

A STUDY OF THE CAUSES OF FAILURE OF SMALL-SCALE
AFRICAN BUSINESSES - A CASE STUDY IN
MACHAKOS DISTRICT

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BY

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SYNOPSIS

This study was carried out in Machakos District to find out the causes of failures of Small-Scale African businesses from the "failures" themselves. So a questionnaire to solicit information from those failed businessmen was administered.

Small Scale African businessmen have not always done their businesses as expected. This is despite the fact that government and other non-government agencies have made deliberate efforts to help the upcoming African businesses and especially in the rural areas. Government and non-government institutions meant to help these businesses and their roles are mentioned.

The problems that have confronted businesses in the area of study, and caused failures were analysed and were found to be of two types basically. These are problems internal i.e. that are considered as directly associated with the businessmen themselves and within their control. And second are external problems that originate from the business environment and as such the owners do not have direct control on them. The first category are problems that include the big size of the family, high school fees bill-resultant from the first problem, and the inadequate business management skills. Then second category problems include the presence of hawkers, the drought and/or famine prevalent in Machakos District, the defective distribution and licensing system - where the distribution agents are not allowed trade credits and thus may not carry sufficient stock to satisfy retailers' needs, and wholesalers are also given retailers' licences. These then given unfair competition to the small scale businesses in addition to hoarding, especially of fast moving items.

The conclusion reached after the investigation and analysis was that government and other non-government organizations interested in encouraging small scale African businesses,

especially in the rural areas will have to redefine their roles. This is because they are dealing with a dynamic environment with diverse and unique problems confronting each individual. The success of these agencies will depend on the change of attitude towards the family, general and/or more relevant education to the youth and the general development of other sectors of the Kenyan economy.

Support
Finally any help meant to help the small scale African entrepreneurs will only succeed if it is carried by a disciplined workforce that will not only give advice and help to each entrepreneur according to his unique situation and needs, but also ensure a follow-up constantly, so that problems can be detected and corrected in time.

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CHAPTER I1.1.0. INTRODUCTION

In recent years the subject of Small-Scale African entrepreneurship has received increasing attention from both scholars and government alike. Then one wants to ask why this has been so. One of the leading researchers in this area has correctly observed that

Social productivity of small-scale enterprise in Kenya compares favourably with that of the modern sector. Wages are at least as high as in commercial agriculture and stand up tolerably well in comparison with those of modern urban industry. The private return on invested capital exceeds that of most modern sector enterprise, money profits of the owners place most of them in a higher than average income bracket for Kenya.¹

Kenya like any other developing country faces an acute shortage of employment opportunities and unemployment has even now affected the University graduates, let alone the thousands of Primary and Secondary Schools. The Development of the small scale businesses will definitely be a wise move to open more job opportunities for the youth of this nation in addition to effecting economic development. This will, no doubt, contribute towards national growth of aggregate output and capital formation-all of which are necessary for the overall economic development.

¹Child F.C. Working Paper No. 130 (Institute for Development Studies, University of Nairobi), p. 1.

the rural areas. Over 80% of the Kenyan population live in the rural areas where the economy is relatively underdeveloped when compared with the urban areas like Nairobi, Mombasa, Kisumu or Nakuru.

The Kenyan rural population is engaged, in some cases in subsistence farming, while in other cases some of the small scale farmers are making reasonable contribution to the national economy by producing cash crops like coffee, pyrethrum, wheat, cotton, rice and sugar canes (sugar). Some of these crops are earning the country the much needed foreign exchange. On the other hand there are those small scale African businessmen who are also playing a vital role in "opening up" those relatively backward rural areas to modern economic system by introducing monetary businesses in the rural areas. These businessmen are to be found in such trades as shopkeeping (usually small scale retailers), small scale industrialists, some developing their traditional tinsmiths to the modern intermediate sector industrial establishments, while others still have taken to transport business - the "matatus" are well known in Kenya. The products of these intermediate sector industrial establishments may not be acceptable to the well to do elite in the metropolitan areas like Nairobi, for example. But even within Nairobi the less endowed citizens still demand these products and buy them. In fact, even in the metropolitan areas there are sections where these industries have come up - the Gikomba market in Nairobi is a good example. Here some of the charcoal cookers (Jikos) are in demand by the elite as well. On the other hand the simple low quality and cheap retail goods sold by the small scale African businessmen in the rural areas are serving this relatively poor market and yet making provisions of "modern" goods to the rural areas. This is an important contribution otherwise these goods would have been reserved for the Kenyan urban dwellers only.

The small scale African businessmen are a big majority and are therefore potentially very important to the general development of the national economy. This fact has been realised by the government and as such has gone a long way in helping and encouraging this sector of our economy to develop. For example, a number of parastatals have been set up to help in the establishment and development of small scale businesses. These include organizations like the Kenya Industrial Estates (K.I.E.) the Industrial and Commercial Development Corporation (I.C.D.C.), the District Joint Loan Board (D.J.L.B.), to name a few. The first helps the small scale businessmen to set up their intermediate sector industries, while the I.C.D.C. and D.J.L.B. give loans and necessary assistance to the small scale businessmen to either put up businesses or develop the already set up ones.

It should be noted however, that with all the government efforts and the large number of the small scale African businessmen their economic impact is yet to be felt, not only at the national level, but also in the rural areas. There has been a number of studies now carried out by scholars and some even sponsored by government (see Arap Kessio, J.N.A. Mwangi, J. Kamau, Harper and Somerset, Harper M.H., de Wilde, etc.), all these scholars have made an effort to investigate reasons behind the poor performance of the small scale African businesses.

Therefore there is a need to carry out further study in this area and for this study to be more useful to government and the practising businessmen, it will be necessary to inquire in those businessmen who have actually failed in their efforts to run their businesses. It is they who can give "better" reasons as to the actual cause(s) of their failure. Hence this research project was carried out with this assumption in mind and the data analysis will show how far this assumption has been proved.

1.1.1. OBJECTIVE OF THE STUDY

The main objective of this study is to discover the real cause(s) of failure of small scale African businesses from the "failures" themselves. Then to recommend more effective and efficient ways of helping these businessmen to ensure their success.

Meaningful factors contributing to failures of small scale African businesses cannot be obtained from the existing and already practising businessmen as has been done in the past. The real cause(s) can only be obtained by locating and interviewing those businessmen who have failed.

1.1.2. DEFINITIONS OF WORKING CONCEPTS.

In this study "small scale African businessmen" include the small scale retailers owning the general merchandise shops (dukas) which sell such items as sugar, salt, cigarettes, maize meal, wheat flour, rice, cooking oils and fats, maize and beans and other small scale farm produce; ready made clothes, blankets, sheets and other simple household utensils and beverages. Included are also bar and restaurant owners selling beer and beverages.

Those owners of intermediate sector industry engaged in the production of simple household products and simple farm implements are also included in the definition. In addition simple service industry, like bicycle repair is also included. But shoe shining and hawkers are not included here.

By "major trading centres" - here the choice is rather arbitrary, the guiding rules here for choice were that for a centre to be included it had to have at least twenty five (25) shops. And these centres are geographically uniformly distributed over the district. The rationale here was that the data collected from these centres then would be representative for the district.

This study concerns the small scale African businessmen or businesses and as such there is a need to define what we mean by the term "business" and later on "small-scale business". The term business can be defined as:-

"an enterprise which provides goods or services that people need and at the same time gives the suppliers of material or labour, and the owner, sufficient payment for the suppliers, hours of work or investment that they may have provided."²

"Small" or "large scale" are relative terms and what is small in one industry or country may not be so in another industry or country. This fact comes out clearly when one looks at international marketing where, for example, the problems of packaging are realised when dealing with two different countries. For example, the sizes of detergents in the United States differ significantly from those in the United Kingdom ... the smallest size of detergent available in U.S. supermarkets is the largest size available in the United Kingdom."³

Thus businesses or industries may be classified variously by the number of employees, or profits realised per year, or even as regards the hierarchical structure of the organization. For the purpose of this study - the term "small scale" will refer to those sole traders who operated "one man's show" businesses for himself and for his family. These are usually retailer shops with no, or at least one assistant other than his wife or children helping him to run his shop or a bicycle repair shop

² Michael Harper, The African Trader (Nairobi: East African Publishing House, 1973), p. 10.

³ Buzzell R.D. "Can you Standardize Multinational Marketing?", Harvard Business Review, (November-December, 1968) p. 110.

with the owner as the mechanic and an assistant who is learning the trade or a furniture shop where the owner manager is also the carpenter. The main characteristics of these businesses is the role played by the owner manager as the only decision maker. Thus where he has some other hard pressing engagements he simply closes his enterprise until he finishes and then opens.

These are the businesses which this study will focus on because these are the most numerous and constitute the "small-scale African businessmen", who have been trying to enter the monetary economy fighting against the traditional ways of life so common in the rural areas.

1.1.3. RESEARCH METHODOLOGY

In this study a convenient sample was chosen consisting of the major trading centres - namely Machakos, Kangundo, Athi River, Matuu, Kikima, Wote, Matiliku, Emali, Kibwezi, Kambu, Kikumini and Kathonzweni. These are uniformly distributed all over Machakos district. Out of these trading centres (towns), at least three former (i.e. failed) businessmen were located and interviewed. A random sampling technique was used to pick those former businessmen, and where the centre had only three, then a complete census was carried out. This technique was applied to ensure that those selected were representative enough. Luckily in these centres we managed to get at least five former businessmen, except at two centres where there were only two in each. Then a questionnaire was used to solicit information from the former businessmen. This was supplemented with personal interviews wherever necessary. A second questionnaire was administered to the Machakos District Trade Development Officer, and in addition secondary data from his office was also scrutinised. The District Trade Development Officer was also instrumental in locating the failed businessmen in each of the chosen centres.

1.1.4. DATA ANALYSIS

Use was made of percentages and content analysis to determine agreements and disagreements on the key issues raised in the questionnaire.

A simple comparison of "factors of failure" raised by the businessmen (former) in infrastructurally well served towns and the "remote" towns would be carried out to determine if any differences (in factors causing failure) exist. The infrastructurally well served towns are those with good all weather roads - whether tarmac or murrum, with clean water supply, electricity and telephones. Thus such centres, infrastructurally well served do not experience hardships of transport and supplies or accessibility to other areas in the district or chief suppliers. "Remote" towns are those in the poorly accessible interior where roads may be closed during the rainy seasons, have no electricity, no clean water supply, experience hardships in transport and getting their supplies:

1.1.5. PROBLEMS AND LIMITATIONS OF THE STUDY

Needless to say, the most disturbing single problem faced in this study was the nature of the study itself. This is because it concerned a "post-mortem" exercise, as it were, of the "dead" entrepreneurs and as such had its unique problem of suspicion, non-co-operation and disinterestedness on the part of some of the failed businessmen. So, at times a lot of persuasion and assurances were necessary. First to convince those failures who had "failed with government or commercial institutions' loans" that we were not spies or agents of the loaning institutions. Second, we were also to tactically create interest in them so that they could agree to discuss about their former businesses. Some of them were remembering their businesses with a lot of emotions and at times were bitter that they had failed.

These problems added to the problem of time constraint. Despite the fact that there were only four months in which to complete the project, locating these businessmen was very time consuming. Very often we had to spend some three days in one centre, first day locating the businessmen and second day convincing them to accept to respond to the questionnaire and the third day completing interviews before proceeding to the next centre. This problem was made even worse by the fact that the research project coincided with the general elections in Kenya - that was held on 26th September, 1983. Strangers were not well received in these centres where the research was conducted and as such progress was very slow especially during September.

Notwithstanding the above problems, the problems of finance was also to be contented with. It was soon realised the money allocated by the sponsor for research was hardly enough especially for travelling and accommodation covering the whole district. Time, as already stated, was an equally big constraint. We realised four months for the research project were hardly enough. More time was needed and more details were actually sacrificed to beat the dead line. This was not good for the project, with more time a more deeper research and thorough probing would have produced a better quality piece of work. Again due to the time factor constraint, the convenient sample chosen may not be very representative - but of course, a survey of the entire population would not have been possible within the given time.

Finally it is contended that despite the problems and limitations above, the main objective of this research was achieved. Thus it was possible to locate and interview failed businessmen and these revealed the real causes of failures of small scale African businesses are not necessarily the reasons given earlier on by the practising businessmen, but rather main causes are as revealed in the section of data analysis at a later stage in this study.

1.1.6. IMPORTANCE OF THE STUDY

This study is expected to be of importance to the Ministries of Finance and Planning, Commerce and Industry, the government in general and voluntary organizations - like the Young Women's Christian Association (YWCA), National Christian Council of Kenya (NCCCK) - all of which have had interests in helping the small scale African businesses.

It will also be of importance to those government agents that have been set up with the aim of helping the development of the small scale African businesses and the intermediate industrial sector. These are government corporations like the ICDC, KIE, Rural Industrial Development Centres (R.I.D.C.), the District Joint Loan Boards, Kenya National Trading Corporation to name a few.

The study will also be of importance to the financial institutions and the small scale African businessmen a like.

It will finally be of importance to the scholars who may have interest in the studies of small scale African traders in future.

Having looked at this introductory chapter it will be important in the next chapter to look at what earlier writings on this area of small scale African businesses have to say. So what follows in the next chapter is a summary of some of the relevant works and how these earlier writers relate to this study.

CHAPTER 22.1.0. LITERATURE REVIEW

As noted earlier in the introduction, the small-scale African businesses have been receiving attention from both the scholars and government alike. The reasons for this attention were stated in the introduction, and here, there is need to look at what problems these scholars have raised in connection with the small scale African traders, then tie up this with their methodology in carrying out their findings; and finally look at their conclusions.

The Institute for Development Studies of the University of Nairobi which engages in research especially in the Social Sciences has done some good work in this area of Small-Scale African businesses. In addition Malcolm Harper, J. Kamau, J.N.A Mwangi, Arap Kessio, Harper and Somerset, all have done researches in this area.

In his Ph.D. thesis, Harper took a study with the objective to examine the hypothesis that:

individual extension services are necessary for promoting the development of small business in general, and small scale retailers in particular, and that such services can economically and effectively be provided by staff with only four years of secondary education, no business experience and a minimum of formal training.

And he formulated his hypothesis from his belief that:

small scale retailers have traditionally been disregarded or even despised. It is suggested that they can nevertheless play a vital role, in Kenya and elsewhere, by satisfying the needs of

their customers, making available a wide variety of inputs which are necessary for development, mobilising otherwise idle capital and other resources, and providing employment opportunities and a source of entrepreneurial talent.⁴

In order to verify his hypothesis Harper carried his study entitled "The Development of a Cost-Effective Extension Service for small business: A Kenyan Experiment", in which case he did his experiment in Machakos and Nyeri districts. He interviewed the retailers, the suppliers (Manufacturers) and those customers of these retailers.

Harper, in his experiment, was able to conclude that capital was not really a constraint as most of the businessmen believed and rather the biggest problem was the ineffective employment of the capital which existed. Thus, he says "this shortage was to some extent illusory, and detailed examination of the financial position of a sample of 169 traders substantiated this view. Their major problem was their failure to make the most efficient use of the existing capital, rather than a need for more capital from outside."⁵

⁴Harper M.H., The Development of a Cost-Effective Extension Service for Small Business: A Kenya Experiment. (Unpublished Ph.D. Thesis, University of Nairobi, 1974) p. iii.

⁵ Ibid, p. 243.

the small scale businesses that will be on the traders' premises and this should be more effective and will be able to use the fourth from school leavers with a short period of training. He further argues that the dual purpose of the government agency as advisors and sources of capital should be discouraged for these two roles would be conflicting if carried out by the same government agent. Relations would be cordial at first when the traders attend a business training course or get advice from the government agent for he will see this as a way of establishing a relationship that will lead to a successful application for a loan. Once a loan is received relations are likely to be strained when the agent now wants the loan repayment.

In his study Mwangi J.N.A.⁶ carried out his research to evaluate the role and performance of the shopkeepers. Two surveys were conducted, the first one, "consumer opinion on small scale African shopkeepers." And a second survey entitled "Salesmen's opinion on small scale African shopkeepers." The first research was aimed at assessing the performance of these shopkeepers from the eyes of the customers while the second assessed them as they were seen by the salesmen. In addition to these two Mwangi also established a "standard of efficiency"⁷ This included (a) monthly sales turnover of goods, (b) accurate record of business transactions, (c) method and practice of purchasing which reduced amount of dead stocks, (d) the shop's appearance and use of displays as a selling tool. By using these four criteria it was

⁶Mwangi J.N.A. The Development of Small Scale African Retailers in Kenya (Unpublished MBA Thesis, University of Nairobi, 1975).

⁷Ibid, p. 13

possible to evaluate the performance of these businessmen and finding the problems afflicting them.

Mwangi concluded that these businessmen played a vital role by creating increasing job opportunities and acting as training grounds for future entrepreneurs in addition to the utilization of personal savings and other resources putting them to productive use.

Like other researchers in this area Mwangi found that "lack of capital was repeatedly mentioned more than any other problem. some of the small scale shopkeepers even disregarded any other problem". And "through further probing and analysis the root cause of the problems facing these traders is to be found in their cultural background and the inadequacy of business training"⁸. Thus Mwangi recommends extension service to small scale African shopkeepers, and the development of an organization for small scale business development, preferably under ICDC with two arms focusing on the development of small scale industries, and small scale shops.

This shows Mwangi like Harper, feels the problem that faces the African businesses is not capital but the inefficient use thereof and thus suggests an individual extension service to these small scale retailers. He further argues cultural constraints have militated against the performance of African businessmen and this problem would also be overcome by the extension service.

⁸Ibid, pg. 182

These researchers' views were correctly summarised by Parris when he stated...."ask any small scale African (emphasis added) businessman what his principal problem is, and he will invariably say "money" or the lack thereof!"⁹

Geinger and Armstrong in their book The Development of African Private Enterprise¹⁰ attempted to examine the major problems confronting African Private businessmen, especially in West and East Africa and the assistance programmes that were meant to overcome the problems that were in existence. They concluded that ..."Inadequate skills constitute a more serious-- though less intractable - problem than inadequate capital, for skill can often substitute for capital, and in itself is a major source of increased productivity and growth."¹¹ These two authors go further and contend that:-

Shrewdness, common sense, and a "good head for business" can often more than make up for the lack of formal instruction or training in management techniques and business methods. Africans possess these qualities as much as do members of other human societies; and those with no aptitude for entrepreneurship are eventually eliminated by competition and the disciplines of the market economy.¹²

⁹Parris A.W. The Small Business Administration
(New York: Praeger, 1968), p. 56

¹⁰Geiger T. and Armstrong W., The Development of African Private Enterprise (Washington, D.C. National Planning Association, 1964)

¹¹Ibid, p. 49

¹²Ibid, pp. 49 - 50.

In his book - Markets in Africa¹³, Bohannan Stresses the historical development of a number of selected ethnic groups, for example, the Gusii in Kenya. In this book he highlights the salient factors which contributed significantly to the growth of trade in some of the selected areas. Another author who has written on the small scale African businesses is Bauer who in his book entitled West African Trade¹⁴ discusses in details the specific factors which influenced the development of West African Trade, with an emphasis on Nigeria. In this book he also looked at the major constraints confronting the development of the small scale African retailers and asserts that cultural problems especially obligations of a traditional family system could either be a deterrent or an advantage to the African retailer. He argues that such obligations of an extended family could often impair capital formation, inhibit economic development and retard initiative and enterprise and also discourage productive use of accumulated savings. On the other hand the obligations of a traditional family systems, which include providing capital to start a shop and also patronizing the business was an asset to the retailers.

Garlick wrote his book - African Traders and Economic Development in Ghana.¹⁵ and considered those contributory factors that were instrumental in the growth and expansion of Ghanaian African retail traders around Accra and Kumasi.

¹³ Bohannan P., Markets in Africa (Evanston: Northwestern University Press, 1968)

¹⁴ Bauer P.T., West African Trade (London: Routledge and Kegan Paul Ltd., 1963)

¹⁵ Garlick P.C. African Traders and Economic Development in Ghana (Oxford: (Oxford University Press, 1971).

He also looked at those government efforts that were meant to help these retailers, especially the "Ghanaian Business Promotion Act 1970",¹⁶ and whose purpose was to transfer businesses to the indigeneous people.

In his study on Wholesale and Retail Trade in Tanganyika,¹⁷ Hawkins made a comparison on the main reasons why Africans performed poorly in comparison with their Asian counterparts. He further recommends an assistance programme to help African retailers in order to overcome their problems. He emphasized above everything else training and follow-up service in the form of commercial extension service comparable to agricultural extension service.¹⁸

Marris and Sommerset who have co-authored a book African Businessmen,¹⁹ offer a good discussion on the historical development of trade and business in one African Community in pre-colonial times. This book offers an account of the entrepreneurial development in Kenya, and goes further to assert that the approach used in their book which is the sociology of African businessmen could be applied in a wider context than in Kenyan Africans.

As mentioned earlier on, the Institute for Development Studies (IDS), University of Nairobi undertakes research on the Social Sciences, and on Small Scale African Businesses in particular. In addition the International Bank for Reconstruction and Development (I.B.R.D.) has also done good work in this area.

¹⁶Ibid, pp. 86 - 87.

¹⁷Hawkins H.C.G., Wholesale and Retail Trade in Tanganyika. A study of Distribution in East Africa (New York: Praeger, 1965)

¹⁸Ibid, pp. 153 - 155

¹⁹Marris P. and Sommerset A., African Businessmen (Nairobi: East African Publishing House, 1971).

One such research and unpublished report deals with "Small Business Development in Kenya"²⁰. This report is one of the impressive works by the I.B.R.D. which is relevant to this study. The report focuses on the problems that confront African small scale businessmen, describes and evaluates those institutions set up to promote and help African traders and specifically recommends the setting up of extension service as an important tool for promoting small scale African enterprises.

The Institute for Development Studies in their paper ... "The Social Barriers to African Entrepreneurship"²¹, tackles the social cultural problems that confront the small scale African businesses.

The study that Mwangi²² carried out in Central Province found that shopkeepers did not keep adequate books of accounts or business records- that would provide useful information for running the business from day to day. The few who kept these records did not even make use of them. They rather wanted to show them to the financial institutions to secure loans. This is a problem that has to be overcome by showing these traders that proper record keeping is an aid to proper running of the business rather than an aid in getting loans.

²⁰Republic of Kenya, "Economic Progress and Prospects in Kenya". Vol. II The Annexes, Annex A: Small-scale African Business, (Washington, D.C.: I.B.R.D., International Development Association, March, 1972)

²¹Marris P., "Social Barriers to African Entrepreneurship," The Journal of Development Studies, October, 1968)

²²Mwangi J.N.A.: Op. Cit, p. 95.

This point was realised by Ross, et. al when he remarked:
 "Business success and good record keeping go hand in hand.
 Poor record-keeping may not cause a business to fail, but
 many failures result from causes that good records could have
 prevented"²³

Sir Arthur Lewis, writing on the small scale business hold the view that these businesses would benefit from an expanded secondary education and .. "the best way to improve the level of African business is to pour so many boys through the secondary schools that some youngsters are forced to go into business if they are not to remain unemployed."²⁴ While this argument sounds very logical, the present situation in Kenya, needles to say, portrays a very different picture. In fact there are so many unemployed secondary school leavers already, and yet small scale African businesses still continue to be faced by the same old problems. Perhaps a complete change in attitude will be necessary so that the school leavers and their parents do not look at education as a certificate to white - collar jobs.

de Wilde, J.C. in his second volume on "The Development of African Private Enterprise"²⁵ sees lack of a follow-up assistance for African traders as a handicap. This is despite the government's established promotional measures to assist the upcoming small scale African businesses. These measures have

²³ Ross, Joe and Gores Stan, Starting and Managing a Pet Shop (Washington, D.C. U.S. Government Printing Office, 1970), p. 25.

²⁴ Lewis A.W. Some Aspects of Economic Development, (Quoted from: African Traders and Economic Development in Ghana, by P.C. Garlick).

²⁵ de Wilde J.C. "The Development of African Private Enterprise Vol. II" (Washington, D.C., I.B.R.D., International Development, " Annex VI, 1971).

been set up to promote a progressive Africanization of the economy through the Africanization of trade. This has been done through the trade licensing act and the establishment of distributing agents through the Kenya National Trading Corporation (K.N.T.C.) and the financing aspects of the small scale African businesses handled by the Industrial and Commercial Development Corporation (I.C.D.C.) and the District Joint Loan Boards (D.J.L.B.). Thus de Wilde sees these efforts as being frustrated by lack of a follow-up service to traders and concludes:-

Although many Africans have been enabled to get into trade through the means outlined above, and a considerable number have been successful despite the initial handicap of lack of experience, the number of failures (emphasis added) could have been considerably reduced and the degree of success substantially enhanced if such traders had had access to practical advice and training.²⁶

de Wilde correctly observes that the Kenya Management Training Advisory Centre, has given a number of courses on "How to start and manage a Retail/Wholesale Business", but "it has not had any capability for giving continuing advice to traders. Nor has the K.N.T.C. had the personnel to do this."

This situation is necessitated by the fact that the only qualified personnel in the field are the Provincial and District Trade Development Officers. Today majority of these people, no doubt have good theoretical training in business but lack practical experience. This perhaps explains the high incidence of failure of the small scale African businesses especially in the rural areas despite the presence of these officers.

Again those in government and students of business administration will have to look elsewhere for reasons explaining the poor performance and a careful look at the larger society.

²⁶ Ibid; p. 5.

Nypan in his book Market Trade, a Sample Survey of Market Traders in Accra writing on a sample of businessmen in Accra concludes "they regard their businesses as a sort of receptacle from which money should be withdrawn when it is needed for education, funeral expenses or other family requirements".²⁷ These activities will not be in any way good for the prosperity of the business, but since the nature of widespread poverty in the rural areas, it would not be realistic to expect these businessmen not to withdraw their profits for these social and pressing needs for their families and, at times, the society in which they live. It will be rewarding to borrow what Harper says:-

Efforts to improve the performance of small scale retailers should avoid criticising such behaviour, but should equip businessmen with the necessary techniques so that they know what they are withdrawing, and control it, and so that they are able to evaluate the specific reinvestment alternatives that may offer themselves²⁸.

The African entrepreneur is torn between his traditional way of life and the ever demanding and risky business environment. Any measure either evaluative or assistance will have to be taken with caution bearing in mind that any violent and too sudden measures that appear too harsh and foreign to the African ways of life may be resisted and prove negative to the business development instead of helping the development of these businesses.

The uncontrolled withdrawals and diversion of profits to other non-business activities, or even unnecessary diversification that leads to the businessmen's "stretching too thin", spell disaster for the business in the long run.

²⁷ Nypan A. Market Trade, a Sample Survey of Market Traders in Accra. (Accra: University College of Ghana, 1959), p. 37.

²⁸ Harper M.H., Op. Cit. p. 47

Staley and Morse in their book "Modern Small Industry for Developing Countries" - refer to the "principle of interaction" by which they mean the necessity for an effective and integrated combination of inputs to achieve change.²⁹ Along the same argument the United Nations International Labour Office (ILO) is totally against the separation of advice from finance and recommends that the I.C.D.C. should "cease to be mainly a credit granting institution"³⁰ But the other aspect which in effect is that of "follow-up" and "business management consultancy services" will be handicapped by lack of qualified personnel as noted earlier and expenses involved.

There is hope in the near future that small scale African businesses stand to gain because of the increased work of scholars in this area, as more and more authors write on this subject. These will add to the already existing works not forgetting works of Kilby when he wrote on "Measures to Promote the Development of Indigeneous Industry"³¹ in this book he identifies the "deficiency of managerial and technical skills" as the greatest impediment to indigeneous entrepreneurs in Nigeria. He then goes further and asserts that until this impediment has been removed "loaming activities will bear little fruit."

Staley and Morse also seem unhappy about this idea of loans and hold the view that "loans must be denied until proper records are kept"³² and Sir W.A. Lewis states that in Ghana:

²⁹ Staley E. and Morse R. : Modern Small Industry for Developing Countries. (New York: McGraw-Hill Book Co. 1965), p. 352

³⁰ United Nations International Labour Office : Employment, Incomes Equality; a Strategy for Increasing Productive Employment in Kenya (Geneva : I.L.O., 1972)

³¹ Kilby P.: Measures to Promote the Development of Indigeneous Industry. (Lagos, University of Lagos, 1962) p. 259.

³² Ibid, p. 259.

"African enterprises cannot be built up simply by lending Africans money. To lend money to entrepreneurs who lack managerial capacity is merely to throw it down the drain"³³

Marketing in an Underdeveloped Economy; The North Indian Sugar Industry³⁴ is Hirsch's book where he found that the Northern India small retailers did not know how to use funds for expansion because of their low managerial ability that limits the size of their businesses. The lack of capital is apparently not the main problem in Indonesia³⁵ so much as the lack of ability to organise into one enterprise the diverse range of economic activities that make up a small retail business. It is true that capital may be scarce in most of these cases of the small scale entrepreneurs but as Geiger and Armstrong³⁶ point out skills may be what is needed most for this (skills) may even increase actual productivity - thus with more skills and less capital business productivity and prosperity may increase. But of course the reverse is most unlikely - thus with more of capital and less of skills, the capital is likely to be wasted and eventually business collapses.

³³Sir W.A. Lewis, Op. Cit; p. 120.

³⁴Hirsch L.: Marketing in an Underdeveloped Economy; The North Indian Sugar Cane Industry. (New York: Printice Hall, 1961) p. 256

³⁵Geertz O.: Peddlers and Princes: A Study of Change and Economic Development in two Indonesisn Towns. (Chicago: University of Chicago Press, 1963) p. 74

³⁶Geiger and Armstrong, Op. Cit., p. 49

Bosa in his book The Financing of Small Scale Enterprises in Uganda³⁷ looks at the Asian's joint family system which permits the generation and conservation of capital, then he contrasts it with the African open system of extended family which diffuses resources. Those affluent members of the African family can comfortably live apart from his extended family and the rest of the other members of his family will not know anything about his wealth. This however, is not possible for the rural area shop-keeper with all his relatives next door. He will therefore experience a lot of pressures from the relatives most of these pressures will not be to the benefit of the business but rather detrimental to it - either through prestigious investments or uncontrolled credits to the rest of the members of the extended family.

From the literature review so far, which is related to this study, one arrives at the conclusion that all writers in this area of small scale African businesses agree there is a problem that is generally applicable to these traders. That majority are ill-prepared to carry on with the rigours of businesses. This may be explained by the transitional nature of the African society. Majority of them find themselves torn a part between modern way of life and their traditional values. In addition those instruments of government and/or other agencies meant to help the African businessmen have not been effective and a new look and approach, to ways of helping these traders to be more successful in doing their businesses, is called for. The writers in this subject mentioned above agree that an extension service to provide guidance and help in order to promote and expand African businesses will be of vital importance if any progress is expected to be made. The ILO report, the World Bank and the Kenya Government Working Party on Small Business Development all recommend advice on technical

³⁷Bosa G.R.; The Financing of Small Scale Enterprises in Uganda (Nairobi: Oxford University Press, 1969).

and managerial problems for small businesses in Kenya and these recommendations are quoted below:-

"Follow up (to courses) is required in the form of business promotion and advisory services that will be geared to the need of smaller wholesalers and retailers."³⁸

"The Kenya Management Training advisory Centre has no capability for giving continuing advice to traders"³⁹

"The training of small businessmen is most efficiently accomplished through an extension service on the premises itself"⁴⁰

"Above all, more extension services of an on going nature must be provided"⁴¹

Other writers like Sir Arthur Lewis, for example, still feel a general change in attitudes and the way of life and the emergency of a young generation of businessmen will be necessary to improve the performance of African Small Scale Traders.

Now that these authorities in this area seem to have "recognised the problem" with the small scale African businesses and yet these problems that have hitherto plagued them continue to be experienced then poses further problems in this area. Perhaps it will now be necessary to ask ourselves why this problem still persists. Is it because - like in many other areas of national activity, for example, the Development Plans we seem

³⁸ United Nations International Labour Office: Services for Small Scale Industry. (Geneva: I.L.O., 1972) p. 207.

³⁹ de Wilde J.C. Op. Cit., Vol. I, Annex 6, p. 20.

⁴⁰ Republic of Kenya.: Report of the Working Party on Small Business Development. (Nairobi, Ministry of Commerce and Industry, 1972) pp 14 - 15.

⁴¹ Ibid, p. 19.

to be divided. Good Development Plans are often carried out at Nairobi with the use of some of the most qualified and competent personnel, but these do not seem to be very effective. Most of the Development Plans seem to fail at the implementation level. This execution stage is of vital importance, elsewhere there are sophisticated equipment and personnel to do the planning but when it comes to execution most programmes flop. This may be the case with our extension services as de Wilde points out..."a Business extension service demands a range of expertise far broader than that needed by an agricultural service."⁴² He goes further to add..."the availability of competent personnel is likely to remain a serious constraint on efforts to promote private business enterprise"⁴³ We can assume at this stage that problems usually set in at the stage of executing the implementation processes given the problems that confront the small scale businesses can be tackled through the extension services. It will be important to note also that these problems of execution may also come from the costs involved or even non-availability of a qualified extension service personnel as noted by de Wilde.

The work done by these scholars, researchers a like, and even international organizations; in this area of small scale African businesses is commendable. However, it is the contention in this management project that an important "link", explaining the causes of failure or poor performance by the small scale African businessmen, has been left out. This is because as an old adage puts it "it is the wearer who knows where the shoe pinches" and as such an oversight has been committed by not locating and soliciting

⁴²De Wilde J.G.;Op. Cit; p. 58

⁴³Ibid; p. 64

information from the "victims" themselves - those businessmen who failed. These are the ones who would offer the most relevant factors/reasons that led to their failure and consequently a tailor-made programme would then be made to help and make them more successful in future.

Having noted what others have said in this subject it will be prudent to look at the data analysis and the interpretations from such analysis. This forms the main theme of the chapter that now follows.

CHAPTER 3

3.1.0. RESEARCH EFFORT

3.1.1. SAMPLING

As indicated in the Research Methodology section, a convenient sample was chosen and the trading centres were visited. While the initial intention was to locate and interview at least thirty six (36) failed businessmen, only twenty nine (29) were actually interviewed. This is good number for it makes up 80.55% of the original target and indeed, it is felt that the findings that would have been found from the original sample of thirty six would be also found in the actual sample of twenty nine.

The choice of respondents at every centre was carefully carried out so that any biases were removed. Random sampling was used to select those to be interviewed, especially in centres where the number of respondents were more than three. This procedure eliminated any biases so that findings from the chosen sample should be as representative as possible.

3.1.2. RESEARCH APPROACH

There were two questionnaires used in this study - one for the District Trade Development Officer in Machakos District and a second questionnaire was administered to the twenty nine failed businessmen. Their responses were recorded in the questionnaires and where necessary further probing was recorded in a separate sheet of paper. This was necessary because of additional answers to the ones solicited by the question in the questionnaire.

3.1.3. DATA ANALYSIS AND INTERPRETATION

The main objective of this study was to discover the real cause(s) of the failure of small scale African businesses from the "failures" themselves. It is therefore necessary at this stage of the study to look at the salient characteristics of the failed businessmen and find out if any unique pattern really exists. It will suffice to look at the age and education profile of the small scale African businessmen interviewed.

TABLE I
AGE AND EDUCATION PROFILE OF SMALL-SCALE
AFRICAN BUSINESSMEN INTERVIEWED

| AGE IN YEARS | NO. IN AGE RANGE | EDUCATION PROFILE: | | |
|--------------|------------------|--------------------|------------------------|----------------------------------|
| | | NONE | PRIMARY 1 - 8 YEARS | SECONDARY 9 YEARS AND OVER |
| 20 - 30 | 2 | 1 | 0 | 1 |
| 31 - 40 | 6 | 0 | 3 | 3 |
| 41 - 50 | 11 | 0 | 11 | 0 |
| 50 and over | 10 | 1 | 9 | 0 |

SOURCE: RESEARCH FINDINGS.

The table above shows the age most affected by failure was in the range 41 to 50 year olds. These formed 37.93% of the respondents followed by the age 50 years and over who made 34.48%

of the respondents, while the younger people - age of 31 to 40 years old made 20.69% of the respondents.

If one considers the age of 41 years old and over, then the failures in this age bracket formed 72.41% of the respondents. In other words, from this analysis, then one sees a pattern of failures, thus the older the respondents the likely he is to fail. It will be interesting to relate this result with the family size because a number of respondents claimed that large families were a cause and/or a factor of failure.

The education profile column shows also that this age had spent the "highest" number of years in school and at least each one in the group could read and write. Those falling in the range of one to eight (1 - 8) years of education made up 68.97% of the respondents. But none in the group ever had a secondary education.

The relatively younger (former) businessmen had spent more years in school and three of them had at least one to eight (1 - 8) years of education and an equal number had over nine years of education - in fact two were educated up to form six.

This is an indication that the incidence of failure did not even spare the more educated ones. At the same time a close look at the table above shows that not many of the young people had ventured into business but rather the more senior people in age. This is not conclusive as of now because it could also be interpreted that the relatively young people were more successful.

TABLE 2

REASONS WHY SMALL-SCALE AFRICAN
BUSINESSMEN FAIL

| REASONS GIVEN | FREQUENCY OF RESPONSE |
|---|-----------------------|
| 1. Buying a shamba | 1 |
| 2. Big family | 9 |
| 3. School fees | 8 |
| 4. Lack of capital/loan | 9 |
| 5. Presence of hawkers | 4 |
| 6. Lack of interest | 1 |
| 7. Poor distribution wholesaler also retailer | 3 |
| 8. Transport costs | 3 |
| 9. Illiteracy | 1 |
| 10. Sickness/death of a member of family | 6 |
| 11. Drought / famine | 5 |
| 12. High rents | 3 |
| 13. Lack of trusted assistants | 1 |
| 14. Over - expansion | 1 |
| 15. Lack of customers / market | 3 |
| 16. High licence fees | 1 |
| 17. Robbery | 3 |

SOURCE: RESEARCH FINDINGS.

From the table 2 above, out of the seventeen reasons given "as reasons for failure", nine respondents said a big family was the cause of their failure, and lack of capital and/or non-availability of a loan had an equal number of respondents - nine. The next factor of importance as a cause of failure of small scale African businesses was school fees. The factor of school fees and size of family are closely related and as long as they relate to the number of mouths the businessmen had to feed or look after, they refer to the family size factor. If this is so, then it is clear that seventeen respondents saw the "family factor" and "school fees" as the worst culprits in causing their failure. Indeed the two factors are one in that the bigger the family the bigger will be the expenditure. Thus the big family will eventually make heavy demands not only on school fees but also on the food budget, clothing, health (though this is free), bigger living house, and so on. Perhaps this relates well to the fact that the age that was found most vulnerable to failure was forty years and above. This may be better understood if we consider the fact that the respondents had started well initially, by renting business premises, later making profits, and then buying their own plots and constructing permanent business premises. The presence of these trade premises was a common sight in the trading centres that were visited by the researcher. This then indicates that the businessman was doing good business to start with, later the big family exerted pressure on him for subsistence and family consumed his capital leading to his ultimate collapse.

Next in importance, as a factor of failure, was cited as sickness or death of a member of the family. This forced the businessman to channel either his attention, money or both to attend to this problem affecting a member of the family.

This may be seen as a problem to the business emanating from the fact that the business itself has a weak base. It depends on the skills of the owner-manager who has a meagre resources of finance or skills and any instability in the business environment becomes a danger that may be catastrophic. This instability in the business environment includes the drought and/or famine, a factor mentioned by five respondents as causing their failure, first leading to profit consumption and then capital consumption. In addition the buying power of the customers is seriously affected and thus reducing business activity generally with the resultant reduction in profit and eventually closure of businesses.

On the other hand hawkers were seen by four respondents as the cause of their failure. This question of hawkers was found intriguing in that those already in business, whenever they realised the presence of the researcher wrote "memos" for the researcher's attention. And all of them in over 75% of the centres visited expressed their bitter concern about the presence of the hawkers. They went further to argue that these hawkers were being unfair to the businessmen for they paid minimal fees and were free to move to all the market centres in the district, thus posing unfair competition to the "stationary" businesses. We would like to point out that the response of the failed businessmen was as bitter as those of the practising businessmen. Failed traders blamed the hawkers for their failure and went further to assert that given time those still in business will also fail. In addition, they argued, hawkers get trade credits from the rich Asians in Nairobi and in this way Asians have managed to carry out businesses in both the urban and rural areas to the detriment of the inexperienced and much relatively poorer Africans. Obviously the two groups thought erroneously though, that the researcher could influence the banning of hawkers from carrying their trade.

As pointed out by a Working Party on Rent Control in 1965:-

Throughout the inquiry our attention was drawn to other problems concerning small traders, but which did not fall strictly within our terms of reference. They were as follows: Hawkers are seriously damaging established businesses in the sectors of the towns particularly, in Nairobi and an attempt should be made to control this unfair competition. From the evidence received this was a major factor in the falling off of businesses especially amongst the small trader.⁴⁴

In a survey conducted by Ngotho wa Kariuki in River Road area of Nairobi...."Out of 45 traders questioned about this competition from hawkers 40 were of the opinion that the hawkers should be banned. The other 5 did not mind them. These five had big businesses and they argued that some hawkers bought their stock from them. Banning them would harm businesses of these five." The other traders obviously do not see the same issue as such and to them..."Hawkers and street traders sell the same things we keep in the shops. Therefore they compete against us. They pay no tax for their trade and also they pay no rent. It is a bad competition.⁴⁵ But of course the hawkers hold a different view and see no reason of the small-scale traders' complaints.

⁴⁴Working Party on Kent (Government of Kenya Printer, 1965)
p. 2.

⁴⁵Kariuki N. Africanisation of Commerce In Kenya.
(Unpublished MBA Thesis, University of Nairobi)
pp. 98 - 99.

TABLE 3RESPONDENTS AND THEIR FAMILIES

| NO. OF WIVES | NO. OF RESPONDENTS | NO. OF CHILDREN |
|--------------|--------------------|-----------------|
| 0 | 2* | 8 |
| 1 | 18 | 128 |
| 2 | 7 | 69 |
| 3 | <u>2</u> | <u>63</u> |
| TOTAL | 29 | 268 |

* Wife was a respondent, and a single lady--making two (2)!

SOURCE: RESEARCH FINDINGS.

TABLE 4SIZE OF FAMILY

| SIZE OF FAMILY ** | NO. OF RESPONDENTS |
|-------------------|--------------------|
| 0 - 5 | 3 |
| 6 - 10 | 12 |
| 11 - 15 | 10 |
| 16 - 20 | 2 |
| 21 + | 2 |

** SIZE OF FAMILY INCLUDES CHILDREN AND PARENTS

SOURCE: RESEARCH FINDINGS.

TABLE 5

TOTAL NUMBER OF PEOPLE IN THE
RESPONDENTS' FAMILIES

| RESPONDENTS | NO. OF WIVES/HUSBAND | TOTAL NO. OF PEOPLE |
|---|-------------------------|------------------------|
| 2 | 3 (EACH) | 6 |
| 7 | 2 " | 14 |
| 18 | 1 " | 18 |
| 1 | 1 HUSBAND | 1 |
| 1 | SINGLE LADY | - |
| <u>Total 29</u> | <u>Total 29</u> | <u>39</u> |
| RESPONDENTS + OTHER PEOPLE IN THEIR FAMILIES = 29 + 39 = 68 | | |
| ADD CHILDREN | | <u>=268</u> |
| ∴ TOTAL NUMBER OF PEOPLE IN THE 29 HOUSEHOLDS | | <u>=336</u> |

SOURCE: RESEARCH FINDINGS.

From tables 3, 4, and 5, above seven respondents had two wives each and two had three wives each. Thus nine respondents, at least, had two wives out of the total number of twenty nine respondents. The total number of people from the twenty nine households (families) was three hundred and thirty six people.

One family had thirty two people, and another had thirty nine. The average size of family then works out to approximately twelve people. These are big families and are found to be an obstacle in developing the small scale businesses that usually have low level of profits. This is especially more so when the business is the only source of income for the family.

But while this point may be strong in explaining the factors causing the failures of small scale African businesses, one may want to contrast the size of the African family and his Asian counterpart. It is true the latter's families are usually equally large, yet their businesses continue to prosper. Perhaps the small scale African businessman will have to be a little bit more serious and"We suggest to the African businessman to ponder the joke made on the Asian businessmen that they had too much pepper in their meals so as to eat little in order to save more."⁴⁶

There are some problems that are definitely outside the scope of these traders - like drought and/or famine, provision of infrastructural facilities, even big families, and licensing to mention a few. Then if this is so, the case of the failures needs to be understood by the government and all the agents that are concerned with the promotion and encouragement of these businesses.

When the respondents were asked what help they required from government or any other agent, to revive their businesses or even to prevent other businessmen from collapsing, twenty six mentioned a loan, one didn't know of any help, another wanted licence fees

⁴⁶ Kinyanjui and Gakuru: Africanisation of Commerce and Its Effects on Community Relations (I.D.S., 1973) p . 9

fees reduced, and the other wanted hawkers to be banned. The latter went further to assert that even if government or banks gave loans, and hawkers were still allowed to continue, the businessmen will still fail.

The response of the twenty six former businessmen compares well with what another Western scholar had to say about small scale African traders "ask any small (African) businessman what his principal problem is, and he will invariably say "money" or the lack thereof (emphasis added)⁴⁷. This generalisation however; should be treated with care. This is so because for the small scale African businessman it is a kind of an "evoked set concept" - if you asked some people "how many toothpastes are there?" They may answer "Colgate and pepsodent" because they do not know of the existence of any other toothpastes. This is basically the same with our small scale African businessmen - they are not aware of any other help government can give, so why then not mention what they know- a loan? When interviewing the respondents we came across two of them who clearly said they would never go for a loan because "going for a loan is inviting trouble and these people (lenders) will sell your business premises or your shamba (farm) , and so I can never accept a loan". Along the same argument if you asked the unsophisticated up-country lady what type of contraceptives she knows, she will probably say the pill because that is just what she knows. But the more sophisticated urban girl will mention the whole line of contraceptives there are. So it would be unfair and naive to suggest that the African trader is very much pre-occupied with the search for a loan excluding all other help the government can give. He needs to be made aware of the other assistances there are before he can appreciate them.

⁴⁷ Parris A.W., Op. Cit; p. 56

It is worthy looking at an aspect of complaints on hawkers that they do not pay as much fees as the businessmen, and that about five respondents saw high licence fees as a cause of their failure. This complaint of high licence fees may be supported by the fees and charges levied by the Masaku Country Council in pursuant of the Local Government Act CAP 265, Laws of Kenya, Section 148, as hereunder:

| | |
|--|-----------|
| . Sewing Machine licence (per machine) | Sh. 75/- |
| . Poll. Tax | " 25/- |
| . Conseqwancy fees | " 60/- |
| . Trading Licence | " 300/- |
| . Central Government Trading Licence | " 80/- |
| | <hr/> |
| Total | Sh. 540/- |
| | <hr/> |

This figure excluded the rent for the trading premises and other "extra" charges that never appear in record like kickbacks, entertaining loan agents, to mention a few.

On the distribution of goods in the district - four failed businessmen associated their failure with the defective distribution system, a fact realised by the District Trade Development Officer when he notes"distribution is defective it allows distributors even to have retail licences and these will unfairly compete with the small scale African traders who may not even get supplies when they want them. So distribution and trade act are defective"

It is true if there is shortage of supplies the wholesalers will not sell to the retailers and this will hurt the later's good will with their customers leading to possible losses because of lost patronage.

The distribution system was not helping the small scale traders because agents were either not enough or if they were they did not carry the whole range of supplies as demanded by the retailers. This was due to the fact that while the traders did not have enough capital, at times, to make the necessary purchases they were not allowed trade credits by the manufacturers or even government parastatals like the Kenya National Trading Corporation (K.N.T.C.), or the Kenya Tea Development Authority (K.T.D.A.). On further inquiry with the K.N.T.C. depot manager at Machakos why they were not giving trade credits to their agents, he replied that at the beginning they were giving but the system was abandoned after it proved a failure. K.N.T.C. lost large sums of money on trade credits and so this was discontinued. Perhaps a more stringent scrutiny will have to be instituted on a few but well spread agents so that these could be allowed some trade credits in order to foster trade and business management skills development by encouraging more people to continue engaging in business.

The other source of information was the Machakos District Trade Development Officer - through the annual return and an interview with him. Therefore, a look at his services and views on small scale businesses in the district is desirable at this stage.

The District Trade Development Officer offers financial assistance through the District Joint Loan Board (D.J.L.B.) and the Industrial and Commercial Development Corporation (I.C.D.C.), trains businessmen on how to keep proper books of accounts (It is also suggested here that he should also.. ensure the use of these for the day to day running of the businesses) The trade officer also offers Management Consultancy Service to the

businessmen and ensures availability of goods and services.

When asked what he considered as the most serious cause(s) of failure of small scale African businesses, he listed limited knowledge on running businesses, limited finance to stock businesses adequately, lack of concentration on one type of business - i.e. unnecessary diversification". He added the businessmen considered "lack of adequate finance to run their businesses as the most serious factor causing their failure". So there is a divergent view on these two - businessmen and the District Trade development Officer on what causes business failures in the district.

As the District Trade Development Officer points out there is need for businessmen's training on Business Management and Financial Control. This will ensure that the seemingly successful businessmen do not over-expand or even engage in useless prestigious investment and uncontrolled credits to customers. This can be possible only through the extension service as noted by the trade officer and an important observation by Harper.⁴⁸ But again the problem here is lack of finance to run the extension services because of meagre resources allocated by the Ministry's headquarters to the district. One can only hope that there will be improvement now that the centre for development has been shifted to the districts. In addition the same officer points out that "occasionally the Ministry has observed hopelessly shops mushrooming but can do nothing to prevent this and there is unnecessary competition and some businessmen going out of business when the new ones come in. The end result to the nation may even be negative."

⁴⁸ Harper M.H.; 'Op. Cit; p. 138

This of course is due to the constitutional right which among other things allows the citizens of this nation to engage in gainful activities for their livelihood.

Equally disturbing is the distribution system which is defective, as noted earlier; for it allows the wholesalers even to have retail licences and these (wholesalers) will unfairly compete with the small scale traders who may not even get supplies when they want them.

TABLE 6 (A)

NUMBER AND CATEGORY OF LICENCES ISSUED IN MACHAKOS DISTRICT 1982

| | <u>B1</u> | <u>B2</u> | <u>B3</u> | <u>B4</u> | <u>B5</u> | <u>B6</u> | <u>TOTAL</u> |
|--------------|------------|-------------|-----------|-------------|-----------|-----------|--------------|
| Jan. | 44 | 187 | 6 | 882 | 9 | 6 | 1134 |
| Feb. | 72 | 518 | 2 | 1714 | 13 | 4 | 2323 |
| Mar. | 29 | 225 | 1 | 785 | 11 | - | 1051 |
| Apr. | 26 | 204 | 3 | 626 | 11 | 3 | 873 |
| May. | 11 | 115 | 1 | 324 | 1 | 1 | 453 |
| Jun. | 6 | 139 | - | 317 | 1 | 1 | 464 |
| Jul. | 5 | 62 | - | 193 | 2 | - | 262 |
| Aug. | 4 | 62 | - | 160 | 5 | 1 | 232 |
| Sep. | 6 | 33 | - | 96 | 12 | 1 | 148 |
| Oct. | - | 13 | - | 79 | 5 | - | 97 |
| Nov. | 8 | 6 | - | 24 | 4 | 3 | 45 |
| Dec. | 2 | 11 | - | 7 | 2 | 2 | 14 |
| Total | 213 | 1565 | 13 | 5207 | 76 | 22 | 7096 |

KEY

| | |
|----|--------------------------|
| B1 | Wholesale |
| B2 | Catering |
| B3 | Motor Vehicle Repair |
| B4 | Regulated Trade |
| B5 | Miscellaneous occupation |
| B6 | Manufacturing |

SOURCE: MACHAKOS DISTRICT TRADE DEVELOPMENT OFFICER, ANNUAL RETURN, 1982.

TABLE 6 (B)COMPARISON

| | 1982 | 1981 | % INCREASE |
|----|-------------|-------------|------------|
| B1 | 213 | 172 | 24% |
| B2 | 1565 | 1264 | 24% |
| B3 | 13 | 13 | 0% |
| B4 | 5207 | 4966 | 7% |
| B5 | 76 | 73 | 4% |
| B6 | 22 | 13 | 69% |
| | <u>7096</u> | <u>6501</u> | |

Overall percentage increase was 9.15%

SOURCE: MACHAKOS DISTRICT TRADE DEVELOPMENT OFFICER, ANNUAL RETURN, 1982.

From the tables 6 (A) and (B) above, clearly an increase of 595 new establishments was realised during the period 1981 to 1982, an indication of the people's willingness to venture into the commercial sector. Motor vehicle repair, on the other hand had remained unchanged and according to the Machakos District Trade Development Officer.....

this may be attributed to the fact that many "open - air", commonly known as "Jua - Kali garages which are exempted from all the provisions of the Trade Licensing Act have constantly posed very stiff competition as their operating costs are usually minimal compared to those operating in permanent business premises. The charges by these open - air garages are therefore, usually lower and many motorists prefer taking vehicles to them. Hence many would be investors in this field, and have been discouraged.

In the case of consumer goods, the investors have not stayed away, they have put up their businesses and due to stiff competition from the hawkers - some, at least four of the respondents said, they were thrown out of business by hawkers:

The data analysis brings up points as identified by the respondents and the Machakos District Trade Development Officer. Secondly while some of these causes may be traced to the traders themselves, the government agencies and/or other non-government organizations that help the small-scale African businessmen, will have to re-examine their roles versus vis those of the traders themselves in the development of small-scale businesses.

The large family, lack of capital, lack of business skills (thus, the death or sickness of a member of family leads to failure of the business), drought and/or famine, the presence of hawkers, poor distribution (where wholesalers are also allowed retail trade), and lack of customers - due to the defective licensing system that allows mushrooming of businesses that lead to unnecessary and unfair competition all these are factors which cause failures but for which it is felt the small trader should not be blamed wholly. Each one of us - government, the voluntary organizations and scholars of business management need to understand the dynamic and unique factors and how these influence small scale African entrepreneurs. This understanding will enable us to cut out tailor made extension services to ensure the development and success of these small scale traders. These are the majority as noted earlier on and their success would have a widespread effects on the economic development of our nation. Unless we achieve this success there will be accusation and counter accusation the small scale entrepreneurs blaming their failures on the government agencies that are entrusted with the responsibilities of helping these entrepreneurs and the agencies in turn blaming their clients.

Before concluding this chapter it will be appropriate to note that at four centres, an effort was made to get a feeling of those practising businessmen concerning the causes of failure of those small scale African businessmen who failed. The results we got had positive relationship with the main contention of this study. Thus: the nine, seemingly successful businessmen in these centres were boastful with a feeling of resentment on the failed businessmen. They said small scale African traders failed because of engaging themselves in capital consuming social relations - buying shambas, marrying extra wives and excessive drinking.

However, further probing revealed that these practising businessmen - eight of them were either engaging in the same practices or they had actually done exactly what the failed businessmen had done. For example, seven out of the nine interviewed had two wives each and had admitted buying shambas and constructing additional trading premises. It was found then no useful information about causes of failures of small-scale African businesses can be obtained from the already biased and still trading African businessmen.

It is important to point out here that although there was intention of making a comparison of what appeared to be the "remote" (relatively poorly accessible) centres and the relatively infrastructurilly well served areas, this was found to be unnecessary. This was because the problems facing the centres were identical in both cases - remote and infrastructurilly well served areas.

This chapter has dealt mainly with the research effort in carrying out this study. It is necessary then at this stage to make conclusions and recommendations which make up the remaining part of this study in the chapter that now follows.

CHAPTER 44.1.0 CONCLUSION AND RECOMMENDATIONS4.1.1 SUMMARY

It was emphasized right from the beginning that there was need to carry out this study because of the large numbers of the people involved and the vital role, even though potential for the time being, the rural population can play in developing the economy. This is especially so when they play the role of "opening up" these up-country areas to the modern monetary economy. Hence this realisation has even caught the attention of scholars and the government. The scholars of late have done some commendable job researching on performance of the small scale businessmen in their endeavour in developing the commercial and industrial sectors in Kenya. However, much still remains to be done by these businessmen so that their impact on the national economy can be felt.

It is stressed in this study that those earlier researchers in this subject would have done a better job if they did not interview the already successful or rather those businessmen who were still in business. These would not give correct answers explaining the "actual causes" of failures of small scale African businesses. And as found in the previous chapter the real causes of failures of these businessmen is not what had been assumed previously - namely, lack of business skills entirely, and not wholly being "pre-occupied with the acquisitions of loans to the extent of neglecting other factors that

contribute to the success of a business venture;⁴⁹ not even capital consuming social relations and being exhibitionist when success begins to show as the main factor behind his poor performance. Neither is it true to conclude as De Wilde in a study on the development of African Private Enterprises that "Virtually all surveys on African businessmen have concluded that inadequate management is the most crucial factor".⁵⁰

It is held in this study that lack of capital claim is illusory as has been found by the other researchers in this area - Harper, Child, Mwangi, Kessio, Somerset, etc. It was found that twenty six of our respondents had started with "some" capital - either from personal savings or some wealth inherited from their parents. These businessmen were able to venture into business in the first place. then capital was not a problem.

Therefore, it is proposed that the main objective of the study has come out as set out to investigate at the beginning, and thus the real causes of failure have been identified. As discussed in the data analysis chapter, the causes are factors like the big size of the family that leads to increased family budget for either food, clothes, and general up-keep and increased school fees because of the many children in the family when they go to school, especially secondary school.

⁴⁹Kinyanjui and Gakuru: Op. Cit., P. 9.

⁵⁰J.C. de Wilde: Op. Cit., P. 12.

There was also found inadequate business management skills, so that the owner-manager builds his business on a weak base of himself alone and this leads to the collapse of the business when the owner-manager's attention is detracted from the business by the sickness or death of a member of the family or even when he himself dies. There were also found external factors that were outside the control of the individual businessman - like drought and/or famine, the presence of hawkers. Other external factors were identified as the poor distribution system, and defective licensing system.

It will be appropriate at this point to make a number of observations as regards the size of the family. As noted in the data analysis, the closed up business premises were a common sight in the centres visited. This led the researcher to form the opinion that these were a sign of "earlier prosperity" on the part of the businessmen. They experienced some success when they started with a smaller family that was initially manageable, later the family grew and expanded and had heavier demands on the business in terms of food, clothing, medical care, to name a few. To the already over-burdened family business the children grew and become school age going. When these were paying fees at the primary schools noticeable capital consumption from the business was obvious as reported by one of the respondents...

the shelves that were always dark because of stock started picking dust and customers were often told such and such a good was out of stock .

For the eight (respondents) who attributed their failure to school fees, said the actual failure

came when their children went to secondary schools. This has truth in it when one considers that the average secondary school in the district charges about two thousand shillings (Shs.2,000) for tuition, building fund, caution money and activity fee. This is day school and the student has to buy school uniform, if the school is far away from home rent a room for living, buy food, paraffin and soap. Thus the school bill per year would be, at least, three thousand shillings. If there are two children in the school then this becomes a big burden on the business which most of the time is the only source of a livelihood for the entire family.

The above point contrasts with the view held by Sir Arthur Lewis that "the best way to improve the level of African business is to pour so many boys (and we hope girls) through the secondary schools that some youngsters are forced to go into business if they are not to remain unemployed (emphasis added)".⁵¹

It will be proper at this point to note the fact that currently the number of unemployed secondary school leavers is very big, many are unemployed and yet these youngsters still remain in the streets of the big towns of Kenya hoping against hope that some day a job will be found. So if according to Lewis, it is the number of youth with secondary education that will benefit the small scale business, then Kenya's small scale traders should be doing very well contrary to what we see

⁵¹Sir Arthur Lewis: Op. Cit., P. 25.

today. This view is erroneous because a lot of government revenue and that of parents has been spent on educating the youth. Perhaps Lewis should have recommended a restructuring of the education system so that those unemployed youth who went through our secondary education would be equipped with some basic business management skills. These would make them more prepared to pick business management skills faster at the business management seminars that would be organized through the extension services. But unfortunately the quality of education leaves a lot to be desired. Many of the youngsters end up with a fourth division or a very poor third division. He or she ends up going back home helpless and still looking at the parents as the source of their daily bread; not only for themselves but also for their own children (the children will have their own children soon after their school). This becomes very embarrassing to the family because all along there had been hope that the youngster would be a big asset rather than a liability.

The drought which is prevalent in the area affects the small scale businesses by reducing the purchasing power of the customers and slackens the business activity in general. At the same time the accompanying famine then forces the businessman to indulge in capital consumption a factor to which five of the small scale African businessmen interviewed attributed to their failure.

Hawkers pay little in licence fees. If licensing is not controlled there will be unfair competition and eventually "self" destruction of small scale traders. The presence of hawkers among other things leads to dead stock and unnecessary locking up of capital.

One at this point may argue that what we need in the rural areas are the hawkers' businesses that have simple structures with little overheads as opposed to the elaborate business premises. The hawkers with their simple structures and the less prices would then continue providing goods that are in demand to the rural poor and this will be to the advantage of the latter. The above move would need major policy statement after careful investigation by the government and scholars to assess the long term costs and benefits to the society.

The hawkers have a different view as Ngotho wa Kariuki points out on the Trade Licensing Act...

Such laws discriminating against the society are undesirable if the country is to progress towards its declared goals of an expanded economy catering for everyone's aspirations. The people need freedom to make a living while supplying goods at competitive prices which would be attractive to the lowly paid wage-earners who cannot afford to purchase from the shops. The restrictive policy advocated by the Trade Licensing Act is necessary to promote Africanization. However on the case of Local authority it is undesirable for even it deters the development of entrepreneurial talent. By competing freely in the market they would develop discipline and talent because only the best of them would succeed. They would also force those who are "acquiring" shops to be competitive.⁵²

⁵² Ngotho wa Kariuki: Op. Cit., P. 105.

But while the sentiments expressed by Kariuki may appear very convincing and acceptable, it was found rather difficult while carrying the study in the Machakos district to uphold this view. This was because the failed businessmen had a negative view on hawkers. They argued that while it was true they (hawkers) sold same items as the one ordinary businessmen (failed) used to sell, the latter did not comprehend the "sources" of their merchandise. It was sold at such a low price it could not have been acquired legally or without the rich businessmen's conspiracy in the big towns. The failed traders further argued the hawkers were actually "employees" of the rich Asian traders in Nairobi or Machakos, and were purposely given big margins and/or trade credits by their masters so that the latter can still carry on their businesses in the rural areas.

Inadequate business management skills was another causal factor related to the failure of small scale African businesses. The argument of the businessmen that "income tax collectors have often made unfair assessment much above what the businessman actually gets from his actual returns," may be looked at as a case of lack of business management skills where traders never file income tax returns and thus force the tax collectors to prefer charging them on estimates.

Again due to lack of business management skills, and as the Machakos District Trade Development Officer put it....

the traders have engaged themselves in diversification unnecessarily on purely prestigious investments with little profit motive, and no proper records of withdrawals by themselves or even credits given to customers .

Obviously this is not the best way to run a profit making organization and failure is the most likely result in such a situation. Therefore the small scale African businessman has to realise or be made (through education) to realise that he or she has to be a serious business manager. The requirements of such a position are very demanding. Thus he has to be a manager, a person who is an administrator, an incisive decision maker, and an aggressive innovator and a willing and ready risk taker; qualities that are not yet fully developed within the majority of our upcountry businessmen.

The distribution should be more organized so that agents are within easy reach by the retailers. The former will need to be given trade credits and more days in which to repay their credits so that they can continue with business without having to worry constantly about cash to repay their creditors.

The licensing of businesses is defective because it allows the wholesaler a retailer's license. This does not only permit the wholesaler to compete with the small scale businessmen but also enables him (wholesaler) to hoard the goods

and sell them, at times at a premium to the retailers or refuse to sell to them especially fast moving items. This arrangement does not auger well for the small scale businessmen who have hopelessly seen their businesses going down because of lack of supplies and especially in some of the hinterland centres where costs of transport may be prohibitive to buyers of smaller quantities.

In this study so far, a number of salient points have come up from the failed businessmen explaining the causes of their poor performance in business and their eventual collapse. To them the one big problem with their businesses has been the size of their families contrary to the traditional society where the number of children one had, the wealthier he was, and the higher status he had in society. It will be rewarding to investigate this aspect of size of family and find out if there is any truth in the allegations of some of the failed businessmen...

now that children in our families have grown and gone -- out of our care, if we are given a loan in cash or trade credits we should be able to do good business in our closed shops (the presence of closed up permanent trade premises in the centres visited was a common sight).

Drought and/or famine was the next culprit identified, the presence of hawkers, inadequate business management skills and the poor distribution system where wholesalers are also retailers.

These problems inflicting the small scale businesses while some of them are not very different from the earlier findings - like inadequate business management skills and poor distribution system, the findings on the size of family, school fees, drought and/or famine; call for a look at the problems of the small scale African businesses in its wider perspective. The larger society will have to play its full role in helping the small scale African Trader. We shall need for example, the full government participation in enacting more relevant laws governing small scale businesses and provision of other important pre-requisites in the form of infrastructural facilities like electricity, all weather roads, accessible agents for readily supply of merchandise and a better more regulated distribution of this merchandise. The attitude like one held by a number of non-African manufacturers is not helping the Africans at all. One manufacturer once had the audacity to say...

Give some of these new traders your product. They don't even have any vehicle to transport it and you will see them take ages to dispose of one ton. They would soon send you out of business'.⁵³

This is a negative view held by many (non)-African manufacturers towards the small scale

⁵³Ngotho wa Kariuki: Ibid. P. 199.

African entrepreneurs. It is a very unfortunate attitude because it will delay the development of the entrepreneurship amongst the small scale African traders.

The size of the family is the responsibility of the individual businessman, but still government cannot sit back and just watch. This problem is a tricky one as it was found in the field. One of the respondents admitted the cause of his trouble was his big family and when he was asked why he had allowed the family to be big, he innocently said his wife had had a child each year because "I was looking for a boy". The culture, as in many other societies, requires the family to have a son for inheritance. This is no different from the Asians, for example, where their businesses are for "Mr. so and Sons" and not daughters. These people need to be influenced to change their attitudes and to realise the benefits of a smaller family irrespective of the children's sex. Admittedly this is not simple and cannot be achieved over night and a lot of effort, patience and time, will be needed. This will be necessary if we can hope to effectively offer an extension service to the small scale African traders and ensure the success of their businesses and the development of the rural economy to the advantages of the masses who live there.

The recurrent drought and famine are aspects which could be provided for in the development plans so that the cyclical pattern of buying behaviour is removed. It is hoped with the present government efforts through the Ministry of Agriculture and Livestock Development and the soil conservation campaign the drought and/or famine will be minimized

to the advantage of the business development and growth in the district as a whole.

4.1.2 RECOMMENDATIONS

It will be worthwhile before completing this study to make a number of recommendations. First the Family Planning Association of Kenya has a part to play in reducing the size of the Kenyan rural families. It is unfortunate that their (Family Planning Association) efforts have tended to concentrate in the urban areas where their efforts may not be as urgently needed anyway. The urban dwellers are relatively more informed and as such will tend to have smaller families because of economic forces that are more hard hitting at the urban than in the rural areas. Government efforts in family planning through family planning field educators and Maternal and Child Health units should be strengthened to control the already large families in the rural areas.

The size of the family is crucial and those in business still face the danger of collapsing if more stringent measures are not taken to help them. The help must be long-term and must involve reduction of the size of the family to reduce the burden of dependants on the family business. Also introduction of a more practical education that will put the school leavers on gainful employment and therefore make them less dependent on the family business.

Recommended also, is national development programme aimed at reducing the effects of drought, for example, through irrigation schemes - possible through a "multi-purpose river development schemes".

These will reduce drought so that the recurrent drought and/or famine can be done away with, so that the seasonal fluctuations in business activity in response to dry weather can be checked and a more stable and permanent business pattern achieved.

The fact that these men interviewed saw a loan as an important prerequisite for the success of a business did not mean they necessarily wanted a loan for the sake of it. Further probing showed that a loan was seen as the only assistance government would give. It never occurred to the businessmen that business management was either necessary or could be offered by the government. Despite erroneous belief many businessmen will have time to attend business seminars, after all they always close their business premises whenever they have pressing needs to attend to. So why not a few days business seminar? This seminar will be of little use to the businessmen if it is not closely tied up with the extension service. This extension service is recommended because it would ensure what was learned in the seminar is internalised and used in the real business situation. Cases where a business seminar is used to get acquainted with possible lenders of capital should be completely discouraged. But a word of caution will suffice here. The extension service needs a highly disciplined workforce who are ready to work on their own without being pushed. But the present situation is where majority of the officers spend most of their time in their offices instead of going to client's working places to give advice and study the individual's requirements and the best ways of tackling the daily problems. The extension service personnel will have to rededicate themselves and adapt a more positive approach to the service of their clients.

It is contended in this study that any viable technique for solving problems that have hitherto plagued the small scale African businesses will need a dedicated and disciplined personnel that will ensure not only the actual implementation of the extension service but also a constant follow up. This is the only way to be sure that weaknesses or failure detected can be corrected in time so that success of services meant to help small scale African traders is achieved.

Hawkers pay little in license fees. Licensing should be more discriminatory. It is recommended that traders should be assessed before actual licensing. If licensing is not controlled there will be unfair competition and eventually "self" destruction of small scale traders due to dead stock and prolonged and unnecessary locking up of capital. In addition hawkers should be restricted in their movements from one trading centre to another. As the respondents pointed out...

hawkers are killing businesses, they should not be banned because they have families to look after, but should be restricted in their movements and rent shops rather than allowing them to have their shops outside the trading centres. We can't put wheels in our shops to take them around the district. !

Their movements all over the district and their ability to undercut the small scale African businessmen, calls for a close scrutiny because the end result of their activities may be unfavourable to the development of entrepreneurial skills in the rural areas where it is urgently needed.

These recommendations would not be of much use to the community unless the relevant Ministry played a leading role. Therefore the Ministry of Commerce and Industry should play a more active part in distribution and setting up of businesses through a more discriminatory licensing procedure. This will be possible by making use of Ministry's field officers for these are already in the field and therefore are in a better position to make their assessment. Thus the field officers may recommend a shoe shop instead of a general retailer shop.

4.1.3 LIMITATIONS AND CONCLUSIONS

The nature of this study presented a unique problem to the researcher in that the study itself was a "post-mortem", as it were, analysis of businessmen. Some were emotionally recalling their "good old days" when they used to do good business. Yet others were outright unco-operative and never saw any reason to be bothered by answering questions from the researcher. And for this reason negotiations to persuade these businessmen to accept an interview was very time consuming.

The other obvious limitation was time constraint and the availability of enough research funds. The period of four months was hardly enough to carry out an in-depth research in this area. This coupled with the fact that there were campaigns for the general elections, at times made progress very slow indeed.

Another problem that was faced in carrying out this study was on impersonation of tax-collectors as business researchers and these have antagonised the real researchers and former or present businessmen

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Another problem that was faced in carrying out this study was on impersonation of tax-collectors as business researchers and these have antagonised the real researchers and former or present businessmen

are unwilling to give information regarding their businesses. In addition, after a visit by the impersonating tax assessors, small scale traders have at times been over-taxed and consequently thrown out of business. While at one of the centres (Kangundo), the researcher met an open-air (the type popularly called "JUA KALI") garage owner who had been charged fifteen thousand shillings (Shs.15,000/=) as income tax. He consulted a firm of Accountants and Auditors and the actual figure was brought down to one thousand shillings only (Shs.1,000/=).

The above is just but one incidence and business researchers have mentioned cases where respondents have had suspicion on them (researchers) as tax collectors or followers of loan defaulters. Perhaps a better method will have to be devised by those concerned from the income tax department so that this suspicion against researchers is removed. The two groups (researchers and income tax assessors) are doing good work for the economic development of the nation as a whole, and as such there should not be a clash between the two.

The above problems then made it difficult to attain the original sample of at least thirty six respondents. However, it was possible to interview a total of twenty nine. The selection method used for those interviewed made the sample representative enough and as such useful conclusions were derived from the sample. Therefore, it is held that despite these limitations the main objective of this study has been achieved. And it is hoped that those concerned with the task of helping the small scale businesses, especially in the Kenya's rural areas, will act on these recommendations so that greater economic heights can be achieved for the benefit of the country as a whole and the poor rural areas in particular.

APPENDIX A"FAILED" BUSINESSMEN'S QUESTIONNAIRE

I am a student of the University of Nairobi, and I want to find out what caused problems that made you leave business activity. I hope your answers will help those in authority to help society and businessmen to successfully carry on their businesses.

1. How old are you?.....

2. Can you read and write?.....

3. How far did you go in education?.....

4. Do you have a family?
If yes how big is it?

Wives.....

Children.....

5. How old are your children?

| | <u>AGE</u> | <u>CLASS/FORM/UNIVERSITY</u> |
|-----------------|------------|------------------------------|
| First Child (i) | | |
| (ii) | | |
| (iii) | | |
| (iv) | | |
| (v) | | |
| (vi) | | |
| (vii) | | |
| etc. | | |

6. How long were you in business?.....
.....
.....

7. Why did you go to business in the first place?
Explain.....
.....
.....

8. What would you say was the biggest problem(s)
that caused you to be out of business?
.....

- Name Problems: (i)
(ii)
(iii)
(iv)
(v)

9. From the problems given above which one would you
say was the biggest that faced you and caused your
collapse?
Biggest problem was.....

10. Did you seek assistance to overcome the problem(s)
above?
Yes/No

11. If yes, from whom did you seek assistance?
.....
Assistance got from (i)
(ii)
(iii)
(iv)
(v)

12. Were you assisted? Yes/No.

13. If yes, were you satisfied with assistance?
Yes/No.

14. What assistance did you get? (i)
(ii)
(iii)

----- If No, what assistance would you have liked to
get from assisting agent? (i)
(ii)
(iii)
(iv)
(v)

15. During your business activities, would you say at
first you were doing good business making profits?
Yes/No.

16. If answer is yes, about how much profit were you
making per month? Shs.....

17. How are you using the profit? i.e. payments per
month: (i) Rent Shs.....
(ii) Salary Shs.....
(iii) Tax - Central Government Shs.....
 - County Council Shs.....
(iv) Other expenses Shs.....
(v) To savings Shs.....

18. Did you own some other business? Give examples.

(i)
(ii)
(iii)
(iv)
(v)

19. If you were to go back to business today are there some business activities which you used to do, which you would not do today? Give examples.

- (i)
- (ii)
- (iii)
- (iv)

20. In your opinion what help would you like to get from the Government in carrying out your business if you were to go back again to business?

- (i)
- (ii)
- (iii)
- (iv)
- etc

APPENDIX B

I am an M.B.A. student of the University of Nairobi, and I am trying to find out the cause(s) of failure of small-scale African businesses from the failures themselves in Machakos District. I hope your answers to the question below, as the District Trade Officer (and more conversant with these small-scale businesses) will help to assist the small scale businessmen to do well in future.

1. As the District Trade Development Officer, what services/help do you give to small scale businessmen? Please enumerate.

(i)

(ii)

(iii)

~~(iv)~~

etc.

2. What has been the response of these businessmen to your services/help?

Very poor, poor, satisfactory, good, very good.
(Please circle one).

3. In your opinion what services/help would you consider as very important in helping the small scale African businessmen?

(i)

(ii)

(iii)

(iv)

(v)

4. What would you consider as the biggest problem(s) facing these businessmen in your District?

Problems in order of magnitude are:

- (i)
- (ii)
- (iii)
- (iv)
- (v)

5. What measures have you taken to help these businessmen in solving these problems?

- (i)
- (ii)
- (iii)
- (iv)
- (v)

6. Are these measures working? Yes/No.

7. If No, are the measures then defective and what do you plan to do to make them effective?

Explain.....
.....
.....

8. What do you consider as the most serious cause(s) of failure of small-scale African businesses in the District?

Most serious cause(s) is/are:-

- (i)
 - (ii)
 - (iii)
 - (iv)
- etc.

9. Do the businessmen think the above "causes" are the most serious causal factors for their businesses failures? Yes/No.

10. If today you were given the necessary resources what help would you provide to the small scale African businessmen to make them more successful in business?

Explain.....
.....
.....

11. Who are the most likely people to fail in business in your District, young or old people?.....
.....
.....

12. Do you think education/literacy has had any bearing on the success or failure of these businessmen?
.....
.....
.....

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