

EMPLOYMENT AND INCOME GENERATION ASPECTS IN
THE INFORMAL SECTOR: A CASE STUDY OF KARATINA
TOWN, KENYA

BY

WANDU, MARGARET MWONJORIA
(B.A. HONS, UON)

A Thesis submitted in part fulfillment for the
Degree of Master of Arts in Planning, University
of Nairobi.

Department of Urban and Regional Planning
University of Nairobi

June, 1990

UNIVERSITY OF NAIROBI
ADD LIBRARY

UNIVERSITY OF NAIROBI LIBRARY



0239438 5

DECLARATION

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

Wandu

MISS M. WANDU
(Candidate)

This Thesis has been submitted for examination with my approval as University Supervisor.

P. O. Ondiege

DR. P. O. ONDIEGE
(Supervisor)

DEDICATION

To my parents.

ACKNOWLEDGEMENT

The success of this study was facilitated by the assistance of many people.

I acknowledge my indebtedness first to my supervisor, Dr. P. O. Ondiege for his constant assistance and guidance throughout the study.

Special thanks are due to Ng'ayu, Jeremiah who continuously encouraged me and showed a lot of patience even in moments of pressure.

The following persons also significantly aided me in the study. Mr. Muriuki, treasurer Town Council of Karatina, Mr. Kahuki, Provincial Physical Planning Officer (Central Province), Mr. Murithi, K.I.E. Industrial Promotion Area (Karatina), and all the residents of Karatina, particularly those in the informal sector, who were my respondents.

Finally, I acknowledge Dr. E. N. D. Ndegwa and my colleagues in the M.A. II Planning class for their valuable suggestions. Special thanks also go to Miss Rosemary Marangu who typed this work with speed and precision.

WANDU, M. M. (MISS)

June, 1990

ABSTRACT

The growing gap between the numbers of people looking for jobs and the employment opportunities that exist have led to the development of an urban informal sector. The sector includes numerous heterogenous activities which engage in small scale production of goods and services.

This study, based on the small scale informal manufacturing and repair activities in Karatina, explores the employment and income generation aspects as well as the acquisition of artisan skills. The study is set within the Government policy on the jua kali sector and the concern over employment problems in the country. The issues addressed to are employees in each enterprise, earnings, savings, business premises and credit facilities.

In order to establish the important role played by small scale/informal sector in employment and income generation, the study has employed suitable qualitative techniques.

The study has emerged with a conclusion that slow development of the sector has been as a result of

various constraints which include lack of credit facilities, suitable premises, high licence fees and low demand for the goods.

Thus, the recommendations are geared towards easing these retardive forces, mainly that the agencies concerned with the development of small scale/ informal enterprises should improve their lending procedures and conditions.

Local authority laws and regulations pertaining to the use of land in urban areas should be revised with an aim to accommodating informal activities within these areas.

TABLE OF CONTENTS

	<u>Page</u>
TITLE OF THE STUDY	(i)
DECLARATION	(ii)
DEDICATION	(iii)
ACKNOWLEDGEMENTS	(iv)
ABSTRACT	(v)
CONTENTS OF THE RESEARCH	(vii)
LIST OF TABLES	(xii)
LIST OF PLATES	(xiii)
LIST OF MAPS	(xiv)

CHAPTER ONE: INTRODUCTION

1.1	Introduction	1
1.2	Statement of the Problem	2
1.3	Need for the Study	5
1.4	Objectives	7
1.5	Scope	7
1.6	Hypothesis	8
1.7	Research Methodology	9
	1.7.1 Information Collection	9
	1.7.2 Methods of Survey	10
	1.7.3 Sampling Design	11
	1.7.4 Methods of Analysis	12

1.8	Limitations of the Study	13
-----	--------------------------	----

CHAPTER TWO: ISSUES IN SMALL SCALE
INFORMAL SECTOR

2.1	Evolution of Small Scale Informal Enterprises	15
2.2	Small Scale Informal Enterprises: Definition	18
2.3	Nature and Characteristics of Small Scale/Informal Enterprises	23
2.4	Government Policy	
2.4.1	The I.L.O. Report, 1972	33
2.4.2	The Development Plan, 1974-78	35
2.4.3	The Development Plan, 1979-83	37
2.4.4	The Development Plan, 1984-88	38
2.4.5	The Sessional Paper No 1, 1986	29
2.4.6	The Development Plan, 1989-93	41
2.5	Role of Small Scale/Informal Sector Activities in Kenya	
2.5.1	Employment	44
2.5.2	Training	50
2.5.3	Provision of Goods for Low Income Consumers	54
2.5.4	Moderation of Rural-Urban Migration	56
2.6	Organisations that Provide Loans to Small Scale Informal Enterprises	

2.6.1	Kenya Industrial Estates (KIE)	58
2.6.2	Friedrich Ebert Foundation (FEF)	60
2.6.3	I.L.O. and U.N.H.R.	62
2.6.4	Joint Loan Board (Ministry of Commerce)	66
2.6.5	Kenya Women Finance Trust	67
	Conclusion	69

CHAPTER THREE: STUDY AREA

3.1	Historical Background	70
3.2	Karatina in the Regional Context	
3.2.1	Location	73
3.2.2	Socio-Economic Background	74
3.2.3	Economic Background	76
3.2.4	Infrastructural Facilities	78
3.2.5	Employment and Incomes	79
3.2.6	Open Air Market	80

CHAPTER FOUR: RESEARCH FINDINGS

	Introduction	81
4.1	Detailed Findings in all Sectors	82
4.1.1	Types of Enterprises	82
4.1.2	Ownership	83
4.1.3	Age of Enterprises and Year of Establishment	85
4.1.4	Education Levels and Training	87
4.1.5	Business Premises	93

4.1.6	Security of Tenure	100
4.1.7	Employment Generation	102
4.1.8	Capital Investment, Incomes and Savings	107
4.1.9	Sources of Inputs	114
4.1.10	Markets	116
4.1.11	Causes of Non-expansion of the Business	118
4.2	Findings in each Sub-sector	120
4.2.1	Tailoring and Dressmaking	120
4.2.2	Furniture Making	123
4.2.3	Shoe Making	125
4.2.4	Metal Works/Fabrication	126
4.2.5	Open Air Garages	126
4.2.6	Bicycle Repair	127
4.2.7	Watch Repair	128
4.2.8	Radio Repair	128
4.2.9	Conclusion	129
4.3	Kenya Industrial Estates (KIE) in Karatina	131
4.3.1	Conclusion of Findings from KIE Promotion Area	134
4.4	Conclusion	137

CHAPTER FIVE: SUMMARY OF FINDINGS AND
RECOMMENDATIONS

5.1	Summary of Findings	140
-----	---------------------	-----

5.2	Recommendations	143
5.3	Conclusion	148
5.4	Areas of Further Research	150
BIBLIOGRAPHY		152
APPENDIX		159

LIST OF TABLES

Table 1 :	Types of Enterprises	83
Table 2 :	Distribution of Enterprises According to Number of Workers (at time of Study)	102
Table 3 :	Distribution of Enterprises According to Number of Workers (at the start of Business)	103

LIST OF PLATES

Plate 1 :	Shoemaker/repairer on the Shop Pavement	95
Plate 2 :	Carpenters Working	96
Plate 3 :	A Store Used by a Carpenter	97
Plate 4 :	A Tailor Cutting Clothes from the Floor	98
Plate 5 :	A Radio Repairer at Work	99
Plate 6 :	KIE Sheds	132
Plate 7 :	A Close Look of a KIE Shed	133

LIST OF MAPS

Map 1 : Karatina in the National Context

Map 2 : Karatina in the District Context

Map 3 : Areas Where Small Scale Informal
 Activities are Concentrated

CHAPTER ONE

1.1 INTRODUCTION

Urbanization in the developed countries was triggered off by industrialisation, but in the now developing countries, it (urbanisation) has been much more rapid than industrialization can justify (Pedersen, 1989, p. 11). The low level of industrialisation relative to the level of urbanisation has meant that formal wage employment is seen to grow slower than the potential labour force leading to massive unemployment.

The growing gap between the numbers of people looking for jobs and the employment opportunities that exist in the modern wage sector has led to the development of an "urban informal sector". (Stewart, 1981, p. 82)

The informal sector or the small-scale enterprises include(s) numerous heterogeneous activities which comprise of smallscale production of goods and services in the urban and rural areas. These activities comprise of smallscale informal manufacturing and repair; trading, transportation and construction.

Majority of the enterprises are labour and skill-

intensive and cater for the consumers who cannot afford expensive goods and services. On the other hand, the sector is a source of employment opportunities and income generation. It has also been a training ground for future entrepreneurs who learn artisan skills at a very low cost.

As a whole the informal sector has positive implications on the economic growth, rural-urban balance and the living conditions of the low income people.

However, the sector faces a number of problems which include lack of capital (which mainly affects those in manufacturing), inappropriate markets, poor sites and premises and so on. Solution to these problems are necessary so as to assist in the future growth of the enterprises.

Karatina Town was therefore, chosen as a case study in order to establish the role of the sector in terms of creation of employment, generation of incomes and promotion of artisan skills.

1.2 STATEMENT OF THE PROBLEM

The emergence of smallscale enterprises or what is sometimes referred to as the "informal sector" in

many urban areas in Kenya, has been as a result of the rising gap between the formal sector employment and the high rate of urban population increase. Efforts by the urban unemployed to develop these enterprises have been hindered by various problems; among which are lack of access to credit facilities, licensing regulations, unsuitable business premises, planning regulations and obstacles to market opportunities.

Many smallscale enterprises operate outside the Government benefits and controls applicable to formally recognized and enumerated firms. They are outside Government regulations of health, hygiene specification of standards and minimum wages do not apply. (Stewart, 1981, p. 83) This perhaps, is the reason why the informal sector suffers from a "negative public image" which subsequently results to continuous official harassment of its participants.

Most smallscale/informal enterprises are located on squatter land which is either owned by the Government or an individual. They either operate on shop pavements, roadsides or undeveloped areas of urban centres. (Kibwana, 1988, p. 5)

Planning and building standards in Kenya tend to constrain the smallscale/informal enterprises'

development in terms of categorization of buildings (industrial or commercial), siting and coverage of buildings along with the Public Health Act which specifies details on nature of materials, ventilation, lighting and drainage provisions.

The development of this sector is also constrained by the unavailability of credit. Many of these enterprises have been established with meagre family savings. Re-investment is therefore, impeded since profits gained in the enterprise are normally used for the family upkeep.

→ In Kenya, the Kenya Industrial Estates (KIE) is the government agency responsible for extending credit to smallscale entrepreneurs (particularly those in the manufacturing sub-sector). Credit facilities are however, subject to certain conditions, for instance, entrepreneurs who require loans have to raise about 30 percent of the capital required with an interest rate of 14 percent per annum. (I.P.A. Manager, Karatina)

→ Other major agencies established for purposes of extending credit to smallscale entrepreneurs are the Pilot Jua Kali Credit Scheme and the Assistance Business Creation Scheme which require the usual bank collaterals. Further, they require that for an enter-

prise to qualify for a loan, it must portray or demonstrate potential for growth particularly at the initial stages of operation. However, many enterprises do not meet the above conditions.

Many of the smallscale informal enterprises operate in open air and therefore, are exposed to harsh environmental hazards or discomfort, like rain, dust and heat. Infact, it is from these harsh working conditions that the sector is commonly referred to as "jua kali". (Digolo, 1988, p. 6) Therefore, even those enterprises that demonstrate growth capabilities are still faced with problems of storage. Uncomfortable environment equally impede maximum production which in turn affects expansion of the enterprise.

From the above, one conclusion seems inevitable, that there is need to understand and appreciate the role that smallscale/informal sector play in the provision of jobs, skills and generation of incomes to the participants. Thus, if the sector is to grow and expand and to fulfil its important role, then solutions need to be sought and policies effectively implemented, in order to remove the above constraints.

1.3 NEED FOR THE STUDY

The government policy has increasingly emphasized the

important role that the informal sector can play in the economy, if given the right political and economic environment. The current development plan, particularly, has indicated that firm measures would be taken towards assisting the sector as a matter of strategy.

However, most studies on the sector have only been conducted in the major urban centres; like Nairobi, Mombasa, Kisumu and Nakuru. This is due to the high concentration of people and activities and this is where the sector is more established.

Due to increased population in these centres resulting to a reduction in employment opportunities and other facilities. Thus, the small urban centres have become the alternative source of employment. The informal sector has become an important economic activity, even in these centres.

Arising from the above therefore, the justification of the study becomes increasing explicit in the context that it seeks to establish the employment opportunities in the smallscale informal sector, in a small urban centre.

Karatina was the chosen town as the case study with the above background in mind.

1.4 OBJECTIVES OF THE STUDY

- 1) Examine the smallscale/informal activities in Karatina Town in terms of employment opportunities, income generation and provision of artisan skills.
- 2) Identify the constraints that hinder the growth and expansion of these activities and thus, the fulfilment of the above.
- 3) Suggest policy programmes that would go ahead to assist in the development of these activities.

1.5 SCOPE OF THE STUDY

The study examines the growth and nature of smallscale/informal activities in Karatina in terms of employment and income generation and imparting of skills.

The emphasis is on manufacturing and repair activities. Those enterprises with 1-10 persons/workers were selected, since this is where the bulk of these activities operate. Again it is in these "smallscale" enterprises which will offer future employment opportunities for the massive school leavers.

Information for the research work was therefore sought from the following enterprises.

1. Tailoring and dressmaking
2. Furniture making
3. Metal works/fabrication
4. Open air garages
5. Shoe making and repairing
6. Bicycle repairing
7. Radio repairing

8. Watch repairing

1.6 HYPOTHESIS

This study is based on the hypothesis that, small scale/informal enterprises can expand in terms of employment opportunities, income generation and imparting of artisan skills if there is an enabling environment.

1.7 RESEARCH METHODOLOGY

1.7.1 Information Collection

The information was gathered through questionnaire, personal interviews, observation and literature review. In all these methods the following aspects of the information were considered.

1) Economic Data:

The number of small scale/informal industries in the town and particularly those dealing with repair and manufacturing activities. In each enterprise information on production or output, income earned, tenders received, if any, was sought. Skills and employment opportunities in each one enterprise in the sample was considered.

Economic background of the town and the area in general was also considered and analysed.

2) Physical Data:

Information required had more to do with the locational aspects of the study area. For instance, infrastructural

services, like water, road, electricity, and telephone. The physical set up of the town in relation to the district was considered and given as it relates to the small scale industries.

3) Social Data:

This had more to do with the population characteristics of the area, origin and the evolution of the town, social characteristics of the small scale entrepreneurs and how these affect the operation of the small scale/informal industries.

1.7.2 Methods of Survey

1) Literature Review:

The purpose of the literature review was to bring out the magnitude of small scale/informal activities in general as found in the published materials.

The literature review covers all the sections of the study, that is, the historical, economic and social background of the study area, government policy as regards small scale/informal enterprises and also published materials on these enterprises as studied in other areas and towns.

Informal interviews were also carried out from the administration officers, local authority officers and so on.

2) Questionnaire Survey:

A questionnaire was drawn to help the research to as far as possible cover the data that was not available from the literature review, particularly as regards small scale/informal enterprises in Karatina Town. This is shown in the appendix.

1.7.3 Sampling Design

The study considered only these enterprises involved in repair and manufacturing activities. Information was collected from nine (9) different types, also referred to as sub-sectors. Information from about 10 of the questionnaires was inadequate for analysis and therefore, were discarded. Thus, only 17.5 percent of the questionnaires were used as opposed to 25 percent, envisaged in the beginning.

The actual selection of the respondent depended on the type of activity. For the tailors, bicycles repairers, open air garages, watch repairers, radio repairers,

and shoe makers, selection was done according to streets or lanes. This is because many of these entrepreneurs are located along the main streets and lanes. The respondents in this sub-sector were selected on random basis, as their areas of operation are shown on Map 3.

On the other hand, furniture making and metal work/fabrication are clustered in one zone commonly known as "sofia town", while radio and watch repairers are located on the streets, although one of the entrepreneurs operate in a store/room in a commercial building.

Selection in all the sectors was done on every 5th person basis, these forming the bulk of the sample of about 35 respondents. The rest (5) were selected from other parts of the town.

1.7.4 Methods of Analysis

In stage one of the analysis the Statistical Package for the Social Sciences (SPSS) was used for most of the calculations. This is how computations for means, modes and percentages were arrived at, used for the descriptive analysis.

The descriptive analysis was backed by tables, intended to simplify the information in figure form. Maps were used to spatially analyse and show dimensions of various aspects, e.g. the sampling zones and the locational aspects of the town.

Plates were mainly used to show the prevailing circumstances of certain aspects, e.g. the operating structures or premises of the enterprises.

1.7.5 Limitations of the Study

It was difficult to get certain types of information from the respondents. For instance, many were reluctant to give the actual income or savings earned and expended.

On the other hand, many entrepreneurs do not keep records of their revenue and expenditures, therefore recalling such information was not always easy.

The extent of the growth of the small scale enterprises could not be correctly measured since the local authorities or the Ministry concerned, do not keep much information on the informal sector.

Time was also a constraint, in the sense that time

allocated for the field data collection was not adequate to gather all information required.

CHAPTER TWO

2.0 ISSUES IN SMALL SCALE INFORMAL SECTOR

2.1 EVOLUTION OF THE SMALL SCALE ENTERPRISES

The evolution of the small scale enterprises (also called informal) can be explained by the different phases or stages of political state in Kenya. Before 1890, one may not distinguish between the formal and informal activities, since socio-economic activities were centred around subsistence activities, mainly agriculture which involved food cultivation and animal rearing. Money was not a medium of exchange then, but rather, economic activities took the form of barter.

During this period also, there was no pressure on land resulting from population increase. However, settlements were found in certain areas, maybe on hilltops, or near water points. These settlements were set up for purposes of security or social reasons but not necessarily economic purposes.

Though agriculture was the main occupation of the people, a few engaged in other activities, but related or in support of the agricultural activities. There

existed therefore, traditional craftsmen who made hand implements which were exchanged for food and animals when the need arose. Different names were used to refer to traditional iron craftsmen. The Kikuyu had "muturi", the Gusii, "Omuturi", the Luhya, "mutuji", and the Wakamba, "atui". (Mochache, 1985, p. 37)

Apart from these, there also existed basket making in Western Kenya, mat weavers and pottery makers in Nyanza, Kikuyuland and the coast, wood carvers and drum makers among the Wakamba. The Wakamba are still famous for carving and drum making.

With the intensification of colonialism and its rules and laws, most Africans were alienated from their land. This sparked off a change of livelihood for most Africans particularly, the Kikuyu.

The Africans wandered for employment in the European homes and farms or started odd businesses which led to the concentration of settlements. Along with land alienation, was forced labour where Africans were forced to work in European farms, dig terraces or in the industries for very low wages. Africans were also restricted from living in towns unless employed therein.

With no land, unemployment and the hut tax to pay for, many of the Kikuyu developed a squatter type of life. They are seen to have developed a temporary type of life, with settlements suited for demolition and movement when called to do so. This triggered large groups into informal activities in the central places at least to subsist.

At independence, the African took over economic, social and political leadership which implied that a number of regulations and laws were relaxed. This also meant that Africans could now visit and live in any urban area and engage in any business activity available. The colonial racial and political segregation disappeared but the Africans formed different economic status groups and classes.

The majority of the Africans had no financial or technical skills whose development was hitherto hindered by the segregation laws. Unfortunately, many of them remained in this state of poverty and squatter life. The only difference was however, that they could freely move in the towns and engage in any business. Many were not qualified to join in the formal business owned by Europeans or their fellow Africans.

With time, however, a good number of Africans were

able to go to school but the formal wage employment was not expanding at the same rate as population growth rate. Therefore, many have had the alternative of getting employment from small scale/informal activities in the towns. With the rapid increasing population and the pressure on land, it means that these activities will continue to offer alternative sources of employment and income for many people.

2.2 SMALL SCALE/INFORMAL ENTERPRISES: DEFINITION

At present, there is no explicit legal definition in Kenya of the term "small enterprise" or the "informal sector". Many studies have had a lot of difficulties as to where the boundaries of the sector are based on, or where they fall. Most in a bid to have a definition, have come up with a whole ensemble of what happens in the sector. ~~The term informal sector was first used~~ by the International Labour Organisation (ILO) Mission to Kenya, in the report on "Employment, Incomes and Equality: a strategy for increasing productive employment in Kenya". (1972) The report defined the sector thus, "informal activities are a way of doing things characterised by; (a) ease of entry, (b) reliance on indigenous resources, (c) small scale operation, (d) labour intensive and adopted technology, (e) skills acquired outside the formal school system, and (f) un-

regulated and competitive markets". (ILO, 1972, p. 23)

The report looked at the sector as comprising those economic activities such as, petty trading, street hawkers, shoeshine boys and other groups of under-employed on the streets of big towns.

House says that one way to identifying informal sector is define it as the "residual" of the private enterprises after ~~ex~~cluding the large industrial and commercial establishments whose pay and conditions of work are enumerated and protected. (House, 1977, p. 3)

In response to the ILO report on the informal sector in 1972, the Sessional Paper, No. 10 on Employment of 1973, stated that the informal sector consists of the non-agricultural activities which are undertaken in both rural and urban areas. The paper indicated that the sector is characterised by the small scale labour-intensive provision of goods and services for a market largely made up on the demand side by people with low incomes. (Kenya, 1973, p. 44)

Sinclair's definition of the informal sector also lays much emphasis on the participants of the sector. He contends that the sector is made up of people in the

cities of developing countries of the world who turn to find subsistence in small scale enterprises run by themselves, friends, relatives or strangers. (Sinclair, 1978, p. 79)

The Central Bureau of Statistics (1984) survey of the informal sector defines it as those enterprises consisting of semi-organised and unregulated activities largely undertaken by self-employed persons in the open markets, in undeveloped plots or on streets pavements within the urban areas. The survey further indicates that the activities may or may not have licences from local authorities for carrying out such activities. (CBS, 1984, p. 18)

In other areas, the informal sector is referred to as "jua kali", that is referring to those economic activities conducted in open sites in which people work while exposed to harsh environmental hazards like heat from the sun, rain and dust. (Digolo, 1988, p. 2)

On the other hand, it is not possible to give a precise definition as a variety of factors are involved and the word "small" is only a relative term. In most developing countries, generally, one may describe small industrial undertakings as establishments for

manufacturing, processing, servicing and repair activities which differ from large establishments by a significant lack of specialization in management and operations.

Such undertakings vary from handicrafts in which the self-employed owner works together with his family to the artisan workshops employing labour and using simple machinery and the small mechanized factory.

The CBS considers small scale industries to be those with less than 50 employees. This however, does not give a convincing criteria of choice, since certain enterprises maybe large in terms of production and area coverage but, labour-intensive. Though the two terms "small scale" and "informal" are not synonymous they are used to denominate a heterogeneous group of enterprises ranging from part-time, non-agricultural activities and partly oriented towards unstable markets, limited credit facilities and poor premises.

The reason for choosing this broad concept of small scale/informal enterprises is because there is a very great overlap between the two concepts and there exists no generally agreed upon definition of the two.

However, it should be noted that the small scale/informal

enterprises have the following characteristics which have been given by various studies as the other major characteristics of the informal sector (given in details in another section of the study).

- (i) small scale production, which maybe subsistence;
- (ii) the enterprise is managed by the entrepreneur, his household and maybe a few employees;
- (iii) earnings from the enterprise supplement the household income;
- (iv) use of limited and simple tools either bought with savings from the family, friends or previous income;
- (v) unstandardized goods;
- (vi) limited or no dealings with the financial institutions, as opposed to large scale formal enterprises, which are:-
 - a) large scale in size and operation;
 - b) well serviced premises and facilities;
 - c) use of high technology;
 - d) recognition and enumeration by the Government;
 - e) formal and important dealings with the financial institutions; and,

- f) production of high quality goods consumed by high income people and for export.

2.3 NATURE AND CHARACTERISTICS OF SMALL SCALE INFORMAL ENTERPRISES

As indicated in the previous section, there is still debate as to the nature of the small scale/informal enterprises from the view of the participants. For instance, (Kabagambe, 1976) looks at the participants of these activities in two forms. That is, those poor people who have failed to secure jobs in the formal sector, and therefore, eke a subsistence with a growing sense of despair from these activities. There are also those participants who reject wage labour and therefore, join the sector in pursuit of the need to be self-employed. The latter group are considered to have greater development potential.

The Central Bureau of Statistics (CBS) and the University of Nairobi's Institute of Development Studies for their surveys on Nairobi's informal sector look at it as all those activities operating in make-shift shelters, where they can be easily spotted or contacted. This explanation takes the type and form of the premises as the basis for definition.

Yet another view looks at the small scale informal activities from the basis of the tools and capital invested in the enterprise. Thus, it defines it as that unit which uses simple tools either fabricated by the owner or purchased secondhand through his own savings and/or money borrowed from friends, relatives or money lenders. The goods produced are unstandardized to a known market usually in the immediate neighbourhood. The entrepreneur has no dealings with financial institutions and is the unawareness of the existence or need for technical assistance to improve the quality of the products.

The above picture (CBS, 1978) leaves out the work place or the premises and grossly underates the awareness of a unit for the need for improvements or expanding the market of the products.

In 1984, CBS seemed to have come up with a more comprehensive definition, basing it heavily on the nature of the premises. Thus, informal sector activities consist of semi-organised and unregulated activities largely undertaken by self-employed persons in the open markets, in market stalls, in undeveloped plots or on street pavements within urban centres. These activities may or may not have licences from local authorities for carrying out such activities.

However, the most widely used definition of the small scale/informal activities, and which is also used in the government documents was first used by the ILO Report (1972). The definition is comprehensive in the sense that it tries to incorporate the issues of operation such as the scale, ownership, raw materials and so on, but leaves out the premises or locational aspects of the activities. The report suggested that these activities are characterised by the following:

- (a) easy of entry;
- (b) reliance on indigenous resources;
- (c) family ownership of enterprise;
- (d) small scale of operation;
- (e) labour intensive and adoptive technology;
- (f) skills acquired out of formal school system;
- and,
- (g) unregulated and competitive markets.

(I.L.O., 1972, p. 6)

Since the publication of the report and more studies on the sector in the succeeding years, there has been a refinement to the understanding about the sector.

The following discussion tries to incorporate all the above factors and characteristics that may help one in trying to understand the small scale /informal sector activities. The main characteristic is that they are labour - and skill - intensive enterprises and caters for the low-income consumers as well as middle class people (especially those who own cars, who use informal open air garages).

As the I.L.O report (1972) indicated they are characterised by easy entry and operate with less initial capital, usually from savings from the previous employment or borrowed from relatives and friends, or money lenders.

These enterprises have close personal contact between the management and the workers due to the small size of the enterprises. Some are also owned and run by the family members who also gain from the enterprises by learning the skills. In a survey in Nyeri district Inukai and Okelo (1972) realised that about 19.2% of the full-time employees in repair and manufacturing were related to the owner of the enterprise as opposed to about 33.7% who were not.

This figure is however higher in the service

industries where no special skills are needed, and the involvement of the family members is therefore higher. Thus, the entrepreneur do not need outside assistance.

Another characteristic is that there is little specialization in management mainly due to the limited resources either to train (except on-job) or to engage skilled manpower. This factor is considered as a constraint since it is rare for all qualities to be found in one man yet most of the enterprises are one-man owned and managed, and even where the owner has employed a few workers, he remains the sole decision-maker.

Small scale/informal enterprises are also characterised by various problems that hinder their successful operation. A look at the internal constraints in the sector indicate that most of them have no access to capital or credit from the formal financial institutions. They depend on their own savings, and to a lesser extent from relatives, friends and/or money lenders.

On the other hand credit given by the Kenya Industrial Estates (KIE), which is the main government agency entrusted with the promotion of

of small scale industries is limited and usually do not reach the poorest of the enterprises. Since the potential applicant must raise about 30% of the total capital required, the whole procedure, from applying for the loan approval and the actual disbursement is cumbersome, and also needs a person who has the knowhow of such transactions. Otherwise many entrepreneurs especially those in rural areas lack the knowhow and want capital that is immediate.

Other loans schemes have also been set up for purposes of extending credit to the small scale/informal enterprises. These are the Jua Kali Credit Scheme, Assistance Business Creation Scheme and the Pilot Jua Kali Credit Scheme operate which on usual bank collaterals, while most enterprises do not possess these. The latter, actually charge an interest rate of 14% by 1988 (Kibwana 1988. P. 12). Again these schemes extend credit to only those enterprises that demonstrate growth capacity thus many informal sector enterprises are excluded. This contention is also ironical in the sense that these enterprises are in the poor state of low production

due to limited capital, and they can only "demonstrate growth" if they are provided with this capital.

Most informal activities are premised on squatter land (government or individual) e.g. shop pavements, roadsides or undeveloped areas of urban centres.

Planning standards in this country are difficult if not impossible for the small scale/informal activities to observe. For instance, categorization of types of buildings, sanitary along with the Public Health Act specifying details on nature of materials, ventilation, lighting, heights drainage and so on. Non-observance of these laws and regulations leads to harassment by the local authorities though more on the trade and service subsectors than on those in the manufacturing and repair subsectors.

On the other hand, the open air, veranda or improvised temporary shed proves a hindrance in the sense that the entrepreneur cannot obtain a trade licence and without it, he is not legible for a loan. This implies that there is no electric or water connection, inadequate and secure storage for his wares and products.

However, the government has indicated the necessity to review some of the local authority by laws and regulations that prove restrictive to the development of small scale and jua kali enterprises. These would include the suspension of certain categories of licences appropriate revision of the building codes and ease of the allocation of land to enterpreneurs (Kenya, 1989 - 93 D.P. P. 167).

Most enterprises also face shortages of essential raw materials, particularly those in the manufacturing subsector. McCommick (1988) realized that, for instance those facing difficulty on obtaining raw materials formed about 64.8% of the respondents in her study, and were mainly dealing with textile, carpentry and metal work. The availability of raw materials in these subsector may be determined by the production pattern of large industries e.g. those who use locally produced cloth, wood, plastics, metal sheets and so on.

Although one of the supposed advantages of small scale informal enterprise is its saving on foreign currency, some subsectors in the small scale manufacturing sector used imported goods whose availability is dependent on foreign exchange and allocation of import licences. For instance,

metal work needs imported iron, steel and scrap metal. Even the availability of scrap materials depends in the importation of new metal, in form of new cars, which are the source of scrap metal as when they get out of use.

Another rather interesting, factor in the availability of raw materials is the weather conditions. In the same study by McCommick (1988), the sharp decrease in the availability of leather, and thus high prices was due to the decrease in livestock herds in the 1984 drought (Ibid p. 253).

Although some equipment can be made in the sector itself, many have been said to use simple tools either fabricated, bought second hand or hired, others such as sewing machines and machine tools can only be bought from the large industry or imported. Therefore, the equipment must be available and the owners must be able to buy or lease it.

Therefore, expansion of the small scale informal enterprises, then requires that raw materials and equipment be available which are in turn dependent upon the basic economy, production patterns of the

large industry and allocations which may be influenced by government policy and the ability to import those raw materials not available in the country. (McCommick, 1988 p. 254)

Some of the small scale/informal sector activities face stiff competition within and without the sector particularly those dealing in footwear, clothing, and furniture. Due to the ease of entry, in terms of initial capital, many skilled and unskilled people have formed the sector. This has led to duplication of activities, (e.g. shoe repairing) and therefore, the entrepreneurs end up making little or no profits. Competition outside the sector is more related to demand of products from the sector than mere competition. Most studies have considered the goods produced in the sector as "non-standardized" and therefore argue that with a rise in incomes, their demand would fall. However, while this may be true of certain goods (e.g. sandals and tin-can lamps) most goods are considered necessities by the average Kenyan, that is not necessarily the low-income consumers the sector is considered to serve. For instance, goods such as metal door and frames, wood furniture, vehicle repair are actually required by many people, with average incomes.

The development of small scale/informal activities therefore have positive implications on economic development both in the rural and urban areas. This development can however only be realized with government involvement in the formulation (and revision) of policies that prove restrictive to the operations of these activities. This should include land use regulations, financial regulations, particularly those that have to do with extension of credit, and the availability of raw materials to the sector. This is in order that the sector may improve its capability of absorbing the labour force and generating income.

2.4 GOVERNMENT POLICY

2.4.1 The I.L.O. Report 1972

Most governments in the newly independent countries (1960s) ignored the influx of petty traders and squatter dwellers who engaged in informal sector activities. This was partly because the earlier development theories had assumed that the problem of the rural-urban migrants would be solved with increased modernisation and industrialisation, where these migrants would be absorbed.

However as the numbers of the migrants increased, most of these governments (Kenya is no exception) reacted with harsh measures. In Kenya, they were considered as people who contributed little in urban incomes, and who posed health and fire risks as they lived in the squatter and slum settlements. The government therefore turned into demolition of such settlements and harrassment of the petty traders.

It was the Ineternational Labour Organisation (ILO) mission to Kenya in 1972 that elevated the status of these migrants into a "sector". In its report on Employment, Incomes and Equality in Kenya, the mission used the term "informal sector" for the first time.

The report indicated that the sector was not a problem, but a source of Kenya's future growth in that it would provide a major and essential input for the development of an indeginous capital goods industry which is a key element in solving the employment problem (ILO, 1972 p. 505). The report further indicated that the sector has uniquely positive characteristics as indicated elsewhere in the study.

The ILO Report 1972, increased governments' awareness and concern in the development of the informal sector. The initial response of the Kenya government to the report as contained in the 1973 Sessional Paper on Employment was promising and this followed in the subsequent development plans. However for sometime, few specific programmes of assistance were evident.

2.4.2 The 1974 - 78 Development Plan

In this plan the sector received considerable attention as a result of the I.L.O Report (1972) and the Sessional Paper on Employment (1973). The government stressed the need for the promotion of small scale industries policy, with the following strategies:-

- i) to review central and local government regulation that proved a hindrance to the development of small scale enterprises;
- ii) to direct assistance to small scale enterprises;
- iii) to establish an organisation well equipped to administer and provide extension services to small scale enterprises.

The plan indicated that a corporation known as Small Business Development Corporation would be established, which would incorporate the K.I.E and Rural Industrial Development Programme (R.I.D.P). The corporation would have the mandate of co-ordinating all extension services and research on small scale enterprises. However, no such organisation, has been created up to date.

However, the Industrial Estates Programme had been set up in 1967, and was to be implemented through the K.I.E. The aim of the programme was to facilitate local participation in industry, create more employment and promote import substitution at small scale levels. These were to be achieved through the following strategies:-

- i) financing entrepreneurs;
- ii) give assistance in acquiring facilities such as factory premises;
- iii) give technical assistance such as project identification;
- iv) provide assistance in implementation and,

v) provide assistance in marketing;

Later assesment showed that the programme was incapable of creating tangible levels of development in the sector as envisaged.

2.4.3 The 1979 - 83 Development Plan

The main objective of this plan was to alleviate poverty throughout the nation and one of the strategies was the development programme of the informal industrial sector. The plan had the following strategies:-

- i) the government was to provide Kshs. 50 million to assist the informal sector enterprises and to enable them use the facilities available with the KIE network;
- ii) decentralisation of the Tendering System so as to enable small scale enterprises get priority of supplying goods and services;
- iii) training programmes such as village poly-technics to be offered by the government to small business entrepreneurs.

- iv) a programming and evaluation section within the Ministry of Commerce and Industry to assist district development committees in preparation of coordinated programmes for informal sector manufacturing units.

- v) studies to be carried out with respect to the profits of the occupations with the informal sector such as masonry, plumbing, carpentry which would be used to modify the Government Trade test procedures and improve the informal training.

- vi) the government was to provide the establishment of credit Guarantee Schemes for loans given by Commercial Banks to small scale enterprises.

Although clearly stipulated in the plan, many of these strategies were not implemented.

2.4.4 The 1984 - 88 Development Plan

The Plan envisaged the establishment of a small industries division in then Ministry of Commerce and Industry to monitor the implementation of

small industries development programme and provide assistance to the industrial extension services in collaboration with the Projects studies division. This division has already been set up in the Ministry of Industry.

The plan also stresses the need for shift of emphasis from capital intensive modern industries to labour intensive small and cottage industries.

The small scale industries are supposed to be taken as priority in the district development committee plans under the district focus for rural development.

2.4.5 Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth

The sessional paper makes clear the government recognition of the informal sector more than any other previous government documents. The paper stresses that the sector has a vital role to play in the renewed growth of the country (Kenya, 1986, p.).

It indicates that farm productivity and incomes must be raised so as to stimulate the demand for goods and services provided by the informal sector.

The government also wishes to lower tariffs on raw materials, semi-processed goods and other intermediate inputs with a bias towards those used by the informal sector. It is hoped that since the cost of production is lowered the price of the final product remains reasonably low for the low income consumer. The paper also indicates that efforts are being made to expand access to credit facilities for the informal sector and disseminate information on market opportunities and appropriate production methods for small scale manufacturing; and also the expansion of youth polytechnic training and focus it on appropriate skills and management techniques; and lastly the relaxation of current restrictions and informal sector activities.

The paper also stresses the need to create a "healthy regulatory climate for informal sector activities by eliminating unnecessary constraints". (Kenya, 1986. p. 23) Under this the paper recommends for an appropriate scale of licence fees and charges to be levied protection of street

hawkers and other self-employed people from over-zealous policing.

However, though the paper articulates the strategies and programmes to be carried out for the development of small scale informal enterprises, there are a few issues that have tended to constrain the development strategy. For instance, it is not clear to what extent the government will intervene (and succeed) in the assistance of the sector without destroying its advantages. If the informal sector is to be mobilised for national development such issues as registration and enforcement of minimum standards need be set. This may lead to eventually making the sector part of the formal sector, and this may constrain the ease of entry to the sector.

2.4.6 The 1989 - 93 Development Plan

The plan strongly echoed the emphasis laid on the development of small scale informal enterprises in the Sessional Paper No. 1 of 1986, and indicates that "firm measures would be taken towards directly

assisting the sector as a matter of strategy" (Kenya, 1989 - 93, p. 165).

The plan promises that the policies for these enterprises would cover the pricing structure, trade regime liberalisation, foreign exchange, management wages, investment policies and financial restructuring. The government promises to amend rules and regulations inhibiting the development of the small scale and "jua kali" enterprises such as time consuming administrative procedures in obtaining licences, inappropriate building codes, and also ensure that unfair trade practices on the part of large scale firms do not jeopardise the survival and performance of the sector (Kenya, 1989 - 93 Development Plan p. 166).

The government has put forth the following strategies:-

- i) to develop an award scheme to promote innovation and invention through the enterprises in line with governments facilitative role in the sector and others.

- ii) examine the laws, regulations and procedures

that have hitherto frustrated small scale and jua kali enterprises from competing on an equal footing with the more established firms;

- iii) review the local authority by laws and regulations that prove restrictive to the development of small scale and jua kali enterprises - this includes the suspension of certain categories of licences, appropriate revision of building codes, and to ease allocation of land to these enterprises.

Since the ILO (1972) report on the informal sector in Kenya, the sector has been discussed widely not only in Government documents but also in various research papers. Few (if any) doubts on the potentiality of the sector as a income and employment generator have been indicated. However, there is very little tangible and specific assistance that the Government has given to the sector so far.

The only form of assistance has been the order that large open sheds to be built in Kamukunji to give metal workers protection from the elements of the weather. (Nation, Dec 29, 1985, p. 10) This led to a remarkable transformation in attitudes towards

small scale business in Nairobi as favourable policies and tangible evidence of support became clear

However, such direct programmes have not been evident in other areas (urban) especially, the rural market centres. The only evidence of policy support is the construction of KIE sheds which the entrepreneurs, rent, and which the organisation intends to sell on tenant purchase scheme to those who are interested. It is however, hoped that with the implementation of the RTPC strategy, and the central role that small scale/informal sector plays in the rural market centres, the policies highlighted in the development plans will be directed to the sector in these centres.

2.5 ROLE OF SMALL SCALE/INFORMAL SECTOR ACTIVITIES IN KENYA

Employment

The total population in Kenya will grow from an estimated figure of 22.7 million people in 1988 to about 27.2 million people in 1998. The labour force, defined as members of the population who are economically active (i.e. those between the ages of 15 and 64) either working or searching for works,

is expected to grow from 8.6 million in 1988 to 10.6 million in 1998. (Kenya 1988/93, p. 197)

Unemployment implies a shortage of job opportunities diversity between attitudes and job expectations, (particularly among the youth) as well as the actual jobs available in the rural and urban areas. On the other hand unemployment problems are closely related to distribution of incomes and poverty. Distribution of income can however, be improved by increasing productivity of the poor.

Thus, since the majority of participants in the informal sector are poor people, particularly those living in the urban areas, their productivity should be improved in order to help in the distribution of income and alleviation of poverty, which has been the prime objective of the Government. Priority should therefore, be given to measures for creation of productive and gainful employment. There is no doubt that the large scale (modern) industrial sector is incapable of providing enough jobs in the near future because of the amount of capital needed to create one industrial job. On the other hand, as it takes the government about KShs. 320,000/- to create one job in the wage-earning sector thus,

only KShs. 1.4 million new jobs would be created by year 2000. If this happens then, 40% of the labour force will be without jobs at the end of the century. (Kenya Times, July 21, 1989, p. 6)

With the rapid increasing population resulting to pressure on land, the bulk of the population will continue to be attracted to small and medium urban centres to look for jobs or other means of livelihood as the major towns are already experiencing serious unemployment problems. Many of these people will be engaged in small scale/informal activities which provide jobs at low cost.

In essence, the development of small scale/informal enterprises is to raise employment levels through labour intensive techniques and low level techniques as opposed to high level mechanization and automation of the large formal establishments.

It was the International Labour Organisation (ILO) 1972, report on, "Employment, Income and Equality: a strategy for increasing productive employment in Kenya", that first indicated the employment potential of the informal sector in Kenya. The report indicates that the sector provides employment

and necessary goods and services for low income groups and would be a source of future growth as an integral part of an employment strategy. (ILO 1972, p. 229) This idea was also taken up and expounded by later authors on the informal sector. Child (1973), King (1973) and House (1978) even went further and argued that the informal sector has great potential for economic development.

House (1978, 1981) explains the difference between the number of people who are employable and the number actually reported in the formal sector in the urban areas. These people, he argued are all absorbed in the urban small scale/informal sector. (Noormohammed, 1987, p. 9) If the small scale/informal activities are seen in this light, this sector has great potential for employment generation. This contention may not be valid. According to the employment figures given by Noormohammed (1987), the number of those people employed in the informal sector in 1982, was 172,214 as compared to 1,046,031 employees in the formal sector.

However, it is clearly indicated that the urban informal sector employment has grown faster than formal sector employment. For example, while the

urban informal sector employment has more than quadrupled from about 40,000 in 1973 to about 170,000 in 1982, formal sector employment increased by only about one third from three-quarters of a million to about a million in the same period. (Noormohammed 1987, p. 10)

However, more information on the employment in the informal sector in relation to employment per establishment, show that there are about 6 times more people engaged in the formal sector as in the urban informal sector that is the ratio is about 1:6, while there are 4.4 times more establishments in the urban informal sector than in the formal sector. This implies that average employment per establishment in the formal sector is 42.6 while in the urban informal sector, it is only 1.6. This argument tallies well with the results of Ndua and Ngethe (1984) on their study in Nakuru Town, that average employment per establishment in the formal sector of Nakuru is 32 while in the informal sector it is only 1.5.

The limited scope in the small scale/informal sector employment is mainly because most of the enterprises are one person concern with a few employing one or

more persons. This is attributed to the sector's low capacity to expand due to limited resources lack of knowhow and so on.

Some scholars have argued that with the government recognition and support of the informal sector, there should not be need or call for it to de-emphasize promotion of the formal established sector in preference to the informal. Perhaps this is why Allen, Hugh was right when he remarked that the informal sector is only a response to the needs of the urban poor, and not a seed from which can spring the flower of urban economic salvation. He continued to argue that the size and the fact that it employs increasing numbers of people are not so much signs of growth potential but more an index of the increasing number of urban migrants whose needs must be served inexpensively (Allen 1977.P.11).

But one cannot dismiss the small scale informal sector activities. This is because they have continued to expand, particularly in terms of growth of number of establishments, it provides some form of employment where none would exist, business and entrepreneurial skills are required through the sector, and some percentage though

small of Kenya's earnings are derived from it.

In fact, it is due to the realisation of the importance of the small scale informal enterprises that the government has emphasized the need to devise new strategies and programmes in favour and support for the development of the sector. It considers the sector as offering an unmatched potential as a source of new jobs for the expanding labour force, while the self-employed and small scale enterprises represent the major part of business activity in market towns and small urban centres (Kenya, 1986 p. 54).

2.5.2 Training

Since the achievement of independence non-formal education training has been taken as a response to the unemployment problems. The government and voluntary organisations' response was the establishment of non-formal institutions with a vocation bias. Such institutions included the National Youth Service (NYS), Village Polytechnics (VPs), Vocational Training Centres and the Christian Industrial Training Centres. Training in programmes of these institutions include

carpentry, masonry, motor vehicle mechanics, electric work, typing, tailoring and shorthand.

Though these programmes are aimed at self-employment they too communicate a desire for wage employment in the formal sector. This raises the questions of the relationship between conventional training programmes and self-employment.

Technical training is offered in other institutes where the programmes are in-service rather than pre-service basis, and in many of these institutes or programmes, those interested are required to pay fees. Like the non-formal education training, the technical training institutions are geared to the formal sector and the impact of these programmes on employment is minimal.

However not many school leavers especially from the primary level have been able to join these institutions, of course not withstanding the fact that they have limited places in comparison to the numbers leaving school.

The above factors have therefore contributed to the emergence and importance of training in the

small scale - informal enterprises.

Training in the informal sector is not recent, just like the sector itself. During the colonial period, Africans who had very little or no schooling at all joined Indian craft workshops where they learnt the skills. Such people then taught or trained their fellow Africans; and thus various trades were introduced to the Africans the same way, that is tailoring, carpentry masonry, motor mechanics and so on. On the other hand a learner would work in trained Africans' workshop as a casual labourer, running errands, and helping in small chores, and with time, such a person would learn the skill in either way, that is either the person being taught directly or "through involvement" and some payment would be made, may be a goat. A trained person could also teach the skills to a relative where no payment was therefore made.

Small scale - informal sector training today takes 2 forms:-

- i) Trainees who are relatives of the working men on site are taught at no cost, but are also

not paid in the initial stages except for some pocket money to cover bus fares or lunch. These trainees start off with simple and manual jobs or tasks and graduate slowly to more complex and skilled work as they demonstrate their ability. They gradually master all the principles of the work and therefore start receiving daily rates of pay based on work done (Allen 1977, P.5).

- ii) Then there are those trainees who have no relation to the entrepreneur and the parents or the trainee himself pays some money for training. The money which could be about Kshs. 600 (Allen, 1977 p. 6) covers the training as well as expensive errors that the trainee might take.

To other entrepreneurs the training fees form a supplementary form of income. In her study on the small scale manufacturing in Nairobi, McCommick, noted that one shoemaker receives as high as Kshs. 5,000 for a six-month apprenticeship.

However, once the trainee gains enough experience to be helpful in the work, part of the fee is returned as pay (McCommick, 1988 p. 205).

Training in the small scale/informal enterprises therefore forms an important function which was clearly indicated by the ILO Report (1972).

The report looked at the enterprises as ground where practical skills and entrepreneurial talents are developed at low cost (ILO, 1972 p. 505).

Pedersen (1989) also contends that operations of the small scale/informal enterprises need relatively broad skills and gives this as the reason why such enterprises are not successful. (Pedersen 1989, p. 65). However, once attained the entrepreneurs offer better workmanship than those in more specialized jobs in large scale enterprises.

The type of training therefore forms an important basis of the capability of the entrepreneurs.

2.5.3 Provision of basic goods to the low-income consumers

Small scale informal enterprises have been seen to provide or offer goods to the low income households. This is usually explained by the fact that most of the enterprises are located in the low income residential areas of urban centres. However, the

clientele also includes the middle and upper income households especially those dealing with motor repairs.

Provision of goods by this sector has two dimensions. One, there are those low-income people living in the urban areas who require household goods sold at cheap prices, such as furniture, jikos, metal basins and shoes. Two, there are those people living in the rural areas but depend on the small scale informal goods from the nearest market centres. These people not only need household goods but also those goods that assist them in their agricultural production, such as hand tools, water sprinkling instruments. This implies that those enterprises located in the rural market centres not only have to produce a wide range of goods but also have a crucial role in the development of the areas they serve.

Such centres are also important in that they act as linking points between the rural and urban sectors of the country's economy. This is because the enterprises utilize raw materials (wood and labour) from the hinterlands while the rural households (and urban) provide market for the goods.

2.5.4 Moderation of rural - urban Migration

Much of the urban population in Kenya is concentrated in the major towns, namely, Nairobi, Mombasa and Kisumu. This is because the major employment activities are located in these towns. However, it is now clear that the towns can no longer absorb all migrants seeking jobs, either in provision of jobs or other services like housing, education and health.

There is also the need to ensure spatial distribution of incomes from the major centres to the smaller ones so that the opportunities created can also filter to as many parts of the country as possible. This is so because rural market centres function as link between the rural areas and the large centres in the sense that some of the economic activities carried out are agricultural-oriented and these are related to the marketing of various products from the larger centres either in form of co-operatives, parastatal, public or private enterprises.

It is with this background that the small urban centres have been seen to play an important role in national development. With the current

urbanisation strategy (R.T.P.C.S) which considers very small urban centres with economic growth potential, this role will be realised.

The most important economic activity in the small urban centres are the small scale informal enterprises, particularly the manufacturing activities. This has partly developed because, there is limited formal employment in these centres, and partly due to pressure on land and the subsequent low prices of agricultural goods.

Thus, these enterprises may in future form an alternative source of employment for those leaving the land but who can not get employment in the already established and large industries in the towns. On the other hand, those who cannot secure employment in the major centres (where the informal sector is already developed) may retreat back to these small towns (Aleke - Dondo et al, 1986).

Therefore the small scale/informal sector should be seen as a component of the strategy for balanced rural-urban development which aims at addressing the growth of non-farm activities. But this can

only be possible with opportunities opened by rising rural incomes so as to provide enough demand for the informal sector products.

2.6 ORGANISATIONS THAT PROVIDE CREDIT ASSISTANCE TO SMALL SCALE ENTERPRISES

2.6.1 Kenya Industrial Estates (KIE)

The K.I.E is the sole government organisation with the mandate to advance loans and provide serviced premises (sheds) to small scale entrepreneurs. This is done in two forms; one, is the character loan programme which operates in the rural industrialisation programmes where interested entrepreneurs are provided with loans and operate in any premises even in their homesteads. Second, in the industrial promotion programme, which mostly deals or advances loans (material or cash) to urban entrepreneurs and also provide premises.

For the entrepreneurs operating in rural areas, the eligibility for loan or collateral is based on good personal character and recommendation done by the local chief. The loans are limited to persons already operating small scale businesses but who

lack tools and raw materials (stock).

The interested entrepreneurs are supposed to raise 30 per cent of the loan required. The interest rate charged is 14 per cent per annum with no grace period. So far repayment rates have been good with some entrepreneurs paying ahead of schedule and this implies that many of them can graduate to larger loans. (In most cases, K.I.E gives only Kshs. 5,000 at the initial period)

For those entrepreneurs in the urban areas, the K.I.E has constructed sheds where various types of enterprises can be operated. The rents paid for the sheds vary according to the centre the industrial promotion area (IPA) is situated vary. In the centre under this study, the highest amount paid as rent for the shed is Kshs. 1241.60.

However, the KIE programme has the limitation of not reaching to the "poorer" entrepreneurs, that is those who cannot afford to rent their premises, or those who cannot manage to raise the 30% down payment for the loan.

2.6.2 Friedrich Ebert Foundation (FEF) through
the Small Enterprises Finance Company (SEFCO)

This operates through a credit association formed by the entrepreneurs. The programme offers some book-keeping assistance through an adviser assigned to the credit association. A pilot scheme under the programme was started in February 1985 in Gatundu, Kiambu district which is operating with plan to start another one in Machakos and other parts of the country.

The maximum credit under this programme is ten (10) times the members contribution with a maximum of Kshs. 20,000 for each individual member. A member contributes Kshs. 500, the Friedrich Ebert Foundation (FEF) Kshs. 500 and the rest of the loan is guaranteed by SEFCO by letter of credit to the bank. Thus the main function of SEFCO is to guarantee bank overdrafts (100%).

This programme has various advantages in that for instance, the association pools members together, and considerable pressure is exerted on a member's failure to repay his loan, as the loanable funds to the members are reduced accordingly. The

association can also be used for other purposes such as raw material procurement or marketing members' products.

The FEF conducts the screening and selection of the association members in collaboration with local leaders such as civil, government or church leaders. It also provides advisory services and linkage between the association members and SEFCO.

However this programme has certain weaknesses which tend to limit the number of entrepreneurs who could otherwise benefit from it. For instance it deals with small groups within a small area since security is mostly based on solidarity of the members.

Since the programme is dependent on character screening for its success, eligible entrepreneurs may be left out, since adequate information on a person may not always be available.

Since the overdraft is guaranteed 100% by SEFCO the bank does not bother to restrain members from overdrawing their accounts or to liquidate tangible

assets in case of default, rather the bank calls the SEFCO guarantee.

The overdraft is usually given in cash, and therefore there is the danger of the entrepreneur diverting the money to other uses. Apart from the high charges on the overdraft (10%), members are not able to understand and operate it as opposed to a loan.

However due to its nature the scheme can mainly serve small units, and this allows for closer supervision and manageability of the scheme.

2.6.3 International Labour Organisation (ILO)
in conjunction with the United Nations
High Commission for Refugees (ILO/UHCR)

The ILO/UHCR has a guarantee fund with the Kenya Commercial Bank that guarantee losses exceeding 2% of the portfolio in annual basis. Under this programme individual borrowers have access to credit from the KCB. The programme operates loans in excess of Kshs. 15,000 but for smaller loans, guaranteed is 100% through a non-bank financial institution.

This programme uses independent consulting firms to offer a wide range of services to entrepreneurs, such as training project preparation, implementation, follow-up and basic business advice for loans exceeding Kshs 15,000.

So far about 25 refugees have been assisted through training by the ILO/UNHR programmes in Kenya to start their own businesses with one business failure reported, but 25 per cent cases of failure were reported when the Ugandan refugees returned home. It has been reported that it costs Kshs. 35,000 excluding expatriate adviser to train an entrepreneur and provide him with a full range of extension services. On the other hand such a business employs 4 persons and borrows Kshs. 100,000, with an average investment per job as Kshs 25,000.

The major limitation of this programme is that it only caters for refugee entrepreneurs. However its operations and procedures may be applied to other organisations that deal with local entrepreneurs, since it has shown considerable success.

2.6.4 Joint Loan Board in the then Ministry
of Commerce and Industry

The Ministry of Commerce and Industry initiated a credit scheme for small scale industries through an act of Parliament in 1964. The scheme is managed by a Board with a veto by the Permanent Secretary in the Ministry. The ceiling is Kshs 40,000 with an interest rate of 6½% since 1965. So far about Kshs. 150 million have been loaned out. All Kenyan businessmen and women are eligible applicants, who are screened from the local administration level. So far it has been indicated that default rates are high with about Kshs 40 - 43 million in default and 11,000 defaulters in about 31,000 loanees.

Since 1979, therefore, security is required and guarantors required with at least one of them providing some security.

The major weakness of the scheme is the poor management, follow - up and recovery due to critical staff shortages. Vetting has also not been successful due to the continuous migration of some loanees making it difficult to trace them.

2.6.5 Kenya Women Finance Trust

This was registered in 1982 as a private company. The trust fund was an aftermath of the 1975 UN Conference for Women in Mexico. The fund was set up with the help and support of several donors including the Ford Foundation and the African Development Bank.

The fund has the objectives of improving the Kenyan women's social and economic status, training in legal and social awareness and business management, and to conduct research on Kenya Women affairs and development.

The trust has 2 schemes: one the small scale business loans which ranges from Kshs. 2,000 to Kshs.20,000 and second the loan guarantee scheme which offers loans ranges between Kshs 20,000 to Kshs. 100,000.

The main condition for a loan is a place of residence for the business, thus there are no loans for most informal activities operating as street hawkers, or onshop pavements.

The trust fund also runs a training programme with the aim of training entrepreneurs at the co-operative level. The fund seeks to attain; self-sufficiency for women entrepreneurs by discouraging middle men in the marketing of their products.

Another condition for loan eligibility is that the prospective loanees are required to attend the training. Screening is also done to strengthen the loanees capacity to pay.

In conclusion, it is clear that these organisations have the sole aim of providing credit and other forms of assistance to small scale entrepreneurs with the exception of The Joint Loan Board of the Ministry of Commerce and Industry whose membership is not limited.

The ILO/UNHR and the FEF/SEFCO programmes have the similarity in that the implementation of their Credit Component is done through commercial banks and non-bank financial institutions. Another common feature is that they engage independent consultants for rendering basic advice to the entrepreneurs.

The women trust fund is however distinct in the sense that training in these basic aspects of entrepreneurship is taken as a pre rogative for a loan.

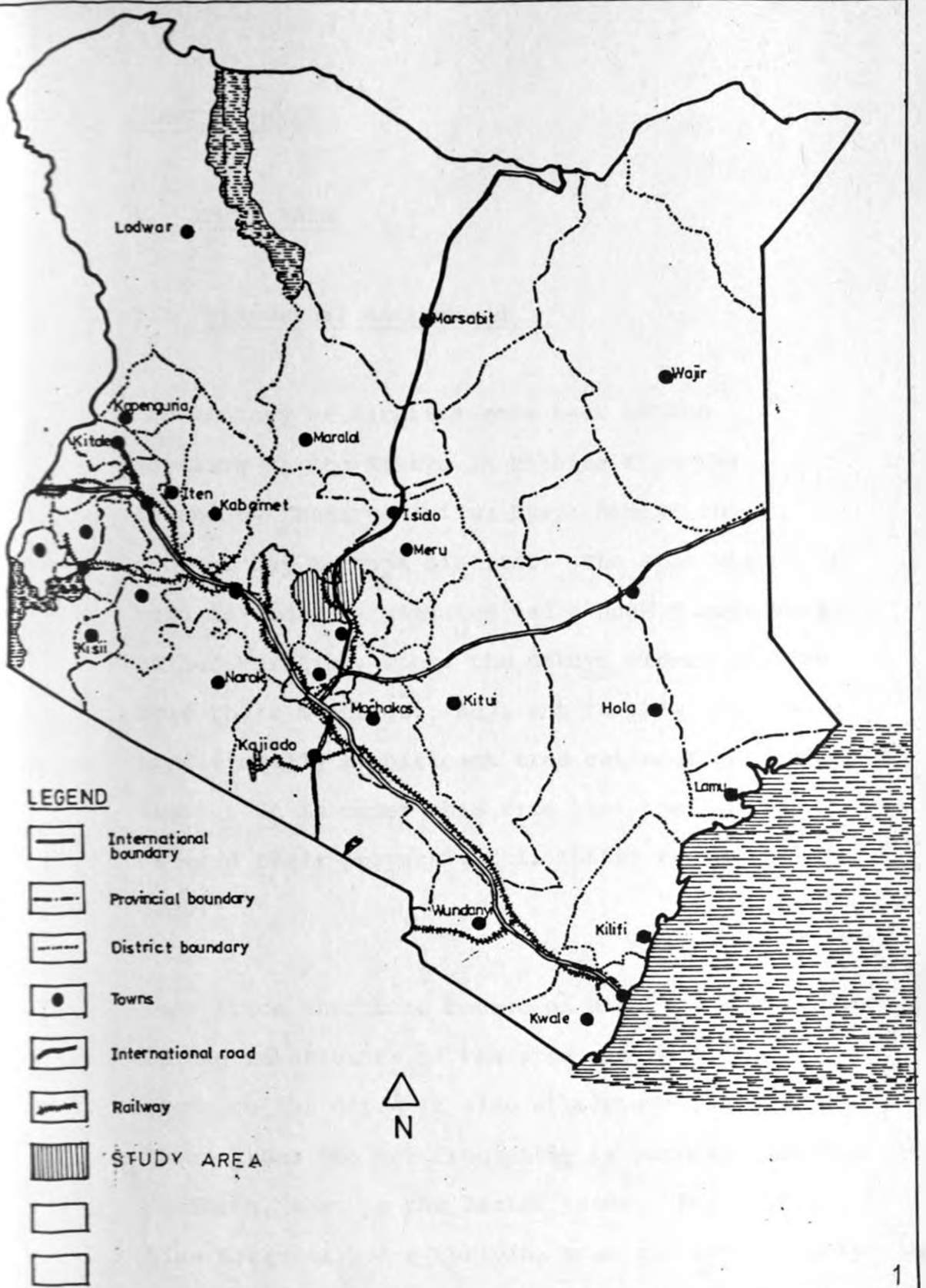
Conclusion

In all the schemes however, screening is important to avoid defaulting although the Joint Loan Board seems not to be successful on this leading to high defaulting rates partly due to the bureaucratic produces in government organisations.

It can be noted that there is no one organisation that cordinate the operations of these programmes and schemes. This has the result that many potential entrepreneurs have not benefited from any of the programmes, and some have no knowledge of them. There is also the problem of duplication whereby an entrepreneur may benefit from two or more organisations thus limiting the chance of another.

Exchange of information and experience between these organisations may lead to even greater assistance to many more entrepreneurs, particularly those in rural market centres.

NYERI DISTRICT-NATIONAL CONTEXT



CHAPTER THREE

3. STUDY AREA

3.1 Historical Background

The history of Karatina goes back to the settling of the Kikuyu in Mathira from the legendary "Mukurwe-ini wa Nyagathanga" in present day Muranga district. The spot where the town is today "situated had a huge Gikuyu tree, called Muratina, where the Gikuyu elders used to hold their meetings. Adjacent to this tree was a traditionally significant tree called Mugumo (fig tree). It is under this tree that the Gikuyu offered their prayers (until 1960s) to their God "Ngai".

This place therefore became of a lot of significance to the inhabitants of the area and to those distance far off. It also attracted traders from these areas who met frequently to exchange various products, that is the barter trade. For a long time Karatina had a thriving open air market where people met every two days of the week. Goods came

from Mathira division itself as well as the neighbouring areas. From Mukurweini traders bought pangas, spears and unworked iron, from Tetu were pots and straw hats, from Ndia in Kirinyaga came maize, millet and beans while the Mathira people produced and exchanged bananas, maize and yams.

In 1910, Karatina was used by the British administrators as their camping-site enroute to acquired lands in Mathira and Ndia (Murage 1973, 21). The Asian traders came to Karatina much later than in Mihuti since the road to Nairobi from Nyeri passed through the latter. However, the African elders were able to convince the Asians to come to Karatina since they liked their goods - brass, bracelets, blankets, salt, beat and american growth.

Karatina was gazetted as a trading centre in 1916, and by 1917, the Asian traders had established about 12 business shops (Murage 1973, 23). The opening of the railway line in 1925 made trade thrive more and the increase of Asian shops to 16. The main business that the Asians engaged in was transport -ation of agricultural goods bought in Karatina to

Maragua, Thika and Nairobi. The railway line therefore made considerable development.

The year 1943 witnessed another major development. This was the establishment of the vegetable processing factory, the products of which used to feed the British armed Forces viz cabbages, carrots, pepper, turnips and potatoes. These were produced in the surrounding area. Demand for dried vegetables decreased with the end of the Second World War in 1945. Though an alternative market for the vegetables had been found in South Africa, problems arose in terms of ownership of the factory and this led to its closure on 8th December 1946. However, vegetable growing continued and about 16 co-operatives were reported as operating in the town, selling the vegetables in Thika and Nairobi.

Other developments came about in the town including the establishment of a Post Office, an Asian Primary School (present day DEB primary school). The school served only children of the Asian families.

The onset of Mau Mau war of independence and the Declaration of Emergency in 1952 slowed

down the growth and development of Karatina town. Many people were removed from the town and settled into villages, which now form the satellite centres of Karatina - Ragati and Karindundu are the main ones. The situation however changed with the declaration of independence in 1963 and this no doubt led to immense development activities in the town.

In 1958, the town boundary was extended by compulsory acquisition of land to cover even parts east of Ragati River. More development and business was the construction of the Nairobi - Nyeri road in the 1950s and 1960s.

In 1963 Urban Councils were created by the Local Government Regulations, 1963 and Karatina was one of these Urban Councils. (Ruthuthi, 1980, 31). In 10 years time (1973) Karatina Urban council was elevated to Township status and hence became an independent entity from Nyeri county council.











3.2 KARATINA IN THE REGIONAL CONTEXT

3.2.1 Location

Karatina lies in the southern part of the slopes of Mt. Kenya. This is indicated on map 1. In the regional context the town is located in Mathira Division of Nyeri District in Central Province.

KARATINA TOWN - REGIONAL CONTEXT

LEGEND

-  PRINCIPAL TOWN
-  URBAN CENTRE
-  RURAL CENTRE
-  MARKET CENTRE
-  LOCAL CENTRE
-  INTERNATIONAL TRUNK ROAD
-  NATIONAL TRUNK
-  PRIMARY ROAD
-  SECONDARY ROAD
- 

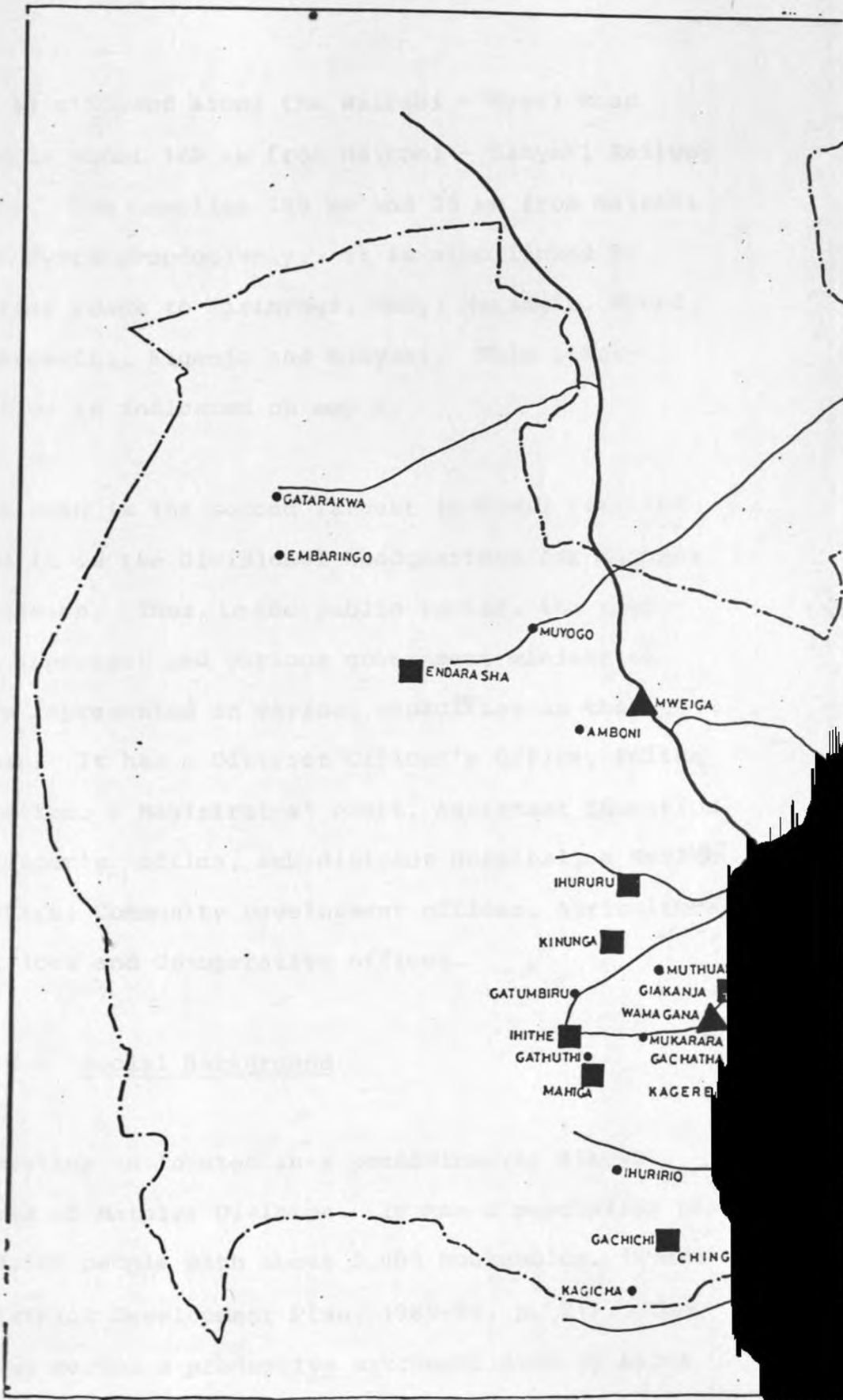


DEPARTMENT OF URBAN AND REGIONAL PLANNING
 UNIVERSITY OF NAIROBI
 M.A. THESIS 1989/90

SCALE 1:250,000

wandu m m





● GATARAKWA

● EMBARINGO

● MUYOGO

■ ENDARA SHA

▲ MWEIGA

● AMBONI

■ IHURURU

■ KINUNGA

● MUTHUA

■ GIAKANJA

▲ WAMA GANA

● GATUMBIRU

● MUKARARA

■ GACHATHA

■ IHITHE

● GATHUTHI

■ MAHIGA

■ KAGERELI

● IHURIRIO

■ GACHICHI

■ CHING

● KAGICHA

It is situated along the Nairobi - Nyeri Road and is about 120 km from Nairobi - Nanyuki Railway line. The town lies 180 km and 25 km from Nairobi and Nyeri respectively. It is also linked by tarmac roads to Kirinyaga, Emby, Murang'a, Nyeri, Mukurweini, Kiganjo and Nanyuki. This information is indicated on map 2.

The town is the second largest in Nyeri District and it is the Divisional headquarters for Mathira Division. Thus, in the public sector, the town is important and various government ministries are represented in various capacities in the town. It has a District Officer's Office, Police Station, a Magistrates' court, Assistant Education Officer's office, sub-district Hospital, a Health Centre, Community Development offices, Agricultural offices and Co-operative offices.

3.2.2 Social Background

Karatina is located in a predominantly Kikuyu area of Mathira Division. It has a population of 10,000 people with about 2,000 households. (Nyeri District Development Plan, 1989-93, p. 21). The town serves a productive catchment area of about 20,000 people.

The population increased considerably between the 1962 and 1969 census that is the population was 1691 and 2436 for the years respectively. The 1979 indicated a slight increase by 1.9 per cent when a population 2,929 people was reported (Ruthuthi, 1980 p. 53).

The slight increase could be explained by the fact that most of low-income people live outside the town boundaries. Private property owners have constructed some semi-permanent houses which they rent out cheaply. These people are not included in the town population but rather in the rural population.

The 1988 population census showed a population of about 10,000 people, 29.2 per cent increase in a period of 9 years. Certain developments have taken place in the town hence the high population increase. For instance the extension of the health Centre to a sub-district hospital, the expansion of the post office and an increase in the economic activities, has increased the number of the resident population in the town.

The town is also an educational centre with about 2 primary schools, 2 harambee secondary schools

and 3 privately-owned commercial colleges offering course in tailoring, secretarial and accountancy.

The sub-district's main health facility (which is the only main health facility in Mathira Division) is about half a kilometre from the town centre. However, there are also numerous privately-owned health clinics in the town.

3.2.3 Economic Background

Karatina is more of a commercial town than an industrial one. The commercial status of the town has been enhanced by the fact that, save for Nyeri, the other urban centres such as Othaya and Mukurweini have a smaller economic catchment. The town's commercial influence, go as far as Embu, Sagana, Kerugoya and Thika.

The town handles major earnings from coffee, tea, and milk from the surrounding areas. There are no heavy industries. The only significant ones deals with timber, the milk processing factory and other informal (manufacturing) activities. A number

of employment opportunities have been provided by the various economic activities in the town. For instance apart from providing financial services the major banks in the country - Kenya Commercial Bank, Barclays Bank, and National, have opened branches in the town, and also provide employment opportunities.

Other economic activities include numerous business premises. These are about 483 dealing with wholesale and retail businesses selling all types of commodities like electronics, footwear, clothwear, hardware, hotels and bars.

There is also an East African Industries depot, which serves distant areas as far as Nanyuki, Sagana and Kerugoya. There is one printing press and a slaughter house.

Generally the economy of the town wholly depends on the agricultural productivity of the hinterland. However, it is an important attraction of various economic activities, whose development depends on demand of their goods and credit facilities.

3.2.4 Infrastructural Facilities

The trunk road from Nairobi to Nyeri runs accross the town. It is connected by tarmac road to Mukurweini, Kerugoya and Kiganjo.

The internal road system in the town has been improved through the open air market and roads systems project sponsored by the USAID and the Local Government. Thus, all the main streets in the town have been tarmacked. However, the town is still very dusty during the hot season, due to the feeder roads from the hinterland. .

The Nairobi-Nanyuki railway passes through Karatina town. However the rail handles only goods but not passengers. The line has greatly boosted the growth of the town due to its nearness to other railway towns such as Sagana which is 9.3 kms south of the town and Kiganjo to the north.

The town has several godowns for storage purposes. whereby goods for rail transportation are handled, such as coffee, beans, maize, wheat and cattle, produced as far as Timau in Meru (wheat).

There is an adequate water supply from Ragati

river which passes through the town. The water treatment work has a capacity of 23,000 gallons only per day, although the daily consumption is about 75,000 gallons per data. The per capita consumption is 25-50 gallons (Ruthuthi 1980: 66)

The above water system is inadequate since it was installed 10 years ago, and since various developments have taken place e.g. construction of the Muthua site and service scheme, two harambee schools and a few large commercial enterprises such as the East African Industries godown.

Karatina has its own exchange system and therefore has direct lines. There is a big post office, with numerous telephone booths.

3.2.5 Employment and Incomes

The forms of employment in Karatina are numerous, namely, the commercial sector, public sector, agriculture and forestry.

The coffee (and dairy) factories accounts for most of those employed in agriculture while forestry is under industrial activities mainly

The manufacturing sector like the commercial sector has potential for absorbing more people because it is capable of accommodating self-employed labour force. It is under the manufacturing sector that small scale/informal activities are included.

The commercial sector nets the highest (25.4 per cent of the total) incomes which accrues from wholesale, retail and restaurants. This is followed by construction (11.7 per cent) and community, social and personal services (11.6 per cent).

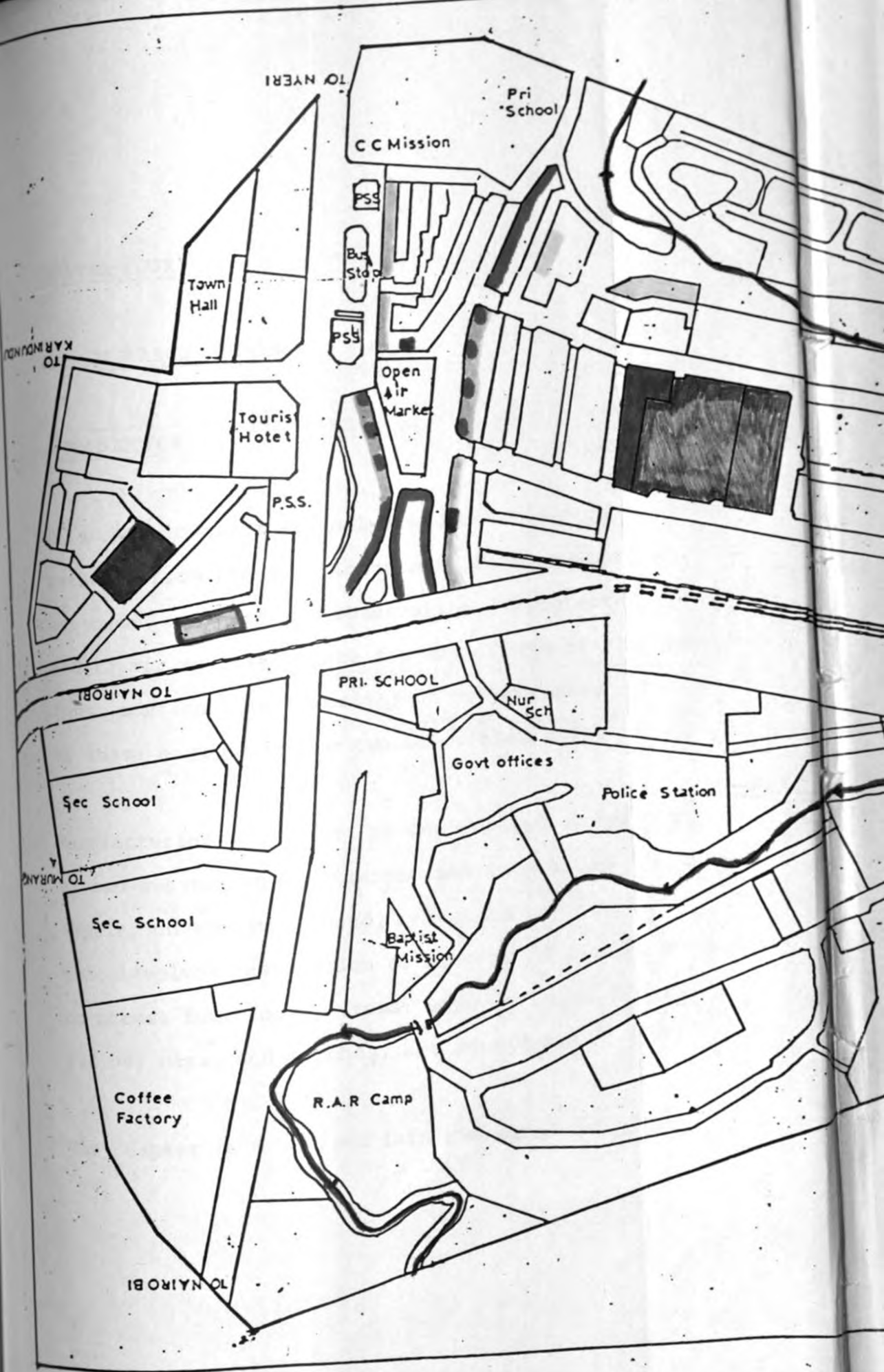
Unfortunately, earnings from the informal sector activities is not included since they are not enumerated for official purposes.

3.2.6 Open Air Market

About 20,000 people flock to the market three times a week to sell various types of foodstuffs and handicrafts. People come from all parts of the country, majority of whom come from Nyeri District.

The open air market has been improved to a modern complex through the financing of the Local Government Loans Authority and USAID. The open air market is one of the biggest of such markets in Kenya.

It is also a tourist attraction, since tourists stop in Karatina to purchase handicrafts and foodstuffs on their way to Mt. Kenya and the Aberdares. It also contains well serviced retail shops, foodstuff shops and cafeterias.



TO NYERI

Pri School

C C Mission

PSS

Bus Stop

Town Hall

Tourist Hotel

Open Air Market

P.S.S.

TO NAIROBI

PRI. SCHOOL

Nur Sch

Govt offices

Police Station

Sec School

Sec School

Baptist Mission

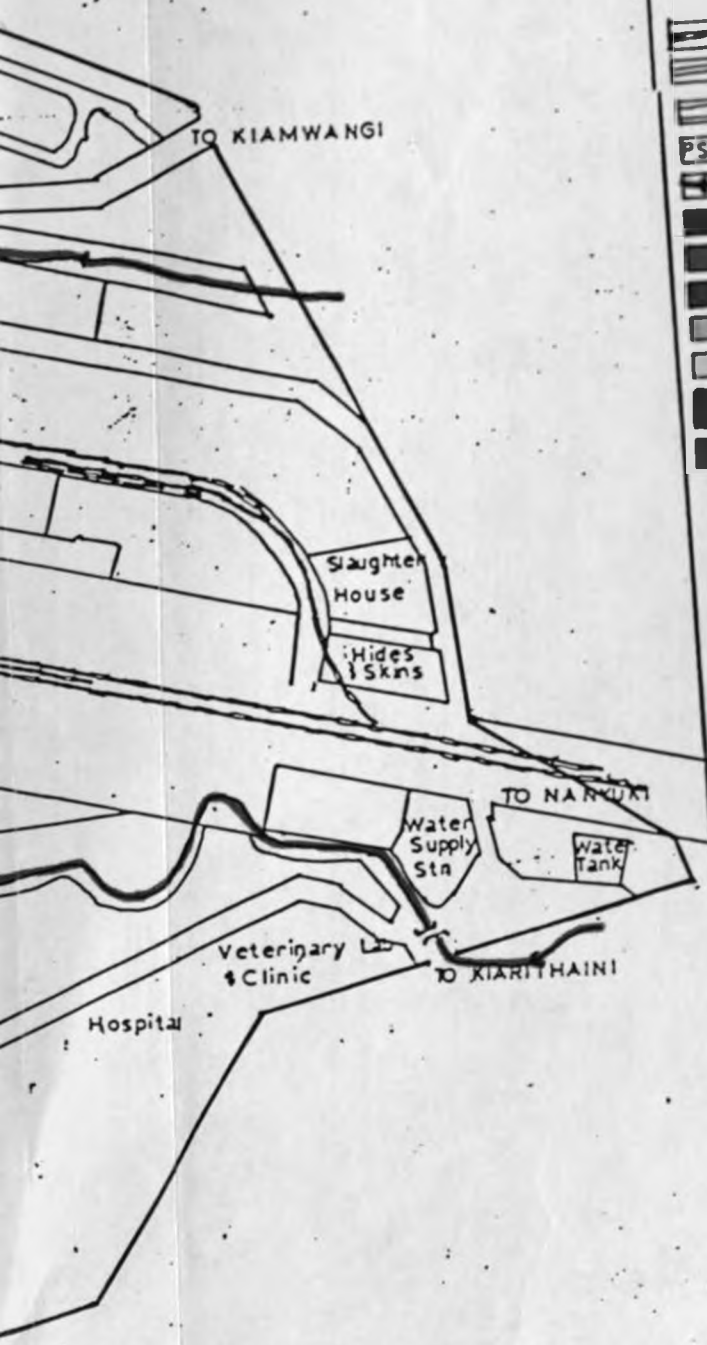
Coffee Factory

R.A.R. Camp

TO NAIROBI

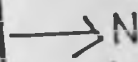
TO MURANGI

KARATIRA TOWN LOCATION OF INFORMAL ACTIVITIES



-  RAILWAY LINES
-  MIN OR ROADS
-  MAJOR ROADS
-  PETROL STATION
-  RIVERS
-  CARPENTRY
-  TAILORING / DRESSMAKING
-  METAL WORK
-  SHOEMAKING / REPAIR
-  OPEN AIR GARAGES
-  BICYCLE REPAIR
-  WATCH REPAIR

DEPT OF URBAN AND REGIONAL
PLANNING
UNIVERSITY OF NAIROBI



Wandu, M.M. 1989/90

Scale: 1: 5000

CHAPTER FOUR

4.0 RESEARCH FINDINGS

INTRODUCTION

This chapter gives an analysis of the research findings gathered from the questionnaires, local authority personnel and personal observation. Manufacturing and repair activities are the main focus of the work. Thus, mention of enterprises or entrepreneur refer to those engaged in the two activities only.

Manufacturing is defined as any process whereby one or two substances are transformed into a new product. Repair, on the other hand, refers to any process that involves restoration or mending of items or goods to normal functioning items; such as shoes, clothes, radios, cars, and watches, are considered.

The chapter is organised into two main sections.

4.1 Detailed Findings in all Sectors

The purpose of the following section was to encompass all information as gathered from the subsectors, general information from local authority officials and personal observation.

An attempt was made to give as much detail as possible on all the variables considered for the study, with the aim of coming up with conclusions, and policy recommendations on the small scale informal sector activities. The section is divided into several sub-topics to give a simplified analysis.

4.1.1 Types of Enterprises

Entrepreneurs engaged in carpentry formed the majority of the respondents (25.8 per cent). These entrepreneurs produce goods such as doors, chairs, sofa sets, windows, cupboards and beds. The second major category of the entrepreneurs with

almost the same number of entrepreneurs was engaged in textiles (25.7 percent) This included tailoring and dressmaking activities. Shoe-making and repairing was the third dominant category (17.2 per cent).

The following table shows the distribution of the enterprises:-

Table 1

Types of Enterprises	Number	Percentage
Carpentry	9	25.8
Tailoring and dressmaking	9	25.7
Shoe making and Repairing	6	17.2
Metal work	3	8.6
Others*	8	22.9
Total	35	100.0

*Others include watch repairing, radio repairing and bicycle repairing.

4.1.2 Ownership

Ownership was considered in two ways. One, it was based on the respondents themselves. That

is, 26 of those interviewed (74.3 per cent) were owners, while 8 or 22.9 per cent were employees.

The second form of ownership was based on the enterprise. More than half of the respondents (74.3 per cent) were sole owners, those enterprises under partnership were 5 or (14.3 per cent); co-operative ownership was reported by 8.6 per cent and the rest formed about 2.9 per cent.

These findings concur with other studies (McCommick, Noor Mohammed) that majority of small scale/informal enterprises are owned and managed by one person, sometimes with assistance from family members. Sole ownership was particularly reported in those enterprises involved in shoe making, tailoring, watch and radio repairing. Partnership was reported by entrepreneurs involved in carpentry and motor mechanics. The researcher concluded that this could be due to the high cost of equipments required, particularly in the motor mechanic subsector.

Co-operative ownership of enterprises was reported by those engaged in carpentry. This could be

explained by the fact that acquisition of raw materials and storage is rather difficult in the sub-sector and premises are also communally owned.

4.1.3 Age of Entrepreneurs and year of establishment of Business.

Majority of the enterprises were established in 1988 (20.0 per cent). However, the average age of the enterprises was 16 years.

On the other hand the average age of the entrepreneurs was 50 years and ranged from 19 - 63 years. The largest number of entrepreneurs were those between the ages of 30 and 32 (28.6 per cent). Entrepreneurs, 32 years of age were the second major category (11.4 per cent), while those with 23, 28 and 50 years formed the other categories (8.6 per cent) for each category.

The above information implies that the participants in the sector are young people who may not have any other forms of economic activity. Thus, when asked if they have had any other form of employment, over half (54.3 per cent) replied to the

negative, while 37.1 per cent indicated they had. The subsequent question on the type of work indicated a variety of jobs. That is 22.9 per cent said they had done the same type of work that is, other types of informal activities particularly selling mechandise at the bus park. 5.7 per cent had worked as hotel waiters and another 5.7 percent had worked as casual labourers. The reason given for the shifting of jobs was the need be self-employed and the desire to make more money.

In order to relate the issue of age and migration the entrepreneurs were asked where they had worked before coming to Karatina. Half of the respondents indicated they had worked in Nyeri (50.0 per cent), 25.0 per cent in Nairobi, 16.7 per cent in Kiringaga and 8.6 per cent in Juja. This shows that majority of the entrepreneurs had worked in larger towns such as Nyeri and Nairobi before coming to Karatina. Thus, though, Karatina is much smaller, it may serve as a potential area and an attraction for small scale informal activities acting as a source of employment and incomes for such migrants.

4.1.4 Education Levels and Training

In the study, education is not so much as a precursor to growth and development of small scale enterprises but rather as an indication of the type of people engaged in these activities. It has been argued that small scale/informal activities provide skills outside the formal education system. (ILO, 1972, Sessional Paper No. 10, 1986). However, the association between formal education and successful enterprises has not been established, although House, 1981 indicates a positive relationship between size of profit and the level of formal education.

It can however be argued that someone with at least a few years of formal education may learn faster the business skills and management techniques than one with none. Such people may also benefit more from formal training than those with no formal education at all.

In the study, the majority of those interviewed have had primary level education (42.9 per cent), as related to 2.9 per cent with no formal

education at all. About 40.9 per cent have had secondary or non technical education. There were only a few (2.9 per cent) who had completed primary education and had undertaken training in an institute of technology. When asked if they have had any training in addition to their formal education, about 74.3 per cent replied to the affirmative, while 25.7 per cent replied to the negative. For the former group, more than half (57.1 per cent) have had on-job training, 13.3 per cent had some formal or technical training while the rest (29.6 per cent) had no training at all.

Type of ownership was one of the factors which had a close relationship with training and acquisition of skills. Majority of the owners have had training either in a youth polytechnic or other formal institutions (31.9 per cent). About (48.2 per cent) had been taught the skills by other people (then set up their own businesses).

On-the-job training was the most quoted source of training, whereby either a person paid fees or acquired the skill as he or she assisted the in the owner in the enterprise. For the latter group

they incurred no cost for training which formed about (71.8 per cent), while the rest formed about (18.2 per cent). Fees charged ranged from Kshs. 1000 - 3000 for those learning in motor mechanics, and Kshs. 800 - 1500 for those learning tailoring and dressmaking.

Most of the entrepreneurs did not mind their employees learning the skills in a government assisted institution as long as it was not at their cost. This is because, it was felt that the training cost would be too high and that the employees would desert the enterprise once the necessary skilled were mastered.

However, there was a reported case of one of the entrepreneurs operating in the K.I.E Sheds who said she had taken her employees to the Kenya Industrial Training Centre (K.I.T.C) at no fees at all. The credibility of her statement could not however be established, although two of the workers actually said they had been taken for a three-month course by the employer.

Management skills as they relate to the development of the enterprise were only touched on lightly, since artisan skills were more of importance in the study. More than half of the entrepreneurs (56.2 percent) do not keep records for the business. The majority of those who keep such records are those operating in the KIE sheds since they have to pay rents, pay workers, and pay loans and therefore, have to keep a clear follow-up of their accounts.

Village polytechnics, on-the-job training and no skills required were the responses given for the question on how the entrepreneurs learnt their skills. Skill acquisition was one of the major focuses for this study. Thus, the relationship between level of skill acquisition and the monthly incomes was sought. This was done in order that the form of training which seems to relate favourably with the monthly incomes realised would be taken to be the best, with the aim to give suggestions for the intensification of the same.

The highest monthly income reported was KShs 9000. The 2.9 percent of entrepreneurs who indicated they earn this amount claimed they acquired their skills on-the-job. The highest figures, KShs 3000, KShs 5000 and KShs 6000 given by 59 percent, 2.9 percent and 2.9 percent respectively, were also self-taught on the job. Those who indicated they earn KShs 3000 and another 2.9 percent who earn KShs 5000.

Entrepreneurs who gave the other responses, that is, no skills required and as employees did not indicate monthly incomes for these high figures. In fact, for those who said no skills are required only 2.9 per cent, gave monthly incomes of Kshs. 1200, while those who said they learnt their skills as employees indicated monthly earnings of only Kshs. 500.

Thus, entrepreneurs who acquired their training on-the-job recorded high monthly incomes than all the others. These are also the majority as far as training is concerned.

4.1.5 Business Premises

Most enterprises in the small scale informal activities operate in the open exposed to the hot sun, rain and dust. This is the reason why these activities have been referred to as "Jua Kali" (Digolo 1988). Some writers (Noormohammed 1985, Ngethe and Ndua 1984) argue that lack of infrastructural facilities such as electricity

constrain the performance of many of the enterprises in terms of production and therefore income generation. This aspect is however directly related to the "informal" or temporary nature of the activities.

McCommick (1988) looked at the improvement of the business premises as a step towards formalising the activities. The above researcher based her case on the programmes started by K.I.E in various parts of the country and the construction of Nyayo Sheds at Kamukunji in Nairobi.

Yet, the poor sites or premises form the major problem in the sector, which need to be solved if the contribution that it has on urban areas is to be realised.

In Karatina, the study realised that over half of the enterprises (71.4 per cent) are premised on open air. These group of enterprises include those on the shop pavements and along the major streets. Mainly these were those dealing with shoe making and repairing, textile work, watch repairing and so on.



Plate 1. Shoe Maker/Repairer on the shop pavement. (Note the displayed shoes for sale).

About 5.7 per cent of the enterprises operate on premises constructed of iron sheets located on undeveloped plots within the town. Mainly these included those engaged in motor mechanics and bicycle repairing.

Enterprises operating in wooden structures formed about 8.6 per cent and these mainly engage in

carpentry. Majority of them are located in a plot set aside by the council for the development of small scale industries.



Plate 2: Carpenters working in the foreground. On the right, beds made by the carpenters.

It should also be noted that this industrial plot serves as a residential area for the low income people. The wooden structures also serve as stores for the finished products. (Plate 3). Only about 11.4 percent of entrepreneurs operate from permanent structures. These are rooms rented at the rear of the major commercial buildings. However, it was also noted that they lack certain essential equipment like tables on which to cut cloth. Nevertheless, this is more of

a problem to do with capital rather than premises. They also have access to electricity which they can use. Thus for the tailors and others who have rented such premises, their problems have more to do with capital or credit rather than premises and facilities.



Plate 3: A store that holds both completed products and the raw materials.

The following plate shows a tailor operating from a rented room.



Plate 4: A tailor cutting her textiles from the floor

The study also realised that - most radio repairers have rented rooms in commercial buildings. This was attributed to the fact that, the merchandise they deal with are costly, and they have to store them in secure places. The following plate is an example.



Plate 5: A radio repairer operating from a room in a commercial building.

The type of premises that an enterprise is operating have a direct relationship with the production and therefore income generation. That is, the entrepreneur may not produce enough for lack of secure storage facilities. There may also be the fear that the items will not be bought, thus pushing potential buyers away (incase they do not see any sample of the work done)

The weather may also affect the working capability of the person particularly during heavy rains or extreme heat.

Types of facilities available such as electricity were also considered as affecting production and therefore, income generation. A large number of the entrepreneurs (68.4 percent) indicated they had none of these facilities, electricity, water and telephone. 11.4 percent had access to water, the same number had electricity but only 5.7 percent had all the facilities. It should however, be noted that the availability of these facilities is quite relative. This is in the sense that some enterprises are located in the already established business premises such as, stores or shop pavements. The entrepreneurs may have access to water, which is communally used, though not necessarily in the premises.

Electricity is an important facility for entrepreneurs engaged in tailoring, metal fabrication and mechanics. However, due to the nature of the premises, electricity connection may not be possible, and in any case, they may not afford the charges.

4.1.6 Security of Tenure

Cases of harassment of small scale entrepreneurs by local authority askaris in many urban areas

indicates the importance of security in the premises.

This study realised that the majority of the entrepreneurs rent their premises (75.8 percent). These are mostly engaged in shoe making, tailoring, watch and radio repairs. This category of entrepreneurs rent the premises from the property owners. Carpenters, and metal fabricators rent the premises from the local authority.

Another category (12.1 percent) were those who fully-owned the premises, the rest 6.1 percent partially owned the premises. The rents paid range from KShs. 80/- to KShs. 1000/-. The largest group were those paying KShs. 150/- (40.0 percent) and KShs. 100/- (16.0 percent). The majority of enterprises in this category are tailors who pay for the space they occupy outside the commercial building and the storage of the merchandise for the night. For those not renting, they indicated that they occupy the premises either given by Council (60.0 percent) or tolerated by private owners (20.0 percent).

The nature of tenure of the premises or the location of the enterprises is important because it has a

direct relationship with the developments and the provision of facilities into the location. This implies that if an entrepreneur owns the location he may be able to get electricity and water connection, after he has fulfilled other legal requirements. For instance, it was indicated elsewhere in the study that an employee may not be able to get electricity connection if his business has no licence, whereby certain types of licenses are only given for business operating in permanent premises.

4.1.7 Employment Generation

Size of the enterprise in terms of the number of people engaged was one of the factors used to determine the employment of the small scale informal activities. The distribution of enterprises according to numbers engaged by the time of the research is shown in the table below.

Table 2: Distribution of enterprises according to number of workers (at the time of study)

<u>No. of Employees</u>	<u>Number of enterprises</u>	<u>Percentage</u>
1	17	50.0
2	8	23.5
3-5	5	14.7
6-10	5	7.8
TOTAL	35	100.0

To determine whether there had been any growth in number of people employed the entrepreneurs were asked to indicate the number of workers when the business started. The table below show this.

Table 3: Distribution of Enterprises according to number of workers (at the start of the business)

<u>No. of Employees</u>	<u>No. of Enterprises</u>	<u>Percentage</u>
1	17	75.8
2	6	18.2
3-5	1	3.0
6-10	1	3.0
T O T A L	35	100.0

The above information shows that there was a high percentage (75.8 percent) of enterprises managed by one person, than those with more than 1 person. Enterprises with more than 3 workers were even less.

At the time of the study, enterprises with one worker were less by 25 percent. While those with more than 3 workers had increased. To an extent this shows that there had been some growth in many enterprises. Growth here is seen to be

implied by the engagement of more people in the enterprise.

From another dimension however, the study realised that the number of workers in the majority of the enterprises had not changed for the last one year (previous to the study) (64.5 percent). For those who had had additions half of them (50.0 percent) indicated they had added one worker only, about 33.3 percent had 3 workers. On the other hand, 33.3 percent indicated they had lost about 2 employees, while another 33.3 percent had lost 3 employees.

This implies that half of those who indicated additions spoke of only one worker, while the subtractions were about 2 and 3 workers forming about 66.6 percent for each category.

There is a high possibility that those who leave enterprises as workers usually establish their own small enterprises. This gives an explanation to the proliferation of singly handed, managed and owned enterprises. This phenomenon was also reported by McCormick in her study on the small scale manufacturing in the Eastlands of Nairobi. The researcher contended that artisans opt for "small and flexible" businesses

in order to adapt easily to changing circumstances where they can use casual labour to expand production or close entirely and return to the farm or take wage employment. (McCormick 1988, p. 198)

In the study, the aspect of too many enterprises with one (owner or one extra person) supports the contention that the sector is important as it absorbs otherwise unemployed persons who become self-employed and to a small extent as an "employment inlet" for wage employment.

Most of the workers had an average age of 27.6 years, that is, in those enterprises with more than one worker. This shows that, these are not school leavers but rather people who could have been engaged in other forms of economic activity, but shifted to the small scale informal activities. The education levels also show that many have had at least 9 years of formal schooling.

Majority of the entrepreneurs indicated that they had no problem in recruiting labour (80.8 percent). This response is varied since many of the enterprises are one-person business, who may after all not need additional workers. There could also be the reason that the entrepreneurs make very little money to

enable them employ any workers.

For those who had difficulties recruiting labour (66.7 percent) indicated they could not easily get skilled workers, that is, those who had learnt the skills. The rest indicated they lacked both skilled and unskilled (16.7 percent) and those who lack unskilled only are 16.7 percent.

A follow up question on the above sought to identify the factors that determine the number of workers. Half of the entrepreneurs (51.6 percent) indicated that the number may be increased by good business. Good business was taken to mean when sales are high and therefore, incomes high to pay the workers. Capital equipment was the second factor given by 35.5 percent implying that the entrepreneur had no enough capital to enable him/her to purchase equipment to be operated by extra employees. Limited space (9.7 percent) was also given as a factor and others (3.2 percent).

Thus, the limited additions of workers or the general expansion of most enterprises were explained by lack or limited demand of the goods, and lack of enough capital to purchase equipment. These two aspects have a direct relationship with production, and therefore, income generation.

4.1.8 Capital Investment, Incomes and Savings

Capital investment was considered in terms of initial capital investment in the enterprise and the capital in terms of tools and machines owned by the entrepreneur. Four sources of capital were indicated; own savings (60.6 percent), borrowed from family or friends (27.3. percent), contribution from other activities (3.0 percent) and lastly, bank loans (9.1 percent).

Majority of those who said own-savings, indicated they had had previous employment (94.1 percent) and sale of farm produce (5.4 percent). The initial capital invested ranged from KShs. 400 - KShs. 30,000. Majority of the entrepreneurs said they started their businesses with about KShs. 2,000 (14.7 percent), and KShs. 3,000 (14.7 percent). The other major group were those who started their businesses with about KShs. 1,000 and KShs. 5,000 (8.8 percent for each category).

Capital was assessed in terms of machines and tools owned by the entrepreneur. However simple and sub-standard the technology used by the informal sector maybe, all of them use at least some form of it. Some, like the textile workers, cannot work without

a sewing machine. Over half (60.0 percent) of these entrepreneurs in this sub-sector owned their sewing machines while the rest rent them. Very few of them have iron boxes (19.8 percent), but rather shared amongst neighbours and friends. Among those who own iron boxes, only 10.2 percent had electric ones, and the others have charcoal iron boxes. However, this could be a positive reaction towards inaccessibility to electricity. Scissors, tape measures, drawing chalk, needles and so on were other tools owned by almost all the textile workers.

Welding machines, electric drills and grinding machines were the most commonly used items by metal workers as well as mechanics. Welding machines averaged 1.0 per business while drilling machines averaged 0.8 per business.

Tools used by carpenters included jack planes where 3.8 percent owned theirs, hammers, saws and screw drivers. Shoe makers mostly used chissels, prisers, spanners and so on.

Contrary to popular belief that informal sector entrepreneurs buy and use second hand equipment, the study realised that more than half of the respondents bought new equipment (75.8 percent) as compared to

only 9.1 percent who have second hand equipment. A very small number, (6.1 percent), indicated they improvise or have constructed their own equipment.

In order to attempt an assessment of the value of the business at the time of the study, the entrepreneurs were asked how much each would sell his/her business. The responses given ranged from KShs. 500 to KShs. 20,000. Majority valued their businesses at KShs. 10,000 (16.1 percent) and KShs. 30,000 (12.9 percent).

Reinvestment in the business was also considered as important since, it would indicate the presence or absence of growth or expansion. More than half (81.3 percent) indicated they had at least improved their businesses in terms of acquiring new equipment, change of site and/or increased the stock although some at very low level. Money for improvement was realised into 2 forms, that is reinvestment (81.5 percent) and small loans from friends and relatives (14.8 percent).

The study was also concerned with getting information on the awareness of the entrepreneurs on the existence and assistance of the formal financial

institutions. This is because it has been argued that most small scale informal entrepreneurs have no relationship with conventional lending institutions.

Over half of the respondents (78.8 percent) indicated they had never borrowed money for business expansion. The rest had borrowed (21.2 percent). For the latter group, very small amounts had been borrowed, about KShs. 1000 by 33.3 percent. The other amounts indicated were KShs. 3000, KShs. 20,000, KShs. 30,000 and KShs. 100,000 by 11.1 percent for each category.

For those who had not borrowed any money, various reasons were given, such as lack of assets to serve as security (37.5 percent) and lack of chance or knowledge for the loan application procedures (18.8 percent). On the whole, one can argue that the small scale informal entrepreneurs may not meet the requirements of the formal financial institutions such as security and may be put off by the high interest rates. For those who claim they have had no chance to borrow, it could be that they consider the lending institutions as catering for large scale enterprises and simply ignore or do not bother about enquiring.

Majority of the entrepreneurs indicated they earn about KShs. 500 (14.7 percent). Monthly earnings of KShs. 800 and KShs. 1500 were reported by a small number of entrepreneurs, that is 11.8 percent and 11.8 percent respectively.

Apart from purchase of inputs, licence payment and premises' rents, entrepreneurs gave a host of other areas where they expend their earnings. These were education (for their children), which took a mean monthly expenditure of KShs. 710.591 for all entrepreneurs; clothing, a mean of KShs. 260.536; food, a mean of KShs. 582.813; accommodation, a mean of KShs. 260.000.

The mean monthly income/earnings of all entrepreneurs was indicated as KShs. 1805.882. This shows earnings from the enterprise do not manage all the needs of most entrepreneurs, and some businesses could be making very little money.

Majority of entrepreneurs (60.0 percent) indicated that they do not save at all. Reasons given for the low level of savings were that the earnings were too low (66.7 percent), that there are many more needs to be fulfilled (16.7 percent), and that the

business is low (16.7 percent). The reason given as "business being too low" was the complaint given by many entrepreneurs, and usually refers to the low demand for the goods.

Savings of about KShs. 300, KShs. 500 and KShs. 1000 were given by 15.0 percent of the respondents for each category.

Surprisingly, more than half of the entrepreneurs said they had other income generating activities (56.3 percent), while the rest 43.8 percent indicated they had no other. For the former group, coffee and dairy farming and selling clothes were given. Dairy farming was the most popular activity (41.2 percent) and secondly, coffee farming (35.3 percent). Thus, one can argue that these entrepreneurs have or engage in small scale informal activities for purposes of supplementing their farm incomes but not necessarily as a form of employment. Incomes earned from these activities range from KShs. 2000 to KShs. 10,000 per annum. Those who earn about KShs. 2000 were the majority (30.0 percent).

The two sections on employment and capital and savings can be concluded together since they are closely

interrelated. It has been indicated that majority of the entrepreneurs save very little or do not save at all from their enterprises. It therefore, implies that, the entrepreneur cannot reinvest since he gets very little "profits". This aspect has crucial effects on the business expansion. One of those is that the business cannot expand and no workers can be engaged in the enterprise. This has a wide implication in the sense that people looking for employment cannot easily get it. On the other hand, this means that generation of income is constrained. However, two major reasons were given as determining the level of savings, that is low demand of the goods and low income from the businesses. Those given as determining the number of workers were demand of goods or level of sales and capital equipment.

All these revolve around the productivity of the enterprises and may be the quality of the goods produced. Thus, suggestions should be aimed at boosting the demand for the goods and opening channels for credit availability. These, it is hoped will increase the productivity of the enterprise, expand them, and therefore, engage more people, thus, generating higher incomes, and therefore, savings for reinvestment.

4.1.9 Sources of Inputs

There are different types of inputs and so are the sources depending on the enterprise. For those who use timber as an input, 46 percent of the entrepreneurs, 28.6 percent get their inputs from saw mills. This implies that they do not get their inputs directly from the sources. Only 7.1 percent get their timber products from the forest. This is because while the former pays more to the saw miller who includes the transport costs incurred, the latter pays directly to the transporter as transportation costs, while he buys the timber at a lesser cost.

Other inputs used in the subsector are nails bought from wholesalers and retailers in the town (33.3 percent), furnishings and paints bought from the distributor/wholesalers from the town (100.0 percent).

Leather is an input used by about 13.3 percent of the entrepreneurs. Nairobi is the main source (21.4 percent) of the input.

Cloth used by 13.3 percent is bought from clothes

shops (14.2 percent), both in Nairobi and Karatina and other informal sellers.

Metal rods are bought from industries (14.3 percent) and other middlemen (7.1 percent) for use in metal fabrication. For those engaged in water tank manufacturing, iron sheets are bought from wholesale shops in the town. Other metal fabricators use scrap metal but usually use other inputs like screws and joints from hardware shops in the town.

An overall look at the supply of inputs show that half of the entrepreneurs get their inputs through middlemen (50.0 percent), while 38.5 percent get them directly from the sources. A very small number (11.5 percent) get them from suppliers or wholesalers.

It is apparent that apart from raw materials like leather and textiles (bails of cloth got from Nairobi), many of the entrepreneurs get their raw materials either in Karatina Town or the nearby Mt. Kenya Forest (timber). Provision of raw materials for these enterprises is adequate, and shows the relationship between the formal and informal sector.

4.1.10 Markets

Production and marketing of any one product depends on its nature. Casual interviews indicated that many of the textile workers, make clothes on order. That is, they wait for people to take materials to them or fit materials that the tailor has bought. One may not talk of marketing in the sense of the word.

The same case applies to motor mechanics, watch and radio repairs, as well as shoe repairs. In all these cases, the entrepreneurs wait for their customers. However, for purposes of this study, marketing of these items could be considered in terms of the places where the customers come from. The number of people who bring their cars, shoes and radios to be mended from outside the town is quite minimal, as opposed to those who come for tailoring services. For the former category, the entrepreneurs wholly depend on the town residents, while the latter subsector depends on both rural and urban residents, but within the easy reach of the town.

Major products whose market is predominantly rural are water tanks and watering cans made by 5.9 percent

and 14.3 percent of the entrepreneurs. These products are marketed directly to households. Entrepreneurs working on these products partly depend on customers orders, and partly on the need to stock.

Beds, chairs, windows, sideboards, boxes, cupboards, stools, wooden doors and sofa sets are the major items made by carpenters in the town. This sub-sector has a variety of markets or customers as opposed to other subsectors. For instance, some entrepreneurs have had orders for school desks, wooden doors and windows for school construction works (15.9 percent). Others sell their products; beds, sofa sets and wardrobes to the formal sector in form of furniture shops in the town as far areas as Nanyuki (5.9 percent). However, the majority sell their products direct to households mainly in the town (78.2 percent). These can be in direct sales or in form of orders.

The main markets of the goods produced by the enterprises are households and/or individuals (93.1 percent), the formal sector 3.4 percent and other informal activities, 3.4 percent. A very large number of the entrepreneurs (90.9 percent) sell their goods in Karatina Town while only 9.1 percent sell theirs outside.

However, to assess the rate of buying/selling the enterprises' goods the entrepreneurs were asked whether there are times they hold their goods in stock. Over half (52.2 percent) indicated that they do, while the rest (47.8 percent) said no. One of the major reasons given was lack of customers (more evident in the case of shoes), (83.3 percent); while 16.7 percent indicated the problem of transport or rather they hold the stock awaiting transport.

4.1.11 Causes of Non-expansion of the Businesses

The respondents cited various problems as the causes of non-expansion of their businesses. More than half of them indicated that their businesses do not expand due to lack of loan facilities (56.3 percent), and about 25 percent said it is due to unfair competition from the formal sector. This competition was mainly reported by shoe-makers and tailors. Other problems were heavy taxation and/or licence fees lack of capital equipment and so on.

Thus, when asked what they are doing to expand the businesses entrepreneurs said they were trying to purchase new equipment and tools (50.0 percent). Another group (25.0 percent) indicated they were trying to solicit for bank loans. Only 16.7 percent indicated

they are seeking further training in order to improve their enterprises.

This implies and concurs with the earlier studies done elsewhere that most informal sector activities do not expand due to lack of enough funds to either add stock or purchase new equipment. However, when asked what they would like the Government to assist in, only 23.8 percent indicated provision of loans as opposed to 47.6 percent who spoke of provision of sheds. Other forms of Government assistance were to reduce the fees paid for licences (19.0 percent), provision of training facilities (4.8 percent), reduction of the cost of inputs (4.8 percent).

McCormick's contention was that the artisans had a strong incentive to remain small (p. 236). Almost if not all of the entrepreneurs in this study indicated a desire to expand. Expansion was considered under certain variables such as buying more tools/machines, soliciting for loan to increase stock, and even to move to larger comfortable sites. This information can be taken against the background of the hypothesis that if the various constraints that afflict the informal sector are removed then, the number of those employed per establishment would be increased.

This is ofcourse with the hope that increased income will stimulate production, and therefore, the need for more workers in the enterprise.

On the other hand, even if the contention of "small is beautiful" holds, it means that new entrants into the sector will start their own businesses, thus, increasing the number of establishments.

4.2.1 Findings in Each Subsector

This section gives a detailed analysis of all the information gathered for every subsector. The study dealt with eight (8) subsectors which included three dealing with manufacturing, four with repair and one dealing with both repair and manufacturing (that is shoemaking).

4.2.2 Tailoring and Dressmaking

Slightly over a quarter of the entrepreneurs interviewed (26.7 percent) deal with tailoring and dressmaking. Their work involves mending old clothes as well as making new ones. For the latter case, the entrepreneurs either provides the material (cloth) and the labour for making the item, and all the buyer does is to purchase or to order. On the other hand, the buyer may bring his/her own material (cloth) in which case, the entrepreneur charges labour only.

The study realised that many of the establishments are "one-person business". That is, they are owned, managed and all work is done by one person. When asked the major factor determining the number of workers, those who had more than one worker said it was limited capital, equipment and the limited space.

Majority of the entrepreneurs dealing with tailoring learnt their skills through training on-the-job (72.0 percent). The rest, either learnt the skill in a village polytechnic or paid a fee to an entrepreneur for purposes of learning. It was also realized that majority of the entrepreneurs in this subsector operate their businesses on verandahs of commercial buildings. For this, they pay an average of KShs. 150 which includes secure storage of the machines and other merchandise in the formal business, housed by the commercial building.

All except two of the entrepreneurs owned the sewing machines they were using. The two had rented theirs. However, almost all of them own other simple tools such as scissors, chalk, tape measure. Sharing was evident in the use of iron boxes.

An important factor considered in this study is the monthly incomes from an enterprise. The figures given in this subsector ranged from KShs. 100 to KShs. 3000. This gives an average of KShs. 800 per month.

All except one of the entrepreneurs had not borrowed money from formal institutions. Various reasons were given, for instance, fear of the bank procedures and conditions for lending, lack of assets and the limited area in which to expand the business. A subsequent question asked one whether the business were expanding or not. For those who indicated non-expansion (49.8 percent) gave the reason of inability to make enough money and therefore, re-invest. This was partly related to the low demand for the goods, and partly due to competition from ready made clothes sold in shops.

When asked the kind assistance that they would require in order to expand the business and to produce and therefore, earn more, various aspects were indicated. One group (36.7 percent) indicated they would like the Government to expand the training institutions particularly the village polytechnic. 32.3 percent indicated they would want the Government

to reduce the council taxes and licence fees. Others given were provision of cheap sheds (21.7 percent), provision credit (8.3 percent) and reduce unfair competition (0.97 percent).

4.2.3 Furniture Making

This group of entrepreneurs forms another one quarter of all the entrepreneurs interviewed (26.4 percent). Except for relatively large enterprises on this subsector which combine furniture making and selling of timber, majority of the rest are in open air structures in a plot set aside by the local authority for light industries. The entrepreneurs in the latter group pay about KShs. 80 per month as rent. One entrepreneur pays as high as KShs. 500 as rent to the local authority.

The monthly income from the subsector ranged from KShs. 900 to KShs. 3000. The average income is about KShs. 1062.

However, the number of workers in this subsector are quite few and do not seem to change. In all the entrepreneurs, only one indicated an addition of three workers from one worker for the last one year. The rest had a constant number of workers.

When asked the kind of factors that determine the number of workers in the enterprise, more than half (66.6 percent) indicated good business, the rest (23.4 percent) spoke of lack of capital and equipment. However, many entrepreneurs indicated that they hire casual labourers when the need arises.

All except two of the entrepreneurs said their businesses had not expanded for the last one year. Reasons given were low demand for the goods (44.5 percent), limited capital equipment (33.3 percent), and unfair competition from formal businesses (22.2 percent).

Majority of the entrepreneurs had not borrowed any funds from formal lending institutions. The main reasons given was lack of collaterals.

When asked the kind of assistance they would want the Government to give, majority said provision of soft loans (44.4 percent). Other forms of assistance were provision of sheds and facilities such as electricity (33.3 percent), reduction of licences paid to the local authority (11.1 percent) and promotion of village polytechnics (11.1 percent).

The major items made by this subsector are sold

to households, and are usually made on orders.

Though the incomes are relatively high, the employment potential of the subsector is quite limited.

4.2.4 Shoe-making

Most of the people engaged in this subsector operate on the shop verandahs. Almost all combine both shoe-making, that is making new shoes and also undertake repairs.

Rents paid are at an average of KShs. 150 per month which also includes storage of the merchandise for the night.

Workers employed in the subsector are quite constant, that is, no increases were reported. The factors that determine number of workers are limited space and good business. Thus, most of the establishments are one-man business.

An important aspect realised in this subsector is the use of "jua kali" made tools.

The monthly incomes in the subsector was an average of KShs. 850.

Provision of sheds, soft loans, reduction of cost of inputs and licence fees were given as the forms of assistance that the Government should give.

4.2.5 Metal Works/Fabrication

This subsector reported the highest number of employees as well as monthly incomes from the businesses. An average of KShs. 2000 and an average of three workers per establishment was reported. All the entrepreneurs interviewed, reported an increase of at least two workers.

All of the entrepreneurs indicated good business as the major factor determining the number of workers in the establishment. Tools made in the "jua kali" industry were reported used in the subsector.

Non-expansion was said to be due to lack of loan facilities. Thus, provision of soft loans was the main form of assistance that the entrepreneurs would like provided by the Government.

4.2.6 Open Air Garages

The two entrepreneurs dealing in open garages had an average of KShs. 650 per month.

One of the enterprises had increased the workers from two to three while the other one had two workers only. The number of the workers was determined by good business. Casual workers are also employed when required.

None of the entrepreneurs had borrowed money from the formal institutions. Reason given was lack of security.

The entrepreneurs spoke of provision of better structures or sheds as the form of assistance, they would like from the Government.

4.2.7 Bicycle Repair

There was no increase of workers in the last one whole year. However, when there is good business, the establishments hire casual labourers.

An average of KShs. 1,400/- per month was indicated.

Non-expansion of the establishment were given as lack of capital equipment, facilities, such as electricity.

Provision of sheds was given as the form of Government assistance for these entrepreneurs.

4.2.8 Watch Repair

There was no change of workers in any of the enterprises.

An average income of KShs. 1000 was reported, and a rent of about KShs. 150. Many of the establishments operate on verandahs outside the commercial buildings.

The reason for non-expansion was given as lack of funds for increasing stock and equipment. One indicated he would want to buy watches for sale. Provision of training for the work was the form of assistance required from the Government.

4.2.9 Radio Repair

These are located in rooms or stores rented in the commercial buildings. The entrepreneurs earned an average of KShs. 3000 per month.

The number of workers had increased from one person to two workers for the one year previous to the study.

Reasons for non-expansion was reported to be due

lack of money for buying equipment.

Provision of sheds and training for the work was reported to be the form of Government assistance for the subsector.

4.2.10 Conclusion

The metal work/fabrication is the only subsector that showed any growth in terms of the workers employed for the last one year. The highest monthly incomes were also reported in this subsector. Thus, since the two aspects are related, that is the number of workers and monthly incomes, the entrepreneurs are able to hire more workers.

The high figures given could be due to the fact that those who make water tanks were included in this category, whereby they make a lot of money from sale of say, one water tank. Production of goods for agricultural purposes could be enhanced, since the area is rich agriculturally.

Furniture making and tailoring had an average of one worker each. For the latter, it could be that the owner may not afford another sewing machine, since

that is the main operation tool in the subsector. For the former subsector, the enterprise should be able to accommodate more than one worker since there are many fragments of work in the subsector. Non-expansion is due to low demand for the goods, which are somehow luxurious and only those people living in the town can afford. Moreover, the purchase of such goods is not day to day which makes the orders limited.

Shoe making was another subsector which is a one-man concern. Very small or no growth at all was reported. This is because the market of the goods, (shoes) mostly depends on the income that the buyers are willing to dispose. Thus, even after an entrepreneur has made a few pairs of shoes, he has to wait until they are bought, since he may not have any more funds to purchase inputs. Meanwhile, such entrepreneurs only concentrates on simple repairs, and sometimes even shoe shining.

Open air garages are an important subsector, in the sense that they do not just serve the low-income people, but mostly the high-income earners. It is also in this subsector where more casual labourers are employed than all the others, especially, when there is good business.

Though business is unpredictable in the subsector a good amount of money is given at any repair done and those who seek for the services may be most consistent than in subsectors such as shoe-making, tailoring, radio or watch repairs.

In all the subsectors analysed, the entrepreneurs spoke of need for better sheds, loan facilities and training facilities (in watch and radio repair) as the main constraints to the expansion of the enterprises.

4.3 KENYA INDUSTRIAL ESTATES (KIE) IN KARATINA

The functions and operations of the Kenya Industrial Estates (KIE) have been given elsewhere and they need not be repeated here. The purpose of this section is to give an analysis of the forms of assistance that the organisation has given, and the implications of this on the enterprises.

The information on this section serves as a comparison to the previous sections on this chapter; in simple terms, a comparison between those enterprises operating in the KIE industrial promotion area, and those in the open air.

In Karatina, the KIE have constructed twenty (20) sheds, which have all the facilities required; such as water, electricity and telephone. The industrial promotion area (I.P.A.) is also connected to the main road by an all weather road.



Plate 5: Part of the KIE industrial promotion area.

The sheds comprise of three sizes, that is; small size has an area of 268 square feet; medium size, has an area of 537 square feet; and large size has an area of 1075 square feet.

The sheds are rented at KShs. 110 per square foot.



Plate 6: A close look at one of the sheds in the KIE Promotion Area.

Recently, the Government introduced a policy with the intention of selling the sheds to the entrepreneurs. Tentatively, the prices of these sheds will be on the following basis.

- (i) Small size will be sold at KShs. 100,000
- (ii) Medium size will be sold at KShs. 200,000
- (iii) Large size will be sold at KShs. 250,000

The sheds or plots will be sold on a tenant purchase scheme basis. The repayment period is about 15-20 years and a down payment of 10% of either plot is required.

4.3.1 Findings from the KIE Industrial Promotion Area

Before a detailed analysis of the finding is given, it is important to highlight some points. Half of the entrepreneurs in the area are engaged in metal works, where they make items such as steel doors and windows. The rest (about 7) are engaged in woodwork and make such items, such as sofa sets, wooden doors and windows, beds, cupboards. The remaining three (3) enterprises deal with textiles.

Three out of eight of the entrepreneurs interviewed, and all who deal in metal work indicated that they have employed five (5) permanent workers. They had started the business with only 2-3 workers. One of the entrepreneur said he had started with only two employees, but these had increased to eleven (11) permanent ones, in a period of three years. He also indicated that the workers increase up to twenty when "business is good", meaning when sales are high or when he has an order.

The starting capital for most enterprises ranged from KShs. 1000-5000 but had expanded after loan acquisition from the KIE programme. One entrepreneur had received about KShs. 150,000 worth of

machines. The ratio of equipment and machine ownership was higher than that realised in the open air enterprises. For instance, two of the textile entrepreneurs had each two sewing machines, while the third one had three machines.

The savings given by the entrepreneurs ranged from KShs. 2000 to 3000 per month. Those engaged in metal work recorded the highest figures, followed by the furniture making and lastly, the textile workers.

The markets for the goods produced is no different from that of entrepreneurs in the open air. The only difference is that the former seem to have large scale production and sales. Most of their goods are however, sold within the town. One entrepreneur had had an order for church seats, and another had one for a nursery school desks.

Metal work products are mainly sold to a cross-section of buyers. For instance, they are bought by people with new buildings which require metal doors and windows, by individuals on small houses, and by institutions like schools and churches.

Two of the furniture entrepreneurs indicated they

sell their seats and beds to formal furniture shops in the town. This shows that they make items with high quality; which can withstand competition in the formal sector.

All except one of the entrepreneurs had taken a loan from the KIE; this was mainly used to expand the business.

When asked the problems they face and which hinder the expansion of the enterprises, all of them indicated low demand of their products. Some felt that their enterprises had a high capacity, if only the demand was higher.

Another major problem cited was the high prices of inputs, particularly by those in the textiles subsector. Textile materials, sewing threads, were some of the inputs whose prices have increased and whose acquisition cannot be realised through credit or loan, since fashions keep changing, and therefore, an entrepreneur cannot buy in bulk. The textile workers therefore, felt that if there was high demand for their products, they would be able to replenish the stocks frequently and as the market requires.

Lack of training facilities was also a problem quoted by the entrepreneur. This is because, the entrepreneur may have many employees, who he may not be able to train in the formal training institutions. The number trained under the KIE programme is quite limited. Thus, many entrepreneurs depend on, on-job training for their employees, or try to acquire those who are already trained in the work.

None of the entrepreneurs gouted lack of infra-structural facilities - these are all provided and the entrepreneurs use them. Provision of electricity is particuarly, important to those entrepreneurs dealing with metal works, that is for welding purposes. Textile workers also use electricity for pressing purposes and some sewing machines use it. However, this is in rare cases, since the sewing machine is also expensive, and small scale enterprises may not afford.

4.4 CONCLUSION

The above information makes clear one point; that is entrepreneurs in the KIE industrial promotion area are more "progressive" that is they realise high

earnings and savings and employ more workers, than those operating in the open air. For instance, the former reported earnings ranging from KShs. 2000 to 3000 as compared to those reported by the latter, which were ranging from KShs. 500 to 1500.

Majority of the enterprises in open air are one-person businesses (50 percent) with only 14.7 percent with more than three workers. In the KIE industrial promotion area, all entrepreneurs interviewed had more than two workers, where upto eleven workers were reported.

The main factor that determines the number of workers was demand for the goods as indicated by entrepreneurs in the KIE area as opposed to lack of equipment quoted by those in the open air enterprises. Problems such as poor premises, lack of essential services (electricity), credit facilities and high licences were quoted by those in the open air enterprises as hindering high production and therefore, earnings.

Low demand of goods and high prices of inputs were the major ones quoted by those in the KIE industrial promotion area.

This shows that if the small scale/informal activities are to develop as future sources of employment and incomes then the problems cited above and elsewhere in the study need to be solved. The next chapter in the study attempts to give suggestions as to how they can be solved.

CHAPTER FIVE

SUMMARY OF FINDINGS AND RECOMMENDATIONS

5.1 Summary of findings

The study set out to analyse the development of small scale/informal enterprises in a small urban centre. Development in this case, is based on employment levels and changes, incomes and savings from the enterprise and artisan skill formation or provision.

The general background of the evolution of the activities was traced in relation to the enormous employment problem particularly in urban areas. The Government involvement in the activities also highlighted, since it is under that framework that the study was done.

This chapter uses the above background and the information collected from the entrepreneurs themselves, on the basis of which recommendations are made.

Business premises or structures under which the enterprise is undertaken and how these affect production was one of the major issues that the study sought to establish. Majority of the enterprises operate in open air or make shift structures. A close association was realised between production and incomes, and the type of structure or premises the enterprise operated in. Availability of facilities such as electricity which is mainly required by welders and tailors was reported lacking. Thus a comparison of monthly incomes and number of workers employed by those entrepreneurs operating in the KIE sheds and those in the open air indicated that the former do better. That is those entrepreneurs in the KIE sheds where there are all facilities - (water, electricity and telephone) plus permanent structures, earn more and employ more workers in their enterprises.

Majority of the entrepreneurs reported limited capital for investment as well as tools and machines which are shared amongst friends and neighbours. More than half of the entrepreneurs had not borrowed money from the formal

financial institutions. The major reason given was lack of assets and awareness of the lending procedures. They are put off by the requirements of security and high interest rates.

Low demand of the goods manufactured by the small scale informal sector was reported by many entrepreneurs particularly those in the shoemaking subsector. Marketing problems which affect expansion of the enterprises was reported by those in the carpentry subsector. They also reported storage problems.

Reduction of amount of licences fees paid to the local authority was reported as a major form of government involvement.

On-job training by the entrepreneurs was the most popular form of training.. This was either done by one paying fees to the owner or one learning as she or he assists in the work. Enterprises managed by those entrepreneurs who had had on-job training reported the highest monthly

incomes. Formal training had been received from village polytechnics. Majority of the business owners do not want to take the employees for any formal training, since they fear they are too expensive, on that the workers would run away after the training.

5.2 Recommendations

The following subsection highlights the suggested proposals with the aim of solving the above problems. Further on, the initiatives are given which should help expand accessibility to credit, dissemination of information on market opportunities, provision of sheds and promotion and expansion of training facilities focussing on appropriate skills. The following are the proposals:-

- i) Provision of sheds was one form of assistance that the entrepreneurs indicated they would like the government to provide. However, even the sheds provided by the KIE have not proved any cheaper. From the earnings that those in the open air quoted, it is apparent that they may not afford such sheds.

Thus, an alternative would be for the government and the local authorities concerned to make provisions for use of the land or plots on which the formal sector activities operate. This could be done through the securing of tenure by the entrepreneurs in which case they put up their own structures as dictated by their earnings.

ii).--Demand for informal sector goods remain low and the future of the sector therefore bleak. The sector caters for most of the low income people whose income is insufficient to purchase goods from the formal sector. Since their incomes are rather erratic and continue to be low, it means that the informal sector can not wholly depend on these people to develop and expand the sector.

It is a suggestion in this study that public and semi-public institutions should subcontract part of their activities and goods from the informal sector. Such purchases could be in form of furniture, uniforms

and repair activities especially from motor mechanics.

However, this can only be done if the government modify certain regulations that prohibit business transactions with informal unregistered businesses.

- iii) Small scale informal entrepreneurs should be encouraged to form co-operatives in order to increase their bargaining power for raw material acquisition, markets and loans or credit.

Co-operatives provide collective guarantees for loans.

Again overhead costs for providing loans will be reduced by lending to groups than to numerous individuals, with no collaterals. The groups can be formed along the same production procedures and goods e.g. shoe-making group, carpentry or tailoring group.

iv) Credit facilities may not be provided to all the subsectors in a uniform manner due to limited funds. Those advancing credit may only be interested in assisting those entrepreneurs who show or have shown growth. The study realised that the subsector that showed any growth in terms of employment was metal fabrication. This subsector also reported the highest monthly incomes.

This subsector is important since it is closely related to the agricultural sector; in the sense that it provides agricultural inputs like watering cans, simple hoes and water tanks.

v) The major problem in non-expansion of the small scale informal enterprises is lack of capital for expansion and even operation. Most commercial banks cannot handle these enterprises due to the unstable nature of their operations and lack of collateral.

The terms and conditions of loans to small scale enterprises should take into account such aspects as size and frequency of pay-

ment. That is small sizes can be provided for at the initial stage, and these may increase as the borrower or entrepreneur expands his business and also gains experience in repaying.

However, loan availability and repayment can mostly be successive especially to marginal enterprises if organised on group basis, where the group acts as a guarantee against an individual's default.

- vi) The local authority in liason with the Ministry concerned should revise policies on the licence fees, particularly those that deal with small scale informal enterprises, in a bid to reducing them.
- vii) Lack of training facilities for entrepreneurs already in business was quoted as one of the problems which hinder production. Since the government have promised the expansion of polytechnic training and emphasize on appropriate skills, what remains is the implementation of the policy. This

will go ahead to help the informal sector entrepreneurs get access to training at their own convenience.

Training could also be in form of in-service courses for those already in the sector.

Fees should be put at manageable levels for those on in-service courses, so that majority would benefit.

5.3 Conclusion

The broad objective of the study was to establish the importance of the small scale informal sector in employment and income generation, and to identify the problems that hinder the accomplishment of this role.

The study has realised that so far there is limited employment opportunities and very low incomes from the sector. However, the majority of entrepreneurs realise their subsistence from the sector.

It was also realised that the sector faces a

host of problems that hinder expansion both at the individual as well as group levels. Such problems as lack of credit facilities, high prices of inputs, high amounts of licenses and rents, limited training facilities and low demand for the goods were cited by the entrepreneurs.

With the low creation of job opportunities and low prices of agricultural goods, small scale informal activities seem the only source of future employment opportunities and income generation. The entrepreneurs in the sector have already proved their willingness to operate the businesses, and can do better with some form of assistance, particularly credit.

The study ends with the contention that small scale informal enterprises should be encouraged and supported as they continue being a source of subsistence to many low income people and as they are considered future sources of employment, income generation and a sector for artisan skill acquisition.

5.4 AREAS OF FURTHER RESEARCH

Studies should be intensified to establish and identify various sources of credit assistance to the small scale enterprises so far, the government has not been able to meet this obligation, and the few bodies that exist put conditions that are beyond the reach and management of the "poor entrepreneurs", or those who are "non-starters".

A further research area could be one looking at the government regulations and laws that are involved with securing leases on government or local authority land with a view to providing suitable locations for small scale entrepreneurs in urban areas.

Ways and means should be established with an aim of creating channels and assist in the review of regulations and laws that involve transactions between government agencies and other business establishments. This should be done with the view of enabling government agencies to tender

goods and services from the small scale/informal sector, in order to increase their demand.

BIBLIOGRAPHY

Books

- 1) Aleke - Dondo, et al (1986): Mobilisation of the informal sector for Kenya's development: Paper presented at the National Council of Science and Technology and Friedrich Ebert Foundation workshop on Rural Informal sector, 27th/28th February, Nairobi, Kenya.
- 2) Allien H. (1977): The informal urban industrial sector and growth. Some thoughts on a modern Mythology; I.D.S Discussion paper No. 259.
- 3) Child, F.C. and Kemipe M.E(eds) (1973): Small scale enterprises. Proceedings of a conference held in February 26th - 27th, I.D.S Occasional paper No. 25.
- 4) Child, F.C. (1973): An empirical study of small scale rural industry in Kenya. I.D.S. Working Paper, No.127.

- 5) Digolo, O.O. (1988): Education and Training in Jua Kali sector to urban planners. Paper presented at the First International Conference on urban growth and spatial planning of Nairobi, December 13th/17th, Nairobi, Kenya.
- 6) Inukai, Ichirou (1972): Rural enterprise survey in Nyeri district, Kenya. A report to the consultant to DANIDA, Nairobi, Kenya.
- 7) Kabagambe, D.M. (1975): The role of small scale industries in developing urban economies; a case study of Kisumu semi-urban areas. Unpublished M.A. Thesis, University of Nairobi, Kenya.
- 8) Kabagambe, D.M. House, W.J. and Green, T. (1977): The potential for income and employment generation in Kenya's urban informal sector. A proposed survey. I.D.S. Working Paper No. 310.
- 9) Kaberere, J (1987): Developing the informal sector in small towns in Kenya. Unpublished M.A. Thesis University of Nairobi, Kenya.

- 10) Kaplinsky, R (1976): An analysis of ICDC small industrial loan committees 1963 - 75
I.D.S Working paper No. 251

- 11) Kibwana, K. (1988): Critical aspects regarding the legal regulation of the informal sector paper presented at the First International Conference on Urban Growth and Spatial Planning of Nairobi, December 13th/17th Nairobi, Kenya.

- 12) Killick, T. (1977): Informal sector and development strategy in Kenya. I.D.S Occasional Paper, No. 25.

- 13) Malhotra, D.K. (1979): Development of informal industrial sector. Development Plan 1979 - 83. Programme implementation. Industrial survey and Promotion centre, Ministry of Commerce and Industry, Nairobi, Kenya.

- 14) McCommick, D. (1988): Small scale enterprise in Nairobi. Golden opportunity or dead end? Unpublished PhD Thesis John Hopkins University, Baltimore, Maryland, U.S.A.

- 15) Mghweno. S.M. (1977): The Role of small scale industries in the low income housing communities. Case study of Morogoro, Tanzania. Unpublished M.A. Thesis, University of Nairobi, Kenya.
- 16) Mochache, J. (1985): A study of cottage industries in the urban informal sector. A case study of Gikomba Belt Neighbourhood, Nairobi, Unpublished M.A. Thesis, University of Nairobi, Kenya.
- 17) Muench, L. et al (1977): The informal sector in Kenya I.D.S Occasional Paper No. 25.
- Murage, J.M. (1973): A study in development of Karatina urban centre. Unpublished B.A. dissertation, Geography Department University of Nairobi, Kenya.
- 18) Ndua, G and Ngethe, N. (1984): Role of the informal sector on the development of small and intermediate size cities. Background Information on Nakuru, I.D.S Working paper NO. 416.

- 20) Ngethe, N. (1984): Education, Training and welfare in the informal sector. A study of carpentry and metal work in the Eastlands of Nairobi. I.D.S. Consultation Paper No. 15.
- 21) Ngethe, N. et al (1987): The rural informal sector in Kenya, I.D.S Consultation Paper No.
- 22) Noormohamed, S.O.(1987): Informal sector issues revisited in the light of new evidence. Paper presented at the Kenya Economic Association. Discussion Session 1987 - 88 November 1987, Panafric Hotel, Nairobi, Kenya.
- 23) Pedersen, P.Ove (1989): Role of small enterprises and small towns in the developing countries. Centre for development research. Project Paper No.87, Copenhagen, Denmark.
- 24) Ruthuthi, J.M. (1980): The problems facing small urban centres in physical development planning; a case study of Karatina town, Kenya. Unpublished M.A. Thesis, University

of Nairobi, Kenya.

- 25) Rogerson, C.M. (1986). Johannesburg informal sector. Historical continuity and change in the formal African urban quarterly Vol. 1 No. 2 May 1986.
- 26) Snicclair, W. S. (1978): Urbanisation and labour markets in developing countries. Croom Helm, London.
- 27) Staley E. et al (1965): Modern small industry for developing countries Mcgraw Hill Book Company, New York.
- 28) Daily Nation, December 29th, 1985.
- 29) Kenya Times, July, 21st, 1989.

OTHER PUBLICATIONS

- 1) International Labour Organisation (ILO) 1972. Employment, Incomes, and Equality. A strategy for increasing productive employment. in Kenya, Geneva.

- 2) Kenya, Republic of, Development plan 1974-78
- 3) Kenya, Republic of, Development plan 1979-83
- 4) Kenya, Republic of, Development plan 1984-88
- 5) Kenya, Republic of, Development plan 1988-93
- 6) Kenya, Republic of, Sessional paper No. 1 (1986)
on, Economic Management for renewed Growth.
- 7) Central Bureau of statistics, Survey of urban
Small Scale Enterprises 1984, (CBS) Ministry
of Planning and National Development, Nairobi.

APPENDIX

SMALL-SCALE ENTREPRENEURS QUESTIONNAIRE:

THIS INFORMATION IS CONFIDENTIAL AND WILL BE USED FOR
PURPOSES ONLY

I. General Information

- 1) Name of Respondent -----(optional)
- 2) Age ----- (Years)
- 3) Sex:-
 - a) Male
 - b) Female
- 4) Marital Status:-
 - a) Single
 - b) Married
- 5). Birth Place (district) -----
- 6). Position of Respondent in the Establishment:-
 - a) Owner
 - b) Employee
 - c) Relatives
 - d) Others (specify)
- 7). Have you received any other training since leaving school?
Yes -----
No -----

8. Could you please tell me about your education?

EDUCATION	NO. OF YEARS
a) None	
b) Primary	
c) Secondary/non technical	
d) Secondary technical	
e) Village polytechnic	
f) Institute of technology	
g) Others (specify)	

II. Operating Characterisitcs of Industry

1) Type of Ownership:-

- a) Sole ownership
- b) Partnership
- c) Co-operative
- d) Other (specify)

2) When did you start your business? -----

3) Does the Industry have a:

- a) Fixed location
- b) Variable location
- c) Other - specify

4) What type of facilities are available?

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

5) Under what structure is the industry operating?

- a) Open air
- b) Corrugated iron sheet shed
- c) Wooden structure
- d) Cement structure
- e) Other (specify)

6) Is the structure where enterprise is located?

- a) Fully owned by the industry?
- b) Partially owned?
- c) Rented?
- d) Other (specify)

7) If not rented;

- a) Given by Council?
- b) Tolerated by private owner?
- c) Allowed by private owner?
- d) Other (specify).

8) If rented, how much is the rent per month? Kshs. -----

9) Why is the industry located at present site?

- a) Proximity to market?
- b) Proximity no supplier of raw materials?
- c) Owner lives here?
- d) Access to plot?
- e) Availability of transport?
- f) Other (specify).

10) Would you want to move from this town?

Yes ' ---

No -----

11) If yes, to where and why?

a) to a smaller town

b) to a bigger town.

III. Employment and Income

1) Did you work before coming to Karatina Town? Yes/No).

2) If yes, what type of work?

3) ; here was it? ----- (District/Town/Location)

4) How did you learn your present skills?

a) at a village polytechnic?

b) as an employee of a large organisation?

c) self-taught on job?

d) no skills required?

e) other (specify)?

5) What do you consider your monthly income from this industry? Kshs. -----

6) What is your monthly expenditure on the following items:-

a) Food? Kshs.

b) Education? Kshs.

c) Clothing? Kshs.

d) Transport? Kshs.

- e) Accommodation? Kshs.
- f) Others (specify) Kshs.

- 7) Do you regularly save from your industry? (Yes/No)
- 8) If yes, how much do you save? Kshs. -----
- 9) If no, why? -----

- 10) Apart from this industry, do you have any other income generating activity(ies)? (Yes/No)

- 11) If yes, which activity(ies)? Specify.

- 12) Do you know the income of this/these other activity(ies) (Yes/No)

- 13) If yes, approximately how much? Kshs. -----

IV. Labour

- 1) How many people are engaged in this industry; when it;
 - a) started?
 - b) now?
 - c) business is low?
 - d) business is good?

- 2) Fill the following table below for the characteristic of the work force.

No.	Sex	Age	Type of worker (eg. family/ partner, etc)	Yrs. of education	Wages/ month	Length of employment
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

- 3) Do you experience any difficulties in recruiting labour? Yes/No
- 4) If yes, which kind?
 - a) Skilled only;
 - b) Unskilled labour only;
 - c) Skilled and unskilled.
- 5) What major factors determine the number of persons in this business;
 - a) Capital equipment?
 - b) Good business (increased demand)?
 - c) Relatives looking for jobs?
 - d) Limited space?
 - e) Others - specify?

- 6) Has the number of the persons engaged changed since last year? (Yes/No)
- 7) If yes, by how many?
 - a) ----- additions
 - b) ----- subtractions.

V. Training

- 1) Do you have any training facilities for your employees? (Yes/No)
- 2) If yes, what form? specify.
- 3) Do you charge a fee for training? (Yes/No)
- 4) If yes, how much? Kshs. -----
- 5) How long does it take to train an apprentice (to become qualified)? ----- years/months.
- 6) Do you know of any Government training programmes relating to your activity? (Yes/No)
- 7) If yes, which do you know of?
- 8) Do you think the Government can help in training? (Yes/No)
- 9) If yes, how? -----

VI. Capital

- 1) How much money did you require to start this industry?
Kshs. -----

- 2) What was the initial source of funds for the business?
 - a) Own saving
 - b) Borrowed from friends/relatives
 - c) Contribution from other (joint ownership)
 - d) Commercial Bank (specify which)
 - e) Government lending agency (specify which)
 - f) Other (specify)

- 3) If own saving, what was the source of saving, e.g.
 - a) Previous employment?
 - b) Sale of farm produce?
 - c) Sale of animals?
 - d) Others? Specify.

- 4) Do you own any machines, tools, vehicles, furniture, etc., in this industry? (Yes/No)

- 5) If yes, specify.

Machines

Tools

- 6) How did you acquire these machines and tools?
 - a) New;
 - b) Secondhand;
 - c) Self-constructed;
 - d) Other (specify)

- 7) If some one wanted to buy all the assets owned by this business - tools, equipment, stock, building - how much would you charge? Kshs. -----

- 8) Have you done major improvements on this business?
(Yes/No)

- 9) How do you obtain money for major improvements for this business?
 - a) Reinvestment;
 - b) Loans from relatives/friends;
 - c) Loans from banks;
 - d) Loans from government agencies;
 - e) Loans from other sources (specify).

- 10) Have you ever borrowed money for this business?
(Yes/No)

11) If yes, about how much? Kshs. ; -----

12) If no, why? -----

VII. Production & Sales

1) How much do you spend on inputs/stock on average;

a) per week? Kshs. -----

b) per month? Kshs. -----

2) How much sales (money) do you make on this business on average (only one answer);

a) In one day? Kshs. -----

b) In a week? Kshs. -----

c) In one month? Kshs. -----

3) Please fill the table below for raw material inputs.

Types of Inputs

Sources

a)

b)

c)

d)

e)

f)

g)

4) How are these inputs transported from the sources?

- a) Self;
- b) Middleman;
- c) Supplier.

5) Please fill the following table of the items produced and how they are marketed.

<u>Type of product</u>	<u>Direct house/ holiday/individuals</u>	<u>Indirect to households</u>
a)		
b)		
c)		
d)		
e)		
f)		
g)		

6) In general, who buys most of the goods sold by the industry?

- a) Households/individual;
- b) Other informal sector industries;
- c) Formal sector
- d) Co-operatives;
- e) Others (specify).

- 7) In general, where do you sell your products. Name three important areas/distance.

Area

Distance

a)

b)

c)

- 8) Are there times you produce a good/product but hold in stock? (Yes/No)

- 9) If yes, why? Specify.

VIII. Problems of Business Expansion

- 1) Is your business expanding? (Yes/No)
- 2) If no, what do you think is the cause of non-expansion (Mark in order of importance).
- a) Lack of loan facilities
 - b) Lack of demand
 - c) Unfair competition from larger enterprises
 - d) Heavy taxes, licences
 - e) Lack of skilled personnel
 - f) Lack of capital equipment
 - g) Others (specify).

3) What currently are you doing to improve this business? (Please explain).

- a) Purchase of new equipment
- b) Employment of more skilled workers
- c) Soliciting for bank loans
- d) Seeking further training
- e) Seeking assistance from relatives
- f) Other (specify)

4) What things would you like to see done by the Government to help your business?

5) If assistance is provided or restrictions removed, in what ways can this assist your production and employment?

a) Production;

- i) Increase output (by how many) -----
- ii) No increase at all.