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FACTORS THAT INFLUENCE LOCATION, OPERATION AND
DEVELOPMENT OF SMALL SCALE INDUSTRIES
IN BONDO URBAN CENTRE

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(ii)

D E C L A R A T I O N

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

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D E D I C A T I O N

To my parents Samwel and
Joyce Orawo.

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A B S T R A C T

The rapidly increasing population and slow rate of formal job creation have greatly accelerated growth of "informal sector" whereby small-scale activities have been located in various places. In almost all these locations, informal activities have been incompatible with the adjacent landuses. Whereas the informal sector is a land-use as any other, the planners have usually not included it in their plans. The result is that these informal activities have been termed illegal. This has also affected the expansion of these small-scale enterprises.

The study, therefore, set out to determine factors which influence location and development of small-scale enterprises in Bondo Urban Centre which is characterized mainly by administrative and commercial functions with small scale-scale enterprises concentrated in the central area. This entailed seeking direct opinions of the small-scale entrepreneurs as to why they have located in their respective sites.

As a result, the study has come out with a summary of the major research findings in view of the objectives. These include the fact that most entrepreneurs concentrate largely on consumer/retail and produce goods

which have proven to be in demand; that entrepreneurs seek locations which guarantee them ready market for their goods; and that capital is the most serious constraint which hinders the development of informal enterprises.

These are, therefore, some of the research findings expected to help the planners in predicting areas suitable for small-scale industrial enterprises and then provide zones for the activities while planning urban areas.

To stimulate the development of small-scale enterprises this study has recommended that the public sector agencies assigned to promote small-scale industries should be strengthened. The Government of Kenya should also support the small-scale enterprises by promoting physical infrastructure, extension services, training and improved marketing.

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CHAPTER ONE

1.0 INTRODUCTION

The rapid rate of population increase in the third world countries and the inability of the rural areas to provide employment opportunities or high incomes have brought about a set of problems: massive migration from rural areas to urban areas, rapid growth of principal cities, widespread unemployment and underemployment as well as a visible "informal economic sector" (Norrmoahmed 1989). This has resulted in the development of both formal and informal sectors side by side.

Until recently, most of the developing countries' governments have looked upon the small scale enterprises/informal sector with great skepticism, generally considering such small enterprises as part of the economy which will (and should) disappear in the course of development (Pedersen, 1989; Muench, 1977). However, it has been realized that large/formal enterprises, at least for some time, will not be able to solve the rapidly rising unemployment problems (Pedersen Ibid). Therefore, partly under the initiatives of the World Bank and large aid donors, the small enterprises sector has increasingly come to be taken seriously.

In a country like Kenya with high rate of population growth (3.8%) and strong rural-urban migration leading to average urban population growth of about 7.1% per annum; the rate at which urban centres grow has not corresponded with the need for jobs and amenities. As a result one finds a proportionately large percentage of the urban population taking up small-scale activities usually classified under the informal sector as a source of income. Furthermore, Kenya's population is expected to reach an estimated 35 million by the year 2000, out of 9 to 10 million will be living in urban areas (Kenya 1989c). Thus taking the assumption that it takes the Government about Kshs. 320,000 to create one job in the formal sector, only 1.4 million new jobs would be created by the year 2000. If this happens, then 40 percent of the labour force will be without jobs at the turn of the century (Kenya 1989c). This makes the development of small-scale enterprises a promising strategy for increasing alternative employment opportunities.

In response to this, market centres and small towns in many parts of the Republic of Kenya are already being encouraged to play crucial role of providing services, infrastructure, and utilities necessary to support small and medium-sized enterprises that generate

off-farm employment. Thus market centres and small towns in Kenya should play important roles in linking rural areas with large urban markets, as expansion of these urban-rural linkages are crucial for economic development (Obudho, 1983; Njinu 1983; Njau 1980; Nyumayo, 1980).

It is also important to note that past attempts to recognize the contributions of small-scale industrial enterprises in increasing employment opportunities and therefore incorporating them into officially recognized industrial policy, in Kenya, are reflected in the existence of Rural Industrial Development Centres (RIDCs). But the RIDCs are equipped with too sophisticated tools in relation to the needs of the local artisans (Livingstone, 1981; Jorgen 1989). Not only does this involve heavy capital and operating costs, it also means that trainees undertaking training at the RIDC, acquire skills which do not often match with actual technology of the surrounding enterprises. The implication is that improvement in skills, where necessary, should not go beyond the reach of the target artisans/entrepreneurs/operators.

Besides which, small-scale enterprises have often continued to experience other several difficulties such as capital scarcity, lack of adequate demand for their products, too much competition from both formal and

informal firms, harassment by the local authorities which retards motivation to invest in equipment and legal restrictions on the location and operation of the enterprises (Kabagambe, 1975; Bowa, 1987, Ngethe et. al., 1987).

It is thus the aim of this study to try and develop a case for small scale industrial activities in a small urban centre located in a predominantly rural setting. On the basis of this, the study focusses on:-

- (a) location requirements of small scale industrial enterprises,
- (b) types of structures under which the activities are operated,
- (c) conditions favourable for the operation and development of small scale industrial enterprises,
- (d) the provision of entrepreneurial skills,
- (e) the demand for outputs from the trades within the sector.

1.1 STATEMENT OF THE PROBLEM

Many problems concerning economic development are experienced in Kenya. These are manifested in inadequate capital and market for manufactured (modern) goods; and domination of the domestic economy by foreign producers who import to Kenya foreign and often capital intensive technology (I.L.O, 1972; Leys, 1972). The Kenyan Government, therefore, has been from 1972, encouraging small-scale industrial enterprises as alternative measures to provide additional employment opportunities and hence assist in solving some of the development problems (particularly those of population pressure on farm land, rural-urban migration of unemployed school-leavers and extreme dependency on foreign owned and controlled production technology).

However, in most cases small scale enterprises' workshops are often operated on sites destined for other developments so that after some time (usually after the artisan or entrepreneur has acquired goodwill), the landlord comes in to develop the site. Eventually the workshop owner is evicted putting him out of business operation which in turn affects development and growth of the same (Okwiri, 1988; Bowa, 1987). The workshops also require a large display area which is rarely available, so that where they operate next to shops, for

example, their products will be found obstructing access to the shops and even easy traffic and pedestrian flow along the streets. Noise and pollution arising from the artisans' operations may prove to be very uncomfortable especially where these are located within residential areas. Even the bright flashes from the welding works may be disastrous to the eyes especially of children as most workshops operate in the open.

The above assertion implies that, small scale industrial enterprises need reserved areas from which to operate. However, the local authorities have not been able to provide sites, in appropriate places, from which small scale artisans can operate. Or, in other words, the reasons for low regard of the small scale enterprises during the initial planning considerations are not very clear.

It is also important to note that studies which have been done in the major towns (Kisumu, Nairobi etc.), have revealed that small scale enterprises are often located in the low income residential areas (Okwiri 1988; Ngethe et. al. 1987; Kabagambe, 1975). Further, findings of some of the above studies have also revealed that, apart from locating in low income residential areas where market for their products exists, the artisans in the informal sector also prefer places in close proximity to place of residence so as to maintain the social and economic set up. This study however sought

to establish whether the above findings are also important in a small town where most residents are dominantly low income earners, and where entrepreneurs/operators, in most cases, come from their rural homes in the morning to open their workshops. Another difference is that in large towns the artisans depend entirely on the incomes from the small scale activities while in rural centres, informal activities may be considered along side agriculture.

The study also reflects on the current concern by the Kenya Government that Kenya has no significant entrepreneurial ability in the formal sector because most industries and businesses are owned by foreigners. The informal sector on the other hand is dominated by Kenyans. However, the environment in which informal small scale enterprises operate is unstable. The small scale activities have much less access to the services and favours of the government than large scale enterprises and corporations. This implies that informal (small-scale) sector does face external competition.

And, as if that is not enough, there is also stiff competition within the informal sector (Wagithi, 1987; Kaberere, 1987; Pedersen, 1989). The findings of the above studies have been supported by Ngethe et. al. whose study found that only 5.6 percent, 2.0 percent,

5.8 percent and 1.9 percent of the respondents in Nyeri, Meru, Uasin Gishu and Siaya districts respectively had no competitors, whereas 34.5 percent, 51.5 percent, 41.6 percent and 32.3 percent of the enterprises in Nyeri, Meru, Uasin Gishu and Siaya districts respectively had to compete with between 1 and 10 similar enterprises. It thus becomes pertinent to ask why the artisans in the informal sector have been unable to diversify their activities? This became the concern of this study because, with the aim of indegenising the economy in the future (Kenya, 1986), there is need to investigate the factors that inhibit expansion of the informal small scale industrial activities.

In summary, the study set out to answer the above questions since it was the contention of the author that, in order to improve the capacity of the informal sector, either diversification or formation of institutional mechanisms which could reduce destructive competition within the sector and at the same time contribute to the improvement of its (informal sector's) competitive capacity in relation to other sectors, be encouraged. It was also in the opinion of the author that, one equally needs to understand and appreciate factors which have some impact on the location of small scale enterprises so that the fear inherent in the concept of

illegality (i.e most enterprises operate on plots which do not belong to them and hence fear being evicted) could be removed, in order, to encourage more investments by the entrepreneurs.

1.2 THE OBJECTIVES OF THE STUDY

The main objective of this study is to explore the factors that affect the development of small scale industrial enterprises (SSEs). This broad objective aims at incorporating the factors which enhance the competitiveness of SSEs, and therefore encompasses:-

- (i) establishing the factors which have influenced the location of SSEs in Bondo. This objective will be pursued only to the extent of trying to understand and thereby structure the pattern of perceptions that various entrepreneurs and operators have of the environment within which they locate their establishments.
- (ii) determining how many small scale enterprises engage in similar activities. This is aimed at finding appropriate ways to overcome product duplication.
- (iii) exploring the possible alternative opportunities to improve the overall performance of the sector.

1.3 THE SCOPE OF THE STUDY

The study is confined to Bondo Urban Centre. Although Bondo had 322 informal activities, which served as the sample frame, special reference was given to those enterprises which engaged in manufacturing and repair activities. This is because the two sub-sectors (manufacturing and repair) of the informal sector are likely to play a vital role in the economy due to their development potential.

Above all the main focus of whole study is on the factors that induce development of SSEs. The study, therefore, examines the general characteristics of the enterprises including information on the nature and number of activities undertaken by the enterprises, where they are located and possible threats to diversification.

Within the above framework the study has come out with viable policy interventions which can possibly enhance both the productivity and competitiveness of small scale industrial enterprises.

1.4 SIGNIFICANCE OF THE STUDY

For purposes of development planning, it is necessary that the envisaged potential from the manufacturing small-scale enterprises be evaluated frequently in order to assess their relevance and adequacy. It is only through such an understanding that possible corrective measures (whenever they may be needed) can be applied for balanced development especially in the small mushrooming urban centres, towns and the like.

One should note further that location of economic activities, and more particularly of manufacturing and supporting service industries, plays an important role in national as well as regional development. This is because, decisions to locate in particular places are usually accompanied by investment of resource which ultimately facilitate growth and development of such places. Location and accompanying investment decisions similarly provide stimuli for mobilization of locally available resources for purposes of development.

It is on the basis of the above, that this study examines factors that affect location of SSEs. Thus the study is significantly justified because, the sector's

entrepreneurs are likely to become more secure once they have settled on pre-determined places as there will be no question of re-allocation. The planning authorities will also be able to make provisions for the SSE sector activities long before any development takes place. This is envisaged to contain the small scale enterprises because, the proposed locations are expected to have characteristics conducive to the development of small scale activities. Even the urban authorities will be in a position to increase their revenue as an organized location pattern for the artisans/entrepreneurs will make collection of dues easy. Thus a sound locational policy will imply increased security of the sector's activities.

While that is so, another aspect of industries which is very important is their level/mode of operation. This is because level/mode of operation that encourages utilization of locally available raw materials helps local people and local economy to earn incomes which are ultimately used to raise the general standards of living. If local manufacturing establishment, can similarly produce the type of goods needed for the rural economy (e.g simple agricultural implements, simple machine tools, spare parts), the level/model of operation may be considered relevant and dynamic. The above assertion also justifies the importance of this study as it (the study) aims to look into factors which have impact on operation of SSEs.

Another significance of this study can be explained from the premise that it also attempts to establish and determine factors that contribute to the development of the SSEs. An enterprise that does not stagnate is equally important since expansion means more investments, more employment opportunities due to increased work and it might also mean improvement on quality.

In summary, the fact that this study endeavours to achieve an integrated and dynamic small scale industrial sector gives it uniqueness and indeed its justification and significance.

1.5 THE STUDY ASSUMPTIONS

In this study various assumptions have been taken to verify the existence, role and location of small scale industries in any urban area. These include:-

- (a) That so long as there will be limited employment opportunities in both the private and public wage earning sectors, the informal sector is likely to grow in size in the developing urban economies.
- (b) That small scale industrial enterprises will continue to require resources which can be obtained locally.

- (c) That most of the potential labour force in the small centres, in rural areas, like their counterparts in the larger urban centres will have to seek employment in the small-scale industrial enterprises (jua kali).
- (d) That adequate provision is not made for the small scale enterprises during planning process.
- (e) That small scale entrepreneurs will always locate where their goods and services can be bought easily.

1.6 JUSTIFICATION OF THE STUDY AREA

Bondo was chosen as a study area because of its large rural hinterland (important for market potential and attraction of the centre), a good trunk road linking it with Kisumu (source of raw materials) and it has also some of the infrastructure and utilities (land, post office, labour, water etc.) necessary to support small scale enterprises aimed at generating off-farm employment opportunities.

The centre has also about 322 informal activities of which manufacturing constitute 22.7 per cent and repair about 13.6 percent. It is equally important to note that, the centre is situated in a region characterised by high

out-migration as clearly demonstrated by the fact that between 1948-1962 approximately 100,000 able-bodied persons left the area (Waller, 1968). The process of out-migration has continued to the present time (Oucho, 1979; Kenya, 1983). The general implication of this is that Bondo has potential labour force, especially for the small scale enterprises.

It is also the considered opinion of the author that only a few relevant studies have been conducted as regards the region in which Bondo is situated (Obwa, 1976; Agot, 1987), without focussing on the centre per se.

In summary, it may be stated that a well defined industrial sector can achieve alot in terms of inducing socio-economic development. Bondo Urban Centre, like any other small town, has had its growth jeopardised by the growth of other bigger towns adjacent to it, such as Kisumu and Siaya. Thus well designed establishments in appropriate places; and especially with relevant and efficient mode/level of production, should assist Bondo Urban Centre to achieve the following:-

- (a) rapid development which is controlled;and
- (b) production of goods and services likely to encourage further production.

1.7 THE RESEARCH METHODOLOGY

Effective and efficient planning requires a continuous supply of relevant information on various aspects of any programme. This feedback necessitates creation or development of an infrastructural framework within which the required information may be secured with a certain degree of accuracy. This study, therefore, deployed various techniques in field survey, data collection and data analysis and presentation.

1.7.1 Field Survey

By using a base map, a thorough survey of the centre was conducted. Thus after this reconnaissance survey, it was decided that small-scale enterprises be divided into manufacturing and repair sub-sectors. This led us to apply sampling techniques where questionnaires were administered.

Bondo had a total of 72 manufacturing and 29 repair activities. Dictated by the time and resources available for research, it was decided that 56 enterprises be interviewed. Here 73.2 per cent of the manufacturing and 26.8 percent of repair activities were interviewed.

This means that a sample of 55.4 per cent of enterprises was taken.

1.7.2 Data Collection Methods and Sources
of Data

Data was obtained from two main sources namely; primary and secondary sources.

- (a) Primary data was obtained from the questionnaires administered to various respondents representing the entire groups of operators and entrepreneurs. The essential point in the primary data source was to determine perception of the problems faced by SSEs. These were supplemented by direct or indirect observation.

However, there were no questionnaires for the Government Ministries, but there were discussions with the officers concerned. Discussions with the officers working in the centre were quite useful in acquiring information on various aspects as pertains to Bondo Urban Centre.

The two sources were supplemented by photographs taken from the field.

(b) Secondary data was obtained from both public and private sources. For instance, most of the information and maps on the existing situation were collected from County Council officials and the Physical Planning Department in both Siaya and Bondo towns. This was greatly supplemented by literature review on some related aspects of SSEs.

However, it should be noted here that there has been little work done in Kenya on small scale industrial enterprises in rural centres. Nevertheless, there has been useful studies particularly by various researchers, under the auspices of Institute of Development Studies of University of Nairobi, in informal sector in big urban areas and to a smaller extent small urban centres. The Ministry of Planning and National Development has also been engaged in various studies which try to assess the importance of informal sector.

1.7.3 Methods of Data Analysis and Presentation

Most of the information gathered from the field has been analysed and presented through the following techniques:-

- (a) **Tabular Format:-** where data is/has been displayed in tables. Also to give a reader sufficient interpretation, some simple analytical tools have been used. These include population averages such as mean, percentages of proportions to name just few.
- (b) **Graphic Presentation:-** the data collected have also been presented graphically or by use a bar and pie charts.
- (c) **Descriptive:-** Some survey results have been presented in a descriptive or in a narrative manner. This method has been used to highlight major findings of the survey.

1.8 OPERATIONAL DEFINITIONS

In this section, we offer some explanations and discussions with reference to some of the terms and concepts used in this thesis. It is hoped that such an exercise will facilitate some understanding of the said terms and concepts, particularly in the context within which they are used.

1. Informal Sector (activities:

Professor Ryan in a report of the National Council for Science on "Technology Policy and Planning in Kenya's informal Sector" (1985), defined informal sector as any activity outside the tax net, noting that this concept should not be confused with tax evasion by institutions that are registered for tax returns on their incomes for tax purposes. ILO Report which was published in 1972, defines the term to describe the portion of the urban economy that escapes enumeration in official statistics. However, for the purposes of this study, informal sector characterises activities largely undertaken by self-employed persons mostly in open areas, in market stalls, in undeveloped plots without roads, electricity, water, toilets or street pavements in both rural and urban areas. Persons engaged in informal activities may not have licence from local authorities for carrying out such activities as tailoring, carpentry, blacksmithing, and others. The informal activities often incorporate part-time non-agricultural activities, relies on indigenous resources and it is characterised by low capital input-output ratio which makes them more labour intensive than large-scale formal establishment.

2. Formal (Large Scale) Sector

Predominantly found in urban areas with dominance of imported resources often with imported technology and

usually utilising formally acquired skills (Kabagambe 1975). Activities within the formal sector are usually capital intensive and normally operates at larger scales. It operates under protected market system hence has accessibility to foreign exchange, tarrifs, quotas and trade licences:

3. Small-Scale Industries

In India (Austin, 1981:3) the term covers most similar activities. They do depend on indigenous raw materials and include a group of activities which can be categorized as manufacturing and repairs; building and construction; and services. According to the Kenya Government definition, small-scale industries include units employing between 1-50 people. However, for the purposes of this study, small scale industries are defined as enterprises or units engaged in manufacturing, repair and handicraft activities but whose investment in plant, equipment and tools does not exceed Kshs. 100,000.

4. Manufacturing:

Refers to the process in which any of the primary and secondary raw materials of organic and inorganic origins are converted into forms which are more useful

to man (Ogendo 1972:2). During the process the material is assembled in establishments where it is upgraded by having its form changed into more valuable commodities ready for consumption. In summary therefore, manufacturing is defined as any process whereby one or more substances are transformed into a new product.

5. The place or point where the above functions are fulfilled is called a manufacturing establishment. The location of a manufacturing establishment may be influenced by one single phenomenon or more often a combination of such phenomena. These are called "location factors" or "location determining"/"influencing variables". Examples of location factors are source of raw materials, market areas, sources of labour supply, transportation facilities; to name but a few.

6. Repairs:

Refers to service rendered to products which have been manufactured (see 4 above) and are already being used or have been used by man.

7. Competitive Capacity

Refers to the ability of a firm to attract more customers, relative to another firm(s), in order to survive in the market and expand in terms of quality and quantity.

8. Development:

This is considered in this study to denote expansion in terms of size; and also in quality of goods and services.

1.9 THE STUDY LIMITATIONS

In order to evaluate fully the factors that influence the location, operation and development of small scale industrial enterprises (SSEs), it would have been necessary to carry out a survey of all the informal activities, in Bondo Urban Centre, to get up-to-date and complete information. However due to time and financial limitations this was not possible. The author was in the field for only four weeks and with limited finances, the author could not afford to employ extra persons in the field. Therefore the results of this study may not be generalized to the whole informal sector.

A majority of the people in the informal sector are also illiterate. They work irregularly and sometimes their work is subject to strong seasonal variation. Few keep any records of accounts so much so that the largest percentage of the people interviewed was relying on memory as far as their income, production capacity and expenditure were concerned, and moreover some were reluctant to talk about their earnings. Therefore,

because there were hardly any official data on the industries examined, the author was forced to start on new grounds altogether. But within available limited time, it is hoped that this study will lay background to future research interests in the field.

As though those limitations were not enough, a few entrepreneurs/operators were hostile, while a small percentage was too busy to spare some minutes on yet another researcher when they had previously responded to some other interviews and yet they had not got anything in return.

1.10 ORGANIZATION OF THE STUDY

This section of the chapter summarizes the format of presentation of the study as contained herein and the organization of each chapter.

Chapter one introduces the research work and gives an exposition of the research problem, the objectives, the research assumptions, the scope of the work and the research methodology.

Chapter two gives conceptual/theoretical background to the research problem. The selected related literature is reviewed, the policy framework is also outlined.

The role of small scale enterprise in economic development is equally cited. Chapter three is about the study area, giving the background to the study area.

Based on the problems identified in chapter three and potentials and constraints to the development of small scale enterprises, chapter four sets out to analyse those factors that come to bear on the development of the enterprises within the study area. Chapter four also gives a run through of the first three chapters of the study. Chapter five is composed of conclusions and recommendations which are principally policy suggestions.

Each of three main chapters that constitute the main body of work are first introduced and conclusion given at the end of each chapter.

CHAPTER TWO

2.0 LITERATURE REVIEW

Introduction:

In this chapter, the author attempts to provide a theoretical framework in the first section. The second section is, however, devoted to policy framework. Thus the presentation approach that has been adopted looks at the review of a number of broad issues related to the research problem both from conceptual as well as policy contexts.

2.1 CONCEPTUAL (THEORETICAL) FRAMEWORK

In this section, the first part is devoted to a discussion on theories concerned with industrial location while the second part deals with theories on informal sector. This is because, this study is based on a number of interrelated basic concepts which form its theoretical framework.

2.1.1 Location Theory

Much of the contribution towards industrial location theory has come from economists whose intentions have been to integrate location into the main body of economic theory; in particular the "theory of the firm". However, the economists' efforts have proved inadequate since they

have always precluded the spatial dimension, otherwise considered crucial from a geographical or even regional planning point of view. This lack of a spatial dimension has consequently created an opportunity for geographers to make their contribution on the location of firms.

Nevertheless, one of the first economists to have expounded on the above include Weber (1930). According to his approach which is sometimes known as "Weberian theory", the primary factor influencing location is transportation cost. Weber therefore formulated a theory of manufacturing location which begins by identifying a minimum transport cost location, and then by using isodapanes (lines showing areas with the same transport costs), seeks a deviation to a better location, either due to savings in labour costs, or agglomeration economies, where the savings exceeded the additional transport cost, a critical isodapane is defined and a new optimum location is identified (Kingorlah 1987). The location objective of the businessmen involves substituting between these two factors to select a site which minimise total costs thus constituting the optimum location.

While it is agreed that his work provides a valuable basis for further development of the theory of location, Weber has been criticised for some of his unrealistic assumptions, in particular his assumption of constant

demand and omission of institutional factors
(Nixon 1973:8-9).

In addition, Dennison (1939: 10-20) has commented that the assumption of fixed labour locations is unacceptable since location is a cause of the distribution of labour as much as it is an effect, and changes in location will lead to changes in the distribution of labour.

The above schools of thought therefore consider the Weberian theory as that whose overemphasis is on the supply component in the production process while ignoring the significance of the demand aspects. The assumptions underlying overemphasis of the supply side was that a firm could sell all it produced wherever it is located. The reality, however, is that market varies a great deal since buyers of manufactured goods are scattered over wide geographical space. It is probably due to this latter part that several authors have generally agreed that firms would be expected to locate in such a way as to gain maximum access to market. Several authors have even argued that under some circumstances the market criteria may override the (supply) consideration in plant location (Glasson, 1981:132; Hamiton, 1973:377). It is to this demand factor that our a search for a locational framework now turns.

The shortcomings identified in the Weberian theory, provided a spring board from which "the market area analysis" was later to grow. A major contribution to this school of thought include that of (Hotelling 1929) who, for instance, contended that two firms would locate their plants near to the centre of the market if demand was inelastic and further part if it was elastic. This was hotly contested by, among others, (Smith 1971) and (Lösch 1954). These scholars argued that this school of thought (market area analysis) gives undue emphasis on the demand aspect at the expense of many other considerations which affect the entrepreneurs' overall decision to locate their establishments. The theory was also criticised on the grounds that it treats the entrepreneur as a rational, economic man.

The criticisms of both Weberian theory ("Least Cost") and market area approaches gave rise to the "profit - maximisation" approach. According to this school of thought, both costs and revenue vary with location and the optimum location is the point that yields the greatest profit (Greenhurt 1957, Hamiton 1973).

In concluding our review of the three approaches to industrial location, it is fitting to note that "least-cost", "maximum demand" (market-area analysis) and "profit maximisation" find some expression in

the location of varying types of industries both in the "developed" as well as "developing" countries. It is noteworthy to state, however, that this is possible only in limited circumstances since it is very rare that entrepreneurs are given a free hand to determine the location of industry.

It may also be noted here that location decisions are not taken by businessmen alone but some are borne by the community in general. In Kenya, for instance, it is the practice of the government to participate in the development of the infrastructural facilities including, roads, railway, power installation and water provision. Secondly, the government has been known to offer certain incentives such as tax rebates or increased profit margins to industrialists willing to locate away from the major industrial centres of Nairobi and Mombasa. Viewed from such perspectives location decisions do not lend much support to the search for the economic optimal location.

Such considerations as mentioned above have led to a gradual demise of the concept of "economic man" with underlying assumptions that entrepreneurs mainly seek to maximise profits or minimise costs in an environment of perfect knowledge. This has indeed led to alternative ideas on how firms actually determine their location. It is to this latter approach that we now turn our attention.

From studies of entrepreneurs and organizational behaviour carried out mainly in Sweden (Hagerstedt, 1952, 1957; Tornquist,, 1962, 1970), it has been pointed out that personal contacts and information linkages are of major importance in understanding location decisions. One basic constraint to such personal contacts and information flows is time, hence a spatial solution; managers decide to locate their offices in close proximity to achieve contact - intensive personnel. While supporting the Swedish effort in identifying the information and contact dimension, Wood has stressed the importance of understanding the way organizations act and how their decisions are made (WOOD 1969:36).

Pred (1967) shares the view expressed by Tornquist and Wood, although his approach differs in so far as he works out a scheme on the basis of which the spatial behaviour of companies may be classified. His basic behavioural matrix interpretes locational action as dependent upon two factors, namely the quantity and quality of information available to each manager or entrepreneur. Consequently a company's success in selecting a viable location will depend upon its position in the behavioural matrix. Those companies with high level of information at their disposal and with well developed ability to use the information are likely to select well.

Summary:

The above theories of location have one thing in common, namely, that entrepreneurs will aim to locate their (enterprises) industries in places where they get maximum returns. The first theory (Weberian theory) considers transport as the important factor in location decision. The second theory views access to market as the most important, hence its name "market area analysis." The third one, however, considers optimum (ideal) location as the point where entrepreneurs would realize the greatest profit. There is also another additional requirement which is concerned with information in terms of both quality and quantity. For instance, according to this last school of thought, selecting a viable location depends on the level of information an entrepreneur has at his disposal.

2.1.2 INFORMAL ACTIVITIES

Informal activities are seen as those enterprises ranging from part-time non-agricultural activities, at least partly oriented towards a market, to formal modern small and medium - sized enterprises (Pedersen 1989, Ryan 1985, Wagithi 1987). Malhotra (1979) agrees with them but sees informal industrial unit (engaged in manufacturing, repair and handicrafts activities) as that which uses simple tools either fabricated by the

owner or purchased. Similar views are expressed in the ILO report of 1972 and in the National Development Plan 1989-93. Thus by using different technologies, they may be able to exploit small amounts of resources eg. waste products which would not be available to the large enterprises and labourers, who are not able or willing to offer their labour on the conditions offered or who may have the inappropriate qualifications (Pedersen 1989:53; Ngethe, 1986; Darkoh, 1984; Kabagambe 1985).

Digolo (1988:2) explains that in Kenya informal industrial unit is referred to as "jua kali". The term "jua" which means sunshine and "kali" which refers to heat, are derived from swahili vocabulary and joined into a phrase "jua kali" which literally means hot sunshine. Thus when the phrase is applied to economic field it acquires a 'difficult' connotation. Thus looked at in simplistic way, the phrase "jua kali" refers to those activities conducted in the open sites in which people work while exposed to harsh environmental hazards like heat from the sun, rain and dust. In this context the emphasis is on the difficulties people undergo when working in their small scale enterprises in order to make a living. Hence "jua kali" sector refers to economic sector for making a livelihood through hardships. Child (1977), however, views this hardship in terms of discriminating fees and taxes, the restrictive zoning and the unduly

production and building codes, all of which represent barriers to the sector. Besides which, ILO Report (1972) and Mochache (1985) view the hardship from the premise of the working environment.

Those aside, however, informal activities especially small scale industrial sector are important in diversification of production and trade, and as support to development in agriculture and large scale industries. This is especially true if production is at least partly for non-local market (Pedersen, 1989; Ngethe 1987).

But on earnings Ndua et. al. (1984) reveal that informal sector operators are there to stay and would not even opt to work in the formal sector because of the amount they earn, considering their level of education, is much more than they would earn in the formal sector in a different activity. Child (1973) tends to agree with Ndua. To him wages earned by workers in his sample compared favourably well with working class incomes in the modern sector. Child also asserts that their wages (SSE's) even exceeded wages in modern agriculture. His findings were, however, based on sample drawn from wood-working and furniture making, perhaps the most common manufacturing informal activities in the rural areas. Kabagambe (1975) observes that some of the industries (SSEs) operate efficiently and provide incomes which can be favourably

compared with employment in the marginal agriculture and formal activities.

On forces which influence operation and development of the informal sector, lack of capital, lack of access to suitable infrastructural facilities, lack of management skills, lack of proper government support, lack of suitable operation space; are seen to be the factors which inhibit development of the sector (Kabagambe, 1975; Mochache 1985; Bowa, 1987; Pedersen, 1989, Ngethe et. al. 1987).

As a summary, therefore, informal activities are viewed as those activities which use small amount of resources and it is the sector in which livelihood is made through hardships. Sometimes earnings in the sector compare favourably well with incomes from the formal sector. However, the sector is faced with a number of problems manifested in lack of capital, lack of access to suitable infrastructure and lack of proper institutional support mechanisms.

Formal Industrial Location Factors:

It is fitting that, this review begins with the work of David Smith who in the last decade has provided a substantial amount of insight into the whole question of location of the manufacturing industry. In his seminal work, Industrial Location: An Empirical Geographical Analysis, Smith underscores the influence of a number of location determining factors among which labour, transportation, raw materials availability and market feature prominently. In addition, Smith has incorporated personal considerations which he observes may combine with economic criteria to give an entrepreneur total satisfaction in terms of financial income (Smith 1971:32-92).

Through a discussion of three case studies; the iron and steel industry in the United States of America, the location of Electrical Appliances Plant and the location of a branch of the Electronics industry, Smith identifies key factors of location. It may be noted, however, that the above examples are specialized cases in terms of their location and market requirements. Thus they may not be quite fitting into small scale industrial enterprises (SSEs) which are heterogeneous and lack formality in their operation.

Renner (1947), also, formulated the general principle of industrial location. He stated that an industry tends to locate at a point which provides optimum access to its ingredients or component elements. This may be referred to as the laws of location for fabricating industries which, generally seek a site near to;

- (i) its raw materials if it uses perishable or bulky, or highly considerable raw materials or;
- (ii) the market, where processing adds fragility, perishability, weight or bulk to the raw materials or where its products are subject to rapid changes in technology; or
- (iii) power, where the mechanical energy costs of processing are the chief items in total labour costs; or
- (iv) labour, where its wages to skilled artisans are a larger item in the total costs.

These findings are relevant to this study but not without limitations. They are based on socio-economic backgrounds which are very dissimilar to those obtained in developing countries in general and Kenya in particular.

Changes in technology, consumer demands and increase in market all combine to affect entrepreneurs' perceptions and aspirations on what are considered crucial factors of industrial location. It is mainly because of the limitations that we now look elsewhere for some relevant empirical studies.

Nixon (1973: 47-73, 74-127) has carried out studies on industrial location in Kenya and Uganda and on the basis of which, he lists the following location factors as being important in location decision making;

- (i) transport and processing costs
- (ii) the demand (market) and personal considerations.

He has, however, observed that there are a lot of variations in location requirements at the industry's level and also from one country to another. According to Nixon's findings, processing costs do not appear to be of much significance in Uganda, so are labour supply and labour costs. But in Kenya, the above aspects have much significance.

Working on the same subject in Kenya almost at the same time as Nixon, Ogendo observes that;

"The location of any one given industry is governed by a complex set of favourable factors plus personal considerations" (Ogendo 1972:51).

He summarizes these factors as:-

- (i) "topo-geolo-geographical and ecological influences;
- (ii) combined influence of transfer and processing costs with emphasis on the availability and costs of capital, managerial and other skills and transport;
- (iii) the influence of personal considerations combined with the effect of interaction with government location directions;
- (iv) the influence of the spatial pattern of infrastructural facilities and markets; and
- (v) the influence of the economies of agglomeration and/or industrial linkages.

Both Nixon and Ogendo incorporated in their findings a wide range of factors influencing industrial location just as Smith did. However, unlike the latter, the former two are much closer to our reality since their frame of reference is similar to ours. Moreover, like Nixon, Ogendo made deliberate attempts to classify the various factors into broad categories such as "market", "labour" and "resource" oriented industries. This classification is considered important for purposes of simplifying our understanding of factors which are otherwise fairly complex.

Summary:

The studies done in both developed and developing countries have revealed that, factors which favour industrial location are similar. The outstanding variables here include labour, transport, raw materials availability, personal considerations and above all availability of market. Other additional variables are economies of agglomeration/industrial linkages, topography and government policy or directions as regards industrial location.

Informal Industrial Location Factors;

The factors which influence the location of informal industries are very similar to those of the formal industries. This has been asserted by Ngethe et. al. (1987) whose findings have revealed that entrepreneurs/artisans of small scale industrial enterprises locate after a thorough consideration of demand factors including location of potential competitors. The above findings are useful in our case because Ngethe's study was based on rural centres in four districts; namely:- Siaya, Uasin Gishu, Nyeri and Meru.

According to Kabagambe (1975) small scale industrial enterprises do not only consider demand factors but also proximity to place of residence so as to maintain the social and economic links.. That artisans or entrepreneurs will consider the demand first, then see whether it fits also within a close proximity.

Okwiri (1988) who did his study in Nairobi found that, originally the small scale industrial entrepreneurs or artisans located in squatter settlements and in the periphery of the towns. His findings have revealed that no trace of manufacturing sub-sector of small scale enterprises is found in the high income residential areas. The implication is that the artisans know where there

is demand for their types of products/goods, since it is mainly in low income residential areas that market exists. Although our current study is based on a small centre without high class and low class residential areas distinctively separated, it is equally useful since it has revealed that market for the products from small scale manufacturing exist mainly in low income residential areas. Okwiri's findings affirm the fact that potential market exist where such low income earners are found. This was confirmed by the fact that in his area of study (Along Juja Road Eastleigh) where many people reside, there was concentration of small scale industrial activities.

The above study has also revealed that accessibility to raw materials especially for furniture makers is very crucial. Okwiri goes on to assert that well established enterprises are found located in areas with big spaces. The implication of the above findings attest to the fact that availability of raw materials and space (plot) are equally important when artisans choose to locate their enterprises.

Work done by International Labour (ILO) Mission on Kenya (1972) noted that those working in the informal sector are independent, hard-working and enterprising. The majority are poor but their collective dynamism and contribution to the economy of the nation cannot be ignored.

The ILO noted that the informal sector makes a contribution towards meeting the basic needs and employment requirements of a growing urban population. The report estimated that as much as 44% of the labour force in Nairobi, 50% in Lagos and 60% to 70% in Kumasi, Ghana, work in the informal sector.

It is equally important to note that it is not the steady expansion but the working environment as well as wages and income of the people engaged in this unregulated economic sector that is the focus of concern in the ILO report. A large proportion of those working in the informal sector, the ILO noted, earn wages below the level required to satisfy the minimum needs. The report also noted that although limited, there is evidence of opportunities for upward mobility of workers in the informal sector. However, it should be noted that, the Mission based themselves on the section of informal activities which provide cheap food, petty traders who provide cheap distribution with cheap communication, makers of shoes and sellers who provide cheap prices and services.

A more specific study was done by Frank Child (1973). In his paper "An Empirical Study of Small-Scale Rural Industry in Kenya", the focus was profitability and social performance of firms representing the

intermediate sector of Kenya's economy. This led him to concentrate on using conventional economic criteria in determining whether the sector is economically viable and hence worth Government support. He used factor inputs as capital and labour. Thus to him the sector is an efficient user of capital, i.e. plays an important role in the overall process of capital formation. He therefore, concluded that "the sector has developed spontaneously, rather than from overt public policy, providing its own capital and training its own skilled labour. To this end, the sector should be the development planner's delight.

Similar views were expressed by Louis Muench (1977), "The Informal Sector in Kenya". In the paper, he asserts that "the pendulum of the informal sector has become unstruck and has swung rather wildly in the opposite directions". Thus the sector has dynamism and in built strength. On growth and operation of the sector's activities, it can be said as noted by Muench, that lack of employment in the formal sector is the main force driving people to the informal sector. Low formal sector wages also contributes to this drive (for instance some lowly paid workers in the formal sector quit to join the informal sector). Low wages mean their earnings cannot afford high quality formal commodities. They can only afford cheap products provided by the informal sector.

Effective demand for the informal sector's products is then increased, which in turn leads to production at greater scale, hence development (expansion).

Tonny Killick (1977) in his paper "The Informal Sector and Development Strategy in Kenya" looked into the inter-connections between the informal sector and the wider economy. The linkages between the two are very important and crucial. He therefore, concluded that rural and urban interactions must be seen as important in any solution context. He also considered the important role that the sector (informal) can play in the inter-connection. Similar views are also held by Crissy Gerry in his paper "Petty Products and the economy. A case study of Dakar". Gerry's major preoccupation was the relationship between formal and informal sectors, which to him make productive sector. These two studies are very useful for our study since, either of the sectors can be a source of raw materials while the other offers market opportunities.

Weeks study (1973), like others above, equally focussed on informal sector versus formal sector. He therefore found that informal sector earnings in Peru are similar to those earned in the formal sector. House (1977), in his study in Nairobi's informal sector found that "a significant part of Nairobi's informal

sector generate reasonable income for its participants. The two studies above are also very important since they serve as very good pointers to our study, although it is earnings which are profoundly highlighted in both.

Kaberere (1987) whose focus was on the development of informal sector in small towns, has revealed that encouraging informal sector in small towns reduce concentration of people in the primate city (Nairobi) and other leading urban areas such as Mombasa, Kisumu, Nakuru, Thika and Eldoret. His study was looking at the informal sector from the premise of rural-urban balance strategy. This is important since it fits informal sector within the Kenya's policy framework which is discussed in the next section.

At the same as Kabereere was working in the informal sector, Wagithi (1987) set out to examine the factors that influence earnings from the informal sector. The study came out with Human-capital variables such as level of formal education, training, experience, age, demographic variables like family size, value of tools and limited support from policies as the most important factors which influence the earnings of the informal sector operators. The findings are therefore very inspiring since, earnings have direct bearing on development and indicate indirectly the level of operation.

A study similar to the Waqithi's was done by Ngethe et. al. (1987), who also at the same time carried out a study contained in a paper "the Rural Informal Sector in Kenya". Ngethe et. al. concluded that small scale industrial enterprises have emerged due to inability of the formal sector to provide gainful and sufficient employment opportunities for the urban workforce. According to the findings of Ngethe et. al. the major constraints to the sector are lack of capital, managerial skills and lack of access to suitable infrastructural facilities, among others. The paper also adds that most of the enterprises are operated on full time basis and that most of the operators come from the fairly disadvantaged background. It should also be noted that the paper was aimed at providing a broad picture of the characteristics of the rural informal sector activities. This is quite relevant to our situation since Bondo is also situated in a predominantly rural setting.

Kabagambe (1975) had sought to evaluate the importance of small scale industries in terms of their ability to generate employment opportunities, reasonable incomes and lucrative goods and services. His findings include the observations that:

- (i) the sector plays an important role in offering employment opportunities and as a means of promoting industrial entrepreneurship amongst indigeneous people;
- (ii) industries operated efficiently can provide incomes which can be compared favourably with those (incomes) from marginal and formal activities.
- (iii) the sector provides goods and services which are required by the expanding urban population, particularly in low income groups.

The findings from the above study are considered useful since they are pointers, to the possible benefits that are likely to accrue from a well planned and coordinated informal industrial sector. However, Kabagambe's study was conducted in a bigger town compared to the one under study. Thus the current study is necessary since it covers manufacturing and repair establishments in a centre with comparatively low purchasing power.

Mochache (1985) who studied cottage industries in the urban informal sector assessed the plight of the informal sector operators in Gikomba and emerged with the conclusion that the major inimical forces

presently hampering the development cottage industries include; lack of suitable space, unfavourable institutional organization of the activities and difficulties in obtaining sufficient funds. Bowa (1987) tends to agree with Mochache. In his discussion on the problems experienced by small scale enterprises, paying licence fees and meeting other related requirements disrupt the functioning of the businesses. Similar views were also alluded to by Ndua and Ngethe (1984) in their study of carpentry and metal work in Eastlands of Nairobi. However they (Ndua and Ngethe) mainly concentrated their research on training. Thus like Mikkelsen (1975), they are of the opinion that policies of the agencies such as Kenya Industrial Estates are not very supportive of skill provision. Apparently, the studies tend to agree on the fact that very little supervision is given to clients on improvements of working methods. For example, according to Mikkelsen, out of 225 respondents he interviewed, only 36 have had training or supervision from an industrial training centre such as RIDC.

McCormick Dorothy (1988), on the other hand, explores the potential of small enterprises in contribution to economic development. Her study addresses issues of profitability, capital accumulation, and the differences between men's and women's businesses. Another

study similar to this but done outside Kenya is that of Pedersen (1989). Drawing upon studies of the industrialization process in Denmark he has suggested some universal principles likely to guide the development pattern of SSEs in Africa. His contention is that as long as most of the non-farm activities are part-time, they are not able to lead to any large growth of the rural towns. He also considers SSEs as a part of the production process which survive because they accept self-exploitation and bad working conditions.

According to Pedersen, small scale production had its roots in off-farm activities which with increased specialization led to emergence of industrialization. The sector (small scale), according to him, should be seen as that which caters primarily for the local market conditions. The assertion is therefore very important because, small scale entrepreneurs should always aim to meet the demands of the local market.

Equally inspiring work similar to that of Pedersen has been done by Jorgen (1989) in Western Kenya. His findings have revealed that access to capital is the main factor limiting growth of the sector. He has also added that change in technology equally affects development. For instance the goods which used to be bought from the

formal sector now come from the informal (small scale enterprises) sector. They now use mild steel from hardwares to produce even more durable items, while previously they used to exploit scrap metal. His study further revealed that power is very important (i.e in his sample a fully electrified (carpentry) workshop had output volume greater than other local carpentries without electricity). Jorgen's study is useful to our study since it gives a run down of factors which influence small scale industrial activities' development.

Jorgen also asserts that, stiff competition within the informal sector is made worse by external competition from established firms in the formal sector. The assertion had been earlier on confirmed by Bowa (1987), Pedersen (1989), Kaberere 1987, Ngethe et. al. (1987). Mikkelsen (1972) also added that raw materials used in the small scale enterprises were bought in small quantities in far-away places causing high transportation costs. This was adversely affecting the competitiveness of the small industrialists. According to Mikkelsen it was mainly the low quality of the small entrepreneurs' products that could not make small scale manufacturing enterprises **be** able to exploit potential market of civil servants, school teachers, and government and other large private institutions in the rural areas.

Summary:

One of the outstanding variables identified from the review as regards location of small scale enterprises include easy access to market. Proximity to market and to consumers have been one of the elements of strength in the informal industrial sector. The informal sector caters for a price rather than a quality market. The sector provides goods of daily use at prices which are within the reach of consumers with low incomes. Thus emphasis in the development programme for the informal small scale enterprises should be more on reduction of costs through upgrading of skills and use of better tools than on production of sophisticated products with higher setting prices.

Availability of sites for permanent use is equally important in the development and location of small scale enterprises. Permanent structure is a ticket for licence which in turn leads to recommendation for loan. Thus there is need for provision of workplaces to the aspiring and needy proprietors and artisans from the informal sector.

Working capital is also important for efficient operation and development of small scale industrial enterprises. It is a felt need of the informal sector operators to have access to capital for purchasing more

raw materials in order to enlarge their (operators) production. The procedure for grant of loans should be simple and the rate of interest, in the initial year or two, should be kept below the market rate. Such a measure would serve as an incentive to the artisans, operators and entrepreneurs in the informal sector.

Another variable which has come out clearly from the review is that strengthened institutional organizations are crucial for the development of small scale industrial enterprises. Thus development programme for the informal sector would in effect prepare clientèle for the agencies that deal with informal sector entrepreneurs. There is also need to establish clearly the identity of the sector.

Besides the above variables is training through provision of technical services. New products with consumers' appeal should be developed for sale at prices which do not provoke consumers resistance. Product design and development, better layout of workshops to save time and increase productivity, maintenance of simple accounts, adoption of new and more efficient tools are some of the required ingredients for the informal sector to operate and hence develop to a higher level. Such should be effected through provision of technical services, especially adapted to the needs

of the small entrepreneurs and self-employed artisans.

It is equally important to note that small scale enterprises possess certain elements of strength and dynamism which should be the aim of development policy in order to foster wider interests in the sector. Family ownership of the small enterprises ensures and brings into play the magic of property which drives the owner to hard work. Investment made from personal savings to start and build up the enterprises creates a spirit of solid self-reliance. Thus under favourable conditions, the informal sector is a nursery of individual initiative, innovation and enterprise in the field of industry.

2.2 POLICY FRAMEWORK

This section of chapter two deals with the government stand on small scale enterprises. It also deals with the role of small scale industrial enterprises in economic development.

2.2.1 HISTORICAL BACKGROUND OF THE SMALL SCALE ENTERPRISES IN KENYA

The present state of the informal sector activities is a product of a number of inter-related forces inherent in the political, socio-economic and legal setting in

Kenya. During the pre-colonial era life was basically centred on subsistence activities mainly in form of ~~the~~ agriculture. In addition, there was no pressure on land consequent upon population demand. Despite these it should be noted that there existed traditional craftsmen who made implements which could be exchanged for grain or food or even animals like goats, cows, sheep, to name but a few.

It was not until Sir Charles Elliot, the Commissioner in charge of East Africa Protectorate and his administrative assessors appropriated the most fertile lands for European settlement leaving fringes of the fertile lands, and without any legal status over the land they occupied, that the natives started wandering around looking for employment in European farms as servants or homeguards that African natives started seeing the need for informal sector (Mochache 1985:38).

The settler economy of colonial Kenya gave rise to a type of social stratification whose repercussions are still felt in urban small-scale enterprises (informal sector). The legal system of segregation and the resulting, almost, total separation of African, Asian, and European communities has inhibited African entrepreneurial activity, limited business, access to

resources and increased the riskiness of business environment. Mochache (1985) noted that even the majority of Africans who were employed had to look for alternative employment to support their families since the wages they were getting were meagre. In addition Africans had no technical or formal training hence suited for jobs requiring no skills.

The evolution of the informal sector activities in Kenyan urban areas is observed to be as a result of the exponentially rising gap between the formal sector employment creation and the high rate of urban population increase (Ngethe et. al. 1987; Mochache 1985). The urban development and policy adopted contributed to the evolution of informal sector since only Nairobi was given prominence so many people who came to Nairobi and failed to secure formal employment joined their relatives and started informal activities (Mutula, 1988; Mochache, 1985; Digolo 1988).

Even the education system as handed down from the colonial era did not augur well for formal employment. Thus the Kenyan economy could not be satisfied since it was also a young one. Thus most youth had no alternative but to turn to informal sector. Mochache (1985) also sees industrialization policy as another cause. According to him, the policy set up has not been reflective of

the type of the Kenyan economic environment. This has resulted from high standards adopted from the British.

One can conclude that the racial stratification of the colonial era, the colonial and post colonial educational systems contributed to the formation of social classes and also directly or indirectly, to the development of flexible strategies for coping with the uncertainties of the present political economy. Thus the continued existence of the informal sector has been due to industrial development policies, urban development policies and the education system.

Another reason for the continued existence of the informal sector is attributed to the fact that with growing incomes, an increasing part of the income will be used on luxury goods and services which are not mass-produced. This is especially true with small scale industrial activities/enterprises.

The above discussion has been mainly confined to urban areas. Now we wish to turn attention to possible causes for emergence of small scale enterprises in rural areas with particular attention to service centres which are rural based. As has been mooted earlier in the discussion, the existence of informal activities/small scale enterprises has been part of development both

in rural areas as well as in urban areas. For instance, in rural areas, the introduction of the use of bicycle as one of the modes of transport resulted in need for repairing the same. Thus broken bicycles could be serviced by somewhat trained repairers. Even those who could not afford purchasing shoes from established shoe companies (like Bata) resorted to using shoes made locally from old tyres obtained from motor vehicle companies and individuals who owned vehicles privately. Cottage industries have existed since time immemorial in Kisii, Ukambani and also in other parts of Kenya. This demonstrates that informal small-scale enterprises have been in existence for a long time.

In rural areas, the mushrooming of non-agricultural production i.e the informal sector has been due partly to an increasing rural domestic and artisan production and partly due to growth in building sector caused by good times for agriculture like during coffee boom, tea boom, good times for horticultural products and the like (Mbithi 1972). Many of those who engage in rural small scale production have been small farmers who have been only employed part-time in production sector, eg. With production of traditional handicrafts such as wood products and pottery.

Thus the continued existence of small scale enterprises in rural areas has been due to the fact that exploitation of large scale economies requires that

there exists a sufficiently large market for the large production to be sold. But because consumers in rural areas are characterized by low purchasing power, there happens to be the need for cheap goods and which majority of people can afford, hence the beginning of investment in small enterprises. Lack of proper (improved) transport and communication networks, in rural areas, to permit spatial integration of increasingly larger markets is also another cause. Thus only small markets can be found in rural areas.

2.2.2 POLICIES REGARDING SMALL-SCALE INDUSTRIES/ ENTERPRISES IN KENYA

In this section we shall confine ourselves to policies governing small scale development and operation; and also institutional frameworks which have been established to assist small scale enterprises.

According to Livingstone (1981), there was not much in the first Development Plan (1964-70) pertaining to small industry. The plan mentioned two programmes: A training programme based on establishment of a small industry research and training centre, and a minor small industry loan programme.

Neither did "African Socialism and its Application to Kenya" (Sessional Paper No. 10), the major policy paper which followed, identify rural industry as a specific topic. The emphasis was on development of a modern industrial sector through conventional import-substitution. The second Version of the first Development Plan, issued in 1966, confirms the subordinate role assigned to small industry. In spite of the reluctance to give small enterprises a key position in the development process, a system of industrial estates for small industries was established under Kenya Industrial Estates (KIE) in 1966.

The Second Development Plan (1970-74) paid more attention to generation of employment in rural areas and particular in rural small-scale industry (Livingstone 1981). The plan presumed creation of 10,000 in the small scale industry sector alone. The measures whereby this would be achieved were not entirely clear, except for a continuation and expansion of loan scheme, industrial training and extension services.

In 1971, the government introduced a plan for setting up Rural Industrial Development Centres (RIDCs) in small and medium - sized towns under a Rural Industrial Development Programme (RIDP). Technical advisory staff was attached to the centres.

Thus, in Kenya, the attitude towards the informal sector was the same until 1972 despite the fact that part of the sector had been "discovered" in 1967 (Kitching (1980:378). Until then, the Kenya government's policy especially towards the urban informal sector had contained too few elements of positive support and promotion and too many elements of inaction restriction and harassment (ILO, 1972:226-228). The release of the ILO report in 1972 marked a turning point in official policy towards small business in Kenya. Thus the ILO's description of informal sector became focal point for much of the subsequent debate in Kenya and elsewhere (McCormick 1988:26). Below is the ILO's description:

.... Informal activities are not confined to employment on the periphery of the main towns, to particular occupations or even to economic activities. Rather informal activities are the way of doing things characterised by:-

- (a) ease of entry,
- (b) reliance on indigenous resources,
- (c) family ownership of enterprises,
- (d) small scale of operation,
- (e) labour-intensive and adapted technology,
- (f) skills acquired outside the formal school system; and
- (g) unregulated and competitive market.

According to the ILO report those working in the informal sector are fiercely independent, hard working, and enterprising. The report notes that random patches of positive performance have not helped the informal sector to operate in a friendly environment. Congestion, pollution, and unsanitary end-products often make this sector the target for harassment.

The report lists a series of measures which could contribute to improved working conditions and economic progress of informal sector worker. These are:-

- (1) the need for easy access to formal credit and improved technology and minimisation of restrictive government action on the development of the informal sector.
- (2) Provision of proper worksites and suitable locations for cluster's of informal sector activities which is also vital, according to the report.

A major consequence of this ILO report is that recent (subsequent) years have witnessed an increasing shift in official attitudes towards very small enterprises. Both the Sessional Paper on Employment (Kenya 1973) and

1974-78 Development Plan (Kenya 1974) used the "informal sector" terminology for the first time. These documents also predicted high growth rates for urban informal sector employment.

The next Development Plan (Kenya 1979a) whose primary goal of the strategies and policies was to improve further the well - being of the people by alleviating poverty became prominent in this regard. For achieving this, the highest priority was to be given to measures for creation of employment opportunities. And it was in this context that an important role has been assigned to the development of informal and small-scale industrial sector including handicrafts, cottage and rural industries (Joseph, 1980:2). Nevertheless, significant pragmatic support for very small business is still lacking (McCormick 1988).

It can therefore be asserted at this point that, the Government of Kenya has over the years continued to stress the importance of the informal small scale industries in its policy pronouncements. In persuance of this the government had obtained the services of a United Nations Industrial Development Organization's (UNIDO) consultant in 1979 to carry out an analysis of the existing position of the sector and to suggest a strategy for the development of these industries

Ngethe et. al. 1987:(6).

This paved the way for the next major document of economic policy. In the Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth (Kenya 1986), the Government noted that historically there had been a tendency (which would obviously continue) on the youth coming to urban areas seeking white collar job employment. The merits of informal sector were enumerated by the policy paper, as following:-

".... informal sector activities conserve scarce foreign exchange, require very little capital to create jobs, rely primarily on family savings, often provide their own skill training at own cost to the government; and are a primary training ground for future African entrepreneurs. Above all the informal sector offers unmatched potential as a source of new jobs for the expanding labour force"
(Kenya 1986:54).

The paper further noted that given the opportunities opened up by rising rural income together with pressure for new jobs exerted by a growing work force that was estimated to double from 7.5 million in 1984 to 14 million by the year 2000. Informal sector/small-scale enterprises would have to expand. The formal sector was estimated to absorb only between 1.5 million (1984) to 2.33 million in (2000).

As though that was not enough, President Daniel Moi made several well published visits to Nairobi's artisans in late 1985 and early 1986 to ensure practical implementation of the policy. He therefore ordered that large open sheds be built in Kamukunji (Gikomba area) to give metal workers protection from scorching sun and other related problems that are due to weather changes (Daily Nation, December 29, 1985:10; McCormick 1988:78).

This was followed by the sixth National Development Plan 1989-93) in which the small enterprises are identified as a primary means of strengthening Kenya's economy. The plan addresses the growth of non-farm activities, particularly the informal sector, as the third component of the strategy for balanced rural-urban development. The plan goes on to assert that the majority of future non-farm job opportunities will be in the informal sector - in small scale manufacturing, marketing, repairs and other service activities - located mostly in market centres and moderate-sized towns (of which Bondo is one) throughout Kenya. However the plan notes that Established programmes aimed at supporting large modern industrial and commercial firms, and even those directed towards small-scale industry, are ineffective in assisting the vastly large number of very small scale (informal sector) enterprises.

In a recent document entitled, "A Strategy for a Small Enterprise Development in Kenya"; issued jointly by Government of Kenya, ILO and United Nations Development Programmes (UNDP) (1988), some of the headings from the Sessional Paper No. 1 are elaborated in more detail. This document examines and makes recommendations for three broad areas affecting small enterprise growth. The enabling environment, investment and finance and non-financial promotional programmes. Nothing much new is raised here, it is primarily a more specific continuation of the Sessional Paper. The document claims that a highly controlled regulatory system is a major problem impeding the growth of small enterprises.

In summary, Rural-Urban Balance is a core notion in Sessional Paper No. 1. In order to speed up the economic growth in the rural areas focus should be on ~~the~~ districts as development units. The major measures contained in official government policy in relation to supporting small scale enterprises include expansion of entrepreneurial training, creation of industrial skills at low cost and strengthening the role of the informal sector as a source of agricultural inputs.

We now turn attention to government efforts through the established institutional frameworks to

examine how such institutions have assisted small-scale industries (enterprises) in both urban and rural areas.

INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION
(I.C.D.C.)

This parastatal was established in 1954 by the Industrial Development Ordinance of 1954 to "facilitate the industrial and economic development of the colony by the initiation, assistance or expansion of industrial, commercial or other undertakings or enterprises in the colony or elsewhere" (Jorgensen, 1967). The name of the parastatal at that time was Industrial Development Corporation (IDC).

In view of the fact that indigenous commercial and industrial enterprises were handicapped by lack of credit facilities, the name Industrial and Commercial Development Corporation was adopted after Independence as outlined in Sessional Paper No. 10 on African Socialism and its Application to Planning in Kenya (Kenya 1965). Among other objectives ICDC was to:

- (a) Assist African Traders and industrialists to expand their operations in order to participate more fully in the development of the country.

- (b) Assist in the construction of shopping and industrial estates.

Briefly, ICDC was intended to give assistance by way of direct investments and loans to African industrialists for establishing, developing, modernizing and improving the conditions of industrial concerns against adequate security. ICDC still extends credit and guarantee facilities to African Traders so that the African impact will be felt in the commercial sector of the economy of Kenya.

Despite these efforts, studies by (Jorgensen; 1967; Kimuyu, 1977; Omondi, 1981) reveal that ICDC has some shortcomings. These include; lack of proper procedures for processing of loans, staff shortage for supervision and extension services. The processing procedure for loans often takes far too long, the loans and in many cases the amounts advanced are too small and too short termed. In most cases, loan repayments start before the machine is installed and actually starts functioning. On the side of borrowers, the above studies reveal that, there are problems of technical know-how among borrowers and also lack of entrepreneurship spirit.

KENYA INDUSTRIAL ESTATES (KIE)

Kenya Industrial Estates (KIE) was started soon after Kenya's independence. Therefore, after independence, the government of Kenya undertook the role of encouraging entrepreneurs to engage in manufacturing. This came after the realization that prior to independence much of the Kenya's economy was largely in the hands of non-Kenyans. Africans at that time had little knowledge of how to engage themselves in the modern industrial manufacturing, nor did they have the finance to engage in it so soon after independence.

In 1967, KIE was incorporated as a subsidiary of ICDC; and its main assignment was to be the promotion of small and medium scale industries in the country. In January 1978, KIE was restructured as an independent institution to facilitate better services to "wananchi". The company (KIE) is working on two industrial development programmes namely:

- (a) Industrial Estates Programme; and
- (b) Rural Industrial Development Programme.

The former deals with the setting up of industrial estates in the larger towns; as well as implementing industrial projects on the estates, while the latter deals with small towns.

KIE therefore helps to put into practice a vital part of the Government Development Policy whose main aims are:-

- (a) to facilitate the entry of indigenous people into the sphere of industrial production by offering the loans to establishing small-scale industrial projects,
- (b) to raise the level of industrial output so as to provide suitable substitutes for manufactured goods that have hitherto been imported as well as to increase the country's exports,
- (c) to improve managerial and technical know-how of the local industrialists by providing extension services to the industrialists in addition to providing suitable training,
- (d) to increase industrial employment opportunities.

KIE promotes and finances industrial projects, new or needing expansion whose total investment including working capital does not exceed five million shillings (Kshs. 5,000,000). The actual amount of KIE assistance is determined on an individual basis. Collateral security is required when loans are given for working

capital. However KIE attaches emphasis on projects that; generate or conserve foreign exchange, create substantial employment, utilise local raw materials and are based in the rural areas.

KIE provides new and existing projects with three major services;

- (a) Planning, preparation, appraisal and implementation of small scale industries.
- (b) Training loan recipients in entrepreneurial and management skills,
- (c) Counselling and supervision for entrepreneurs and their projects.

The company has constructed and manages industrial sheds in 28 stations throughout the country. The sheds are rented out to the entrepreneurs at subsidized rates. KIE was introduced to Siaya District headquarter (Siaya town) in 1982 with the main assignment of promoting small and medium scale industries in the region. Since Siaya town is a small one the region under the town is therefore served by Rural Industrial Development Programme (R.I.D.P.).

RURAL INDUSTRIAL DEVELOPMENT PROGRAMME (RIDP)

This programme unlike Industrial Estates Programme (a constituent of KIE) is engaged in the establishment of Rural Industrial Development Centres (RTDC) in the smaller towns (as mentioned somewhere) with a view to raising the level of existing "grassroot" industry and starting off new industrial projects in the rural areas. RIDP therefore does the following:-

- (a) provide a variety of extension services including managerial and technical assistance and repair facilities to the entrepreneur,
- (b) provide on the job training for entrepreneurs in the use of machines and undertake temporary production for demonstration purposes,
- (c) identify new rural industry, prepare feasibility studies and select suitable entrepreneurs who are provided with the necessary training; and
- (d) recommend the extent of government participation in the projects and follow-up the project according to the plan.

In addition to these RIDCs which serve as operation grounds offer : -

- (a) advice on selection of products, machinery plant etc.;
- (b) loans in the form of machinery and equipment;
- (c) feasibility studies of industrial projects;
- (d) training on-the-job.

It is therefore against this background that the role of RIDP in promoting SSEs in Bondo can be analysed. So far RIDP has assisted three entrepreneurs in Bondo. Also, through RIDP's Client Orientation Programme (COP), seminars have been organised especially on Tuesdays. This is a kind of extension service where KIE's officers go out to the field (in this case Bondo) and talk with the potential beneficiaries as well as the incumbent beneficiaries (loanees) on various issues including the needs of every entrepreneur, the business programme and the like.

This is therefore, a decentralised training which aims at making sure that operators do not leave their places of work to attend seminars but it is the services that are, instead, taken to them. The training goes

for one month during which entrepreneurs are supposed to be subjected to rigorous training according to RIDP guidelines.

In spite of all these endeavours, KIE (RIDP) has a number of bottlenecks which inhibit its smooth operation. These constraints can be explained within the context of the fact that KIE's clients are extremely heterogeneous and it is difficult for KIE to issue general guidelines to its lending officers as regards loan appraisal, processing and supervision. Also important in this respect is the requirement that loans are only obtainable with adequate security and condition which most entrepreneurs, especially women, cannot meet. KIE also lacks mechanisms to reinforce adherence to some of the requirements such as working capital and the condition that preference should be to those borrowers with good business plans. These, on the other hand, are so demanding that majority would not meet them since most borrowers have no management experience.

TECHNICAL AND VOCATIONAL TRAINING

Besides ICDC, KIE and RIDP, the government's efforts in promotion of small scale industrial activities are also manifested in technical and vocational training. Over the years the government has encouraged the establishment of youth polytechnics, technical training colleges and the like.

As is contained in National Development Plan 1989/93 (Kenya 1989), technical and vocational training at the secondary level of formal education is expected to play a crucial role in developing artisans, managers and entrepreneurs for the informal sector in rural and urban areas. This is also intended to help correct the inverted pyramid in Kenya's formal sector, where University - trained managers are supported by too many unskilled workers and too few trained technicians and artisans. At present, post secondary technical and vocational training is offered in a variety of institutions. Youth Polytechnics (under the Ministry of Culture and Social Services), secondary technical schools (Ministry of Education), Harambee Institutions of Technology (private but supervised by the Ministry of Technical Training and Applied Technology), National Institutes of Vocational Training (Ministry of Labour), Artisan Training Courses (Ministry of Industry) and the Post Secondary National Polytechnics (Ministry of Technical Training and Applied Technical).

The government efforts are equally manifested in the entire educational system especially in the 8-4-4 which is to make students and pupils learn more technical oriented subjects to make them more self-reliant on completion of their academic careers at any level. The

policy also attempts to absorb school leavers into some technical field.

Bondo Division, as a whole, has about three youth polytechnics namely Kapiyo, Aila and Nyamonye. These absorb primary school graduates after standard (8) eight.

Nevertheless, this form of training has not been reorganized and nationalized to ensure that all institutes of post secondary technical education offer relevant courses for the worker whose career will primarily be in the informal sector where small scale industries fall. Youth Polytechnic and other technical secondary schools have not oriented their courses towards specially identified local needs and skills shortages. Also, not many of them offer courses in management, marketing, accountancy and other skills essential in the informal sector (Kenya 1989).

In conclusion, one can note that, since independence in 1963, government policy has focussed on "Kenyanisation of the economy". In spite of the funds spent to implement government policies, programmes, and institutions to promote the small enterprises sector, measurable results have not been satisfactory. Most Government interventions

have been piecemeal, and only partially implemented; this may have actually impeded the expansion of the small enterprises sector and Kenyan economic development in general. Therefore much of the growth of the small enterprises sector has been spontaneous especially among jua kali enterprises, rather than as a result of deliberate strategies.

2.3 LEGISLATION

The Factories Act Chapter 514 of the Laws of Kenya section 5 defines a factory as any premise in which or within which the close or curtilage or precincts of which persons are employed in manual labour in any process for or incidental to the following purposes among others:-

- a) The making of any article or part of any article. The fact that work is carried out in the open air does not exclude the premises from the definition of a factory. Since all informal manufacturing activities make things, they are expected to conduct their affairs like factories and consequently should do the following:-

- (i) As per section 46(i) provide, at suitable points accessible to all employees, an adequate supply of wholesome drinking water besides washing facilities which should be well maintained.
- (ii) As per section 7 operate under a certificate by the inspector.
- (iii) As per section 18 provide sufficient and suitable sanitary convenience for employees.

The Business Licensing Act Chapter 497 of the Laws of Kenya Section 5 of this Act States that no person shall conduct any business except under and in accordance with the terms of a current licence.

The Land Planning Act Cap 303 governs development of land or buildings and consequently operation and location of informal activities.

In spite of the above requirements/provisions, most of the informal sector activities always disregard them (Laws). For example, Section 10 of Land Planning Act requires a person carrying out development on land to obtain approval from the planning authorities in the area.

before undertaking any development. The control is to ascertain whether the intended development is in conformity with the laid down plans for the area in question. However, since no land is reserved for small scale industrial activities in most rural trading centres, problems do arise. The legislation is cited here to give us a basis against which small-scale industrial enterprises can be examined, later on, in the thesis.

2.4 THE ROLE OF SMALL SCALE ENTERPRISES/INDUSTRIES IN ECONOMIC DEVELOPMENT

Informal sector mainly results from rapid urbanisation process as well as dwindling chances of obtaining employment in the formal sector. Therefore, the spontaneous nature of the establishment of this sector often forces the Government to adopt measures restricting its development sometimes because of hygiene, overcrowding of the public areas, urban aesthetics and sometimes because of the insecurity of employees and the general public. Against this background, the role of informal sector in general and small scale industries in particular can be viewed within the context of employment creation, role in training, minimal use of foreign exchange and also role in development of small towns/urban centres.

In Kenya the sector shows considerable ability to adapt in a crisis situation more than the formal sector. Employment in informal sector grew at an annual rate of nearly 8% between 1981 and 1984 compared with nearly 4.1% for the modern sector (Wagithi, 1987:9). Between 1983 and 1984, when the other sectors of the economy were experiencing severe economic decline, informal sector employment increased by 8.2% compared to 2.6% in the modern (formal) sector (Statistical Abstract 1986). The table below (2.1) also suggests that economic growth should be accelerated in both formal and informal (small industries included) activities so as to absorb the increasing numbers of people in the labour force and prevent unemployment.

Table: 2.1

Employment Creation and Labour Force:

1984-2000

	1984 ('000)	2000 ('000)	1984 - 2000 Growth p.a %
Labour force	7,500	14,000	-
Employment	6,520	11,150	3.4
Modern sector	1,150	2,060	3.7
Non-wage Agr.	3,860	6,490	3.3
Rural nonfarm	1,310	2,250	3.5
Rural informal Sector	200	350	3.5
Residential (1-2)	920	2,850	-
% of labour-force	13.1	20.4	-
Implied productivity growth	-	-	2.1

Source: Republic of Kenya, Economic Management for Renewed Growth Sessional Paper No. 1 of 1986 p. 8.

In addition to employment creation, SSEs also provide goods and services for the low income groups of the urban population (Bowa, 1987:24; I.L.O, 1972: Kabagambe, 1975). This is an important role since its products are useful to a large segment of the population (80%).

That aside, however, the sector also participates, in an important way in income distribution in the economy, not only by paying wages to the apprentices and workers of enterprises but also to the entrepreneurs themselves. In other words, it is viewed as an exporter of all types of products, mainly services, and as playing an important role in the circulation process by providing credit to under-capitalised urban and rural operators who keep adequate stocks which they sell in as small unit as required by low-income consumers (Weeks, 1971; Bowa, 1987:25; Wagithi, 1987).

The informal sector is also viewed as training ground. Most of the employees, operators and employers are, in most cases, former apprentices who never got formal training from any formal institution. Due to the fact that labour is basically used at a maximum, minimal pressure is exerted on capital or on foreign exchange (Kenya 1986, Digolo 1988, Mikkelsen 1975).

Also important in this regard is the fact that SSEs are seen as significant component in the overall development of small towns, urban centres and service centres in general. Their role is therefore seen within the framework of the fact that revenues collected

from the licences go along way to develop and meet the centres' physical needs and requirement. From another angle, the entrepreneurs also use their income to invest in other activities which are development inducing (Kenya 1986, Kenya 1989a, Kaberere 1987).

Summary:

In conclusion, the role of small-scale enterprises can be explained within the context of provision of the basic goods at cheaper prices, development of technology (training ground) and lastly contribution to a more equitable distribution of national income by creating jobs in the rural and urban areas.

CHAPTER THREE

3.0 BACKGROUND INFORMATION ON THE STUDY AREA

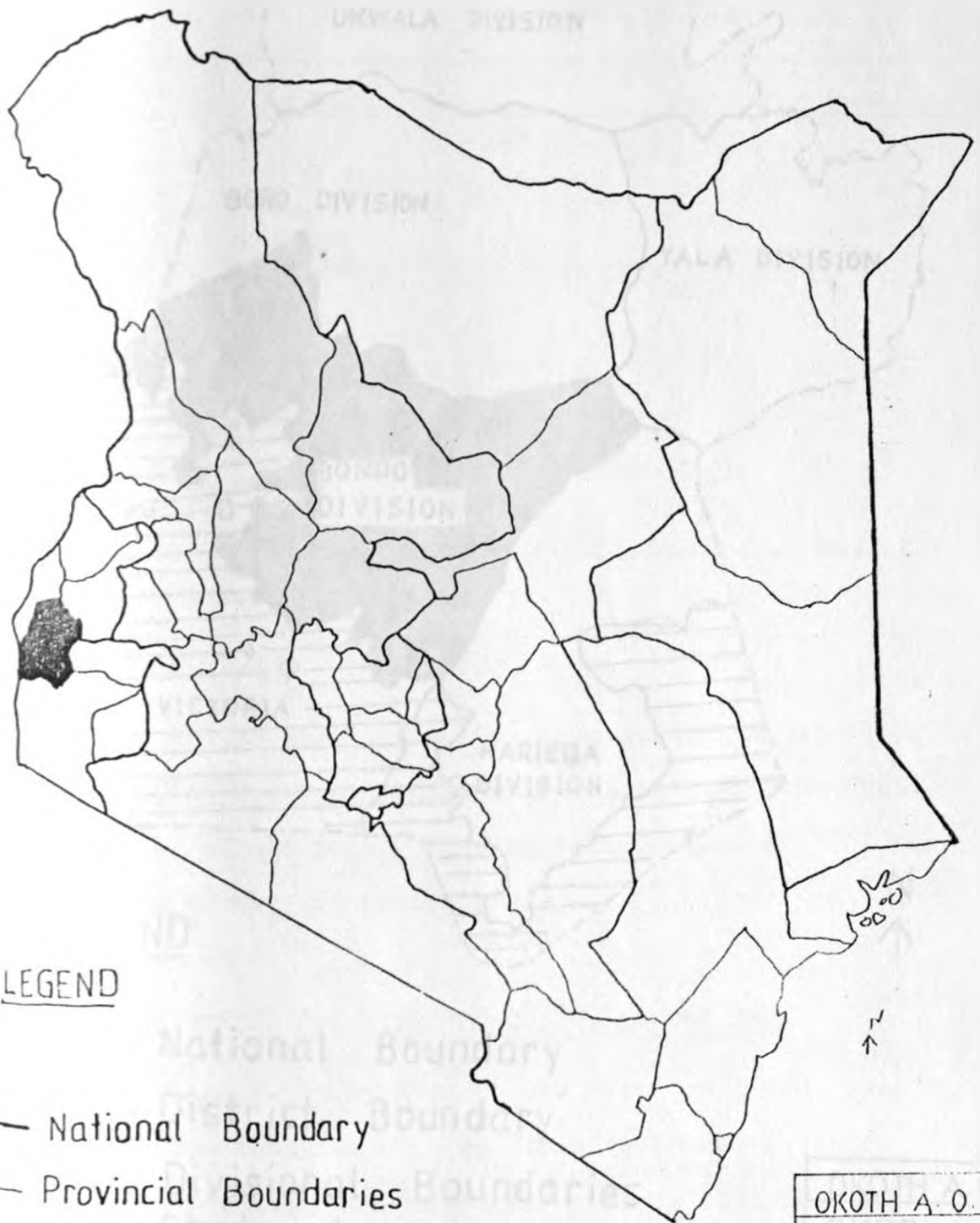
In order to understand the economic and spatial implications of the SSE's in Bondo urban centre it is deemed necessary to survey the interrelated physical and human conditions in the region (Division). This chapter introduces the general physical and economic conditions of the division in the first section to provide the spatial and economic context in which Bondo urban centre is described in the second section.

3.1 REGIONAL SETTING (BONDO DIVISION)

Bondo Division is in Siaya District which is located in Nyanza Province of the Republic of Kenya. Siaya District extends from latitude $0^{\circ}13$, South to $0^{\circ}18$, North and longitude $33^{\circ}98$, East to $34^{\circ}13$, east. (see Map 1).

The Division is bordered by three other divisions as follows. Boro division on the North, Yala division on the north east and Rarieda Division on the east. Bordering the division's land surface on the south and west is Lake Victoria, a fresh water lake and the third largest lake in the world (see also map 2).

Administratively, the division is divided into seven (7) locations and twenty two sub-locations (22). Various administrative units are shown in the table below.

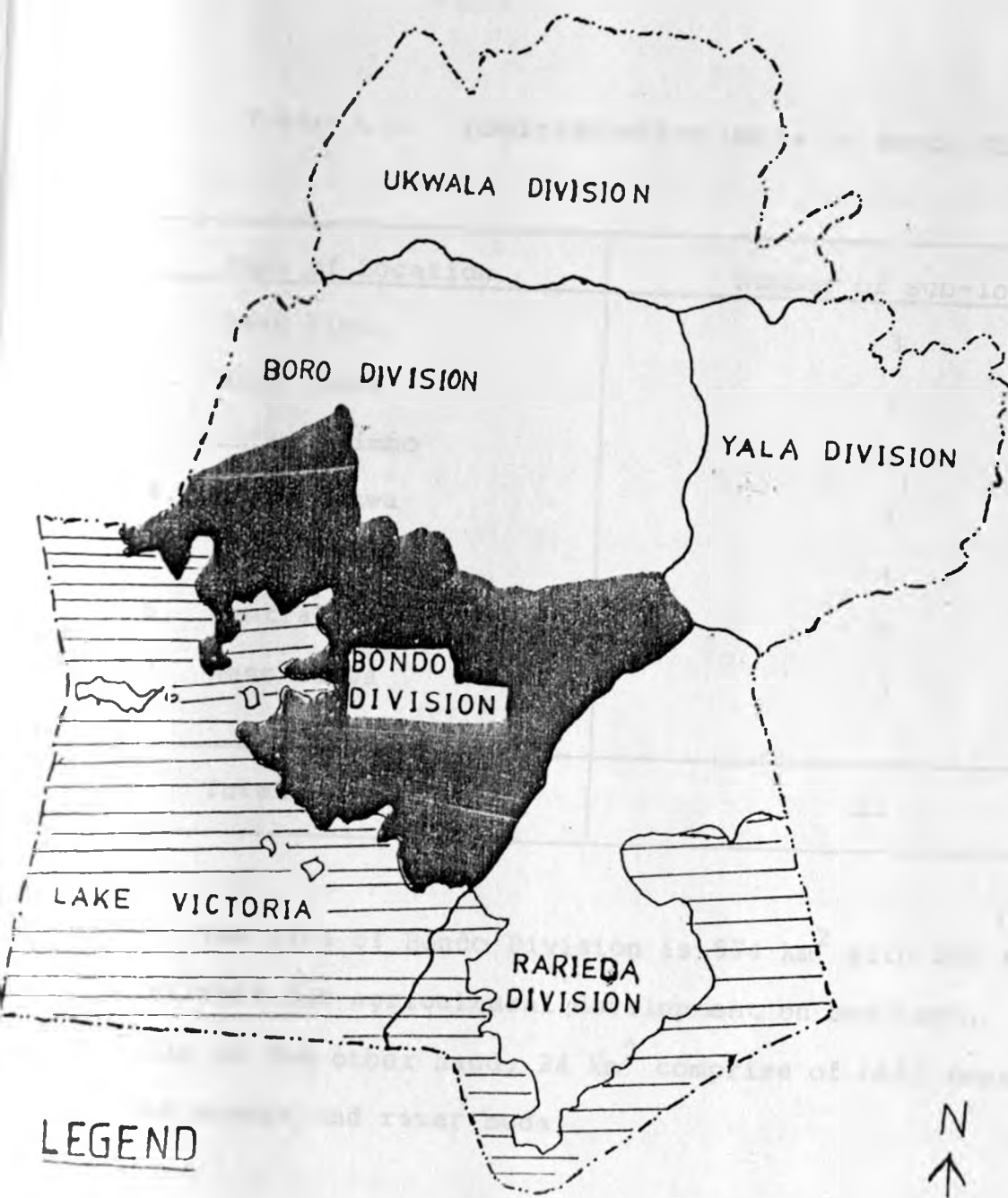


LEGEND

- National Boundary
- Provincial Boundaries
- - - District Boundaries
- Study Area

OKOTH A. O.
DURP.
1990

MAP 1 SIAYA DISTRICT ; NATIONAL CONTEXT



LEGEND

- — — National Boundary
- - - District Boundary
- Divisional Boundaries
- Study Area

OKOTH A.O.
D.U.R.P.
1990

MAP 2 BONDO DIVISION : REGIONAL CONTEXT

Table 3.1: Administrative Units in Bondo Division

Name of Location	Number of Sub-locations
1. East Yimbo	3
2. West Yimbo	3
3. Central Yimbo	3
4. South Sakwa	3
5. North Sakwa	4
6. Central Sakwa	3
7. West Sakwa	3
Total	22

The area of Bondo Division is 574 km² with 550 km² available for agricultural development on one hand, while on the other hand, 24 km² comprise of hill tops, lake swamps and river beds.

3.1.1 PHYSICAL GEOGRAPHY OF THE AREA

Since the geology of the area has direct bearing on topography as well as drainage characteristics of that particular (region) area, it is thought wise to at least have a mention of the area's geology. Like other parts of the district, the division is predominantly covered by Nyanzian system of rocks. These are the oldest rocks in Kenya and are dated as lower

precambrian era. The Nyanzian system consists of great thickness of various types of ancient volcanic materials. Therefore, against this background we now turn our attention to the topography.

Topography

The average altitude of the division is rising from about 1135 metres on the lakeshore in the south to about 1200 metres in the north and east. The division has a few rolling land in the north, but most of it is generally flat lowlands.

Physical terrain is important because it has bearing on rainfall. Rainfall, in turn, influences farming activities and hence spatial distribution of the population. But due to the predominantly lowland nature of the terrain and somewhat harsh climatic conditions most people in the division have been restricted to the lake shores where they practise fishing. Thus many people consider fishing as the most important source of income. Other types of activities can, therefore, only supplement fishing. Such attitude cannot augur well for non-fishing activities.

Climate

Annual rainfall amount and distribution in the region are largely determined by the altitude and wind direction. The average rainfall is 900 mm annually.

The region has bimodal rain pattern which falls between February-March upto June with short rains coming in September/October ending in November. However, rainfall is often erratic, making it difficult for farmers to predict when rain is likely to fall.

Thus, it is important to note that, the interplay between physical and biological factors in the division has resulted in an environment whereby people struggle to survive. Thus due to such a struggle, some people have found it fitting to invest in non-farm activities.

That aside, it should be noted further that, although rainfall is erratic, whenever it comes, it falls very heavily. Sometimes most parts in the division are cut-off due to impassable roads hence making effective interaction to be periodical. When there is no effective interaction between the producing and consuming areas, producers are often hit most since their products would be without customers. Thus lack of consistent and effective demand often interferes with operation of any business.

Soils

Soil properties exert a strong influence on the manner in which land is used. Soils are irreplaceable resource and mounting pressure upon land is constantly making it more and more valuable.

The region in question is characterised by sandy soils which are dark brown to very dark greyish brown with variable textures ranging from sandy loam to sandy mixed throughout the profile. The soils are very porous so much so that water passes through very easily leaving the sub soils dry almost immediately after rainfall stops.

This implies that a lot of rainfall is required for crops to grow and have good yields. The entire region has marginal lands making farming to be confined to small river valleys with rich lacustrine and alluvium deposits.

Thus most people who can afford to invest in non-farm activities, open small businesses to supplement agricultural products.

Forestry

There is no gazetted forests in the division but scrubland types of vegetation consisting of low bush thicket vegetation and few scattered tall trees. Typical scrubland and a few scattered acacia and low bush vegetation are found especially in parts of Yimbo; central and south Sakwa; and Mageta island. The low forests are of local importance and serve as source of building poles, firewood and charcoal.

Charcoal is of special importance because, it is source of power for the enterprises which often carry out welding works. Other industries in rural areas such as bakeries use firewood to generate power for manufacturing bread. That due to availability of fuelwood such industries have been able to locate in Bondo.

It is also important to note that forestry is crucial in this study as a subsector of the small scale industries (carpentry) use forest oriented raw materials. However, due to lack of forests to serve as a source for timber products, all carpentry workshop import timber from other towns such as Kisumu. Therefore, money which could be crucial in developing the hinterland is taken outside the division.

3.1.2 SOCIO-ECONOMIC BACKGROUND OF THE REGION

This section on socio-economic background will be divided into a four sub-sections namely; demographic status, agriculture and livestock; fishing; and commerce and industry.

Demographic Status

Since planning is for the people, an overview of population of Bondo division with special reference to densities and distribution is necessary to provide a

basis against which all demands for physical development and infrastructural expansion can be measured.

Since many people in Kenya live in rural areas with the main subsistence as agriculture, Bondo division is one of those areas where most people are living-off subsistence economy in the country.

Bondo Division has about 104,595 people with 10,000 families distributed in the seven locations mentioned earlier. The population density there is 181 persons per square kilometre. But compared to other parts in Siaya district, it is the most sparsely populated region. The projected population for Bondo Division between 1979-93 is as indicated in the table below.

Table 3.2: Population projection of Bondo Division
Size and Density

	1979	1988	1989	1990	1991	1992	1993
Size	65,335	98,223	101,370	104,595	107,895	111,273	114,728
Density	113	170		181			193

Source: Siaya District Development Plan, 1989/93.

According to the same source, population is expected to increase by between 3.1 per cent and 3.3 per cent each year assuming that both fertility and mortality rate will decline.

The Division has, in the past, suffered from large scale out-migration. A combination of relatively poor soils, erratic rainfall and unreliable crop yields contribute to out-migration. This implies that a majority of young able bodied and educated males spend most of their productive lives elsewhere as migrants returning home periodically to visit their relatives. They also, in most cases, buy household items such as beds, chairs, buckets etc., from wherever they might have migrated to. Such people are often not potential buyers from their mother homes/regions from which they migrated.

The people in the area attach great importance to high educational attainment which enhances employment opportunities for its out-migrants in both rural and urban destination. However, such educational attainment is often considered by many people as an automatic ticket to white collar jobs. Thus many young people who are either holders of Kenya certificate of education or Kenya Secondary certificate of education prefer to be

employed in formal enterprises even when what they earn is too little. The young people have poor image of the informal sector, considering it to be left for either standard eight graduates or former standard seven graduates

ECONOMIC STATUS

The division derives most of its livelihood from three main activities namely agriculture, fishing and commercial and industrial activities. However, there exists pockets of mining and quarrying here and there (Wagusu, Bar Chando and Ndwara in Sakwa locations) but these are not of significance. To a lesser extent, the transport sector also generates some level of income although, again, the contribution to the overall division's economy is not significant.

Due to comparatively harsher conditions in the division economic activities have long been concentrated around the lake shore. Fishing and crop farming have been practised mainly at subsistence level within a predominantly bushy environment. Where bush clearing has been intensified, there is subsistence agriculture. However, cotton as cash crop is being grown, to a lesser extent, along side food crops.

Agriculture and livestock

Bondo Division has a total of 55,000 hectares of agricultural potential area divided mainly into two agro-economic zones as follows:

- (a) Medium potential zone which is (24,000 ha)
- (b) Marginal zone (25,900 ha)

These medium and marginal potential zones have only one crop season with maize, sorghum, cotton and root crops featuring as main crops.

Land is therefore the major natural resource in the division. However, large parcels of land is not put into use. Subsequently, most people practice non cash agricultural economy by growing mainly sorghum and cassava on subsistence basis, and even then on only small portions of land. The result is that most people are unable to adequately invest in modern farming technology that would help raise their agricultural output and hence high living standards.

The table below shows (table 3.3) the types of crops grown in the division. However, there is to some extent rainfield rice grown in Sinyanga which has about 50 farms but the number of hectares not given.

Table 3.3: Types of crops grown in Bondo Division by 1988

Crops	Area (Ha)	Production	Tons/Bags	Value (£)
1. Maize	7,005	12 bags/ha	@ 315/=	133371
2. Sorghum	4,034	6 bags/ha	@ 270/=	23655
3. Finger millet	10.4	75 bags/ha	@ 940/=	3666
4. Beans	2,649	3 bags/ha	@ 600/=	248410
5. Green grams	15	5 bags/ha	@ 900/=	5625
6. French beans	. 3	-		-
7. Cassava	289.4	10 tons/ha		-
8. Sweet potatoes	210	11 tons/ha		
9. Citrus	12	560 bags/ha	@ 300/=	100800
10. Mangoes	40 seedlings	-		-
11. Tomatoes	47	5 tons/ha	@ 8000/=	94000
12. Onions	4	8 tons/ha	@ 1000/=	16000
13. Cotton	33.8	-		-
14. Groundnuts	71	7 bags/ha	@ 1200/=	29520
15. Simsim	34.2	75 bags/ha		-

Source: Siaya District Annual Agricultural Report (1988)

Horticulture is equally practised along side other agricultural activities. Although it is practised to a smaller extent, there is orientation towards commercial production (see table 3.3). For instance, groundnuts has market available in Kitale and Kisumu where it is sold.

Livestock farming is equally important in the Division since nearly every family keeps a zebu type of cattle for milk and as a form of investment. There is, however, a steady increase in dairy farming in a few isolated areas within the division. Besides cattle, there is poultry, sheep and goat farming. The table below (3.4) serves to illustrate the livestock activities as practised in the division.

Table 3.4: Types of livestock activities carried out in Bondo Division

Type of Livestock	Years and number of Livestock Kept				
	1984	1985	1986	1987	1988
1.Cattle	44,871	49,986	55,148	63,420	69,762
2.Sheep	11,105	14,629	16,920		20,438
3.Goats	24,787	29,162	32,078	36,890	41,424
4.Native fowl	67,808	76,187	84,568	93,890	104,195
5.Commercial Poultry	2,300	2,548	2,760	3,699	4,000
6.K.T.B.H	356	392	435	686	686
7.Pigs	-	-	100	200	250
8.Rabbits	-	-	100	100	150
Total	151,230	172,904	193,109	198,685	240,925

Source: Siaya District Annual Agricultural Report 1988.

The implication is that under such rainfed agriculture, the potential of the land for agricultural production is quite low in Bondo Division. Thus, due to rainfall unreliability and little amounts; and the nature of soils in the area, agriculture as a source of livelihood in the division has a limit to which it can be exploited to support the population. This means that many people are bound to resort to other non-farm activities to supplement the meagre agricultural product. Nevertheless, agriculture, at present, has been serving as a source of initial capital for starting businesses.

However, the pronounced subsistence nature of agriculture in the division implies that the people from the area have little surplus income from their farming enterprises. The result is that great demand, for goods and services which could have stimulated rapid growth of small scale industries, has not been generated. Thus effective demand is curtailed by the fact that people often purchase only basic requirements such as foodstuffs, dresses and farm inputs. People would mainly buy products which can make them survive as there is often little surplus after food is bought.

FISHING

As has been mentioned in the introductory paragraphs of this section, fishing activities are increasingly pronounced in the region. The major fish landing beaches include Uhanya, Usenge, Wich lum, Liunda, Ludhi and Wagusu. All these beaches are found on Lake Victoria shore line.

There exist two major co-operative societies namely Yimbo and Sakwa which assist the fishermen in marketing fish products.

However, fishing as an activity has not been fully developed due to administrative problems such as lack of adequate advisory staff, lack of means of transport, stealing of nets and illegal fishing using seine nets during the breeding periods which in turn accelerates the rate of decline in the fish population. Other problems are due to danger of over fishing by the licenced fishermen, lack of refrigerated motor-boats (that fish often go bad before being landed at the beaches to reach the consumers); and poor means of transport and lack of refrigerated carriages which are necessary for marketing fish.

Because of the above limitations, fishing is just for subsistence, little is left for investment into

other activities. Nevertheless some small-scale enterprises have been started with money from fishing.

Fishing as an activity, however, does not need products from small scale enterprises. Most of their inputs such as nets, hooks and timber are purchased from the formal sector in Kisumu. But fishermen with surplus capital sometimes purchase items such as chairs, dresses and other related services from the informal sector. The former explains why there is limited market for the products from the small-scale sector. Thus, fishing as an industry requires specific inputs which are not manufactured by the artisans in the informal sector.

3.1.3 URBAN DEVELOPMENT IN THE REGION

A necessary condition for creation of urban places in a non-metropolitan region (like Bondo Division) is the existence of sufficient economic surplus in the region. That economic surplus may come from the local (agricultural) production or it may come from external sources eg. wages to the administrative hierarchy, pensions to the local citizens, visit to the region by tourists, construction projects or military establishments. The structure of an urban system depends on the function and size of its economic base.

The urban system may be seen as a way of organising economic activity in space. It is therefore against this background that urban development in this region (Bondo Division) can be analysed.

Urban development and market network in the region has been growing rather slowly and haphazardly and sometimes has not met the needs of the surrounding agricultural areas (Siaya District Development Plan 1989-93).

However, one interesting fact to note about these centres is that, in most cases, basic infrastructure is often missing. Therefore to take full advantage of the rural-urban strategy, spelled out in Sessional Paper No. 1 of 1986, an economic management for renewed growth, (Kenya 1986) installing of the basic infrastructure is necessary to encourage manufacturing of agro-processing industries especially the small-scale industrial enterprises.

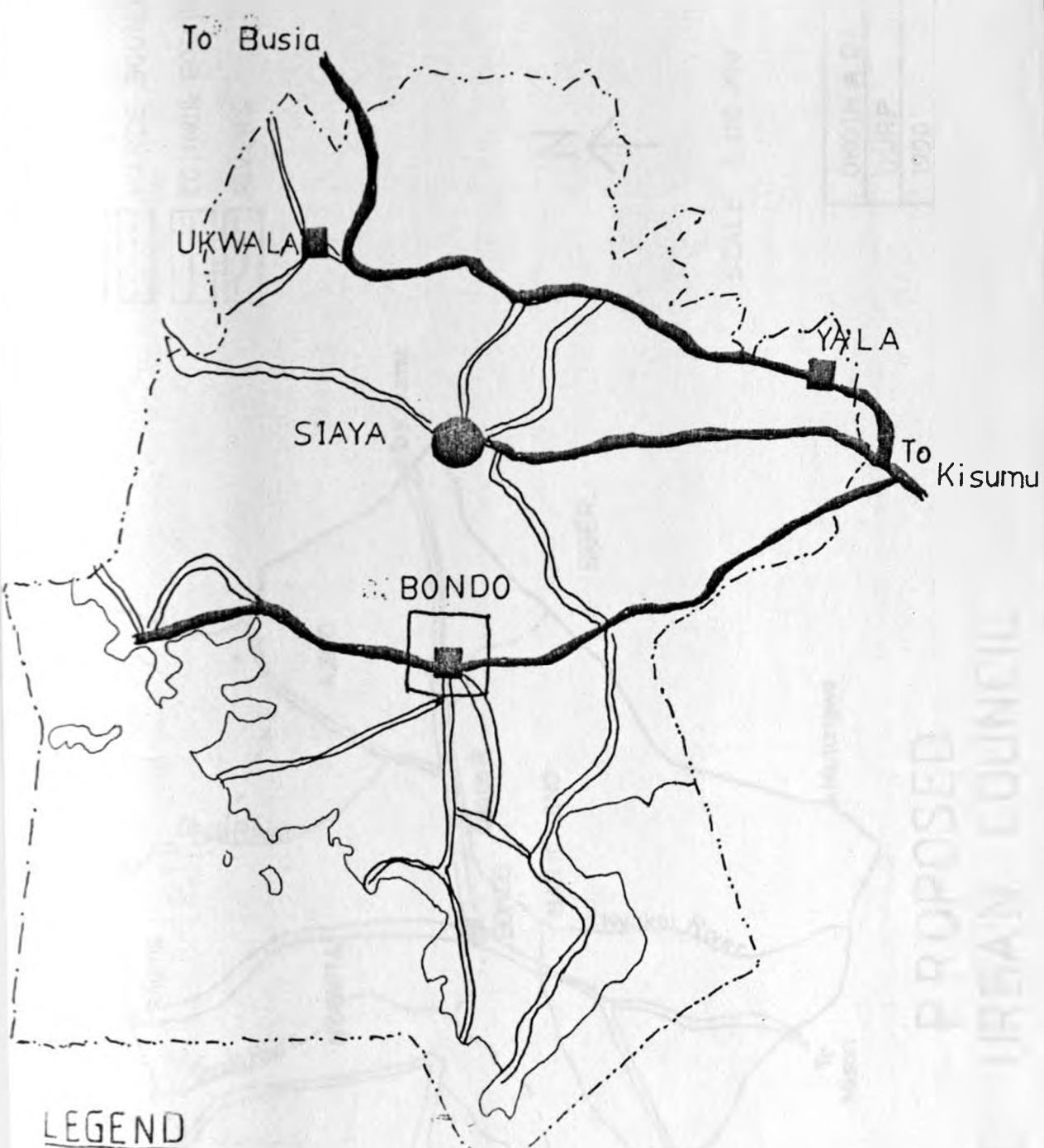
The implication is that due to lack of basic infrastructure, most people travel to Kisumu to secure better services. The net result is that there is no trigger mechanism to attract investment as a lot of money is taken outside the region. This affects the development of small scale industries because market is often minimal.

3.2 BONDO URBAN CENTRE - THE AREA OF STUDY




Bondo Urban Centre is situated in Bondo Division. It is the headquarter of the division with seven locations (mentioned earlier in the chapter). The centre is 59 km. south-west of Kisumu town and about 20 km. south of Siaya town. It is off Kisian - Usenge road (see map 3). The built up centre is roughly 1 km², but with extension of boundaries, on acquiring new status, the new centre is now about 120 km². Administratively, Bondo Urban Centre incorporates (see map 4):-

- (i) Bar-Kowino East
- (ii) Bar-Kowino West
- (iii) Nyawita East
- (iv) Nyawita West
- (v) Ajigo
- (vi) Bondo Town

However, for the purposes of this study we shall confine ourself to the part of the town falling within the old town boundaries (see map 5).

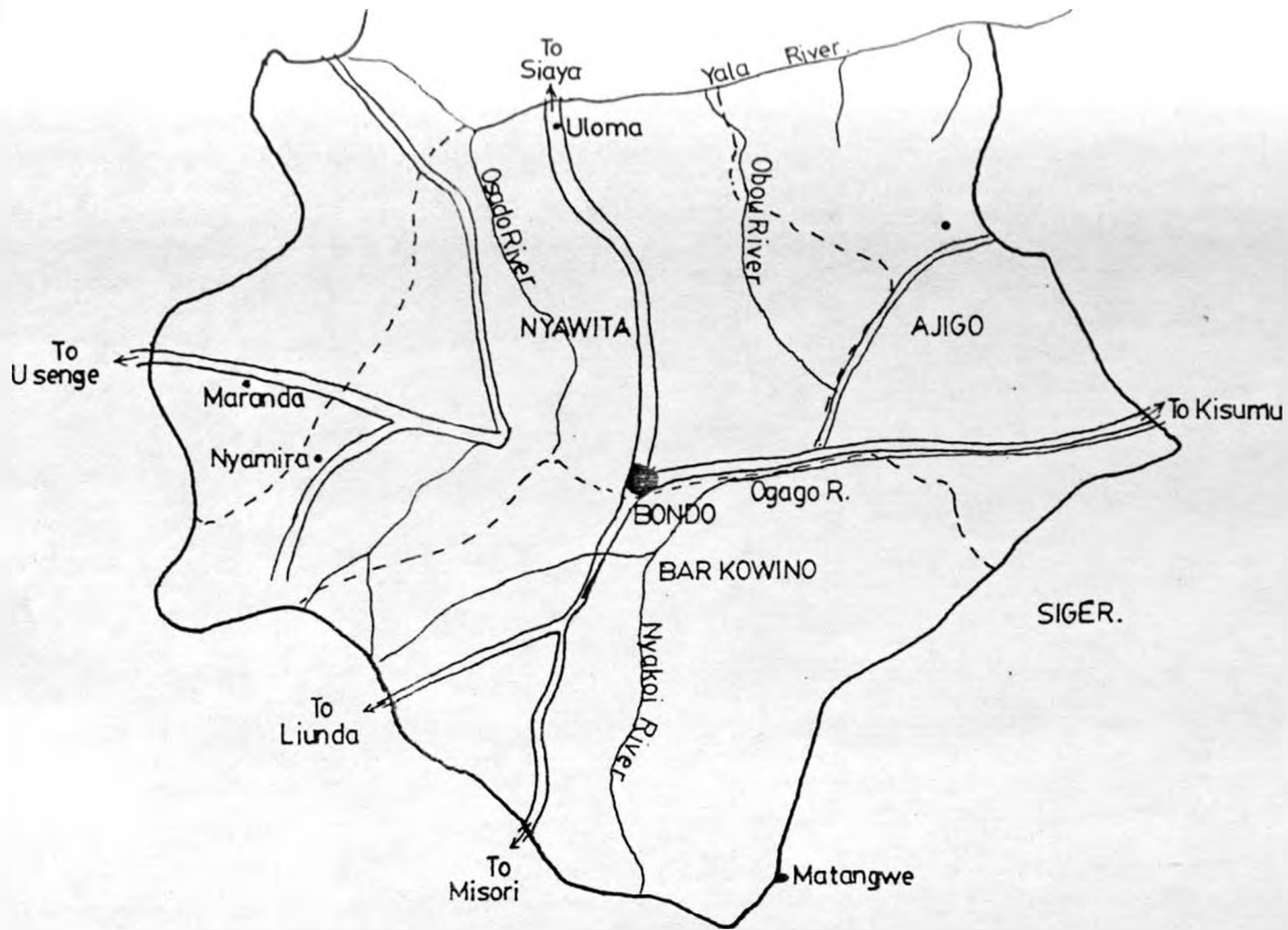


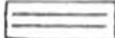

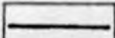
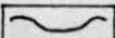
LEGEND

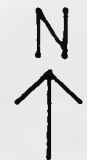
-  Study Area
-  Tarmacked Roads
-  Loose Surface Roads

OKOTH A.O.
D.URP.
1990

MAP 3 LOCATION OF BONDO



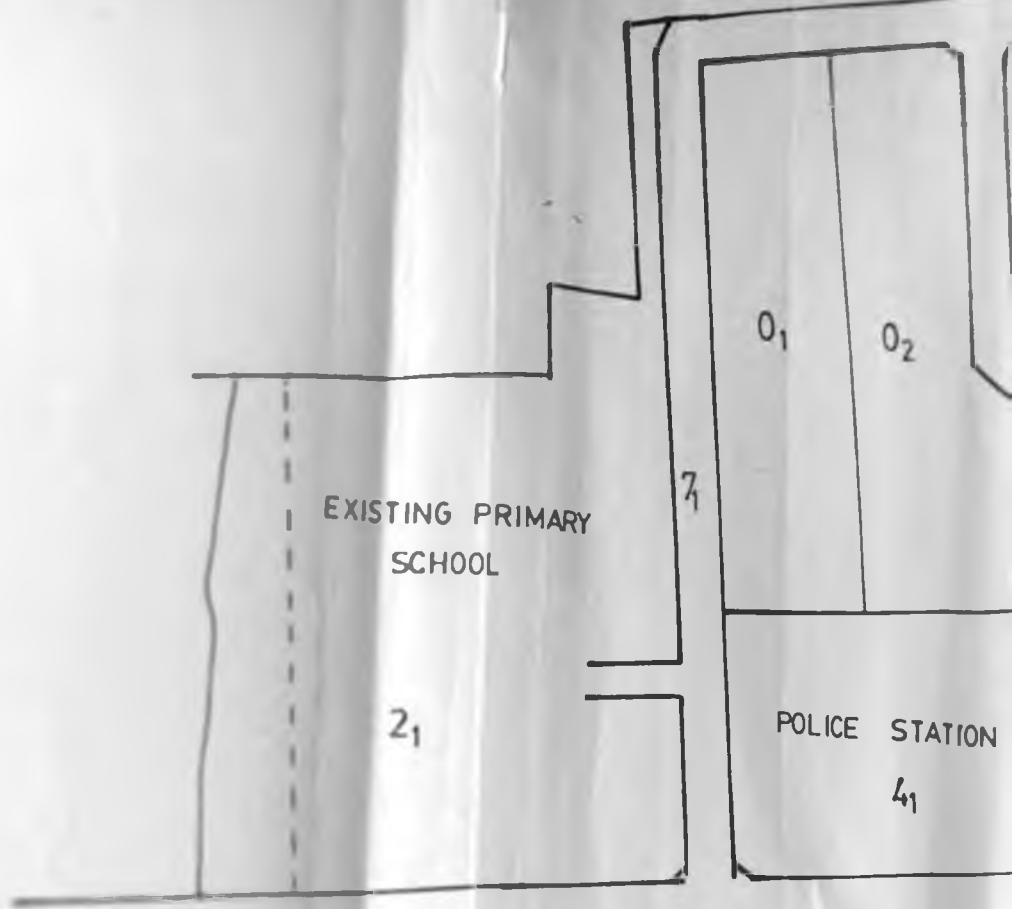
-  ROADS
-  WARDS BOUNDARY
-  COUNCIL BOUNDARY
-  RIVERS



SCALE 1:100 000

OKOTH A.O.
D.U.R.P.
1990

MAP 4 PROPOSED
BONDO URBAN COUNCIL





LEGEND.

0	<input type="checkbox"/>	RESIDENTIAL
1	<input type="checkbox"/>	INDUSTRY
2	<input type="checkbox"/>	EDUCATION
3	<input type="checkbox"/>	RECREATIONAL
4	<input type="checkbox"/>	PUBLIC PURPOSES
5	<input type="checkbox"/>	COMMERCIAL
6	<input type="checkbox"/>	PUBLIC UTILITIES
7	<input type="checkbox"/>	TRANSPORTATION.

3.2.1 Historical Development of the Centre

Bondo as a local market started way back in 1922 under a tree. The place was originally open with only a single tree at the centre. The name Bondo literally means baldness in dholuo.

The first public baraza to be organized there was in 1928 under the Chairmanship of Chief Elijah Bonyo. In 1939, an African Court was built which was to serve Sakwa, Yimbo, Asembo and Uyoma Locations. The latter two locations currently form the newly created Rarieda Division.

In 1953, the first District Officer (D.O) was posted to Bondo to serve the above locations. During the same period, a health centre was built and later expanded in 1964. This period witnessed the emergence of shops built of mud walls and grass thatched roofs.

The emergence of shops led to creation of other related facilities. A police post was constructed, a primary school also sprung up, thus Bondo started gaining prominence.

Nevertheless, the momentum of development started in the later 1970s and early 1980s after the tarmacking

of the Kisian - Usenge road. During this period most people around Bondo started realizing the need for constructing decent and permanent residential houses of modern type. These were to be rented out either to civil servants or private entrepreneurs.

This kind of development made Bondo to acquire even greater prominence. Earlier in 1982, Bondo Honey Refinery was started at the centre to harvest and process honey in the region. One can thus assert that 1980s became the turning point in the history of Bondo's development. This is evidenced in the fact that in 1988, Bondo was elevated to an urban status. In 1989, work on Bondo Teachers Training College started, expansion of the old health centre also commenced and it is also in the 1980s that cereals and Produce board of Kenya completed a depot at the centre.

The increase of activities are mostly likely to serve as impetus to the development of the centre since additional facilities will be needed to meet the ever-increasing demand for facilities (physical and social). The elevation of the centre to urban status also led to extension of boundaries which implies that more people are now included within the boundary of the centre.

The analysis of the historical development of Bondo is considered crucial for this study because,

from such, function and size of the centre on which employment opportunities depend are revealed. Bondo started mainly as an administrative centre, and later on, commercial activities have been developing to serve resident population. People who visit Bondo to be accorded administrative services may be attracted to buy a few things at the centre. Entrepreneurs, therefore, tend to locate their activities where they can be seen by many potential customers.

However, it is also important to note that rural towns emerge as key points in the development of the small scale enterprises. Such towns offer industrial enterprises the potential to exploit economies of scale and provide certain infrastructural and institutional facilities. Prospects for sharing equipment as well as the emergence of repair and support facilities encourage enterprises development in the towns. Thus Bondo cannot be an exception, especially due to the fact that it is already earmarked as an RTPC.

3.2.2 Socio-Economic Status of Bondo

To understand the factors that are favourable to location and development of small scale enterprises, it is first necessary to survey the inter-related social and economic conditions of the centre.

Demographic status of the Centre

According to 1979 census records, Bondo had a population of 702 residents (Kenya, 1979b). However, population projection as contained in Siaya District Development Plan 1989/93 (Kenya, 1989b) reveals that Bondo should have a resident population of 1,190. But according to the estimates from the Bondo Councils records, the existing centre has over 4,000 resident population.

This trend of population growth suggests that, many people have been migrating to the centre. Population increase implies that an increasing demand is exerted on the resources as well as on the services, most of which were provided for a smaller population. Thus with the influx of people into the centre more services are required, more employment opportunities are needed to absorb the migrants in order for them to stay at the centre.

The influx of population also suggests that, entrepreneurs who wish to invest in Bondo are likely to have market for their products. They will also need food from the hinterland. However, in the case of Bondo, many people come to work in the morning and go back to their homes in the evening. Most business operators come from the hinterland and practise

subsistence agriculture along side non-farm activities.

The migrants to the centre are often characterized by young school leavers without any entrepreneurial skills, most of whom have only attained primary school level of education. They, therefore, resort to any kind of work which require labour. Majority decide to join their relatives and therefore are paid only pocket money, and not wages. But in the process, they learn a few skills which enable them to open their own businesses after acquiring a little capital.

It should also be noted that, due to influx of many people into the centre, any open space is now occupied. Of late, enterprises that may need big spaces, cannot find strategic sites whereby their products can be seen by many customers.

Social Amenities and Infrastructural facilities at the centre

Since no development in real terms can be realized in any place without being accompanied by both social amenities and infrastructural facilities, we wish to turn more attention to the same at this stage. This is because, for an investment package to take place, there is always need for infrastructural facilities to act as trigger mechanism.

Educational Facilities

There exists one primary school at the centre. In addition to this, there are also two nursery schools for all the young children whose parents reside at the centre. But with extension of the boundaries, there will be more nursery schools, over fourteen primary schools and about three secondary schools. However, a youth polytechnic will not be included.

This suggests that market especially for tailoring that provides uniforms, carpentry that provides chairs, desks and other similar types of furniture; and metal works that provide steel windows and the like; will have market at least to some degree. The existence of such institutions within a town is crucial since they usually place big orders, especially in the case of secondary schools. However, there being no polytechnic, the enterprises will still continue training their own workers through apprenticeship. The existence of such a situation, like the one above, perpetuates deployment of unskilled labourers which in itself negates improvement in terms of equality. Low quality, in turn, can contribute to products from small-scale enterprises in Bondo being not preferred by most people.

Water Supply

Bondo has one formal water supply scheme which was put up in the mid-fifties. The supply can no longer meet the demand estimated at $480\text{m}^2/\text{day}$. Thus very few people are served by the piped water scheme. The rest of the population resort to other marginal sources as streams and ponds supplemented by roof catchment during rainy seasons. However, during yearly dry periods (December-February), people are forced to look for water several kilometres away from their premises.

This suggests that enterprises which need a lot of water to operate might not locate at Bondo. But industries such as bakeries which may locate at the centre might have their production capabilities reduced as a lot of time is spent in searching for water whose quality cannot even meet the standards of acceptable drinking water. The quality of their products are also likely to be low, thus many people would prefer to purchase qualitative products from other towns.

The net effect is that operation and development of small scale industries, in general, is thwarted. Water shortage also makes the small scale enterprises flout the factories' Act which requires that a firm must have a clean water nearby for its workers.

Sources of Energy

Energy infrastructure at the centre is very poor. Except for a police station, Bondo health centre and a private petrol station which use diesel driven generators, there is no electric power source and so people resort to use of paraffin and woodfuel (charcoal) as sources of energy.

Lack of electric power has serious impacts on small scale enterprises. Use of charcoal to serve the purpose of electric power makes many people to go to either Kisumu or Siaya for services that could have been easily obtained from Bondo. Thus market potential is reduced for the small scale enterprises.

Even the operators themselves waste a lot of time, that could have been used in improving the businesses, to secure better welding methods (for the metal-works especially). In general, enterprises which need a lot of power may not find it profitable to locate in Bondo.

Transport and Communication

The centre is well linked with other towns and centres. For instance, Bondo is linked with Kisumu by a good trunk road. Kisumu is a source of raw materials for most enterprises in Bondo. To some extent

Kisumu also offers market for finished products from small scale industries in Bondo. However, it should be noted that, the good road that links Bondo and Kisumu aggravates the problem caused by lack of demand for products from the informal sector in Bondo. People from Bondo's rural hinterland often prefer qualitative products from Kisumu to products from the informal sector in Bondo. Products from the formal sector in Kisumu flood Bondo's limited market hence causing stiff competition, so much so that, the small scale enterprises in Bondo have to lower their prices in order to survive.

Equally important to note is the fact that most roads within the region where Bondo is situated need to be graded to all weather conditions so that continuous movement to and from Bondo can be assured. Currently, most roads that link Bondo with other smaller centres become impassable during rainy season. This implies that market for the finished products from the informal sector, in Bondo is sometimes interfered with. Thus continuous flow of goods from Bondo to secure markets from smaller centres within the hinterland is seasonally interrupted. During such a time when goods cannot be disposed off easily, the

entrepreneurs are always forced to slow down their production process until rainfall stops.

In general, roads are very essential for the small scale enterprises because entrepreneurs need to travel either to obtain raw materials or secure markets from other centres or towns. When movement is curtailed due to poor roads, entrepreneurs are likely to suffer because they cannot be supplied with inputs nor would they have their outputs disposed of easily.

Public Open Spaces

There is one open space in Bondo. This is always used for the divisional sports. However, because it is close to the central business district, so many activities are encroaching into it.

The open space is occupied illegally by small scale enterprises, hence the emergence of the temporary structures since most entrepreneurs know that they can be evicted any time. Most activities which are located there are subject to hot sun, dust and when it rains a lot of mud and dirty water. The issue of illegality contributes to the temporariness of structures under which small-scale enterprises operate.

Open Air Market

There are two open air markets at the centre. One is devoted to livestock (cows, goats, sheep) while the other is left for other household commodities such as food and other related items. The two are significantly active on Tuesdays and Fridays (market days). But on the other days it is only the latter which operates.

Revenue collections from the two markets on market days amounts to roughly Kshs. 24,000 per month while on the other days, it is about Kshs. 8,000 per month.

The open air markets are crucial for small scale industrial activities because during the market days many people go to Bondo either to sell their agricultural produce, fish, clothes, etcetra; or to buy items that they might need. In such a process, the enterprises find market since their goods and services are also bought. Even the bicycle repairers gain from fishmongers who go to them to have their (fishmongers') bicycles mended on such days. Shoe-makers and repairers also gain from such days when people are many at the centre. Even the metal workers, especially those who make simple consumer goods such as small lamps, funnels, buckets and "jikos" also gain. They display their wares at the open air market. Market days are therefore a blessing to the small scale entrepreneurs.

The Formal Sector

This constitute another important source of employment and income. Activities in the formal sector consists of large non-farm wage employment in the public and private sub-sectors. The public sector consists of central and local government activities while the private sub-sector is composed of privately owned large scale formal economic activities.

The slow expansion of employment opportunities in Bondo imposes a limit on the extent to which the formal sector can provide an adequate solution to the socio-economic problems of the basically rural population of the hinterland where Bondo is situated. This suggests that because the formal sector is slow in creating employment opportunities in the centre, people often seek employment in other sectors of which informal sector is one.

Summary

The socio-economic setting within which small scale enterprises operate has given us a background against which the income and employment generating capability of small scale enterprises can be discussed. The effects of the infrastructural facilities are also discussed. Bondo lacks sufficient water supply, electricity and has open air markets which are crucial for the development of the small scale industries.

Thus Bondo is mainly a commercial centre and also performing administrative functions. The administrative function does not generate significant employment opportunities. Another result of the above fact is that such a trend cannot generate a great demand for goods and services which would stimulate rapid development of small scale industries.

CHAPTER FOUR

4.0 ANALYSIS AND FINDINGS

The stage is now set to review the content of the whole work in the light of the research problem and objectives so as to synthesize the ideas contained in the first three chapters. This chapter of analysis therefore incorporates both the theoretical and policy frameworks. Thus the experience from the field will be weighed against the two frameworks.

This chapter therefore constitute a synthesized frame of thought from which recommendations are to be derived in line with answering the study objectives. Each section in this chapter tries to address itself to the factor inputs that are favourable to both location and development of small scale industrial activities in Bondo.

One would recall that in chapter two, the most important factors that were identified as contributing to the location of small scale industries include easy accessibility to markets, availability of sites and proximity to place of residence. The literature review has revealed that; lack of capital, lack of supportive institutional organizations, lack of recognition by local authorities, and stiff competition are crucial factors in the development of small scale enterprises.

The review of government policy regarding location and development of informal activities states that the enabling environment, investment and finance and non-financial promotional programmes are very crucial in improving small scale enterprises.

In chapter three, analysis of the physical and socio-economic background has revealed that Bondo is a small urban centre, which lacks the infrastructural facilities, which the policy talks of as the enabling environment. The population of the centre has also low purchasing power. However, the policy regarding development of small towns and centres, as contained in chapter two is very clear. The policy states that "the strategy of locating activities in designated centres will promote the formation of small towns in rural areas. The assumption is that as these centres grow, they will form a level of urbanization which is large enough to become economically served with public water supply, sewerage disposal facilities, electricity, postal and banking facilities, it will tend to attract commercial and industrial developments to enrich the lives of the people in rural areas, and promote improved employment opportunities" (Republic of Kenya 1986).

It is against this background that the analysis from the field has been done. Therefore the first part

of this chapter is devoted to describing the small scale activities on the basis of manufacturing and repair, each separately. The second part is devoted to description of the activities in general including synthesis of the enterprises. A summary of the findings is also incorporated.

4.1 Types of the Enterprises

There will be a further breakdown of the sub-sectors (manufacturing and repair). Thus manufacturing will be sub-divided further into:- tailoring, furniture making, tinsmithing, shoe making, posho mills, bakery, and honey refinery. There will be further division within tinsmithing into two categories (heavy metal works and light metal work). Repair subsector will, on the other hand be subdivided into vehicles, bicycle, watch and radio repair activities.

4.1.1 Manufacturing sub-sector

Heavy Metal Works:

Heavy Metal Works "industry" plays a major role in the production activities. The basic materials comes from metal barrels which are obtained from government departments, garages, companies or private institutions and from individuals. Sometimes metal barrels are obtained freely, but on the average operators have to pay over

Kshs. 120 per metal barrel , depending on their bargaining power.

The other main source of raw materials is discarded or bought vehicle scrap metal. An old vehicle body costs about Kshs. 200 depending on size. An iron monger told the researcher that metal barrels are not as hard to cut as vehicle metal.

From such metal materials, charcoal stoves (jikos) are made. Depending on the size of the charcoal burner, between four and seven can be made out of one metal barrel. An old volkswagen body can, for instance, be converted into between ten and fifteen stoves. Every "jiko" takes about six hours to make and is sold for about Kshs. 30 each. The iron dealers also asserted that shop owners and traders from other neighbouring market centres place orders with them for large quantities. The dealers never complained of any problem as regards raw materials. But Jikos have both local demand and demand from other smaller centres.

Buckets are also made. Between three and five buckets can be made from one metal barrel. It can take a full day to make a bucket which is sold at between Kshs. 40 to Kshs. 60 per bucket. They take longer to be made than jikos but have good returns and are also more marketable

than jikos. Besides buckets, "karais" (metal basins) are also made. Each can be sold at Kshs. 50 to Kshs. 65. However, information regarding how many can be made from a drum was not given.

Flat "chapati" pans, the deeper frying pans, pan covers and ladles are also made. The selling price for each pan ranges from Kshs. 40 to Kshs. 60 depending on the size and type. The ladles sell for Kshs. 15 each. Pans can also be made on special orders. Such pans take the length of a complete drum (1.2m) and about one metre in width. Such type of a pan is sold to bee keepers. The pan costs between Kshs. 200 to Kshs. 250. Smokers used for puffing in the bee-hives during honey harvesting process are also produced. Easy access to market has made them very popular as farmers prefer them to those bought from formal enterprises in Kisumu, as transport costs are also minimized.

The sub-sector also makes cheap materials for poultry farming. These include poultry feeders. The iron mongers use metal sheets, timber and a few nails which are obtained from hardwares at Bondo. In this case, the iron mongers pay Kshs. 65 less than what they could have paid to import the same from

other towns such as Kisumu. Other items produced for poultry farmers include water troughs from plain sheets, brooders which are used for rearing poultry (between 1 day to 4 weeks old chicks); and heaters which use charcoal economically. It was clear from the interview with livestock and agricultural officers in charge of Bondo division that there exist some linkages between small scale enterprises and the ministries.

Metal window frames are also made by the sub-sector, which is part of triple-activity unit producing iron products including agricultural implements (hoes, shovels). Steel window frames cost between Kshs. 350 to Kshs. 550 depending on size. In addition to such products, ox-carts, water tanks and water sprinklers are also manufactured (plate 4.1 serves as an illustration to this effect). This implies that there is linkage between agriculture and the subsector. That agriculture must also be improved so that market is found for the products from the subsector. The subsector also produces knives used by farmers during harvesting (especially in the case of sorghum).

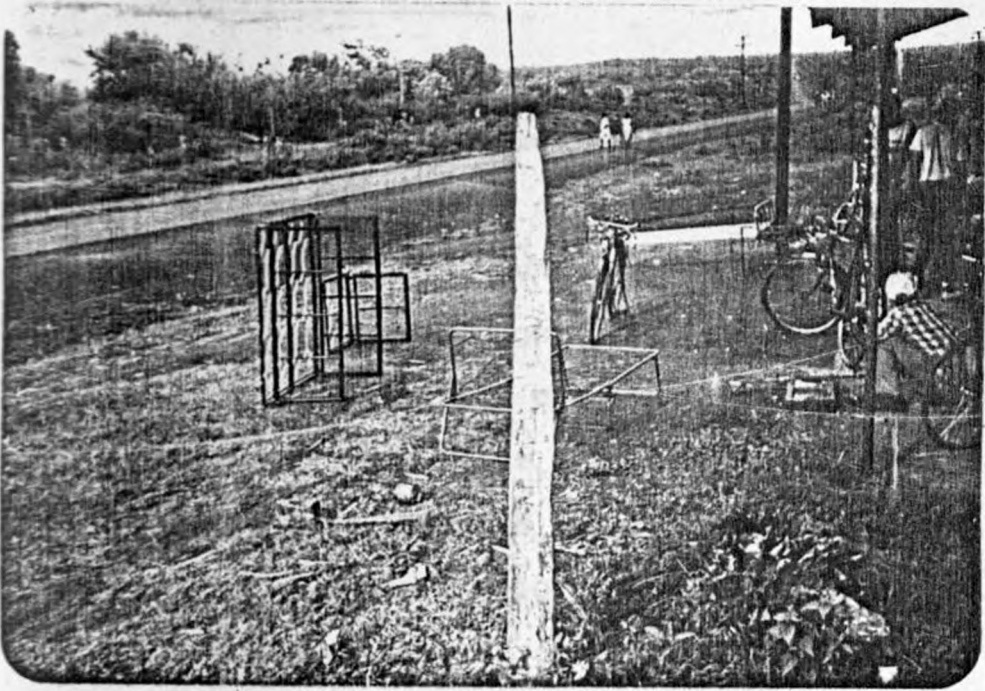


Plate 4.1: Illustrates products from heavy metal work shops.

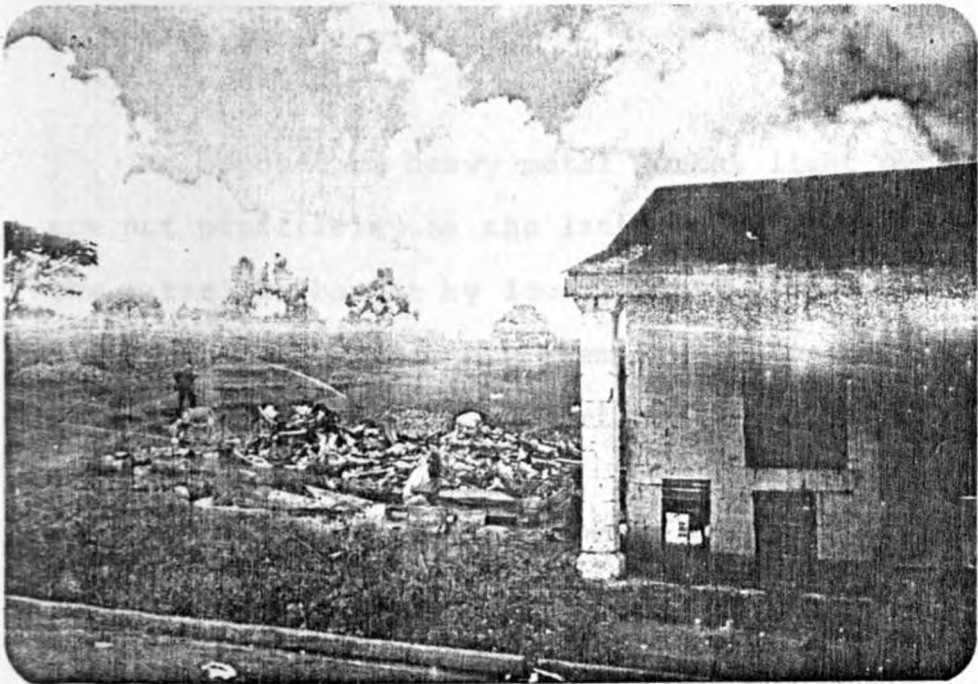


Plate 4.2: Illustrates how discarded metal containers can be used for making essential products (e.g funnels, lamps).

Light Metal Works:

Raw materials, consisting of tins of all types and sizes are obtained from garages, hotels and garbage heaps either from Kisumu or Bondo. The materials are used for making lamps, funnels, "Obabo"* (used by paraffin dealers) and drinking mugs (plate 4.2 illustrates the activities). One person can make between 7 and 10 lamps per day which are sold at prices ranging from Kshs. 1.50 to Kshs. 3 each. Funnels are not in great demand. One worker can make between 10 to 15 per day at a selling price of between Kshs. 2 to 4 Ksh. per funnel. This explains how wastes can be re-cycled to become useful.

The "Obabo" are mostly bought up by local retailers of paraffin. These are sold at Ksh. 4 to Ksh. 6 each, depending on the size.

As opposed to heavy metal works, light metal works are not profitable, as the latter uses simple re-cycled raw materials bought by local people. Traders from other smaller centres also buy them in bulk to sell to their customers in the rural hinterland.

* Obabo refers to a small tin used for measuring paraffin.

Rubber Products and Leather-Related Manufacturing

Rubber products come from discarded tyres and leather related products comes from leather materials. The rubber related materials are obtained from garages and from individuals at Kshs. 10 to Kshs. 30 per tyre depending on size of a tyre and bargaining power of an entrepreneur.

The outer surface of a tyre is always scrapped and when it has been cut out, the remaining part is cut into long strips. Each bundle is sold for Ksh. 15 to Kshs. 50 and normally one tyre produces between 15 to 20 strips. Rubber strips are mostly bought by carpenters who uses them for furniture making and as springs for beds.

Tyres are also needed by sandle makers. Over four pairs can be made out of one tyre and one person can make about four pairs a day. The selling price is between Ksh. 15 to Kshs. 20 per pair. The open sandles are popularly known as "Akala" or "Oginga Odinga shoes".

The shoes made from leather products are sold for Kshs. 250 to Kshs. 350 each. The raw materials are thread, gum, leather and nails. Leather is bought from Kisumu. About two to three pairs of shoes can be made a day. The demand for leather products is very

high especially amongst school going children. Leather related activities need space approximating $(12 \times 12)m^2$.

The overall implication is that there is linkage between formal and informal sectors. There is also intra-linkages within the informal activities. Shoe-making is, thus, likely to expand due to the existence of market for its products.

Tailoring

This includes fabricating and mending of clothing items. Some tailors make clothes which are sold locally while others make few clothing items against orders from outside the study area. The latter groups make clothes in bulk and sell them as far as Kisumu and other smaller centres. They also get orders from schools and similar institutions. One dress can be sold at a range of Ksh. 20 to Kshs. 350 depending on size, quality and type. The materials cost between Kshs. 500 to Ksh. 2000. Such materials are either obtained from Kisumu or Bondo. However, most tailors have spaces ranging between $(3.0 \times 3.0)m$ to $(9.0 \times 9.0)m^2$.

What should be noted here is that unlike products from other trades, products from tailoring can be transported to other centres to secure market. Thus, even

if the local market would not be sufficient, the operators in the trade can find market elsewhere, hence have the potential to develop. The Plate (4.3) below shows a lady making a dress.



Plate 4.3: Tailoring shop.

Wood-work Manufacturing (Furniture making)

The inputs used by this type of manufacturing include nails, wood/timber, hinges, leather and similar materials. Thus all furniture makers produce household goods such as beds, tables, chairs, cupboards and shelves.

They obtain their raw materials, above, from Bondo and Kisumu. One carpenter can make between one to two chairs a day depending on the size and type. But other items like sofa sets, tables, cuboards and beds can take at least more than a day (see plates 4.4 and 4.5 for illustration).

The items from carpentry workshops are made for retail as well as for institutions of learning, churches and the like which place orders prior to production. Space needed for the activities ranges from $\frac{1}{2}$ acre to $\frac{1}{2}$ acre.

This suggest that furniture making has a local market. The big orders can boost production especially when payment is done promptly. The activity can also benefit the hinterland if there were timber originating from the hinterland. However, in the case of Bondo, timber is imported from other places and only a handful of carpenters could exploit the existing meagre forest resources.

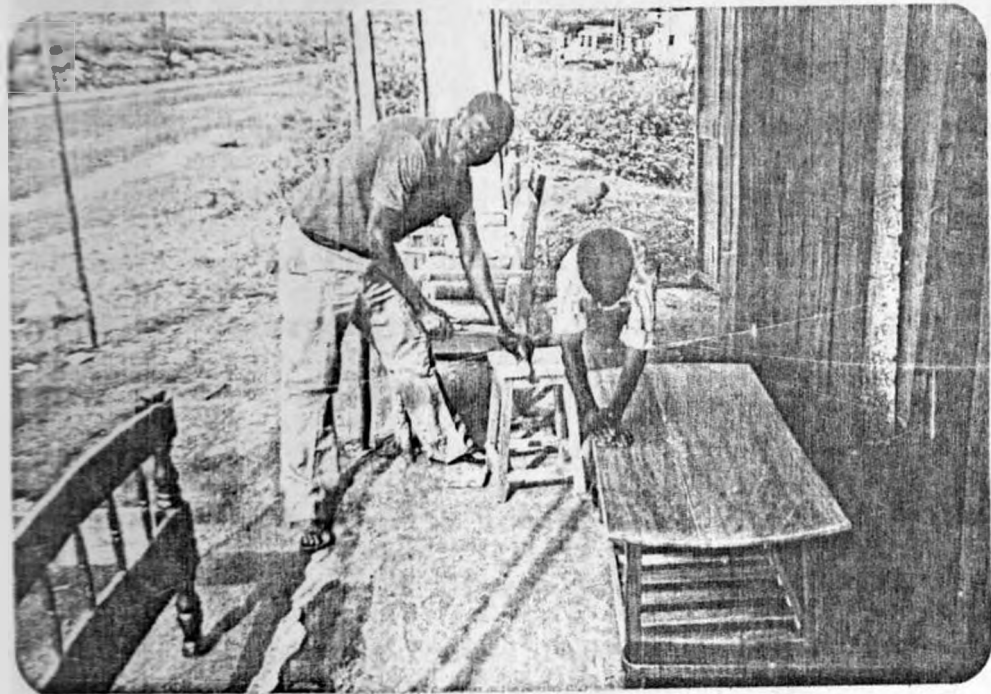


Plate 4.4: A furniture workshop.

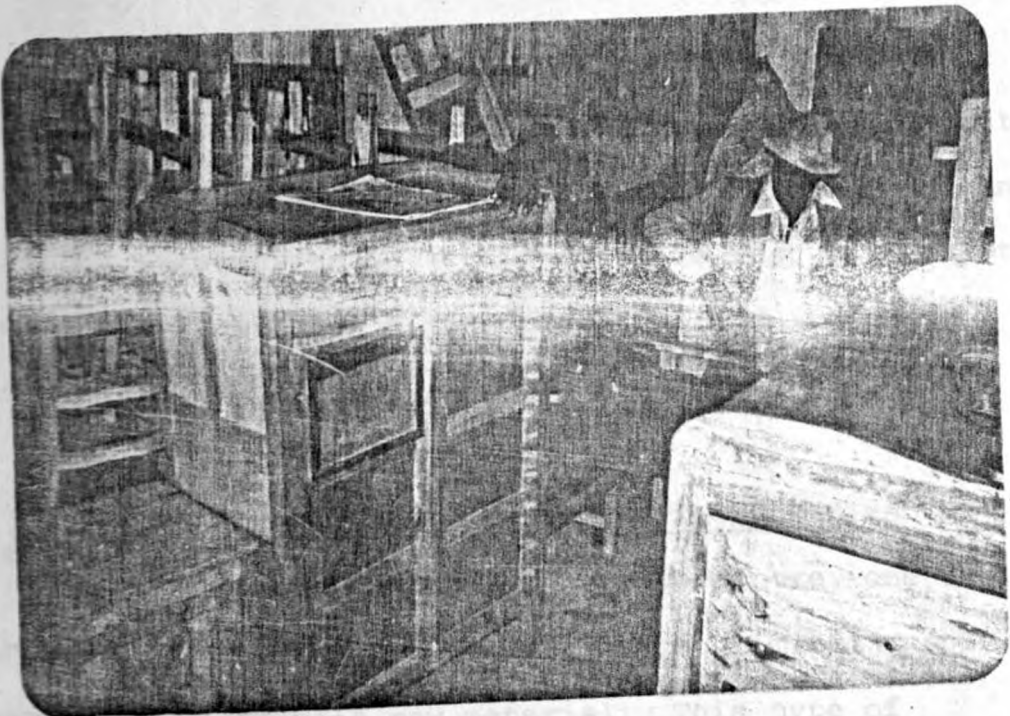


Plate 4.5: Finished furniture products for sale.

Posho Mills

The average initial investment for eight posho mills at the centre was Kshs. 60,000. The posho mills employ between two to three people. Their main raw materials (inputs) incorporate maize, sorghum and finger millet from Bondo's hinterland.

The posho mills locate near open air markets so as to get raw materials directly from the open air market, and also along the routes leading to Bondo town to attract customers from their homes who need their services. Ground flour as output from the mills can also be sold at the open air market.

There is therefore, forward linkages between agriculture and small scale industries. This fits within the policy framework which states that for rural-urban balance strategy to be attained, there must be symbiotic relationship between a town or centre and its rural hinterland.

Wheat Flour-Related Manufacturing/Bakeries

There are two bakeries, at the centre, one of which was not fully operational due to limited supply of wheat flour (the main raw material). This type of manufacturing require inputs such as flour, yeast, sugar, salt, water, oil and acid.

The products from the bakeries are mainly purchased by owners of the hotels and restaurants situated in Bondo. However, a bakery needs a big space ($\frac{1}{2}$ acre) for the manufacturing as well as for storing firewood which is used as a source of energy. This reveals that bakeries depend on the rural hinterland for energy.

It should also be noted that, compared to other types of manufacturing in Bondo, bakeries are the largest consumers of water. This suggests that reliable source of water is prerequisite for the industry to operate efficiently.

Honey Refinery

This is a special kind of industry in Bondo because, it is under the auspices of the Lake Basin Development Authority (LBDA). It was started at the place in 1982 and became operational on 4th of August 1984.

It was intended to respond to marketing needs of about 5,000 hives from the region. The honey refinery plant is situated on a plot (one acre) which belongs to the LBDA.

The refinery plant uses bottles, labers, packaging materials, cartons, crude honey purchased from bee keepers in the rural hinterland and water (2,000 gallons per month) as inputs. It needs 72,000 Kg. of crude honey to make it operate day and night. About 8,000 hives are needed to produce 72,000 Kg. of crude honey but by the time of the study only 2275 hives were found in the area. The plant also has problem of water shortage.

The industry has special relationship with the other sub-sectors such as metal works, from which it obtains smookers and pans. Thus bee keeping offers local market to the tinsmiths in metal works.

4.1.2 Repair Sub-sector

Bicycle Repair

The activity has high demand since most people use bicycle as their mode of transport. Thus bicycle is considered as the quickest alternative mode of transport available by majority especially in covering not very long distances. It is also perceived that the business would be long lasting since many local primary school teachers acquire their bicycles through hire purchase programme.

Repairing of a bicycle depends on the nature of the problem and therefore the cost also varies. According to the bicycle repairers "fundis" the highest could go upto over Kshs. 300 per a service. The number repaired per a day also depend on the magnitude of

a problem. However, the space needed by one repairer is about $(10 \times 10)m^2$.

The "fundis" used simple tools obtained from Bondo and cheap technology through improvising (for example, they use charcoal for welding purposes). But they lack permanent space for operation and therefore operate in open air or under trees.

Demand for the repairers' services is great on market days. This implies the inter-independence between the activity and commercial activities. The repairers also locate next to the open air markets which suggest that their location decisions is governed by demand factors. Thus the theory which states "that demand is essential in locating small scale activities" has been confirmed.

Motor-vehicle Repair

Work done here is manual. There is also an increasing demand for such a service since many vehicles operate between Bondo and many other places. Interestingly, such garages are becoming very popular due to easy accessibility and also because they can also repair vehicles as efficiently as formal garages at a much lower cost.

Raw materials and spare parts used include pipes for welding, tyres from old accident cars and welding electrodes. As is in the case with bicycle repair, the amount paid for services offered, varies depending on the nature of the problem. Even the number of vehicles serviced also varies from day-to-day. However, the amount paid for a service sometimes is more than Kshs. 1,000/=.

Space needed by one establishment in the business of repairing vehicles is about $\frac{1}{4}$ acre of land (plate 4.5 illustrates this). The garages are, however, open to the sky; have no piped water, means of efficient drainage and power.

The implication of lack of the above facilities is that sometimes work is postponed when an operator goes to Kisumu to secure welding services. This is considered to have side effects on the development of the activity. However, the operators have brought services closer to the rural people so that the money earned can also be used for investment in other activities, hence the agglomeration of economies. They (operators) can also compete well within themselves because they are few.

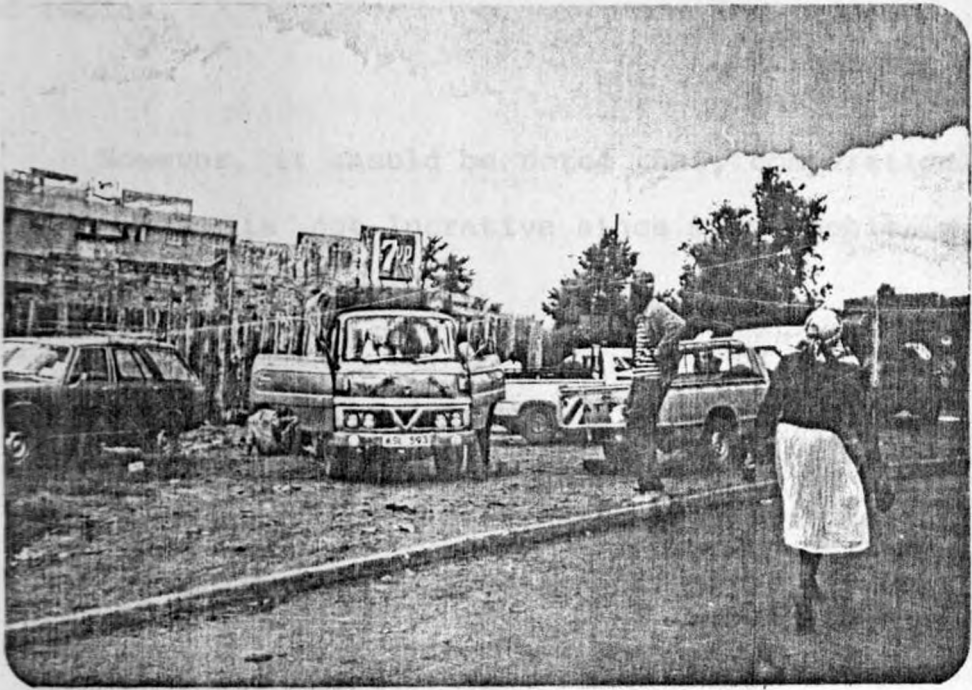


Plate 4.6: Open air garage.

Watch and Radio Repair

In addition to repairing watches and radios, there is also sale of new watches especially those bought from Kisumu. There are few radio and watch repairers due to limited market. Those few who are found require smaller spaces as opposed to other types of activities.

The job requires extra - sophisticated skills and tools necessary for the activity of watch and radio repair. A watch could be repaired at Ksh. 20 to over Ksh. 400 depending on the nature of the problem. Similar

charges are also levied for services offered for repair of radios.

However, it should be noted that, comparatively, the activity is not lucrative since many people in rural areas do not use watches.

Summary:

As regards land requirement, industrial establishments which engage in the fabrication of metals, motor repairing, furniture making and bakeries require more land since such establishments sometimes need a place for undertaking the servicing of equipments and storage. Some of the establishments such as those engaged in radio/watch repair tend to require less land.

Whatever activity one examines, there is a general lack of attention to planned provision of land for the industries. Thus despite the fact that these activities have been growing as an integral part of urbanisation process in Kenya, there has not been sufficient attention as to how they can be accommodated in urban activity system and as a result the activities have followed haphazard development.

4.2 General Analysis as Synthesized from the
Field Data

This section starts by determining how many establishments engage in similar activities. This leads the study to establish which activities are common and possibly to ascertain why this is so.

Table 4.1: Total population in the manufacturing and repair sectors.

Manufacturing and Repair Activities	Number of enterprises
Tailoring	31
Metal goods fabrication	7
Vehicle repair	5
Furniture making	20
Shoe making and repair	7
Bicycle repair	12
Bakery	2
Watch and radio repair	8
Posho mills	8
Honey refinery	1
Total	101

Source: Field Data 1989

Period of Establishment in Bondo

Most of the enterprises had been established in the late 1980s (see table 4.2). This suggest that there has been a response to local demand especially after Bondo town was elevated to higher status and also the completion of a good road connecting the town with other places which are either sources of raw materials or offering market opportunities.

Table 4.2: Period of Establishment in Bondo

Duration in years period (x)		Frequency			Percentage
		f	fx	cumulative f	
1	0.5	24	12	24	42.9
2-3	2.5	12	30	36	21.4
4-5	4.5	7	31.5	43	12.5
6-7	6.5	4	27.0	47	7.1
8-10	9.0	3	37.5	50	5.4
10-15	12.5	3	37.5	53	5.4
15-20	17.5	1	17.5	54	1.8
20-30	25.0	2	50	56	3.6
Total		56	231.5		100.1

Source: Field Data 1989.

This indicates that the median lies in the interval 2.3 and mean is 4.1. This suggest that many establishment have been located at Bondo for the last four years.

Types of structures

The structures housing the activities of the small scale industries were selected on the basis of whether they were temporary or permanent. This was because businesses which can afford permanent or semi-permanent structures are expected to have high income levels. Table 4.3 shows the types of structures and their frequency in the sample obtained from the field. Percentages are also shown.

Table 4.3 Business Locations and Building Structures

	Types of structure	Frequency	Percentage
1.	Shop verandah	17	30.35
2.	Open air-under tree shade	10	17.85
3.	Shop verandah and a part of a shop	4	7.14
4.	Open air with no shade	22	39.28
5.	Pole and mat structure	3	5.35
	Total	56	99.97

Source: Field Data 1989.

The structures imply difficult physical working conditions for a large part of the sector. With exception of Tailoring, most of the enterprises especially those dealing with bicycle and vehicle repairs are exposed to harsh weather and insecurity in general.

Further, many enterprises had difficulties in securing business sites. For instance, 44% per cent of the businessmen who operated on verandahs felt insecure in the hands of shop - owners on whose permission they entirely depended.

Operators using open spaces on which they need no ownership rights also live in the fear of evacuation by the authorities concerned without notice. Frequent changes in business sites interrupt business activities, especially through its effects on the flow of customers. Enterprises would lose customers temporarily or permanently because the new sites could either be too far away or unknown to the former customers while winning new customers can take time.

Although simplicity of the structures imply lower financial costs for installing and subsequently running the business, their insecurity pose a problem to business operation.

Spatial Distribution of Enterprises

The percentages below show how enterprises are spatially distributed. For example about 85.9 per cent of the enterprises were found within the central business district, 10.7 per cent along Bondo-Kisian road and 3.5 percent along Bondo-usenge road.

The distribution of the enterprises show that the central place (which accommodate the open air markets and the road to Siaya which divide the centre into two) host more activities. This reflect the response of economic activities to the market opportunities and other agglomeration economies. Thus the concentration of the activities along the main routes suggest that market force is very much taken into account when choosing location. The artisans market their products individually and by displaying at the workshops from where the pedestrians and other road users can view them. Thus the products receive adequate advertisement.

To prove the above assertion and in an effort to establish which factors influence decisions to locate the establishments, the researcher decided on seeking the direct opinion of the small scale entrepreneurs and operators.

The entrepreneurs were therefore presented with eight different variables generally known to influence in varying degrees the decision on where to locate a manufacturing establishments in a given place or region. These variables were presented in a questionnaire.

The entrepreneurs were asked to rank the variables by indicating three main reasons as to why they had selected particular locations or sites, according to priority. The attitude of various entrepreneurs on the above basis were later analysed and yielded to the following findings: Entrepreneurs and operators who were interviewed thought the following are crucial in location decision in ascending order of presentation - "proximity to market, easy access to a site, availability of transport".

In overall terms, it may be observed that, of the eight variables which were presented to the entrepreneurs/operators for evaluation, proximity to market (market access) accounts for 68.4 percent of the reasons given for the location of enterprises in Bondo.

Detailed examination shows clearly that these factors are essentially economic in character or are a kin to economic factors. On the basis of the "attitude" of entrepreneurs and other categories of operators, therefore, it would seem that economic factors (market access) play a

more predominant role in small-scale industrial location decision-making more than any factors.

On the basis of the above findings on location, it may be concluded that entrepreneurs seek locations which guarantee them ready market for the disposal of their goods. Similarly sites which can be acquired easily have advantages since they are likely to be ready spots for small scale industrial location. This is because operating costs particularly in the initial stages are bound to be minimal.

Ownership of the Enterprises

Most of the enterprises are owned by one proprietor. For instance, about 84 per cent of the enterprises were owned singly by a proprietor while only 14.3 per cent of the businesses were jointly owned (partnership). Hence urgently required big orders cannot be met within a short time.

Another interesting fact to note about ownership is that the activities are dominated by males. Thus save for tailoring where women feature prominently (self-employed as well as hired), there are no women in carpentry, Shoe-making and welding works. This can be explained by the fact that women have either more liking for particular types of jobs or opportunities open

to them in some trades are limited. This can indicate to the planners that not all types of small scale industrial enterprises are suitable to both sexes (male and female).

Those aside, however, one should also note that business proprietors are mainly local inhabitants from neighbouring areas (hinterland). About 50 per cent lived in Bondo township, 35.7 per cent came in the morning daily and lived less than 1 km. away; and the remaining 14.3 per cent came in the morning daily also, but lived more than 1 km. away.

Age, Education and Training

The age of the proprietors ranged from 21 to 58 years, the mean being 35.8 for the whole sector. This suggests that many proprietors are not young and they might either have been working previously under somebody or in different occupation.

On the other hand, most of the operators have had no formal training. Only 32.1 per cent of the proprietors have had formal training. But most of the proprietors (67.9 per cent) underwent apprenticeship. The average period of apprenticeship for the whole sector is 2 year.

One can thus conclude that, the level of education and training affect the employment type an individual would have access to. This emerged to be true of Bondo town where about 87.5 per cent of the entrepreneurs and operators had Kenya Junior Secondary School certificate level or below. Thus with the current saturation of the labour force in Kenya, people with such qualifications are rarely considered for employment in the formal sector and especially in white collar jobs. It should be noted that such evidence are consistent with the assumption that formal sector is unable to provide job opportunities to the increasing labour force.

Previous Occupation and Expectations for the future

Many of the entrepreneurs/artisans in the informal sector have not only learned their various trades as apprentices but also worked as paid employees in the formal and the informal sectors. 43.2 per cent had worked as wage employees before establishing their own businesses while most of the remaining 56.9 per cent had assisted as apprentices. Of those who had been wage employees, 26 per cent had worked in private formal sector. The rest, 74 per cent, had worked in the public sector in various government ministries, mostly as unskilled or semi-skilled labourers.

Previous occupations have important relations with the present ones. They have provided the skills and the initial capital for most proprietors. Some proprietors have used the savings from previous employments while others have obtained initial capital from farming. Thus in descending order of importance, incomes from wage employment, cultivation of own or family land, grants from relatives or capital generated through another non-agricultural businesses are the most common sources of capital. This shows the inter-linkages between either formal and informal sectors or agriculture and informal sector or intra-linkages within the informal sector itself.

However, most of the proprietors interviewed looked at the future of their businesses with optimism. They expressed their commitment to their work with a view to expanding them. They suggested that the activities in the sector were productive or had the potential to do so. The above suggestion fits well into the policy framework which considers the small scale enterprises as quite promising as far as employment opportunities are concerned.

Technology and Specialization

The sector is characterized by labour-intensive techniques of production. Labour intensiveness is reflected in the capital per head in the business units

and not on the number of employees per business.

Hand tools clearly predominate within all trades. Simple and often highly worn out tools are in the most workshops. However, they claimed to acquire one or even more tools to replace the worn out ones.

Thus, the barriers to gainful self - employment are quite many, not only in terms of required capital (working capital, in particular) but also in terms of technical and managerial skills; factors which widely depend on education and training background.

Technological innovations through direct skill transfer from the formal to the informal sector employment was also cited as important as far as development of the small scale industrial enterprises is concerned. However, product duplication is a crucial problem to rural manufacturing. Thus for most workshop, this means an intensification of the already fierce competition. Nevertheless small scale industrial manufacturing is undergoing a gradual specialization of traditional artisan trades.

There is no division of labour in any of the workshops examined except in the case of apprentices who are given

minor jobs to start with. This suggests that any employer or operator within a trade can do everything.

Value of Capital

Initial value of capital for the whole sector ranges from Kshs. 100 to Kshs. 60,000. For the present values it ranges from Kshs. 1,500 to Kshs.120,000. Thus the initial and present value of capital are both low, though the former are lower. The higher present values of capital are a function of both price rise with time and the gradual rise in the total real capital stock held by the business units.

Comparatively, the metal-work manufacturing have the highest mean value of initial and present capital. For initial values, it has Kshs. 3,125 and Kshs. 25,750 for the mean and median worth of capital, respectively. For the present values it has Kshs. 36,125 and Kshs. 30,000 for the mean and median respectively.

The mean capital values in the metal-work manufacturing are due to the high costs of the industrial producer goods and circulating capital. Examples are electric motors, and appliances ;and tool sets for metal fabrication.

Nevertheless, the low absolute level of capital in some repair activities is possibly because a good number of its enterprises also employ simple local production techniques using inputs such as cycled waste materials obtained at low costs. For example shoe makers and cobblers obtain worn-out tyres, which are their primary inputs, from abandoned vehicles.

Generally, the low levels of capital requirements is a further indication of the ease of entry (as stipulated in the Sessional Paper No. 1 of 1986 on "Economical Management for Renewed Growth). However, for successful business performance after entry, lack of capital does represent an obstacle, especially for metal-work manufacturing that require relatively higher levels of capital.

Indeed, lack of adequate capital is by far, the greatest obstacle to business performance. Access to capital is, therefore, the main factor limiting development of the enterprises. 88.7 per cent of the enterprises have had difficulties in acquiring capital at the time of establishment. The same proportion of the entrepreneurs/operators complained that there was no source of funds for them with which to improve their business.

Therefore, when the entrepreneurs/operators were asked to rank variables (which are generally believed to affect expansion/development) in order of priority, in affecting enterprises development, the following were found to be the most important in ascending order of presentation. "Lack of capital equipment", "unfair competition" and "lack of loan facilities", as the three important constraints hindering expansion of the enterprises. The reason that was cited to justify capital equipment as important in affecting expansion of the enterprises was that, enterprises with good capital equipment at the initial stages do not require loan facilities as they can pay for all their inputs which in turn can possibly allow bulk production.

However, the development of the sector has been facilitated more by easy entry requirements such as the ability to do manual work. The operation of the business is, nevertheless, vested on the entrepreneurs' ability to run the work with his skills.

Sources of Inputs

Nearly all the machine tools are obtained from both the formal and informal sectors in Kisumu town. For instance 79.8 per cent of the business units sampled obtained their inputs mainly from the formal sector (in both Kisumu and Bondo) while 19.2 per cent from Bondo only.

The trading patterns show that the sector (small scale enterprises) has strong trading links with the formal sector. The above assertion is strengthened further by the fact that experience needed by small scale enterprises is transferred from the formal sector. The lesson learnt here is that there is inter-linkage between formal and informal sectors. This can possibly be because formal institutions such as schools also buy furniture and school uniforms from small scale enterprises. Thus the linkage is therefore, even stronger between metal works, furniture making and tailoring on one hand and formal sector on the other hand.

Wage Employment in the Enterprises

According to the data obtained, 56 proprietors and 29 employees are engaged in the enterprises sampled. Wage employment is therefore small consisting of only 29 workers.

The major determinants of the number of persons employed in the trades include good business (increased demand). This is because good business means substantial capital equipment hence the need for investment which in most cases would require additional work force. Further investment, therefore, require more hands, hence the

need for more people. However there are entrepreneurs who commanded good business but can not employ more people due to limited space. This suggest that space is also prerequisite for employment of more people. Thus there is need for more space in order for the enterprises to expand.

Although, many enterprises have small wage employment, most of them have apprentices working with them. Apprentices have however, some relationship with the business proprietors. This prove the notion contained in the government policy (Republic of Kenya 1986), that informal sector is characterised by family ownership. While this could be healthy for the expansion of the enterprises, it could not augur well for the requirement that small scale enterprises should not only offer self-employment but also wage employment to assist the formal sector in reducing unemployment problem. However, apprentices are sometimes paid some commission for their services while they are also often required to pay some fees for the training they receive .

Demand for Outputs and Competition in Business

Business competition based on the perceptions of proprietors was experienced by 33.4 per cent of the enterprises. Stiff competition was especially felt among

tailors, furniture makers bicycle repairers, shoe makers and repairers.

In particular tailoring and shoe-making are hit by competition from mass-produced commodities, which are available at almost any space in the open-air market, or from some shops which supplement their sale by stocking these items. The steadily intensifying competition from ready-made garments has affected the demand for women's wear most dramatically. The tailors who have overcome the changed market conditions best are those concentrating on items like special uniforms and to some extent suits.

Apart from the few shoe-makers who have established lucrative production in smaller series, the shoe-makers interviewed all claimed to be seriously affected by the influx of urban products. Not only the products of Bata and Tiger, but especially cheap plastic foot-wear, pose a menace to the survival of rural shoe-making.

Carpenters also find it difficult to find lucrative markets, but the trade (carpentry) is in general less affected compared to the same extent as tailoring and shoe-making. Product duplication seem to be the root cause. Even metal manufacturing seem to be affected as similar products are also supplied to the rural areas by

large scale urban industries especially from Kisumu. The problem of competition is even aggravated by the fact that many people from the hinterland usually use hand tools beyond their normal lifespan.

The overall implication is that the effects from established formal/large-scale enterprises is being felt by many small scale enterprises. This calls for a remedy, so that there can be mutual interdependence which reduces destructive competition either from within or without the sector (small-scale).

Those aside, however, the differences in the qualities of the goods and services they are trading in tend to have created market conditions in which the customers, once won by an operator, continue to have special preferences for the operators products for a long time.

The enterprises sell their products mainly to private individuals though a few also make sales to formal institutions namely:- secondary schools, churches; to mention just a few. Among the products sold to the formal sector are metal windows and door frames, metal door hinges and locks, furniture products and clothes (uniforms for schools).

Licensing of Enterprises

All the enterprises in the sector are required by law to have operating licences. The Ministry of Commerce charge between Kshs. 100 to Kshs. 800 depending on the nature of trade/enterprise. However most of the entrepreneurs interviewed felt that fees charged were too high

The high fees charged has led to many entrepreneurs to evade paying the dues. Thus many enterprises would close their business premises on seeing a county council official. The implication is that time is usually wasted when an entrepreneur tries to avoid being trapped by the officers in charge of dues collection. It can also be explained that, because most entrepreneurs fear paying for licences which are often associated with permanent structures, temporary structures can be considered as a way of evading paying taxes.

Incomes of the Enterprises

The incomes accruing from the small scale industrial enterprises are vital because they comprise one criterion by which productivity of the sector can be evaluated.

The mean and median monthly profits for the whole sector are Kshs.2,585.15 and Kshs. 1,500 respectively. This suggest that most of the entrepreneurs can invest more into their businesses. Their families can also have something to hang on, skills can be developed as new machineries can also be purchased from the savings. Thus as incomes rise, new tastes are likely to be adopted thereby creating a need for more sophisticated tools which also implies developmant.

Sources of Power

Lack of electric power supply was reported as posing an operational constraint to all of the enterprises sampled especially those in vehicle repairs, metal-work manufacturing, furniture making; to name just a few. The above enterprises felt that they would operate more efficiently if they had access to electric power for welding in metal fabrication and furniture makers needs it for dressing timber, cutting metal and the like.

By the time of the study the major source of energy used by the enterprises was charcoal. However, it was felt that installation of electric power would reduce and hence save time spent on lighting charcoal for welding; or on travelling to Kisumu (59 km. away) to obtain power related services. A major consequence of electric power

installation would be reflected in raising productivity since electric power would be more economical to use and hence cheaper than charcoal in this respect.

Both motor vehicle and bicycle repairers would use electric power to raise their efficiency. The implication is that power is a very useful ingredient in the development of small scale industries especially those dealing with metals.

Water supply

Generally speaking almost all the enterprises examined were not served with water. The only water source within the centre is often not operational. The seriously affected were the bakeries, garages and honey refinery. Most of the enterprises which require water rely on other sources such as ponds and streams within the immediate vicinity.

Water shortage is therefore a stagnating factor in relation to operation of the enterprises since it reduces the capacity as some time is spent on fetching water. Even the quality of water from those other sources was doubted by majority of the entrepreneurs.

The Role of Public Sector Agencies in Development
of Small-Scale Industrial Enterprises

So far the findings from the analysis point to the inability of the public sector agencies in improving small scale industries in Bondo. The agencies like KIE, RIDP, and even ICDC have failed to effectively solve the problems affecting small scale enterprises.

Most of the enterprises have had no external financial support. 94 per cent had been financed solely by the proprietor(s) while 6 per cent had received some support from relatives and friends. None of the entrepreneurs/operators examined had obtained financial support from the established financial institutions cited above or even from a banking institution.

The implication is therefore that for effective development of these enterprises, assistance must be received from outside. This assistance should be in terms of either finance or market or technical advice.

However, most entrepreneurs interviewed were fearing stringent conditions which are always set by the above agencies. It was particularly pointed out by majority of the entrepreneurs that, in respect with the requirement that loans are only obtainable with adequate security, many

of the entrepreneurs, especially women, can not meet such conditions especially when land is needed as a collateral.

Institutional Variables

Since most activities are located haphazardly along the major areas of concentration, the direct involvement to provide good and adequate space is limited. The information obtained from the field indicate that although County Council authorities plan to allocate land for the small scale entrepreneurs, it is not evident in the near future since, the process must pass through some procedural mechanisms. The cost of the exercise must also be born by the beneficiaries.

The implication is that lack of space would continue to be a problem for the small scale entrepreneurs. Government policy has some influence on the development of small scale industrial activities. Indeed it is a manifestation of the failure of the policy. Thus, it is equally important to note that the policies have some limitations when applied to small scale enterprises. The informal sector is quite heterogeneous and so proper checks and balances are crucial for the sector's expansion.

Summary

From the analysis it is clear that market forces are very much taken into account when choosing location. Markets happen to be where people are concentrated. Main streets, open air markets and bus parks are the main areas of concentration of people. It is equally important to note that sites where other workshops already exist attract other artisans. Any economies of scale available can also be enjoyed in such a location.

However, there is no land set aside for the small scale industries. Thus, entrepreneurs tend to locate at cheap sites where they can afford rents as very few of them own land on which their workshops are situated. This implies that there is lack of well defined locational policy which could have set aside planned zones for the small scale enterprises. There is therefore no clusters of workshops and each group of workers seem to look after its own interests and little or no exchange of ideas between groups takes place. Therefore a feature common to the industries is that there is weak links within them. In Nairobi, such a problem has been reduced by the construction of clusters of workshops in Gikomba Nyayo sheds where groups of artisans work in close proximity with one another, and hence can exchange ideas on how to improve their skills.

Initial capital is found to be a major constraint in the small scale industrial sector. It has been revealed that some of the operators had started their businesses with as little as Kshs..100. This hinders the expansion of the businesses. Most of the enterprises were seen to lack the necessary tools and circulating capital with which to raise their levels of output, widen their trading horizons, and raise business incomes and profits.

The above implies that there is need to increase productivity in the informal industrial sector so that employers are able to pay their workers better. This can be done by improving the working conditions in the whole sector. The operators need basic infrastructure such as electricity, water, shelter, toilets. Some of ~~the~~ jobs like welding need electricity and shelter.

The data analysed also suggest that the majority of entrepreneurs in the informal sector are unskilled or semi skilled. Most of the entrepreneurs interviewed were apprentices at first, few learnt their skills from the formal sector or through formal training. Some did not go through any formal education and the majority of the business operators are primary school graduates who could not get employment in modern sector.

Unlike the formal sector, proprietors of the enterprises in the informal sector cannot afford to send their employees for vocational training because the total turnover of their business is much lower compared with that of multinational corporations and well established formal sector. For the sector to grow it must be encouraged. It was the general feeling of those interviewed that the public sector agencies have, hitherto, played no major role in promoting the small scale industries in Bondo.

It is also clear, from the analysis, that manufacturing, especially metal works, offer the best chances in employment opportunities. Therefore, it is worth noting that small-scale enterprises have great potential for generating employment in small towns, and to exploit this potential, the sector must be assisted to expand from the present level. However, because of the nature and labour-intensive production methods of the small scale enterprises, they rely very heavily on self-employment and family workers.

It should equally be noted that previous occupations have significant relations with the present ones. Some of the experiences have been transferred from the previous occupations to the present trades. Savings from the previous occupations are the major sources of initial capital for starting present businesses. Such

linkages need to be encouraged so that there exist symbiotic relations between the informal sector and other sectors. The small scale enterprises should be integrated and be encouraged to use more local materials.

Product duplication appears to be pronounced especially amongst the tailors who produce similar items. This coupled with availability of similar products from other larger towns, intensifies stiff competition. That due to the fact that market is limited. Most items can not be disposed of easily. In Denmark, such problem has been solved by improving on the quality of the products so that non-local market can also be attracted. The Government of Kenya should therefore support the small scale enterprises by promoting regional physical infrastructure, extension services, training, improved marketing and protection from exploitation. This is because this study has found that small-scale enterprises cannot grow and thus employ more labour unless the government improves transport network and new marketing channels.

In overall the aim of the Government should be to establish an environment in which entrepreneurs of the informal sector can make an honest profit and contribute to Kenya's development. Thus a national strategy for rural-urban balance should aim at promoting the growth of the small scale enterprises which provides the bulk of alternative employment opportunities and income distribution.

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

This chapter is intended to provide conclusions arising from the whole study in line with the objectives formulated earlier.

5.1 Conclusions

Rural-urban balance is the key notion of the current government policy. Thus through equitable distribution of urban-based facilities, intermediate and small urban centres are believed to be capable of strengthening their position in the economy. The idea of strengthening a series of selected small and intermediate urban centres is not new in Kenya, as decentralization of urbanisation process has been a key strategy of the Government since independence. Small enterprises are supposed to account for the majority of the strengthened farm and non-farm ties at intermediate urban centres.

That aside, however, one should note further that most of the entrepreneurs, in Bondo, concentrate largely on the consumer/retail and produce goods which are in demand in the local market such as chairs, cupboards, "jikos", dresses, and household goods such as buckets, "karais" (metal basins), to name just a few.

Equally, important to note is that the small scale enterprises found in Bondo are market oriented. All aim at profit maximization, hence overconcentration of the small scale activities at particular sites.

The types of structures found in the study area reflect the existing uncertainty as regards location. Entrepreneurs fear putting up sheds under which to work since they do not often own the land on which their enterprises are located.

Most of the entrepreneurs lack adequate space for their activities. The manufacturing sites look a bit untidy and haphazardly arranged. However, the choice of sites show that the majority of the activities are concentrated in the middle of the centre where there is good communication and where many people circulate, thereby reducing transport costs. The entrepreneurs are, nevertheless, caught between slack demand of their products by the rural population and competition from large-scale urban production. Such are the bottlenecks which have to be overcome for the sector to enhance its employment and income generating capacity.

Since the study was also interested in getting information on the behaviour, characteristics and training of the entrepreneurs, one conclusion which has become

inevitable is that virtually all training for the manufacturing and repair activities are informal (through apprenticeship). It might therefore be argued that the level of technical and managerial skills necessary for new types of manufacturing, in the whole sector, is unlikely to advance rapidly.

The enterprises are also characterized by lack of big orders which can give them a big push in buying new equipments and expansion of businesses (enterprises). This results mainly from the fact that most enterprises only manufacture simple consumer goods, in small quantities. The products are sold to low-income consumers whose purchasing power is automatically low. Therefore many organizations and institutions with bulk demands resort to big firms that can offer them discount and at the same time allow them to pay by instalments. The major victims of this competition include metalwork manufacturing, especially those making steel windows, steel doors and related products.

The outside threat due to lack of bulk production is aggravated by stiff competition from within the informal sector itself which if not checked can be destructive especially as most consumers have low purchasing power.

Many enterprises are operating in the open air without any shelter. Such poses the problem of unsuitable working conditions such as exposure to wind, dust, scorching heat, rain, theft and so on. Most operators have to seek other places to keep their tools and stock at the end of each day. Such daily movements are cumbersome and cause damage and deterioration of the condition of fabricated items such as furniture, and hence restrict the level of specialization. In addition most of the enterprises suffer from potential and actual harassment from the authorities since their businesses are sometimes operated illegally. Some operate on land or from premises for which permission to operate has not been given and probably might not be given.

Another aspect in this section which is of importance is that the energy needed in the manufacturing sub-sector is mainly supplied by man's own physical strength. Such muscle power is supplemented by simple ordinary hammers, chisels, metal cutters, a set of square and others. Consequently, in most cases, the standards of the finished products indicate that simple, appropriate technology has been used. The sector also uses re-cycled raw materials in most cases. So there is very little investment required and production costs are low.

In addition, the activities which were examined by the researcher show that for their success, most of the informal sector activities depend on the degree of personal initiative and determination. However, what must be remembered is that the small scale industrial activities provide good incomes, and while some official policies might be soundly motivated, government efforts should be directed at improving the environmental and hygienic conditions in which the people work, providing the necessary infrastructure and loan facilities, rather than on measures which can undermine its foundations. In addition to this it should be realized that the informal sector has the potential to assist the formal and agricultural sectors in absorbing the rapidly growing labour force.

In summary lack of capital, limited market occasioning stiff competition and other related problems seem to be the major obstacles to business expansion in the sector. For example, enterprises with low capital often lose customers because they lack the stock to ensure reliable and prompt delivery of items produced to customers. Thus the affected enterprises have to dispose of old stock before they are able to purchase new ones to meet new orders. Under such circumstances the loss of business to other competitors within and without the informal sector

is always apparently inevitable. Furthermore, Bondo's effective hinterland is small because, the influence of Kisumu reaches all parts of Nyanza Province including Bondo via the good road network.

5.2 Recommendations

On the basis of the findings and conclusions, a number of recommendations are made on how to overcome some of the constraints identified. Thus, this section focusses on suggested guidelines which would promote and facilitate the growth of the informal sector in small towns. The successful development of the informal sector demands a co-ordinated process of planning, decision-making, financing, implementing and administering a wide variety of services and infrastructure. The main development agencies responsible for these functions include the government ministries, local authorities, non-governmental organizations (NGO's), parastatal corporations and individuals. The Government should play a major role in policy formulation and research matters, as well as in co-ordination of private investment activities. But the initiative for informal sector investments must come from individuals and their family members.

5.2.1 Recommendations on Location Influencing Factors.

From the analysis, it has been revealed that, enterprises located at places where market is assured were more successful than enterprises producing similar goods but located far from their markets. However, official policy regarding allocation of sites has not been forthcoming in Bondo, hence leading to haphazard location especially, in areas where people circulate during the day. With this in mind, the study therefore, recommends that it is now possible to chart out a programme of industrial decentralization particularly to smaller urban centres, to fit within the government declared policy of reducing rural-urban imbalance. Within small urban centres, such a programme should be based on what the entrepreneurs within the informal sector regard as the major factors influencing location decisions for small scale enterprises.

Entrepreneurs also need secure titles to the premises exclusively allocated or set aside for small-scale manufacturing. Thus for small urban centres such as Bondo, land should be reserved for small-scale industries in the same way as land is reserved for formal industrial development. Planners could be encouraged to identify and zone particular areas as informal sector zones. Such zones

should contain all favourable factors to different activities as has been illustrated in the study. For example, sites should be close to places with concentration of people throughout the day. Typical sites should be areas near bus stops, open air markets and close to or adjacent to where people live. In other words, the industrial sites should be located in response to market conditions so that provision of land for business establishments can meet business expectations and avoid the possibility of operators abandoning sites in preference to other unauthorized ones.

The establishment of clusters of workshops is also proposed by this study. Provision of worksites in suitable locations is likely to provide greater opportunities for increased markets and greater potential for income and employment growth. Clusters of workshops can facilitate the transmission of technology information among the small scale enterprises, make bulk buying and bulk selling much easier and by so doing, enable enterprises to reduce unit costs and to become more competitive.

While that is so, provision of worksites should incorporate the necessary requirements for each trade, in terms of space. For instance, garages, metal works and bakeries need a lot of space, hence need for such consideration.

Improve the necessary physical infrastructure in urban centres

From the analysis, one gets the impression that infrastructure is an essential ingredient for development of any activity. Facilities such as electricity, water etc., need to be installed in urban centres, to serve as trigger mechanism. Electricity improves quality and saves time. When there are clusters of workshops, the cost of installing electricity would even be cheaper than in situation where industrial activities are scattered.

The efforts by the Ministry of Water Development to provide quality and accessible water by the year 2000 should be encouraged. The Ministry of Energy's efforts, through Kenya Power and Lighting Company Limited, to achieve maximum rural electrification, should equally be encouraged. Such development programmes, if could be achieved, would make urban centres become intermediate growth nodes through which traders interact with rural people.

In overall, a sound locational policy will imply increased security of the informal sector's activities which in turn will provide good grounds by which the entrepreneurs can obtain credit from financial institutions. Thus a well intended location policy would be beneficial

to the small scale enterprises since the activities would, likely, provide a steady employment opportunities to the people, an assured income, cheaper and better products readily available to the citizens.

Having proposed that the above facilities be provided and developed in urban centres, it is important to note that there exist technical limitations of the local authorities to provide the services. There are very few personnel in urban related disciplines such as architecture, planning, engineering, financial analysis and public health. Basic training is needed at all levels if local authorities are to provide better services and improve capital recovery.

5.2.2 Recommendations on Development Influencing Factors

The potential linkages between agriculture and the non-farm sector, listed by the Sessional Paper No. 1 of 1986, for meeting employment goals set by the government all seem pertinent and well considered. However, without an improvement of the general economic climate in the agricultural sector, the suggestions are not likely to have much impact on the development of small scale enterprises. On the basis of the above, this study proposes that the development of small scale enterprises

in Bondo, can possibly be achieved by incorporating all the necessary measures that would improve agriculture .

Taking into account that the requirement of the small scale industries must be perceived within the concept of rural-urban balance, it is not conceivable to achieve any effective development in the study area in isolation and devoid of rural influence.

In Chapter Four, it was observed that a few enterprises especially timber based, depend on the raw materials from natural wood. It is therefore proposed that a programme be launched to identify accurate potential of the region, in which Bondo is situated, in production of timber. The International Labour Organization Report of 1972 observed that the potential of small scale and rural industries based on local resources for employment promotion and income generation is great. This should be developed fully.

Government Role

It has been demonstrated in chapter four that the institutional agencies that have been established by the government have not been very active. Officials of the Industrial Estates or Rural Development Centres should advise potential borrowers on how to make effective use

of borrowed funds. In this way, the interests of both borrowers and lenders would not be jeopardized. The Government should endeavour to co-ordinate both the lending and borrowing activities in the urban centres through the District Development Committees in order to promote the businesses in the informal sector and reduce risks of defaulting.

It is also proposed that the agencies such as K.I.E., R.I.D.P. be strengthened. The agencies should expand markets for small scale enterprises' products by supplying up-to-date data on market information, developing an effective mechanism for the implementation of small scale enterprises policies and programmes aimed at intensifying research on the small scale enterprises. The Rural Industrial Development Centres should also be used for training and reservicing the machines and equipments used by entrepreneurs in the informal sector.

Improve Financial and Credit Management

The findings of this study have revealed that lack of adequate capital can inhibit even the application of the skills acquired through training, let alone the entire operation. Thus, a major obstacle to developing the informal sector is the lack of access to the services of financial institutions. Banks and other lending institutions avoid making loans available to high

risk borrowers in the informal sector. The entrepreneurs, more often than not, lack requisite collateral to give to banks when borrowing money. To help small entrepreneurship succeed, banks should be encouraged to find alternative means for covering the risks so that they can liberalize the demand for collateral.

It is also recommended that a scheme should be devised to provide financial assistance to the sector. Thus, if loans were made available on a systematic basis, by a reputable non-chararitable institution, and especially to those entrepreneurs with the ability to use loans profitably, such assistance is likely to encourage the entrepreneurs in the sector to expand their businesses. At the present, many operators do not have access to credit, even on terms prevailing on the market. However, loans should be justified for two principal uses - to acquire better premises and buy slightly more sophisticated tools than the ones currently used in order to improve the quality of the products from the sector.

The operators should also be encouraged to form into groups or societies. This only needs a little initiative from one or two entrepreneurs to establish a more co-ordinated enterprise. This would provide a more solid

foundation which can produce higher cash returns. Co-operatives, so formed, would allow the entrepreneurs to benefit from co-operative Bank credit facilities. Through co-operatives, members would be assisted in marketing of their products, acquiring cooperative education and training and organizing for their payment. This would minimise problems due to delayed payments especially by institutions that place big orders and cannot pay promptly.

Improve Market System

The analysis in chapter four has also revealed that there existed stiff competition not only from other sectors but also from within the informal sector itself. The main reason being product duplication. This study, therefore, proposes that the real challenge is to find appropriate ways of overcoming the basic obstacles to the expansion of the small scale enterprises. This could be done by building up new non-local markets based on development of new products. The government activities should endeavour to utilize services from the informal sector. For example, the government and parastatal vehicles could be repaired in the informal sector. Also, the government can buy office furniture from the informal sector carpenters, and award tenders to the small scale enterprises through the District Development

Committees. However, lack of standardization of the small scale enterprises' products would be an obstacle. Nevertheless, by picking on those enterprises which are soundly established, the government would solve the problems which are due to limited market to greater degree. Such attempts would also probably necessitate introduction of new technologies.

Another measure to curb product duplication could be by encouraging the local manufacturers to take up production of goods and services, ^{to} replace those currently being supplied to the rural areas by formal industries. In both cases, relatively extensive product innovations would be a prerequisite, necessitating some kind of assistance to the enterprises involved in the process.

Further, market could probably be expanded in higher income communities if better quality products were produced. But a principal drawback is that such a move would require production on a large scale that cannot be achieved by entrepreneurs in the informal sector of which small scale industries is a constituent, working in competition with one another. Cooperation is therefore needed to achieve a sufficient scale.

Improve Skills in the Informal Sector

The analysis in chapter four has revealed that technology in the informal sector is not likely to advance rapidly due to the fact that training in the sector takes place through apprenticeship - that is on the job training. In this training only the old techniques are passed on and there appears to be very little innovation. Training is, therefore, one way in which the sector could be assisted, since technology policy is likely to be of special importance to the future development of this sector. Technology could largely determine the extent to which the informal sector can become dynamic and hence contribute to rapid overall growth.

Due to the above, this study proposes that, government's research and development activities should also be directed towards technologies which are simple, labour-intensive and not requiring large inputs of purchased capital, requirements which are feasible with very small-scale enterprises and for risk minimisation. Young school leavers should also be trained in new skills, and be employed or left to become self-reliant and self-employed immediately after training. This could help in the transmission of new knowledge and make the informal sector more dynamic.

With improvement of technical skills, new tools could be used and improved products could be manufactured to cater for a wider market. The small scale enterprise sector can provide the expertise necessary to bring about the above improvements in the level of skills, but assistance from the other sectors or from governments or financial agencies would probably help to boost the capability of the informal sector. Thus, the Ministry of Labour, Ministry Technical Training and Applied Technology and Ministry of Culture and Social Services should be encouraged to reinforce their training programmes so that new skills can be developed to assist in improving entrepreneurial skills in the informal sector.

Encourage both Formal Education and Public Training

As has been demonstrated in chapter four, the majority of entrepreneurs in the small scale enterprise sector do not keep proper records of their businesses and to a large extent tend to confuse revenues of the enterprises with their business earnings. This study, therefore, proposes a number remedial measures aimed at reducing the above problem. First and foremost, the current school curriculum, under the 8-4-4 education system should in part prepare school leavers to take up careers in the informal sector. Thus to make education more useful to the future operators in the sector, training in various

skills is essential. This is so because it has been shown that operators in the various trades have undergone some form of training before establishing their own businesses, in spite of the limited technical education facilities at the centre.

Secondly, because many operators/artisans have acquired skills through informal arrangements, it is equally recommended that a polytechnic should be built at every urban centre. This is likely to ensure that diffusion of specific skills amongst the operators is encouraged.

Thirdly, to enhance research and planning for the sector, simple accounting techniques should also be taught as part of the curriculum of the polytechnics. This would enable the operators to assess the performance of their businesses accurately. At present business records are virtually non-existent in the enterprises making it difficult to know precisely even the key aspects of business flows as costs, sales and profits whose information is essential for meaningful planning of the informal sector. Therefore, as a short-term measure to improve the performance of the existing enterprises, short business courses should also be organized for the operators at such polytechnics. The Ministry of Culture and Social Services should promote industrial training in the urban centres by

establishing polytechnics. Such endeavours would support the indigenous training in the informal sector which is, more often than not, through apprentice training.

Summary

If all the above factors among others are addressed fully, the problems arising out of lack of space to locate small industrial enterprises would be solved. Strengthening of small scale enterprises to contribute to development of small towns and hence rural areas would also be realized. There would, equally, be effective linkage between informal and formal sectors and more so between informal and agricultural sectors. The identity of the informal sector would equally be established.

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APPENDIX

DEPARTMENT OF URBAN & REGIONAL PLANNING
UNIVERSITY OF NAIROBI

QUESTIONNAIRE

This information is confidential and will be used for academic purposes only.

I. General Information

1) Name of Respondent

2) Position of Respondent in establishment -

(a) Owner

(b) Employee

(c) Relative

(d) Others (specify)

3) Name of enterprise (firm)

4) Year when the project started

(a) List the types of activities undertaken.

.....

.....

.....

.....

(b) What is the principle activity?

.....

II. Operating Characteristics of Enterprise

1) Type of ownership;

(a) Sole ownership

(b) Partnership

- (c) Co-operative
- (d) Any other (specify)

5) If not sole ownership, with how many other people do you own the business?

6) Does the enterprise have a;

- (a) Fixed Location
- (b) Variable Location
- (c) Any other (specify)

7) What type of facilities are available;

- (a) Water Yes No
- (b) Electricity Yes No
- (c) Telephone Yes No
- (d) Postal services Yes No

8) Under what type of structure is enterprise operating?

- (a) Open air
- (b) Corrugated Iron shed
- (c) Wooden Structure
- (d) Cemented Structure
- (e) Any other (specify)

9) Is the structure where enterprise is located;

- (a) Fully owned by the enterprise
- (b) partially owned
- (c) rented
- (d) neither owned nor rented (specify)

7) If not rented;

- (a) Given by urban or county council
- (b) tolerated by private owner
- (c) allowed by private owner
- (d) any other (specify)

8) If rented, how much is the rent per month?
Kenya Shillings.

9) Why is the enterprise located where it is? (Indicate three main reasons according to priority).

- (a) proprietor lives here
- (b) proximity to market
- (c) proximity to supplier of raw materials
- (d) proximity to similar enterprises
- (e) availability of transport
- (f) easy access to plot
- (g) allowed by urban or county council
- (h) any other (specify)

10) Would you be prepared to move to different site?

Yes

No

1) If yes, why?

2) If No, why?

I. Socio-economic Characteristics of the Enterpreneuers

Age:

Sex:

Marital Status: a) Single
b) Married

If male and married, number of wives

Any children? Yes No

If yes, how many?

Any other dependent? Yes No

How much (cash) do you spend on your dependents needs?
..... Kenya Shillings.

Do you reside in the Centre? Yes No

If no, approximately how far do you live from here?
..... Kms.

Do you have any formal education? Yes No

Could you please tell us about your education? (continued
next page).

EDUCATION	NO. OF YEARS	CERTIFICATE OBTAINED	EXAM PASSED
None			
Primary			
Secondary/ Non-technical			
Secondary/ technical			
Village Poly- technic			
Institute of Technology			
Polytechnic			
National Youth Service			

Have you received any other training since leaving school for example, apprenticeship training? Yes No

Employment and Income

How did you learn your present trade?

- (a) At an institution
- (b) As an apprentice
- (c) As an employee in a large organisation
- (d) Self-taught
- (e) As an employee in a small organisation
- (f) Any other (specify)

What is the total earnings from these?
Kenya Shillings.

Do you own land anywhere in the country?

If yes, of what use is it?
.....

I. Management of Enterprise

What would you consider as your three most important difficulties in establishing your business? (arrange in order of importance).

- (a) Lack of or inadequate capital or credit
- (b) Technical knowhow/skilled workers
- (c) Finding suitable working premises
- (d) High licence fee
- (e) Any other (specify)

Do you keep written records of your business? Yes/No

a) If yes, why?
.....

b) If no, why?
.....

II. Labour

How many people are engaged in the enterprise;

- (a) when it started?
- (b) now?
- (c) when business is low?
- (d) when business is good?

Employment -

TYPE	NUMBER	PERMANENT	CASUAL	TOTAL
Managerial				
Skilled				
Semi-skilled				
Unskilled				

Does your enterprise experience any difficulties in recruiting labour? Yes No

If yes, why?

If no, why?

What major factor determine the number of persons in this business;

- (a) Capital equipment
- (b) Good business (increased demand)

- (c) Relatives looking for jobs
- (d) Due to limited space
- (e) Any other (specify)

Does your enterprise receive request for apprenticeship?

If yes, how many times a month?

If no, why?

How long does it take to train an apprentice? (to become qualified). Months/Years.

III. Capital

How much money did you require to start this business?
..... Kenya Shillings.

What was the initial source of financing for the business?
.....

If you want to start your business today, how much money would you require? Kenya Shillings.

Inputs -

INPUTS	QUANTITY/YR	SOURCE	COST/UNIT
a)			

b)			
c)			

Products -

PRODUCT	QUANTITY/YEAR	SOURCE	COST/UNIT
a)			
b)			
c)			

Land requirement (ha) -

- (a) present sites:
- (b) needed for expansion

Lists of wastes, both solid and liquid:-

-
-
-

Measures of control/elimination;

-
-

Major constraints to development/expansion (order of importance).

- (a) Lack of loan facilities
- (b) Not enough clients (lack of demand)

- (c) No-payment of debts
- (d) Unfair competition from larger enterprises
- (e) Lack of management skills
- (f) Heavy taxes, licences
- (g) Lack of skilled personnel
- (h) Lack of adequate or irregular supply of raw materials
- (i) Lack of capital equipment
- (j) Any other (specify)

10) What are you currently doing to improve this business?
.....
.....
.....

11) What three (3) things would you like to see done by the Government to help your enterprise expand?
.....
.....
.....
.....
.....
.....

