SOME ASPECTS OF THE URBAN INFORMAL SECTOR ACTIVITIES: A CASE STUDY OF NYAMIRA TOWN, KENYA.

BY

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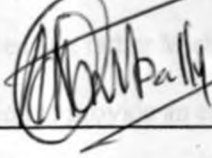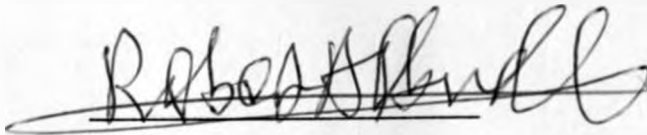
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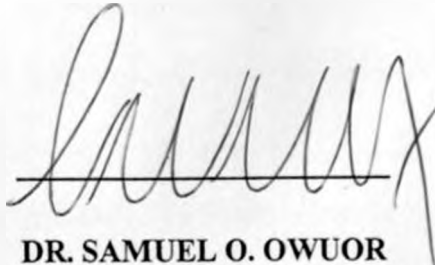
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DEDICATION

I dedicate this thesis to my beloved late father Michael Ombati Saboke in recognition of his love for education and devotion to provide an education to all his children.

I also dedicate it to my beloved children Samuel, Winnie, Ruth and Ann.

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ABSTRACT

This study examines some aspects of the urban informal sector namely, employment creation, range and threshold of its goods and services and problems affecting its growth and development using Nyamira town, in Kenya as a case study.

Unemployment poses a very serious socio-economic and political implication not only in the less developed countries (LDCs), but also in the more developed countries (LDCs). Its causes are complex and beyond the scope of this study. However, its implications are obvious, such as lack of income to provide basic necessities like food, shelter and clothing. Economies of LDCs have not kept pace with the rapid population increase. The formal sector has not been able to generate sufficient employment for this rapidly increasing population. It is for this reason, therefore, that the importance of the informal sector on the economies of the LDCs needs not to be overemphasized.

In this study both primary and secondary sources of data were used. Stratified random sampling procedure was followed in data collection. A sample of 117 respondents was selected from a sample frame of 364 enumerated urban informal sector operators. In the data analysis, both descriptive and analytical techniques were employed. Analytical techniques used were, Pearson's correlation coefficient, chi-square and principal component analysis.

From the analysis it was established that the urban informal sector can play an important role in employment creation and raising the standard of living of its dwellers and that of its rural umland. Indeed, the study revealed that, 1 entrepreneur running an informal sector activity was able to employ 1.4 other persons. This sector is labour intensive

unlike the formal sector that is capital intensive, relies heavily on family savings for initial investments, acts as a source of relatively cheap goods and services for both urban and rural population and can be relied on to boost the rural economy through regular remittance. The sector provides cheap training and acquisition of skills through apprenticeship and on the job training.

Lack of sufficient capital for investment, local government restrictive policies and lack of premises were however given as the major drawback into the growth and development of this sector. The study gave key recommendations on how these problems can be solved.

Given the increasingly important role that urban informal sector plays in the country's economic growth, it is recommended that the Government of Kenya strongly support the growth of this sector by making the necessary institutional structural adjustments and policy changes necessary in the promotion of growth of this sector. For sustained growth and development of this sector, there is need for a coordinated process of planning, decision making and implementation of government policy towards the sector.

Finally, Considering that this study did not focus on the rural to urban migration which is one of the major causes of urban unemployment, but rather discussed ways in which urban unemployment could be addressed through promoting the informal sector, it is recommended that an elaborate study on how the rural to urban migration could be curbed be undertaken. A similar study can also be done in other urban centres to provide data base for comparison

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LIST OF ABBREVIATIONS AND ACRONYMS

CBS   – Central bureau of statistics

DFRD   – District focus for rural development

EAC   – East African community

FA   – Factorial analysis

GDP   – Gross domestic product

GoK   – Government of Kenya

ICDC   – Industrial commercial development corporation

ILO   – International labour organisation

IMF   – International monetary fund

KIE   – Kenya industrial estates

KNBS   – Kenya national bureau of statistics

LBDA   – Lake basin development authority

LDCs   – Less developed countries

MDCs   – More developed countries

PCA   – Principal component analysis

PTA   – Preferential trade area

RTPCs   – Rural trade and production centres

SAPs   – Structural adjustment programme

SPSS   – Statistical package for social sciences

UISAs   – Urban informal sector activities

UN   – United Nations

USD   – United states dollar

CHAPTER ONE

THE INTRODUCTION

1.0 Introduction

This chapter highlights the background to the study problem; it discusses the statement of the research problem, research objectives, hypothesis, and the scope and limitations of the study. The aspects dealt with in this study include; the role of urban informal sector in employment creation, range and threshold of its goods and services and the problems that affect the growth and development of this sector, using Nyamira town in Kenya as a case study.

1.1 Statement of the Research Problem

Unemployment is a global crisis, and world economies cannot generate sufficient employment opportunities in the formal sector for the rapidly expanding labour force. According to the International Labour Organisation ILO, (2009), unemployment levels ranged between 210 million to 239 million corresponding to global unemployment rates of 6.5 and 7.4 per cent respectively, with another 200 million workers at the risk of joining the ranks of people living on less than USD 2 per day between 2007 and 2000 (ILO, 2009). Indeed for the first time since the great depression, More Developed Countries (MDCs) and Less Developed Countries (LDCs) alike are facing long term persistent unemployment (Mazumdar, 1976).

In Kenya, this crisis has hit the youth hard, forcing them to seek for informal employment in the urban centers. The number of unemployed youth increased from

11 million in 2008 to 17 million in 2009, while unemployment rate increase from around 12 per cent in 2008 to about 15 per cent in 2009 (Kenya, 2002a).

Kenya like the rest of the LDCs is faced with the problem of unemployment. Rapid natural population increase is one of the main reasons that explain the existence of unemployment in the LDCs in general and Kenya in particular. It is notable that the formal sector has not been able to cope with this rapidly growing labour force (Omondi, 1987; Okwiri, 1988).

The Government of Kenya (GoK) is faced with the challenge of creating over 500,000 new jobs every year for the young people joining the labour force (Kenya, 2002a).This however is not easy considering that the economy is stagnated and the formal sector can only absorb a small fraction of the labour force. It is the informal sector that has the potential of generating many employment opportunities.

Studies done on the informal sector (Child, 1973; Henning, 1974) have indicated that the sector is growing at an accelerating rate, it provides better than average income for their owners and that the rate of return on invested capital exceeds that of the formal sector by a substantial margin. Their capital output and capital labour ratios are low; capital invested in the informal sector makes a larger contribution to national product and creates more employment than does an equivalent capital formation in the formal sector. In fact investment in the formal sector would generate about three times as many jobs as a similar sum invested in the formal sector (Child. 1973; Henning, 1974; Omondi, 1987).

Omondi, (1987) indicated that Kenya, like other developing countries, is faced with the problem of economic growth and development because of rapid population increase,

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unemployment, inadequate capital, inadequate market for the manufactured goods, domination in the world market by foreign companies and inappropriate technology. These problems limit the extent to which the formal sector can provide adequate solutions. This, therefore, provokes the need to first establish the extent to which the informal sector, which seems a solution to solving these problems, can provide sufficient employment. Though Omondi's (1987) findings and recommendations were made with reference to the rural informal sector, his views are, however, useful in studying the urban sector which constitutes about a quarter of Kenya's total population.

Urban policies in Kenya over the years have been focused on the decentralization as a measure to curb the rapid migration from rural to large urban centres making worse the already existing acute urban unemployment and poverty. These policies have, however, proven inadequate and wholly unimplementable due to the lack of sufficient resource base and investments in their targeted rural areas (Kaberere, 1987).

Rural to urban migration is, therefore, a phenomenon to live with, given the apparent urban to rural inequality. This situation is made worse especially in Nyamira District where Nyamira town falls, because it is experiencing very high land pressure of 609 persons per square kilometre due to high population increase (Kenya, 2002b). Rural to urban migration is inevitable; therefore the need for sound urban management policies that will enable urban centres to be self-supportive in providing different services to the urban migrants and dwellers

Development of the urban informal sector activities (UISAs) will not only create employment opportunities and increased incomes of the urban dwellers, but also that of

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its rural umland through provision of goods and services. Commuters from the rural umland will obtain these goods and services without having to travel long distances to purchase them (Kaberere, 1987). This therefore gives the need of identifying the range and threshold of this sector's goods and services, as most scholars have argued that every urban centre performs central place functions for persons leaving within its boundaries. This includes connecting, transferring, disseminating and as channels for the flow of goods and services (Rondinelli, 1983; Obudho, 1988).

Whereas the UISAs in Kenya seems a solution to alleviating the problems of unemployment, rural to primate cities migration as well as the low standards living, this sector exhibits certain problems that hinder its growth and development (Okwiri, 1988). This therefore calls for the need to evaluate the nature of these problems and recommend ways in which they can be addressed.

1.2 Research Objectives

This study examines the aspects of the urban informal sector in Nyamira town, namely, employment and income creation capacity, range and threshold of goods and services, and problems affecting the growth and development of this sector. The specific objectives are to;

1. Establish whether urban informal sector activities in Nyamira town provide gainful employment.

2. Find out the range and threshold of urban informal sector goods and services in Nyamira town; and

3. Establish the problems affecting the growth and development of urban informal sector activities in Nyamira town.

1.3 Research Hypotheses

The following null hypotheses were formulated for the study.

1. H_{01}: There is no significant relationship between monthly profit margin and the entrepreneur's level of education.

2. H_{02}: Lack of adequate government support is not a significant problem that is affecting the growth and development of the urban informal sector activities in Nyamira town.

1.4 Justification of the Study

Kenya's urban centres like those of other developing countries are faced with the problem of unemployment and low standards of living. Two most important reasons for these are the high population growth rates of 3.34% per annum and rural to urban migration with an urban growth rate of 6.5% per annum (Kenya, 2002b). Though unemployment is a problem, both in the rural and urban centres, it is in the latter where its consequences are severe.

This situation can be explained by the existence of rural to urban inequality as a result of the colonial polarised development policies which resulted to unequal economic development in favour of the urban centres. In the early post-colonial period, there was mass rural to urban immigration in search of "greener pastures", and indeed, urban centres provided relatively higher incomes and standards of living as opposed to the rural areas, especially for those who were absorbed in the formal sector (Child, 1976).

Over the years there has been imbalance in income distribution and facilities between urban centres and the rural where the former discriminates over the latter(House,1976).

Nairobi and Mombasa have enjoyed a greater share, income and other infrastructural facilities mainly because most industries have been concentrated there. This has led to mass migration of people from rural areas to urban centres. However the government identified this problem and opted for the decentralisation of industries officially in 1984 in the District Focus for Rural Development (DFRD) policy. Focus on urban centres at the district level will therefore act as important stop gap for the otherwise potential primate city migrants, if they can generate gainful employment opportunities and provide goods and services.

Kenya's gross domestic product (GDP) growth rate declined continuously from a peak of about 6.5 percent per year during the first decade after independence to less than 4 percent per year in the following decade, to only about 1.5 percent per year during the 1990s. It has experienced an upturn to more than 5 percent per year since 2001 (Kenya, 1978; 1994; 2002b). Several decades of declining economic performance, combined with rapid population growth, translated over time into reduced income per head, increased poverty, and worsening unemployment. Between the 1970s and 2000, the number of Kenyans classified as poor grew from 29 percent to about 57 percent (World Bank, 1983).

The magnitude of unemployment differs from country to country; in Kenya, the problem is complex and multi-faceted. The labor market is characterised by urban open-unemployment estimated at 25%; under-employment mainly in the rural areas: and the working poor who are individuals working long hours but receiving low pay and remain below the poverty line, estimated at 46% in the rural areas and 30% in the urban areas (Onyango, 1978).

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It is the urban informal sector that seems a solution in improving the standard of living of not only urban fraternity, but also the rural folk through remittance. Studies done on the informal sector (ILO, 1972; Child, 1973; Ndua and Ngethe, 1984; Ndege, 1990) indicates that this sector is labour intensive, uses locally available raw materials, and appropriate technology, and therefore would be an alternative means of providing gainful employment to Kenya's mushrooming labour force.

Kenya's primate cities Nairobi, Kisumu and Mombasa, along with other major centres have faced a serious constraint in the provision of employment in the formal sector. For this reason Kenya adopted the decentralisation policies aimed at reducing the urban-rural inequalities, and subsequently control the rural to primate cities migration. These policies have achieved very little because the economy lacks the desired infrastructural and financial bases necessary to wholly implement them (Kenya, 1992a).

The government, in Sessional No. 1 of 1986 opted to concentrate the scarce resources for urban infrastructure in selected urban centres designated as rural trade and production centres (RTPCs) (Kenya, 1986a). The government foresaw that rural to urban migration was inevitable and therefore, a sound urban management policy was needed. Included should be policies that will enable these centres and their regions to be self sustaining (Kenya, 1986a). Promotion of this sector in these centres will not only be a stop gap measure to avert the rural to primate cities migration, but also provide incomes through remittance into the rural areas as well as goods and services.

Nyamira town is located in Nyamira district which is experiencing one of the highest population densities (515 persons per km^2) with a growth rate of 3.5% per annum

according to the District development plan of 2002-2008. the area had a total population of 498.102 persons in the 1999 census which rose to 618.115 persons in the year 2008 (Kenya, 2002b).

Due to the high population pressure on the scarce agricultural land and the large labour force. out-migration is inevitable (Nyang'au. 1992). Studies have indicated that out-migrants in search of employment and a means of livelihood opt to move to their nearest urban centres preferably, where they would operate from their homes (Onyango, 1978: Mabonga, 1986). Only when they cannot obtain reasonable employment in those centres do they prefer to move to the next higher order centres.

Given that Nyamira town lacks a sound manufacturing industrial base; her thinly veiled formal sector is not capable of absorbing the large labour force. Migration to the primate urban centres and/or other major centres will seem to be the only inevitable alternative. unless the informal sector is developed to provide them with not only gainful employment and income. but also affordable goods and services.

This study therefore intends to examine the aspects of urban informal sector activities in employment creation and determination of the range and threshold of goods and services as well as evaluating the problems affecting the growth and development of the informal sector activities.

1.5 Scope and Limitation of the Study

1.5.1 Scope

This study examined some aspects of the urban informal sector namely, its role in employment creation, range and threshold of its goods and services and the problems that affect the growth and development of this sector, using Nyamira town in Kenya as a case study. The scope of this study was therefore limited to the above broad objective.

1.5.2 Limitations

The main limitation of the study was a shortcoming in the secondary source of data. The researcher was unable to asses the desired secondary data, the available secondary data was more often outdated and/or incomplete. This problem was overcome by supplementing this source with up to date primary source of information from the field. Secondly, with the understanding that secondary data is information initially collected and intended for a different purpose, the data was use with caution. The other limitation was insufficient funds; this greatly narrowed the scope of this study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter seeks to review available relevant literature on the informal sector in general and on urban informal sector in employment creation, range and thresholds of its goods and services and problems that affect the growth and development of this sector in particular. This is done with a view of critically assessing their contributions, weaknesses and strengths which shall constitute the basis of this study.

2.1 Definition of Informal Sector

There is no global consensus of what the definition of informal sector is, nor is there a clear cut distinction between the formal and the informal sector. However, efforts have been made by different scholars (McGee, 1976; Omondi, 1987; Ouma, 1990) to define what the informal sector is, as well as distinguish it from the formal sector, by giving their unique characteristics. Up to 1972, the Government of Kenya (GoK) did not recognise the role played by informal sector in economic development.

The 1972 International Labour Organization (ILO) report became the turning point in understanding the nature of informal sector in Kenya. The report defined the informal sector as economic activities with the following characteristics: ease of entry, reliance on indigenous resources, family ownership of enterprises, small-scale operations, labour intensive, adopted technology, skills acquired outside the formal school system and regulated and competitive market (ILO, 1972).

On the other hand, characteristics of the formal sector activities are difficulty of entry, frequent reliance on overseas resources, capital intensive, large scale operation, formally acquired skills from expatriate, protected market and imported technology.

McGee, (1976) adopted the same definition of the ILO report but categorised the informal activities as legitimate or illegitimate. The former being socially accepted economic activities such as shoe-making, tailoring, street hawking, barber services, photography, bar attendants, household manufacturing of beer and spirits, vehicle repair, herbal medicine and private transfer of payments such as gifts. Illegitimate activities on the other hand would include services such as black marketeering, handling stolen goods, bribery, private transfer of payment such as petty theft, pick-pocketing, burglary, armed robbery, confidence trickery like money doubling and illegal gambling, among others.

Okwiri, (1988) defined the informal sector as including all those activities whose operators do not pay taxes to the state by virtue of the fact that they are not recognised by the state. Whereas this definition could hold for some of the activities like shoe shining, street hawking, and open air restaurants, the definition falls short of an account for other activities which are not necessarily formal but whose operators pay tax to the central or local governments. Such activities could include municipal market vegetable dealers, foodstuff kiosks, licensed herbal medicine and motor vehicle repair garages. It is notable that, though many small-scale businesses are licensed by local authorities, the fact that they are not listed with the registrar of companies perhaps makes them informal.

The Kenya National Bureau of Statistics (KNBS) defines the informal sector as those

business activities carried out in open air or temporary structures, with ease of entry or exit, with little initial capital outlay and no major administrative or legal formalities involved. Indeed informal sector activities require little capital by relying primarily on family savings and often provide skills and training at no cost to the government. Operators in the informal sector usually have no legal or formal qualifications such as government trade tests (KNBS, 2003).

Haggins, (1968) referred to the informal sector as the traditional or retarded sector in which techniques of production are traditional and highly labour intensive, but correspondingly low productivity. In his opinion, Haggins regarded the sector as insignificant and therefore plays no major role in our economy. Whereas Haggins opinion would hold especially in the period before 1970s, other findings, including the ILO (1972) report indicated that the sector employed a third of the total labour force in Kenya. The report described the sector as dynamic. The view held by Haggins that the sector is non-dynamic, stagnant and last resort' for those who cannot join the formal sector has received a lot of criticisms among others (Child 1973; Omondi 1987 and Ndege, 1990).

It is true from this literature review to say that there is no universal definition nor is there a clear cut distinction between the formal and the informal. One will only to some extent be able to distinguish between these two sectors by examining the distinct characteristics of an enterprise. For example, taking formal training as an index of distinction, a motor vehicle mechanic running a garage could be classified under the informal sector, while a trained medical doctor running a private health clinic may not necessarily be categorised as belonging to the informal sector. Both operators have received some formal training.

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and are self-employed but, perhaps the only difference is that the former operates in open or temporal structures and have invested very little, while the latter may have invested heavily and his/her activity is not necessarily labour intensive.

In view of all these, the ILO definition of the informal sector as, economic activities with the following characteristics; ease of entry, reliance on indigenous resources, family ownership of enterprises, small-scale operations, labour intensive, adopted technology, skills acquired outside the formal school system and regulated and competitive market was adopted for this study.

2.2 Theoretical Bases of Literature Review

Planners all over the world are faced with the crisis of the growth of large cities such as New York, Sao Paulo, Bombay, and Lagos. Governments of LDCs have come up with policies aimed at controlling their growth which causes a crisis in housing, infrastructural facilities, pollution and unemployment, among others. When the cost of providing these services supersedes the benefits that accrue, then a city is said to have overgrown its optimum size. This size varies from country to country, and from region to region (Obudho,1984 and 1988).

It is for this reason that LDCs have opted for policies aimed at decentralising economic activities from primate cities to intermediate urban centres. These centres are assumed to be stimuli for economic growth of their surrounding regions, by the government investing capital and locating large industries in these selected centres. Growth is expected to occur through the multiplier effect and by cumulative causation.

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By locating industries in the new urban centres employment opportunities are generated, income earned by the local community and provision of better infrastructure, which in turn will be a basis of attracting further investors and the cycle continues. Despite this, however, the concept of growth poles has not worked especially in the LDC's partly because of scarcity of the required capital for infrastructural base and investments necessary before one can "reap the spread effect". It is noted that, when investments are concentrated in a given centre it means other centres are denied, in essence the small urban centres. One implication of this policy is that, denied areas are subject to decline and people in these centres are subject to poverty, unemployment, and therefore left with the option of migrating to primate cities. Whereas such centres are expected to benefit from the spread effects, the backwash effects are more (Darkoh, 1977).

The growth pole theory can be regarded as an umbrella concept embracing a large number of one or more specific theories dealing with the problem of societal development. Development in essence is selective and polarised in its initial stages (Moseley, 1974). Theories such as that of central place and core periphery have attempted to explain this. Perroux, (1955) has argued that growth does not begin every where at once, but rather it first manifests itself with variable intensities as points, or growth development poles, from which it spreads along diverse channels and with varying terminal effects to the entire economy (Perroux, 1955).

Perroux was more concerned with development which he viewed as the process of structural change. His approach was multi-dimensional in that, he looked at growth and structural change in social systems in the economy and in geographical space as well. He looked at space as a field of forces and argued that, development was imbalanced, it

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took place first at key nodes from which development impulses spread to other objects. He further argued that, it is the propensity of the key nodes to adopt innovations that assures their development. Innovations, new ideas and new processes are the driving forces of development, and are most easily adopted at the foci or the nodes. He called these nodes growth poles.

The term growth, like growth centres is highly abstract. When talking of growth, one needs to specify the growth of what, because economic growth, social or even political advancements would be regarded as growth. Equally, growth centres should be able to stimulate further growth for their umlands. Studies have found out that, excessive growth of primate cities have caused economic inequalities between regions, where the rural areas have lagged behind due to slower rate of growth, unemployment and out-migration because of low per capita income (Darkoh, 1977).

It is for this reason that MDCs and the LDCs have adopted policies of concentrated decentralisation which is the essence of the growth centre theory which in this study is approached as the role of urban sector in employment creation, and sources of income and provision of goods and services to the urban dwellers and its spread effect realised through remittance and supply of goods and services to the rural areas.

This study is equally based on the non basic concept also known as the economic base concept. This theory states that, two types of activities or functions exists namely, those that are necessary for urban growth and those that exists primarily to supplement those necessary functions. The former are called basic functions, or city forming activities. They are manufacturing, trading, or provision of services for populations outside the city

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boundaries.

Economic functions primarily of a city serving nature are called non-basic functions. Non-basic functions include grocery stores, restaurants, furniture stores, beauty saloons, among others. They are economic activities that cater for residents within the city itself. Of these two, the basic functions are the key to the levels of growth in urban population, employment and income. From the exports sold, the city generates money for reinvestment, which is further reinvested with a multiplier effect, hence increased economic growth, which is the basis of urban growth and sustenance (Friedmann, 1966). This study examines their intertwined role in the socio-economic development of the urban fraternity and the rural folk through remittance

The multiplier effect can explain urban economic growth in the following chain reaction effect. For example, location or expansion of an industry in an urban area will create employment leading to increased demand for housing and other service industries, which will also employ more job seekers. For every new job created in the factory, a number of several other new jobs are created in the community, or the local economy. This, according to Myrdal, (1957) is called the principle of circular and cumulative causation. In other words, growth tends to breed more growth, and while on the other hand, it can have a reverse effect, such that, when one factory collapses, it causes a chain decline in other industries till the entire centre dies off.

Short, (1984) has argued that one index that can be used in measuring the economic base of a city is the size and proportion of the labour force in the industrial sector. We can also use the index of an industry's share in the local employment, to its share on national

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employment. We can also use the ratio of the city's share of national employment in a particular industry, to the city's share of the total national employment. If the ratio reveals a higher concentration at the city level than at the national level, the city is considered to have a strong economic base.

Finally, this study applied Walter Christaller's (1933) Central place theory, which was modified by Losch, (1940). However, its application in totality was beyond the scope of this study. In propagating this theory, King, (1984) argued that there are laws that determine the size, number and distribution of central places. Urban areas are intertwined with their surrounding rural areas. Christaller made several assumptions so as to reach this economic interrelationship between rural and urban areas, namely that:

(i)   there exists a homogeneous flat plain whose population is evenly distributed.

(ii)   travelling across this plain was equally possible, and the cost of transportation of goods only a function of distance.

(iii) Producers of goods and services were rational to maximise or minimise the prices of their goods, and that consumers would only go to the nearest central place that produce the goods and services that they demand.

It is notable that, Christaller studied urban centres of southern Germany using telephone contacts as a measure of centrality. He observed that some cities were more central than others due to their historical development, landscape, soil fertility, drainage, among other factors which all distorted the neat hexagonal pattern which seems a perfect theoretical model of the market maximization.

In view of all these, Christaller defined the threshold as the minimum amount of sales needed per time period to bring a firm into existence, and keep it in business. This is determined by the type of good or services, its price and the number of people living within that region. On the other hand the range for a firm selling a good or service is the average maximum distance people are willing to go to purchase it.

For example a grocery has a small threshold and range compared to a jewellery shop since the former requires only a small local population to keep it running, while the latter needs a larger local population to keep it in business. Goods and services with a large threshold and extensive ranges are termed as high order goods, while those with small ranges and threshold are lower order goods. The former are located in the large towns with large populations.

Central places provide goods and services to their surrounding areas and they form a system of hierarchy. Small urban centres provide lower order goods and services while the large central places provide high order goods and services together with lower order goods and services. The market area commanded by a central place was represented by a hexagon.

Christaller, (1933) defined the upper limit of his hexagonal pattern as the furthest distance the dispersed population is willing to travel in order to buy a good offered by a central place. The more expensive the good, the larger the distance the person is willing to travel hence the wider the upper limit and vice versa. He defined the lower limit as the minimum amount of consumption of a good needed to pay for its production or provision in a central place.

In the application of this theory, one has to be cautious of its basic assumptions because nowhere do we have an urban hierarchy system that fulfils these assumptions. However, the theory forms a framework that has been used by many scholars (Obudho, 1989; Ngau, 1979) in the analysis of certain problems of spatial and regional development planning such as settlement patterns and in this study, the provision and supply of informal sector goods and services in Nyamira urban centre.

2.3 Empirical Bases of Literature Review

According to the National Development Plan (2002-2008), Kenya's population which was 11 million in 1969 was projected to be 32 million by the year 2009 and grow at a rate of 2.69 percent per annum (Kenya, 2002a). The urban population grew rapidly from 2.3 million in 1979 to about 5.2 million in 1992 at a growth rate of 6.5% and is projected to grow at a rate of 4.4% per annum in 2015 (World Bank,2007).

The 2002-08 Nation development plan's overall theme is 'Effective Management for Sustainable Economic Growth and Poverty Reduction', affirms the government's commitment to ensuring sustainable development and improved standards of living for her people. This would be achieved through, among other things reduced widespread rural and urban poverty. The plan noted that the high population growth rate of 3.3% p.a. has led to diminishing land population ratio and high growth rate of urban centres, which in turn has led to spontaneous slum development, unemployment, underemployment among other socio-economic problems. The youth unemployment rate increased from 12 per cent in 2008, to 15 per cent in 2009 (ILO, 2009).

This statistics indicates to us how serious the unemployment problem is in Kenya, and

the extent to which the formal sector is unable to address the problem. The informal sector plays an important role in supplementing the formal sector, and indeed the sector has employed up to 40% of the total labour force in Kenya (Kenya, 2002b).

Sessional Papers No.1 of 1986, No. 1 and 2 of 1992 all emphasized the need to develop the informal sector as a primary means of strengthening Kenya's economy (Kenya, 1986a; 1992a). This was also highlighted in the 2002-08 National development plan. During the 2002-08 development period, Kenya targeted to create 3 million new jobs of which 500,000 (31%) was expected to be created by the informal sector. It is for this reason that the GoK emphasized the need to promote growth and development of the informal sector.

While the ILO, (1972) report on Kenya provoked a worldwide awake on the potentiality of the informal sector in providing incomes and employment in the rapidly expanding cities of the LDCs, the government of Kenya accepted its recommendations officially in the Sessional Paper No. 10 of 1973 on employment (Kenya, 1973). It also pledged to increase employment opportunities in the sector by 7.5% per annum in the 1974-78 development plan period (Kenya, 1974). The GoK, in these two policy documents accepted in principle, the need to expand the growth of this sector, thereby increasing employment opportunities in the sector by 7.5% per annum

Several scholars (ILO, 1972, 1973; Hart 1971, 1973; Child, 1976; Kaberere, 1987; Onyango, 1978; Mabonga, 1986; Amunga, 1984; Adagala, 1982; Wesley, 1984; Mathur, 1993) have studied the role of the informal sector in solving unemployment problem not only in Kenya, but also in LDCs. These scholars found that this sector significantly

creates employment at a higher rate compared with the formal sector.

Onyango, (1978) defined employment problem as the lack of adequate jobs in the monetary sector and its magnitude measured in terms of the number of persons in the working age who do not have jobs in this sector. Excluded from this number were those in the working age but undergoing training in academic institutions. He observed that, as a proportion of the total population, the magnitude of the problem was a growing function of time. When population grows rapidly, the composition of its age structures also change, and an increase gradually in the labour force (15-45 years) will occur putting a strain on the available job opportunities, pressure on the available land, hence compelling people to migrate elsewhere most probably to urban areas to look for alternative means of livelihood, and therefore creating unemployment especially if the economy does not grow at a comparable rate.

According to Rampel, (1974) the informal sector incorporates these very different groups of people, whom he calls 'the community of the poor' and the small scale entrepreneurs, these two, he termed as the intermediate sector. Their role in overall national economy cannot be underscored. He observed that labour force is a nation's asset if there is employment, but a liability if there is none. It is in this light that the informal sector has been emphasized as an alternative means of creating incomes and creating employment to assist the strained formal sector.

Because majority of the developing countries live below the United Nation's poverty line, there is need to mobilize finances from both the formal and the informal sectors so as to provide for the entire nation's needs (Ouma, 1990). This will greatly contribute

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towards solving unemployment and poverty that exists more especially in urban centres.

Similarly, Hart, (1973) in his study on employment in Ghana's urban centres retorted that, the urban informal sector should be encouraged if it is helpful to the urban poor rather that whether it is economically productive.

Mabonga, (1986) in his study on Kenya's informal sector found out that the relationship between the formal and informal sector is exploitative where the former is exploited through capital flow, raw material transfer, as well as labour transfer. He also found out that the informal sector is subordinated by the formal. The latter lends raw materials to the informal sector, credit in turn for finished products and hence the dependency and exploitation. He recommended direct financial assistance by the government to alleviate this problem and further observed that, the informal sector is a major asset in curbing the urban poverty situation in Kenya, though he did not identify problems affecting the growth and development of the sector in particular.

According to Maina Wanjigi, (1983) report on the Presidential Committee on Employment, Kenya needed to create nearly 250,000 new jobs per year for the young people joining the labour force (Maina, 1983). Kenya's formal sector can only generate a few job opportunities while the informal sector has greater potentialities of absorbing a substantial fraction of the labour force.

Research done by Child, (1976) in Kenya found out that the informal sector offers favourable return to scarce capital, generates productive jobs, low investments per job, utilizes savings otherwise not available and develops new skills at low cost to the

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society. The formal sector on the other hand in the LDCs is predominantly urban and industrial, uses modern methods of production and is capital intensive. He found out that the formal sector on average employs only 20% of the total labour force in the LDCs. With a labour force growth rate of about 3% per annum, unemployment is bound to remain a major crisis. The informal sector unfortunately up to recently has been looked upon as a socio-economic problem or at least in his view an example of backwardness. His study revealed that capital requirement per job created by these firms (small scale enterprises) is low, much lower than that in the formal sector. The return on capital invested is more favourable than the return ordinarily available in the formal sector. He also found out that the wages earned by workers in the informal sector compares favourably with the working class incomes of the formal sector, and exceeds wages in commercial agriculture.

If these findings are anything to go by, then it could be recommended that the GoK and those of the LDCs strongly support growth of the informal sector by making the necessary institutional structural adjustments, and policy changes necessary in the development and growth of this sector. It is notable that the GoK has recognized the importance of this sector and has strongly supported its growth and development. Among some of the efforts made by the GoK in promoting the sector are outlined in the following official government documents. Sessional Papers No. 10 of 1973 on Employment; No. 1 and 2 of 1986 on Economic Management for Renewed Growth; The Presidential Committee on Development and Employment in Kenya of 1991; Sessional Paper No. 1 and 2 of 1992 on Employment, Small Scale Enterprises and National Development Plans of 1974 to 2008 (Kenya, 1973, 78, 83, 86a, 89, 91, 92a and b, 94 and 2002a) .

The Sessional Paper No. 10 of 1973 is the single most important government document that officially recognized the importance of the informal sector, the existence, magnitude, and plight of the unemployed and working poor (Kenya, 1973).This paper recognized that unemployment and underemployment problem is deeply rooted in the colonial policies of dualistic economy and society, an economy that served the interest of the Whites and elites. The colonial government favoured urban workers by developing their infrastructural facilities and offering them relatively better wage payments. After the removal of the colonial restrictive migration act, there was mass migration into the urban areas especially the primate cities of Nairobi and Mombasa worsening the unemployment problem in these cities.

The government in that Sessional Paper No. 10 of 1973 outlined its employment policies which included the need to introduce technical subjects in secondary schools like agriculture and metal work and the establishment of village polytechnics and technical institutes to offer training for school leavers and drop-outs in subjects such as carpentry and tailoring. Lastly the government through the ministry of trade extends small-scale loans to small enterprises through its agents such as the Kenya Industrial Estates (KIE) and the Industrial and Commercial Development Corporation (ICDC). All these policies did recognize the important role to be played by the informal sector in creating employment and incomes to the rural and urban poor as was recommended by the ILO, 1972 and 1973 reports.

The major problem facing government planners in Kenya is to guide the economy so that it creates employment for her rapidly growing population (Kabagambe, 1975; Kaberere, 1987). As of now, though the government has tried to assist this sector, most

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entrepreneurs rely heavily on personal and family savings for investments, and they are operating under very difficult conditions and therefore forcing them to operate from temporal structures or the open air.

One of the most disappointing features of governmental planning process in LDCs has been its failure to systematically and comprehensively recognize the contribution of the informal sector to development management processes and in turn to recognize the effect of these processes on the sector. Most development plans are clearly weighted in favour of formal sector enterprises (Mathur, 1993). For a sustained economic growth, the informal sector cannot develop independently of what goes on in the rest of the economy as the two sectors are dependent on each other through either input or output linkages (Mabonga, 1986).

It is for this reason that Kenya and the rest of the LDCs need to identify management tasks for the sector's levels of management intervention and appropriate institutions necessary for the growth and promotion of the informal sector. Managing the development of the informal sector will involve structural adjustment necessary in creating a policy environment in which the informal sector may develop in response to the impulses of the overall economic growth, and identify those components of existing policies and frameworks that hamper its development (Mathur, 1993).

Research done by Richardson. (1993) in Asia found out that most third world cities absorb nearly one-third of the economically active labour force in the informal sector. Though this sector has over the years been regarded as a stopgap measure that one engages in seeking employment in the informal sector it is found that many chose

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informal sector work because of its associated flexibility, lifestyle, freedom and higher earnings. He observed that the two economies is inseparable and that the two are linked to the productivity and marketing requirements of large corporations including multinationals. This view ties with that of (Willings, 1984)) who asserted that the determinants of the rate of growth of the informal sector are based on the marginal propensity of the formal and the informal sectors to consume the latter's goods.

Considering the foregoing theoretical and empirical overview, it is evident that the urban informal sector is to play an increasingly important role of employment creation and raising the standard of living of its rural umland by providing affordable goods and services and by remittance for family upkeep.

This study intends to contribute to the existing literature on the urban informal sector by examining the sector's capacity in employment creation, provision of goods and services and evaluating the problems that hinder its growth, using Nyamira as a case study.

2.4 The Conceptual Framework

The economic base of Nyamira town and by extension Kenya is broken broadly into formal and informal sector. These two sectors are interrelated in the transfer of raw materials, finished goods, capital flow, labour and technology (Mabonga, 1986).

The formal sector in Kenya has been faced with constrains in the provision of employment for her mushrooming labour force because of the increasing labour force as a result of rapid natural population increase and lack of a sound industrial base (Kaberere, 1987).

Industrialization in Kenya which is the basis for the formal sector is based on import substitution, technology that is foreign owned, skill and capital intensive (Stewart, 1981). On the other hand the ILO, 1972 report found the informal sector with the following characteristics, ease of entry, reliance on indigenous resources, family ownership of enterprises, small-scale operations, labour intensive, adopted technology, skills acquired outside the formal school system and regulated and competitive market (ILO,1972).

This research studied the urban informal sector and considered the trade and service sub-sectors. The study seeks to establish what role this sector plays in the urban and rural economic growth by creating gainful employment and the provision of goods and services for urban dwellers, who are potential migrants to primate cities. This migration is as a result of high population pressure on the available land in the rural umland.

The urban informal sector is capable of inducing development to its rural umland through supply of goods and services as well as through regular remittance back into the rural. The sector can also curb rural to primate cities migration by creating employment for its dwellers.

Whereas this sector has the potential of alleviating these problems of unemployment, rural to primate cities migration and low living standards, the sector exhibits certain problems that hinder its growth and development. The nature and causes of these problems is evaluated in this work and recommendations on how they can be addressed made. Figure1.1 depicts this conceptual framework.

Figure 1.1: Conceptual frame on the role of the informal sector in rural and urban economic growth.

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                    ┌──────────────────────┐
                    │    URBAN  ECONOMY    │
                    └──────────────────────┘
                               │
            ┌──────────────────┴──────────────────┐
            ▼                                      ▼
      ┌──────────┐                          ┌──────────┐
      │  FORMAL  │◄────────────────────────►│ INFORMAL │
      └──────────┘                          └──────────┘
            │                                      │
            │                    ┌─────────────────┴─────────┐
            │                    │  SERVICE AND TRADE        │
            │                    │  SUB-SECTORS              │
            │                    └───────────────────────────┘
            │                                 │
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   ┌───────────────────────────┐              ┌───────────────────────────┐
   │  URBAN ECONOMIC GROWTH    │──────────────│  RURAL ECONOMIC GROWTH    │
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   ┌──────────────┐   ┌──────────────────┐   ┌──────────────┐
   │ EMPLOYMENT   │   │ SUPPLY OF GOODS  │   │ REMITANCE TO │
   │ CREATION     │   │ AND SERVICES     │   │ RURAL AREAS  │
   └──────────────┘   └──────────────────┘   └──────────────┘
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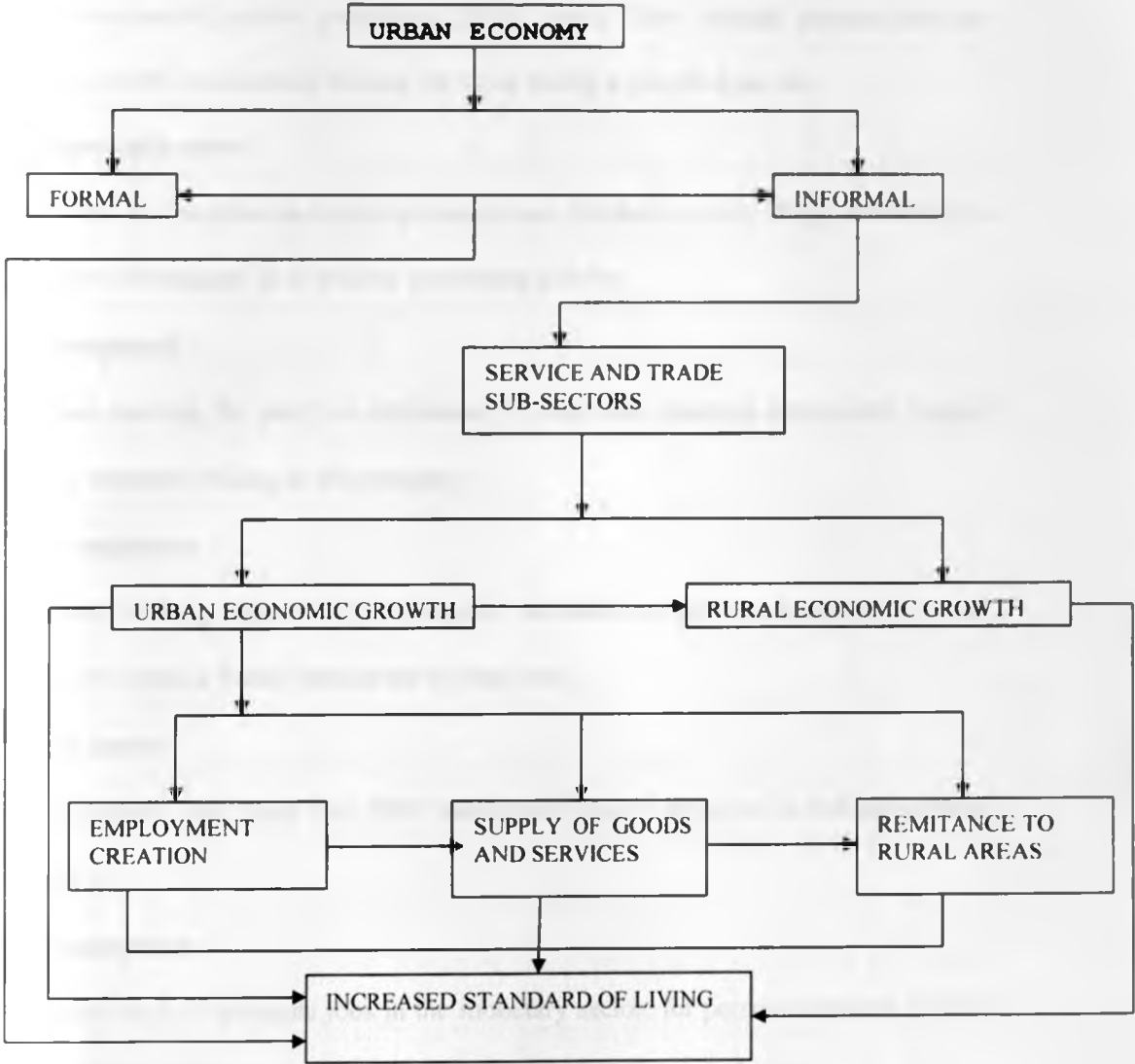
Source: Perceived by Author

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2.5 Operational Concepts and Definitions

Labour Force

The economically active population (15-65 years). They include persons who are either at work or elsewhere looking for work during a specified period.

Economically active

Members of a population including housewives, children retirees of age between (15-55) who are engaged in an income generating activity.

Self-employed

Persons working for profit or subsistence in their own business enterprises. Unpaid family members belong to this category.

Paid employees

Persons working for a salary, or wages. Included are persons temporarily not at work, but retain a formal attachment to their jobs.

Urban centre

A settlement with more than 2000 inhabitants mainly engaged in non agricultural activities.

Unemployment

Refers to lack of adequate jobs in the monetary sector, for persons between (15-65) years. Those undergoing training in academic institution are excluded.

Underemployed

Refers to different types of labour under utilization, for example, those working for less than the normal duration of time require for that activity.

Range and Threshold

Threshold refers to the minimum profit margin required by an enterprise to keep in business, while range refers to the geographical area which a given enterprise serves

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the research methodology employed in data collection and analysis. The aspects dealt with in this chapter include the sampling design, sources and methods of data collection, techniques of data analysis and interpretation of the results. Data on employment creation, range and threshold of goods and services as well as the Problems affecting the growth and development of informal sector activities in Nyamira urban centre was collected and analyses.

3.1 Sampling Design

An ideal field study usually is that which is based on the total population. However, it is not often possible to consider all the population because it is time consuming and expensive to conduct and may result to enormous data whose analysis could be time consuming. It is for this reason that a few elements of the population are selected. This process is called sampling. It is important when sampling to ensure that the sample arrived at is unbiased and representative of its parent population (Prewitt, 1974; Gregory, 1981).

In this study, stratified random sampling procedure was used. First, the universe from which a working population was to be drawn from was identified as all the urban informal sector activities in Nyamira town. This included activities in the manufacturing, trade and service sub-sectors.

The working population for this study consisted of all urban informal sector activities

within Nyamira town in the trade and service sub-sectors. The manufacturing sub-sector was ignored because most studies done (Onyango, 1978; Kaberere, 1987; Bowa, 1987) have considered this sub-sector. The researcher conducted a baseline survey in Nyamira town enumerating all informal sector operators in the trade and service sub-sectors separating these activities into their categories (Table 3.1). A total of 364 operators were enumerated. This constituted the sample frame.

From the sample frame of 364 enumerated operators, a sample of 117 respondents was drawn randomly by picking on every third operator from a random start for every category. The derived sample of 117 respondents constituted 33% of the sample frame drawn (Table 3.1). Finally, a questionnaire (appendix 2) was administered on the selected sample of 117 respondents.

Table 3.1: Enumerated UISAs in Nyamira town.

Informal Sectors Activities by Category	All Enumerated Enterprises	Number of Enterprises Sampled
Trade		
Cooked foodstuffs	17	6
Uncooked foodstuffs	19	6
Painting/Curving	11	4
Sign Writing	14	5
Second hand clothes selling	20	6
Charcoal dealers	18	6
Newspaper vendors	16	5
Hawking and general retail	25	6
Services		
Bicycle repair	14	5
Shoe repair	15	5
Vehicle repair	19	6
Radio repair	15	5
Watch repair	12	4
Hand carts	20	6
Cloth repair	23	8
Furniture repair	15	5
Barber/saloon	22	6
Padlocks and lamp repair	14	5
Shoe shining	16	5
Photographing	17	6
Dry cleaning	9	3
Blacksmith	7	2
Battery charging	6	2
Total	**364**	**117**

Source: Field Survey.

3.2 Sources and Methods of Data Collection

Primary and secondary sources of data were employed in this study. The primary source of data is the information collected from the field by the researcher. The following methods were employed

i) Researcher made personal observations in the field and recorded them using a

pen and field note book. Other observations were recorded using a camera.

ii) The researcher administered a questionnaire on the respondents sampled for the study (Appendix 2). A separate questionnaire was also administered on local government officials (Appendix 3).

iii) Relevant information was also sought from central government departmental heads in Nyamira.

The researcher also collected and made use of secondary data. This included reviewing written literature in books, journals, GoK publications and unpublished scholarly works.

3.3 Data Requirements

So as to meet the objectives of this study, the following related data were collected from both primary and secondary sources.

(i) Data on the social economic background of the operators such as the literacy levels of the operators and income generated by the sector.

(ii) Data on the role of the urban informal sector in creating meaningful and gainful employment. This data included, the number of persons employed by a firm, amount of income generated, number of persons supported by the sector, and monthly remittance for family upkeep in rural areas.

(iii)Data on the range and threshold of the urban informal sector goods and services. This included information such as the area served by an enterprise measured in kilometres, net profit earnings per month, and the anticipated income required income to keep an enterprise in business.

(iv)Data on the problems affecting the growth and development of this sector. Such information included, facts on the ownership of premises, access to social amenities, and financial constrains.

(v) 3.4 Procedure of Data Analysis

After data was collected from the field, the researcher edited the information to check for any omissions and errors in data entry and made the necessary corrections. Questions that were open ended were coded and entered into the computer for analysis .Statistical package for social sciences (SPSS) programme was used.

3.5 Transformation of Data

Before field data was used in the analysis, it had to undergo three transformations to bring it in line with requirements/assumptions of the techniques used namely, correlation analysis, factorial analysis and chi-square. The data was first transformed using logit transformation of the percentage variables.

The second transformation done was that of ensuring that data is normally distributed because, relationship between all pairs of variables tends to be linear and so correlation coefficient requires that relationships between pairs of variables are linear. Lack of which, the coefficient tends to underestimate the amount of association existing between the data. The variances of the variables are usually homogenous (homoscedasticity) as the number of estimations change. Lack of this condition is called (heteroscedasticity) also leads to misleading correlations coefficients (Hammond and McCullagh, 1978: Johnson, 1978).

The third transformation done on all data matrix was to overcome the limitation of comparing data expressed in different units of measurements. The data was transformed into standard scores to reduce them into common units and to make them comparable. The essence is to remove the differences in mean and standard deviations between

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variables from their covariance. (Ebdon, 1990; Harper, 1991). All these transformations were done using an SPSS computer programme because these calculations are enormous.

3.6 Methods of Data Analysis

Data collected from the field was both qualitative and quantitative in nature so, both qualitative and quantitative methods of data analysis were used in this study.

3.6.1 Qualitative Analysis

Qualitative methods of data analysis are those that are descriptive in nature. These methods were employed because they are able to summarise large quantity of data. Those employed in this study included frequency distribution tables, percentages and averages among others. SPSS computer software was used in this analysis.

3.6.2 Quantitative Analysis

The quantitative statistics utilized in this study are: Persons correlation coefficient, chi-square and principal component analysis (PCA). These statistics were opted for in view of the fact that they could test for significance of differences between samples without considering whether or not the data was normally distributed. It is important to ensure normality in parametric statistics if inferences are to be made of the parent population, otherwise the results would be misleading (Blalock, 1972; Mathews, 1993).

In testing for the overall variations and similarities between sets of data, and degree to which one data set is correlated with variables in another data set, the Spearman's correlation coefficient statistic was used. The calculated value **r** can vary between +1.0

(indicating a perfect positive correlation) through 0 (indicating no relationship), to -1.0 (indicating a perfect negative correlation).

The chi-square goodness of fit (X^2) was used to test the hypothesis on role of the urban informal sector in employment creation. Chi-square is a non parametric statistic that is used in comparing counted data that is observed distribution in the field, with another set determined by the null hypothesis (H_o) also called the expected distribution (King, 1969; Yeates, 1974; Onyango, 1987). SPSS computer software was used to compute it.

PCA was used in this study to test the hypothesis related to the problems affecting the growth and development of this sector. This technique reveals the order, pattern, regularity and interrelationships existing among sets of variables. The statistic reveals existence of variations in sets of variables which are inputs of regression model (Johnstone, 1978). The statistic is used to transform a set of variables to a new set of orthogonal (independent of each other) factors to enable one explore the underlined structure. Finally, it is used in achieving parsimony in data description (Ngau, 1979)

Factor loadings are the correlation coefficients between variables and factors. Squares of any factor loading indicate the proportion of the variance in the variable which is accounted for by the factor. Variables that are highly associated with the factor will load highly on them: hence factors are identified on the basis of variables that load highest on them. Most studies (Rammel, 1970; Clark, 1974; Ngau, 1979) used the plus or minus 0.5 loadings as cut off for identifying factors. This criterion is adopted in this study.

Communality is the proportion of the variance in the variable accounted for by all the

factors. It is the sum of squared loadings for each variable. A small communality value indicates that the variable contributes little in the pattern of relation of the data, meaning, it has large unique variance. This unique variance can be determined by subtracting the communality from the total variance of the variable (Harman, 1960).

The eigen value indicates the total amount of variants explained by the factor (Johnstone, 1988). It is the sum of the column of squared loadings for each factor. The percentage total value indicates the percentage of variance among the variables accounted for by the factor.

This study applied the varimax factor rotation. It is called varimax, because it seeks to maximise the variance of the loadings for only sum of the variables on each factor. This rotation attempts to ensure that a variable loads only once in a factor. Varimax rotation maximises the variance of the loadings and produce factors that are (orthogonal) independent of and uncorrelated to each other. Its results are simply a structure of rotated factor matrix. The rotated factors are easier to interpret because only the variables forming the groups load highest on them (Daultreys, 1979; Goddard, 1978). In this study, factors with a loading of plus or minus 0.5 were considered as belonging to a given factor. SPSS computer package was used do these computations.

Finally, re-grouped variables which load highest in every factor are examined to establish their interrelationship in an attempt to give that particular factor a name. This part is most interesting since it is purely under the discretion of the researcher to rename the set of factors extracted.

3.7 The Study Area

This section examinee the physical and human economic back ground of the study area. Nyamira town was taken for this study, and constitutes the study area.

3.7.1 Physical Background of Nyamira Town

Nyamira town is located in the large Nyamira district which is now known as Nyamira county. The town is the headquarters for Nyamira district. Its geographical location is shown in (fig 3.1).

Nyamira town receive between 1200mm - 2100mm of rainfall, long rains falling in the month of March to June while the short rains in December to January. The town receives temperature ranging between 10^0C at night to 29^0C during the day. Average daily temperature is 19.4 ^{0}C. The topography of Nyamira district where Nyamira town is located is predominantly hilly. The town is built at an altitude of 1800 metres above sea level. There is Sironga swamp which is within Nyamira township which is been utilized for bricks making and roof files by the lake basin development authority (LBDA) and the local community (Kenya, 2002b).

3.7.2 Economic Background of Nyamira Town

Nyamira town is mainly a commercial and administrative centre. The town is one of the urban centres in the large Nyamira District with a population over 2000 people. The others being Karoka and Nyasiongo. The town has a total population of 124,121 people. Other than the brick making and roof tiles at sironga, the rest of the economic activities are trade and service.

The commercial sector is dominated by retail and wholesale traders, public transport, hotels and restaurants, construction, insurance, real estates, and general merchandise. The public sector consists of central government department, local government and parastatals.

The thinly veiled formal sector limits the extent to which this sector can provide adequate solution to the social economic development of the town in particular and the district in general. Its rate of expansion is very slow given that it requires large capital for investment and therefore cannot absorb the large swelling district labour force.

The informal sector on the other hand is subdivided into manufacturing, trade and service sub-sectors. The town lacks a sound manufacturing industrial base. Activities in this sub-sector include; metal goods fabrication, tailoring, shoe and bag making, while those in the trade and service subsectors which form the basis of this study are outlined in (Appendix 1). The size of this sector is not known precisely considering that majority of the operation are mobile and are not licensed.

In the social sector Nyamira town is served with piped water which is obtained from river Eaka. The town is supplied with electricity under rural electrification programme. There is a sewage drainage system which is serving only the district hospital and the hospital staff houses. The town has one district hospital, 4 privately own and 2 mission hospitals. The town is served with 8 primary and 3 secondary schools.

3.7.3 Challenges Facing Nyamira Town

The major challenges facing Nyamira town are:

1. The town lacks proper town planning; there is no comprehensive physical development plan for the town to assist in setting aside industrial plots, residential sites and put up recreational facilities (Kenya 2002b). This town is already proposed for municipality status.

2. The town experiencing a shortage in housing; there are no good residential houses in the town. Those available are single rooms in the highly congested areas.

3. The town lacks recreational facilities; the town does not have a stadium, show ground and social halls.

4. The town lacks a sewage drainage system; Other than the sewage that was built to serve the district hospital, the rest of the town does not have any sewage drainage system.

5. Town lacks proper garbage collection system in place; town council has only placed a few employees who collect garbage at the market area and bus terminus.

6. Poor roads; other than the main street that is termacked, the rest of the streets in the town are loose surface roads which are poorly maintained considering that the town do receive heavy rainfall throughout the year.

SUDAN

ETHIOPIA

UGANDA

Lake
Turkana

40°E

4°N

NORTH

EASTERN

S O M A L I A

WESTERN

R I F T   V A L L E Y

E A S T E R N

0°

NYANZA

Nyamira

CENTRAL

Lake
Victoria

NAIROBI

T A N Z A N I A

COAST

I N D I A N

O C E A N

4°S

4°S

36°E

40°E

Legend

———··—— International Boundary

———·—— Provincial Boundary

▨ Nyamira District

● Nyamira Town (Study Area)

Source: Survey of Kenya
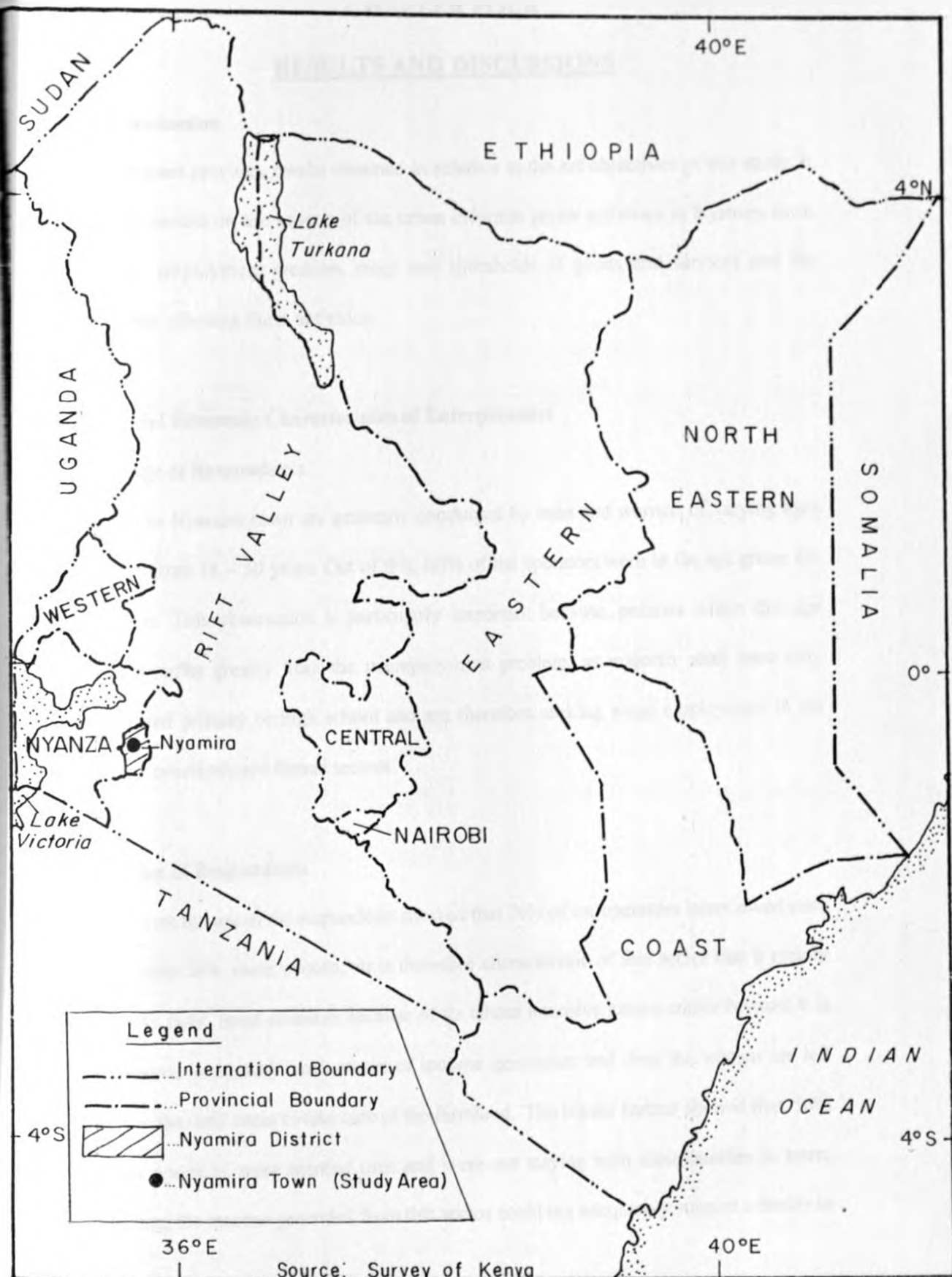
Fig. 3·1: Location of Nyamira Town in Kenya

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CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 Introduction

This chapter provides results obtained in relation to the set objectives of this study. It presents results on the aspects of the urban informal sector activities in Nyamira town namely; employment creation, range and thresholds of goods and services and the problems affecting these activities.

4.1 Social Economic Characteristics of Entrepreneurs

4.1.1 Age of Respondents

UISAs in Nyamira town are generally conducted by men and women of varying ages ranging from 18 – 50 years. Out of this, 60% of the operators were in the age group 20-25 years. This observation is particularly important because, persons within this age bracket suffer greatly from the unemployment problem, as majority shall have only completed primary or high school and are therefore seeking wage employment in the already overburdened formal sectors.

4.1.2 Sex of Respondents

Results on the sex of the respondents showed that 76% of the operators interviewed were men while 24% were women. It is therefore characteristic of this sector that it mainly employs male, most probably because of its labour intensive nature and/or because it is considered as an additional source of income generation and thus the women are left back in the rural areas to take care of the farmland. The results further showed that, 56% of the operators were married men and were not staying with their families in town, meaning, the income generated from this sector could not adequately support a family in

town, but resulted to as an additional or as a supplementary source of income to farming activities in the rural areas which is left to be done by wives at home.

4.1.3 Area of Origin

From the study it was found out that 83% of the operators came from within Nyamira district while 17% originated from surrounding districts. From this one could deduce that, the urban informal sector employs persons mainly from the district who are potential migrants for major urban centres like Nairobi. Based on these finding, we can argue that urban ISAs play a key role in curbing potential migrants to major urban centres.

4.1.4 Level of Education of Respondent

On the level of education of the operators, it was found out that 60% attained primary education, 17% attained secondary education and 23% did not have any formal education (figure 4.1). None had post secondary education. In view of this therefore one can observe that the sector selectively absorbs majority of school drop outs at primary level, and small fraction of those who have attained secondary level of education and perhaps have not been able to secure formal employment.

One could argue that this sector is a logical alternative for these groups of persons to turn to, either permanently or temporarily as they seek employment in the formal sector. Lack of any post secondary education holder in this sector, among those interviewed confirms an attitude held by many school leavers that with formal education one needs a "white-colour job".

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Figure 4.1: Level of education of entrepreneurs in the informal sector.
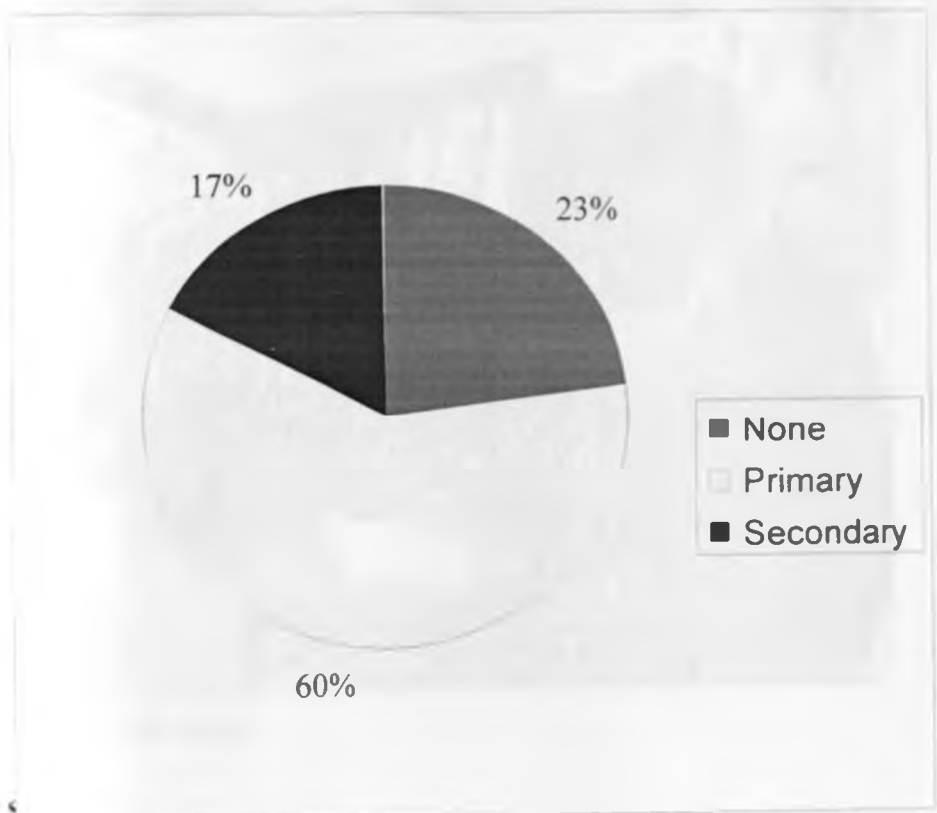
4.1.5 Technical Training

It was also found that 86% of the operators have not attained any technical training, though the form of trade or service they are engaged in requires formal training. Majority of the operators such as the watch repairer in (plate 4.1) below simply acquired these skills through apprentice. As a way of promoting growth of this sector and the quality of goods and services rendered, provision of technical training should be considered as a priority. If such a programme is enhanced, the sector could positively attract majority of the unemployed, and therefore greatly boost economic growth not only regionally, but also nationally. Potential trades to provide training in, could include, tailoring, carpentry, leather works, motor vehicle mechanics, welding as well as watch repair.

PLATE 4.1: Watch Repair in Nyamira town, operator has no formal technical training

Source: Field survey

4.1.6 Age of Business/Former Occupation

This study also revealed that this sector selectively absorbs majority of those in their youthful age of between 20-30 years. Those who have not secured formal employment resolve to activities such as barber service which is very popular among the youth. This kind of activity requires very little capital to start (plate 4.2). The results indicated that 20% of the operators have been in business for a period of over ten years. Over 40% had no other occupation before joining the sector while 53% are either practising farming alongside this venture or simply moved from farming to join this sector all the same. Only 6% of these operators initially worked as civil servants or were employed by companies in the formal sector. This finding indicates that the sector largely employs those who cannot obtain employment in the formal sector. Operators resort to it as a stop

gap measure while one seeks wage employment in the formal sector.

Plate 4.2: Barber services in Nyamira town: an activity mainly attracting

unemployed youth

Source: Field survey

This study shows that 53% of those who initially earned a living through farming have

now shifted to this sector because of the push factor in the rural areas. This bicycle

repairer shown in (plate 4.3) for example resolved to engage in this activity along the

street because his farmland was not sufficient to support his family.

Because of the pressure on available farmland in Nyamira district, the urban informal sector is seemingly serving an important role of providing an alternative source of income generation and a decent way of earning a living for those who are faced with the problem of scarcity of arable land.

4.3: Bicycle repair along the main street in Nyamira town.

Source: Field survey

4.2 Informal Sector Goods and Services

4.2.1 Nature of Goods and Services

It was early indicated that this study selectively examined the trade and service sub-sectors of the UISAs. Given therefore that the manufacturing sector was not considered

the two sub-sectors barely have "tangible" goods for sale. Battery charging is an example of UISAs in the service sub-sector that has no goods to offer, but rather service (plate 4.4). It should however, be appreciated that putting a demarcation between trade and service is not easy, however provision of tangible goods was considered as criteria for identifying the trade sub-sector as opposed to the purely service offered in the latter sector. Other than for barber/saloon, photography, dry cleaning, blacksmith, battery charging the remaining activities in this sub-sector offered repair services.

PLATE 4.4: Battery charging in Nyamira town, an activity in the service sector

Source: Field Survey

The trade sub-sector examined in this study include selling of cooked foodstuffs in *kiosks* and uncooked foodstuffs like vegetables, fruits and cereals along the streets (plate 4.5) and in the municipal market which is only open once a week. The other activities include selling of retail goods by hawkers and others in temporary make-shift stands along the street. The rest included sign writing, curving, charcoal dealers and newspaper

vendors. Identifiable of the trade sub-sector is that the entrepreneurs carry their ware to and from home/or borrowed stores in town. Half of those interviewed were found to be engaged in this activity as either part time, or as a supplementing income generating activity.

PLATE 4.5: Selling of unprocessed food stuffs along the main street of Nyamira town

Source: Field survey.

4.2.2 Sources of Informal Sector Input Materials

Unlike the manufacturing sector, most activities in the trade and service sub-sectors do not require manufactured goods as their raw materials. Over 50% of those who use any form of raw material as their input obtained them locally, either as their own farm outputs as is the case for the processed and unprocessed food stuff dealers; while the rest obtained their raw material locally from dealers within the town, such included

photographers and bicycle repairs. None imported their goods nor obtained them from outside the district. This sector would be said to be using locally available raw materials and/or recycling of "waste" as is the case for those engaged in the blacksmith and padlock repairs (see plate 4.6).

PLATE 4.6: Open air utensils repair in Nyamira town: notice the recycling of "waste" metallic materials
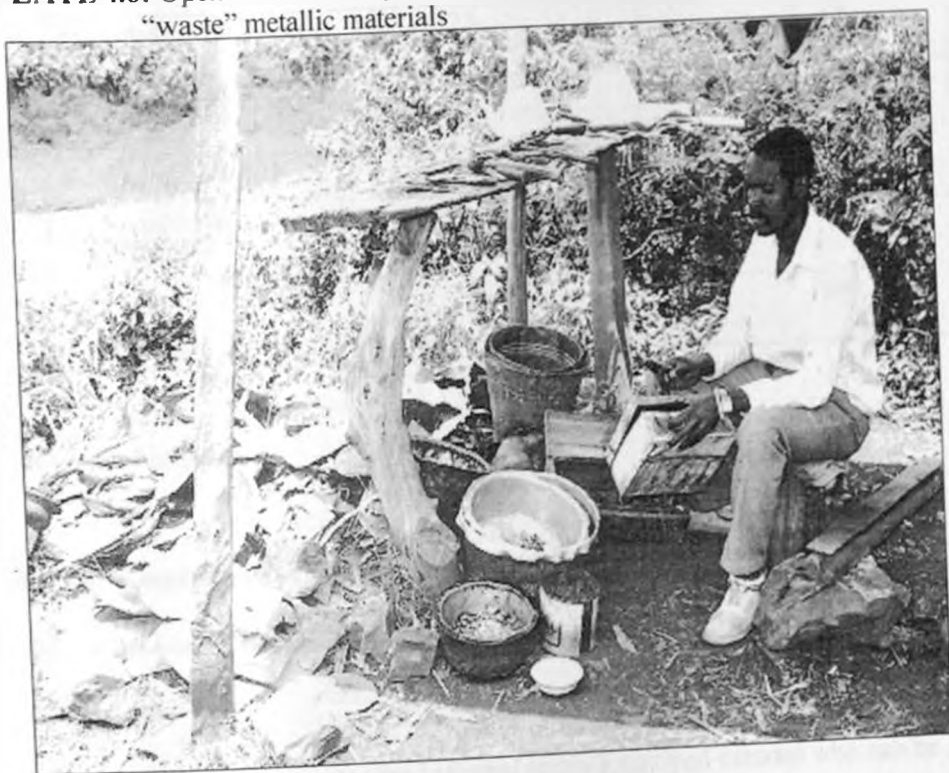
Source: Field survey

4.2.3 Reasons for Business Location Consideration

Location of a business enterprise is a significant consideration if that undertaking is to be viable and generate profit. This study showed that entrepreneurs in the urban informal sector in Nyamira town cited three reasons for locating their businesses namely, proximity to their residence, strategic to customers/market and affordability in terms of rent. Of the total sample taken none had indicated to have been provided premises by

the town council or government. Out of the three reasons considered in the location of a business. proximity to the market was most significant followed by that of area of residence and rent paid (see table 4.1).

Table 4.1: Informal sector business location consideration

Reason	Frequency	Percentage
Proximity to residence	28	24
Proximity to market	72	62
Rent consideration	10	8
No response	7	6
Total	**117**	**100**

Source: Field data

4.3 The Employment Creation Capacity of the Informal Sector

4.3.1 Category and Number of Persons Employed in the Sector

This research established that the informal sector employed persons who can be grouped into five sub-groups namely; unpaid family workers. paid family workers. unskilled employees, skilled employees and apprentices. Of the total sample taken only 16% had absorbed a work force of between one and five unpaid family members who did not earn wages directly, but benefited from the business in terms of their livelihoods.

This category of persons is perhaps occupied in this business temporarily while they seek wage employment elsewhere. An enterprise like the carpentry workshop in (Plate 4.7) has employed one unpaid family member, who is seen at the back. He earns his

livelihood from the business, while he looks forward to securing employment in the formal sector. From the sample studied, 18% of theentrepreneurs had one to two paid family workers, 20% employed between one and three unskilled workers, while only 5% employed skilled workers. 6% had apprentices, who though they were not in any form of wage employment, they acquired skills through the on-the-job training, and made no payments for the skills that they acquired after a given period.

Lastly only 24% of the entrepreneurs interviewed had no employee/assistant at all. From these figures it is observed that 76% of the entrepreneurs meaningfully absorb between one and five persons who either earn their living from the profit made directly or as wages or acquire skills with which given basic capital they shall be able to open up their own enterprises, and employ others.

Plate 4.7: Carpentry Workshop in Nyamira; an enterprise employing unpaid Family worker

Source: Field survey

Figure 4.2 provides the categories of persons employed in the sector, classified as unpaid family workers, paid family workers, unskilled, skilled workers, apprentice and self employed.

Figure 4.2 Category of persons employed in the UISAs
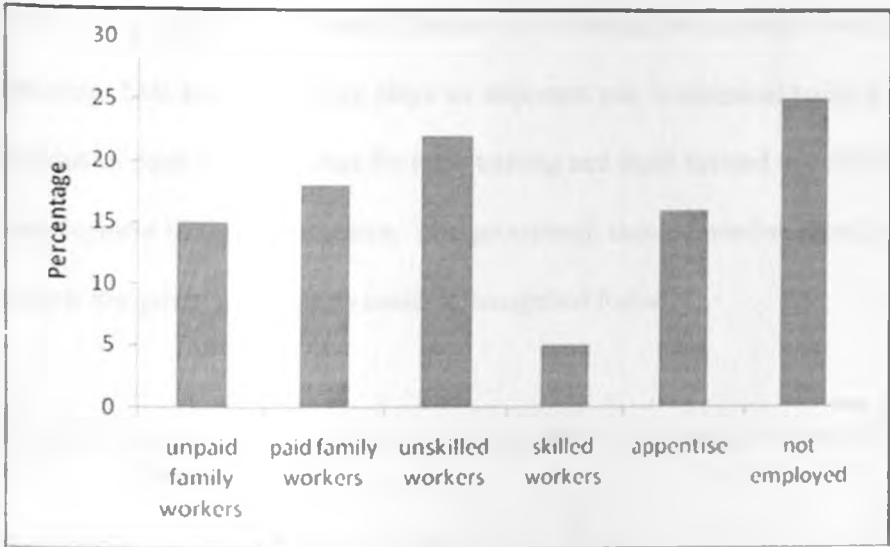
Source: Field data

The figure on categories of persons engaged in informal sector activities shows that majority of entrepreneurs employ unskilled labourers. It is worthy mentioning that though there is a significant number of employees fall under unpaid family workers, they are regarded as being employed as they benefit indirectly through food, cloth and shelter. Others are meaningfully occupied in the family business during vacations, or in between period of waiting for any formal training and stand gain from income generated when they are taken for formal training.

The small percent (5%) of employees with skills could be accounted for by the fact that this study examined only the trade and service sub-sectors which do not require skilled manpower as is the case with the manufacturing sub-sector. Activities that require skills

like television and radio repair, carpentry, gas welding and motor vehicle repair are managed by the entrepreneurs themselves who usually have the skills while being assisted by either casual labourers or apprentice on the job training.

The entrepreneur operating the gas welding and motor vehicle repair who is seen welding a wheelbarrow (Plate 4.8) below has employed one apprentice who is on the job training. This sector therefore plays an important role in technical training though their graduates have no certificates for their training and skills learned to enable them secure employment in the formal sector. The government should therefore identify a scheme in which this group of graduates could be recognised formally.

PLATE 4.8: Gas welding and motor vehicle repair in Nyamira: "on the job" training for the apprentices

Source: Field data

Table 4.2 below shows that the urban informal sector has employees who are categorised

into unpaid, paid family worker, unskilled, skilled worker and apprentice. A breakdown of employment in every category shows 34 unpaid family members, 50 paid family members, 31 unskilled, 18 skilled labourers and 27 apprentices, in total of 160.

This observation is important particularly given that 117 entrepreneurs interviewed created employment for a total of 160 other persons in the informal sector. This implies that 1 entrepreneur employs an average of 1.4 persons. The sector should therefore be encouraged to grow and create more employment as it takes only an average of Kshs. 5.000 of investment to create an average of 2 more employment opportunities.

Table 4.2 Number of persons employed in the sector per category in Nyamira town

Number employed per firm	Unpaid family worker	Paid family worker	Unskilled worker	Skilled worker	Apprentice	Total
1-2 persons	24	50	28	18	23	143
3-4 persons	-	-	3	-	4	7
5 persons +	10	-		-	-	10
Total	34	50	31	18	27	160

Source: Field data

4.3.2 Level of Education of the Employees

This study shows that the urban informal sector has employed persons with and others without formal education. The sector has not attracted any person with post secondary education. The results indicate that 18% of the employees had no formal education. 57.3% had primary education and 24.7% had attained secondary school level.

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It could be concluded therefore, that this sector is playing an important role in absorbing a good proportion of school leavers mainly with primary level of education who cannot otherwise secure employment in the formal sector which absorbs persons with either secondary level of education or post secondary. If these results are anything to go by, then this sector should be promoted and encouraged to grow, so that it can create employment for this group of the labour force who cannot otherwise secure wage employment elsewhere.

4.3.3 Business Profit and Wage Payment

From the sample taken only 3% earned a net profit of between Kshs.1,000-1,999, 18% earned between Kshs.2,000-2,999, 37% earned between Kshs.3,000-4,999. While 42% earned over kshs.5,000. A comparison of this figure with that obtained as their anticipated earning per month greatly contrasted. 85% of the respondent indicated that they needed to earn between Kshs.3,000-10,000 in order to keep in business. This is likely to be true considering that these entrepreneurs need not only to generate enough for salaries, remittance back home, but also for the upkeep in town and a little saving. Analysis of their expenditure confirms this assertion.

This study indicated that only 20% of the entrepreneurs paid their family members between Kshs.1,000-3,000 per month and only 1% paid them over Kshs.3,000. 35% paid their employees between Kshs.1,000-3,000 per month, while 11% paid their apprentices a similar amount. The rest were self employed. On average therefore, 33% of the entrepreneurs spent between Kshs.1,000-3,000 as salaries monthly. The mode of payment for employees varied from daily to occasionally depending on the income earned. For example 3% paid their employees on a daily basis, an amount based on actual work done. 2% paid them on a weekly basis. 52% paid them on a monthly basis,

while 2% did not have a defined mode of payment. 41% had no employees to pay. Given that over 50% pay their employees monthly is encouraging, as this can form a regular source of income which can be budgeted for the up-keep of the family back home and a regular saving.

4.3.4   Monthly Expenditure for the Entrepreneurs

This study showed that 92% of respondents spent between Kshs.1,000-2,000 monthly on self support, while only 8% spent over Kshs.2000 on the same. 79% spent between Kshs.1,000-2,000 for family upkeep and extended family through monthly remittance while 21% of the respondents did not send any such remittance (table 4.3). The results also showed that 12% spent Kshs.1,000-2,000 in paying salaries while only 4% paid the employees an average of over Kshs.2,000 per month. 41% had no employees at all. 42% of the respondents had a monthly saving of about Kshs. 2,000 per month, while 58% did not have any form of savings.

Table 4.3: Monthly Expenditure for Entrepreneurs in the Informal Sector in Nyamira Town

Monthly expenses	Amount in Kshs. per month			Percentage
	None	1,000-1,999	2,000-2,999	
Self support	-	92	8	100
Extended family	21	79	-	100
Salaries	45	51	4	100
Savings	58	42	-	100

Source: Field Data

Out the total entrepreneurs interviewed, only 10% had other businesses, while 48% the rest did not have any. 42% were also engaged in farming and earned about Kshs. 2,000 per month with only 3% earning an extra Kshs.3,500 per month from farming, the rest were not involved in any farming. 14% took up other forms of employment activities elsewhere e.g. contracts to till land while the remaining 86% were full time occupied in the informal sector activity. On average therefore, 90% of those interviewed were full time, while only 10% were involved in other activities.

4.4 Problems Facing the Growth and Development of the Informal Sector

Respondent in this study sited the following as the major problems that affect growth and development of the informal sector namely, lack of capital, premises, marketing, managerial skills, raw materials, local government constraints and provision of social amenities. They are discussed below.

4.4.1 Source of Initial Investment

This study indicated that all the entrepreneurs acquired their initial capital from personal and family savings. None received any form of loan or grant from the government or none governmental organizations NGOs. Only 5% later on received some financial assistance in the form of loans from financial institutions, while 4% secured further assistance from relatives in developing their business. Most of the operators in the informal sector as is the case with the entrepreneur in tailoring and cloth repair in (plate 4.9) below are not operating in full capacity because, they lack sufficient capital base to buy raw materials and rent a business premise.

Given the important role that the informal sector is to play in creating employment and overall national development in general, the government should devise an elaborate financial incentive/assistance system so as to boost the growth of the sector.

PLATE 4.9: Tailoring and cloth repair in Nyamira town; operator lacks sufficient capital base

Source: Field survey.

It is notable that majority in the sector can not secure credit facilities from commercial banks and financial institutions because their credit worthiness is not sound. Majority of them lack security backing (collateral) or real estates, always demanded by these institutions against grants of any finances given that they are merely school leavers.

4.4.2 Nature and Ownership of Premises

The nature and structure of premises for the UISAs were broadly classified into four namely, those who were mobile, operating in open air, with semi-permanent and permanent structures. Semi-permanent structures include premises made of mud, tin and wood, while permanent ones include those structures whose walls are made of bricks, blocks or stone. This is summarised in table 4.4 below.

Table 4.4: Nature and Structure of premises for the UISAs

Type of Premises	Frequency	Percentage
Mobile without premises	12	10.3
Open air	33	28.2
Semi permanent structure	46	39.3
Permanent structure	26	22.2
Total	**117**	**100.0**

Source: Field data

It is noted from table 4.4 above that a large percentage of the operators are housed in semi-permanent structures which accounted for 40% of the total while those who have no premises at all account for about 38%. Only 22% had permanent structures.

This has a negative implication on the business performance since lack of premises exposes operators to unbecoming weather conditions such as rainfall scorching sun and also insecurity. Those operating in open air are mainly squatting on private underdeveloped land, government land reserves or simply along side the road and are often evacuated by urban council officials or the owners, hence disrupting their business operations (see plate 4.10)

Plate 4.10: Shoe repair business; operating in a semi-permanent structure alongside the main street in Nyamira town
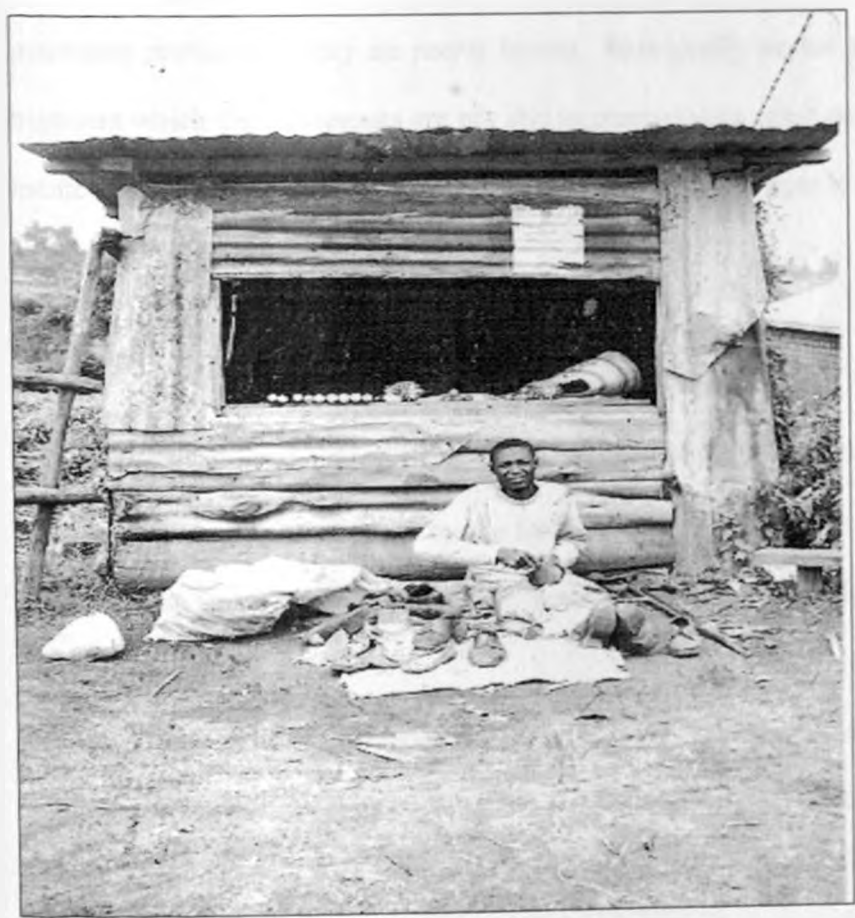
Source: Field survey.

The study also revealed that 46% of the operators rented their premises for business while 20% had their own or family premises. The remaining 34% did not have any form of premise or structure but simply operated from open air or moved from place to place with their ware. One observable point is that these operators are faced with the problem of securing adequate premises.

Operators in this sector are faced with insecurity from theft, harsh weather conditions such as rainfall or scorching sun, or even the evacuation by shop owners, owners of undeveloped plots or urban council officials. Secondly, entrepreneurs are faced with marketing problems for they are poorly located. Strategically located premises charge high rent which these businesses are not able to generate, as a result they are forced to locate their businesses where rent is low or where they are not charged at all.

4.4.3 Marketing of Outputs and Competition

UISAs experience competition from within and from the formal sector. This has turned to be a drawback to the growth of the sector. While competition from within could be considered as healthy, that posed by the formal sector could lead to a decline in this sector because the relationship between the two is that of exploitation (Mabonga, 1986).

Secondly, this sector is disadvantaged because over the years the sector has been regarded as illegal because its operators do not have "decent" premises or meet local government building by-laws. premises strategically located are too expensive to rent. It is recommended that the government gives incentives by assisting in the marketing of its output by either giving priority on its tendering system to the informal sector or by

protecting the market for this sector through subsidies and other incentives. Local authorities should review their by-laws with a view of removing restrictive building standards set by the colonial governments which are not in conformity with technology and the use of locally available raw materials. This way, we could give this sector an opportunity to set up reasonably "decent" premises in proximity to the market and therefore compete favourably with the formal sector.

Entrepreneurs in the informal sector are advantaged in that the cost of production of their goods and/or rendering their services is relatively cheap because they use locally available raw materials, therefore cutting down significantly on cost of their inputs. Because of the ease of entry that characterise this sector, operators are experiencing stiff competition from fellow entrepreneurs. This is a blessing in disguise because it has enabled the urban poor to acquire goods and services relatively cheaply as compared to when they were provided by the formal sector. This sector's major market for their goods and services are local-rural community followed by urban residents while market formed by neighbouring districts and government institutions is very insignificant (see table 4.5).

Table 4.5 Market for the informal sector goods and services

Market Area	Frequency	Percentage
Town residence	28	24
Local rural community	72	62
Neighbouring districts	10	8
Government/public institutions	7	6
Total	117	100

One striking observation from table 4.5 above is that only 6% of the respondents indicated that they market their goods and services in public/government institutions. It would be recommendable that government institutions in their tendering give priority to the informal sector to supply them with equipments such as furniture, uniforms and food stuffs as an incentive to promote growth of this sector.

4.4.4 Local Government Authorities Constraints

Respondents indicated that high licence fee charged and harassment by the urban council had serious negative effects on the development of this sector. Majority argued that the licence fee charged is high compared to that of their counterparts in the formal sector, considering the profit that they generate. On average, operators who sell retail goods in the open space are charged Kshs.40 per day. That totals to Kshs.14, 400 a year while the formal sector (in shops) are charged an average of only kshs.4, 000 per year. A retail vender like the one in (plate 4.11) below pays a high licence fee of ksh.40 every day, while facing other challenges like petty theft, scorching sun and the risk of her ware being destroyed by rain as she operates from the open air.

Secondly, the operators complained that they are harassed by the urban council officials because they use make-shift structures and *kiosks* on undeveloped private or government land reserves. Considering that the sector is mainly an occupation for those who do not have sufficient capital to set up a formal business, the government should provide them with premises.

PLATE 4.11: An open air retail vendor along the main street in Nyamira town

Source: Field survey.

4.4.5 Supply of the Raw Materials

This study revealed that 50% of the entrepreneurs used locally available raw materials as their inputs. Another 45% obtained their raw materials from traders within the urban centre while the rest did not need any raw materials as inputs. The supply was deemed as a significant problem that hinders growth of this sector. This affected those who mainly dealt with selling of processed and unprocessed food stuffs. Those who operated in periodic markets within the districts and outside considered lack of raw materials as a significant problem in terms of their transportation cost. Table 4.6 shows a summary of the ten variables used to measure the significance of the problems affecting UISAs in Nyamira town.

Table 4.6: Problems Affecting Growth and Development the UISAs

Problems	Frequency	Percentage
Lack of Capital	28	23.9
Premises	25	21.4
Marketing/competition	17	14.5
Managerial	9	7.7
Raw materials	12	10.3
Lack of Amenities	3	2.6
County Council Constraints	13	11.1
Transportation	5	4.3
Technical training	3	2.6
Labour	5	4.3
Total	117	100.0

Source: Field data

4.4.6 Managerial Problem

Lack of managerial skills does significantly influence business performance. Even though this sector is increasingly absorbing more literate entrepreneurs. it is still dominated by primary school dropouts and leavers. In this study they constituted 60%. At this level of education the school leavers have very little managerial skills, despite the fact that some activities do not require very high managerial skills. All the same, every business requires some form of management skills such as basic accounting. book-keeping, sales and marketing.

Our system of education at primary level barely exposes its graduates to these skills in its technical subjects, as is at high school level. The importance of management skills in any business cannot be underscored since an entrepreneur may require to keep records of stock, sales, purchases and important of all keep a loss and profit account. In this way, one will be able to tell when the business is making profit or loss. The government is therefore urged to conduct managerial courses, seminars and workshops, for entrepreneurs in the sector

4.4.7 Social Amenities

This study revealed that 31% of the entrepreneurs had supply of electricity, while 33% used lanterns for lighting. Although majority of the operators in the sector do not need electricity for their operations for example hawkers, newspaper vendors and vendors of processed foodstuffs.

Operators rendering services such as radio repair require electricity, but majority are not supplied with it. This hinders them from using modern tools, compelling them to use other alternatives such as kerosene stoves as is the case in with this operator in (plate 4.12) below.

PLATE 4.12: Radio repair workshop in Nyamira town; lack of electricity supply hinders use of modern tools

Source: Field survey.

Although Nyamira urban centre is served with piped water, supply, only 34% of the operators are connected. 30% used rain water, while 36% needed no water supply given the nature of their business. Results further showed that only 3% of the informal sector entrepreneurs are served with the sewage drainage system in the town, 63% used pit latrines and the remaining 34% have no sewage disposal system.

In general it is noted that a third of the total operators in the town had not been supplied with basic social amenities like electricity, water and sewage disposal. If these facilities are provided, they will go along in raising the standard of living of these operators as well as boost their profit margin.

4.5 Hypotheses Testing

This section seeks to test the two hypotheses that were formulated for this study namely,

1. H_{01}: There is no significant relationship between monthly profit margin and the entrepreneur's level of education.

2. H_{02}: Lack of adequate government support is not a significant problem that is affecting the growth and development of the urban informal sector activities in Nyamira town.

To test the first hypothesis, two statistics were used namely, Pearson product moment correlation coefficient, and the chi-square for test of existence of any relationship and significance of that relationship respectively. These statistics were computed using an SPSS computer package.

Results indicate a positive relationship between monthly profit margin and entrepreneur's level of education with a correlation r of 0.5051 or 0.51 and statistically significant at 0.01 confidence level. The r of 0.51 only established existence of a relationship between these two variables, the significance of the relationship was tested using the chi-square test. The chi-square test value, $X^2=28.63$, df= 6 and $\alpha =0.001$ was obtained. Since the computed X^2 value of 28.63 is greater than critical X^2 value given as 22.46, $\alpha =0.001$ (Appendix 4), the null hypothesis was rejected and the alternative accepted.

The second hypothesis was tested using the PCA technique. SPSS computer software was also used to run the analysis. This analysis yielded a table of correlation matrix from the variables that were used to measure the problems that affect the growth of this sector

(Appendix 6). From this correlation matrix of 10 variables and 117 observations. six principal components and their factor loadings were extracted. This output was given as a table of factor loading matrix (Appendix 7).

Other outputs of the PCA include the communality, eigen value. percentage of variance. cumulative percentage of variance for the extracted factors which are summarised in (Appendix8). The factor loadings are rotated into varimax orthogonal position so that each factor could define a distinct cluster of inter-correlated variables (Appendix 9). Varimax was also described. These outputs and their significance were described earlier in chapter three.

From the rotated factor matrix, variables with highest loadings of + or - 0.5 in each of the factors were identified and accordingly renamed (table 4.7). PCA technique singled out variables marketing. lack of amenities and town council restrictions as the most important components loading highest in factor 1. This factor was renamed government participation.

On this basis. we reject the null hypothesis and accept the alternative that inadequate government support renamed as government participation is a significant problem that affects the growth and development of urban informal sector activities. This factor accounts for 16.4% of the total variance (76.9%) explained by all the variables studied. Only 23.1% of the problems affecting the growth and development of this sector are not explained by this study

Table 4.7 Variables loading highest in each of the factors.

Factors	Variables	Loadings	Renamed
Factor 1	V10 Marketing	0.67225	F1-Government
	V13 Lack of Amenities	0.60896	participation
	V14 Council Restrictions	-0.76637	
Factor 2	V11 Managerial	0.64964	F2-Entreprenuership
	V15 Technical training	0.67225	
Factor 3	V9 Premises	0.67225	F3-Premises
Factor 4	V16 Transport	0.89941	F4-Transport
Factor 5	V8 Finance	0.50732	F5-Capital
	V12 Raw materials	0.92401	
Factor 6	V17 Labour	0.94483	F6-Labour

Source: Field data

4.6 Factor Interpretation

4.6.1. Factor 1:

The variable marketing, lack of amenities and urban council constraints are the ones which loaded highest (with over $\pm$ 0.5) in factor 1 and so they formed factor 1. PCA singled out these variables as the most important components of factor one and accounted for 16.4% of the total (variance, 76.9%) explained by all ten variables. Each of these three variables was interpreted as having the following drawbacks to the growth of urban informal sector activities. The informal sectors suffer high competition from the formal sector and the government does not give priority to the informal sector when

securing supplies for its departments and institutions. The government could therefore play an important role in promoting market for this sector.

The variable marketing had a highest factor loading of 0.67225 in factor 1. Secondly, lack of amenities, namely supply of water, hydroelectric power, sanitation, and general infrastructure is an important consideration for any meaning economic development in any sector. Its provision is the responsibility of the government. This variable, lack of amenity had also a high factor loading of 0.60896 in factor 1.

Lastly in this factor variable local government restrictions loaded highest with -0.7637. This implies that local government, majorly the urban council has some retrogressive impact to the growth of the sector. This study revealed that operators in the informal sector are harassed by the local government because they don't have decent premises they operate from shop verandas, road reserves and undeveloped plots. This problem would be alleviated by the government by providing premises namely the *Nyayo* Sheds as is the case in other urban centres. Because of the implication of the three variables discussed above, Factor 1 was renamed as government participation. PCA technique singled out these variables as the most important components loading highest in factor 1.

4.6.2 Other Factors

Other than for hypothesis testing, PCA was used to reduce the original ten variables and generate a new set of variables called factors that could expose the underlying components to enable us understand better the original variables. Factor 1 has been discussed in detailed in the preceding section. The rest of the other factors as outlined in table 4.7 are described below.

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In factor 2 the variables managerial and technical training with the factor loadings of 0.64964 and -0.87532 respectively were singled out as the second most important problems affecting growth of the UISAs. The study revealed that lack of managerial skills namely basic accounting and book keeping and lack of technical training as second most important problems hindering the growth of this sector. This factor has been named as entrepreneurship.

The variables lack of premises alone loaded highest in factor three with a factor loading of 0.85280. This factor was still renamed as premises. It is evident that entrepreneurs of this section have no provision of premises Nyayo sheds or allocated a piece of plot from where to operate as is with other urban centres. For this reason they operate from open air or squat along the road reserve. Those who have rented premises are poorly located and the government could go a long way in providing this amenity.

The variable transport alone loaded in factor 4 with a loading of 0.89941. This factor was still renamed as transport. Transport plays an important role in urban and regional economic growth. The importance of such infrastructure, in economic development need not be over emphasized.

The variables lack of financial assistance and raw materials had a factor loading of 0.50732 and -0.92401 respectively, forming factor 5. The study revealed that barely 5% of the total entrepreneurs have any financial assistance be it in form of a loan or a grant from the government or the NGOs. The obvious reason is that majority of the operators lack the collateral to put a security against securing any loan from the commercial bank

or financial institutions. These two variables which are renamed as capital interestingly only form the fifth and second last significant factor. The explanation is that entrepreneurs in the sector require minimum capital to start their small enterprises. Secondly, because this study intentionally omitted the manufacturing sub-sector to study the trade and services sub-sectors, raw materials could not form an important factor for the latter sector.

Lastly though the variable labour loaded highest 0.9483 in factor six, its importance is insignificant because UISAs in the trade and service sub-sector in the intermediate urban centres are not labour intensive. This petty trade only employ the owner or if need be, family members. The few that have employed non-family members absorbed them as trainees through apprenticeship. It is concluded therefore that the problems that affect the growth and development of the informal sector activities in urban centres could be alleviated if the government increased its participation

4.7 The role of the Urban Informal Sector in Employment Creation

Indeed the unemployment problem facing Kenya can be traced back to the independence period where there was great need for educated manpower to fill positions held by the colonial personnel. In the light of this Africanisation/Kenyanisation programme, there was extensive expansion of formal education. However with time these positions were filled and shortage of formal employment was experienced. Majority of school leavers started joining the unemployed labour force in the early 1970's (Bowa, 1987).

This problem was worsened by the mentality held by most school leavers that on graduation they could only be employed in the so called "white collar jobs". Today our

economy has become even less able to create new job opportunities in the formal sector to cope with the exceedingly expanding labour force.

Over the years the major urban centres of Nairobi and Mombasa have been centres where major industries were located, therefore foci for job seekers. Even when job opportunities have become scarce. the migration trends have remained the same. It is for this reason that the government has sought a lasting solution to this problem through its decentralisation policy namely, the district focus for rural development programme and lately the growth and development of small and intermediate urban centres (Obudho. 1988). These centres not only provide basic social amenities and economic infrastructure to their rural umlands. but also absorb a substantial number of potential migrants to major urban centres.

From this study. it was established that 53% of the operators practised farming in the rural areas while 41% had no other occupation. and so a total of 94% of the operators moved from the rural areas into the urban centres. Only 6% had secured employment in the formal sector. Scholars have postulated that. persons first migrate to their nearest urban centres and will move to higher urban centres in the hierarchy only if they cannot find reasonable employment in the lower centre.

On this basis and that of the findings of the study, it is ascertained that indeed urban informal sector activities only absorb potential migrants of major urban centres but also act as stimuli for economic growth of their surrounding regions through monthly or regular remittance back into the rural areas for the upkeep of the extended family or part of the nuclear family residing back at home. The study found that over 30% of the

operators send remittance back home.

For the last three decades, it has been a great challenge to the government of Kenya to create employment for its rapidly growing population. According to Maina Wanjigi, (1983) report each year the economy needs to be stimulated to create well over 250,000 new job opportunities if we were to keep in pace proportionally to the number of job seekers joining the labour force (Maina, 1983). However our economy particularly the formal sector can only absorb a small fraction of this labour force.

Kenya like most other developing countries was faced with the problem of economic growth as it could be realised from the call for economic reforms by international bodies like world bank and the international monetary fund (IMF) in the early 1990s. Such structural adjustment measures recommended included a substantial cut down of the civil servants and freezing of further formal sector recruitment. This worsens the already existing acute unemployment in Kenya.

The tendency by school leavers and job seekers flocking major urban centres for employment opportunities adds a second dimension in the existing unemployment problem (Okofor, 1988). Unemployment is indeed one of the most challenging problems facing Kenya today like most other third world countries. This is mainly because Kenya experiences one of the highest population growths, rate, estimated at 3.8% p.a. in the 1999 census (Kenya, 1994). The high population growth has been due to high fertility rate, declining child mortality rate as a result of improved medical services. One of the implications of this high growth is the diminishing hectarage per person of cultivatable land.

Maina. (1983) estimated that by the year 2000 only 1.4 million persons in the labour force could be absorbed into the formal sector while about six million would be left unemployed. The formal sector cannot therefore be depended upon to absorb much of the labour force the majority shall need to join the agricultural and the informal sector. Indeed the informal sector has the potential of creating new job opportunities for the expanding labour force in Kenya.

CHAPTER FIVE

SUMMARY OF RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter provides the summary of research finding, related conclusions and resultant recommendations according to the objectives and hypothesis of the study. The overall objective of the study was to examine some aspects of the urban informal sector activities mainly employment creation, range and threshold of good and services as well as the problems affecting the growth and development of the sector.

5.1 Summary of Research Findings

Indeed unemployment problem in Kenya poses very serious economic and political implications in the growth and development of the nation. Its cause's are complex and deep rooted and which are beyond the scope of this study. However, its implications are obvious, unemployment means lack of income to provide the basic necessities like food, shelter, clothing and education while at national level it means a stagnated economy, one which has loss of productivity, tax and government revenue for providing basic services like infrastructure together with social insecurity and instability (Kaberere, 1987).

One major cause of unemployment problem in Kenya has been identified as the rapid population increase and indeed the government of Kenya has identified the need to generate employment to keep in pace with the rapidly growing population (Kenya, 1986a).

This study established that the 117 entrepreneurs investigated were able to employ 160 other person, meaning 1 employment opportunity in the urban informal sector creates 1.4 new jobs. The sector could therefore be said to be labour intensive unlike the formal sectors which is capital intensive. This is a positive gesture in the face of the current unemployment crisis and stagnated economy. The sector should therefore be promoted to absorb as many people as possible to curb the increasingly swelling labour force in Kenya.

The sector acts as a source of supply of comparatively cheaper goods and services than those of the formal sector not only to the urban poor but also its umland as a result of the overall low cost of production, use of locally available raw materials and its labour intensive nature. This sector can greatly boost the standard of living of the rural umland by providing basic goods and services at affordable prices as well as through regular remittance. This will greatly assist in counter checking the existing rural urban imbalance.

The sector provides cheap training and acquisition of skills through apprenticeship and on-the-job training. Indeed this enables one to acquire skills relevant to our local needs as its practical oriented as opposed to formal training which is academic oriented. One striking characteristics of the labour force in this sector is that it is highly education selective. The section has mainly employed school leavers without formal training.

The study established that, at the moment the sector relies heavily on personal and family savings for its operations and investments, thereby becoming a family business

and providing employment to the family members.

The urban informal sector exhibits certain institutional problems which hinder its operation and growth which include. lack of an elaborate machinery and department under which it operates, harassment from local government and high taxation. The sector utilises locally available raw materials local materials/ recycling. This makes their final products more affordable, and thereby increasing the standards of living of the urban poor. Urban Informal sector activities can greatly solve not only the problem of unemployment nationally but also reduce substantially rural to primate cities like Nairobi, Mombasa. and, Kisumu.

Probable ways through which the government can improve the growth and development of this sector is by availing credit to serious entrepreneurs, protecting it against competition from the formal sector, providing incentives such as tax relief, training, providing premises and basic training on business management skills for the sectors operators.

This study has shown that while the urban informal sector can plays an important role in employment creation and raising the standard of living of its dwellers and those of its rural areas, the sector faces certain constraints that retard their growth and development. These problems have been discussed in chapter four at length and only a summary and recommendations are now given.

Where a business is located is a very important factor to be considered if that business is to be viable. This study established that proximity to the market was a major

consideration taken by entrepreneurs in locating their businesses in this sector, a reason as to why most of the activities were located along the main street and housed in makeshift structures. Urban planners should identify specific places of locating these activities to avoid erratic and uncontrolled growth of makeshift structures, or squatters in the urban areas i.e. planned zones to take into account, nearness to both places of work and residence to reduce transport costs. Secondly there is need for the central government to control local governments prohibitive regulations such as high standard requirements.

Local government (Urban council) rules and regulations poses a serious draw back to perations of the UISAs namely, high license fees, and high rent for local authority charges on premises and harassment of operators. The existing building code was basically established to meet the architectural and engineering standards imposed by the former colonial Government to protect the Europe elite in urban areas (Kabagambe, 1975). These policies are a hindrance in the use of locally available raw materials and the technical knowhow.

This sector lack recognition from local government authorities. They fail to appreciate the fact that entrepreneurs of the informal sector establish their businesses where their goods and services can easily be accessible to consumer, have great ability in identifying gaps in the supply of goods and respond to changes in the market. The local government equally fail to appreciate the extent of economic potentiality of this sector and therefore resort to harassing the entrepreneurs (Kaberere, 1987).

For a long time the local authorities have harassed operators to most urban centres by

bulldozing their make shift shelters in a bid to keep the urban centres clean or as part of the programme for enforcing hawker licensing regulations. Indeed demolition of temporary structures of the informal sector is not a solution to the problem of urban squatting, but rather elaborate policies for the support and development of this sector as a move to create employment for the landless and job seekers are needed.

While the GoK has greatly supported the manufacturing sub-sector also called the *Jua Kali* artisans by giving them short term soft loans and construction of *Nyayo* sheds, very little has been done for other sub- sectors which the research selectively studied namely trade and service. The GoK and NGOs should also extend financial assistance to these latter sub-sectors be they in form of soft loans or working capital, incentives, like reduced taxation.

Shortage of capital was established as one the mojor problems hindering the growth and development of this sector. Indeed finance is required for the construction of permanent premises buying the required equipment and initial stocks. This sector over the years have had very limited sources of capital. They cannot secure loan from commercial banks which requires that one deposits collaterals like land title deeds which most of the operators don't have. Even when they secure them, the interest charged by commercial banks is rather high that majority of the activities of this sector can sustain themselves. There should be zoning of the informal sector activities in the planning stages to facilitate easy supply of infrastructural amenities like water roads, Hydro-Electric Power, sewerage disposal, drainage.

License fee charged is high compared to the net profit earnings. Out of the 117 cases

studied only 33% had licenses, while the rest operated without, but could pay fee of up to 40 shillings per day to local government revenue collections. There is need to review the licensing system with a view to giving initiatives to informal sector operators so that they can also have access to financial assistance and government tenders. It is noted that the government takes long before paying for the goods supplied; this is discouraging as it holds back the meagre financial resources of the operators. Creation of Ministry of Science and Applied Technology under which informal sector falls is a right move, so that this ministry could address the problems that faces the sector.

The government in recognition of the fact that this sector plays an important role in creating employment should assist in the marketing of their products. This could mainly be through placing government traders with licensed informal sector operators as well as supplies for NGOs and other government institutions. If a place could be set aside for the UISAs operators it would facilitate marketing and the enterprises will greatly benefit from the economies of sale.

Government training programmes should be initiated alongside the few that exists like Undugu Society of Kenya so as to equip the operators with the required technical knowhow and management skills including basic accounting, sales promotion, etc. existing few government training institutes like Kenya Industrial Training Institute is not only too expensive for average Kenyans, but also restrictive in its academic requirements for entry.

5.2 Conclusions

For sustained growth and development of the sector indeed there is need for a coordinated process of planning, decision making and implementation of government

policy towards the sector in conjunction with NGOs, government ministries like local government, labour and Manpower Development Youth affairs, Science and Technology, Industrialization, planning and Vision 2030. Government should play a leading role in the policy formulation, research and implementation of the policy recommendations.

Kenya's fast growing labour force which the formal sector has proved incapable of. The sector The development of urban informal sector could provide more employment opportunities for has great potential in employment creation given that it is labour intensive in nature, uses locally available raw materials, relies heavily on family workers and does not require large capital for investment.

The urban informal sector can play a major role in employment creation and overall growth of their rural areas by, providing affordable goods and services. There is therefore, need for a government policy aimed at improving marketing of informal sector goods and services. Such a package would include, giving priority on government tenders to informal sector, improving transportation network and Procure market in regional bodies like preferential trade area (PTA) and east African community (EAC).

Lack of initial capital for investment was identified as the major drawback in the growth and development of this sector. The role played the government and other financial institutions is insignificant. Commercial banks and other financial institutions consider informal sector entrepreneurs as a high risk borrower, because they lack adequate security or collateral against loans advanced to them. A few of the entrepreneurs who have some land fear taking the risk to morgage their agricultural land in rural areas since banks charge high interest rates which they may not be able to service.

The government is to open avenues like ICDC, KIE and offer unsecured credit to the formal sector at affordable rates. It is necessary that these financial institutions liberalise terms and conditions of their lending policies to promote the growth of small business enterprises. They could perhaps give the loan in phases with satisfactory performance through close supervision of government, establish a revolving fund for purchase of goods and initial capital with a cost effective and recovery structure preferably run by the district treasury, provide site and service scheme for the sector, give priorities to informal sector on government tenders, offer subsidies like waived interests on loans and reduced license fee.

Most of the operators in this sector are unskilled for those in businesses that require some technical training. Majority have only acquired skills through apprentice. It is recommended that the GoK provide these entrepreneurs with affordable training as a measure of encouraging its growth. The government is to provide an institutionalised training programme for the informal sector operators particularly on, management skills like basic book keeping and accounting. The government can open up more technical and vocational training institutions to offer this training.

5.3 Future Research Recommendations

1. This study did not focus on the rural urban migration which is one of the major causes of urban unemployment, but rather discussed ways in which urban unemployment could be addressed through promoting the informal sector. There is need for an elaborate study on how the rural to urban migration could be curbed.

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2. There is a tendency to believe that the urban informal sector occupation is a stepping stone towards securing employment in the formal sector. There is need therefore for an extensive study on the role of urban centres in the rural to urban migration process and the search for employment.

3. This study applied Christaller's central place theory (1933) to examine the range and threshold of urban informal sector activities in Nyamira town, which is a lower order urban centre. The application of the theory in totality was beyond the scope of this study. A study that can employ this theory to include all urban centres in the structure and hierarchy as was propagated by Christaller is recommended.

4. Similar study can be done in other urban centres to provide elaborated data base for comparison.

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APPENDICES

APPENDIX 1: URBAN INFORMAL SECTOR ACTIVITIES; STRATIFIED IN MANUFACTURING TRADE AND SERVICE.

MANUFACTURING

1. Metal work.
2. Woodwork
3. Tailoring
4. Shoe making

SERVICE

1. Bicycle repair
2. Shoe repair
3. Vehicle repair
4. Radio repair
5. Watch repair
6. Handcarts
7. Cloth repair
8. Furniture repair
9. Barbers/saloons
10. Padlock repair
11. Shoe shining
12. Photography
13. Dry cleaning
14. Blacksmith
15. Battery charging

Source: Field survey

TRADE

1. Cooked food stuffs
2. Uncooked food stuffs
3. Printing/carving
4. Sign writing
5. Second hand Cloth selling
6. Charcoal dealers
7. Newspaper vendors
8. Hawking and general Retail Traders

APPENDIX 2: QUESTIONNAIRE FOR INFORMAL SECTOR OPERATORS IN NYAMIRA URBAN CENTRE

Respondent's Name........................Number..........

Date of interview..

Nature of business...

(Tick or fill the right answer in the space provided).

1.0 SOCIAL BACKGROUND OF BUSINESS OPERATORS

1.1 Respondent's age..... Sex...........

1.2 Marital status: single [ ] married [ ] others (specify)...............

1.3 Place of birth: Nyamira district [ ] Outside District (specify).......

1.4 Level of education: None [ ] Primary [ ] Secondary [ ]

   Post secondary [ ]

1.5 Did you attend any technical training? Yes [ ] No [ ].

   If yes, indicate, trade..............grade obtained.....................

1.6 Which year did you (i) finish school? (ii) Enter business.....

1.7 What was your occupation before joining this sector?

   (i) civil servant [ ] (ii) company/parastatal [ ]

   (iii) Farming [ ]   (iv) none [ ] (vi) others (specify)...............

1.8 Have you ever worked outside Nyamira District? Yes [ ] No [ ]

   If yes specify district(s).......................

1.9 Do you intend to move out of Nyamira Town? Yes [ ] No [ ]

   If yes specify town........................

RANGE AND THRESHOLD OF INFORMAL SECTOR GOODS AND SERVICES

2.1 Why did you choose on this site? (Rank with 1 being the most important)

    (i) Near place of residence [ ]

    (ii) Near customers [ ]

    (iii) Cheap to pay rent [ ]

    (iv) Allocated by council [ ]

2.3 Do you use any raw material(s)? Yes [ ] No [ ]

    If yes what is your main source?

    (i) Locally available [ ]

    (ii) Obtained from traders [ ]

    (iii) others(specify)...............

2.4 Are there people around you who trade in the same goods/services?

    Yes [ ] No [ ]

    If yes, approximately how many? ....

2.5 Who are your main customers?

    (i) Local rural community [ ]

    (ii) Town residents [ ]

    (iii) Government/institutions [ ]

    (iv) Other (specify)...........

2.6 Do you market your goods/services outside the district? Yes [ ] No [ ]

    If yes, which districts?

    (i)............... (ii)................ (iii)................

2.7 In your opinion how much profit do you need to make so as to remain in business?

(Ksh/month).........

3.0 THE EMPLOYMENT POTENTIAL OF INFORMAL ACTIVITIES

3.1 Besides yourself, give the number of working persons in this business

    (i) Unpaid family workers [   ]

    (ii) Paid family workers [   ]

    (iii) Unskilled employees [   ]

    (iv) Skilled employees [   ]

    (v) Apprentices [   ]

    (vi) Total [   ]

3.2 What is the level of education of your employees? (Number in each level)

    (i) Uneducated [   ]

    (ii) Primary [   ]

    (iii) Secondary [   ]

    (iv) Post-secondary [   ]

3.3 How much do you pay each of your workers in Kshs. per month?

    (i) Family members [   ]

    (ii) Employees [   ]

    (iii) Apprentice [   ]

3.4 How do you pay your employees?

    (i) Daily [   ]

    (ii) Weekly [   ]

    (iii) Monthly [   ]

    (iv) Other (specify)......

3.5 What is your gross monthly earnings in Ksh per month [   ]

3.6 What is your business net profit earning per month in Kshs.

(i) 1.000-1.999 [ ]

(ii) 2.000-2.999 [ ]

(iii) 3.000-4.999 [ ]

(iv) 5.000 and over [ ]

3.7 What is the estimate of your monthly expenditure in Kshs.

(i) Self/ family support in town [ ]

(iii) family/extended family support at home [ ]

(iv) Salaries for employees/rent [ ]

(v) Savings [ ]

3.8 What are your other income earning activities, and how much in Kshs/ month

(i) Other businesses [ ]

(ii) Farming at home [ ]

(iii) Wage employment elsewhere [ ]

(iv) Other (specify).........

4.0 PROBLEMS FACING INFORMAL SECTOR

4.1 How have you acquired this premise?

(i) family/self [ ]

(ii) rented from landlord [ ]

(iii) rented from urban council [ ]

(iv) provided with by government [ ]

4.2 What type of amenities do you have?

(i) Sewage disposal: main sewer [ ], pit latrine [ ],   no sanitation [ ]

(ii) Lighting: electricity [ ], pressure lamp/lantern [ ]

(iii) Water supply: piped water [ ], stream/rain water [ ]

(iv) Premises: open air [ ], Semi-permanent [ ] stone/bricks [ ]

4.3 Would you say that you are operating at full capacity? Yes [ ] No [ ]

If not, what are the main reasons?

(i)...................... (ii)......................

4.4 What were the main sources of your initial investment?

(i) personal/family savings [ ]

(ii) government/NGOs grant [ ]

(iii) government/NGOs loans [ ]

4.5 How much in Kenya shillings? [ ]

4.6 Which of the following gives you any financial assistance

(i) parents/relatives [ ]

(ii) Financial institutions [ ]

(iii) government/NGOs [ ]

(iv) Any other (specify)..........

4.7 What problems do you encounter in your business operation? (rank with 1 being the strongest problem).

(i) Financial/ lack of loans [ ]

(vi) Lack of amenities [ ]

(ii) Lack of premises [ ]

(vii) Urban council harassment [ ]

(iii) Marketing/competition [ ]

(viii) Technical assistance [ ]

(iv) Managerial [ ]

(ix) Lack of transport [ ]

(v) Shortage of raw materials [ ]

(x) Lack of labour [ ]

(xi) Any other (Specify ……………………….

4.8 Do you have a trade licence? Yes [ ] No [ ]

If yes, how much Kshs per month [ ]

If no, give reason(s)……………………

4.9 In your opinion list the three most important needs you would like the government/

urban council to provide for promoting this business?

(i)………………………………

(ii) ………………………………

(iii)………………………………

THANK YOU

Interviewer's Remarks

APPENDIX 3: QUESTIONNAIRE FOR LOCAL GOVERNMENT OFFICIALS

Official's name.............................. Number.................

Department........................ Date of Interview................

1. Approximately how many informal sector activities do we have in Nyamira Urban

Centre, in each of these sections?

       (i) Manufacturing........ (ii) Trade......... (iii) Service........

2. How many of these are registered/operate with a licence

       (i) Manufacturing........ (ii) Trade......... (iii) Service........

3. What fee is charged as licence for each of these activities?

4. Do operators find this fee high?

5. Are there activities that are exempted from paying licence?

6. What problems does this sector cause in the management of the urban centre?

       (i)..

       (ii)..

       (iii)..

       (iv)..

7. What solutions do you recommend for each of these problems?

       (i)..

       (ii)..

       (iii)..

       (iv) ....

8. Which of these facilities does the urban council/government provide to the informal

sector operators?

       (i) Premises..

(ii) HEP...

(iii) Water..

(iv) Sewage disposal...

(v) Any other (specify)...

9. In your opinion, how can the informal sector be promoted?

(i) ....

(ii)..

(iii) ....

(iv) ....

THANKYOU

Interviewer's

Remarks

APPENDIX 4: CRITICAL VALUES OF CHI SQUARE

Degrees of freedom	Significance level				
	0.1	0.05	0.01	0.005	0.001
1	2.71	3.84	6.64	7.88	10.83
2	4.60	5.99	9.21	10.60	13.82
3	6.25	7.82	11.34	12.84	16.27
4	7.78	9.49	13.28	12.84	18.46
5	9.24	11.07	15.09	16.75	20.52
6	10.64	12.59	16.81	18.55	22.46
7	12.02	14.07	18.48	20.28	24.32
8	13.36	15.51	20.09	21.96	26.12
9	14.68	16.92	21.67	23.59	27.88
10.	15.99	18.31	23.21	25.19	29.59
11.	17.28	19.68	24.72	26.76	31.26
12	18.55	21.03	26.22	28.30	32.91
13	19.81	22.36	27.69	30.82	34.53
14	21.06	23.68	29.14	31.32	36.12
15.	22.31	25.00	30.58	32.80	37.70
16.	23.54	26.30	32.00	34.27	39.29
17.	24.77	27.59	33.41	35.72	40.75
18	25.99	28.87	34.80	37.16	42.31
19	27.20	30.14	36.19	38.58	43.82
20	28.41	31.41	37.57	40.00	45.32
21	29.62	32.67	38.93	41.40	46.80
22	30.81	33.92	40 29	42.80	48 .27
23.	32.01	35.17	41.64	44.18	49.73
24	33.20	36.42	42 98	45.56	51.18
25	34.38	37.65	44.31	46.93	52.62
26	35.56	35.88	45.64	48.29	54.05
27.	36.74	40.11	46.96	49.65	55.48
28	37.92	41.34	48.28	50. 99	56.89
29	39.09	42.56	49.59	52.34	58.30
30	40.26	43.77	50.89	53.67	59.70
40	51.81	55.76	63.69	66.77	73. 40
50	63.17	67.51	76.15	79.49	86.66
60	74.40	79.08	88.38	91.95	99.61
70	85.53	90.53	100.43	104.22	112.32
80	96.58	101 88	112.33	116.32	124.84
90	107.57	113 15	124.12	128.30	137.21
100	118.50	124.34	135.01	140 17	149.45

Reject **Ho** if calculated value of chi square is **greater than** the critical value at the chosen significance level.

APPENDIX 5: CRITICAL VALUES OF PEASONS'S PRODUCT MOMENT CORRELATION COEFFICIENT

	Significance level(one- tailed)			
	0.05	0.25	0.025	0.01
	0.005			
Degrees of freedom	Significance level (two-tailed)			
	0.1	0.05	0.02	0.01
1	0.9877	0.9969	0.9995	0.9999
2	0.900	0.950	0.980	0.990
3	0.805	0.878	0.934	0.959
4	0.729	0.811	0.882	0.917
5	0.669	0.755	0.833	0.875
6	0.622	0.707	0.789	0.834
7	0.582	0.666	0.750	0.798
8	0.549	0.632	0.716	0.765
9	0.521	0.602	0.685	0.735
10	0.497	0.576	0.658	0.708
11	0.476	0.553	0.634	0.684
12	0.458	0.532	0.612	0.661
13	0.441	0.514	0.592	0.641
14	0.426	0.497	0.574	0.623
15	0.412	0.482	0.558	0.606
16	0.400	0.468	0.543	0.590
17	0.389	0.456	0.529	0.575
18	0.378	0.444	0 516	0.561
19	0.369	0.433	0.503	0.549
20	0.360	0.423	0.492	0.537
25	0.323	0.381	0.445	0.487
30	0.296	0.349	0.409	0.449
35	0.275	0.325	0.381	0.418
40	0.257	0.304	0.358	0.393
45	0.243	0.288	0.338	0.372
50	0.231	0.273	0.322	0.354
60	0.211	0.250	0.295	0.325
70	0.195	0.232	0.274	0.302
80	0.183	0.217	0.257	0.283
90	0.173	0.205	0.242	0.267
100	0.164	0.195	0.230	0.254

Reject Ho if calculated value of r is greater than critical value at chosen significance level (in absolute terms).

APPENDIX 6: CORRELATION MATRIX OF VARIABLES MEASURING

THE NATURE OF PROBLEMS AFFECTING UISAS

Variable name	V8	V9	10	V11	V12	V13	V14	V15	V16	V17
V8. Finance	1.0000									
V9. Premises	-.1454	1.0000								
V10. Marketing	.0549	-.0514	1.0000							
V11. Managerial	-.2248*	.1312	.1203	1.0000						
V12. Material	-.2039	-.1566	-.1197	-.1075	1.0000					
V13. Amenities	.0456	-.1150	.1641	-.0399	.0142	1.0000				
V14. Council	-.0755	-.2291*	-.3190**	-.0762	-.1627	-.2074	1.0000			
V15. Technical	-.0664	-.1289	-.2266*	-.2819*	-.0436	-.0774	-.0254	1.0000		
V16. Transport	.0188	.0510	-.1525	-.1774	-.1347	.0092	-.1760	-.2038	1.0000	
V17. Labour	-.1794	-.1326	-.0473	-.0865	-.0632	.0068	-.0636	-.0672	-.1097	1.0000

NB: * - 0.01

    ** - 0.001 significance

APPENDIX 7: FACTOR LOADINGS MATRIX

variable	factor 1	factor 2	factor 3	factor 4	factor 5
V8	.02176	.67559	-.28142	-.38083	-.13814
V9	.37294	-.38211	-.46590	.30911	-.25123
V10	.65045	.20218	.30828	-.32566	-.11058
V11	.48876	-.60865	.04128	-.27235	-.09391
V12	-.12176	-.05531	.52186	.54964	-.16189
V13	.33576	.44614	.34562	.05238	.09065
V14	-.60276	-.27344	-.16668	-.50363	.17148
V15	-.56533	.13578	.14234	.13138	-.49607
V16	.13224	.28558	-.58928	.45428	.40327
V17	-.09270	-.12323	.38187	.02250	.71235

	factor 6
V8	-.06458
V9	.31574
V10	.10592
V11	-.14761
V12	-.52912
V13	-.05875
V14	-.31339
V15	.49774
V16	-.15025
V17	.49016

APPENDIX 8: COMMUNALITY, EIGEN VALUE, % OF VARIANCE AND

CUMULATIVE VARIATION OF THE FACTORS

Variable	Communality *	Factor	Eigen value	%of Var	Cum %
V8	.70438 *	1	1.63809	16.4	16.4
V9	.76051 *	2	1.40581	14.1	30.4
V10	.68851 *	3	1.32591	13.3	43.7
V11	.71582 *	4	1.20344	12.0	55.7
V12	.89850 *	5	1.08323	10.8	66.6
V13	.44564 *	6	1.02908	10.3	76.9
V14	.84713 *				
V15	.86939 *				
V16	.83787 *				
V17	.91781 *				

APPENDIX 9: VARIMAX ORTHOGONAL ROTATED FACTOR MATRIX

variable	factor 1	factor 2	factor 3	factor 4	factor 5
V8	.21871	-.14367	-.37190	.17257	.50732
V9	-.03087	.06174	.85280	.09920	.10392
V10	.67325	.27602	-.01214	-.32315	.22698
V11	-.02938	.64964	.33659	-.42178	-.01269
V12	.09471	-.03975	-.15331	-.00879	-.92401
V13	.60896	.03833	-.24869	.07230	-.07473
V14	-.76637	.14350	-.44032	-.15438	.14226
V15	-.11924	-.87532	.08313	-.28528	-.00974
V16	.00533	.10072	.11970	.89941	.05386
V17	.05715	-.02806	-.12173	.00124	.07892

	factor 6
V8	-.45873
V9	-.08854
V10	-.05439
V11	-.03970
V12	-.10286
V13	.02608
V14	-.03564
V15	-.02427
V16	-.03907
V17	.94483