The insolvency law focuses on business rescue and restructuring to create a lifeline for ailing entities

Kenneth Gathuma  
**Surviving the pandemic**

How SMEs can ride on cash flow downturn

In Kenya, most individuals as well as Medium and Small Enterprises (MSMEs) rarely have financial reserves to respond to emergencies. With no cash reserves, these vulnerable individuals and MSMEs are probably struggling to financially sustain themselves. This is because they cannot access credit or benefit from the measures introduced by Central Bank's Monetary Policy Committee to mitigate the impact of the pandemic due to lack of a credit guarantee programme. Kenya's MSMEs mainly comprise informal business enterprises - the Jua Kali sector - which have little hope, if any, of business continuity post-Covid-19, unless they get funding to keep them afloat. Many enterprises remain on the verge of collapsing until the end of this financial year.

How, then, can they survive? The government has an insolvency law in place that focuses on business rescue and restructuring to create a lifeline and promote survival of ailing entities as an alternative to winding up and exiting the market. The Insolvency Act, 2015 also seeks to protect the interests of all stakeholders of such businesses, including creditors and employees. The Insolvency Act offers protection and a lifeline.