

UNIVERSITY OF NAIROBI

SOCIOLOGY DEPARTMENT

TOPIC:

**THE ROLE OF INFORMAL SECTOR IN THE
DEVELOPMENT OF AN INDEGENIOUS ENTREPRENEURIAL
ETHIC: A CASE STUDY OF THE CARPENTRY CLUSTER IN
KIBUYE MARKET KISUMU**

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DECLARATION

I declare that this work is my original work and has not been presented in any other university for examination.

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Date 15-2-05

DEDICATION

To my late dad, Boniface P Were

ACKNOWLEDGEMENT

I wish to acknowledge the support of my sponsors, KAAD whose financial assistance made my studies a reality and my supervisor, Professor Odegi, who guided me through the process. Special gratitude also goes to my family who have always been there for me. My friends Carol Muhenge and Dolly Mohe were pillars of strength always.

ABSTRACT

The informal sector is an important aspect in the development of the Kenyan economy. In Kenya, the sector gained recognition after the 1971 ILO study on employment and incomes.

The development of a work culture and entrepreneurial ethic has historically been associated with the Protestant ethic in the West. This cultural feature in the Western world influenced the rise and subsequent development of a work ethic among entrepreneurs.

The informal sector in Kenya is a predominant feature in the economy, developed out of the people's efforts to generate income and employment opportunities in an environment that is locally defined. It is a very dynamic sector that takes advantage of locally available resources for purposes of economic survival. With a reluctant government support in the sector, the development of an entrepreneurial ethic cannot be said to be slow and undefined. This project looks at the role of the sector in the development of an indigenous entrepreneurial ethic as an effort of the entrepreneurs within the carpentry cluster in Kibuye market, Kisumu.

It identifies the nature and scope of the operations within the carpentry cluster in Kibuye market. It further analyses the roles of the government and other support organizations in ethic development by looking at levels of their interaction with the operators within the sector.

The rational choice theory and the social action theory gave theoretical background of the study. The two theories look at the actions of the entrepreneurs as influencing social cohesion hence leading to an entrepreneurial ethic development that is unique to the specific culture.

In data collection, Kibuye market was purposefully selected because of its strategic geographical and market location. The study population on the other hand comprised of informal sector entrepreneurs engaged in Carpentry production. The unit of analysis was informal sector entrepreneurs engaged in carpentry production and their enterprises.

Non-probability sampling method was used through the use of cluster sampling in choosing a representative sample. A total of 40 entrepreneurs and 40 workers were interviewed through the use of a structured questionnaire. The interview schedule involved a face-to-face interaction. Other methods of data collection involved observation and the use of secondary data. Both descriptive and inferential statistics have been used.

The study found the sector to be key in enhancing the development of an indigenous entrepreneurial ethic. The role of government though outlined in policy papers and other government documents was seen to be minimal by the entrepreneurs. The NGOs on the other hand were seen as playing a more pronounced role through offering financial assistance and business education to the entrepreneurs.

ACRONYMS

APPROTEC	Appropriate Technology
CBS	Central Bureau of Statistics
COMESA	Common Markets For Eastern and Southern Africa.
GOK	Government of Kenya
ILO	International Labour Organisation
ITGD	Intermediate Technology Group
KICK	Kisumu Innovation Centre Kenya
KREP	Kenya Rural Enterprise Program
NGOs	Non Governmental Organizations
USA	United States of America.

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CHAPTER 1: BACKGROUND

1.0 INTRODUCTION

Ethics is a product of human development and, like culture, is socially constructed. Society develops its ethics and moral values over time and space. Once accepted, ethical values become guidelines for human conduct. Ethical values according to Aristotle, “legislate what we are to do, what we are to abstain from so that the end is good for man”. ‘Man’ here refers to society as a whole (Amartya, 1967).

Otenyo (1998) identifies four avenues through which ethics is developed. They are: religion, socialisation, culture and laws. These four interact to enable society define what is good and what is evil. It also distinguishes acceptable behaviour from unacceptable behaviour. Traditionally ethics has had a charismatic foundation in religion. Major religions have a great influence on the ethical beliefs of their followers. This belief dictates acceptable and unacceptable behaviour. Moral values play a big role in defining human behaviour in a given situation. They shape levels of interaction with the environment in all realms of human conduct. The laws and regulations in a nation influence patterns of ethical behaviour in a profession. Any profession involves engaging in work as an activity. An individual’s effort in work, as an activity, is goal-driven with the assumed goal being an improvement in one’s welfare (Engel and Engel, 1987).

The informal sector is an area that gained universal recognition after 1971. This was after the International Labour Organisation, (ILO) carried out a study in Kenya on the employment situation. At this time the sector was seen as being key to employment-creation in Kenya. In 1972, the ILO first coined the term in reference to unregistered economic activities engaged to earn livelihoods in small non-farming activities undertaken by migrant workers in urban centres who could

not find wage-employment. The sector is based on the work of, and imagination of, an individual in a situation of limited resources (ILO, 1972).

Webster and Fiddler (1996:6) describe the sector as “very small enterprises that use low technology modes of production and management and does not refer to legal”. In West Africa and Latin America, the sector lacks government recognition. The Central Bureau of Statistics describes the sector as “Semi organised and unregistered activities undertaken by self employed persons in markets, stalls, undeveloped plots, street pavements in urban centres and have or don't have local authority licensing” (Coughlin and Ikiara, 1996:310). It is an economically efficient system supporting a large population in Kenya. Those employed by the sector are engaged in small-scale economic activities mainly for survival.

The ILO describes the sector as:

“Consisting of small scale units engaged in the production and distribution of goods and services with one primary objective of generating employment and incomes to participants not withstanding the constraints of capital, both physical and human know how” (Sethuraman, 1991:17).

Many actors in the informal sector are craft entrepreneurs involved in manufacturing and production of goods for sale to an existing market. As an economically efficient sector, it faces challenges that hinder its growth and subsequent graduation into the formal sector (King, 1997).

1.1 THE RISE OF THE INFORMAL SECTOR IN KENYA.

The informal sector in Kenya is a product of indigenous influence. Socio cultural trends that affected the African trader during colonisation had a strong effect on the sector growth and development. Before colonisation, the African had an established barter trade system that was sufficient for his economic survival.

Colonisation brought along with it an intimidating environment for the African entrepreneur. The restrictions over free movement, trade and interaction killed the traditional African trading practise. Despite the hostile environment, a few Africans were able to initiate petty trading activities in the reserve settlements showing signs of a budding entrepreneurship (ILO, 1972).

At the end of World War II, demobilised African soldiers established small business activities in the trading centres; laying a foundation for entrepreneurship development. Before that, a few small-scale business activities had started to flourish along the railway lines. With the growth of towns, African immigrants in the urban centres initiated small-scale business activities as a form of employment and income generation. At this time, the level of business activities had far outgrown the small clusters in the reserve settlements (King, 1996).

After Kenya gained independence in 1963, it adopted an Africanisation policy targeting the political social and economic spheres. This strategy encouraged the formal employment of the indigenous African. Those who were not absorbed in formal employment engaged in small business activities in both rural and urban centres. This period witnessed an upsurge of business activities that later came to be called the Informal Sector or 'jua kali' meaning those business activities undertaken in the hot sun. Up to the 1980s the Kenyan government did not see the need to tap the huge potential in the sector. With time, the government has recognised the role of the sector in income-generation and employment-creation. National strategies targeting the sector have been outlined with the focus being capacity-building for the sector entrepreneur and the creation of an enabling environment for his operations. The government hopes to tap the potential within the sector to facilitate economic development and industrialisation (ILO, 1972; King, 1996; Himmelstrand et al, 1994).

1.2 CHARACTERISTICS OF THE INFORMAL SECTOR

The informal sector is looked at in terms of economic activities undertaken, mode of production, organisation and scale of operation (Sethuraman, 1991). The African informal sector enterprises have a varied distribution of trading activities among them wholesale, retail, manufacturing, transport, building and construction, and delivery of services (King, 1996). These activities are distributed both in the rural and urban centres. Sethuraman (1991) sees the sector as being a by-product of rapid urbanisation, and increased unemployment. Many entrepreneurs in the sector see it as a means of earning a livelihood in the absence of formal employment. The activities they engage in are run as household enterprises in that there is very little separation between the owner and the enterprise (CBS, IECG and KREP, 1999). Informal sector activities are mainly non-agricultural and market-oriented.

A survey done by CBS, IECG and KREP (1999) found the sector to be employing over 2.2 million people countrywide, 97% of who were casuals and apprentices. The survey further found out that the sector had a lot of invisible labour force because of its over reliance on family labour and apprenticeship.

According to Sethuraman (1991), the sector has a free entry and easy exit. This is because of the minimal capital required to set up an enterprise. All one needs is a willingness to get into business. The sector is dependent on local resources, has small-scale enterprises that operate in an unregulated market. Because of the dynamics in the sector, there is minimal government regulation and monitoring. This situation gives room to haphazard business practise, which raise ethical challenges for the sector entrepreneur. The sector entrepreneurs have a diverse background and may not necessarily be people from a distinct ideological background (Himmelstrand et al, 1994).

Additional studies have established that many of the sector entrepreneurs are of an average age of 35 years with primary school level of education. They also had very little additional management education despite the fact that the sector has a huge potential for skill development. 90.4% of the sector's start-up capital is mainly from family or own sources. Very few entrepreneurs in the sector get loans to establish their businesses. On the area of marketing the sector, depends on inter-firm linkages and individual networks. There is very little record keeping within the sector - a situation that makes it difficult to compute annual profits. More than half of the sector entrepreneurs did not have bank accounts thus limited access to formal credit provision (McCormick and Pedersen, 1996; CBS, IECG and KREP, 1999).

Unlike the formal sector, the informal sector has limited access to infrastructure. Many enterprises are operated without the security of tenure therefore, running a risk of displacement on a daily basis. They also lack access to basic public utilities like water, power, sewerage, solid waste disposal, communication and an efficient transport system. This limitation inhibits the practise of the entrepreneurial role to its full potential (Muller and Bokea, 1999).

Because of the oppressive business environment under which it operates, the sector focuses on flexible market specialisation; which is a way of risk-management. Flexible market specialisation enables the entrepreneur to manage risks of operations and minimise expenses. This according to McCormick (1996) helps minimise loses and maximise on survival and profit making.

The informal sector is rich in diversity both in the initiative and operations, making it very flexible and dynamic. Over time, the sector has evolved into a permanent and important feature in Kenya's economic and industrialisation strategies.

1.3 THE ROLE OF THE INFORMAL SECTOR IN ECONOMIC GROWTH AND DEVELOPMENT.

The informal sector has been heralded for its role in entrepreneurship development, which is an identified feature in any nation's economic development. McClelland (1961) carried out a study that concluded that societies with entrepreneurial traits and a high need for achievement developed faster than those that were lacking in those traits. Local entrepreneurship is developed through initiating grassroot innovation, creativity, investment and expansion of markets (GOK, 1992,1996). An entrepreneur plays the role of identifying and reallocating resources; a process that is continuous in most informal sector activities. The informal sector is thus a seedbed for local entrepreneurship.

Study findings by Ndua and Ng'ethe (1984) saw the sector as being key in the provision of employment and incomes. This is for both the entrepreneurs and the government. The sector offers direct and indirect employment to over 2.2 million people in Kenya alone. It absorbs mainly the unemployed and the under-employed and school dropouts, relieving the government of the burden of employment creation.

The basic training ground in both business management and technical skills is the "jua kali" sector. The sector experiences a lot of technological transfer to and from the formal sector thus improving the levels of skill development within it. A lot of training and skill acquisition in the sector is through traditional apprenticeship and on-the-job training. Donor organisations, the government, non-governmental organisations and churches provide additional training (Abuodha and King, 1999).

Another major role of the informal sector is local resource mobilisation. Unlike the formal sector that depends a lot on imported inputs, the informal sector utilises local labour, material and non-material resources for its daily operations

and survival with a lot of input that goes into the production process being sourced locally (McCormick and Pedersen, 1996; Coughlin and Ikiara, 1991; King, 1991).

The sector caters for the basic needs of the low-income earners. It provides goods and services that they can easily access and afford. Many of the products are appropriately located and fairly priced, minimising costs for the buyers. This means that the sector minimises income inequality by ensuring a ready supply of basic goods and services for a majority of the population (Abuodha and King, 1991).

In conclusion, informal sector enterprises contribute to industrialisation through enhancing accumulation of wealth, investment and innovation, technology transfer and reaching out to markets in a diversified environment. Though they promote entrepreneurship, they help facilitate industrialisation within the local context.

1.4 STATEMENT OF THE PROBLEM

Over a period of three decades, the informal sector has undergone a lot of structural transformation in Kenya as an indigenous effort towards the development of a local entrepreneurial class. The launching of the ILO report in Kenya in 1969 highlighted the importance of the sector in employment creation and income generation, a situation that led to the government's efforts to stabilise the sector and tap the potential within it for purposes of economic growth. With time, sector-specific development plans and policy documents have been developed as a national initiative towards the promotion of the sector (King, 1991).

Development partners have also made positive efforts towards promoting sector growth through facilitating the provision of monetary and non-monetary support.

Today there are numerous private sector and donor community initiatives targeting the sector all over the country. Whether the support facilitates the development of entrepreneurial ethics in the sector, is an area that has not been documented.

The informal sector has for a long time been accused of lacking in social accountability because of its fluid nature of operation. The easy entry, easy exit characteristic of the sector is a great contributor to this attitude. However, very little has been done to document the sector's contribution to the development of an entrepreneurial ethic in Kenya.

There is very little documentary evidence on entrepreneurial ethics development in the sector; a situation that has led many to conclude that the sector is semi-legal and thus a threat to the business image of Kenya. The focus on the sector has mainly been on enterprise promotion with the attitude that 'a bad job is better than no job'. A lot of effort has gone into providing the job, keeping it going and facilitating industrialisation.

Despite this the sector has a semblance of a work ethic that is localised and a unique work practise that defines regulations for entry and survival that is unique to every cluster and market tradition of business action. (Freund,1988). The question of whether the actions are ethical or not, remains elusive and can only be answered by an intensive study of the sector.

The existence of a work ethic has been heralded for the development of an entrepreneurial ethic in the developed world. This ethic has also been a contributor to the industrialisation of great industrial nations like USA, China, Japan and Britain.

The priority for many informal sector enterprises is basic survival; justifying the absence of a standardised measure for business ethics in the sector. In the absence

of standardised measures for business action and limited documentation on the role of the sector in entrepreneurial ethic development, it becomes important to study this area through getting answers to the following research questions:

1. How is the Kibuye market carpentry cluster managed and organised?
2. Does the carpentry cluster in Kibuye market have the capacity to contribute to the development and maintenance of an indigenous entrepreneurial ethic?
3. To what extent do the contributions of the government, the NGO's donor agencies and churches impact on the development of an entrepreneurial ethic within the carpentry cluster in Kibuye market?
4. What ethical challenges does the carpentry cluster in Kibuye market face?

1.5 OBJECTIVES

Broad Objectives

The projects main objective was to establish the role of the informal sector; in particular, the carpentry cluster in the development of an indigenous entrepreneurial ethic.

Specific Objective

The main objective was met through the following specific objectives:

1. To identify the nature and scope of operations of the carpentry cluster in Kibuye market.

2. To analyse the contributions of the carpentry cluster in the development of an indigenous entrepreneurial ethic.
3. To investigate the challenges facing the carpentry cluster that have affected the development of the entrepreneurial ethic.
4. To evaluate the role of the government, donor agencies, NGOs and churches in the development of an entrepreneurial ethic.

1.6 JUSTIFICATION.

The national focus on the informal sector has always been linked to its employment creation and economic growth role. A lot of literature on the informal sector heralds its role in the economy with very little reference to entrepreneurial ethic development. The sector has over time, developed an integrative operating system, which helps it manage the pressures of supply and demand. Whether this system ensures social accountability is of little regard to the supporter of the sector.

Social accounting and justice measures have always targeted the formal sector. Besides, there is very little documentation on the micro and small enterprise sector on matters of ethics. The sector's entrepreneurs also lack awareness on standardised measures of business practise (Buckley, 1998). Though Kenya has a well-articulated labour law, all legislative and regulatory procedures tend to suit the formal sector. Very little has been done to adopt them to suit the informal sector.

The study, therefore, focused on identifying entrepreneurial ethic challenges facing the manufacturing sector within the informal sector, with special reference to the carpentry cluster. In doing this, the study identified operational gaps that have hindered the growth and maintenance of an entrepreneurial ethic within the

cluster. Further, study findings will be used by support organisations in the sector and facilitate the promotion of entrepreneurial ethic among the informal sector

entrepreneurs. This will include the government, donor organisations, NGOs, and churches. The study findings will enhance the sector's participation in economic development.

1.7 SCOPE OF THE STUDY

The study was carried out in Kibuye market Kisumu municipality. Kibuye market is located along the Kakamega Kisumu highway and serves a large market from the neighbouring provinces of Western and Rift valley. The study focused on the carpentry cluster within the market. These included enterprises with a capital of not more than Ksh.50, 000, employing not more than 10 employees and meeting the basic descriptions of informal sector enterprises.

The study further focused on entrepreneurship ethic development at every level of business activity in the sector. The contributions of the government, local authorities, donor agencies, NGOs and churches in entrepreneurship ethic development in the sector were further assessed.

CHAPTER 2: LITERATURE REVIEW

2.0 INTRODUCTION

The informal sector has witnessed massive growth and official recognition in Kenya since independence. The Africanisation policies adopted by the newly independent Kenya saw a major shift in the policy direction. The Kenyan government made a concerted effort to develop the sector and tap its huge potential for purposes of economic growth and employment creation (GOK, 1992,1996).

This positive recognition led to a rapid spread and expansion of informal sector activities in all trading centres in the country. With the expansion, many changes have been witnessed in the sector, which calls for an evaluation of the organisation of the sector activities. This organisation is what, in effect, leads to the development of a value system that later becomes the prevailing ethic. Value systems that provide a coherent moral argument for entrepreneurial behaviour are important for the sector survival. They also strengthen the society's cohesiveness.

In this chapter, the origin of the work ethic upon which the entrepreneurial ethic is founded are assessed together with its probable effect on the Kenyan entrepreneurial ethic in the informal sector. Further, the role of the government in providing an enabling environment in the sector is evaluated. Donor organisations, NGOs and churches have played a big role in sector development. The chapter reviews the extent to which their support has influenced entrepreneurial ethic development in the informal sector.

2.2 THE WORK ETHIC AND THE ENTREPRENEURIAL ETHIC.

The Western principle of work ethic upon whose foundation the entrepreneurial ethic is based, is derived from the Protestant ethic and the Spirit of Capitalism.

The Protestant ethic emerged towards the end of the Industrial Revolution in Europe. This is a period that was characterised by a great reformation in the Christian religion. The Protestant Church split from the Catholic Church leading to great changes in ideological beliefs. Economic life was also affected in that there was a major shift from church control of economic affairs, to individual effort. This created a conducive environment for entrepreneurship development (Roth and Withich, 1968).

The spirit of capitalism emphasised voluntary human behaviour within the dictates and limitations of society i.e. Protestantism. The spirit of capitalism, together with the Protestant ethic, emphasised cultural embeddedness of capital development and ideological motivation for rational profit-seeking. This led to entrepreneurship development among the believers in the Protestant ideology. The Protestant teaching advocated by Calvinism and Puritanism emphasised on:

1. *Time management.* Time wastage was seen as a deadly sin - since every hour wasted negated the achievement of the will of God.
2. *Labour as an important aspect of Christianity.* Laziness was never cherished.
3. A willingness to work was seen as transition to a better life.
4. Division of labour as a result of divine will.
5. *Saving and reasonable consumption.* Consumption beyond basic needs was wasteful and sinful.

These teachings foresaw the development of a substantive norm in the presence of capital survival and the institutionalisation of a work ethic in the western world (Roth and Withich, 1986; Holton and Turner, 1989; Runciman, 1978).

The emerging work ethic encouraged and guided the entrepreneur to pursue his interests within the boundaries of moral correctness. The Protestant ethic discouraged dishonesty and greed that characterise the behaviour of some entrepreneurs today. The emerging spirit of capitalism encouraged

entrepreneurship development that saw the rise of an entrepreneurial class, a new trend of capital accumulation, savings, productive investment and honest profit making. An entrepreneur, as a professional, had formal limitations that were ethical in nature (Cunningham and Lischeron, 1996). It is important to note that this limitation on the entrepreneur's conduct has been applauded for the present day entrepreneurial spirit in America and other industrialised nations.

By combining the productive and commercial functions, small artisan producers have been able to develop an indigenous entrepreneurial behaviour in the face of a competitive market. It is important to evaluate the existing business practise to see whether it is ethical or not. The Kenyan scene may not be directly comparable to the western scene in as far as ethics development is concerned. What comes out is the role of ideology in the development of an entrepreneurial ethic. The diversity in the Kenyan ideological and cultural practises may also explain the type of ethic observable in Kenya. Kenya's cultural and historical forces have also in their own way influenced the type of ethics that is present since ethics is religiously motivated, legally guaranteed and vary within each social grouping (Houlton and Turner, 1989).

The African business ethic is a result of economic relationships stimulated by a dominant culture. Marris and Somerset (1971) describe the African entrepreneurial ethic as sharing the same value system as the Protestant Calvinist entrepreneurial ethic. Successful businessmen, studied then in Kenya, are described as people of a distinct behaviour; honest, decent, with a high integrity, self-confident, trustworthy, humble, friendly, patient, thrifty, and diplomatic. They are also hardworking, imaginative, loyal and law-abiding citizens. Looking at these descriptions, it is evident that the entrepreneur is a person with inborn psychological traits that distinguish him from the rest of society. These traits depict the entrepreneur as a charismatic, energetic, industrious and achievement-oriented individual (McClelland, 1961).

The African social and religious values have been described as great bottlenecks to the development of an entrepreneurial ethic. The African entrepreneur is not driven solely by the profit motive; he has the desire for prestige and obligations towards kith and kin. His action, though economically driven, is embedded within socio-cultural relations that surpass the market forces. This uniqueness of the African entrepreneur's field of action gives background to the diversity of the social field in which the entrepreneurial action is carried out (Webster and Fiddler, 1996).

Marris and Somerset (1971) see the ethic surrounding African entrepreneurs as being a by-product of their experiences and circumstances. They describe the Asian African entrepreneur as a product of his arrival and subsequent stay in Kenya at independence. The Kikuyu entrepreneur on the other hand is seen as a by-product of his close proximity with the white man during colonial time. The impression created by this conclusion is that other ethnic groups portray behavioural traits that are reminiscent of their past experiences.

An entrepreneur acts within a socially and culturally determined environment. He works within a market system that is characterised by competition, physical actors and norms developed to guide the process of transfer of goods and services. These norms transcend the traditional market boundaries. (Kongstad and Monsted, 1980). Dollinger (2000) sees ethical standards as being dynamic; they keep shifting and are ambiguous. What may be ethical in one area may be completely unethical in another. Similarly, what may be ethical in one region may not be ethical in another. The practise of ethics in entrepreneurship is important since society is shaped by individual behaviour (Hirschman, 1972).

2.2 THE INFORMAL SECTOR AND ENTREPRENEURSHIP DEVELOPMENT

The informal sector is better understood in terms of economic activities, involving workers and a lack of legal recognition and regulation. The understanding shows its economic viability. According to Webster and Fiddler (1996), the sector consists of survivalists, self-employed and micro enterprises. The Central Bureau of Statistics (CBS) on the other hand sees the sector in relation to workers. It describes the sector as including those enterprises that employ between 0 and 9 workers and is generated out of one's need to generate employment. What comes out of this description is that the sector is small scale, involves capital and is necessary for income-creation for the entrepreneurs within it.

Public policy has for over a long time been in constant conflict with the sector. Local authorities that are the official custodians of the environment under which they operate see them as a nuisance forcing them to exist in a subordinated relationship with the state (Coughlin and Ikiara, 1996; King 1997). To survive this relationship, unethical practices are used e.g., bribery, illegal sourcing of raw materials and compromising product standards.

The sector operates under conditions of market imperfections - thus an implication for efficiency and effectiveness, especially in terms of product and service quality. A major ethical concern for the sector is its relationship with the environment. It puts a lot of pressure on land and its related resources like water and vegetation; reducing its quality. Because of the entrepreneurs' focus on basic survival and moneymaking, very little attention is put on environmental management. The sector's conditions of work have been found to be far from ideal. Very few entrepreneurs in the sector can afford to pay the legal minimum wage. Employees work long hours, have no job security and rarely regard occupational safety as a question of importance. This system, though lacking in ethics, has been developed over time to the extent that it is silently accepted

(Echevaria and Romjin, 1991; Ghai, 2000; Freund, 1988). Besides, the sector rarely observes by-laws on minimum standards; thus practising illegitimate trade and compromising health and safety and environmental standards (CBS, IECG and KREP, 1991).

A series of socio-cultural practises dictate the life of the indigenous entrepreneur. Capital accumulation, though a trait of entrepreneurship, is greatly abused. Very little human capital development is initiated in the sector, as the focus for many entrepreneurs is to generate the ever-needed income with little regard to the means used to get it. The lack of human capital development however, can be attributed to undercapitalisation within the sector (Rasmussen, 1992). Lack of technical training and the low skill levels in the informal could also be associated with the minimal market opportunities in the sector (Webster and Fiddler, 1996). Others, to quote Rasmussen (1992), "have a grow rich mentality and want their profits tomorrow". Lack of the ever-wanted capital also forces some entrepreneurs to source for contraband goods and opt to use substandard materials in the production of goods and services. They lack the capacity to compete with the formal sector for quality materials (Freund, 1988).

In Africa, reciprocal family solidarity networks drain businesses. Besides, the African kinship system has a negative impact on entrepreneurship; it plunders the enterprise, robs personal ambition and at times sees the enterprise as a disloyal activity. The informal sector enterprise, under this description, is run under the economy of affection where social stability overruns enterprise obligations (Webster and Fiddler, 1996; Nge'the and Ndua, 1992; Hyden, 1980; Rasmussen, 1992)).

Singer (1992) describes the sector as low in efficiency, having poor and dangerous working conditions, being full of gender disparities, lacking in responsible leadership and good governance and operating under inadequate legal systems. Because the labour of women and youth in the sector is controlled by the

male gender, they have very little influence on the labour market dynamics in the sector. This, coupled with the African perception of marriage, gives women very little access to the products of their labour. Despite all these, the entrepreneurs in the sector seem to have their way of voicing their problems through voluntary associations like the *jua kali* association (Freund, 1988; McCormick and Pedersen, 1996). This view does agree with Marris and Somerset (1971); that entrepreneurs may adapt innovation to established patterns of work, a new philosophy of values to justify and generalise their rules and conduct. These may not necessarily be in line with meeting the general good of the society.

Despite their advantages, informal sector activities face the challenge of being socially responsible and remain capital-driven. As they fulfil their day-to-day obligations and receive support from various avenues, the question of their ethical operation remains silent. Besides, many governments find it expensive to monitor their activities closely because of their flexible nature and lack of funds. The reality seems to imply that the predominant value system in the sector defines the acceptable rather than the expected (Echaveria and Romjin, 1991).

2.3 THE CARPENTRY CLUSTER IN THE INFORMAL SECTOR.

Carpentry in the informal sector falls under manufacturing; a section that is involved in the production of goods for sale. Carpentry is involved in the manufacture of wood-based products, like furniture, coffins and fittings. According to the Kisumu District Development Plan (1994-1996) the carpentry cluster accounted for 7 out of 82 registered informal sector activities. This implies that a majority of carpentry-based activities in the sector lack legal recognition because they are not registered. The cluster is however, diversified in nature and is operated both indoors and outdoors.

The conditions of employment within the sector reflect the employment scenario characterising the sector. The cluster employees are owner managers, casuals or

trainee artisans. The sector practises open employment to fit in the competitive flexible market (Ng'ethe and Ndua, 1992). The sector was found to face work- place hazards; a situation that confirms the sector's lack of attention to issues of occupational health and safety (CBS-KREP 1999). A majority of employees are mainly from the sector itself (Abuodha and King, 1991).

Material sourcing within the cluster is based on the levels of capital. Mainly, the entrepreneur lacks the financial capacity to compete with the formal sector on sourcing for raw materials. This is because the sector income is consumer demand-based. The costing of products in the cluster is set by market forces explaining the entrepreneurs' use of cheap local materials as opposed to going for expensive inputs, as is the case in the formal sector (Echavaria and Romjin, 1991).

Though previously, the carpentry cluster used simple hand tools (King, 1977), the cluster is moving away from simple tools and adopting appropriate technology. There is a lot of technology transfer to and from the formal sector leading to specialised production. The carpentry cluster has experienced some improvement over time and there is a marked improvement in product quality due to increased levels of entrepreneurial education at the point of entry (Abuodha and King, 1991; McCormick, 1993).

The cluster relies mainly on apprenticeship and on-the-job training. The training within the cluster does not follow the formal training plan but is determined by the relationship between the trainee and the master. A very minimal fee is charged for the training where a majority of the trainees are also close associates of the enterprise owners (Ng'ethe and Ndua, 1992). The government, through the World Bank voucher-training programme, has tried to increase skill levels in the sector though its difficult to evaluate the level of their impact. NGOs, like Approtech and KICK have also designed technical skills training programmes for the manufacturing subsector of the informal sector (Abuodha and King, 1991). The

highest average start-up capital in the cluster is Ksh.22, 000. This is because of the high cost of tools required in the cluster. A majority of entrepreneurs in the cluster get their initial capital from previous savings. The flexible nature of the informal sector is such that those who cannot purchase tools can instead hire them from other entrepreneurs at an affordable daily fee (McCormick, 1993). The carpentry cluster operates in an unpredictable environment. As a response to the environmental risk, they practise flexibility by operating in a rent-free environment, use family labour, invest a minimal capital and make identical products (McCormick, 1993; King, 1977).

2.4 CONSTRAINTS FACING INFORMAL SECTOR ENTREPRENEURSHIP

Many studies on the informal sector agree that the sector faces a lot of challenges that have influenced its production levels and subsequent growth into the formal sector. Despite the government's attempt to tap the potential within the sector through identifying the operational challenges, much of its initiative remain on paper with very little structural implementation. The informal sector faces an unstable and unpredictable market. With this scenario, the sector faces the challenge of getting a wider market for its products; limiting the pace of enterprise growth (GOK, 1996). The sector further experiences stiff competition due to their grouping in the same locality and dealing in uniform products. Though this is considered a risk-management strategy, it affects income levels in the sector by limiting profit margins (CBS, IECG and KREP, 1999; Mullei and Bokea, 1999).

Another major challenge facing the informal sector is culture. The African culture is diverse and acts as an ethical ideology influencing human behaviour. The predominant socio-cultural value system discourages entrepreneurship development. Issues of gender, inheritance and succession, attitude to risk, conception of time, conflict resolution and questions of status affect enterprise

management (Webster and Fiddler, 1996; Buckley, 1996; Marris and Somerset, 1971; Kongstad and Monsted, 1980).

On the area of financing, many informal sector enterprises face the challenge of accessing adequate financing due to several reasons. It may be the limited knowledge in the formal financing procedures and providers on the part of entrepreneurs or the cultural suspicion on the part of the entrepreneur on the role of the financing. Sometimes, informal sector entrepreneurs lack the adequate collateral to access credit from financial institutions. The requirements for accessing financing for the entrepreneur may appear to be too demanding for him to warrant his attention. Or it may be a bias in the existing by-laws, which lock out female entrepreneurs (Webster and Fiddler, 1996). The situation however, seems to be changing with the institutionalisation of micro finance institutions. Small borrowers though, remain excluded from the formal bank loans even if they are able to cover the cost of covering terms. A lack of a strong financial base makes the enterprises within the sector suffer from under-capitalisation characterised by a lack of premises, tools and basic equipment (Ng'ethe and Ndua, 1992; Coughlin and Ikiara, 1996).

The sector faces the challenge of getting legal recognition from the government. Though recognised in the government records, it faces a lot of harassment from local authorities. Many entrepreneurs in the sector face the uncertainty of earning a livelihood due to the frequent demolition and burning of market structures. This affects the levels at which the entrepreneurial role can be played to its full potential. The illegality in the sector, due to an official limitation of access to legitimate activity, affects the pace of enterprise growth and development. Many informal sector entrepreneurs are treated as immigrants; unemployed and the sporadically employed; a hazard and a security risk. The sector has experienced little implementation of recommendations and policy amendments developed by the government. There is a prevailing conflict between urban centre by-laws and

the informal sector. The government been cited as lacking the capacity for playing its facilitative role (GOK, 1997; Abuodha and King, 1991)).

The other major challenge facing the sector is access to both physical and public infrastructure. It lacks access to power, roads - especially in the rural areas, water and communication, which are key to the manufacturing sub sector of the informal sector. A majority of enterprises operate in semi-permanent premises, making them suffer the risk of insecurity of tenure. Infrastructure is an important component of any production process (GOK, 1996; Webster and Fiddler, 1996).

The sector lacks the technological capacity to produce standard products and tap a wider market range. This has limited the sector to provision of goods and services that target a smaller market inhibiting its growth. The sector relies heavily on adaptive technology, which at a certain point compromises efficiency and effectiveness. There is a need to improve the production methods through skill development, provision of information on the changes in production technology, and promoting technology linkages and transfer. This cannot take place in the absence of financial support for the sector (Ng'ethe and Ndua, 1992).

2.5 THE ROLE OF THE GOVERNMENT IN THE DEVELOPMENT OF AN ENTREPRENEURIAL ETHIC

The government is charged with the responsibility of providing an appropriate environment for enterprise growth and entrepreneurship development. The government's role is mainly facilitative; it is expected to provide institutional support to the sector through developing strategies that will enhance enterprise growth. The Kenyan government initiative towards informal sector growth gained momentum in the 1980s. At this time, the then head of state visited Kamkunji, and made a promise to assist the sector. Sheds were built to shelter the entrepreneurs from the hot sun, Sessional papers defining the government strategy were written and a positive effort made to help integrate the sector into the mainstream economy (Abuodha and King, 1991).

Perkins and Roemer (1991) identify the role of the government as facilitating the reforming of economic systems through; collecting revenue, regulating and development promotion of the States development activities ranging from infrastructure development to investment promotion and public policy development (Sethuraman, 1991). The government is further charged with the responsibility of facilitating the provision of vocational training, technology transfer and the development of new technology (McCormick and Pedersen, 1996).

The government is further charged with the responsibility of developing and implementing standardising rules and procedures in the sector. This will ensure the sector operates legally, under a regulatory environment like the formal sector. The informal sector lacks this and operates in the absence of benchmarks and quality control regulations (Sethuraman, 1991).

It is the responsibility of the government to facilitate market promotion through encouraging sub-contracting, opening up of both local and regional markets through strengthening of regional networks like the East African Community, COMESA and other external trade partners. The government is meant to facilitate the integration of the sector into the mainstream economy (GOK, 1992).

The Ministry of Trade outlines its functions in relation to the micro and small enterprise sectors as including; provision of advisory services to both the *operating entrepreneur and potential entrepreneurs on matters affecting their enterprises* like technology, product quality improvement, and management skills. The ministry is also charged with the responsibility of enabling the entrepreneurs to identify raw materials and other inputs necessary for enterprise growth. The ministry is also responsible for the facilitation of entrepreneurship development through training of both existing and potential entrepreneurs. Besides, it is also expected to disseminate information and sensitize the public on matters concerning trade. Finally, the ministry of trade is charged with the role of coordinating all industrial matters by other government ministries, institutions,

donor agencies, church institutions and NGOs (GOK, 2002). The government's role is facilitative in that; it should provide an enabling environment for entrepreneurship development within the informal sector.

2.6 THE ROLE OF OTHER SUPPORT AGENCIES IN THE DEVELOPMENT OF AN ENTREPRENEURIAL ETHIC.

The informal sector has benefited a lot from the support of other agents of development besides the government. Since it gained official recognition by the ILO in 1972, many donor organisations, NGOs, churches and private sector enterprises have offered support to the sector in varied forms (ILO, 2003). The ILO, for instance, has focused its efforts towards capacity building of the sector entrepreneur through training promotion. Its training courses emphasise on how to improve businesses and facilitate entrepreneurship development. Several other organisations have also targeted the informal sector in the areas of training for example the on going World Bank and Government of Kenya voucher training programme that is directed towards skills building for the informal sector entrepreneurs.

Development agencies have also played the role of market promotion for many informal sector craft entrepreneurs. This role goes together with facilitating skills building in the sector to improve on product quality and reach out to a wider market.

Other agencies have focused on technology transfer through promoting innovations and adoption of appropriate technology. Key in this area are the Intermediate Technology Group (ITGD), APPROTEC and KICK who target the area of facilitating the adoption of affordable technology by informal sector entrepreneurs (McCormick and Pedersen, 1996).

Some assisting organisations focus on facilitating capitalisation through provision of financial capital. The sector relies heavily on financing from micro finance institutions. The institutions have enabled the sector to grow and meet the demand for financing.

2.7 THEORETICAL FRAMEWORK

The process of entrepreneurial ethic development in the informal sector will be looked at from the Rational choice theory perspectives and the Social action theory. These include the exchange theories of Malinowski, Hommans and Blau and the social action theory of Weber and Parsons.

2.7.1 Rational Choice Theory.

The rational choice theory is based on the Utilitarian philosophy of Adam Smith, which sees man as maximising on personal benefit for every transaction (Abraham, 1982). Though an individual engages in the transactions, they in a way facilitate the strengthening of interpersonal networks thus promoting the integration of society.

In the study, the action of the informal sector entrepreneurs as individuals, are looked at in relation to how they facilitate the integration of society through enhancing entrepreneurial ethics development. An entrepreneurial ethic develops out of a desire to meet both individual needs and maintain the society's value system. The exchange process and behaviour, though undertaken by an individual, is mandated by society. The rational choice theorists see exchange behaviour as influencing the emergence of a normative value system that is unique to a particular society, which informs social interaction and activities.

Individual exchange of goods and services is motivated by the magnitude of the expected reward. In entrepreneurship the reward for exchange

action is prestige and profit. These rewards are achieved after a rational decision making as part of the entrepreneurial role and behaviour. An entrepreneurial exchange as an action aims at fulfilling the entrepreneurial function, which is; production, innovation and marketing within a distinct market system and enterprise (Moschandreas, 1994). The exchange process facilitates the promotion of either social equilibrium or disequilibrium leading to the emergence of an accepted value system.

Rationalised behaviour in the exchange process is determined by social approval. Social exchange sees an act of exchange as reflecting people's commitment to social values as a normative system that explains fair exchange. Persons entering into exchange create reciprocal obligations that are standardised by society. The adoption and subsequent institutionalisation of entrepreneurial behaviour is a reflection of the dominant value system that directs the exchange behaviour and defines the reward obligations. The tendency to accept rewarding behaviour is in accordance with Blau's exchange theory (Abraham, 1982), which sees exchange behaviour as reinforced within a social system. The choice of exchange behaviour by an entrepreneur is shaped by past experience and the magnitude of the expected reward. This, however, is done within the limits of a social normative system. Rational choice theory works on the assumption that "social wholes are produced by individuals". Individual entrepreneurs are therefore key actors in the development of an entrepreneurial ethic through their rationalised exchange behaviour (Siboen, 1988).

In the entrepreneurial process, an entrepreneur engages in actions of exchange within a specific environment. The entrepreneur scans for opportunities in an environment of scarcity and competition. Individual exchange of goods and services involves rewards and costs. The reward

for the entrepreneur is in the form of time and judgmental decision-making.

2.7.2 Social Action Theory

Social action theory sees every action as taking place within a certain norm and value system. The action's aim is goal achievement for the actor. No action therefore takes place in the absence of rational decision making (Cohen, 1968). Actions are aimed at effecting a maximum reward for the actor. They also take into consideration the prevailing value system and norms for the sake of the society's integration.

Parsons (1968) asserts that for an action to take place, an actor must be motivated. This motivation in the case of an entrepreneur is profit-making and prestige. The social action theory sees human actions as a form of interaction that helps shape societal norms. They help define social systems and facilitate the emergence and acceptance of norms. This is because every one is seen as enjoying the interactive relationship that is brought about by the action (Cohen, 1968).

The role of the informal sector entrepreneur in the development of an entrepreneurial ethic can be seen in the context of the social action theory. The individual actions of the entrepreneurs contribute to the development of an ethic than is accepted by the whole society. The entrepreneurial action though aiming at the fulfilment of a desire is carried out within a pre existing value system and helps shape the desired value system.

2.8 HYPOTHESES

The research questions raised and the literature review led to the formulation of two hypotheses for the study.

This include,

H₁

There is a significant relationship between development of an indigenous entrepreneurial ethic in the informal sector and the support from the government.

H₂

There is a significant positive relationship between the support services from the development agencies i.e. churches and NGOs and the development of an indigenous entrepreneurial ethic in the informal sector.

The Null Hypothesis

H₀

There is no significant relationship between development of an indigenous entrepreneurial ethic in the informal sector and the support from the government.

H₀

There is no significant relationship between the support services from the development agencies i.e. churches and NGOs and development of an indigenous entrepreneurial ethic in the sector.

2.9 OPERATIONALIZATION OF VARIABLES

Independent variables

1. Entrepreneurial ethic

In the study the term will be used to refer to socio cultural and economic norms and values affecting the implementation of enterprise operations. It involves adherence to rule regulations work habits and traditions.

Dependent variables

1. Debts management

This is the level of implementation of credit management skills in following up creditor and recovering the money and goods owed.

2. Record keeping

In the study the term will be used to refer to levels of maintaining a daily report of all financial transactions indicating the daily cash flow.

2. Minimum age of employees.

As an indicator the term shall be used refer to any age below 18. An existence of employees of this age will be a sign of enterprises not observing the policy of minimum age.

4. Employee- employer relationship

In the study the term shall be used to refer to interpersonal relations between an employer and an employee that in effect define adherence to the labour relations dynamics.

5. Occupational safety this will be used to define the levels of protecting employee from occupational hazards while in the line of duty.

6 Rules and regulations the term refers to adherence of entrepreneurs to laid down rules and regulations governing the business sector in the country.

CHAPTER 3: METHODOLOGY

3.0 INTRODUCTION

This chapter looks at the methods that were used to gather data in the study. The chapter explains the process of site selection and the processes of sample selection, unit of analysis description and the methodology that was engaged in data collection analysis and presentation.

3.1 SITE SELECTION AND DESCRIPTION.

Kibuye market was purposively selected because of its geographic location and extensive informal sector activity. The market is located in Kisumu district Kisumu Municipality. The district is the provincial headquarters for Nyanza province. As a provincial headquarters it is central in coordinating government and other administrative activities in the province.

Kibuye market is located along the Kisumu Kakamega highway which links it with major administrative centres in the north rift region and the western regions of Kenya. As a market the area has a good transport system linking it with the rest of the country through air, road rail and water system. This transport network connects it with other countries in the East African region.

Kibuye market is among the oldest in the western region of Kenya, having started in early 1960s. It has also been described as the largest open-air market in Nyanza with a wide catchment area. According to the area market superintendent, it is the second largest open-air market in Africa, after Kano in Nigeria. The market has varied informal sector activities including manufacturing, trade, service and petty commodity.

3.2 THE STUDY POPULATION

The study population was the Kibuye market informal sector enterprises and subsequently their entrepreneurs. These were enterprises engaged in carpentry production and employing between 0 and 9 workers with a maximum capital of Ksh.50, 000.

3.3 UNIT OF ANALYSIS

Singleton et al (1988) defines as “what or whom is to be analysed”. In this study the unit of analysis were informal sector entrepreneurs operating carpentry enterprises within Kibuye market. Other key informants will included the market supritendant, a ministry of trade representative, and representatives from organisations working with the informal sector entrepreneurs in the market, NGO’s, the private sector working closely with the entrepreneurs together with workers within the cluster.

3.4 SAMPLING PROCEDURE

A sampling frame of all carpentry cluster enterprises was obtained. This included 250 carpenters registered with the local Jua kali association and 30 non-registered members bringing the number to 280. From the sampling frame 40 entrepreneurs were selected through the use of simple random sampling method. From each enterprise one employee was selected for interviewing thus bringing the number to 40. At the time of study I managed to interview 39 entrepreneurs and 37 employees. One entrepreneur was sick and did not report to work for the whole duration whereas the workers had gotten work in areas outside the market.

To get data from the key informants probability sampling was used. One person each from the key organisations was interviewed. In total ten persons were interviewed.

3.5 METHODS OF DATA COLLECTION

Both Qualitative and quantitative methods of data collection were used. Structured and questionnaires were used to collect data from the entrepreneurs and their employees. In both cases an interview schedule that involved a face to face interaction was used. This was because most respondents could not read and fill in the questionnaire well. The unstructured questionnaire on the other hand was used to get in-depth information from the key informants. This information was recorded separately in a notebook.

Observation method was also used. This was mainly through the direct observation of activities of the entrepreneurs during the whole business process i.e. sourcing for materials production and marketing and the physical facilities used at all levels of informal sector carpentry process i.e. production, finishing and marketing.

I also used the focused group discussion method. I had a group session with members of the Kibuye Market Carpenters Association where key issues pertaining to business practice and entrepreneurial ethic were discussed.

Secondary data including the entrepreneur's records, data from the local authority representative, the support agencies and the ministry of trade were also used to get additional information. I also attended meetings of the Kibuye market carpentry welfare group where I was able to get an insight of the carpentry trade and get an opportunity to interact with the entrepreneurs in a setting other than their business enterprises.

3.6 DATA ANALYSIS

Both descriptive and inferential statistical methods of data analysis were used. The SPSS method of data analysis was engaged in analysing the data after coding the questionnaires.

3.7 STUDY LIMITATIONS

The study focused on the carpentry cluster alone within the market and did not look at other informal sector activities involved in manufacturing. Further it was based in Kibuye market Kisumu thus the findings cannot be used to apply to all carpentry based business activities in the country but may apply to the region.

3.8 ETHICAL CONSIDERATIONS

All information from the informants was treated with the confidentiality it deserved. The views and opinions of the informants were respected and where an interviewee did not wish to divulge certain confidential information that was also respected.

CHAPTER 4: DATA ANALYSIS

4.0 DATA PRESENTATION AND ANALYSIS

The data was analysed using both descriptive and inferential statistics.

4.0.1 RESPONDENTS SOCIO-ECONOMIC AND PERSONAL CHARACTERISTICS

This section descriptively presents the data gathered on the entrepreneurs and their workers within the carpentry cluster of the informal sector in Kibuye Market respectively. The socio-economic parameters considered in the study comprised of respondents' gender, age, level of education, Level of income and religion. These socio-economic characteristics highlight the features of respondents that can influence the level of ethics in their line of entrepreneurship role.

4.0.2 SOCIO-ECONOMIC CHARACTERISTIC OF ENTREPRENEURS

Table 1

Age Distribution Analysis

Mean	32.69
Median	33.00
Mode	34
Std. Deviation	8.386
Minimum	20
Maximum	51

The above observation shows that most entrepreneurs are of a mean age of 33 years. These are people who are at the prime of their age and can be considered to be both mentally and physically fit to play their entrepreneurial role effectively. They are in their early adulthood and can therefore be said to be fully responsible for their actions as they undergo their day to day activities in their enterprises.

Entrepreneur's Age Distribution

	Frequency	Percent
20-30 yrs	16	41.0
31-40 yrs	17	43.6
41-50 yrs	5	12.8
Over 50 yrs	1	2.6
Total	39	100.0

From this observation, it emerges that over 80% of the entrepreneurs are adults who are of the employable age. With the statutory retirement age at 55 years it emerges that the sector in Kibuye market is a major employer at parallels with the government. This figure illustrates the importance of the sector entrepreneurs in determining the pace of development of the entrepreneurial ethic by confirming its employment creation capacity. None of the observed entrepreneurs were minors, an observation that contradicts the assumption that the sector is a major employer of underage people as per the requirements of the ILO.

4.0.3 GENDER

Table 3

Entrepreneurs' Distribution by Gender

	Frequency	Percent
Female	3	7.7
Male	36	92.3
Total	39	100.0

The distribution of employees within the carpentry cluster by gender shows that more male are employed in the sector as compared to women. This is a reflection of the nature of employment within the manufacturing sector in the informal sector. The mode of production is craft oriented and labour intensive thus not many women can feel comfortable doing the work involved. The three women employed in the sector tended to play a managerial role with little production work as this was considered a male domain. The men on the other hand doubled

up as workers doing the actual carpentry production besides making managerial decision.

Also observed was the fact that the entrepreneurs in each enterprise were fully responsible for the actions of their workers and the decisions making. This looked at in relation to the development of the entrepreneurial ethic implies that every enterprise owner is fully responsible for their business actions and may choose to operate ethically or not irrespective of gender.

4.0.4 LEVEL OF EDUCATION

Table 4

Entrepreneur's Education Levels

		Frequency	Percent	Valid Percent
Valid	Lower primary	3	7.7	7.9
	Upper primary	23	59.0	60.5
	Lower secondary	4	10.3	10.5
	Tertiary level	8	20.5	21.1
	Total	38	97.4	100.0
Missing	System	1	2.6	
Total		39	100.0	

Over 70% entrepreneurs had an education of upper primary and above. The cluster entrepreneurs can be said to be educated and therefore capable of keeping basic business records a feature that is important in any enterprise that is entrepreneurally run. Formal education helps one make sound judgment when running an enterprise especially when making decisions involving cash flow and money. This observation shows that there is a change in trend from the sector employment record Vis a Vis the levels of the employed. In the past the sector was seen as basically employing those with a little education.

4.0.4 INCOME LEVEL

Table 5

Income Levels Analysis

How much is your net monthly income	
Mean	9808.82
Mode	10000
Std. Deviation	7781.110
Minimum	500
Maximum	32000

The levels of net monthly income in the sector average at 9800. This is a figure far below the prescribed government minimum. With this income it emerges that the sector has the potential for investment promotion a key feature of the protestant work ethic. This ethic encouraged the re -investment of profits to facilitate enterprise growth. What was observed however is that very few enterprises in the market showed a sign of growth since none of them had progressed from the Micro and Small enterprise level to the Small and Medium enterprise level. This can be interpreted to either imply that business profits were used in other ways or that the investments were made on other areas like purchase of land. By looking at the frequency distribution of monthly income, it emerges that 27% of the employees get an income of between Ksh.1000 and 5000%. This proportion stands for those micro enterprises that qualify as survivalists. They lack the financial capacity to use their incomes in any other way other than meet their basic needs.

Table 6

Monthly Income Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than KSh. 1000	2	5.1	5.9	5.9
	1000-5000	9	23.1	26.5	32.4
	5001-10000	13	33.3	38.2	70.6
	10001-15000	3	7.7	8.8	79.4
	15001-20000	5	12.8	14.7	94.1
	Over 20000	2	5.1	5.9	100.0
	Total	34	87.2	100.0	
Missing	System	5	12.8		
Total		39	100.0		

4.0.6 RELIGION

All respondents were Christians. This can be translated to imply that they were in a way influenced by their religious ideals while making business decisions. Christianity through its teachings facilitated the promotion of the work ethic, which in effect influenced the rise of the entrepreneurial ethic in the western world. The presence of a religion can reflect the role of religion in influencing

Table 7

Religion of Entrepreneurs

	Frequency	Percent
Christian	39	100.0

4.1 SOCIO-ECONOMIC CHARACTERISTIC OF WORKERS

4.1.1 Age

Table 8
Statistical analysis of the workers age

Mean	22.73
Median	22.00
Mode	20
Std. Deviation	3.405
Range	16
Minimum	17
Maximum	33

The mean age of the employees in the enterprises was 22.7. This shows that not many enterprises employed minors a situation that would contradict the labour requirements and thus reflect poorly on the ethic development in the sector. A frequency distribution of the ages of employees in the sector shows that out of 37 employees interviewed 10 were aged between 17 and 20. Most of them it emerged were also undergoing apprenticeship and were paid a minimum wage on what they produced.

Table 9
Workers' Age Distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 17-20 yrs	10	27.0	27.0	27.0
21-25 yrs	22	59.5	59.5	86.5
26-30 yrs	4	10.8	10.8	97.3
31-35 yrs	1	2.7	2.7	100.0
Total	37	100.0	100.0	

4.1.2 GENDER

Table 10
Distribution of Workers by Sex

All employees were males. The cluster being labour intensive would require men since much of the productive work in the cluster involves using a lot of manual labour.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	37	100.0	100.0	100.0

4.1.3 LEVEL OF EDUCATION

Table 11
Distribution of Workers' Education Levels

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Incomplete Primary Education	6	16.2	16.2	16.2
Complete Primary Education	28	75.7	75.7	91.9
Incomplete Secondary Education	1	2.7	2.7	94.6
Complete Secondary Education	1	2.7	2.7	97.3
Diploma	1	2.7	2.7	100.0
Total	37	100.0	100.0	

Most employees like the entrepreneurs in the cluster are of a primary level education. They like their employers are people who have the capacity to make value judgment for their decisions while at the work place. The informal sector therefore comes out as a major employer of those incapable of completing secondary education. It enhances the development of business skills by giving room to the training of those who otherwise would form a wide bulk of the unskilled labour. Skills acquisition is one key feature of entrepreneurship development, which in effect impacts positively on the entrepreneurial ethic

development. An effectively skilled entrepreneur is bound to make sound decisions as compared to an unskilled one.

4.1.4 LEVEL OF INCOME

Table 12
Distribution of Workers' Daily Income

	Frequency	Percent
501 - 1000	1	2.7
100 - 300	13	35.1
Piece work(paid according to work done)	23	62.2
Total	37	100.0

The wage scenario within the informal sector is such that a majority of the employees are paid based on piecework. This leaves the employer with no other obligations to the employee after the payments are made. The fluidity of the sector employment scene shows the emergence of a work ethic that does not promise the employees what is not there. Employment terms stand so long as one is producing a product and the terms of payment are based on the product and not the number of days worked.

4.1.5 RELIGION

Table 13
Distribution of Workers by Religion

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Christian	37	100.0	100.0	100.0

Like their employers all the employees interviewed were Christians a reflection that they too had a religious background that would influence their actions in the line of work.

4.2 NATURE OF OPERATIONS OF THE CARPENTRY CLUSTERS MANAGEMENT AND ORGANISATION (ETHICAL DEVELOPMENT)

Table 14

Types of Business Ownership and Management

	Frequency	Percent
Sole owner	35	89.7
Employed manager	3	7.7
Partnership	1	2.6
Total	39	100.0

A high majority of enterprises in the cluster are owner managed thus every entrepreneur solely makes business decisions that would impact on his ethical standards. The rest would have to consult either their employers or partners as they make every business decision.

4.2.1 CARPENTRY PRODUCTS

Table 15

Distribution of Carpentry Production

Dichotomy label	Name	Count	Responses	%	Cases
Furniture	Q3A	36		50.0	92.3
Fittings	Q3B	30		41.7	76.9
All the above	Q3D	3		4.2	7.7
Other	Q3E	3		4.2	7.7

	Total responses	72		100.0	184.6

Most entrepreneurs were involved in furniture and fittings production. The quality of these products would reflect the accepted standards of production within the cluster. Because of the competition involved most enterprises tended to make

similar products and use cheap materials. At one point I observed the process used to make armchairs and sofa sets where most entrepreneurs would use wood shavings as stuffing. This though a strategy for survival tended to compromise their ethics as it compromised the quality of their products.

4.2.2 SOURCES OF RAW MATERIALS

Table 16

Sources of Raw Materials

Dichotomy label	Name	Count	Responses %	Cases
Wholesale in the market	Q4A	38	86.4	97.4
Away from the market	Q4B	1	2.3	2.6
Locally in town	Q4C	4	9.1	10.3
Elsewhere	Q4D	1	2.3	2.6
		-----	-----	-----
Total responses		44	100.0	112.8

The sourcing of raw materials would impact on the pricing of products and their quality. A total of 86% of the entrepreneurs sourced their products within the market. A spot check on major supplier within the market indicated the nature of products on the market. The materials were of the same quality as would be got anywhere in the town. Secondly they sold in smaller measures that the entrepreneurs could afford. The market has over time come up with a supply source that is convenient for the entrepreneurs and minimized expenses. This shows that the sector relies on legal sourcing of materials a situation that positively reflects their ethics development. It also emerges that the cluster does not operate in isolation but is part of the market linkages that facilitate its survival and in essence promote the survival of other related enterprises thus enhancing the overall ethic development within the informal sector.

4.2.3 PRICING OF PRODUCTS

Table 17

Pricing of Products

Dichotomy label	Name	Count	Responses	%	Cases
According to cost	Q5A1	37		77.1	97.4
According to other producers	Q5A2	10		20.8	26.3
Credit	Q5A3	1		2.1	2.6
			-----	-----	-----
Total responses		48		100.0	126.3

Most products were priced according to costs. This ensured that one was able to generate a minimum profit out of every product. The pricing though individually done tended to be collectively agreed upon. No entrepreneur would fix a price that was far below that used by the others. A spot check revealed that almost all enterprises were selling a simple sofa set for Ksh. 6000. This was a reflection of a collectively applying norm of costing and pricing to ensure the survival of all enterprises. No one tried to fix prices that would run others out of business.

4.2.4 CREDIT MANAGEMENT

Table 18

Sources of Credit

Dichotomy label	Count	Responses	%	Cases
Family	1		3.2	3.3
Friends	1		3.2	3.3
Good customers	19		61.3	63.3
Other	10		32.3	33.3
		-----	-----	-----
Total responses	31		100.0	103.3

Only good customers tended to get a credit benefit from the entrepreneurs. Those who had a poor credit repayment record were silently denied the same without reflecting negatively on the business. Family ties and friendship were not signs of credit beneficiaries. The management of credit therefore shows that the cluster has developed a strategy for business survival without compromising ethic requirement. A business that gives credit without vetting the beneficiary is not ethically run. The protestant ethic upon which the entrepreneurial ethic is founded discouraged the careless use of business assets since it was considered sinful to do that. The carpentry cluster in the market had established a way of ensuring business assets are not easily given out.

Table 19

Analysis Amount of Credit given in a Month

How much credit do you give in a month

Mean	3204.76
Mode	1000
Std. Deviation	4487.703
Minimum	300
Maximum	18000

Table 20

Distribution of Monthly Credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	300	1	2.6	4.8	4.8
	500	3	7.7	14.3	19.0
	700	1	2.6	4.8	23.8
	800	1	2.6	4.8	28.6
	1000	5	12.8	23.8	52.4
	1500	1	2.6	4.8	57.1
	2000	3	7.7	14.3	71.4
	4000	2	5.1	9.5	81.0
	5000	1	2.6	4.8	85.7
	8500	1	2.6	4.8	90.5
	12000	1	2.6	4.8	95.2
	18000	1	2.6	4.8	100.0
	Total	21	53.8	100.0	
Missing	System	18	46.2		
Total		39	100.0		

A good number entrepreneur did not want to openly mention how much credit they would give in a month. A total of 46.2% opted not to give a breakdown of how much credit they would give. This could have various explanations, either they felt that was confidential information or that maybe they had been victims of unrecovered credit and they didn't want to divulged the information. It is however difficult to make an explanation for this trend since the decision to give credit is always a personal one.

Table 21

Distribution of Bad Debts (Problems with Bad Debts)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	31	79.5	79.5	79.5
	No	8	20.5	20.5	100.0
	Total	39	100.0	100.0	

The problem of bad debts seemed to be a pressing one for most enterprises. Over 79% of the entrepreneurs had problems recovering bad debts. This does show that most entrepreneurs in the cluster lack in debt management skills and thus make their enterprises loose a lot money. Ethically this shows that the sector needs to enhance its credit management to run entrepreneurially. The ethical challenge for the entrepreneurs is the improper use of enterprise resources. It seems that most entrepreneurs give credit on the basis of trust and therefore end up lacking a legal backing on which to follow-up bad debtors.

Table 22

Distribution Methods of Bad Debt Recovery

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personal follow up	27	69.2	81.8	81.8
	Engage the law	2	5.1	6.1	87.9
	Other	4	10.3	12.1	100.0
	Total	33	84.6	100.0	
Missing	System	6	15.4		
Total		39	100.0		

The use of personal follow up is not an effective enough tool of debt recovery. This seemed to be the strategy most used by the entrepreneurs. Only 2% of the enterprises engaged the law in credit recovery. It is important to note that most informal sector enterprises lack the financial capacity to legally follow-up their debtors since this would involve hiring a lawyer and a long legal process. The legal and regulatory environment does not provide means through which the small entrepreneur can follow up creditors without losing their business.

4.2.5 BUSINESS FINANCING

Table 23

Distribution of Entrepreneurs who have taken Loans

		Frequency	Percent	Valid Percent
Valid	Yes	21	53.8	53.8
	No	18	46.2	46.2
	Total	39	100.0	100.0

A majority of the entrepreneurs acknowledged to having taken loans to finance their businesses. This shows the loans too dominate the financing process in the informal sector. It further shows that the sector does have a way of accessing capital in an environment of scarcity.

Table 24

Distribution Entrepreneurs' Loan Repayment Record

		Frequency	Percent	Valid Percent
Valid	Good	20	51.3	90.9
	Fair	2	5.1	9.1
	Total	22	56.4	100.0
Missing	System	17	43.6	
Total		39	100.0	

A total of 46.3% of the entrepreneurs opted not to respond on their loan repayment record. This shows the suspicion with which financial issues are treated. In the African culture one does not openly talk about their assets since if the information leaks out they are bound to be exposed to ridicule. Many entrepreneur interviewed felt issues concerning their finances were private and could only laugh when asked to comment on the same.

Table 25

Entrepreneurs' Sources of Financing

Sources of Financing

Dichotomy label	Name	Count Responses	%	Cases
Family	Q8A1	2	3.8	5.1
Micro finance institutions	Q8A3	1	1.9	2.6
Banks	Q8A4	1	1.9	2.6
Saccos	Q8A5	15	28.3	38.5
Other	Q8A7	34	64.2	87.2
	-----		-----	-----
	Total responses	53	100.0	135.9

A high number of entrepreneurs got their financing through SACCOs. This is because of the nature of operation of SACCOs in loan management. SACCO loans are issued based on ones savings and guarantees. Many people are only comfortable guaranteeing those they know well and can trust. The interest rates and repayment period of SACCOs is flexible for the entrepreneurs. At the time of study a Jua Kali SACCO had its offices in the market under the management of the entrepreneurs. It is important to note that the SACCOs are an effort by the sector-based enterprises to establish their own means of mobilizing financial resources. This reflects positively on the entrepreneurial ethic as it shows the local efforts engaged on by the entrepreneurs in coming up with operation strategies that have a local background. Looked at from an entrepreneurial ethic dimension the sector does have the capacity to develop it own operational guidelines.

4.2.6 RECORD KEEPING

Table 26

Distribution of Enterprises that keep Financial Records

	Frequency	Percent	Valid Percent
Valid Yes	17	43.6	43.6
No	22	56.4	56.4
Total	39	100.0	100.0

Despite the educational levels of the entrepreneurs, only 43.6% kept financial records. The rest did not keep any records. This is a challenge for the entrepreneurs because it doesn't enable one predict the levels of business growth. A lack of business records is one feature that has negatively impacted on the informal sector enterprises. It shows the haphazard nature under which most enterprises are run. It would be difficult to call this trend ethical since it compromises entrepreneurial standards. One would find it difficult to predict the cash flow and even look at the loan repayment records. It would also be difficult to analyse the business process trends as there are no records to show that.

4.2.7 THE ENTERPRISE AND THE LAW

Table 27

Distribution of Enterprise Problems with the Law

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	4	10.3	10.5	10.5
	No	34	87.2	89.5	100.0
	Total	38	97.4	100.0	
Missing	System	1	2.6		
Total		39	100.0		

Only 10% of the entrepreneurs admitted to having had problems with the law. This shows that the enterprises are run within the legal limits and are thus contributors to the development of an entrepreneurial ethic.

4.2.8 CASES OF EMPLOYEE SAFETY

No employee safety is observed in the sector. The operators depended on the assumption that all be will be well and no employment hazards will be met. The employees in the sector it was observed work under very difficult conditions on flexible terms. With the noise, dust and direct sun, the employees are given no safety precautions. It was also observed that most employees using machines to

shape and finish the wood products had no protection or cover at all. This shows the sector as lacking both in the financial capacity to ensure employee safety thus compromising the ethical standards within the sector. The government and support organizations on the other hand did not consider this a major challenge as to warrant their support.

4.2.9 WASTE DISPOSAL

The municipal council had the mandate of ensuring adequate waste disposal within the market. It did however give the entrepreneurs little room to effect sound waste management strategy as the market had no garbage disposal site nor did it have any collection plans in operation.

4.3 ETHICAL CHALLENGES FACING THE CLUSTER ENTREPRENEURS

4.3.1 EMPLOYEES MANAGEMENT (IN TERMS OF ETHICS DEVELOPMENT)

Table 28
Distribution of Employees per Enterprise

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	9	23.1	23.1	23.1
2	12	30.8	30.8	53.8
3	10	25.6	25.6	79.5
4	5	12.8	12.8	92.3
5	3	7.7	7.7	100.0
Total	39	100.0	100.0	

The cluster is a major employer and thus should have sound employment practices. Due to its nature it has an operating employment procedure that is accepted within the market. This procedure defines the minimum expected when getting a member of staff and relieving them of their duties. This minimum here being the ability to make the required product.

There is a workable employing strategy in operation. There are no contractual terms between the employer and the employee; there are also no disputes over unpaid wages as one is paid on piecework basis. The employee also gets an opportunity increase their skills as they learn new methods during the time. This workable system if strengthened will enhance a sound practice within the sector. It is also a reflection of the work practice existing within the informal sector and in essence an entrepreneurial ethic.

4.3.2 AGE OF EMPLOYEES

Table 29
Distribution of employees by Age

	Frequency	Percent
Below 18yrs	7	17.9
Over 18yrs	32	82.1
Total	39	100.0

A majority of the employees were aged over 18 years. Those aged below 18 it emerged were trainee apprentices. The sector did not, as earlier mentioned, have cases of exploitation of child labour an issues that reflects positively on their ethical operation.

4.3.3 EMPLOYER-EMPLOYEE RELATIONSHIP

Table 30
Entrepreneurs Relationship with Employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Informal	1	2.6	2.6	2.6
Good	38	97.4	97.4	100.0
Total	39	100.0	100.0	

All entrepreneurs had a good relationship with their employees. A total of 97.4% of those interviewed said they had a good working relationship with their employees whereas the rest said it was informal. This can be attributed to the

dynamic nature of employment within the sector. Looked at from the entrepreneurial ethic development perspective it emerges that the sector has come up with a strategy that is collectively accepted and thus contributes to the development of an entrepreneurial ethic.

4.3.4 HANDLING CASES OF INDISCIPLINE

Table 31

Handling Cases of Discipline

Dichotomy label	Count Responses	%	Cases
Deduct from salary	5	12.2	13.2
I have dialogue	36	87.8	94.7
	-----	-----	-----
Total responses	41	100.0	107.9

By looking at the above table it also emerges that the sector has a developed system of dispute and discipline resolution.

4.4 GOVERNMENT CONTRIBUTION

Table 32

Description of Government Assistance to Entrepreneurs

	Frequency	Percent
No	39	100.0

No entrepreneur interviewed acknowledged having received any assistance from the government. A discussion with officers from the government departments under which the entrepreneurs fall tended to show the opposite. The market master who is responsible for overseeing the day o day running of the market mentioned their role as including revenue collection and the provision of infrastructure.

Besides the revenue collection however very little was done to ensure the entrepreneurs operated in a proper environment. The local authority actually does provide the space and temporary structures under which the market runs. The market however lacked in the other infrastructure as expected.

Asked on the provision of infrastructure the officer cited limited funds as contributing to that state.

The officer mentioned cases of where the entrepreneurs gave them problems like cases of encroaching on roads within the market making it difficult for vehicles to access certain sections of the market. Most entrepreneurs also sublet their structures and charged a fee a situation that contravenes the government by laws.

I held a discussion with the provincial technical director of technical education, under whose docket the informal sector falls. He highlighted the role of his department as being facilitative and involving working with Jua kali associations and not individual entrepreneurs. They provided advisory services to the entrepreneurs that enhanced entrepreneurial ethic development. At the time of study the department was helping entrepreneurs through provision of training for the various association officials.

The department of trade on the other hand had a revolving fund for operators of small enterprises. So far no entrepreneur in the market was aware of the funds existences and had exploited it.

From these discussions it emerged that the carpenters in the market had no working linkages with the various departments and were thus not aware of their contributions to the sector.

4.5 CONTRIBUTION OF NGOS AND DONOR AGENCIES

Almost half of those interviewed acknowledged getting assistance from the development agencies.

Over 20 NGOs operate in the market alone. Most of them are micro finance institutions. Out of all of them only one KICK was fully involved in business training and marketing. A spot check on the NGOs showed that each operated in isolation though they know of the existence of the others. This lack of a network emerged as a weakness as most entrepreneurs took multiple loans only to be found out when they failed to properly service them. This reflects poorly on the entrepreneurs as it shows them as being dishonest and greedy. Looking at their business levels one would almost immediately see that the money was not invested in the business despite the fact that it is the business that took a loan.

Table 33

Description of Assistance from NGOs

	Frequency	Percent
Yes	19	48.7
No	20	51.3
Total	39	100.0

4.6 CHURCH CONTRIBUTIONS

Table 34

Description of Assistance from Church

	Frequency	Percent
Yes	7	17.9
No	32	82.1
Total	39	100.0

There was a minimal support from the church showing that in a small way the church does play a role in influencing ethical business behaviour among the enterprises.

4.7 ETHICAL CHALLENGES FACING THE CLUSTERS

The entrepreneurial activity of the informal sector involves production, innovation and marketing.

The strategy engaged in by a majority of the entrepreneurs that tended to compromise ethical considerations were observed during the study. While having a focused group discussion with the members of the carpentry Jua Kali Welfare association, it merged that they would opt for cheaper raw materials even if they were illegally sourced to minimize operating expenses. A spot check with most timber suppliers in the market did show that sometimes they did not source their timber legally. By the time of the study, the government had effected a ban on logging.

From the discussion the members did mention how they compromised product standards to enable them break even for instance most members agreed to using wood shavings to stuff seat or using off cut timber to make sofa set frames when they knew it was ethically wrong. Though this was an accepted practice in the market it was against basic ethical standards to do so.

On payment of minimum wages members generally agreed that they couldn't pay what their business does not generate.

Further discussions did show that most enterprises could not grow because of cultural dictates. A lot of funds are used in non-business activities like funerals. The entrepreneurs cited funerals as taking a lot of business time and money thus affecting the pace of enterprise growth. It seemed informal sector enterprise

cannot be run entrepreneurally since business obligations are always tied to personal obligations.

4.8 HYPOTHESIS TESTING

To measure the level of government support and support from the development agencies in the development of indigenous entrepreneurial ethics, the entrepreneurs were first asked whether they receive any assistance from the government and from the development agencies. They were also asked to indicate the types of support that they get.

To determine the overall level of government contribution and the contribution from the development agencies a factor analysis was applied on the various types of support from the agencies and then standardized scores were saved to form the independent variable: support services by development agencies as shown below.

Factor Analysis

Table 35

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.480	73.993	73.993	1.480	73.993	73.993
2	.520	26.007	100.000			

Extraction Method: Principal Component Analysis.

Table 36

Component Matrix

	Component
Training in Business Management	.785
Financial Support	.812
Rules and Regulations	.754
Any assistance from NGOS	.860
Any assistance from Churches	.860

Extraction Method: Principle component analysis, 1 component extracted

The above statistics indicate that only one factor was generated and standardized scores saved and used to measure contribution of the development agencies in developing indigenous ethic.

Factor analysis for the other dependent variable: government contribution could not be computed since all the respondents said that there is no government support as shown in the table below.

Table 37

Assistance from the Government

	Frequency	Percent
No	39	100.0

To measure the level of entrepreneurial ethics the respondents were asked various questions which were the subjected to factor analysis to in order to generate standardized factor scores which were then used as the overall measure of the level of indigenous entrepreneurial ethics. The factor analysis is shown below.

Factor Analysis

Table 38

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.376	45.870	45.870	1.376	45.870	45.870
2	1.171	39.047	84.917			
3	.452	15.083	100.000			

Extraction Method: Principal Component Analysis.

Table 39

Component matrix

	Component
Training in business management	.785
Financial Support	.812
Rules and regulations	.754
Any assistance from NGO's	.860
Any Assistance from Churches	-.860

Extraction Method: Principal Component Analysis.

1 component extracted.

Hypothesis 1

To determine the relationship between government support and the development of indigenous entrepreneurial ethics a Pearson correlation coefficient was used.

Table 40

Correlations

Indigenous entrepreneurial ethics

Any Assistance from the Government	
Pearson Correlation	0.000
Sig. (2-tailed)	1.000
N	39

Cannot be computed because at least one of the variables is constant.

The table above indicates that there was no correlation (0.00, p=1.00) between government support and entrepreneurial ethic. This is because all the respondents did not indicate any assistance from the government. It is therefore evident from the statistics that if the government does not offer any assistance at all then the role of the government cannot influence the development of indigenous entrepreneurial ethics. In this case the original hypothesis was rejected and the Null hypothesis accepted, the null hypothesis states that: *There is no significant relationship between development of an indigenous entrepreneurial ethic in the informal sector and the support from the government.*

Hypothesis 2

Again Pearson correlation coefficient was used to determine the relationship between the support services by the development agencies e.g. churches and NGOs and development of an indigenous entrepreneurial ethic in the sector. As shown in the correlation matrix below:

Correlations

		Indigenous entrepreneurial ethics
support services by development agencies	Pearson Correlation	.586**
	Sig. (2-tailed)	.004
	N	39

** Correlation is significant at the 0.01 level (2-tailed).

According to the above statistics above, the correlation coefficient is 0.586 and $p=0.004$. This indicates that there is a positive and very strong correlation between support services by development agencies and indigenous entrepreneurial ethics development. The correlation is significant at 99% confidence level. This implies that the support services by the development agencies contribute 58.6% to the development of indigenous entrepreneurial ethics. This result then supports the original hypothesis, which stated that *there is a significant and positive relationship between the support services from the development agencies e.g. churches and NGOs and development of an indigenous entrepreneurial ethic in the sector*. The original hypothesis is therefore accepted.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

The carpentry cluster in Kibuye market is a major employer and trainer. The relationship between the entrepreneurs and their employees is fluid in that no contractual obligations are entered into. The payment terms are based on piecework. This explains the dynamic nature of informal sector enterprises.

In the cluster the production method is both labour and capital intensive. There are entrepreneurs whose sole responsibility is to provide production machinery solely for purposes of use by the carpenters at a fee. The production methods also involved the use of locally available materials. In the sector wastage is minimized as every by-product of woodwork production is used to make other wood based carpentry products. This is a reflection of the western work ethic that saw wastage as sinful.

The entrepreneurs are organized into welfare groups as a support tool for their enterprises. This works both as insurance against risk and as a way of mobilizing resources. Through the welfare groups the entrepreneurs are able to access services from the government and other support NGOs located in the district and the market, a semblance of a work ethic has emerged in the market through the efforts of the carpentry based entrepreneurs. Though its not institutionalized, the Carpenter welfare association as a group defines minimum operation standards for entrepreneurs registered with it. What was found to be lacking however is a pre existing ideology as a basis for ethic formation within the carpentry cluster in the market.

The carpentry cluster in Kibuye market is a major employer and revenue source for the government. The relationship between the businesses and the local authority is such that the market officials depend on it to collect daily revenue and the entrepreneurs depend on it for provision of workspace and infrastructure.

The role of government though, was not clearly seen as existing by the entrepreneurs. The central government though expected to play the role of ensuring adherence to the

rules, regulations and laws failed to define the operational boundaries for the informal sector on the ground. The carpenters do not know the existing government policies and activities. The only time they see the government as interested in them is when they are required to pay daily revenue to the local authority. The local authority under which the entrepreneurs operate only provides stalls and limited infrastructure.

The Kibuye area alone had 10 NGOs targeting of informal sector enterprises. Their services were mainly micro-finance, business development, training and marketing. The level and nature of training mainly focussed on their products and not business culture. Only one NGO focused fully on entrepreneurship development. The role of the church was minimal since no activity related to church targeted the entrepreneurs in the market.

The carpentry cluster faces the challenge of a weak-enabling environment characterized by lack of support from both the central and local government. Because of the temporal structures, the entrepreneurs could not access adequate security and insurance incase of fires and breakages. The fluid nature of employer-employee relations is also an ethical challenge as were occupational safety and environmental management.

Though the sector has the capacity to enhance the development of an indigenous entrepreneurial ethic, there is need to focus practical government support to the entrepreneurs and enterprises within it. Support organizations, on the other hand, should not only focus on their core activities but also include other aspects of entrepreneurship development when working with entrepreneurs.

RECOMMENDATIONS FOR FURTHER RESEARCH

The study was not conclusive as it covered only one cluster in the informal sector and was limited in geographical coverage. A wider study covering the different clusters in the informal sector would give a broader picture of entrepreneurial ethic development in the informal sector.

Still it will be interesting to carry out a study on the whole area of entrepreneurship ethic development in Kenya since there is very limited information on the same.

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Appendix 1

INTERVIEW SCHEDULE: For the entrepreneurs.

1. Personal details.

Name _____

Age _____

Sex: female male . (Tick where appropriate).

Educational level: lower primary , Upper primary lower secondary tertiary level and university . (Tick where appropriate)

Religion: Christian , Islam, and , Other

2. Business ownership. (Please tick where appropriate).

Sole owner Employed manager Partnership Other

3. Type of carpentry production (Please tick where appropriate)

Furniture Fittings

Coffins All the above Other

4. Suppliers

Where do you obtain your raw materials?

Wholesale in the market. Away from the market. Locally in town Elsewhere
(Please explain) _____

5. explain how you price your products.

According to cost According to other producers 6. Credit (please explain where appropriate)

Who are your main creditors?

Family Friends Good customers Other

How much credit do you give in a month?

_____ ksh. _____

How much amount of credit do you allow in a month? (Ksh)

Less than 1000 2000 3000 4000 above 5000

Do have problems of bad debts

Yes No

How do you recover them?

Personal follow up Engage the law Threats Other please explain.

6. Competition

Do you face any competition? (If yes please explain)

7. Employees

How many employees do you have _____?

How many men _____ women _____

How many are aged below 18 years _____

Are they trained _____?

What is the nature of their training? (Please tick where appropriate)

Village polytechnic Polytechnic On the job training Apprenticeship

Other

How would you describe your relationship with them?

Formal

Personal Informal

Good

Bad

How do you handle cases of indiscipline at the work place?

Dismissal Punishment Deduct salary Other (please explain)

8. Financing

What are your sources of financing?

Family Friends Micro finance institutions Bank Saccos

Roscas Other

Do you keep financial records?

Yes no

Have you ever taken a loan?

Yes no

If yes how was your repayment record?

Good Fair Bad

9. Investment

How do you spend your surplus funds?

On the business To pay salaries For personal use On family and friends How much is your net monthly income (please explain)

10. Business details.

For how long have you been in business?

Why did you choose carpentry? _____

What does the business mean to you? _____

Has your business ever had any problems with the law?

If yes how did you handle it? _____

How do you handle cases of employee safety? _____

Where do you dispose of your wastes? _____

How has your culture contributed to the successful or unsuccessful running of your business?

What kind of difficulties do you experience in this business?

Do you get any assistance?

From the government? Yes No

If yes please explain

From NGO's

From churches

How would you like the government and other agencies to support you?

Describe in a few words your main guiding principle.

Do family members play any role in the business apart from financing?

Are you a member of any carpentry association? if yes what role does it play in
your enterprise?

Appendix 2

Interview schedule for key informants (government, local authority, churches and NGO's)

1. Introduction.

Organisation name _____

When started _____

Objective of the organisation _____

Activities engaged in _____

Beneficiaries _____

2. Describe your relationship with informal sector entrepreneurs in Kibuye market

3. what operational challenges do the sector entrepreneurs in the carpentry cluster face in Kibuye market face in:

- a) sourcing for materials _____
- b) production _____
- c) costing _____
- d) marketing _____
- e) credit _____
- f) relationship _____ with
employees/customers _____
- g) financing _____
- h) occupational safety and health _____
- i) environmental management _____

4. What has been the role of your organisation in addressing this challenges?

5. have you experienced any problems while addressing these challenges? If yes please explain _____

6. what to you would help make the informal sector more ethical in its operations?

7. how many organisations from the area directly assist entrepreneurs in the cluster? _____

8. What unethical issues are entrepreneurs in the cluster involved in? _____

Appendix 3

Interview schedule for workers in the carpentry cluster in Kibuye market.

1. Personal details.

Name(optional) _____

Sex _____

Age _____

Religion _____

Education levels _____

Training skills in carpentry.

1. How long have you been employed in this business.

2. Why did you choose to be employed in this business?

3. Had you been employed elsewhere before coming here?

4. How many hours do you work per day?

5. How many days per week do you work?

What exact job do you do here? _____

6. Do you face any dangers while handling the tasks involved in your work?

7. Please describe them.

8. How much money are you paid day? _____

9. Is your employment permanent?

10. Did you sign any agreement before getting employed?

11. When you make mistakes what action does your employer take?

12. Do you have any plans for your future?

13. How best would you describe the carpentry business in this market?

14. What problems do you experience as an employee in this enterprise?

15. How best do you think your problems can be addressed:

By your employer _____

By the government _____

By the NGO's _____

By churches. _____