverty among small, informal business owners in Nairobi since 2004.

*Keywords: Micro-entrepreneurship, economic development, ICT training, Kenya*

# Context

In Kenya, micro, small, and medium enterprises (MSMEs) are a crucial part of the country’s business environment. MSMEs account for more than 20 percent of adult employment and around 12 percent of the country’s gross domestic product (GDP). According to the 2016 MSME Basic Report by the Bureau of Statistics of the Government of Kenya, the country has 1.56 million licensed and 5.85 million unlicensed MSMEs in total. Nairobi itself has 268,100 licensed MSMEs, 83.8 percent of which are micro enterprises, as well as around 782,500 unlicensed MSMEs. Furthermore, both licensed and unlicensed micro establishments in Nairobi employ a total of 1,848,400 people.

According to a 2009 study done by researchers at Daystar University in Nairobi, many of the micro-entrepreneurs that run these organizations lack a formal education, both in general business operations and technological handling despite being home to many institutions.

ICT adoption by MSMEs and micro-entrepreneurs has shown benefits such as lowering marketing costs and increasing customer communication, base, and loyalty. Micro-entrepreneurs have limited knowledge about how to successfully employ ICT equipment to their business’ advantage, according to the 2016 MSME report. When asked, 43.1 percent of respondents said they do not need ICT equipment, 34.5 percent said ICT equipment is not applicable to their business, and 14.3 percent said the acquirement cost is too high for consideration. Only 49.5 percent of MSMEs utilize mobile money platforms for customer payments and cash receipts.

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| Kenya | | | |
| Population  (UN, 2015) | 46,748,617 | **Fixed broadband subscriptions (%)**  **(ITU, 2016)** | 0.33 |
| Population density  (people per sq.km)  (UN, 2015) | 80.55 | **Mobile cellular subscriptions (%)**  **(ITU, 2016)** | 81.28 |
| Median household income  (Gallup, 2006-2012) | US$ 1870 | **Individuals using the Internet (%)**  **(ITU, 2016)** | 26 |
| Education  (Mean years of schooling) (UNDP, 2013) | Male: 7.1  Female: 5.4 | **Individuals using the Internet by Gender (%) (ITU, 2016)** | N/A |

# Project Description

The micro-entrepreneur training course meets once a week for four hours over the course of a month. The modules in the training course focus on different areas of business – marketing, accounting, management, communication, and business ethics – as well as ICT-specific training. The course provides flexibility in schedules, and special attention to those who fall behind in their training or lose track of the schedule or their progress. Rather than an exam, each module concludes with students demonstrating ways in which they are able to integrate their training into their existing business practices. Upon completing the course, they are given a certificate and resources, including ongoing mentorship and access to a computer lab.

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| Project details | | | |
| Technology | Computer-based ICT training | **Training** | Month-long course, 4 modules of 4 hours each |
| Year program started | 2003 | **Cost to users** | US$ 40 per module |
| Geography | Urban | **Total cost of program** | Fixed: US$ 1 million Operational: US$ 300 per month |
| User profile | 100 micro-entrepreneurs | **Associated organizations** | ACTEC,  ICEP,  Microsoft,  Swiss Social (SEWI) |

# Progress and Results

Since 2003, ISBI has trained more than 5,000 people in the micro-entrepreneur program. Beginning in 2013, the program decreased its enrollment to 100 students per year in order to accommodate an improved and sustained mentorship program. Students have access to trainers and mentors both during and after their course in order to help them navigate issues of business management as well as ICT-related questions.

# Challenges

**Lack of sustained funding –** Though the program has won significant financial support from several major donors, they continue to be concerned about their long-term future. They are aware of the potential for donor fatigue, and are exploring alternative business plans to support the continuance of their course at sufficiently low cost for its students. Exit by a micro-loan partner also poses a challenge to the continued running of the institute. The program’s costs, which include electricity, trainers’ salaries, professional development, and infrastructure, are fairly high. The tuition fees are low enough to allow local micro-entrepreneurs to attend but not high enough to begin to cover costs.

**Lack of access to devices –** The number of students who are currently in the course and the growing numbers of those who have completed it make computer lab access and scheduling increasingly difficult. As students integrate ICTs into their business practices, they also become more reliant on the equipment and software the institute provides for their use.

# ISBI’s Suggestions for Future Projects

**ICTs aid micro-entrepreneurs immensely –**The project team emphasized an ICT component in business management for micro-entrepreneurs. ICTs provides access to tools and communities that promote better business practices. Students are able to participate in knowledge-sharing conversations with their peers via the Internet as well as keep in touch with their trainers. Many students are more financially literate, and have become adept at integrating online marketing and research into their livelihood.

**Starting small can be useful –** The project team noted the importance of starting small, with a robust and directly useful training course for local business owners, the impact may likely market via word of mouth. Having students act as ambassadors can be effective too.

# SOURCES

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