

**INSECURITY SITUATION IN KENYA: ITS ECONOMIC AND SOCIAL COSTS  
ON BUSINESSES WITHIN NAIROBI'S CENTRAL BUSINESS DISTRICT.**

**By**

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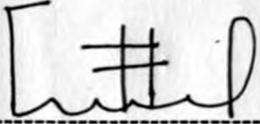
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**A Research Project submitted in partial fulfillment of the requirements  
for the award of a Master of Arts Degree in Development Studies at the  
University of Nairobi.**

**2007**

**Declaration**

This project is my original work and has not been submitted for a degree in any other University.



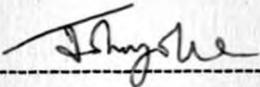
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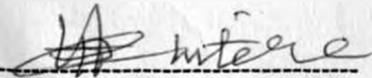


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## **Dedication**

**To my grandfather, Mr. Joshua Ng'ombe Wangia,**

**Also to victims of insecurity and Business investors whose aspirations have been derailed  
by a poor investment climate and insecurity.**

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## **List of Abbreviations and Acronyms**

<b>CCTV</b>	<b>Closed Circuit Television</b>
<b>CID</b>	<b>Criminal Investigation Department</b>
<b>CBD</b>	<b>Central Business District</b>
<b>CBOs</b>	<b>Community Based Organizations</b>
<b>CBK</b>	<b>Central Bank of Kenya</b>
<b>CDF</b>	<b>Constituency Development Fund</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>IPAR</b>	<b>Institute for Policy Analysis and Research</b>
<b>KANU</b>	<b>Kenya African National Union</b>
<b>MDGs</b>	<b>Millennium Development Goals</b>
<b>NCC</b>	<b>Nairobi City Council</b>
<b>NDP</b>	<b>National Development Plan</b>
<b>NGOs</b>	<b>Non Governmental Organizations</b>
<b>SAND</b>	<b>Security And Development</b>
<b>SHD</b>	<b>Sustainable Human Development</b>
<b>SMEs</b>	<b>Small and Micro Enterprises</b>
<b>SPSS</b>	<b>Statistical Package for Social Science</b>
<b>SRIC</b>	<b>Security Research and Information Centre</b>
<b>UNDP</b>	<b>United Nations Development Programme</b>
<b>UNEP</b>	<b>United Nations Environmental Programme</b>
<b>UNV</b>	<b>United Nations Volunteers</b>

## Abstract

The relationship between Insecurity and Development in Kenya is still a highly under explored area of research, indeed a scantily explored phenomenon as evidenced by scarcity of literature in this area of study. In Kenya's policy documents, for instance, National Development Plans (NDPs), insecurity and Development is accorded a scanty coverage despite its severity on the ground (GoK, NDP, 2002-2008, pp 105).

This study set out to explore the economic and social costs of insecurity due to violent crime, as well as costs of the resultant perceptions and the fear of insecurity. It mainly focused on businesses within Nairobi's Central Business District. The main objective of this study was to: examine the economic and social costs of Insecurity. The study's specific objectives were to: Establish whether costs of crime differed by business location and type of merchandise; and find out reasons for police inefficacy to contain crime in the Nairobi Central Business District area. This study attempted to answer the following principal questions: What are the economic and social costs of insecurity on businesses within Nairobi's CBD; second, do the costs differ by business location, third, do the costs of crime differ by type of merchandise, and finally, what explains the apparent inability of state police to contain crime within the Central Business District of Nairobi.

A sample of eighty businesses was studied to approximate basic losses in money and property. The sample was obtained from specific business categories; banks, electronics, motor vehicle spare part dealers, and textiles.

Data were collected from both primary and secondary sources. Primary sources utilized included Key informant interviews and questionnaire interviews. On the other hand, secondary sources involved a review of the relevant literature in the area of study and case studies of crime records.

One of the research findings showed that the costs of crime on businesses within N CBD were generally high especially due to expenses on risk improvement/preventive devices and money, property and lives lost as a result of victimization. A Majority of businesses in the CBD had incurred economic and social costs of violent crime. Business sectors that reported the highest incidents of violent crime were Banks, Motor vehicle spare part

dealers and Electronics. Textile shops were the least victimized by violent crime. Another finding was that inefficacy of state police was partly due to institutional weaknesses, which hampered optimal functioning of the state agencies.

The study recommends that security practice in the Nairobi Central Business District should be customized and made flexible as well as reflexive of the various security needs of the CBD as dictated by type of merchandise and the location attributes of businesses.

Further recommendation is that security policy and practice be widely publicized by media reporting, taking on features of development communication as well as adopting securology and securotechnology.

## **CHAPTER ONE**

### **1.0 BACKGROUND**

#### **1.1 INTRODUCTION**

Security issues comprise a part of dilemmas of urban economic development that include persistent poverty, slow economic growth, labour market difficulties, and shifting demographics (Gomez, Tschingi, and Moher, 2000). Despite unprecedented material progress in some countries, basic education, health care, housing, social safety nets and social protection remain insufficient for the majority of the world's population. Governments in developed and developing countries are thus re-evaluating their social policies and programmes, re-examining their social safety nets, and seeking new options in the reform of social protection and social welfare systems in order to attain sustainable growth.

Among the options being considered is that of improving the investment climate, which according to the World Bank's overall development strategy is a major pillar for long-term growth and poverty reduction. Insecurity caused by violent criminal acts however poses a major threat to the investment climate. Armed crime especially undermines both macro and micro-economic productivity of a country's economy, including societal and individual well being thereby eroding social capital (Skogan, 1990)

Hence crime is a widespread concern globally despite the fact that its nature and extent may vary among localities. With the concern about crime rating high among most governments, crime containment and security enhancement have become central objectives of the state. In Kenya, despite the officially stated goal of crime prevention, state security mechanisms are still battling to achieve their objective of crime containment.

In Kenya's capital Nairobi for instance, available data points to a rapidly deteriorating security situation. Majority of city inhabitants live in constant fear of insecurity due to the increase in crime rates (UN-HABITAT, 2002). Nairobi for instance experienced increased rates of crime over eight years. In 1997, there were 2,994 robbery cases, which increased to 3,212 cases in 1998 and then to 3,618 cases in 1999. Cases of Motor vehicle

theft rose from 689 in 1997 to 727 cases in 1998, and 767 cases in 1999. Offences against property rose from 331 in 1997, to 334 in 1998 and then recorded a sharp increase of 733 in the following year, 1999 (GOK, 2002). Countrywide Nairobi recorded the highest crime rates in robbery for three consecutive years: 2000, 2001 and 2002 (SRIC 2003). Comparative crime statistics for the years 2002, 2003 and 2004 further showed that total crimes committed increased from 13,505 in 2002 to 13,580 in 2003 and then to 14,342 in 2004 (Kenya Police Statistics, 2005)

## 1.2 PROBLEM STATEMENT

This study intends to investigate the economic and social costs of insecurity on businesses. It further sets out to establish whether costs of crime differ by business location and type of merchandise, reasons for differential crime targeting on businesses as well as factors for police inefficacy to prevent crime within Nairobi Central Business District (NCBD). The level of crime in Nairobi continues almost unabated. No doubt these crime rates have a lasting effect on economic development activities- most business firms have cited crime as a major challenge, and some have opted to move out of the NCBD.

In an attempt to respond to the demand for security, state and non-state actors have instituted several measures. Some of these include: increased police patrols, regular roadblocks, setting up of vibrant anti- terrorist police units, active search and recovery of fire arms, establishment of community policing projects, provision of police information centres and adoption of anti- theft devices by business people.

Given that Nairobi is the gateway to East Africa, capital of Kenya and core business centre demands a betterment of its investment climate. The fundamental contribution of Nairobi to Kenya's GDP as well as the centrality of Nairobi in East Africa's development agenda calls for the government to adopt a more pragmatic approach to combat crime. Despite the current measures to combat crime in Nairobi most of them private sector initiated, crime rates have continued to increase in the city (SRIC 2004). This study set out to provide understanding of this phenomenon. Related studies have been carried out in the field by Security Research Information Centre, (SRIC) and the Kenya Crime Survey (2001) that examined the nature and characteristics of crime in which firearms

were used in Kenya. The survey however did not delve into establishing costs of crime, nor unearthing reasons for police inefficacy to contain crime. Another study was the one carried out by Kamenju et al (2004) on Private Security in Kenya, which limited itself on dynamics in the private security sector. The studies left gaps, and this study sets out to address some of them.

The questions raised for the study are:

1. What are the social and economic costs of crime on the businesses?
2. Do the costs differ by business location?
3. Do the costs differ by type of merchandise?
4. What explains the inability of state law and order institutions (the police) to contain crime in the NCBD?

The task of this study is to attempt to answer these questions.

### **1.3 STUDY OBJECTIVES**

To provide answers to the above questions this study pursued the following research objectives.

#### **1.3.1 General Objective**

To examine and analyze economic and social costs of insecurity and violent crime on businesses within Nairobi Central Business District

#### **1.3.2 Specific Objectives.**

- a) To examine social and economic costs of crime on businesses within NCBD.
- b) To establish if business location is a major factor accounting for differential victimization of businesses by armed crime in the NCBD;
- c) To find out if type of merchandise is a major factor in accounting for differential crime rates on businesses within the NCBD; and
- d) To examine reasons for the apparent inability of state police institutions to contain crime rates within the NCBD.

## **1.4 Justification of the Study**

Justification of this study is twofold: policy, and academic. Academically, the primary purpose of this study is to fill some gaps existing in works on insecurity and investment climate for business. Despite availability of few studies on crime and insecurity in Nairobi such as those by SRIC 2001, and NCBDA 2002, this study is pioneering in that it not only examines insecurity in Nairobi but also attempts to evaluate the cost and impact of insecurity on businesses in the Central Business District area. It also seeks to offer reasons for differential victimization patterns on businesses as well as unearthing factors for police inefficacy to contain crime.

Apart from the Kenya Crime Survey 2000, Security Research Information Centre studies (2001, 2004), UNDP Citywide Victim Survey and a study by KIPPRA (2004), no other studies delve in considerable detail into the crime and insecurity problem. Crime has been treated by these studies with the objective of establishing its prevalence, nature and victimization trends. This study builds on the survey by unearthing the effects and costs of crime on victimized businesses.

The studies by SRIC and UNDP do not delve into actual costs of insecurity on development nor do they interrogate the state police's institutional mechanism, inefficacy to contain crime. This study is therefore academically justified in that it addresses some of the afore-mentioned issues in the crime question in Nairobi Central Business District. It takes the discourse further by addressing the major causes of differential violent crime victimization patterns on businesses. Findings from this study may form a basis for further research in this field of study, especially to address other gaps.

On the policy front, the justification of this study is based on the need to understand policy implications of crime and insecurity. With regard to dynamics of policy implementation and practice in relation to Kenya's unique socio-cultural and economic position in the current development epoch, it intends to assist in reducing the mismatch between policy and practice for better service delivery.

The study also hopes to show the centrality of security in effecting a positive investment climate in recognition of Nairobi's significance in the East African region, while attempting to proffer policy recommendations.

## **1.5 Definition of Concepts**

### **Insecurity**

Insecurity is either danger, that is, lack of objective security in a physical situation or a general feeling of unease or nervousness. Insecurity is related to anxiety. The term can also be defined as a state of poor public safety or deficient security. It can be a real or perceived state based on current or previous experiences or remedial factors in a given neighbourhood. Perceptions of insecurity are highly associated with increase in crime rates. Insecurity is conceptualized in this study in relation to both property and human beings.

### **Crime**

Any act that contravenes the criminal law is referred to as crime (Houston and Liddiad in NCBDA, 2001). The criminal law or penal code categorically states what citizens may do or what they may abstain from doing. Hence, it is a crime to do what the law prohibits or fail to do what the criminal law requires. Every criminal act is defined by the criminal law. On his account, Muga 1975 defines crime as the infraction of law, as detailed by the state or the government. Muga's definition explicitly implies that laws could vary between and among states. A criminal on his part is a person who has intentionally committed a criminal act and has been apprehended, tried by the court of law, proven guilty of commission of the offence and finally imprisoned or punished by the relevant authority. Most offenders therefore, especially those who manage to escape do not attain a criminal status according to this definition (Muga 1975).

Drawing from the preceding definitions, crime can be defined as the commission of a wicked, or law breaking act: an offence punishable by law. A person is said to have committed a crime when one behaves in a manner deemed to have gone against the values and norms of society. Hence as an offensive act, crime ideally elicits punishment from society to enforce conformity to the existent norms.

Crime is therefore an anti-social behaviour, and a social pollutant in the sense that it pollutes society hence causing environmental degradation. Commission of crime is not

only confined to the individual, rather it extends to groups of people, organizations and even governments.

### **Social Costs**

The term social cost is essentially a normative concept that cannot satisfactorily be measured. It is not reducible to single numbers and is difficult to define with any precision. Within this study it entails a wide variety of cost elements. Kapp (1971) observed that social costs entail damage to human health, destruction or deterioration of property values, premature depletion of natural resources or they may be evident in the impairment of the less tangible values.

The notion of social cost is broad enough to encompass certain social opportunity cost, that is, social cost elements that take the form of wastages of some kind while Goulet 1985, relates social opportunity cost to the phenomenon of sacrificed generations. He asserts that through history; people have lived in conditions far below those objectively demanded by human dignity hence generations have always been sacrificed in early stages of modernization and development (Ibid)

### **Development**

As a concept, development is multi faceted and multi-dimensional. However, in the overall, development refers to all encompassing change. The development process involves improved livelihoods, improved health, well being for all and the achievement of whatever is regarded as general good for society (Allen and Thomas 2002). Development ought to be relative and in line with a people's values and beliefs.

Development's value loaded nature has elicited several perceptions. Among them is Rostow (1961)' s rather controversial sketch of economic growth. His basic assumption is that the lengthy process of economic development can be depicted according to various stages, and that uniformities tend to occur in the sequence of development. He postulated that the overall process of economic growth proceeds through five stages, which include, The Traditional Society, The Precondition for Take-off, The Take off Stage, The Drive to Maturity, and The Age of High Mass Consumption (Rostow 1961). Rostow's conceptualization of development perceives development as a modernization that

assumes a linear progressive form towards achieving a westernized culture with an implicit unilateral direction of development. This account however falls short to account for countries that have lingered back and forth the development path. While Chambers (1997) perceived development simply as 'good change' Cowen and Shenton (1996) observed that development may entail a disruption of the existing or established living patterns in the process of yielding new change (Cowen and Shenton 1996). However, the question of how development is attained, or whether it is occurring is highly contested. They further content that over the long term, development nonetheless outputs better living standards, a healthy existence, a well being for the majority and the achievement of whatever is regarded as a 'general good' for the society in general.

Sen, (1999) on the other hand embraced the concept of development as a process of expanding the freedoms enjoyed by people. He cautions against preconceiving development along growth in Gross Domestic Product (GDP), the rise in personal incomes, industrialization, technological advance, or with social modernization (Sen, 1999).

In light of the preceding definitions this study embraces a perception of development as a process that yields both material and non-material aspects of human welfare. It covers aspects such as full realization of human potential, security, reduction in poverty, unemployment and income inequality.

## **Securology and Securotechnology**

In this study, the term securology is used to denote the scientific study of security. It refers to a distinct field of study that explores and generates scientific knowledge in the discipline of security while the term securotechnology refers to a distinct branch of technology, specializing in technological innovation and advancement in the security sector. Its main purpose is to improve efficacy in the security provision industry.

### **1.6 Outline of the Study**

The initial chapter of this research has offered the preliminary stages of the research, presenting the abstract; an executive summary of the research undertaking, followed by introduction, problem statement, research objectives and justification of the study.

**In addition to chapter one the study has the following chapters:**

**Literature Review as chapter two**

**Research Methodology as chapter three**

**Data Presentation and Analysis as chapter four, and**

**Summary, Conclusion and recommendations as the final chapter**

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction.**

A conducive investment climate is essential for private businesses to thrive. Security of business and individuals is among the most significant components of a favourable investment climate. A good investment climate attracts investment by assuring business security. The issue of security has however been highlighted recently as a major challenge to business investors in Kenya.

Highlighting security as a challenge has occurred at a time when issues of development planning in Kenya have started to gain added significance over the past few years in light of the recent political events, which have occupied a centre stage in the world community. Surprisingly however, there has been little published information regarding challenges, experiences and approaches of spatial and urban development in Kenya from a comparative and comprehensive view, especially with regard to security. This study hopes to generate some basic and vital data upon which further research can be based. This second chapter of the study offers a review of past studies related to the research topic.

#### **2.2 Insecurity in Kenya**

Insecurity has become a contentious issue in Kenya, despite the officially stated goal of crime prevention; state security mechanisms are still battling to achieve their objective of crime containment.

In Kenya's capital Nairobi for instance, available data point to a deteriorating security situation such that a majority of city inhabitants live in constant fear of insecurity due to the increase in crime rates (UN-HABITAT, 2002). Over the last eight years Nairobi has experienced increased rates of crime. In 1997, there were 2,994 robbery cases, which increased to 3,212 cases in 1998 and then to 3,618 cases in 1999. Cases of Motor vehicle theft rose from 689 in 1997 to 727 cases in 1998, and 767 cases in 1999. Offences against

property rose from 331 in 1997 to 334 in 1998 and then recorded a sharp increase of 733 in the following year, 1999 (GOK, 2002). Countrywide Nairobi recorded the highest crime rates in robbery for three consecutive years: 2000, 2001 and 2002 (SRIC 2003). Comparative crime statistics for the years 2002, 2003 and 2004 further showed that total crimes committed increased from 13,505 in 2002 to 13,580 in 2003 and then to 14,342 in 2004 (Kenya Police Statistics, 2005)

In the last ten years, particularly crime in Kenya has been on the increase. Muggings, banditry activities, possession of illegal firearms, murder and cattle rustling are among the mostly reported incidents of insecurity in the country (SRIC 2003). There is a high rate of crime in most regions of Kenya, particularly Nairobi, Mombasa, Kisumu, and at coastal beach resorts. Regular reports of attacks against tourists by armed assailants have been frequently reported. Pickpockets and thieves carry out "snatch and run" crimes on city streets and near crowds. Visitors have found it safer not to carry valuables, but rather to store them in hotel safety deposit boxes or safe rooms. Walking alone or at night, especially in downtown areas, public parks, along footpaths, on beaches, and in poorly lit areas, is dangerous and discouraged.

Armed vehicle hijacking is common in Nairobi but can occur anywhere in the country. Nairobi experiences regular vehicle hijackings<sup>1</sup>. Matatus (public transportation) tend to be targeted since they carry up to 14 passengers. Although these attacks are often violent, victims are generally not injured if they do not resist. There is also a high incidence of residential break-ins and occupants should take additional security measures to protect their property. Thieves and con artists have been known to impersonate police officers, thus visitors are strongly encouraged to ask for identification if approached by individuals identifying themselves as police officials, uniformed or not.

Kamenju et al (2004) argue that due to high insecurity standards in Kenya, the security industry has seen the rise in number of private security companies in the country. Indeed, the study established that the private security industry was one of the fastest growing sectors in Kenya, and a significant employer across the country.

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<sup>1</sup> [www.travel.state.gov/travel/cis\\_pa\\_tw/ccis\\_1151.html](http://www.travel.state.gov/travel/cis_pa_tw/ccis_1151.html)

On analyzing the insecurity situation in Kenya, Muchai (2003) investigated the fire arms commonly used in committing crime in the country. It was established that pistols and rifles were commonly used for robbery, murder and carjacking, and that twice as many pistols were used than rifles in these crimes. In banditry and cattle rustling, rifles were almost solely used. The study also revealed that robbery was the most prevalent fire arm related crime reported in the newspapers.

The insecurity situation in Kenya is so poor such that thieves routinely snatch jewellery and other objects from open vehicle windows while motorists are either stopped at traffic lights or in heavy traffic. Thieves on matatus, buses and trains may steal valuables from inattentive passengers. Police checkpoints are common in Kenya and all vehicles are required to stop if directed to do so.

In one year, a total of 549 robberies were reported in the Daily Nation, People Daily and Standard newspapers according to Muchai (2006). Most took place in business premises, that is, 29 % while 20.8% robberies were reported in residential areas, and 18.6 on public roads. This shows that generally, insecurity is high in Kenya.

### **2.3 Business Development in Kenya**

Kenya, like most developing countries regards the business sector as significant for socio economic development hence, the country has embarked on efforts aimed at improving the policy environment and the operation of small and micro-enterprises (Ayiemba et al, 1999). The main focus on businesses in Kenya began over the last two decades after failure of policies that were aimed at developing a modern industrial sector similar to those of developed western countries in order to create employment and achieve fast economic growth (Bowen, 1999).

Business in Kenya comprises both the formal and informal sector. The informal sector flourishes in Kenya because of the operation of the business without much restriction or regulation, the entrepreneur's flexibility in meeting customer needs, and the fact that goods and services depend on demand as perceived by the entrepreneurs (McCormick, 1991)

Large business enterprises, as well as Small and Micro- enterprises (SMEs) have become important in all sectors of the Kenyan economy. McCormick et al, (1999) for instance argue that SMEs provide employment and income to a majority of people in both rural and urban areas.

The businesses, especially SMEs and small businesses in Kenya operate in a risky environment where there is a high probability of business failure (Bowen, 1999). A number of indicators reveal the risky nature of the environment in which small-scale entrepreneurs operate. As a source of livelihood, the business provides most of the basic necessities of life such as school fees, food, clothing, rent, and medical expenses.

Despite their importance, Micro enterprises in Kenya (firms with up to 10 employees) have been found not to expand or grow into small-scale enterprises (having between 11 and 50 employees). On the contrary, high rates of closure and seasonality characterize most small businesses and SMEs in the country due to reasons such as stiff competition from other businesses, use of business income to meet family expenses as well as low demand (Ibid).

Businesses, both small and large scale help in the achievement of broad development objectives such as facilitating transition to market economy, providing socio-economic linkages, promoting employment, alleviating poverty, assisting those who are disadvantaged and promoting national and regional socio-economic development.

#### **2.4 Insecurity and Business Development**

Insecurity affects business and their development. Indeed, the costs of crime and insecurity on business are felt across many fronts. The effects of insecurity are widely felt on employers, employees, customers, and on the wider community. This is why reducing insecurity is so important for everyone<sup>2</sup>

Given the prevalence of businesses in urban areas of developing countries and continuing urbanization in much of the developing world, strategies for economic growth cannot afford to ignore the investment climate for businesses both large scale and small scale. In

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<sup>2</sup> [www.homeoffice.gov.uk/crime-victims/reducingcrime/business-retail-crime/](http://www.homeoffice.gov.uk/crime-victims/reducingcrime/business-retail-crime/)

most cities of the developing world, a large fraction of the poorest residents are engaged in some form of small business. A recent World Bank study on economic development in Jamaica identified crime as one of the main reasons for weak economic development in Jamaica due to its substantial costs on business in the country (World Bank 2003)

According to the World Bank survey, crime has a deterrent effect on enterprise behaviour particularly enterprise entry and expansion. Perceptions of crime as a serious business obstacle have a highly detrimental impact on the willingness of foreign investors to enter a country, particularly in early and intermediate transition countries. The paper shows that higher rates of crime, insecurity and particularly organized crime are associated with the weaker development of micro-enterprises in large countries with high unemployment (Ibid).

Increases in crime related costs divert resources from business expansion and improvements. In extreme cases, a high incidence of crime may induce enterprises to exit from the market place or relocate to safer locations. A high level of crime can also have a detrimental effect on potential new entry of enterprises, both local and foreign and their expansion.

The Kenya Institute for Public Policy Research and Analysis (KIPPRA)'s study on security and public sector development in Kenya indicated that the security problem interferes with the market for commodities of the firms. The level of effect of insecurity on firms is also manifested by the victimization of customers with a majority of the firms indicating that their customers have been victims of crime. The high level of customer victimization may make customers to change their shopping habits and only visit outlets they perceive to be safe. Therefore, outlets in areas they perceive to be insecure are alienated and this may make business in such locations not viable.

Gaviria (2002) has analyzed the impact of crime on firms in Latin America. He established that crime substantially reduces overall economic performance of enterprises, and sales growth in particular. To reinforce Gavira's finding, the results of enterprise surveys conducted in 34 countries in Europe and Asia during 2002 and 2005 show that higher rates of crime are particularly associated with the weak development of micro-enterprises.

Hay and Scheifer (1998) focus mainly on the impact of weak institutions on the enterprise sector in general and present the impact of crime as one of the symptoms of general institutional weaknesses. According to them, crime thrives where the state is unable to exert power over public administration.

Insecurity also imposes high operational costs to business. Growth in sales and profitability are affected by loss of market share resulting from insecurity. Reduction in business hours is also a result of insecurity and leads to massive losses in sales and profitability of the business. Reduction in hours of business operation makes firms not to explore the full potential of the market hence constraining the expansion of investment (KIPPRA 2004). The limited hours of business imposed by insecurity directly affects economic activity because it interferes with production and purchase. Limitation on production time reduces output levels while limitation on the time to purchase affects consumption patterns, and consequently production.

Crime remains a more significant problem on Less Developed Countries (LDC's) compared to more mature European Union member states. A large part of these differences are due to structural variations including the share of industry and services in the economy, the share of the private sector in Gross Domestic Product (GDP) and unemployment. Possible deterring effects of crime on overall economic development includes the relationship between crime and inflows of Foreign Direct Investments (FDI)

### **2.5 Reasons for measuring costs of crime**

Estimates of the social and economic costs of crime can have an important role in achieving the greatest impact on crime for the money spent. They can increase the awareness of both policy makers and the public in general of the full impact of crime in society and the potential gains that could result from reductions in crime. Furthermore, estimates of the cost of individual crimes enable people to make better informed decisions about which policy measures are the most effective, by allowing meaningful comparisons to be made of the costs and benefits offered by alternative crime reduction measures. They can also aid in prioritizing, focusing scarce resources on policies that have the biggest impact (Price and Brand 2000).

Cost estimates can be used both for policy appraisal and policy evaluation. In policy appraisal it can be used to value the likely benefits of implementing alternative policy proposals and hence weigh these up against the likely costs of implementation while in policy evaluation, estimates help in identifying the size and value of the benefits that have accrued from a policy (Ibid). As in other policy areas, cost-benefit analysis cannot fully encompass political or equity dimensions of appraisal and evaluation, and it is only one of a number of complementary techniques. A cost of crime measure therefore provides a justification for resources spent on reducing crime, and provides indication of how successful the government is at reducing the impact of crime.

## **2.6 Economic and Social Costs of Crime**

Organized crime has serious and multifaceted socio-economic repercussions that are present in many regions. This is according to a Criminal Intelligence Service, (CIS 2004) report in Canada, a study which revealed that lost tax revenue at all levels of government and economic losses to private enterprise results in lost jobs and lost investment opportunities, as well as higher taxes, prices and insurance premiums. A further observation according to the report was that costs of crime trickle down to tax payers in the form of increased judicial, law enforcement and correctional costs.

Besides the afore mentioned costs, organized crime directly and indirectly affects public safety, economic well being and sense of community. Among costs of such crime are insurance costs. According to CIS 2004, most vehicles are stolen for thrill seeking, transportation, or to commit another crime. They are generally abandoned once they have served their purpose. Such vehicles stolen by organized crime groups tend not to be recovered as they are often exported overseas, transported for inter provincial resale or stripped for the sale of parts. Organized crime has been involved in stealing luxury vehicles, changing the serial numbers and re selling the vehicles.

The 2004 statistics Canada report revealed that about 20% of vehicle theft in 2002 were believed to have been committed by organized crime groups<sup>3</sup>. The Insurance Bureau of Canada states that insurance fraud costs Canadians more than a billion dollars annually through insurance premiums with \$ 600 million annually in vehicle theft related

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<sup>3</sup> <http://www.springerlink.com/contents/v2J10583120g46q4/>

insurance costs. There are also related costs, which include costs for law enforcement, healthcare, judicial and corrections expenses.

Costs of crime also include deaths as Muchai (2006)'s study reveals. The study showed that in the year 2003, Kenya lost a total of 947 people in deaths to crime, 613 were injured while the victims of crime excluding those killed or injured were 2,159. Out of the 947 people killed in crime, most of them were killed in robbery, (303), followed by murder (238) and cattle rustling which involved loss of 92 lives. Every time a life is lost in crime, it means that other lives of immediate family members, relatives or friends are shattered or broken down.

Morris and Tweeten<sup>4</sup> studied the cost of controlling crime in the city. Their study revealed that the per capita social cost of crime declines slowly with larger cities until a low point is reached in cities with a population ranging from 250,000 to 500,000. They further observed that social costs rise sharply for cities of over one million inhabitants. According to their study, smaller cities are able to reduce their crime rates with an increase in police numbers while the larger cities fail to do so, based on evidence from time series analysis. Their results underestimate the social cost of crime in large cities even though they show the cost to be lower in small cities than in large ones. They therefore suggest that policies of decentralization rather than increasing police rates may be the most cost effective long run solution to high crime rates in larger cities.

Even though the preceding studies offer invaluable accounts detailing economic and social costs of crimes, their findings are too general while the current study focuses on relating the costs of crime to businesses and also limiting them to Nairobi Central Business District.

## **2.7 Factors Accounting for Differential Crime Rates**

Measures to contain crime attain effective results in certain localities while only minimal results are achieved in other localities if not an increase in crime rates. In some cases stark differences in crime rates exist between jurisdictions that are nearly identical in

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<sup>4</sup> Ibid.

every other way (Davis and Muhlhausen<sup>5</sup>). Exemplifying such a situation is a comparison between Fairfax and Montgomery counties in Washington. FBI statistics showed a striking disparity in crime rates between the two. For example, although its 1998 population was 11.5 percent larger than Montgomery county's, Fairfax had 1,083 fewer violent crimes. Even after controlling for population size, which works in Montgomery's favour, the Maryland county had a violent crime rate 2.4 times that of its Virginia neighbour. The statistics revealed that a resident of Montgomery was 2.2 times more likely to be robbed, 1.7 times more likely to be raped and 2.8 times more likely to suffer an aggravated assault.

The study indicated that this discrepancy had emerged only in the past twenty years. During the 1970's Fairfax and Montgomery had roughly similar crime rates but crime rates had since plummeted in Fairfax, while dropping only modestly or even rising in Montgomery.

The authors argue that from a social-science perspective, this discrepancy should not exist, since the two counties have almost identical socioeconomic profiles. According to Census Bureau, both had low poverty rates, similar per capita incomes and similar unemployment rates. Likewise, the racial, ethnic and family composition of the two counties was almost identical. Both counties had also experienced rapid population growth and large scale immigration during the past 30 years at the point of the study, nor did one county have significantly more broken homes than the other.

Davis and Muhlhausen's analysis sought to establish factors for differential crime rates in the two counties. According to the analysis, there was little evidence to show that differences in crime rates were caused by differences either in professionalism or in the amount of resources devoted to policing. In 1998, Fairfax county police and Montgomery county police solved 57 and 58 percent of all crimes, respectively. Hence, police policy had little to account for the differential crime rates that existed between the two counties.

Gun-control policy was however identified by the study as one of the factors accounting for differential crime rates. It was established that Maryland had more strict gun laws than Virginia, which meant that criminals had a greater likelihood of being confronted by

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<sup>5</sup> <http://www.heritage.org>.

armed citizens in Virginia. Indeed, the gap between the two counties in crimes that involve face to face contact with a victim, such as robbery, assault, rape and burglary was much greater than for offences in which such contact is unlikely such as larceny and car theft.

Criminal Justice policy was cited as the best explanation for differential crime rates between Montgomery and Fairfax as per Davis and Muhlhausen<sup>6</sup>. The only significant way that Montgomery and Fairfax had differed for over twenty years was that they had been governed by state legislations and administrations with vastly different approaches to crime.

While Maryland had largely adhered to older and more lenient criminal justice policies during the past two decades at the time of the study, Virginia had emerged as one of the toughest-on-crime states in the nation. Different experiences of Montgomery and Fairfax counties offer compelling evidence that criminal justice reforms can also be effective in driving down crime rates.

The preceding analysis on differential crime rates between Montgomery and Fairfax countries is very significant in that it offers factors for differential crime rates at the macro and policy level, while the current study seeks to complement their analysis by offering an account of differential victimization of businesses based on a micro level and on business dynamics.

## **2.8 Insecurity Versus Development**

Mushanga (1988) observed the presence of a high positive correlation between insecurity and development by arguing that crime rate and diversity in criminal activities were key indicators of the development status of a given locality. He ascertained that by initiating development projects whether in rural or urban areas, the planners of such projects create situations that are likely to favour increase in crime and general insecurity. According to him, this was because rapid and abrupt economic change are a key trigger to various kinds of social problems including juvenile delinquency and various crimes especially

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<sup>6</sup> <http://www.heritage.org>.

those of a violet nature, which are characterized by inhumanity and general brutality that accelerate the already massive economic losses.

His work envisioned a causal relationship between insecurity and development by demonstrating that development creates new opportunities in which crime can be committed, fabricates a new mental orientation contrary to the existing traditional values that are pro-moral integrity and communal welfare. Similarly, according to him development creates new opportunities for crime and insecurity by displaying new and attractive commodities in the open for all (Ibid 1988), for example, lucrative goods displayed by business people. Premised on the non-segregate display of goods therefore, the deprived are often compelled into thievery.

The insecurity - development nexus as portrayed by the preceding argument is however hotly disputed in an argument held by Un-Habitat (2002) according to which crime and insecurity are mainly a function of high poverty rates and social exclusion; hence, insecurity is largely a result of the lack of development or its existence on a low scale.

The contribution of these studies stems from the link they establish between crime as well as insecurity and development. Both studies approached the security-development nexus by focusing on the causal factors for crime, but the works did not proceed to capture the costs or effects of crime and insecurity on business investment nor on development in general, a gap that the current study seeks to partly address.

The view held by Mushanga closely reflects works of McClelland (1961) who argued that development is responsible for creating a 'need for achievement' syndrome in certain groups of people; both educated and non-educated, as well as the employed and non-employed. In pursuit of quick riches, such people employ any means regardless of their impact on the socio-political and economic environment. Bank raiders, street pickpockets and the manufacturers who corrupt the government in order to operate outside the law as well as the armed robber who is ready to kill to attain illegitimate possession of property belong to the list of irrational achievers (McClelland, 1961).

It is paradoxical, the extend to which irrational achievement has been associated with general economic development of a country in the preceding thesis. Hence, Mushanga (1988) concurs with McClelland by arguing that crime rate and crime diversity are

concomitant factors to economic development. Notwithstanding the value of McClelland's thesis to this work, the study falls short of considering other major contributory factors to crime and insecurity such as inefficacy of state law and order mechanisms, especially in developing countries, whose states are still undergoing the process of development.

## **2.9 The Role of the State in Control of Crime**

### **2.9.1 State Inefficacy to Contain Crime**

Response to crime and insecurity has taken various forms; including: Police patrols, regular road blocks, setting up of anti-terrorist police units, active search and recovery of fire arms, establishment of community policing projects, provision of police information centres, and adoption of anti- theft devices by business people.

Kimenu et al (2004) observed that overall, government's institutional set up to contain crime in Kenya is generally ineffective. They emphasize this by providing insight into the proliferation of small arms in the North Rift of Kenya. In their effort to establish the causal factors for gun culture in the region, the route, markets, mechanisms of gun transfers and demand for small arms they established that government's arm control was at best deficient. According to their findings, the government was in fact linked to the escalation of arms proliferation due to its policy of providing arms to home guards of particular communities while denying other communities such protection. Institutional response to crime in Kenya was also characterized by state inefficacy to control possession, movement and use of small arms in the country. A similar position was expressed by the findings of The Great Lakes Warning Response Network Meeting, which attributed urban violence and banditry in Northern Kenya to the conflict situation in Kenya, especially the conflict between government agencies and communities

The afore reviewed studies are therefore instrumental for having detailed incidences of state inefficacy. Having cited state inefficacy as a reason for increased insecurity in the Northern part of Kenya, the studies give no account at all of the reasons why the state mechanisms are unable to deliver security to the expected standards, hence giving room for further research in the area of study. This inquiry will attempt to evaluate reasons for police inefficacy to contain crime.

## 2.9.2 State Collapse in Kenya's neighbouring countries

A major conceptualization of the African state in its efforts to configure the postcolonial state legacy is the challenge of collapsed state. A weakening in the enforcement of institutional, legislative and administrative rules in most African states has taken on either the 'dynamic' element of criminalization or the more inactive element of collapse. Whichever way, the state fails to assert itself on the population in a sovereign way, rendering both forms of a weakened state destructive.

Zartman (1995) asserts that contemporary African history began in state collapse in the famous events associated with the collapse of the colonial state in Congo (currently Zaire). A state is said to be collapsed when its structure, authority, law and political order have fallen apart and must be reconstituted in some form, old or new.

The likely results of state collapse is that order and power –but not legitimacy- fall down to local groups or are up for grabs hence eroding the state as a legitimate functioning for some time, since state collapse phenomenon is a political cause and effect with social and economic implications.

Zartman cites several instances of state collapse in Africa. In Chad in 1980-1982, a factual war among the guerilla victors over the previous regime resulted into state collapse. The war yielded a destruction of all the branches of the central government executive, legislative, judiciary and bureaucracy. In the case of Uganda, the period 1971-1981 collapse followed Idd Ammin Dada's concentration of power in his own hands and then fallen to a coalition of oppositions, leaving a power vacuum. Ghana's state collapse under the Third Republic of Hilla Limann (1971-1981) between the two interventions of Fit. Lt. Jerry Rawlings was less total than in the previous cited cases. The centre nevertheless, lost control over the countryside and its ability to perform government functions even in the capital. As opposition became more organized than the state, the government was replaced by coercion and corruption.

Nelier (1993 in Zartman 1995) however observed that not all states underwent a complete collapse. This was in a study, which revealed that half of the African states were in a danger of collapse, if not already collapsed. In such cases, government legitimacy and

functioning have receded hence replacing but not completely destroying the state. Cases of clear collapse include Somalia and Liberia after 1990, while Ethiopia exemplified partial collapse under Somalia. Even though Angola and Mozambique did not experience collapse, they experienced a retraction in effectiveness and legitimacy of the state.

Badie and Birnbaum (in Zartman, 1985) specified features that characterize a collapsed state. Among them were: inability to perform the state's basic functions, failure to enact laws, failure to preserve order and to enhance societal cohesion, paralysis and inoperative at the decision making level. Characteristic of a collapsed state also, is a territory, no longer assured of security and provisionment by a central sovereign organization, a political institution that has lost its legitimacy which is up for grabs and hence loss of its right to command and conduct public affairs.

Therefore, state collapse entails a breakdown of good governance, law and order, in which case, the state as a decision making, executing and enforcing institution can no longer make and implement decisions, the result of which is the loss of control over political and economic space.

## **2.10 Theoretical Framework**

### **2.10.1 Differential Association**

Three theoretical perspectives are used in this study: Differential association, Anomie and Firm dynamics model. Differential Association is an interactionist theory that was developed by Edwin Sutherland in 1939 after studying deviance at Chicago. Prior to this development, two university of Chicago researchers, Clifford Shaw and Henry McKay had discovered that deviant patterns, particularly delinquent gang activity were being transmitted from generation to generation. In an attempt to understand how this transmission of deviant patterns occurred, differential association theory was advanced.

The theory focuses on how people learn to become criminals. The basic hypothesis of the theory was that a person becomes delinquent because of an excess of definitions favourable to violation of the law. That is, people are exposed to ideas that stress both conformity and deviance. Deviance is likely to occur when the number of ideas advocating deviance exceeds those stressing conformity. According to Sutherland, many

youth are exposed to criminal definitions as they interact with others. Hence, they are likely to perceive that criminality is legitimate for them (Turner 1978). The weakening of informal social control mechanisms such as the family, schools and the church in urban areas makes possible the formation of gangs and accouterments of gang behaviour (Phillips, Donnermeyer and Wurschmidt 1982)

Differential association theory holds that Criminal behaviour is learned in interaction with other persons in a process of communication and occurs within intimate personal groups. The theory stresses a number of factors that determine the impact of deviant or conformist definitions on a person. One of the factors is frequency or how often a person is exposed to conforming or deviant definitions. Another factor is intensity of involvement with others whereby definitions of friends and family are more influential than those given by less intimate acquaintances.

Differential Association will also depend on how early in life a person is exposed to conforming or deviant definitions of proper conduct. The earlier a definition is received, the more impact it will have. Duration, or the length of time that a person is exposed to a definition also determines the impact of deviant or conformist definitions on a person. Finally is the number of contacts with persons exposing either deviant or conformist definitions.

According to Sutherland, then deviant behaviour, particularly criminal behaviour is learned in much the same manner as conforming, non-criminal behaviour. Depending upon the number, priority, intensity, duration and frequency of contacts with conforming or deviant definitions of proper conduct, people will have a ratio of criminal to conformity definitions that either favour deviant or conforming behaviour. Most movies as well as TV programs depict deviant behaviour, and as many families resort to TV for entertainment, such deviant definitions are enforced as opposed to conformist definitions. Fewer families in rural areas watch Television compared to households in urban areas, which suggests why urban areas face relatively high crime incidences than the former. It should however be considered that according to Sutherland, social interactions have a gigantic influence over what is learned from the media, and closely related the individuals are, the greater the impact in the kinds of definitions learned.

In high crime areas, it is likely that interaction with family and friends will produce an excess of criminal definitions, thereby increasing crime rates in that area. The reverse is true in low crime areas. The nature of interaction with others and the subtle definitions about what is appropriate conduct that accompany such interactions determine whether or not deviance and conformity will occur.

Sutherland's theory gives a view of the process of how deviant practices are transmitted from generation to generation and from one person to the other. This theory does not explain how these practices emerged in the first place. Differential Association theory also explains why any individual tends towards deviant behaviour. It is most useful in explaining peer influences among deviant youth or special mechanisms of becoming a certain type of criminal. The theory is simplistic in nature and does not take into account any other mitigating factors in the learning of deviant behaviour. The theory does not also capture or explain the costs of crime.

### **2.10.2 Anomie Theory**

Anomie theory provides an explanation of the concentration of crime in society. The concept of anomie was introduced to Sociology by Durkheim, and denotes a situation in which social norms are ambiguous, nonexistent, weak, or conflicting. This results in people being unsure of what they have to do, and making them unable to control their wants and desires (Turner 1978).

Merton adopted Durkheim's concept of Anomie in an effort to explain the causes of different rates and types of deviance in society. He suggested that there existed cultural values that put a lot of emphasis on certain desirable goals and that cultural avenues or means of achieving such goals are out of balance. An example is that culture dictates a strong concern of acquiring material goods and other possessions yet the means for acquiring them are unavailable to all, hence anomie can be said to exist to those who have no access to the means.

According to anomie theory, an urban setting generally experiences high rates of deviance because it has powerful values emphasizing success goals but does not give all population segments equal opportunities to realize such goals. The insatiable hunger in capitalist economies for more goods, money and property, stimulated by modern mass

advertising and salesmanship, fosters this endemic discontent for more and more personal possessions (Mays 1970) which fosters anomie for those without means to cope with ever changing demands for satisfaction of wants. Many young people in urban areas do not have employment opportunities through which they can realize their goals.

Merton hence locates causes of deviance in cultural and social arrangements. He holds that deviance results from disjunctions between structural means and cultural values. Innovation is likely when people accept cultural success goals but do not have access to legitimate means. Most lower class criminals accept goals of success but do not have access to or refuse to use legitimate means. They are therefore 'innovators' because they invent new illegitimate means for realizing material success such as burglary and robbery. Social structures are not sufficient in enforcing conformist definitions and as a child's upbringing is continuously left to the already overburdened parents, there is ample exposure to non-conformist definitions especially from peers and the mass media. This is compounded by the fact that the young people have unlimited time with little to do. To occupy themselves, they may resort to deviant activities as opposed to sport, which is a more positive way of utilizing the time available at their disposal.

Anomie theory holds that innovation is likely when people accept cultural success goals but do not have access to, or refuse to use legitimate means. Ritualism is likely when people lose sight of cultural goals, but adhere rigidly to the means for realizing these abandoned goals. Rebellion occurs when individuals actively reject goals and means while substituting new and highly disapproved goals and means. Violent street gangs are a good example of rebellion, for the members of these gangs have rejected traditional success goals and means in favour of new success goals – toughness and the creation of fear- and illegitimate means of violence and physical intimidation.

Cultural success goals are seen by a larger proportion of the youth as unnecessarily time consuming and are unlikely to provide material possessions quickly, hence the culturally unacceptable goals provide an easy outlet as well as giving instant gratifications from the illegitimately acquired goods. This is a quicker process to achieve highly glorified status that comes with such possessions.

In general, Geographic, demographic, lifestyle and institutional changes have been conducive to the increase of urban crime. In low class areas there is congestion and high

likelihood of incidences of crime. These factors may hence be critical to the breeding of frustrations and hopelessness in life, making some people less likely to shun deviant behaviour. Desperations at not being able to meet day to day needs and wants pushes people away from conformity, and leads to increase in cases of deviance (Phillips et al 1982).

Merton's theory of Anomie has stimulated considerable research and speculation. Its prime virtue is that it views deviance as a response to cultural and social conditions. It does not explain all deviance in all societies, but it represents an important insight into the sources of deviant behaviour.

Anomie theory was adopted in this study because it can be used to explain increased crime in urban areas as a result of organized gangs and rural urban migration, which increases population in urban areas without providing adequate legitimate opportunities for sustenance. It can also be relied upon to capture a common present society phenomenon where there is an ever-increasing breakdown of social fabric as well as a decline in supervision of the youth whose parents work long hours, and abdicate parental care leaving it to house-helpers. The differentiation of crime patterns while being attributed to unequal security deterrents in different sections of an urban setting can also be conceived within the theory of anomie.

Differential association and Anomie theories explain causes for the increase in crime. Increases in the rates of crime inflate the costs of business operations. By undertaking to study some types of businesses, the study intends to establish the costs of insecurity in an urban setting. It is assumed in this study that the rising rates of crime are proportional to the costs of crime, both quantifiable as well as non-quantifiable.

### **2.10.3 Theory of Firm Dynamics (Jovanovic Model)**

Firm dynamics theory was developed by Jovanovic in 1982. The theory is an attempt to trace and explain the elements of business enterprise dynamics. Enterprises are seen to be at risk of collapse because business activities are inherently risky and because individual entrepreneurs are unsure of their management abilities.

According to Jovanovic, these abilities are better assessed by engaging in the business world and observing how well one performs in it. An entrepreneur learns more about his/her abilities through daily operations. As a result, business practices and attitudes also change over time according to the lessons from the empirical world of business. Entrepreneurs use profits or losses as a measure of their management abilities.

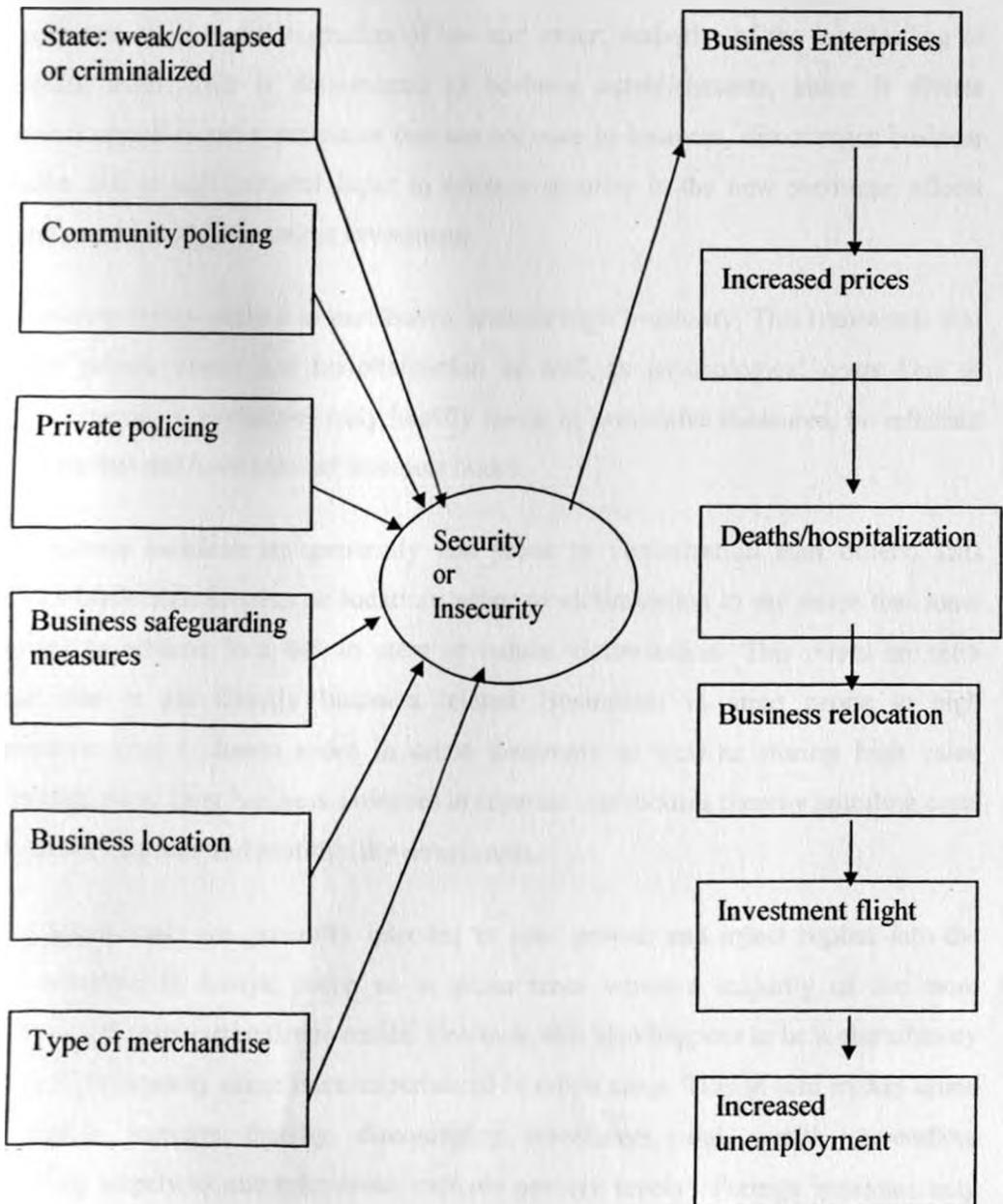
This theory holds that businesses, which revise their management abilities estimates upward, will tend to expand, while those that downgrade their estimates contract or even close down. Business closure occurs if the estimated managerial ability leads to net expected profit being negative. With time, surviving entrepreneurs gain through experience. In the long run their estimated and true managerial ability will converge and hence determine the fate of the business. Businesses that survive this market competition tend to be well managed, efficient and can grow (Rono, 1999).

Jovanovic firm dynamics model, though an important step towards a truly dynamic theory of the firm, is limited. The entrepreneur is assumed to simply learn more about his/ her exogenously given level of managerial ability. No provision is made for the entrepreneur to enhance this ability through education or training. It is widely acknowledged that education, training and certain demographic variables are among the key determinants of enterprise growth.

The theory of Firm dynamics is used in this study. Its utility stems from the observation that entrepreneurs' choice to invest in crime prevention, making decisions pertaining to type of merchandise for the business as well as selecting business site are part of managerial capabilities. The theory thus captures investment in preventive devices as a cost of crime to the businesses.

## Conceptual Model

The conceptual model for the study presents the interplay among causal factors, business insecurity and the outcome of the insecurity. According to the model, several factors have a bearing on the security situation of a given area and this has an impact on business enterprises. The impact outputs costs to businesses thereby influencing business behaviour. Hence, when the state institutions are weak especially in enforcing laws related to security containment, it gives room to high insecurity.



High insecurity on its part affects business behaviour and business output. High insecurity on business can also cause deaths, increased prices, business relocation or investment flight.

Other factors impacting on the security situation include community policing, private policing, safeguarding business, business location and type of merchandise. Within private policing, business people employ guards, watchmen or private security to enhance safety. When private security is well fostered, firms are likely to be secure, hence minimizing insecurity.

A weak state is one that is inefficient in containing and /or preventing crime. In the circumstances, there is disintegration of law and order, authority of the law leading to high crime rates. This is detrimental to business establishments, since it diverts investment capital to other activities that are not core to business, discourages business expansion due to added capital input to enhance security in the new premises, affects entrepreneurship and discourages investment.

Community policing-where it is ineffective, leads to high insecurity. This transcends into increased prices, deaths and hospitalization as well as psychological costs. Due to increased insecurity, businesses may heavily invest in preventive measures, be reluctant to invest further and have reduced business hours.

Some business locations are generally less prone to victimization than others. This influences businesses in areas or locations prone to victimization in the sense that some are forced to relocate in a bid to stem or reduce victimization. This poses an extra expense that is not directly business related. Businesses in areas prone to high victimization tend to invest more in crime deterrents as well as storing high value merchandise away from business premises in separate warehouses thereby spiraling costs of operations upwards and profitability downwards.

Foreign investments are generally intended to spur growth and inject capital into the market economy in Kenya, more so in urban areas where a majority of the more productive and employed citizens reside. However, this also happens to be a contributory factor to high runaway crime rates experienced in urban areas. This in turn makes urban areas highly insecure thereby discouraging investment, and wealth generation, contributing largely to unemployment, extreme poverty levels. Foreign investors may

become unwilling to invest in such business environments due to high insecurity and high crime rates, which are unfavorable to improved returns on capital invested. This can thus be viewed as a cost of insecurity that may work to undermine business growth. Some capital owners feel obliged to shift to alternative business investment locations that are deemed to be more secure for investment. This is a consequence of high crime rates and insecurity.

## **Conclusion**

The reviewed literature focuses on insecurity and development, the costs of insecurity, crime and business development and the security situation in Kenya. The authors fill some essential gaps in the work on crime and insecurity and fundamentally enlighten the current study. There exist several gaps however that the reviewed studies either omit wholesomely or they only offer a scanty coverage. Such glaring gaps are for instance, the costs of crime on businesses, and especially those within the NCBD, reasons for police inefficacy to contain crime and determinants for differential victimization on businesses. The current study thus seeks to address some of the gaps in the reviewed literature by examining the economic and social costs of crime and insecurity on businesses within NCBD, reasons for police inefficacy to contain crime and reasons for differential targeting of businesses by crime in NCBD based on respondents' perceptions.

The first two theoretical frameworks applied in the study; differential association and anomie theory explain determinants of potential criminality and reasons for increase in crime rates. It is assumed in this study that as crime incidents rise, there is a resultant increase in the costs of crime. However, the theories do not explain the costs of crime on businesses.

The firm dynamics theory also falls short of fully explaining the costs of crime on businesses. It is assumed however that the firm dynamics theory explains the costs of crime to businesses to some extent. This is because entrepreneurs' choice to invest in security, certain business locations or types of merchandise are part of managerial expertise. Entrepreneurs who make strategic choices in order to safeguard businesses are likely to grow and excel while those who operate under risky circumstances are most likely to close down due to costs of victimization.

## CHAPTER THREE

### 3.0 RESEARCH METHODOLOGY

#### 3.1 Introduction

The purpose of this study was to investigate the economic and social costs of insecurity and violent crime on businesses within the Nairobi Central Business District. The study provides an assessment of effects of violent crime and insecurity to the business community, factors for differential targeting of crime within the CBD and factors explaining inefficacy of the police as a state enforcement agency to contain crime. Within this chapter, the methods used for inquiry to realize the research objectives are detailed after presenting a brief description of the study setting.

#### 3.2 The study setting and justification

Purposively preferred, the research was conducted in Nairobi, the capital city of Kenya and the largest city in the East African region. The city was founded towards the end of the nineteenth century at around 1891 as a small railway town during the construction of the railway-line to the interior of East Africa. The town served as a supply depot, repair yard and camp for the 32,000 labourers most of them from India (Indian Coolies), employed by the British to build the rail between Mombasa and lake Victoria. Nairobi now spans 680 square Kilometers.

At independence in 1963, Nairobi had a population of 250,000. Between 1963 and 1979 the population grew from 266,700 to 800,000 and reached 1.5 million in 1989. Today the population of Nairobi is slightly over three million people, and approximated to be growing at 5% per annum (CBS, 2001). At the relatively high altitude of 167m (5495 ft) above the sea level, the city of Nairobi is surrounded by a rich agricultural countryside of Kiambu, and Thika the traditional land of the Gikuyu. To the East and West are the semi-arid Machakos and Kajiado Districts, traditional homelands of the Kamba and Masai respectively.

Nairobi is a metropolitan city with a modern central business district, suburban business district, large affluent suburbs and shopping centres. It is also a city of the poor, with large and densely populated informal settlements.

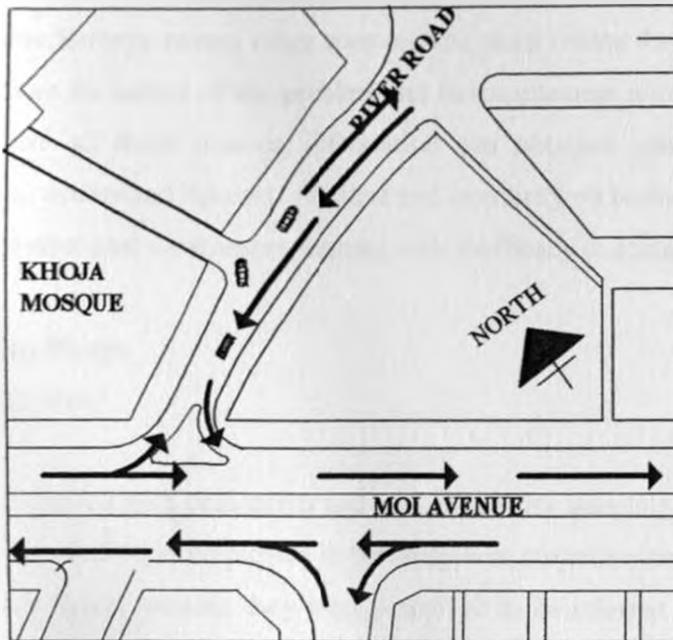
As the economic focus of Kenya and international centre for East Africa, Nairobi has several airports, some car assembly plants, international banks and universities. It is the headquarters of one of the United Nations agencies as well as other centres of employment in the tertiary sectors of the economy.

Nairobi was purposively selected. The justification for choosing Nairobi was the high prevalence of violent crime in the city. Other cities and rural areas would have yielded related data but were not selected due to their far –proximity and also less crime prevalence compared to Nairobi. Several reasons occasioned the suitability of Central Business District of Nairobi as the study area.

The high prevalence of crime in the NCBD made it an appropriate site for this research. The Central Business District has the highest concentration of a wide variety of businesses. The area also contributes fundamentally to the Gross Domestic Product. The Nairobi Central Business District was deemed appropriate for its mutual exclusion of residential crime statistics within the available secondary data since the scope of this research is limited to businesses. Even though crime rates in other areas within Nairobi such as Buruburu, Kilimani and Kasarani, were higher, the crime statistics comprised a high percentage of residential crimes, which are not included within the scope of this study as occasioned by time and resource limitations.

In order to control bias and error, a variety of business clusters were selected, including various businesses that are affected by different factors and seasons. The sample included: (1) electronics exhibiting minimal variation and seasonality yet with high degree of semblance; (2) textile businesses exhibiting high seasonality and variation; (3) consumer services (4) consumer goods; (5) the banking sector to represent the financial services sector; and (6) the motor vehicle spare part dealers to represent the transportation sector. This way, all the major business sectors in Nairobi Central Business District were well represented within the sample.

**Figure 1 Section of Nairobi's Central Business District.**



### **3.4 Data Sources**

The study utilized both primary and secondary sources of data. Primary sources included administering 80 structured questionnaires. The sampling technique utilized was simple random sampling according to which 32 businesses were drawn from Electronic shops, 28 for Textile shops, and 20 for Motor Vehicle Spare part dealers. Data on banks was obtained from the Central Bank of Kenya database as well as key informants due to formal requirements by individual banks. To complement the prepared questionnaires, eight in-depth interviews were conducted, a focus Group Discussion with 6 police officers, 2 entrepreneurs and 2 NCBDA representatives. Business owners were the respondents for structured questionnaires. Eight Key informant interviews were also conducted in the study.

In-depth interviews were designed to gather more information that could not be generated by the interview schedule for businesses. Key informant questionnaires were administered to key informants who included the following: Two representatives from the provincial administration, two NCBDA officials, two Police Officers and two Central Bank of Kenya (CBK) officials.

Secondary data was sourced from various publications that included: Police Annual Reports 1977-2004, NCBDA documents, UNV reports on crime and armed robberies, UNDP Crime Surveys among other sources. The main reason for applying this method was to explore the nature of the problem and to complement information from primary sources. From all these sources, information was obtained which has been used in attempting to understand the costs of crime and insecurity on businesses within the CBD, as well as institutional weaknesses, causing state inefficacy to contain crime.

### **3.5 Sampling Design**

#### **a) Business survey**

The study employed both probability and non-probability sampling techniques. The main non-probability technique employed in the study was purposive sampling where units of analysis were chosen because they were perceived to be relevant to the research topic, while in probability sampling, the sampling design employed both cluster sampling and simple random sampling technique using the lottery method. Cluster sampling was employed because no sampling frame was available for all units of the target population.

After consultations, three business categories that were highly victimized by crime, Banks, as well as electronics, and motor vehicle spare part retail businesses were purposively selected because the study was interested in studying a definite aspect of businesses, the costs of crime. Textiles were also sampled based on the assumption that they were among the least victimized businesses. After questionnaire pretest, the researcher was advised by bank authorities to collect data from the Central Bank of Kenya, citing confidentiality reasons. A sixth of the streets in the CBD were purposively sampled based on the concentration of the selected businesses, from which a sampling frame of 200 businesses from electronics, auto spare parts and textile dealers was drawn. There were a total of 80 electronic shops, 50 Motor vehicle spare part dealers and 70 textile shops. 40% of each business subcategory was sampled. From the constructed sampling frame, eighty respondents were randomly selected to be included in the study for structured questionnaires. The composition of respondents included business people in the Central Business District and key informants in the field of crime and insecurity.

A list of businesses within the Central Business District was obtained from the Nairobi City Council (NCC) business licensing section, many of them registered under private names, (excluding hawkers who were being licensed on a daily basis). It was difficult to establish the nature of businesses on the basis of the private registration names. At Council Business Licensing offices, there were no categorization of the businesses in categories such as corporate entities, Medium to Large business enterprises, as well as Small and Micro Enterprises, (SMEs). This prompted a categorization to narrow down to a small class/group of businesses for study purposes.

To control bias and errors relating to representativeness of the sample, different business categories were purposively sampled. The business categories were chosen based on the nature of the business with electronics, exhibiting minimal variation and seasonality, while textile exhibits high seasonality. Electronics were also selected due to the phenomenal growth in the mobile industry viz the magnitude of security problems associated with the mobile phone industry. Spare part dealers were selected for inclusion in the study due to their highly established nature in the Central Business District.

### Sampling Guide

Study Unit	Numbers From each Unit	Sampling Procedure	Data Collection Method	Number of Interviews	Selection Criteria
Electronics	Preset Cluster	Simple Random	Preset Questionnaire	32/80	Cluster of retail
Motor V Spares	Preset Cluster	Simple Random	Preset Questionnaire	20/50	Cluster of Retail
Textile	Preset Cluster	Simple Random	Preset Questionnaire	28/70	Cluster of retail
Total sample				80/200	

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#### **b) Banks**

Data for banks was obtained from the Central Bank of Kenya due to confidentiality requirements from individual banks. Additional data on the costs of crime on banks was obtained from key informants.

#### **c) Desk reviews**

Written literature in the area of study was sourced from publications such as books and police reports. These were selected based on their utility to the topic of study. Newspapers were also useful especially in gauging the situation of insecurity. The study also utilized the Internet as a complimentary source of secondary data to overcome the problem of scanty literature.

The publications included UNV reports on crime and armed robberies, UNDP Crime surveys, police Annual Reports 1997-2004, NCBDA documents, among other sources. The main reason for applying this method was to identify the literature gaps, explore the nature of the problem and to complement information from primary sources.

#### **d) Key Informants**

In selection of key informants, the main method employed was purposive sampling, where representatives from the provincial administration, Central Bank of Kenya, Nairobi Central Business District Association and the Kenya police were sampled in the study. In choosing key informants for inclusion in the sample, the researcher's judgment was employed in sourcing subjects who were relevant to the research topic. The process of sampling involved identification of the informants and making meeting arrangements. The total of key informants interviewed in this study was eight.

#### **e) Focus Group Discussion**

Members of the Focus group discussion were purposively selected from two police stations, Nairobi Central Business District Association and the business community. A total of six police officers, were selected for the group discussion with Central and Kamukunji police stations yielding three officers each. Two representatives of NCBDA and two business people also participated in the FGD. The group discussion comprised a

total of ten members; 2 NCBDA officials, 2 entrepreneurs and 6 police officers. The focus group discussion was mainly aimed at establishing factors for police inefficacy to contain crime within the NCBD, as well as discussing crime in general and its costs to businesses.

### **3.7.0 Data Analysis**

Data analysis refers to the interpretation of collected raw data into useful information. The study utilized both qualitative and quantitative data analysis methods. Data collected through questionnaire surveys was coded and entered into the Statistical Package for Social Science (SPSS) programme for analysis. Descriptive statistics was employed as well as inferential statistics to examine relationships among variables. For qualitative data, substantial detailed information was gathered and from these, recurring patterns, trends and relationships were established and analyzed. In analysis of primary data, mainly tabular and association analyses were used.

#### **3.7.1 Unit of Analysis**

The study adopted the business enterprise and individuals as units of analysis.

### **3.8 Scope, Limitations of the Study and Problems Encountered**

#### **3.8.1 Scope and Limits of the Study**

The study focused on the period 1990-2004. The significance of this period, hence rationale for carrying out a study on the Costs of insecurity and crime on businesses within Nairobi Central Business District was due to several factors: the period marked an epoch in the security situation in Kenya's history. It denotes a time when insecurity and fear of crime reached its peak in Nairobi. The period also represents the era of Millennium Development Goals, (MDGs) whose declaration came as a result of the advocacy work calling on the International Community to meet the challenges facing the world.

The centrality of the Declaration to the work of the United Nations system lent further weight to the need to encourage a favourable environment within which citizens could play their full part in contributing to the attainment of various goals set out in the

declaration. Most important, MDGs recognize that the environment is the fundamental basis of human health, wealth, well-being and security. The period 1999-2002 was also characterized by increased perceptions of distrust by the public towards the police, who are the major government security agent. Another key development within this period was the major upsurge in actors within the security field most of which were private companies hence capturing the study's focus.

The period 1990 –2004 is also important in the sense that it provided the study with the dynamic developments in the police sector, characterized by various reforms and police restructuring. The changes included transforming the Kenya police from a force to a service, retraining the police, reconstructing the deformed image of the police to the public, and other changes aimed at improving the general efficiency of the police such as better remuneration and housing.

The geographical scope covered Nairobi Central Business District: the area bound by Uhuru Highway, University Way, the Railway Station and Haille Sellasie Avenue. The study devised two operational geographical clusters of Down Town and City Centre with Tom Mboya Street as the operational demarcation. Shops beyond Tom Mboya towards Nairobi River were classified as falling within the Down Town cluster while shops beyond Tom Mboya Street towards University way were included within the City Centre cluster.

Financial Limitations to the study were remedied by restricting the study to a few business categories that were manageable within the costing of the project. Absence of a sampling frame for all the units of the study population was addressed by utilizing the cluster sampling technique. Cluster sampling method employed in this study is biased to the extent that respondents come from a specialized population group, dictated by the choice of business clusters, and may not for that reason represent the whole spectrum of the population.

### **3.8.2 Problems Encountered**

The study met with various challenges, most significant being the following: first and most serious was extremely scanty academic literature on the topic of study. Hence, the study utilized government publications such as police crime reports as well as Annual

Provincial Commissioners' reports, documents from NGOs, United Nations' Publications such as those from UNDP and UNEP and the internet.

It was further problematic to access security information from security authorities. The unwillingness of people within the bureaucratic cycles to avail information was due to confidentiality requirements. This problem was resolved by making special arrangements, which were however time consuming.

Another problem encountered was that due to unwillingness of certain business people to give values of the costs of crime, it was very difficult to approximate financial losses of crime on businesses.

### **3.9 Conclusion**

Both primary and secondary methods of data collection were utilized in the study. The study also adopted a combination of probability and non-probability sampling methods. For convenience of sampling, the study came up with a sampling frame appropriate for the study. Consequent to unavailability of a sampling frame, the study employed cluster sampling method, to generate business clusters prior to embarking on simple random sampling, based on the lottery method. In order to complement collected data, in-depth interviews were conducted with key informants who availed key information on the subject matter. Respondents for key informant interviews were purposively sampled. The study attempted to control bias and error relating to representativeness by purposively choosing different business clusters.

## CHAPTER FOUR

### 4.0 DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction to Data Analysis and Presentation

The data that was collected was analyzed in an attempt to address the study objectives. Research findings are presented in this chapter mainly in tabular form and figures. In this chapter, we examine major economic and social costs of crime in the form of financial losses, physical assault, psychological disturbances, loss of established good customer relations, transactions characterized by mistrust, and the inconveniences such as employment termination for employees following business closures.

#### 4.2 Characteristics of the businesses

##### a) Types of business/merchandise

A total of eighty businesses were covered in the study sample. Their distribution in the sample size was as follows: 32 electronic shops, 20 motor vehicle spare part dealers and 28 textiles. All the three types of businesses represented 40% of their respective sub samples. Electronics however formed 40% of both the larger sample and the sub sample, while motor vehicle spares and textile shops accounted for 25% and 35% of the larger sample respectively as shown in Table 1.

**Table 1: Distribution of businesses sampled according to type of merchandise**

Type of Merchandise	Number	Percent
Electronics	32	40.0
Motor vehicle spare part dealers	20	25.0
Textiles	28	35.0
Total (n)	80	100

Source: Field data by researcher

### b) Business location

Some of the businesses in the sample were located in downtown while others were located in the city centre. Forty nine (49) businesses were in downtown while thirty one (31) of them were located within the city centre as shown in Table 2.

**Table 2: Distribution of number of businesses studied according to location**

Location	Number	Percent
City centre	31	38.8
Down town	49	61.2
Total	80	100

Source: Field data by researcher.

### c) Number of branches

The sampled businesses had number of branches ranging from one to six with a majority, 34 businesses having only one branch, 29 businesses with two branches, 8 businesses had three branches, 5 had four branches, 3 had five branches while only 1 had six branches. This shows that most businesses interviewed were small scale in nature. Only nine out of the businesses interviewed had four branches and above.

**Table 3 Number of branches**

Number of branches	Number	Percent	Valid Percent	Cumulative Percent
1	34	42.5	42.5	42.5
2	29	36.3	36.3	78.8
3	8	10.0	10.0	88.8
4	5	6.3	6.3	95.0
5	3	3.8	3.8	98.8
6	1	1.3	1.3	100.0
Total	80	100.0	100.0	

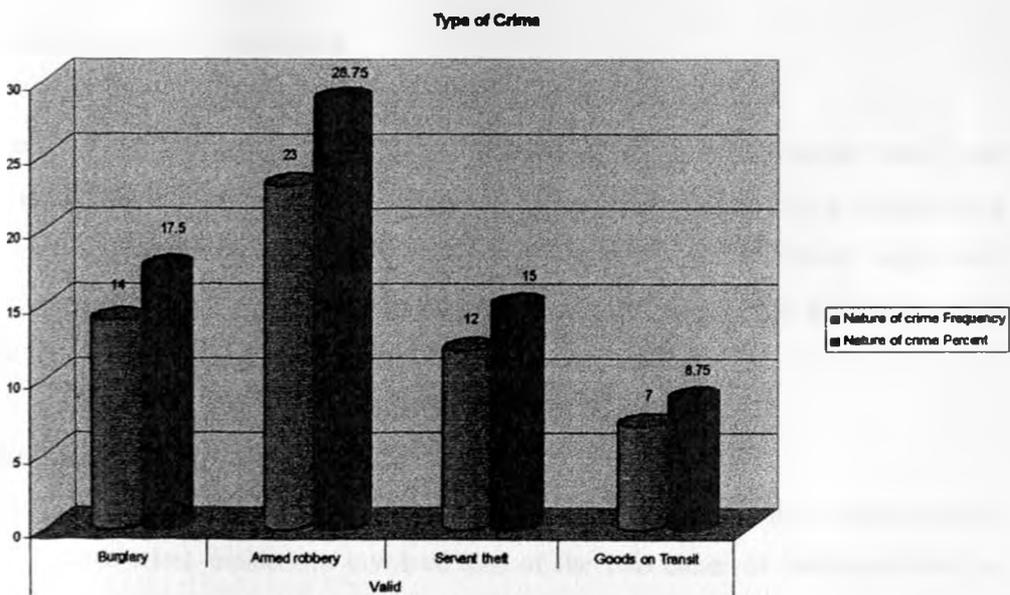
Source: Field survey by researcher

### 4.3 Economic and social costs of crime on the businesses sampled

#### a) Types of crime

Analysis showed that out of the 80 businesses sampled more than three quarters had been victimized between 1990 and 2004, approximately 29% of the businesses had been victimized by armed robbery, 17.5% were victims of burglary, 15% suffered servant theft and nearly 9% fell victim to theft of goods on transit as Figure 2 shows. That is, robbery was the most rampant of the four types of crime followed by burglary, servant theft, and theft of goods on transit being the least witnessed crime. Armed robbery was also perceived to be the most costly form of crime, exhibiting not just financial losses but also resulting in massive socio-psychological costs including physical assault.

Figure 2 Type of crime reported by the business operators sampled



Source: Field survey by researcher.

#### b) Incidence of crime: Number of times victimized

Incidence of crime in itself was perceived in this study as related to cost of crime and insecurity. Most businesses had been victimized at least once and at most three times

since 1990 by servant theft, burglary, armed robbery or theft of goods on transit. A majority (65%) had been victimized once, 15% had been affected twice, whereas 4% businesses reported to have been victimized thrice. About 16.0% had never been victimized as reflected in Table 4 below.

**Table 4 Distribution of the respondents according to the number of times they were victimized between 1990 and 2004**

Number of times	Number	Percent	Valid Percent	Cumulative Percent
None	13	16.3	16.3	16.3
Once	52	65.0	65.0	81.3
Twice	12	15.0	15.0	96.3
Thrice	3	3.8	3.8	100.0
Total	80	100.0	100.0	

Source: Field survey by researcher

According to key informant interviews, the relatively high victimization rates were largely attributed to factors such as illegal possession of fire arms, influx of small and light weapons from neighbouring countries, high levels of unemployment, large scale rural urban migration, high poverty levels, some bad elements within the police force colluding with criminals, drug abuse and business related factors.

**c) Valuables lost by the businesses**

Valuables lost to crime included money and merchandise and at times destruction of property. Some crime incidences involved loss of the two either in combination or in isolation. Table 5 shows how the costs of crime were distributed between money and merchandise. Most of the businesses, that is 45 % victimized lost money and merchandise in combination. Crime incidents that involved loss or destruction of merchandise represented 18%, while 13% of the incidents involved the loss of money.

**Table 5 Distribution of the respondents according to their respective valuables lost through the crimes**

Type of Valuables	Number	Percent	Valid Percent	Cumulative Percent
Money	13	16.3	19.4	19.4
Merchandise	18	22.5	26.9	46.3
Both money and Merchandise	36	45.0	53.7	100.0
Total (Victimized)	67	83.8	100.0	
Missing (not Victimized)	13	16.3		
Total	80	100.0		

Source: Field survey by researcher

From the above table it can be inferred that cases involving the loss of both money and merchandise were twice as high compared to crime incidences in which businesses lost only merchandise. As a strategy to minimize loss of valuable goods, most businesses that traded in electronics and motor spare parts resorted to displaying dummy goods. Actual goods were stored in different places to be accessed only on demand. Most respondents valued this as one of the most effective ways of minimizing burglary. Only 16.3 % of crime cases involved loss of liquid cash. This relatively low response in relation to money losses may be attributed to improved banking technology and use of plastic money.

Problems arising from crime and insecurity included reduction in sales, low profitability of businesses, lost time and property, and destruction of goods. Business closure was also occasioned by the crime and insecurity situation within the area of study. A few businesses were forced to relocate ostensibly due to security reasons, which is an indicator of unwarranted costs associated with insecurity.

#### **d) Other Costs of Crime and Insecurity**

Data from key informant interviews revealed that over Kshs 288 million are lost to armed robbery each year, an amount that is equivalent to the cost of burglar proofing eleven banks, the amount is equivalent to approximately three times the Constituency Development Fund (CDF), allocated for upgrading the quality of education, as well as the maintenance of roads, and the provision of clean water in one constituency.

It was further established that security industry has a financial turn over of approximately Kshs.200 billion a year, estimated at close to 40% of Kenya's budget for 2006-2007 fiscal year. This amount can be better spent or allocated on developing key infrastructure such as roads, improving health care, poverty reduction and alleviation through creating employment opportunities, paying for education, and improving agriculture in order to enhance food security.

The focus group discussion revealed that crime had defaulted the functional aspects of product research and security networking efforts. Additionally, pick-pocketing and other petty crimes have negatively affected business within the NCBD hence institutionalization of crime as a 'business' traversing the efficacy of state institutional mechanisms.

#### **e) Expenses on safeguarding sampled businesses**

Costs of crime were viewed as the extra expense on security that would have otherwise been used on other non-security related requirements such as business expansion or for the improvement of salaries of the workers as a way of increasing profitability. Additional costs included losses incurred due to incidences of crime and insecurity. More than half of the businesses spent up to Kshs.40,000, on securing their business premises in anticipation of crime. A sixth spent between Kshs. 80,000 and 100,000 as shown in Table 6. Such high capital injection in improving the security of businesses makes businesses too costly to operate and yet relatively less profitable.

**Table 6 Costs of Crime prevention measures adopted by sampled businesses.**

Estimated Value (Kshs.)	Frequency	Percent	Valid Percent	Cumulative Percent
20000- 40000	42	52.5	52.5	52.5
40001- 60000	24	30.0	30.0	82.5
60001- 80000	8	10.0	10.0	92.5
80001- 100000	6	7.5	7.5	100.0
Total	80	100.0	100.0	

Source Field survey by researcher

**f) Monetary value of losses incurred during crime**

The amount of money lost as a result of victimization of businesses by criminals was more than double the amount that was spent to make business ventures less porous to incidences of crime. Nearly half the businesses lost between Kshs. 50,000 and Kshs.100,000, this was closely followed by those businesses that incurred losses not exceeding fifty thousand shillings, in proportionate magnitudes. 5% of the sampled businesses lost between Kshs.150, 000 and Kshs.200, 000, while 1% of the businesses lost over Kshs. 200,000 on victimization. Despite the relatively high costs of crime, business people considered it as a mandatory expense that they had to incur in establishing their business and thought of it as a means of increasing profitability despite the fact that it raised business operational costs. Table 7 gives a breakdown of the monetary value of losses incurred during victimization on the sampled businesses.

**Table 7 Monetary value of losses incurred during victimization in Kenya shillings.**

Money lost to crime(Kshs)	Number	Percent	Valid Percent	Cumulative Percent
0-50000	35	43.8	43.8	43.8
50001-100000	39	48.8	48.8	92.5
100001-150000	1	1.3	1.3	93.8
150001-200000	4	5.0	5.0	98.8
200001+	1	1.3	1.3	100.0
Total	80	100.0	100.0	

Source: Field survey by researcher.

### **g) Physical Assault Related Costs**

Physical assault was reported in 21.3% of the crime incidences involving the four categories of crime captured in this study (Table 8). This finding shows that criminal violence was generally high within the Central Business District. Whenever victims of crime were physically assaulted, businesses incurred large direct financial losses on medical care for victims of physical assault. All the businesses in which armed robbery was accompanied by physical assault incurred some financial expenses, which ranged from Kshs.1, 200 to 80,000. In addition, two deaths were reported by the businesses sampled.

Data on physical assault incidences was not significant enough to allow for quantitative generalization of costs associated with the assault. However, this would be a better area to be considered for further research.

**Table 8 Prevalence of Physical Assault**

Physical assault	Number	Percent	Valid Percent	Cumulative Percent
Yes	17	21.3	25.4	25.4
No	50	62.5	74.6	100.0
Total	67	83.8	100.0	
Missing System	13	16.3		
Total	80	100.0		

Source, Field survey by researcher

### **b) Social and Psychological Costs of Crime**

Data revealed that violent crimes were also associated with huge social and psychological costs that are not easily quantifiable. Socio-psychological costs of crime were witnessed in form of mistrust between employers and employees, loss of established customers as well as loss of employment. Key informant interviews revealed that most businesses that had experienced violent robbery in the past reported cases of suspicion of employees. Employers reckoned that due to the prevalent suspicion that employees might have facilitated the robbery, they had lost confidence in their staff and employees hence spent

a lot of time and resources monitoring them. Clearly, violent crime especially that leading to death of business employers was likely to lead to actual death of the business.

Another major cost was psychological disturbances characterized by mind torture and unpleasant memories. Most business proprietors lived in constant fear of robbery while the same kind of fear was found even among non-victimized businesses as exemplified by the response below:

*"A recent robbery that victimized my neighbour's shop has courted great fear in business people around here. We always fear becoming the next target. In fact, most of us have been compelled to invest in operating separate storehouses for our goods far away from business premises since we fear to display expensive merchandise, they could be looted at once." (A motor vehicle spare parts dealer on Kirinyaga Road).*

In depth interviews reinforced the above observation that dealers ceased from displaying most of their lucrative merchandise for fear of robbery; a practice, which denied them a chance to make maximum profit that accompanies increased purchases caused by window-shopping effects. Reluctance to display expensive merchandise and some opting to store such goods far from business premises was cited as a major coping strategy to increased crime and insecurity by business people. According to business owners, fear of insecurity had also led to minimal concentration on the business, which compromised optimal performance of the businesses and ultimately reduced profits as well as hindered sustainable expansion.

A few business people of Asian origin on the other hand observed that their relatively high vulnerability was mainly related to their foreign origin. They expressed concern that they were a more vulnerable group due to the racial factor.

#### **i) Recovery of Lost Merchandise**

Another problem that compounded the myriad of insecurity problems the business community faced was the high likelihood of stolen goods not being recovered. This was attributable to the high semblance of the goods stolen, as well as high marketability, which makes them easily disposable but extremely difficult to recover once stolen. The

business ventures had to refinance their operations making them very costly hence raising the cost of doing business. Table 9 shows that only 10% of the victimized businesses recovered only a small portion of their lost merchandise, while in 90% of the cases, nothing was recovered.

**Table 9 Recovery of stolen goods**

Goods Recovered	Number	Percent	Valid Percent	Cumulative Percent
No	60	75.0	89.6	89.6
Partly	7	8.8	10.4	100.0
Total	67	83.8	100.0	
Missing	13	16.3		
Total	80	100.0		

Source: Field data by researcher

**j) Insurance**

According to Table 10, only close to half of the businesses were insured i.e. 51% compared to 49% that were not insured. This could reflect the fact that many businesses considered insecurity as a major impediment to their operations more than risk management in the running of their business ventures. The relatively low business counts could imply that the insurance cover and risk reduction was not considered as a business necessity or requirement by close to half of the businesses surveyed.

**Table 10 Insurance of the business**

Insured	Number	Percent	Valid Percent	Cumulative Percent
Yes	39	48.8	50.6	50.6
No	38	47.5	49.4	100.0
Total	77	96.3	100.0	
No Response	3	3.8		
Total	80	100.0		

Source: Field Data Survey By Researcher

**k) Respondents' views on differential targeting of businesses by Crime X**

The study also sought to establish major factors for differential targeting of crime on businesses as perceived by the business people. According to study findings, type of merchandise and high marketability were the highest ranking factors, accounting for 30% of the responses, business location was second, accounting for 18.8%, value of

merchandise was rated third, accounting for 17.5%, lax business security came fourth with 16.3 % of the counts, while lax state security had 10% of the counts. This led us to infer that business location and type of merchandise were major factors for differential crime victimization as indicated in Table 11.

**Table 11 Respondents' views on main factors leading to differential targeting of businesses by crime**

Factors for differential Targeting	Number	Percent	Valid Percent	Cumulative Percent
Type of merchandise & high marketability	30	37.5	37.5	37.5
Business Location	15	18.8	18.8	31.3
Lax State Security	8	10.0	10.0	41.3
Lax Business Security	13	16.3	16.3	57.5
Value of Merchandise	14	17.5	17.5	75.0
Total	80	100.0	100.0	

Source: Field data by researcher

**l) Respondents' perceptions on the relationship between type of merchandise and cost of crime**

According to 82.5% of respondents in the study, businesses trading in certain types of goods were more likely to be victimized than others. This was attributed to the difficulty in recovery of the stolen goods, as well as high marketability and product semblance, which made it even harder to distinguish between stolen goods and other merchandise in the market. This resulted in additional expenses of storing merchandise away from business premises as well as the display of dummy goods for window shoppers. A great majority of the respondents observed that the type of merchandise affected the cost incurred as a business expense in crime prevention. Data presented in Table 12 reveals that approximately a third of the respondents said crime deterrent measures were highly dependent on type of merchandise in helping reduce crime levels.

**Table 12 Respondents' Perceptions on Type of Merchandise/Cost of Crime Relationship**

Crime costs related to merchandise	Number	Percent	Valid Percent	Cumulative Percent
Highly related	66	82.5	82.5	82.5
Not highly related	14	17.5	17.5	100.0
Total	80	100.0	100.0	

Source: Field data by researcher

**m) Respondents' Perceptions on association between crime and business location**

When asked whether costs of crime differed by business location, a majority of business people sampled in Nairobi Central Business District (85%) generally perceived costs of crime to be highly dependent upon business location. Only 15 % said there was no valid association between business location in the NCBD and costs of crime. Costs of crime prevention were especially perceived to be relatively higher in down town as compared to city centre (refer to Table 13). About 56% of respondents viewed costs of crime to be higher within down town compared to 28.8 % who viewed crime to be more costly in the city centre.

**Table 13 Respondents' perceptions on crime versus business location**

Crime versus location	Number	Percent	Valid Percent	Cumulative Percent
Higher in Down town	45	56.3	56.3	56.3
Higher. in City Centre	23	28.8	28.8	85.0
Costs Equitably spread	12	15.0	15.0	100.0
Total	80	100.0	100.0	

Source: Field data by researcher

The costs of conducting businesses were found to vary between locations for businesses dealing in the same type of merchandise due to security considerations. All the businesses victimized during the study period concurred that business location was among the major factors for differential targeting.

#### 4.4 Police response to crime and Perceptions of their inefficacy to contain crime †

The high incidences of armed robbery imply that the police have a heavy task of combating crime. They are fairly equipped but lack necessary crime fighting equipment such as bulletproof vests, for use in dealing with robbers who commit armed crime incidences. According to key informant interviews police work is even made more difficult due to the poor flow of information from members of the public who do not readily volunteer information. Some of the respondents felt that the police could not help, while others had mistrust in them.

##### a) Respondents' reporting of crime versus their rating of police response †

Victimized respondents were asked if they reported crime incidences to police. Table 14 shows that 73% of the victimized businesses reported cases of crime to the police while a minority, 11% did not report to the police.

**Table 14 Distribution of the respondents according to their reporting of crimes to the police**

Reporting to police	Number	Percent	Valid Percent	Cumulative Percent
Reported to police	58	72.5	86.6	86.6
Not reported to police	9	11.3	13.4	100.0
Total Reported cases	67	83.8	100.0	
Missing	13	16.3		
Total	80	100.0		

Source: Field survey by researcher

Those who did not report were further asked to give the major reason for not reporting the crime to the police: 44% thought the police could not help, 33% had no confidence in the police, 11% thought the police would need to be bribed, and another 11% simply preferred to find an internal solution to servant theft. Since the sample as shown in Table 15 does not reflect a sufficient count for under reporting the reasons cited may not be representative of the reasons for under reporting on a large scale.

**Table 15 Distribution of respondents according to their reasons for not reporting crimes to police**

Reasons for non-reporting	Number	Percent	Valid Percent	Cumulative Percent
Settled internally	1	1.3	11.1	11.1
No confidence in police	3	3.8	33.3	44.4
Police would need to be bribed	1	1.3	11.1	55.6
Thought police couldn't help	4	5.0	44.4	100.0
Total	9	11.3	100.0	
Missing	71	88.8		
Total	80	100.0		

Source: Field data by researcher

Although the reporting rate was relatively high, only 27 out of 67 respondents who reported to the police appreciated police response as being adequately fast. 59.7% of the respondents who sought police assistance were dissatisfied, 31% rating the police as slow while 28% rated police response as very slow. The respondents' ratings of the police response were as indicated in Table 16. This could partly explain why business owners had opted for engaging private security organizations and other crime deterrent measures in order to secure their businesses.

**Table 16 Distribution of the respondents according to how they rated police response**

Rating of police response		Number	Percent	Valid Percent	Cumulative Percent
	Fast	27	33.8	40.3	40.3
	Very slow	19	23.8	28.4	68.7
	Slow	21	26.3	31.3	100.0
	Total	67	83.8	100.0	
Missing	System	13	16.3		
Total		80	100.0		

Source: Field survey by researcher

## b) Arrests of Suspects/Offenders

The study revealed that offenders were largely un-arrested, which means that they were most likely to continue committing acts of crime. Crime victims were traumatized besides losing their business profitability and thus had little faith in the effectiveness of the police in containing or handling crime situations as well as crime itself. The suspects cannot be arrested on the basis of evidence obtained from investigation of the crime scenes such as DNA evidence and fingerprints. By basing on circumstantial evidence alone, it becomes difficult to actively restrict the freedom of movement of such people and they continue to perpetually commit crimes. This makes it difficult for the police to also constantly monitor the activities of some of the most dangerous criminals.

When asked whether offenders in crimes affecting their businesses were arrested by the police, only 11.3% of the respondents answered affirmatively as reflected in Table 17.

**Table 17 Distribution of the responses according to whether offenders involved in crimes affecting the businesses studied were arrested.**

Offenders identified and arrested	Number	Percent	Valid Percent	Cumulative Percent
Yes	9	11.3	13.4	13.4
No	58	72.5	86.6	100.0
Total	67	83.8	100.0	
Missing system	13	16.3		
Total	80	100.0		

Source: Field data by researcher

The large number of unidentified suspects means that police efficiency is lower than expected. In order to make the business precincts more secure, the respondents felt strongly that enhanced and regular police patrols would be the most efficient way of reducing insecurity. According to Table 18, less than half the number of the respondents felt that retraining the police in modern methods of crime handling would significantly decrease insecurity. Street lighting was also considered as one of the most effective ways of combating insecurity followed by improving the terms and conditions of the police officers by providing them with better salary and improved housing.

**Table 18 Respondents perceptions of the state’s role in response to high crime rates**

Crime Prevention Strategy	Number	Percent	Valid Percent	Cumulative Percent
Increased Police Patrol	34	42.5	42.5	42.5
Encourage Community Policing	26	32.5	32.5	75.0
Retraining of the Police	15	18.8	18.8	93.8
Street Lighting	3	3.8	3.8	97.5
Improve Police Salary/ Housing	2	2.5	2.5	100.0
Total	80	100.0	100.0	

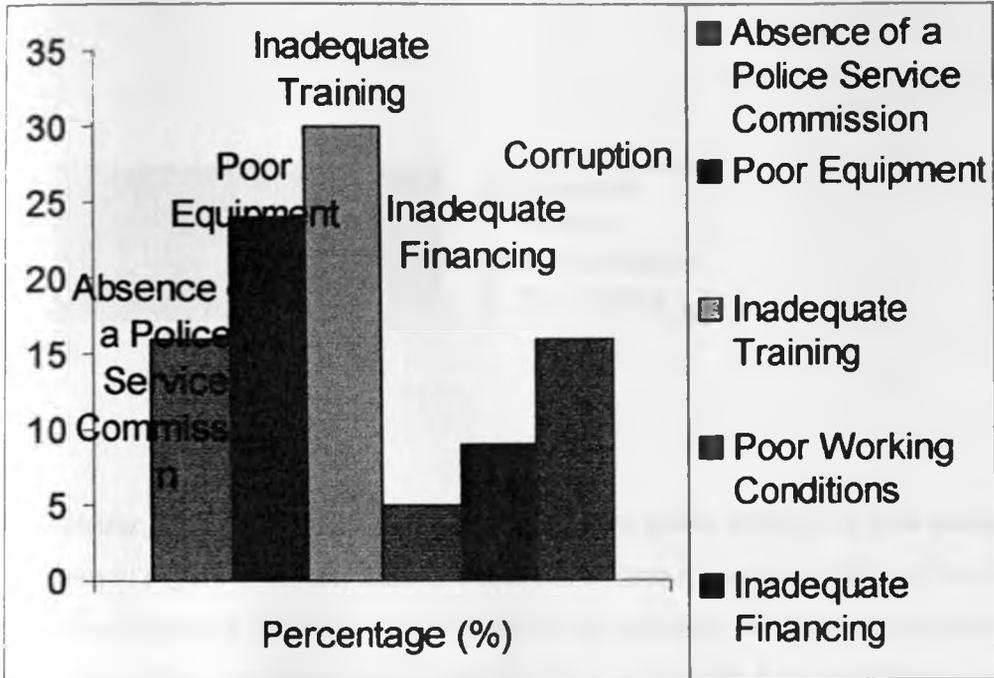
Source: Field survey data by researcher

The state has therefore embarked on retraining of the police officers and also on encouraging the collaboration between citizens and the police in a bid to reduce crime levels in order to boost the performance of the police force as well as their efficiency as revealed by key informant interviews.

**c) Reasons for Lack of efficacy of the Police**

Analysis revealed that the state had not been successful in preventing crime through its police institution devised for enforcing law and order. For instance, only about 10 % of the businesses that had been victimized by robbery and reported the crime to the police were able to recover only part of the stolen goods compared to 90 % that recorded non-recovery of any section of their stolen merchandise. Figure 3 displays the factors for police inefficacy as captured in the study findings.

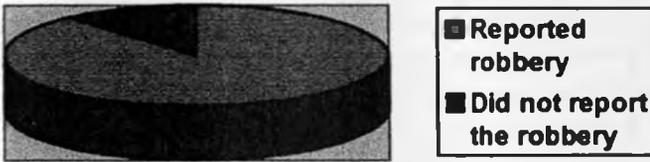
**Figure 3 Factors for Police Inefficacy**



Police inefficacy could also be reflected in the fact that although 10% of the businesses reported having recovered some of their stolen merchandise, none of them had fully recovered their stolen merchandise. In addition, offenders were identified only in relation to 6.3 percent of the cases while only 11.3 percent of the cases involved some arrests in relation to the crimes of robbery witnessed.

The low rates of identification, arrest of offenders and recovery of stolen goods reflect state inefficacy in crime prevention and management. This scenario was partly attributed to the lack of confidence in police by the public hence low levels of cooperation from them. A significant proportion of the businesses that were robbed and failed to report the robbery to the police also cited lack of confidence in the police.

**Figure 4 Rate of reporting of crime**



In particular, 87 % of the theft cases were reported to police while 13 % went unreported as shown in Figure 4. Several reasons were cited for non-reporting of crime to the police. Some cited fear that the police cooperated with the criminals while others had mistrust in the police. Other reasons included hostility of the police and allegations that the police demanded bribes.

#### **4.5 Association between selected factors of study**

##### **a) Investment in crime prevention per type of business**

A total of 42 businesses invested between Kshs. 20,000 and Kshs.40, 000 on security. 24 businesses used between Kshs.40,000 and 60,000 on crime prevention. Eight (8) businesses had crime prevention measures ranging between Kshs. 60,000 and 80,000 while 6 businesses had spent between Kshs.80,000 and 100,000. The three businesses had a relatively similar pattern of investment in preventive measures. Table 19 shows a cross tabulation of expenses on preventive measures per type of merchandise. Since all businesses had an expense on security, this is indicative of the overall insecurity situation prevailing within the NCBD.

**Table 19: A cross tabulation of Expenses on security per type of merchandise.**

Expense (Kshs)	Type of Merchandise			
	Electronics	Motor vehicle Spare part Dealers	Textiles	Total
20000- 40000	18	9	15	42
40001- 60000	7	8	9	24
60001- 80000	4	1	3	8
80001- 100000	3	2	1	6
Total	32	20	28	80

Source, Field survey by researcher

Despite the high business expenses on crime prevention, it could not be established whether high security costs as an extra cost of crime resulted in decreased business profitability. The feeling of being insecure had compelled business owners to install crime deterrents. The added expenses, coupled with fear of victimization, had discouraged businesses growth, thus many of the businesses had remained basically the same.

**b) Association between type of business and cost of crime**

A positive relationship emerged between type of merchandise and costs associated with actual victimization by crime. Basically, Table 20 shows that the costs were lower for textile businesses, which had a majority of businesses incurring losses of Kshs. less than 50,000. This reveals that textile businesses had the largest share of non-victimized cases compared to the two other business categories.

**Table 20: Association between Cost of crime and Type of business**

Approximate cost	Type of merchandise			Total
	Electronics	Motor vehicle spare part dealers	Textiles	
0-50000	10	5	20	35
50001-100000	19	12	8	39
100001-150000	1	0	0	1
150001-200000	2	2	0	4
200001+	0	1	0	1
<b>Total</b>	<b>32</b>	<b>20</b>	<b>28</b>	<b>80</b>

Source: Field data by researcher

**c) Relationship between Costs of Crime and Business Location**

Some of the victimized businesses were located in the city centre while others were in downtown. A majority of businesses that were victimized by crime were found in downtown. The city centre had a large number of non-victimized businesses compared to downtown as indicated in Table 21. Furthermore, no business had been victimized more than twice by any of the studied crimes within the city centre. This implies that business location has a bearing on the likelihood of businesses being victimized and hence on the costs of crime.

**Table 21: Cross tabulation of business location, in relation to business victimization**

Number of times robbed	Location		Total
	City centre	Down town	
0	11	2	13
1	17	35	52
2	3	9	12
3	0	3	3
<b>Total</b>	<b>31</b>	<b>49</b>	<b>80</b>

Source: Field survey by researcher

#### 4.6 Costs of violent crime on banks

The study established that bank robberies in Kenya exhibited one of the most violent forms that crime with aggression takes. Whenever there is bank robbery, large amounts of money are lost to perpetrators, leaving the victims to incur other non quantifiable costs such as costs concomitant to psychological torture, and disturbances. Table 22 gives some of the quantifiable financial costs of bank robbery.

**Table 22 Selected bank robberies for the year 2000 showing specific amount stolen**

S/No	DIVISION	NAMES OF BANK	DATE OF INCIDENT	AMOUNT INVOLVED/ROBBED
1.	CENTRAL	EQUITY BANK	19.1.2000	Kshs. 2,200,000.00
2.	CENTRAL NAIROBI	BANK OF BARODA KENYATTA AVENUE	31.1.2000	US DOLLARS AND STERLING POUNDS VALUED AT KSHS 10,000,000.00
3.	CENTRAL NAIROBI	EQUITY BANK M/DADA STREET	26.05.2000	Kshs. 3,999,100.00
4.	CENTRAL NAIROBI	MIDDLE EAST BANK KENYATTA AVENUE	9.6.2000	Kshs. 2,251, 078.00
5.	CENTRAL NAIROBI	POST BANK CANON HOUSE	11.04.2000	Kshs. 355,000.00
6.	CENTRAL NAIROBI	BARODA TOM MBOYA STREET	11.09.2000	US DOLLARS 4,488 TRAVELLERS CHEQUES 37,740 STERLING POUNDS 33,500, CASH KSHS 5,278, 000.00

Source: Central Bank of Kenya

The figures in Table 23 show the huge volumes of money lost by the banking industry to crime. It is evident that banks lost a lot more money to robbery as compared to all the other businesses studied in this research. So severe is the effect such that in a period of six months, between January 2004 and July the same year, the NCBD witnessed a total of seven bank robbery episodes losing over US\$ 100 000 000.<sup>7</sup>

<sup>7</sup> Figure approximated during field interview with Central Bank of Kenya officials.

**Table 23 Bank robberies from 1999 to 2003**

<i>Year</i>	<i>Number of Incidents</i>	<i>Amount Involved(Kshs)</i>
1999	32	73,646,695
2000	9	45,801,535
2001	7	33,010,276
2002	2	20,896,030
2003	12	67,031,198
2004*	8	47,179,640
<b>Total</b>	<b>70</b>	<b>287,565,375</b>

\*Figures are for January to July 2004

Source: Central Bank of Kenya

In the year 2004, the first six months of the year witnessed seven bank robberies. By the end of the same year, these incidents could have doubled the number already witnessed, hence doubling-up the costs involved. Besides banks losing huge sums of money to criminals, substantial amount of money was channeled towards enhancing security of the banks. Table 24 provides minimum investment in security per bank.

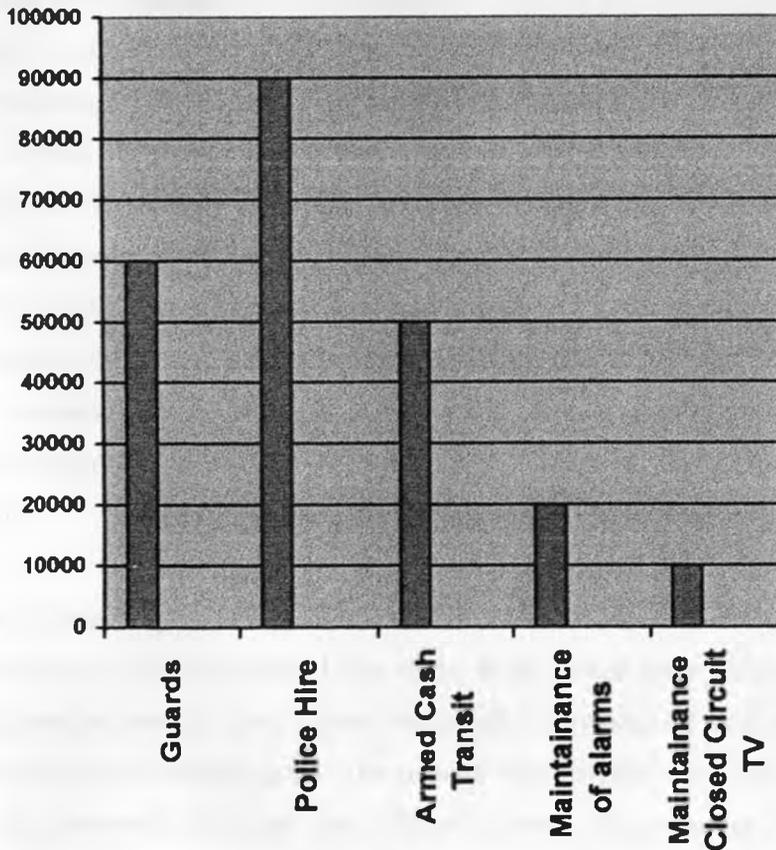
**Table 24 Estimated Security equipment, installation and maintenance minimum costs per bank**

<b>Item</b>	<b>Cost in Kshs.</b>
Burglar proofing grills / films	227,500.00
Cashier cubicles / merchant banking/ bulk cash transfer	1,750,000.00
Secure doors (mantraps & safe deposit area)	1,250,000.00
Burglar alarm system	500,000.00
Closed circuit television System	850,000.00
Strong room installations (Main – chudd)	1,000,000.00
<b>Total</b>	<b>5,577,500.00</b>

Costs of crime and insecurity on banks are so enormous such that each bank spent close to Kshs. 5.5 million on the installation and maintenance of security equipment. Additional money went to securing gadgets such as revolving door and glass tinting. Bank business premises were installed with anti-bandit glass, which was an additional cost that was not captured by the above table.

In addition to fixed installation and maintenance costs of security equipment, banks incurred additional monthly costs due to crime and insecurity on costs such as police hire, armed cash transit, maintenance of alarms, Closed Circuit Television, (CCTV) and hiring of guards. Figure 5 gives the approximate recurrent monthly security costs per bank.

**Figure 5: Recurrent monthly Security costs per bank (Kshs)**



The preceding analysis shows that banks not only invested heavily in preventing victimization by armed crime but that bank robberies, whenever they happened, involved heavy financial losses since the nature of valuables implicated money to a large extent compared to other types of businesses.

#### **4.7 Conclusion**

The study findings provided answers to the research questions earlier raised in the study. For instance, the first research question was aimed at capturing economic and social costs of crime and insecurity on the businesses within the NCBD. It was established that among the economic costs to the studied businesses included financial investments in safeguarding measures for businesses, monetary losses incurred during victimization of businesses and some medical expenses in relation to cases of physical assault. Apart from the economic costs, entrepreneurs also encountered socio-psychological costs such as fear and psychological disturbances. The study found that costs of crime and insecurity in Nairobi's Central Business District are generally high and have other adverse implications to it. This clearly shows that by reducing crime and insecurity there will be a direct benefit in terms of reductions in costs to businesses, individuals, and to the public at large. By investing in crime and insecurity reduction, in the short term, long-term financial benefit will accrue to businesses, individuals, and the general public. Hence, government expenditures in taming insecurity would be reduced and redirected to other sectors of development such as food security, poverty reduction, education and resource management.

The second research question of whether costs of crime to businesses differed by business location was also addressed in the study. Study results show that an investment in crime prevention was to some extent determined by location of business based on perceptions of business entrepreneurs. The research also revealed that costs of crime to the businesses, especially financial ones differed by type of merchandise whereby, the costs were highest for banks which dealt mainly in liquid cash, followed by motor spare businesses and electronics. Results showed that costs of crime prevention were generally lower for textile shops.

Analysis also responded to the final research question which set out to establish reasons for police inefficacy to contain crime rates within the NCBD. It was evident that some reasons were institutional while others were in relation to logistics.

The study established that goods with high levels of semblance were most likely to be targeted by violent crime as well as by servant theft. This finding implies that dealers in such types of goods should make informed investments in security measures and embark on highly specialized property marking to check their susceptibility to crime episodes. Due to the identical nature of highly semblance goods, the Marketing process of stolen merchandise is unproblematic for offenders. Goods whose marketability is difficult do not attract high victimization rates.

## CHAPTER FIVE

### 5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary

The study confirmed that crime in general was associated with huge economic, social and psychological costs. The costs however, excluded costs of lives lost as a result of insecurity. Direct economic costs included loss of money and merchandise as well as medical expenses arising from assault on business owners and employees during violent incidences of crime. An analysis of these costs revealed that on average each of the businesses covered lost a standard of 60,328 Kenya shillings to crime and 44, 134 Kenya shillings on investing in crime prevention. These losses had a significant effect on business given the poor state of the economy during the period covered in this study.

Compared to other businesses, the banking industry experienced the biggest direct financial losses as a result of robbery. For example, between January 1999 and July 2004, the sector experienced 70 incidents of armed robbery and lost a total of 288 million shillings. The magnitude of the problem at present was demonstrated by the fact that between January 2004 and July the same year, 7 bank robberies took place and a total of US\$ 100 000 000 was stolen.

As noted earlier, businesses incurred huge direct financial losses arising from medical care for victims of physical assault during robbery. In all the businesses in which crime was accompanied by physical assault some financial expenses were incurred, which ranged between 1,200 and 80,000 Shillings. Businesses in the sample paid on average 21,000 shillings as medical costs arising from physical assault by robbers. Additional costs related to business closures and relocation.

Violent crime was also associated with many social and psychological costs that are not easily quantifiable. To begin with, 21.3 % of all crime victims were physically assaulted. Additionally, from the sampled businesses, two deaths were reported. It was not possible to quantify the amount of loss resulting from robbery related deaths, business closures and relocation.

Since findings showed that costs of crime included some incidences of business closure and relocation, the study confirmed that there existed a synergistic relationship between security and development, since security encouraged investment in business and the resultant creation of employment and wealth.

## **5.2 Conclusion**

It was established that crime has significant economic and social costs to businesses. Costs of crime were perceived to differ by business location and also by type of merchandise. Analysis also revealed that out of the four types of crime studied, (armed robbery, theft by servant, burglary and theft of goods on transit) armed robbery was the most prevalent type accounting for most of the crime incidences in the Central Business District.

From the study findings it can also be concluded that security is a major overhead cost to business investors in the Nairobi Central Business District. The key actors in crime containment should thus consider the unique security needs of the CBD, for instance variations in business sites, diversity of merchandise and the vulnerability of certain locations compared to others in the NCBD, thereby customizing security policy and practice.

Generally the cost of criminal violence to businesses and development in Nairobi Central business District are by and large high. This clearly shows that by reducing insecurity there is a direct benefit in terms of reductions in costs to businesses, as well as to the public. By investing in crime and insecurity reduction in the short term, there is a real long-term financial benefit to the community, and will in time spur tremendous increase in wealth.

Results showed that there were more crime incidents in down town compared to city centre. Banks, motor vehicle spare part dealers and electronic enterprises had incurred higher costs due to crime. The study thus concludes that business location and type of merchandise are major determinants of the costs of crime. Additional conclusion is that police inefficacy was due to both logistics and institutional factors.

### 5.3 Study Recommendations

The study recommends that actors in the security provision fraternity should adopt practices that are reflective of the various security needs of Nairobi Central Business District as dictated by variations in levels of vulnerability based on value of products, ease of marketability as well as location factors. Our recommendations are presented below.

1. Based on the study findings that businesses within down town had a high susceptibility to crime incidents and the concomitant high costs of crime prevention, the study recommends the adoption of more sophisticated crime prevention mechanisms, such as more crime prevention police officers, closed circuit television units and sniff dog technology among others.
2. Study results revealed that economic and social costs of crime incurred by businesses were high in percentage; the research recommends institution of both macro and micro policies on investment in crime prevention in order to yield reduction in the costs of crime. This is based on the finding that expenditure on crime prevention results in long term reduction in costs of crime.
3. The research showed that the type of merchandise had direct effect on the cost of crimes. Due to high victimization rates on goods with high degrees of semblance such as electronics, auto-spare parts and money, manufacturers of such products should be directed on security procedures that would enable tracking back of such products from their loss through theft. This would decidedly reduce vulnerability by raising the risk for offenders being identified and apprehended. That is: security concerns should be incorporated in the production process of traded commodities.
4. Other effective prevention mechanisms such as surveillance Televisions, alarms with security back up as well as proper receipts and documentation among others be emphasized. Innovations such as verbativ photology, responsive cameras and interpretive gadgets are some of the prerequisite securotechnological innovations to address security needs in the current development and globalized epoch.

5. Security policy and practice should be widely publicized by media reporting. However, reporting on security calls for discriminate and specialized security editing of media content. Hence, an element of media service upgrading in response to the opportunities and challenges posed by globalization.

#### **5.4 Recommendations for further research**

Based on the study findings that not all crimes were reported, it would be appropriate for a study to be carried out to establish the main reasons for underreporting of crime. Further research would also be appropriate to establish the extent of medical costs resulting from physical assault during robbery.

A research is also necessary in order to evaluate the costs of crime and insecurity on the various sections of society in the whole country. Additionally the study recommends further research on the efficacy of the state judicial and legislative components in addressing the elusive nature of urban crime.

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## **Appendix**

### **Questionnaire and Interview Guide**

Institute for Development Studies,  
University of Nairobi  
PO.Box 30197-00200  
Nairobi.  
Kenya

#### **RE: COSTS OF INSECURITY STUDY**

Dear respondents,

My names are Ms. Elizabeth Imbwira Natasha, a student at the Institute for Development Studies, University of Nairobi. I am carrying out a research as a fulfillment of part of the requirements for the award of a Master of Arts Degree in Development studies. The topic of research is on the costs of crime and insecurity on businesses within Nairobi Central Business District. The study also sets out to analyze factors for state inefficacy to contain insecurity within the CBD as well as establishing factors for differential targeting of businesses by armed crime within the CBD.

I kindly ask you to support the research by according me your time and compliance in participating as respondents in the study. Confidentiality of your views, suggestions and general responses is highly guaranteed.

Your kindness and cooperation will be highly appreciated. Thank you in advance.

Sincerely Yours,

Elizabeth Imbwira Natasha.

MA Student, Institute for Development Studies, UON.

## 5.4.1 Questionnaire

Thank you for agreeing to take part in this survey. I would like to ask you some questions that will help us to understand the situation of crime and insecurity and in essence, its costs on business. The results of this survey will be completely confidential and will only be used for research purposes.

### Section 1: Location Details

#### 1.1 Business Location

- 1 Down Town
- 2 City Centre

#### 1.2 Name of Street

- 1
- 2
- 3
- 4
- 5

#### 1.3 Who was present during the interview [Observational only]

### Section 2: Respondent Details

#### 2.1 Gender of the respondent

- 1 Female 2 Male

#### 2.2 Can you please tell me how old you are? AGE in years \_\_\_\_\_

- a) Below 20 years
- b) 21-30 years
- c) 31-40 years
- d) 41-50 years
- e) Above 50 years

### Section 3: Business Profile

3.1 What type of merchandise does your business stock?

- 1 Textile
- 2 Motor /Auto Spare parts
- 3 Electronics
- 4 Others, [Please Specify]

3.2 What is the ownership structure of your business?

1. Entirely Kenyan
2. Joint Venture
3. Foreign Owned

3.3 When was the business established?

3.4 How many employees did the business have at the time of establishment?

1. Permanent employees \_\_\_\_\_
2. Casual employees \_\_\_\_\_

3.5 How many employees does the business currently have?

1. Permanent employees \_\_\_\_\_
2. Casual employees \_\_\_\_\_

#### 4.0 Intermediate Indicators of Insecurity

4.1 What reasons did you have for locating your business on this street?

4.2 Did you have any preferences for your business location?

1. Yes
2. No

4.2.1 If your response was yes in the preceding question, please list at least three reasons for your preferences.

1.

2.

3.

4.3 Has your business ever been victim to crime or insecurity?

1. Yes

2. No

4.3.1 If your response above was yes, how many times has your business been victimized?

4.4 Can you please tell me when this occurred?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

4.5 What was the nature of crime

1. Armed robbery

2. Goods on Transit

3. Servant theft

4. Others, [Please specify] \_\_\_\_\_

4.6 Did you report the incident to police?

1. Yes

2. No

4.6.1 If you did not report please give your reason for not reporting to the police.

## **Indicators for Costs of Crime and Insecurity**

5.0 What was the nature of stolen valuables?

1. Goods/ Merchandise
2. Money
3. Both money and goods

5.1 Approximately, what value of (a) Money stolen  
(b) Merchandise stolen

5.2 What happened to the business after burglary, robbery or servant theft?

1. Continued normal business operation
2. Closed business for \_\_\_\_\_ Weeks/Months/Years
3. Relocated business
4. Any other measure taken, [Please specify]

5.3 How much money was spent on logistics following victimization.

5.4 (a) Was anyone physically assaulted?

1. Yes
2. No

(b) Was there any death incident?

5.5 If yes, what measures were taken?

Approximate medical costs if any

## **Costs in Anticipation For Crime**

6.0 Has your business put in place any crime prevention measures?

1. Yes
2. No

6.1 If your response in the question above is yes, what protective measures have you put in place?

1. Obstructive Counter
2. Grills
3. Burglar Proof
- 4 Police Department
5. Any other measures \_\_\_\_\_

6.2 Please approximate how much money was spent to install the protective devices.

\_\_\_\_\_

6.3 In your opinion are there businesses more prone to crime than others?

1. Yes
2. No [Go to Question 6.4]

6.3.1 If yes, what are the factors that increase business vulnerability to crime?

6.4 Were the goods/ Money stolen recovered?

1. Yes
2. No [Go to Question 6.5]

6.4.1 If your answer to Question 6.4 above was yes, what proportion of the stolen goods/ merchandise was recovered?

1. Part of the stolen value,
2. Full amount stolen

6.5 Were any of the offenders identified?

1. Yes
2. No

6.6 Were there any arrests in relation to the crime witnesses?

6.6 Which of the following costs did you incur

1. Medical costs in treating victims of Physical assault
2. Loss of regular customers
3. Loss through deaths
4. Psychological disturbances

6.7 Is your business insured?

1. Yes [Go to Question 6.8]

2. No

6.8 Was the business compensated for the loss?

1. Yes [Go to Question 6.9]

2. No

6.9 What was the nature of compensation?

1. Equal to value of goods or money stolen
2. Less than value of goods or money stolen
3. More than the value of goods or money stolen

7.0 Have you ever moved location due to insecurity reasons?

### **Police Interview Guide**

Name:

Rank:

Station

7.1 For how many years have you served as a police officer?

7.2 What is your perception of the security situation in Nairobi?

7.3 Which areas in Nairobi are more prone to criminal violence?

7.4 Which are the streets in the CBD that are more crime prone?

7.5 Please give the measures taken by the police to contain crime

7.6 What can you attribute high levels of crime in the CBD to?

7.7 What are the costs of crime to the following?

(a) The police

(b) Businesses

(c) National development in general

7.8 How would you rate the reinforcement of security as a human right in Kenya ?

(a) Below average

(b) Average

(c) Above average

7.9 What areas do you think should be improved for the police to better fight crime

*Thank you so much for giving me a favourable opportunity to interview you.*

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