

To what extent do digital platforms create meaningful impact for micro-entreprises (MEs)?



The emergence of digital platforms has provided opportunities for micro-entreprises (MEs) to access wider markets, increase competitiveness and access financial services. However, the impact of these platforms on enterprise and household outcomes remains uncertain.

Micro-entreprises (MEs)



Small informal businesses with less than 5 employees within the retail or wholesale value chain. There are 5.7 million MEs in Kenya's retail trade sector.

Why MEs?

Micro-entreprises (MEs) in the informal sector provide 84% of employment in Kenya's economy.

Digital platforms



Web-based services that make it easier for groups to transact.

- E-commerce
- Ride hailing
- Marketplaces
- Logistics

In Kenya, the study focussed on retail trade platforms that supply goods and services to microenterprises and informal workers using digital tools such as apps or websites.

Why digital platforms?

46.8 million approximate internet users (85% penetration) | 26.8 million smartphone users (54.3% penetration)

Digital platforms present an opportunity to leverage high levels of internet access to expand market access for these MEs.

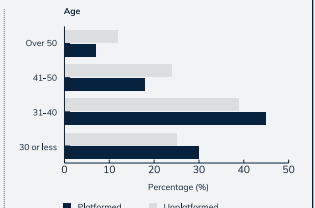
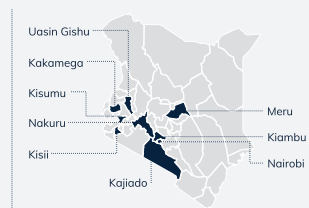
We developed hypothesis based on 3 broad areas of ME engagement with platforms

Awareness and onboarding	Sustained use	Impact
<ul style="list-style-type: none"> Peer networks drive awareness and expectations of digital platforms among micro-entreprises. Salient monetary incentives are the primary trigger for micro-entreprises onboarding onto platforms. Access to new markets is the primary incentive for microenterprises to join platforms. Micro-entreprises that are active in online spaces are more likely to join platforms. 	<ul style="list-style-type: none"> The availability of improved credit options is the primary driver for sustained engagement with platforms. Micro-entreprise's lack of clarity, discord with terms and conditions and dissatisfaction with correspondences with platforms drive platform attrition. 	<ul style="list-style-type: none"> Platform engagement contributes to the resilience capacities of micro-entreprises. Sustained platform engagement reduces the income volatility of microenterprises. Sustained engagement with platforms results in deeper and more beneficial participation in digital ecosystems. Platforms create new capacities and optimize existing capacities for owners and operators of micro-entreprises, enabling them to grow and operate their enterprises more effectively. Microenterprises risk being less resilient when they are over-reliant, unable to switch, and lose negotiating power with platforms.

A majority of MEs interviewed were under the age of 40

Sample	Urban	Peri-urban
Platformed	163	98
Unplatformed	76	54

Sample	Male	Female
Platformed	132	129
Unplatformed	59	71

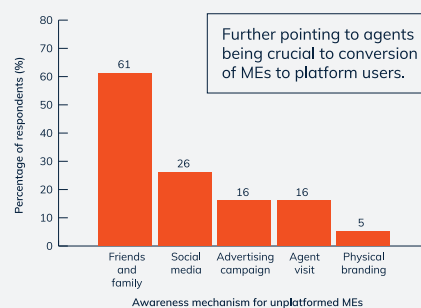


Awareness and onboarding

Key hypotheses

- Peer networks drive awareness and expectations of digital platforms among micro-entreprises.
- Salient monetary incentives are the primary trigger for micro-entreprises onboarding onto platforms.
- Micro-entreprises that are active in online spaces are more likely to join platforms.

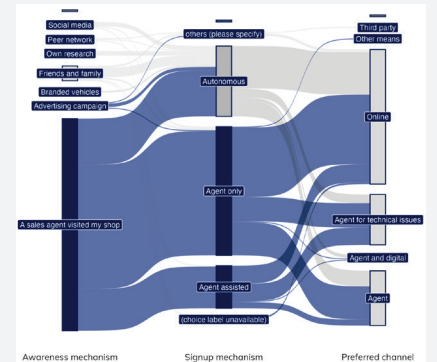
Awareness among unplatformed MEs driven primarily by peers



Sales agents were the primary drivers of awareness and adoption of digital platforms in Kenya

Although a majority of MEs were on boarded with the help of a platform representative, once on board, their main method of interaction with platforms was either online through websites or in-app with some only calling agents when technical issues arose on the platform.

Agents likely address concerns about self-efficacy and learning effort needed to use platforms.



Platform use is influenced by both structural and behavioral factors

Behavioral

MEs believe it takes considerable effort to learn to use digital platforms, but after onboarding, most feel comfortable to use online tool for trading.

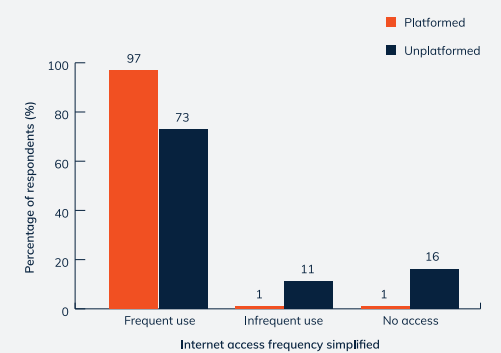
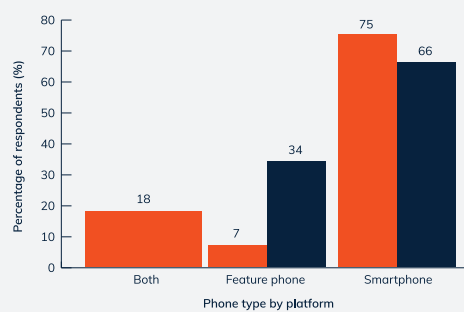
Agents are likely crucial in addressing these effort expectancy concerns.

Structural

Despite MEs having reasonable access to the internet and perceiving data costs as low, the adoption of platforms is hindered by limited access to smartphones.

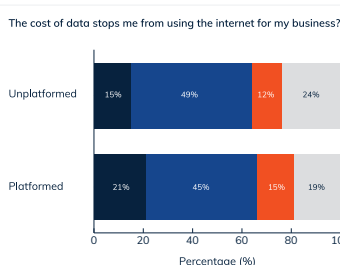
While digital infrastructure is available to facilitate platform access, the high costs of smartphones make these tools inaccessible for many.

Platformed MEs had higher access to smartphones and used the internet more frequently



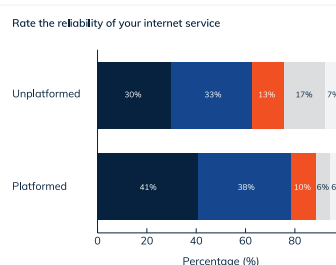
Structural factors: Cost of data

Data was perceived as affordable by both platformed and unplatformed MEs.



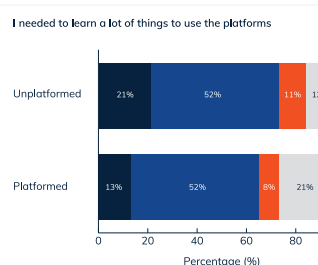
Structural factors: Internet reliability

Significantly more platformed MEs however believed their internet was at least somewhat reliable.



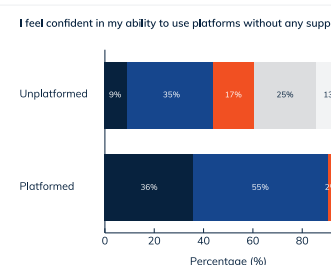
Behavioral factors: Unplatformed MEs are unconvinced of the value of digital platformed

However, both platformed and unplatformed MEs indicate the perception of effort required to learn platform use to be high.



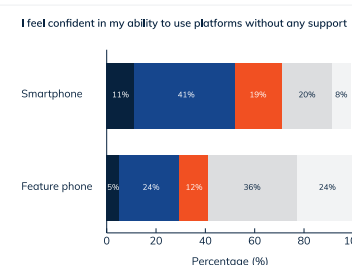
Behavioral factors: Self efficacy before using platforms likely low

Unplatformed MEs are unconvinced of the value of making the effort to learn.



Structural access may have a direct impact on ME self efficacy when using digital platforms

Smartphone access was associated with higher confidence in using digital tools to trade likely as a result of previous experience with similar tools.



Sustained usage

Key hypotheses

- The availability of improved credit options is the primary driver for sustained engagement with platforms.
- Micro-enterprise's lack of clarity, discord with terms and conditions and dissatisfaction with correspondences with platforms drive platform attrition.

MEs churn because they can



MEs perceive low switching costs with **65%** using multiple platforms concurrently.

However, platforms represent a small share of MEs' stock purchases.

Median churning MEs, intending to decrease usage frequency, allocate only **20%** of their business expenses to platforms, whereas loyal MEs, intending to increase usage frequency, allocate 40%.

Most platformed MEs are frequent users



Frequent user	
Description	Use DPs at least "many times a month" to everyday
Percentage	76%
Count	216
Infrequent user	
Description	Use DPs "less than a few times a month" or less
Percentage	24%
Count	68

Churning MEs perceive switching costs to be lower than loyal MEs

Attrition and ability to switch

Strongly disagree	1%
Disagree	3%
Neither agree nor disagree	5%
Agree	24%
Strongly Agree	35%

I can easily start using another digital platform if the one I am currently using doesn't help me.

Attrition and platform dependence

Strongly disagree	16%
Disagree	38%
Neither agree nor disagree	17%
Agree	12%
Strongly Agree	21%

My business would suffer significant losses if I was to lose access to the digital platform I currently use.

More MEs who wanted to reduce platform usage felt they could switch easily between platforms and losing access to digital platforms would have little effect on their business.

Innovativeness is associated with churn

Attrition and openness

Neither agree nor disagree	1%
Agree	53%
Strongly Agree	46%

I am open to making significant changes to the way I operate my business to achieve growth and improvement. (p<0.01)

Attrition and innovation

Neither agree nor disagree	2%
Agree	47%
Strongly Agree	50%

I am constantly looking for new and different way to grow and improve my business. (p=0.04)

Churning MEs showed a higher propensity to experiment with various business strategies, which may extend to their readiness to explore multiple platforms or alternative stock purchasing options. We did not observe significant differences in self-efficacy in completing online tasks between loyal and churning platformed MEs.

On-platform credit is associated with increased stickiness

Types of platform credit	Percentage (%)
Goods on credit	86
Credit from partner	22
Income advance	10
Cash loans	1

Access to on-platform credit

Multi-platformed ME	33%
Single platform ME	23%

28% of platform users had access to credit from the digital platforms they used.

Using multiple platforms was associated with higher access to digital credit.

31% of MEs intending to use platforms more frequently had access to on-platform credit compared to just 15% of those who intended to decrease their use of platforms.

MEs using BNPL to respond to both high and low turnover

Reasons for Trade Credit

High demand	30%
Business withdrawal	3%
Low sales	56%
Other (specify)	3%

Presumably, credit helps counter liquidity constraints due to slower moving products, and helps with speed of re-stocking for faster moving ones.

Platformed MEs may have access to better quality credit especially with regard to interest rates

Credit quality

Category	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Platformed - Satisfied with the credit limit	55%	35%	10%	0%	0%
Platformed - Conveniently access credit	55%	35%	10%	0%	0%
Platformed - Dissatisfied with interest rates	10%	35%	45%	10%	0%
Unplatformed - Satisfied with the credit limit	55%	35%	10%	0%	0%
Unplatformed - Conveniently access credit	55%	35%	10%	0%	0%
Unplatformed - Dissatisfied with interest rates	10%	35%	45%	10%	0%

Platformed MEs intending to reduce their usage of digital platforms reported a lower understanding of platform fees and charges.

Return policies and privacy concerns were not significantly associated with churn.

Credit quality

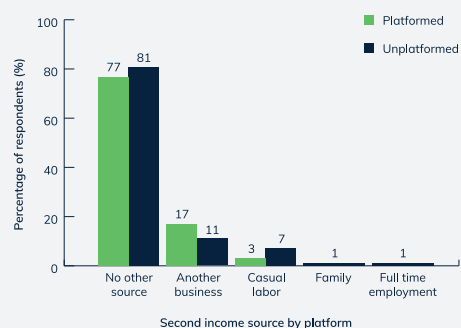
Category	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Churning - Understand use of my data	55%	35%	10%	0%	0%
Churning - Understand fees charged	55%	35%	10%	0%	0%
Churning - Understand return policy	55%	35%	10%	0%	0%
Sticky - Understand use of my data	55%	35%	10%	0%	0%
Sticky - Understand fees charged	55%	35%	10%	0%	0%
Sticky - Understand return policy	55%	35%	10%	0%	0%

Impact

Key hypotheses

- Sustained platform engagement reduces the income volatility of microenterprises.
- Sustained engagement with platforms results in deeper and more beneficial participation in digital ecosystems.
- Platforms create new capacities and optimize existing capacities for owners and operators of MEs, enabling them grow and operate their enterprises more effectively.
- MEs risk being less resilient when they are over-reliant, unable to switch, and lose negotiating power with platforms.
- Platform engagement contributes to the resilience capacities of micro-enterprises.

For most MEs, the business is their only source of income



Deeper platform usage may not necessarily lead to higher incomes

	Frequent platform users	Infrequent platform users	P-value (Frequent * Infrequent)
Average_income	63068.63	55720.27	0.24
Average_spending	39809.31	34057.77	0.19
Average_profit	23259.32	21662.50	0.66

More frequent platform use (at least multiple times in a month) was not associated with higher income, spending or profits further pointing to operational sophistication as a possible explanation for income differences.

On platform tenure was not significantly associated with income (p= 0.10) or profit (p=0.86). However, tenure was significantly associated with spending (0.01). An ME with a median tenure on a platform (853 days/2 years 3 months) spent Kes 38046 per month compared to Kes 42027 by an ME at the 75th percentile of tenure.¹

There are marginal income differences between male and female MEs

	Female	Male
Average_income	52210.81	59319.53
Average_spending	34516.23	38311.39
Average_profit	17694.58	21008.14

Although male MEs generally reported higher incomes, spending and profits, the differences observed were not statistically significant.

MEs develop dependence on platform access in general but not to any one platform

Platform reliance by frequency

Strongly disagree	12%
Disagree	37%
Neither agree nor disagree	7%
Agree	19%
Strongly Agree	24%

Platform switching by frequency

Strongly disagree	1%
Disagree	3%
Neither agree nor disagree	3%
Agree	12%
Strongly Agree	5%

"Please state to what extent you disagree or agree with the following statement. Provide a rating for each between 1 to 5 where 1 is strongly disagree and 5 is strongly agree." My business would suffer significant losses if I was to lose access to the digital platform I currently use.

More platformed MEs who used platforms at least multiple times a month felt losing platform access would adversely affect their business compared to less frequent users. However, switching costs are low and MEs felt they could easily switch between platforms at their convenience.

Platformed MEs showed a significantly higher preference for digital payments compared to unplatformed MEs

Payment method	Platformed (%)	Unplatformed (%)
Cash	45	67
Mobile money	55	33

Platformed MEs have significantly better access to formal credit

Other credit source	Unplatformed (%)	Platformed (%)
Don't use credit	0%	2%
Local money lender	6%	2%
MFI loan	8%	6%
Trade credit	10%	14%
SACCO loan	13%	18%
Bank loan	13%	23%
Loan from relatives	23%	30%
Mobile loan	29%	29%
Loan from a chama	29%	30%

Platformed MEs reported accessing credit from banks and SACCOs at a higher rate than unplatformed. It is possible that platformed MEs are considered less of a default risk by formal financial institutions because they make significantly higher revenues.

Barriers to participation in platforms by female MEs

90% male MEs interviewed had access to smartphones compared with 81% female MEs

Women have to balance housework and their business.

Women-owned MEs on and off platforms are most concerned about balancing household and business responsibilities

Women ME's perception on the challenges they faced (Platformed)

Women have less access to assets and capital compared to men	8%
Women don't get enough support from family members	8%
They face discrimination because of their gender	8%
Women have limited access to credit	9%
Women need to be more concerned about their safety	25%
I don't believe women in my type of business face different challenges from men	28%
It is challenging to balance household and business responsibilities	55%

Women ME's perception on the challenges they faced (Unplatformed)

Women have limited access to credit	6%
Women have less access to assets and capital compared to men	7%
Women don't get enough support from family members	7%
They face discrimination because of their gender	8%
Women need to be more concerned about their safety	11%
I don't believe women in my type of business face different challenges from men	18%
It is challenging to balance household and business responsibilities	49%

Country context KENYA

78% Made or received a digital payment (Findx, 2021)

72% Women's labor force participation rate (ILO)

To cite: Ogoda, James et al. (2024). To what extent do digital platforms create meaningful impact for micro-enterprises? Nairobi: Busara 2024. DOI: doi.org/10.62372/WCGC2734

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