THE DEVELOPMENT OF A COST-EFFECTIVE EXTENSION SERVICE FOR SMALL BUSINESS: A KENYAN EXPERIMENT

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

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SUMMARY

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

Small scale retailers have traditionally been disregarded or even despised. It is suggested that they can nevertheless play a vital role, in Kenya and elsewhere, by satisfying the needs of their customers, making available a wide variety of inputs which are necessary for development, mobilising otherwise idle capital and other resources, and by providing employment opportunities and a source of entrepreneurial talent.

The actual performance of Kenya's small scale retailers is examined from the point of view of their customers, the manufacturers of the goods they distribute and their owners. Their failings are identified and related to their historical development and their present attitudes to business activities.

The presently available sources of assistance for small business are described and evaluated. It is evident that the shortage of capital is believed by most small businessmen, in all parts of the world, and by many of those who attempt to help them, to be their major constraint. This belief is examined in some detail. Loan programmes and associated assistance in Kenya and other countries are assessed, and the actual employment of capital by small scale retailers in Kenya is analysed on the basis of sets of accounts for a large sample of shops. It is suggested that the capital constraint is not as critical as it

has been believed to be. What is lacking is the effective employment of the existing resources.

Courses and other forms of training for retailers and other small businessmen in various countries are outlined. Many authorities conclude that the most effective form of training is an extension service, providing individual advice on the businessman's own premises. Such services have however rarely been implemented, because of the difficulty and cost of recruiting staff of the qualifications and experience believed to be necessary. The theory and practice of extension and the effective diffusion of innovations in agriculture and other fields is then examined; it becomes clear that apart from the particular difficulties of staff recruitment, there are other advantages to be gained from the use of relatively low-level staff.

There follows a description of an experiment to test whether a staff training and field consultancy procedure could be devised which would enable staff with four years of secondary education, and no business experience, to provide an effective extension service for small scale retailers. The methodology is explained, and an account is given of how the procedure was developed, pretested by University students, and finally tested by replicable application in the field using consultants with only four years of secondary education. A smaller scale experiment using the part time services of private sector sales representatives was also carried out, to test their ability to apply the same procedure in the course of their promotional activities.

The results of the experiments are described, and an attempt is made to analyse the costs and benefits of a Kenya wide replication of the procedures and techniques which have been devised. The problem of determining an appropriate institutional location for the service is also discussed.

ACKNOWLEDGEMENTS

A research project of this nature, which has been carried out over a period of years, and has involved several hundred people in one way or another, must inevitably depend on their cooperation and assistance, so that it is invidious to mention individuals. Nevertheless, certain organisations and individuals have made special contributions in the three areas of financial sponsorship, active participation and constructive criticism.

The Dean's Committee and the Institute for Development Studies of the University of Nairobi, and the Ministries of Commerce and Industry, and Finance and Economic Planning of the Government of Kenya have all provided funds without which the study could never have taken place, and their generous assistance is gratefully acknowledged. Kenya Industrial Estates, through the Rural Industrial Development Centres in Nyeri and Machakos, provided teaching facilities which were essential to the training of the extension staff. Small general shopkeepers, almost without exception, responded most enthusiastically to requests to cooperate, and their trust and willing cooperation was a source of continual encouragement to the advisers and the writer. The consultants themselves, for very low salaries and with little hope of long term employment, worked intelligently and loyally, in spite of many difficulties. The whole project was of course in a sense a test of their ability to perform effectively, and apart from their apparent success it was a great pleasure to work with them.

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INTRODUCTION

In the area of economic development, it would seem that "the day of small things"[1] is with us. Steel mills and other similar symbols of alleged prosperity are no longer respectable, even if they are still prevalent, and academics and policy makers alike are concerned to promote the development of the multitude of small scale enterprises which together make up a more genuine and evenly spread pattern of economic progress. The first focus of attention has naturally and rightly been on small farms, since these occupy the majority of the citizens of the poorer nations of the world. Technical innovations, loans and training programmes have been combined, with varying degrees of success, in an effort to improve the operations of the smallholder. It has often been found that neither finance, improved technology, nor generalised training as to their use are of any value until the skills are brought on to the farm itself, by an adviser, or, as he is usually known, an extension officer. These are employed in large numbers in many countries, and inevitably their performance has been of varying quality because of problems of recruitment, training, field organisation or the nature of the innovations which they are employed to promote. Helleiner writes;

> "The single most important area for further economic research in the rural African context today is that of agricultural extension activity."[2]

In Kenya alone there has been a substantial amount of research on this subject, but many of the determinants of success are still unknown, and much of the field extension effort is still far from productive.

This Thesis is concerned with extension advisory service for small scale general shops in Kenya. These may be defined as retail shops, African owned, and established within a permanent structure. The selling and stocking areas are usually combined, and the premises rarely occupy more than twenty square metres. For an account of the goods which are sold, it is difficult to better Corcoran and Tyrrell's description;

> "A typical profile of a general retailer would be a traditional duka selling staple items such as sugar, maize meal, rice, spices, tea, potatoes and bread. It would also deal in cigarettes, matches, kerosene, soap, some patent medicines, baby food, cheap confectionery, vegetable ghee, cooking fat or oil, soft drinks, and an assortment of cheap tinned goods. Many would also carry a limited range of cheaply manufactured piece goods as well as some textiles."[3]

There were 24,585 of these enterprises in Kenya according to a survey carried out in 1973; 3,820 of them were located in the urban areas of Nairobi, Mombasa, Nakuru and Kisumu, while the balance operated in the smaller urban and rural centres around the country.[4] Readers who are unfamiliar with this type of shop are referred to the case studies in "The African Trader", particularly those between pages 31 and 36. The illustrations facing pages 96 and 129 in the same book show typical interiors, although they are rather better organised than is usual.[5]

Although small general shops are not nearly as numerous as small farms, they are extremely important both in themselves insofar as they employ large numbers of people, and substantial financial resources, and in the services they provide to customers and suppliers. Rostow suggests that there are four simultaneous tasks which must be performed to effect the integration of the national market which is an essential prerequisite for development. These involve an increase in agricultural productivity, improved marketing of crops, the local manufacture of agricultural equipment and consumer goods suitable for the local market, and finally a revolution in the marketing of manufactured goods, particularly in rural areas.[6] In Kenya the first three tasks are the subject of substantial effort, but little or nothing has been done to promote the last.

The small scale shops which form the subject of this study are presently the means by which manufactured goods reach the bulk of the people, and in rural areas they are the only channel of distribution. Their performance is far from perfect, from the point of view of any of the diverse interests which they exist to serve. It appears that an extension service may have the potential to improve this performance, and it is hypothesised that such a service can be provided by staff with no business experience, and far lower qualifications than those who are generally recommended for any sort of small business extension. The results of the experiment which was devised and carried out in order to test this hypothesis may have some relevance not only to the provision of extension for small business, but also to extension in general. The absence of any existing extension effort, and the rather small numbers of the experimental clients who had been affected by the existing loan programmes or training courses, meant that it was possible at least to attempt an evaluation of the extension effort as a whole, as opposed to a comparison of two different methods or approaches. Since the main virtue of individual extension is that the advice and training can be individually tailored to each client, and the procedure which was evolved is essentially diagnostic, a large amount of information was obtained about the 169 shops which made up the experimental group of clients. This information was useful in that it provided evidence to confirm the original conclusions as to the major problems of small general shops, and the most effective remedies for them, but it should be emphasised that the main purpose of obtaining the information was not to find out more about small shops but to enable the extension officers to diagnose the individual problems of each client. It is hoped that what follows constitutes some addition to the sum of knowledge about small business in general, as well as about extension for small business, but the former, however valuable, is an incidental by-product of the latter endeavour.

This distinction may lead to a brief examination of the role of the social scientist in a developing country, or anywhere else. He is, in a sense, in a dilemma. If he only describes some aspect of the world in a new way that satisfies the intellectual quest for order, he is accused of irrelevance. If he goes on to prescribe change to improve the situation as he found it, he soon appreciates that "... fear of change perplexes monarches ..."[7] since prescriptions are less easily filed and forgotten than descriptions, and are thus less welcome. It may well be that the relative novelty of the disciplines of social science contributes in some way to the insecurity of their practitioners. Doctors, engineers and even teachers are well used to advice and assistance from academic research. Most would admit that credit for a major share of advance in their professions must be given to scientific researchers, who have diagnosed problems, and have then hypothesised and eventually verified solutions to them. Those who try to control the economic and social structure of nations, however, are less willing to accept the conclusions of the so-called pseudo-sciences which apply to their fields of responsibility. Some perhaps do not accept the validity of such conclusions at all, and for others the interface between political pressures and scientific conclusions is fraught with such tensions that they resolve it by owing allegiance only to their original masters. Horowitz, in his witty but penetrating commentary on Project Camelot, distinguishes between a "command society" such as the Soviet Union, a "welfare system" such as the United Kingdom and a "laissez faire" system like that of the United States.[8] Developing countries may presumably lie anywhere along this spectrum, but there is certainly evidence in such countries of the tension which according to Horowitz exists in a laissez faire system between social scientists and government. There is plenty of criticism in Africa and elsewhere of the social scientists who are "willing to try nothing and criticise everything".[9] Many reports and research projects, however, which are hailed with delight when initiated and even when concluded, are gently pushed into oblivion when policy makers realise that they contain specific recommendations for change. MacLelland's development of his theory of Achievement Motivation is perhaps the best example of a genuinely innovative theory being developed, and then applied and tested on a large scale in order to improve the lot of humanity. He postulated the existence of a "missing link" which might explain the otherwise apparently random occurrence of sustained economic development. He then substantiated the existence of such a link, at least to some readers' satisfaction, by analysis of children's stories and other literature of the relevant periods. Thus far he had offended nobody except his fellow psychologists and others who might disagree with his arguments. He then went on, however, to hypothesise that this link could be created, and that economic development would follow. Half way through the experiment which was undertaken in India to substantiate this hypothesis, financial support was withdrawn, and consequently the results were far from conclusive. MacLelland himself[10] suggests that this happened because research about what exists is more welcome than that about how it can be changed.

The foregoing should not be taken to imply that policy makers are wholly or even mainly responsible for the tensions that may exist between them and social science researchers. There are many good reasons why Governments or other agencies find it difficult to apply what academics may have prescribed. Rogers, whose exhaustive research on the diffusion of innovations is eminently practical as well as of outstanding theoretical importance, mentions two major reasons why social science researchers have often failed to assist in the promotion of economic development.[11] There is insufficient cooperation between disciplines, so that the unreal division of the world into intellectually useful compartments is not resolved for the benefit of practitioners who must deal with the real world. In addition, researchers sometimes seem to be more interested in "data mining" or building impressive stacks of punch cards, than in prescribing workable solutions for the problems diagnosed from their data.

It may be unfair to evaluate all social science research in developing countries by the standard of its value in facilitating the process of development, since it may never have been intended to be of other than academic importance. There is, however, a particularly strong case for "research that meets the needs of the country"[12] in nations where resources which are devoted to research could have been used to provide primary education or basic medical facilities to the large proportion of the population who do not enjoy such elementary benefits. There may even be a risk that the "pressure for practical results" may inhibit the development of theory[13] which would itself have facilitated the more rapid development of practical solutions to problems. The researcher who is not interested in the practical application of his work should not be criticised for this reason, although his financial support might reasonably be withdrawn. Researchers who do claim that their work is "relevant" to the problems of policy makers, and whose methodology or approach is such that no practical use can be made of their conclusions, are more deserving of criticism. Roling, Chege, and Ascroft have clearly distinguished between research that is believed to be valueless because it is trivial, and that which fails because it is incomplete.[14] They refer to the vague "implications for policy makers" that are often added as a justifying afterthought to reports which may do much to identify problems, but do little or nothing to develop and test prototype solutions, and may even inhibit improvement by failure to distinguish between those factors which may be manipulated and those which cannot.[15] Their account of the logical procedure of problem solving research may sound quite alien to most social science research. The process may, however, be considered more respectable and academically legitimate if it is compared to the procedure of scientific or medical research, since the social sciences seek legitimisation through their adoption of a truly "scientific" method. Pathological research proceeds from the observed symptoms to a diagnosis of their cause, or the disease, which may be familiar or may itself be a new discovery. Such a research process is valuable in itself, but the complete task involves further work, identifying possible cures, testing them, and concluding which is most suitable. This process is wholly appropriate, and neither part of the research is the less valid for being associated with the other.

It is to be hoped that the logic of what follows fits easily into this model of the process of scientific research. The symptoms, or the "difference between gets and wants" as Roling, Chege, and Ascroft graphically if inelegantly phrase it[16] are the explicitly or implicitly unsatisfactory aspects of the performance of Kenyan small scale retailers, in relation to customers, suppliers, the shopkeepers themselves, and the economy as a whole. The diagnosis is that far from suffering from the generally accepted shortage of capital, Kenya's small general shopkeepers are failing to make good use of the capital that they do have. This clearly leads to the conclusion that more capital is a remedy that is likely to exacerbate the disease. The suggested remedy, which is then tested, in prototype form, is an individual on site extension service. The diagnosis, and the test of the suggested remedy and its evaluation, fall far short of the rigour demanded in clinical practice. It is hoped nevertheless that the research illustrates the applicability of a genuinely scientific approach to a social or economic problem.

R E F E R E N C E S

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2. N.E. MILLER (ed.) Research in Rural Africa. (East Lansing: Canadian Journal of African Studies and African Studies Centre of Michigan State University, 1969), p. 165.

3. A. CORCORAN A Marketing Man's Guide to Kenya. (Nairobi: Corcoran and Tyrrell Ltd., 1973), p. 41.

4. Ibid., Table 26, p. 41.

5. M.H. HARPER The African Trader. (Nairobi: East African Publishing House, 1973)

6. W.W. ROSTOW The View from the Seventh Floor. (New York: Harper and Row, 1964), p. 136.

7. MILTON Paradise Lost, 1.594.

8. I.L. HOROWITZ (ed.) The Rise and Fall of Project Camelot. (Cambridge: M.I.T. Press, 1967), p. 347.

9. Ibid., p. 8.

10. D.C. MacLELLAND and D.G. WINTER Motivating Economic Achievement. (New York: Free Press, 1969), p. 107.

11. E.M. ROGERS Modernisation among Peasants. (New York: Holt, Rinehart, Winston, 1969), p. 361.

12. N.E. MILLER (ed.) Op. Cit., p. 209.

13. Ibid., p. 202.

14. N. ROLING, F. CHEGE and J. ASCROFT "Draft Introductory Chapter to Innovation and Equity in Rural Development; Research and Field Experiments in Kenya", Working Paper No. 84. (Nairobi: Institute for Development Studies, 1973), p. 48.

15. *Ibid.*, pp. 49-50.

16. *Ibid.*, p. 51.

THE IMPORTANCE OF SMALL RETAILERS

When Napoleon remarked that England was "a nation of shopkeepers", there was no risk that it would be taken as a compliment. He was only maintaining what was already a long tradition of contempt for trade. Christ himself overturned "the tables of them that sold" in the temple, saying that it had become a "den of robbers", and throughout history the attitude has been the same. Minority racial groups such as the Jews in Europe, the Chinese in Malaya and the Philippines, the Indians in East Africa and the Lebanese in West Africa, have both prospered and suffered because of this tradition; they have grown rich because the majorities or dominant groups relegated the despised role of shopkeeping to them, and they have then been persecuted or expelled because of their success.

It is not difficult to explain such a widely held attitude. A farmer tills the soil and raises produce by the sweat of his brow, and a manufacturer or a craftsman converts raw materials into useful and attractive artifacts. Even a merchant, in the traditional sense, seeks out rare products from distant lands, and brings them across the oceans at great personal and financial risk. A shopkeeper however does none of these things; he may bring his stocks from a few miles away, or they may even be brought to him. His only apparent function is to make a profit for himself by charging a higher price than his own cost. Even the language of accounting shares this view when it speaks of a "gross profit". Nobody would so describe the difference between the cost of seeds and fertilisers and the selling price of a crop, or that between the cost of raw cotton and the price of finished cloth. There is a clear evaluative difference in people's minds between value added which involves a change of physical state and that which involves intangibles, and it is not surprising that those who live by adding such intangible values as place, time and information have been traditionally despised.

It may be that this attitude is dying in the more developed countries of the world, as manufacturers become more involved in the marketing and distribution as well as the physical manufacture of their products, and retailing becomes a sophisticated and capital intensive large scale industry. It is however widely held in the less developed nations. Weber refers to the "absolute unscrupulousness" of traders in underdeveloped countries[1] and more recent authorities confirm that the general public in such countries holds a similar view.[2] If the process of development was allowed to take place, or not, without official encouragement, this attitude would not matter, since it might be expected to disappear in due course along with the other features of underdevelopment such as poverty, ignorance and disease. Development is however the subject of Government and external encouragement, and there is evidence that the traditional attitude towards shopkeeping has led to its neglect in comparison with other economic activities.[3] Such neglect may again not be a matter for concern, unless it can be shown both that retail shops perform valuable services in underdeveloped countries, which can make a genuine contribution towards development, and that they are in need of assistance to enable them to perform these services more effectively. We can then decide whether or not they should and need to be assisted, as well as industry and agriculture. Only then can we determine how such assistance, if it is justified, can most economically and usefully be provided.

Any evaluation of the role of retailers should start with the criterion by which they themselves should judge their own businesses if they are to be successful and profitable, namely the value of the service they provide their customers. The conditions and needs of "a poor wor in eighteenth century England may not have been exactly similar to those of a cash crop or subsistence farmer in a twentieth century developing country, but Adam Smith's judgement of the small shopkeepers' role is nevertheless worth quoting.

> "Nothing can be more convenient (for the poor workman) than to be able to purchase his subsistence from day to day or even from hour to hour as he wants it. He is thereby enabled to employ almost his whole stock as capital."[4]

To an outside observer the large numbers of tiny shops in the African countryside, each selling small quantities of the same goods, often appears to be an uneconomic misuse of resources. Judged by Adam Smith's standard, however, these shops do allow nearly everybody to be within reach of a retail outlet where he can buy the small quantities permitted by his shortage of ready cash. The shops tend to be open for long hours, and although many are located together in apparently over-competitive markets, others stand alone in deserted areas, to serve the needs of a scattered rural population, who are often without means or money for transportation. The very small scale which may offend the observer who is used to a wealthier environment is itself the most appropriate for the early stages of development, and it is important that any attempts to assist shopkeepers should not interfere with this balance.[5]

It is not unreasonable to suggest that this multiplicity of retail outlets performing apparently identical functions, together with the numerous changes of ownership which often occur between manufacturer and consumer, must lead to unnecessarily high distribution costs. Government is rightly concerned with the final prices paid by consumers, and the Kenya Development Plan for 1970-1974[6] emphasises the need to control distributive margins. It is important to remember, however, that in any country whose economy is not wholly state controlled, the distributive system has grown up in response to the needs of consumers.[7] The system is supported and employed by manufacturers only so long as it is the most efficient way of getting their products to the largest number of people. Government imposed systems have a poor record, particularly in India[8] and other developing countries.[9] It is true that the duplication appears least economic in a large market, where there may be fifty or more apparently identical shops. Such a large number cannot be justified on the basis of customers' convenience, as can the isolated shops outside the market centres, and even on the busiest market days it could not be argued that so many shops were necessary to allow every customer to be served without an intolerable delay. Such large numbers do however ensure that prices are not excessive since collusion is impossible.[10] This may also be one of the few ways by which the small amounts of capital available to individuals can be mobilised, although we shall see later that such mobilisation may not be altogether efficient. Financial institutions are mistrusted and inadequately represented to the mass of the population in rural areas. Joint projects for investment, outside the self help or cooperative area, are few and far between. It might be nationally more desirable if such capital was invested in agriculture rather than in yet another small shop, but there is a very rational desire to spread risks over as many ventures as possible. The alternative to investment in apparently uneconomic shops might therefore be no investment at all.

In rural areas, the major development effort is naturally directed towards agriculture, and improved farming practices, or new crops, nearly always demand new inputs such as seeds, fertilisers, chemicals or tools. Development agencies are sometimes tempted to set up their own distribution arrangements for agricultural inputs.[11] This may be necessary in order to link advice with the inputs, or because they have to be supplied free of charge or on particular credit terms to the farmers. On some occasions, however, such independent distribution is organised because of the apparent inefficiency of the existing retail network and the reluctance of shopkeepers to stock the necessary items in advance of the demand from farmers. Such reluctance may appear irrational to the agricultural development expert who is convinced of the value of the products whose use he is recommending. The shelves of many rural retailers are, however, cluttered with the relics of agricultural development programmes. Success in persuading stockists to purchase and sell such goods may in fact be a valuable indicator of the likely success of the whole programme, particularly when many of the shopkeepers are likely also to be the same farmers to whom the innovations are being promoted. In any case it is surely more economical to use the existing channels of distribution than to create new ones.[12] The initial stocking decision may have to be motivated by education, subsidy or other means.[13] This fact does not justify the total rejection of existing retail channels. Any manufacturer introducing a new product naturally employs education, such as advertising and salesmen, and subsidy, such as special introductory discounts or credit terms, for this purpose. The need for such techniques does not mean that the whole system is inadequate, and the rural trader who blindly accepted every new product that was shown to him would rapidly go out of business.

This applies not only to farm inputs, but also to other socially desirable products which Government or other agencies may wish to put in the hands of the mass of the population. In Kenya, birth control devices are distributed at low cost through Government health service channels, and the I.L.O. Report[14] recommends that this programme should be intensified and that the devices should be given away free of charge. At the same time, an attempt is being made to distribute one type of device, the condom, through small retailers, using the whole existing mechanism of market research, radio and poster advertising, salesmen and promotional packaging, and charging a reasonable price. Preliminary results indicate that the latter method is far more successful and less expensive. The test market for the project was Meru District, North-East of Mt. Kenya. In this District there are about 1200 small shops, most of which are open seven days a week, for around twelve hours a day. In the first four months of the campaign, condom dispensers were sold, for cash, to 784 of these. There are, in the District, fourteen Government family planning clinics, of which eight are open for one day a month, and three for two days a month, and three once a week.[15] These facts illustrate the enormously greater coverage provided by small retailers, even when compared with a Government department which is fairly well represented in rural areas. Any agricultural or other input which can be packaged and promoted in such a way that expert advice is not needed at the point of sale can surely be distributed most effectively and more economically in this way.

A further service which is provided by small retailers is the incentive to enter the cash economy. It is easy to exaggerate this effect, and the ready availability of attractive goods is certainly only one of the many inputs which may be necessary to induce subsistence farmers to grow cash crops.[16] It may be that in many places the incentive of school fees is more than sufficient to encourage the necessary changes. It has been found however, in Rhodesia[17], and in the Sudan and Papua, New Guinea[18], that where such goods are not readily available, because of the absence of widely scattered small retailers, efforts to encourage the cultivation of cash crops have not succeeded. A perfect balance is impossible, and it is perhaps inevitable either that the necessary goods will not be as readily available as they should be to encourage agricultural innovation, or, more likely, that they will be made available for the earliest innovators and will thus serve to frustrate those whose circumstances have so far prevented them from entering the cash economy. Change however depends on dissatisfaction, and MacLelland emphasises the necessity of providing the incentives so that people will make use of new technologies such as improved fishing nets or hybrid maize.[19]

Small retailers appear to have the potential to satisfy the needs of their customers, who are so short of capital; they can also provide an effective and economical channel of distribution for all kinds of socially desirable inputs, and they can make available a tempting array of goods which can only be purchased by those who have entered the cash economy. These services in themselves probably justify concern for the survival and improvement of the network of small retailers, but there are in addition other, less direct benefits to developing countries which originate from retailers and should not be neglected. As has been mentioned earlier, an outside observer might well deplore the multiplicity of small shops, each providing such a minimal reward to its owner. He might ask, "Have they nothing better to do?". The answer, in Kenya and many other developing countries, is of course that they have not. Any form of economic activity which generates employment opportunities without being actively anti-social is presumably worthy of encouragement.

It is impossible to be precise as to the exact numbers and income of those who are employed in small retailing in Kenya. The I.L.O. Report rightly recommends[20] that more research be directed towards the so called "informal" sector, which includes large numbers of small retailers. Many of the businesses involved, however, are ephemeral to say the least, and employment within them is even more so, since it is often a purely family affair, where various relations help out from time to time without formal reward. Sixty-five per cent of the retailers for whom detailed financial data were obtained as part of the experiment described later said that they withdrew less than Shs. 100/- per month from their shops, and only 7% claimed to earn Shs. 300/- per month or more, in cash or in kind. Few kept records of this however, so that an accurate figure of earnings would be very hard to obtain.

There is little data on the numbers of establishments, the numbers employed in them, or their earnings, and it might be that a more detailed survey than those that have already been made would achieve little for the reasons already given. We have seen that there are about 24585 small general retailers in Kenya. The sample of 169 shops examined in our project employed an average of 1.4 people each. If we combine these figures, we obtain a total work force of nearly 35,000. This figure is greater than the number said to be employed in any other activity except agriculture, education, domestic service and manufacturing. As to the level of wages, a 1967 survey gives an average figure of Shs. 900/- per year, compared with Shs. 740/- on farms. Self-employed businessmen in rural areas are said to earn Shs. 2,700/- per year on average, whereas self-employed farmers earn only Shs. 2,260/-.[21] The figure of Shs. 2,700/- is within Shs. 36/- of the average total of profit and wages for the sample of shops studied in this project, and we can perhaps assume that the figures are at least useful in that they show that shopkeepers on average earn more than farmers. Manufacturers who are in contact with the small retailers through whom their goods are distributed seem to agree that the numbers are growing throughout Kenya, albeit faster in urban areas, and that the overall growth is very approximately ten per cent per annum. This is much faster than the growth in population or incomes, and such a high rate clearly cannot be sustained for very long. It may be that the programme for the Kenyanisation of business has motivated many to enter retailing, in addition to those who have actually taken over the existing businesses. Among the shops surveyed in this project, nearly half were under one year old, and although there is a high rate of attrition from failure, there has clearly been a significant growth in the total number of establishments in recent years. All these figures are tentative, since they refer for the most part to enterprises which are not legally registered because they are neither companies nor legally constituted partnerships. The overall picture, from the employment and earnings point of view, can nevertheless be seen to be one of a very significant activity. It is the fifth largest source of employment in the country, and it seems to have an above average growth rate and earnings which are at least in excess of those obtained from agriculture.

It is clear that small retailing is a very important form of unemployment relief. There are however obvious dangers in concluding from this that anything that is done to promote small retailing will increase the employment opportunities available. Adam Smith[22] states that shopkeepers and tradesmen "can never be multiplied so as to hurt the public, though they may so as to hurt one another". Large numbers of small shops may indeed be an indication of poverty, as Hunter points out,[23] but the removal of the symptom would only exacerbate the disease, since the shops contribute to the relief of the same poverty which they demonstrate. There are advantages to be obtained from increasing efficiency, such as the improvement of services to customers and the better use of the capital employed. One could however imagine one or two self-service supermarkets satisfying all the needs of a market currently served by fifty or more small shops. By every traditional indicator, such as sales per square foot, inventory turnover, profit and sales in relation to the capital employed, and, above all, sales per employee, such a supermarket would almost certainly outperform all the small retailers it replaced. In Chile[24] such a replacement has apparently taken place in some localities, and sales per employee are some six times what they used to be. While the large number of competitive shops appears to prevent any marked divergence of prices, it may be that the actual prices charged, which are often those recommended by manufacturers or laid down by Government, are higher than necessary because of the diseconomies of the methods of distribution. Slater and others have shown that in certain urban areas of South America significant price reductions can be achieved by a major rationalisation of distribution. Small general shops which are very similar to the enterprises discussed in this study could be replaced, or at least supplemented, by large self service operations, on the lines of supermarkets but catering for the mass of the people. Retailing in San Juan, Puerto Rico, apparently evolved in this way during the period of the remarkably successful "Operation Bootstrap". Between 1950 and 1965 the per capita real income in Puerto Rico doubled, and there was a massive switch of employment from agriculture to industry. The possibility of emigration to New York was an effective safety valve against unemployment, and over approximately the same fifteen year period the sales per employee of food shops in San Juan increased by nearly ten times. It is impossible to make an accurate assessment of the effects of this change on prices over so many years, but the average gross margin added by retailers dropped substantially.[25] The "economic miracle" which was enjoyed by Puerto Rico at this time is unfortunately not likely to be repeated in many other places, and it is dangerous to suggest that similar changes in retailing should be stimulated elsewhere. A development of this sort had apparently started with outside influence in Recife in Brazil, so that it was possible to compare prices and other aspects of the service given by the modern retailer and by the traditional neighbourhood store which is very similar to the Kenyan duka. Prices in the self service outlet were between five and ten per cent lower than in the smaller shops, and the sales per employee were, as in Chile, some six times greater. In spite of the advantages of lower prices, and higher quality, only 14% of those who purchased under nine dollars worth of food per week used the self-service shops, whereas 55% of those in the group who bought fifteen dollars or more worth of food used the modern outlets. The reasons lay in the services other than price. Sixty-one per cent of the small shops gave some credit to customers, and they were on average open for 86 hours per week. Only 20% of the self service shops gave credit, and they were open for only 58 hours per week.[26]

This research in North East Brazil was carried out in 1960 to 1967. At this time the mean family income in Recife was determined to be 2,174 dollars per annum.[27] The equivalent figure for Kenya in 1967 was K£270, or 756 dollars.[28] It is clear therefore that Kenya as a whole is a substantially poorer society than the area for which this structural change in retailing was being recommended. In addition, much of the expected benefit was to come from lower prices of staple foods. In Kenya these prices are controlled, with reasonable success, by Government, at a level where the retailers' gross margin is low, and is only possible because the goods are basic necessities and have to be stocked, and their distribution is in effect subsidised by the higher margins available on other goods. The gross margin on sugar, and maize flour, for instance, is about 11%, whereas margins of up to 50% are quite common on made up clothes, patent medicines, and similar items. The effect of a similar change in Kenya might therefore be a substantial reduction in the level of services such as opening hours, credit and convenient location, which we shall see are of great importance to the average Kenyan consumer, in return for a possible reduction in some prices. Nevertheless it is instructive to attempt to analyse the effects of such a change, assuming that prices were reduced by the Recife average of around 7½%, and that one sixth the number of employees were required to sell the same volume of goods, again using the results for Recife and Chile. Table 1 illustrates the total price reduction, and employment effects of such a change, if it affected all the 24,585 small general shops in Kenya. It would clearly never do this, but a partial change would presumably have the same effects pro rata. It can be seen that the total of price reductions would amount to about 4.4 million shillings per month, while some 29,000 jobs would be lost. The benefit per job lost is about Shs. 150/-, which is around Shs. 50/- more than the average wage paid for the job. Nevertheless, it is probable that a fair proportion of the increased spending power of consumers would be spent on imports, which would not benefit Kenya's economy or help to create compensating employment opportunities, and even the extra money spent on locally made goods would tend to benefit the modern industrial sector, whose higher average wage levals would prevent the creation of a similar number of jobs to those which had been lost. It is thus highly unlikely that a change of this sort would at the present stage of Kenya's development benefit the economy as a whole, and we may still rely on Adam Smith's judgement as to the advantages of a multiplication of shopkeepers and tradesmen.

Table 1

PRICE REDUCTION, AND EMPLOYMENT, EFFECTS OF "MODERNISATION" OF SMALL GENERAL SHOPS IN KENYA

Average monthly sales per shop (from sample of 169 shops)	Shs. 2,388/-
Total number of shops	24585
Total monthly sales of all shops	Shs. 58,708,980/-
Total benefit of price reduction of 7%	Shs. 4,403,173/- per month
Average number employed per shop (from sample of 169 shops)	1.4 persons
Total number employed	34,419 persons
Reduction in number employed if sales per employee increased 6 times	28,682 persons
Monthly benefit in price reduction per job lost	Shs. 154/-

The I.L.O. Report[29] and other authorities refer to the danger of investment in the manufacture of goods which displace both the manufacturing and the marketing activities of rural craftsmen. In the same way, any efforts to promote small retailers must try to avoid "improvements" which will destroy the "sanctuary"[30] presently available to the unemployed.[31]

It is not altogether clear that the typical small retailer is an entrepreneur in the generally accepted use of the term. There is however little doubt that small shopkeepers are one of the most productive sources of genuine entrepreneurs, who go on to "combine resources and opportunities in new ways", to use Marris and Somerset's phrase.[32] Adam Smith has again stated the case succintly.[33]

> "The habits beside of order, economy and attention to which mercantile business naturally forms a merchant, render him much fitter to execute with profit and success any project of improvement".

Experience has shown that small retailing is the most fruitful or even the only significant training ground for future entrepreneurial industrialists in Turkey[34] and in Greece, Pakistan and the Philippines.[35] The development may be part of the natural sequence of the displacement of non-indigenous traders. In East Africa the Asians have moved from retailing to manufacturing, to be replaced by Africans. Similarly, in Haiti the Lebanese, and in Jamaica the Chinese have moved into industry.[36] It is only natural that the more enterprising of their indigenous successors in retailing should look upon manufacturing as the next stage in their personal development. Retailing can be an introduction to the intricacies of the monetary economy,[37] where the lessons of experience can be learned relatively cheaply and painlessly. The typical mistake, such as the purchase of the wrong items of stock, is unlikely to be disastrous unless it is repeated many times. MacLelland[38] makes the point that the development of achievement motivation is stifled in a large, bureaucratic organisation. Small business offers a less restrictive atmosphere, with no substitutes for traditional peasant norms, so that the facility for aggressive independent decision making has every chance to develop.

Economic independence is often regarded as a political or even emotional goal, which may have to be bought at some economic cost. This may or may not be the case when it concerns large industrial undertakings and relationships with international enterprises. A.H. Cole writes;[39]

> "Industrialisation is only one aspect of growth and that advance may wither if it is not accompanied by the evolution of ancillary and service business institutions operated by domestic citizens. Economic maturity is reached only when a diversified and multi-functional business network in the hands of national citizens has developed".

It is arguable that the ordinary man neither knows nor cares whether the company which manufactures his beer, his cigarettes or his shoes is managed by a fellow citizen or not. If however he has to deal with a foreigner every day of his life, whenever he wants to buy the simplest everyday commodity he is likely to feel alienated from the monetary economy, and to feel that it is not his concern, whether because he considers it above or beneath his capabilities. This sense of alienation can be an effective bar to indigenous participation and control in any sort of economic enterprise. Politics and economics have combined to localise at least retail distribution in most developing countries. In some places, pressures have built up in such a way that drastic and expensive action has been taken, such as the expulsion of the Asians from Uganda or the extravagant "Programme d'action Commerciale" in the Ivory Coast.[40] In this latter case, the government has felt it necessary to start a whole national network of state sponsored retail outlets, which are eventually to be taken over by individual citizens. Geertz writes "economic growth demands .... a commercial revolution as well as an industrial and agricultural one", and he refers not only to what is done in the commercial world, but, more importantly, to the nationality of those who do it.[41]

There is thus reasonable justification for any country to take steps to localise its trading activities, and Kenya seems to have pursued a consistent and effective policy which has more or less satisfied the pressure of public demand without sacrificing the benefits of an efficient distributive system in favour of political expediency. The Kenyanisation of small retailing is virtually complete, apart from the few urban specialist shops which have little contact with the mass of the population. The process has been rapid and reasonably smooth, although there have obviously been some problems. As incomes rise, however, ordinary people will increase their contact with businesses other than the small general retailers. If the alienation mentioned earlier is to be avoided, these businesses too must come under local indigenous control. Small retailers therefore have a new task thrust upon them; having more or less successfully localised the retail distribution of the day to day supplies required by the bulk of the people, they must now provide a cadre of experienced businessmen who are able to move to more specialised and larger scale operations in line with the increasing range of requirements of their customers. This trend is already appearing; the more successful small retailers soon appreciate that they cannot all become larger versions of the same thing. They are forced to specialise, not only into the wholesale function but into more sophisticated activities such as dry-cleaning, hardware, or watches and simple jewellery.

We have seen that small retailers have a vital part to play in Kenya today, and in assisting the nation to develop into what is desired tomorrow. There are also certain aspects of Kenya's society and economy in the future, as foreseen by statisticians and planners, which may emphasise even further the importance of small retailing. Shops exist to serve people, and if there are more people there will, all things being equal, be a need for more shops. The Colonial Government tried to limit the number of shops, in Nyanza at any rate, to one for every four hundred people.[42] Whatever may have been their motives at the time, this may not have been an unreasonable figure. If we use the total of 24,585 small general shops previously mentioned, and the population of eleven million from the 1969 census, we obtain a figure of 447 people per shop. Estimates of the population by the year 2000 vary considerably, but 28,131,000 is one "official" figure.[43] On a pure population basis, assuming that the number of people per shop remains as it is now, this would call for some 63,000 shops, or almost 40,000 more than there are at present. Such an increase clearly implies a need for more capital, training and so on, but as the population grows these inputs might reasonably be expected to become more available in proportion to its growth. It may be more illuminating to attempt to examine those aspects of Kenya's future which imply that the number of retail outlets might grow either faster or slower than the number of people. There are certain factors which might tend to increase the number of people who could efficiently be served by one shop, so that the total number by the year 2000 would be less than the figure of 63,000 given above. As incomes rise, the need for the average man to "purchase his subsistence from day to day or even from hour to hour" is likely to decline. Better transportation facilities, improved housing, and better home storage conditions are likely to have the same effect. It was found in Recife that consumers tended to desert the small neighbourhood stores in favour of larger outlets over the period 1960 to 1969, although their patronage of the smallest outlets such as market traders was not affected.[44] In the United States many housewives purchase their supplies once every two weeks or even less frequently, because the relatively low opportunity cost of ready cash makes the resulting savings in time and money worth while. It is interesting to note that the number of people per retailer in the United Kingdom has risen from 84 in 1951, to 95 in 1961 and to 107 in 1968.[45] These are however all well under one third of the present Kenya figure, and it is probable that the number of retailers must rise considerably before it is likely to fall again in the later stages of economic development. In addition, the concentration of more capital in fewer hands,[46] which is perhaps an inevitable feature of the early stages of development, may lead to more capital intensive retail operations, which are able to cater for more people. It is to be expected that higher incomes will mean that fewer people will be willing to devote their time and capital to a shop which may earn them only Shs. 100/- per month or less, since better uses for money and labour will be available.

The Kenya cost of living index is separately calculated for lower and middle income earners, since their spending patterns differ. The upper limit for "lower income" earners is now fixed at only Shs. 400/- per month.[47] It is not too optimistic to assume that in the future an increasing proportion of the population will attain "middle income" status, in purchasing power as well as money income. The proportion of the average "lower income" which is spent on school fees, rent, transportation, and entertainment is 28.5%, according to the survey of household expenditure on which the indices are based. The comparable figure for "middle income" earners is 37.1%.[48] It would therefore appear that as people become richer they tend to spend a larger proportion of their income on things that are not bought in shops. It may be that in the future shopkeepers will deal with a rather smaller proportion of the larger national income, if average incomes do rise as is hoped. In rural areas, on the other hand, increased incomes may lead to reduced reliance on subsistence crops, if they are still grown at all. The "lower income" group are said to spend 14.2%

of their incomes on maize, beans, potatoes, cabbages and bananas, which are often grown on subsistence plots. The middle income group spend only 8.7% of their income on these foods.[49] More cash cropping, by people of any income group, will clearly increase their reliance on shops; even if subsistence plots are retained, higher earnings will reduce their proportionate importance in household expenditure and increase the proportion of rural incomes that is spent in shops.

Kenya's planners have been realistic in their projections of urban growth. It is estimated that by the year 2000 the urban population, defined as those living in centres with more than 2000 inhabitants, may have grown to seven and a half million.[50] If we use the previously quoted estimate of 28,131,000 for the total population of Kenya by 2000, we obtain a balance of about twenty and a half million for the rural population at that date. Table 2 illustrates the implications for the numbers of shops that may be needed to satisfy Kenya's needs by the year 2000.

<u>Table 2</u>

CALCULATION OF NUMBER OF SHOPS REQUIRED
IN KENYA BY THE YEAR 2000

	Urban	Rural
1969 Population[51]	1,079,908	9,862,797
Number of shops	3,820[52]	20,765[52]
Population per shop	283	475
2000 Population	7,500,000	20,500,000
Number of shops needed	26,502	43,158

It appears that a given number of town dwellers needs almost twice as many retail outlets to serve its needs as the same number of rural people. This is of course partly explained by the facts that urban incomes are higher than average, and many urban shops serve the rural population who come to the town for this purpose. As Kenya becomes more of an urban society this role of retailers will become proportionately less important. On balance, however, it seems probable that greater urbanisation leads to a need for more retailers per thousand people, rather than less. The total number of retailers indicated as being required in the table above is almost 70,000, which is some 7,000 more than the estimate which was based purely on the projection of total population. The average figure of population per retailer comes to about 409; this is under the present figure of 447 and is moving in the direction of more developed countries.

Rising incomes, the decline of subsistence farming and the rapid growth of towns and cities all seem to point to an even more vital role, for a larger number of retailers, in Kenya's future. We must therefore examine their present performance not only by the standard of how well they are satisfying the needs of society now. We must also attempt to assess how well they are likely to be able to satisfy the even more demanding needs of the future. Their history is short, but nevertheless it is useful briefly to outline the origins of small scale general retailers in Kenya. Their beginnings may help to explain both their present position and their future potential.

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THE HISTORICAL DEVELOPMENT OF SMALL RETAILING IN KENYA

It is hardly surprising that little has been written about the history of small retailing in Africa. The tradition of contempt which was discussed earlier, as well as the relatively recent emergence of the African small retailer, are sufficient to explain this neglect. There are however four authorities who give some very fascinating insights into the origins of African small retailing, although their main theme is in fact the contemporary situation. Garlick's study of Ghanaian traders, and in particular the market women of Kumasi, is deservedly well known.[1] Hawkin's work on wholesale and retail trade in Tanganyika, published in 1965, describes a situation very similar to that existing in Kenya at the time.[2] Fearn's detailed description of the economy of Nyanza includes information on the very earliest "modern" retailing activities undertaken by Africans in East Africa, and on the Colonial Government's efforts to control and direct such activities.[3] Finally Marris and Somerset's accounts of the origins of Kikuyu trading expeditions to the Masai in the Rift Valley illustrates the apparent efficiency and remarkable harmony with tribal traditions which characterised early African trading activities.[4]

We may exclude from retailing simple barter between those who had more than they needed of a particular commodity and those who needed it and had a surplus of something else to exchange. Nowadays a certain amount of retail transactions still involve kind rather than cash, particularly when outstanding debts are paid in maize, sisal fiber or some other commodity, but retailing as such cannot precede the monetary economy. Fearn's Luo informant refers briefly to "traders" who kept shops and were in fact displaced by the Asians with their greater knowledge and range of goods, but it is not clear that these were shopkeepers as we would define them today.[5] In West Africa, indigenous traders were established almost as soon as European influence was felt on the coast. Levantines and European merchants had no desire to penetrate into the unhealthy interior, and they delegated the task of the purchase of supplies to African traders, many of whom became substantial merchants in their own right.[6] In East Africa, the situation was different. Although foreign merchants were buying products such as ivory from the interior from an early date, they made use of the Arab control of the coast, and of extensive Arab penetration along the slave routes into the interior. With the coming of the railway the Arab channels became obsolete, but the climate, and Government encouragement attracted large numbers of foreign traders who initiated the development of a cash economy in the early years of this century. In Kenya in particular, Africans were discouraged or even prevented from growing cash crops, so that their only access to money was the wages paid on settler farms. Much of this income was spent on hut tax, so that little remained to encourage the growth of retailers serving the needs of the peasant community. It is also probable, as stated by Kamau, that the need to raise money for the hut tax was in itself one of the incentives for Africans to enter business.[7] European farmers, and the largely non-African owners and staff of the businesses which grew up to serve their needs, provided the major market. The retail shops, almost entirely Asian owned, which catered to these markets were able to deal adequately with the few simple purchases made by Africans. There was thus little incentive for Africans to enter retailing, even if they could manage to acquire the necessary capital and knowledge. The Colonial Government had been troubled by debt recovery problems with the original Asian entrepreneurs; debts over Shs. 100/- were therefore legally declared unrecoverable from Africans almost as soon as they began to enter the monetary economy; this measure effectively denied any African entrepreneur from access to trade credit, one of the few sources of capital available to a retailer.[8] In spite of the small market and Government apathy or active discouragement, African retailers started to operate during the nineteen thirties, usually after having worked as buying agents for Asians.[9] They traded in the areas which were too poor to interest the Asian shopkeepers, and struggled to maintain an intermittent existence in the face of a negligible market and wholly inadequate capital and knowledge.[10] The government restricted the number of licences issued for retailing, and tried to keep to a minimum of four hundred population to every one retailer.[11] This measure prevented the proliferation of retailers which has occurred in more recent years, and which represents an effective economic response to the needs of the customers and the low income expectations of the shopkeepers. Nevertheless more and more Africans entered retailing, which was one of the very few independent economic activities which were in any way open to them. The capital requirements were at least relatively low, and no technical training was needed. By 1953, according to one count, there were 11,600 African retailers in East Africa, and 4,800 Asian businesses.[12] The turnover of the latter would undoubtedly have exceeded that of the former by many times, but this figure does indicate that there is already a wealth of African retailing experience going back many years. Somerset and Marris stress that the Kikuyu were particularly motivated to go into business because of their traditions of trading with the Masai, and their proximity to wealthy settlers during the colonial period.[13] Our survey, however, indicates an average age of three years for the sample of shops from Nyeri District and four for those from Machakos, and Fearn's work shows that indigenous shopkeepers were already in business many years ago in other parts of Kenya.

Although there may have been fairly large numbers of African retailers in business by the end of the Second World War, their economic significance was small. Hunter states that until this time "the Asians and Arabs gripped and held the trade of both village and town".[14] During the 1950's there were various factors which encouraged a growth of indigenous retailing. Fearn in his survey of the problems of the African trader, written in 1955, writes of "too great an influx of African traders in recent years".[15] This influx was not so much caused by positive encouragement but it occurred because of a significant reduction in the constraints which has so far held back any such development. Debts owed by Africans were made legally recoverable, and African farmers were allowed to cultivate certain cash crops such as coffee, tea, and pyrethrum which had previously been forbidden to them. In addition, many Asian shopkeepers withdrew voluntarily from the less remunerative and perhaps more physically dangerous rural areas, to establish themselves in trade and industry in the cities.[16] The data gathered in this project show that 12% of the shopkeepers were in business before Independence. It is notable that very few businesses survive the death of the owner.[17] In the Kikuyu areas, the dislocation caused by the Emergency must also have interrupted the continuity of such businesses as already existed at the time. Positive measures prior to independence were few and far between. The Colonial Government was at least sufficiently concerned about "the entry of Africans into trade and commerce" to give the subject seven lines in its economic survey of 1951, but there was no implication that anything should be done to facilitate such entry.[18] The financial body now known as the Industrial and Commercial Development Corporation was started in 1955, but at that time the word "commercial" was not included in its title and its lending activities to retail traders or traders of any sort were minimal. District based lending was started before independence, but the initial experience was unsatisfactory.[19]

The early days of independence were characterised by optimistic planning in most fields, and African retail development was no exception. Apart from the Industrial Development Corporation, a small enterprise financing role was projected for the Development Finance Company of Kenya, which has certainly not materialised. The Kenyan National Trading Corporation was to operate "people's shops" all over Kenya, and "business management centres" were to be set up in every district.[20] Many of these plans never bore fruit, or are only now being implemented, often in a form which is vastly different from that originally envisaged. Garlick refers to Ghanaian demands for certain commodities to be reserved for African traders.[21] The K.N.T.C. was established in order to effect this transfer in Kenya, but its record indicates the difficulties of attempting to remedy one problem without an integrated programme to deal with all the constraints. Ten per cent of the agents who were appointed to handle the scheduled goods by K.N.T.C. had disappeared by 1970, and a further ten to twenty per cent had gone bankrupt.[22] The K.N.T.C. had no direct relevance to the shops covered in our project since it is concerned with wholesale rather than retail distribution. The Corporation was never mentioned, for good or ill, by any of the shops included in this study, and the fact that only 6% of the shops were in receipt of any trade credit indicates that the Kenyanisation of distribution has had little effect on the availability of the input that shopkeepers themselves believe to be most necessary, namely finance. More detailed consideration of the various forms of assistance available to small retailers in Kenya must await our survey of the situation as it exists ten years after Independence. Regardless of direct assistance, the sustained economic growth that has taken place in Kenya since independence has increased the need for, and thus the number of, small scale shopkeepers. Kimani and Taylor refer to this increase in Muranga District, and similar increases have taken place in other areas.[23] Kenya's small scale shopkeepers have inherited an element of individualism from their early struggles against a wholly hostile environment. Small shops in rural areas and in most parts of the towns no longer have to fight their well entrenched non-indigenous competitors, and "The Asians" have even ceased to be the universal excuse for any and all deficiencies. As might be expected once Independence has become at least a political reality, the problems that remain are no less pressing, but are such as to be susceptible to the retailer's own endeavours, supplemented when necessary by a government which he himself has had a part in creating.

The interaction between small general shopkeepers and Government has never been particularly fruitful. Marris and Somerset refer to colonial policy makers who borrowed "the prejudices of the English gentry" and were therefore "reluctant to encourage their African wards into anything so morally corrupting" as trade.[24] We have already seen that disdain for shopkeeping is not confined to the English gentry. Hunter explains the prevalence of marketing boards and other devices which seem to be organised for the benefit of producers, with little regard for consumers and none for the channels of distribution through which they obtain the goods, by reference to the general disdain for middlemen. The same attitude explains the preference of the better educated for government careers; the result of this is that trade is starved of talent and policy makers have little sympathy or understanding for those who are involved in commerce.[25] Both local and central Governments have traditionally harassed small traders more than they helped them,[26] and the I.L.O. Report sums up the Kenya Government's policy towards trade under the four headings of reducing margins, controlling growth, planning markets and Kenyanisation. None of these, with the possible exception of the last, implies development or encouragement.[27] Governments everywhere have undoubtedly inherited a tradition of disdain and restrictive control of small business. The Kenya Government is fully committed to a policy of effective and coordinated encouragement.[28] This firm intention may be sufficient to inhibit further restrictive policies, from any level of Government, and changes such as the liberalisation of licensing regulations for taxi operators indicate that a genuine change has indeed taken place.

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THE ATTITUDES OF SMALL RETAILERS

Before attempting to evaluate how successfully Kenya's retailers are performing the functions we have identified, it may be useful to examine the general characteristics and attitudes to business of small scale shopkeepers in less developed countries. There is no necessary relationship between a certain attitude or method of doing business, and success or failure in satisfying the needs of customers, suppliers, national development and the owners themselves. We must avoid the danger of assuming that because a particular attitude or method is different from that normally expected for small shopkeepers, it is automatically wrong. The expectations of the various interests served by the business may also be different from those in other parts of the world, and the result may be satisfactory to all.

We have already seen that shopkeepers are a valuable source of entrepreneurs, but it appears that by most definitions shopkeepers are not themselves entrepreneurs by virtue of the fact that they are in business. The essential attributes of entrepreneurship are generally agreed to be a willingness to innovate, and to take calculated risks in so doing. MacLelland stresses the calculated, controlled nature of entrepreneurial risk taking, and distinguishes it from gambling.[1] Marris defines an entrepreneur as one who possesses "the ability to reinterpret the meaning of things and fit them together in a new way",[2] and Nightingale writes;

> "The presence of innovation is the characteristic distinguishing the entrepreneur from other merchants or traders in agricultural commerce".[3]

Cursory examination of a typical market in Kenya reveals a distressing lack of innovation, and Marris and Somerset state categorically that shopkeepers are not innovators.[4] Most shops stock the same goods and offer identical services with no effort to differentiate one from another. Risk there is in plenty, as evidenced by the large number of failures and the frequent errors in purchasing decisions. The risk taking, however, seems to be unconscious and anything but calculated. It is not gambling because the tyro businessman probably believes that he will succeed, and that what he buys will sell, but much of the training and consulting effort which is described later attempts to bring home to the shopkeeper that he is taking risks, which differ in possible costs and profits, and that he can increase the chance of profits by rational evaluation of alternatives. An entrepreneur is normally conceived as a restless, discontented person, who is anxious to improve himself even if he lacks the knowledge to enable him to do so. The average small Kenyan shopkeeper hardly fits this description. His original decision to go into business may have been in some sense entrepreneurial, arising from his discontent with alternative uses of his time and money. Marris and Somerset's samples of market businessmen, however, show that 60% had been fully employed before going into business.[5] Only 17% had previously been principally employed as farmers. One source of shopkeepers might be thought to be discontented farmers; such a man's decision to start a business might well be genuinely entrepreneurial, since it would involve a redeployment of assets in a relatively unknown activity, in the hope of higher returns. A man who has regular employment elsewhere and is anxious to employ his savings in a financially and socially desirable investment is in a rather different category. Unlike a discontented farmer, he is not necessarily looking for an income better than his present one, and his needs may be as much social as financial; he wants to re-inforce his position in his home area as well as to make a profit and if the shop also provides him with a centre where he can talk to his friends, so much the better. Hawkins emphasises the social satisfactions of shopkeepers in Tanzania.[6] Over 60% of the market businessmen in Marris and Somerset's sample were under forty years old.[7] It is unlikely that many employed people would relinquish voluntarily the security of a full time job for the uncertainty of a rural business, given the enormous value which is placed on secure employment in Kenya. Business, therefore, would appear as a second occupation, rather than as a first step towards wealth and independence. It is interesting to compare the motives for entering business of larger scale businessmen with those of market traders, as shown by Marris and Somerset. Forty-three per cent of the larger scale businessmen said that they had gone into business because they saw an opportunity; only 2% of the small market businessmen mention this reason; their motives were various. Thirty-three and a third per cent said that it was in order to "make money", which is not a particularly revealing comment.[8]

Sir W.A. Lewis comments that in the Ghanaian situation "the best way to improve ... African businesses is to put so many boys through the secondary schools that some ... are forced to go into business."[9] Kenya has certainly pushed a far larger number of boys through secondary school than can find the sort of employment they expect. There is little evidence so far that a significant number of unemployed fourth form school leavers are deliberately going into business instead of looking for a job, although in many cases these boys are helping to manage a business belonging to a relative in order to do something before they do find a job. If they never find full time employment, it may be that they will eventually become committed to a lifetime of business, but they are unlikely to forget that this was a pis aller. A number of authorities confirm that in general at any rate, small scale traders in less developed countries do not regard their businesses in the same way as an entrepreneur. Carson likens small scale trading in less developed countries to stock market trading in the United States.[10] It is a sideline activity, entered into with the hope of profits, but certainly not a full time occupation. Geertz describes bazaar trading in Indonesia as "a series of discrete transactions" which has neither pattern or goal.[11] Kilby stresses the personal and hence ephemeral nature of small businesses in Ghana. A business is seen not as an asset, to be cherished and passed on to one's heirs, but as a temporary activity, from whose profits genuinely heritable assets such as land and buildings, can be acquired.[12] Bauer goes so far as to say that in West Africa "Africans frequently do not regard trade as an occupation ... but regard it as a part of existence."[13] This may not apply completely to East Africa, but if trade is believed to be a part of existence it can hardly be a subject matter for conscious decision making, any more than is existence itself.

It is not the intention to portray small scale trading as an almost unconscious activity carried out more by reflex action than by intelligent thought. It is necessary to correct the impression that small scale shopkeepers in Kenya, or anywhere else, are all restless entrepreneurs who are only prevented from enormous success because of some missing ingredient of capital, training or other froms of assistance. Trade is deeply enough rooted in Kenya, and in most other societies, for it to be a routine part of existence, and any attempt to evaluate the contributions of small retailers, or to promote their success, must recognize that the shopkeepers themselves are not a frustrated or innovative minority. Their motives for entering business, their attitudes and methods as businessmen, and their disposition of the profits they earn, may not all be conducive to the most effective satisfaction of all the needs of customers and suppliers, nor to the financial success of the owners themselves. They are nevertheless determined by the nature of society in a rapidly developing economy, and attempts to alter some basic attitudes are likely not only to be unsuccessful but also to clash with the complicated pattern of needs which motivate the businessman. One of the most criticised aspects of African businesses is the lack of specialisation. Politicians and other advisors recommend that businessmen should specialise. In India[14], in Ghana,[15] in Indonesia,[16] and Nigeria[17] overdiversity is seen to be one of the faults of indigenous businesses. Roemer writes that according to African socialism, "absentee ownership is regarded with displeasure", but there are good reasons for the multiplicity of occupations which must lead to a degree of part time management.[18] Problems of succession, and the high risk which is brought home to any shopkeeper by the large number of failures which take place around him, make it reasonable to syphon off a large proportion of the profits into more secure investments, such as buildings or land, which do not require full time attention. There are no old age pensions, or unemployment relief, and insurance policies are relatively unknown. Kilby[19] makes the point that this dispersal of assets over a number of enterprises is a rational part of the "search for security" which is itself described in the rural Ghanaian setting by Field[20]. Hunter points out that part time businessmen find it difficult to expand or fully to exploit whatever advantage they may have over their competitors.[21] This may be socially desirable, in that it allows the less efficient to continue to be at least part employed in their marginal businesses which would otherwise be squeezed out altogether. It is in any case rational to spread risks in an unfamiliar and fast changing environment; any efforts to mitigate the management difficulties which result should be confined to showing businessmen how to evaluate the performance of their various activities, so that they themselves can make an informed decision to specialise if they so wish.

Small shopkeepers are often much criticised for their reluctance to re-invest their profits, or rather, since they usually have no idea what their profits are, their propensity to withdraw too much money from their businesses. Hunter again implied that too little is re-invested to allow for sustained growth.[22] Kamau writes that family claims "can lead to the withdrawal of a substantial amount of capital from an enterprise",[23] and Bauer says that the extended family system in West Africa discourages "productive use of accumulated savings".[24] These authorities are correct in implying that such withdrawals do not facilitate self-financed expansion of business, but the behaviour should not be condemned outright for that reason. Roemer states that profits are consistent with African Socialism, but that "retention of too great a proportion is exploitative". Assets should be used wisely, but the resulting profits should be shared with relatives.[25] It could be argued that expenditure on education which will not lead to employment, or on the care of children who can only contribute to excess population growth, is less desirable than re-investment in business. Whatever may be the merits of such an argument, there are other good reasons why reluctance to re-invest should not be condemned. Marris and Somerset describe the conflict between a successful businessman and the demands of his family. They are however dealing with a small number of officially supported businessmen who are genuine entrepreneurs and whose success depends on their ability to break away from traditional values.[26] The small shopkeeper as has already been shown, is usually not an entrepreneur. Nypan describes a sample of businessmen in Accra, and concludes that they regard their businesses as a sort of receptacle from which money should be withdrawn when it is needed for education, funeral expenses or other family requirements.[27] Given the limited extent of the market, re-investment of a greater proportion of the profits would probably contribute to overstocking of slow selling goods, beyond that which will be described later in this study. Garlick states that business expansion in Kumasi was often more effectively limited by the time of the owner and his family than by the shortage of capital, since non-family participants could not be trusted.[28] In Kenya only 19% of the businessmen surveyed by Marris and Somerset preferred relatives to non-relatives to work in their businesses,[29] and family members are often trusted less than outsiders. The effective limit may thus be the owner's own ability; and if this is not great, re-investment of earnings may well be unprofitable. Here again, as with non-specialisation, the apparently disfunctional behaviour may be commercially as well as socially sound; efforts to improve the performance of small scale retailers should avoid criticising such behaviour, but should equip businessmen with the necessary techniques so that they know what they are withdrawing, and control it, and so that they are able to evaluate the specific re-investment alternatives that may offer themselves.

We should therefore evaluate the performance of small scale retailers with caution, judging it by standards which are appropriate to the interests of these involved. Any remedies for deficiencies which become apparent must widen the opportunity for informed choice rather than prescribe different ways of behaviour whose effects may be worse than the ills they are designed to cure.

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THE ACTUAL PERFORMANCE OF SMALL SCALE RETAILERS IN KENYA

We have seen that small scale retailers have the potential to perform a valuable role in any society; in particular, they may be expected to benefit customers, suppliers, and the owners of the businesses themselves. It is only reasonable that attempts to promote the development of small businesses, farmers or any other group, should be presented as benefitting the businessmen themselves, and should be based on research into their needs. Otherwise the courses, extension services or whatever is offered are unlikely to be accepted, since they will be perceived as devices to benefit other interests, rather than those of the direct recipient who must make the sacrifice required by any change of behaviour. Our intention is nevertheless to benefit society as a whole, and not one group only, particularly if some element of public subsidy is necessary to finance whatever service is offered. In addition, even if we are interested in one group, we shall succeed in assisting them only if we ensure that whatever is proposed fits into the system of which that group forms a part. A manufacturer may be wholly motivated by profit, but unless he considers the needs of customers, of channels of distribution and his own employees, his ventures will fail. It is similarly necessary to examine the success of small scale shops in satisfying the needs of their customers, and the suppliers of the goods they distribute.

Clearly the most important group, both in terms of numbers and their critical role in determining the success of a small shop, are its customers. Before trying to discover to what extent the customers of Kenya's small general shops are satisfied by the service they receive, it was necessary to determine what types of service they expected. We have already seen that the poorer customers in North East Brazil preferred to shop in small local shops, in spite of the lower prices that were available in self service shops. The prices of a number of standard items were compared in the shops making up our sample. There were some variations, but they were in nearly every case the result of ignorance of price changes or errors on the part of the shopkeeper. Only in two instances were low prices being used as a competitive device, although this situation was substantially changed by the consultancy procedure when disposal of slow moving stocks was recommended. Unstructured conversations with consumers indicated that they were aware of the absence of price competition, within the area where they normally bought their daily requirements, and their most common comments related to opening hours, credit, cleanliness of the shop, the availability of goods they needed and the politeness or otherwise of the service. This list, apart from the omission of price and convenient location, is the same as that determined by Slater in Recife,[1] and in any case it more or less covers all the possible aspects of the service that might be expected from a shop in this environment. Consumers in Kenya apparently did not consider that the location of shops was anything over which the owners had control, and in any case the vast majority of shops are located in markets which are the accepted venue for local commercial and social activities. Seventy male and seventy female consumers were interviewed, using the format shown in Appendix 1. The interviews were carried out in or near to the respondents' homes, not in the proximity of shops, and the interviewers stressed that they were interested in opinions about small general shops in general, rather than criticism of a particular enterprise. The respondents were selected at random from people who might be expected to shop in rural areas around Machakos and Nyeri, and in Nairobi. Fifty of each sex were from the rural areas, and the remaining twenty from urban or peri-urban districts. There was no significant difference between male and female, or rural and urban responses, and the complete results are given in Table 3.

Table 3

RESULTS OF SURVEY INTO CONSUMERS' OPINIONS
OF SMALL GENERAL SHOPS

	Very Good	Adequate	Very Poor
Opening hours	43	77	20
Credit	21	58	61
Polite service	56	72	12
Goods in stock	30	70	40
Cleanliness	17	77	46
Total	167	354	179

The interviewers found that the respondents were ready to complain, and the figures for credit, cleanliness and goods in stock indicate substantial dissatisfaction. It should be emphasised that this survey did not attempt to rank the importance of the various aspects, nor was it any measure of the reasons why particular shops were selected in preference to others. The totals for good, adequate and poor opinions of the various aspects approximate to a normal distribution around a mean of adequacy, but when it is remembered that these are the opinions of the shops which are actually used, and not those which are rejected, it is clear that the position is far from satisfactory in the eyes of customers.

It was felt that some comparative data from a different environment would show whether these indicators were of some validity, or whether customers anywhere were prone to complain and find fault in a similar way, regardless of the actual performance of the shop. A brief survey was therefore made in Wolverhampton in England, of a similar number of people. Because the variety of possible criteria was believed to be potentially wider, and because European respondents may have less inclination to indulge in lengthy discussion if an interview is totally unstructured, the respondents were merely asked what they considered particularly good and particularly bad about the service they obtained from the shops they patronised. In spite of the national concern with the rising cost of living, prices were generally not mentioned. The most significant difference from the Kenyan results were that 70% of the English respondents were unable to think of any unsatisfactory feature at all, in spite of the well known British tendency to complain. The few criticisms were often related to the taste, age or minority characteristics of the respondent, which he or she recognised as unusual. The results are not summarised, since the criticisms and appreciations covered a very wide range of features which are not easily categorised under any meaningful headings. It may be that the vastly greater level of satisfaction which is revealed by the English survey is more a symptom of material contentment or even complaisancy rather than of any difference in the level of satisfaction with retail shops in particular. Nevertheless, they do strengthen the conclusion from the Kenyan figures, namely that in Kenya the public is more dissatisfied than otherwise with the service they obtain from small general shops, and that credit and stocks, or the lack of them, are more important features of dissatisfaction than opening hours or polite service. It is significant that the capital constraint, which is discussed later, is likely to have an important effect on a shopkeeper's ability to remedy these two alleged deficiencies.

The manufacturers or distributors of goods which finally reach the public through small scale retailers might themselves be expected to be most interested in promoting the development of their channels of distribution. A brief survey was carried out of the fifty-five manufacturers whose products occurred frequently in the stocks of small scale retailers. The questionnaire is reproduced in Appendix 2. Twenty-four firms returned more or less completed questionnaires, and a number identified themselves and expressed interest in the project. This response rate compares with figures of ten or at best twenty per cent for similar surveys of manufacturers in Kenya,[2] and to judge from the sample of those who did identify themselves, the respondents made up a representative sample of the target group in terms of size. This high response rate in itself implies some concern for the problem. A summary of the answers to the questionnaire is given in Appendix 3. As expected, the range of comments was too wide to permit of any but the most general conclusions, but the wide variety, and specificity of the problem or tasks which are mentioned indicate that some thought had been given to the answers. Preliminary enquiries indicated that the firms would be more likely to be willing and able to give very approximate indications of orders of magnitude rather than exact figures, and for this reason multiple choice questions were used wherever possible.

The questions were related mainly to rural retailers for a number of reasons. Initial enquiries indicated that few firms would be able to quantify, or evaluate, the importance to their business of the smaller African owned retailers in urban areas, since their turnover would be inextricably mixed with that of other urban outlets; it was less difficult, though by no means easy, to isolate information and ideas about rural outlets. Many of the urban area retailers are going beyond the useful definition of "small scale", and may be expected to be less in need of the specialised and probably heavily subsidised assistance that small businesses are thought to require. Advertising and sales promotion in rural areas is clearly directed almost entirely at small scale shops or their customers, since there are few outlets of any other sort. In urban areas, the variety of sizes and ownership of retail shops makes it impossible to isolate any promotional device as being relevant to small scale retailers in particular.

The answers to the first three questions were intended to give some idea of the importance of the small scale rural shops to the manufacturer in question. Two-thirds of the respondents believed that the proportion of their business which was going through small scale rural shops was growing, and only two firms thought it was declining. This would imply that for these manufacturers at any rate the growth in rural spending power more than compensates for the increasing share of total incomes which arises in urban areas. Detailed examination of the stocks of a number of shops showed that only a very small proportion of their stocks, or sales, were of goods manufactured outside Kenya. Pencils, fountain pens, cutlery, needles and a small proportion of the patent medicines were the only imported items commonly found, and in total they constitute far less than five per cent of sales. Local manufacture sometimes involves little more than filling imported jars with imported products, and labelling them with imported labels, but such cases are unusual. A large proportion of the goods bear foreign brand names, but this indicates either that the manufacturer is affiliated to a foreign owned company or that there is some form of royalty arrangement. With very few exceptions, if a product is widely distributed through small general retailers, the resulting volume justifies local manufacture or at least assembly.

The answers to questions four, five and six give some idea of the firm's involvement and commitment to the market served by small scale retailers. Mobile cinemas and loudspeaker vans represent a substantial investment, and these advertising media are only effective in rural and semi-rural areas. It is interesting that these were the least often employed of the media covered; newspapers cover the mass market, but their main impact is with the urban and educated minority. Clearly, the exact nature of the product is an important determinant of the amount of advertising that is done, and of the media used. There may not be any causal relationship between the use of certain media and the volume of sales achieved, but it is interesting that seven out of the nine users of mobile cinemas, and two out of the three loud-speaker vans, came from the eleven firms whose sales through small rural outlets appear to exceed £100,000 per year. These media involve a physical presence in rural areas which itself implies familiarity with the needs of the channels of distribution as well as the final consumers. Radio reaches most of the population, but was less often used than newspapers; posters are used by as many firms as radio; although they are more likely to be used, and to last, when given to small shops, the investment required for their production is small. The advertising media therefore give a picture of somewhat tenuous involvement, and this indication is confirmed by the methods of distribution which are employed. Only seven firms sell direct to small scale retailers; the very limited requirements of many shops makes it uneconomical for any manufacturer wholly to bypass wholesalers. Even those firms with a wide range of goods, and thus the largest possible potential sale to one retailer, find it necessary to use the very effective wholesaling system which exists. The use of a small number of selected distributors, however, implies a certain detachment for the rural mass market. This method of distribution is to a certain extent a survival from the period when all manufactured goods sold in Kenya were imported. The importer enjoyed the exclusive right to import the goods of a certain manufacturer; in return he contracted not to handle any competing products, and to devote a certain promotional effort to the sale and distribution of his principal's products. This method involved little or no investment by the manufacturer, except perhaps in the form of credit to the importer to finance goods en route or in storage, and the commitment to the market was limited to this extent. Many companies which have set up their own manufacturing facilities in Kenya have similarly become more involved in the marketing and distribution arrangements. Such a transfer has usually been amicably arranged through purchase of the importing company, a joint venture or some other means. It is certainly possible, and sometimes economical, for a manufacturer to sell his products through a selected distributor, and at the same time to maintain close contact and familiarity with the market place which is some stages removed from him in terms of the actual transfer of ownership of the goods. Such contact is, however, expensive to maintain. A more usual attitude is that of one of the respondents, who excused himself from expressing any opinion about small shops because his firm did not sell direct to them. By his own admission, however, his company was selling over £250,000 worth of goods through small shops so that their performance should have been of significant interest to him. It is also significant that while the firms who were approached were selected because their products appeared frequently in the stocks of small rural shops, four of the respondents indicated that their sales through these channels amounted to less than £500 per annum. This indicates that many firms are themselves unaware of the part that these shops are playing in the distribution of their products. Six of the fifteen firms whose sales through small rural shops were under £100,000 per year used selected distributors, while only two of the eleven firms whose annual sales were over this amount were detached from the market in this way.

Travelling sales representatives are clearly the most effective means of maintaining contact with retailers. They call on individuals, and even though their main task may be to deliver goods and collect cash, they provide an invaluable means of two-way communication. They can inform shopkeepers about new products, prices and promotional devices, and, perhaps even more valuable, they can receive feedback from the market via the retailer which can enable the firm more effectively to satisfy the needs of both in the future. The numbers of such salesmen said to be employed are themselves impressive. Some of those firms employing over twenty-five salesmen are in fact known to employ far more than this number, and in many cases distributors' employees are wholly devoted to the products of one manufacturer. Whatever assumptions are made about the salesforces employed by those firms who did not return the questionnaire, it is clear that there exists a total force of several hundred men, whose employers are vitally interested in improving the operations of small general retailers. Their main task may be to increase the sales of the products they are promoting. In view of the fact that many of these occupy a monopoly position, at least within their own narrow category, manufacturers may be willing to use the salesmen for a more indirect but perhaps ultimately more valuable method of promotion, by employing them as educators and trainers. An experiment to test the validity of such an approach is described later in this study.

The information gathered in Part A of the survey indicates that small rural retailers play a very important part in distributing the products of Kenya's manufacturers. The degree to which the manufacturers themselves assist the shopkeepers, or are familiar with their operations and problems, varies considerably, and some of those with substantial sales are either not aware that these sales are taking place or are not positively committed to increasing them. Part B of the survey attempts to gather manufacturers' opinions about small retailers, and their suggestions for what manufacturers, the government and the shopkeepers themselves should do to improve matters. The answers to all four questions were inevitably too diverse to be easily categorised into a small number of complaints or suggestions. While no one category of complaints or suggestions was predominant, it is perhaps significant that out of the twenty-four failings of shopkeepers that were mentioned ten could be interpreted as referring to undercapitalisation. This is consistent with the statement in Corcoran and Tyrrell's section on distribution; after referring to the physical problem of poor communications, they write;

> "Another basic reason for this distribution problem stems directly from the total inadequacy of working

> capital employed by small African-owned shops, particularly in the rural regions."[3]

Similarly, eight of the twenty-four suggestions for government action recommended more lending activity. When prescribing remedial action which they themselves should take, however, only one supplier suggested granting more credit, or anything else which might be expected to relieve the universally acknowledged capital constraint. This may indicate that manufacturers are well aware of the difficulty and cost of advancing money in any form to small general retailers; if they believed that it was an obvious and economical remedy to the difficulties they experienced, they would perhaps be more ready to suggest that they themselves should apply it. The remaining comments on unsatisfactory aspects of small retailers related in essence to bad management; they were said to be too diverse, too specialised, they were blamed for not selling aggressively, for not informing their customers about what they sell, for not keeping accounts, for absentee ownership and management. Apart from providing finance, the remedies proposed for the manufacturers themselves related fairly closely to these findings. Advertising was mentioned more often than any other device, and this might presumably be intended to compensate for lack of selling ability. It might also overcome the reluctance to stock the particular item whose lack of success may perhaps have been in the respondent's mind when he criticised retailers for conservatism. Direct supply to small retailers is surprisingly enough the second most frequently mentioned remedy. This may indicate future intentions, since only one of the firms who mentioned this remedy had indicated they were currently doing it. Training in stock rotation, merchandising, or product knowledge was mentioned by twelve of the firms, but this seemed generally to be advice or assistance only in relation to the supplier's own products. Only three firms indicated that more general business advice might reasonably be provided by suppliers.

It is obviously easier to recommend government action, whose cost will not fall directly on the manufacturer. More loans and more courses were by far the most frequently mentioned and three firms mentioned extension services. One firm advocated restricting the number of shops to avoid excess competition; this sentiment is reflected in earlier criticisms that there were too many shopkeepers, and the latter recommendation that shopkeepers themselves combine to restrict competition. This suggestion is a reminder of the colonial policy of restriction referred to by Fearn[4]; no manufacturers suggest that they themselves should facilitate this concentration of activity by restricting supplies to a few retailers in each market, but it may be that the political problems involved would discourage any from such a policy. The suggestions for what shopkeepers themselves should do are similarly varied. Better management, variously defined, covers most of the items, with some emphasis on cleanliness, better display, and both specialisation and diversification. The latter two comments presumably relate to the shopkeeper's unwillingness to buy either the manufacturer's product or to buy more of it, and these comments do not appear to refer to specialising on one business as much as to the nature of the stocks carried by the business.

Suppliers, therefore, appear to have many complaints about small retailers, and many suggestions as to how government or the small retailers themselves can improve the situation. Their suggestions as to their own activities, however, are limited almost entirely to the sort of assistance which manufacturers give to retailers in more developed economies, and which relate very closely to the promotion of the goods being supplied. This implied refusal of responsibility for any non-profit related improvements may be the result of familiarity with normal marketing practices elsewhere in the world, where retailers have developed over the same period as manufacturers and are thus less in need of general management assistance. This attitude is certainly not consistent with manufacturers' frequent expression of the view that government should minimise their involvement in commercial activities. Whatever its origin, however, it has important implications for the institutional origin of any efforts to improve small retailers' performance. There is no doubt that manufacturers are dissatisfied with this performance. There are large numbers of manufacturers and importers of items similar to those few currently being promoted to the mass market, who make no effort to extend the market for these goods because they believe that the deficiencies of the available channels of distribution will make the operation uneconomical. If these deficiencies could be remedied, more firms would presumably attempt nationwide distribution of their goods, so that existing quasi-monopolies might be broken, and customers would have a wider choice. Such a development might be seen as contributing to centralisation and damaging to the operations of "informal sector" manufacturers who usually undertake the distribution of their products themselves. With the possible exceptions of shoes and bread, few small local manufacturers produce things which could be displaced by large scale firms, and in any case small general retailers already sell a quantity of locally made goods such as charcoal stoves, lamps, combs, simple brushes and clothing. There is no reason to suppose that this particular type of product would become less popular if the management of small general shops was to be improved. Many manufacturers refer to shopkeepers' reluctance to stock new goods, and some connect this with the shortage of capital. If this shortage could be remedied, shopkeepers might presumably be more willing to try new brands of existing items, or totally new products which were not previously available from any supplier. Such willingness would reduce the almost unassailable position presently enjoyed by some suppliers of staple products. They may not presently be exploiting their monopoly, but as the Kenyan market grows an increasing element of competition would presumably be beneficial. The state of Kenya's small general retailers may be unsatisfactory to the manufacturers currently employing them to distribute their products. It may constitute, however, a far more serious impediment to potential new entrants to the manufacturing sector. This impediment is likely to be even more of a barrier to a local manufacturer without the resources and expertise which are necessary to compel retail stocking by massive promotion direct to the consumer. Ineffective performance at the retail level of distribution weighs particularly against small manufacturers. The economies of scale are less significant for the marketing tools which apply directly to retailers, but if retailers cannot respond to effective field representation, are unable to evaluate motivational devices designed to encourage them to stock new products, and will not use in-store display material and other merchandising aids, manufacturers are compelled to bypass the retail level except for the purely mechanical service of physical distribution, and to promote direct to the consumer. Local or regional distribution becomes uneconomic when cinema films and other promotional investments are required, so that the market becomes restricted to those firms with the resources to attempt simultaneous nationwide distribution. The inadequacies of small general shops are thus an important impediment to the growth of local manufacturers and genuine "economic independence".

Small retailers play an important role both in serving the needs of their customers and in distributing the products of their suppliers, and their performance of this role, as viewed by those intended to be served, is far from perfect. The shopkeeper himself judges his success by other standards; the satisfaction of his personal goals will indeed depend ultimately on how well he satisfied the needs of his customers and his suppliers, but an adequate level of profits, or whatever alse the shopkeeper wants out of his business, may be attained without perfect service to either. We must investigate the performance of small retail enterprises from the point of view of their owners for two reasons. The aggregate investment of time and capital is substantial, and it is in the national interest that these resources, particularly the latter which is so scarce, should be well employed. Secondly, the nature of the owners' dissatisfaction, if any, can indicate the most acceptable devices to promote improvement which will benefit all interests.

It is important not to judge their success only by the traditional standard of the return on investment. This is indeed important, but the shopkeepers themselves may have other motives for operating their businesses. The most important motive may well be the desire for employment. If there is no job to be had in other enterprises, one solution is to start your own. Preston confirms that generalisations about small business throughout the world can be valid.[5] Denmark may be vastly different from Kenya, but Assam's list of the differences between the typical small business and the increasingly dominant large ones is surely applicable. He mentions the difficulty of access to capital, the identity of ownership and management, (although this is often not the case with Kenyan small shops) and the lack of the managers' general or technical education. In addition he suggests that the owner's motive may not be profit maximisation so much as "a decent living".[6] As will be seen, the wages paid to themselves by small shopkeepers in Kenya hardly qualify as a decent living even by Kenyan standards, but they are at least better than casual agricultural wages which are probably the only alternative available to most shopkeepers. Wage earners on small farms and settlement schemes receive an average of Shs. 67/- per month.[7] Since even this form of employment is scarce and seasonal, it may not be unreasonable to assume that many small shopkeepers regard the whole of their investment as the cost of getting a job. Clearly they wish the pay for the job to be as high as possible, but the occupation is in itself a substantial part of the return. This is confirmed by the fact that 24% of the shopkeepers in our sample paid themselves no wages at all. Some admitted to occasional withdrawals of stock for their own use, but this form of wages was generally insignificant among the group who withdrew no wages. Many had not paid themselves anything for a considerable period. The result was that the business had grown substantially, in terms of assets employed if nothing else. Growth of this sort might be defined as income which was reinvested, but since very few shopkeepers are aware of their profits this reinvestment is unconscious and, as will be shown later, it often has little or no effect on the actual profitability of the business because the funds are invested in excessive stocks. Alternatively, the business may survive only because no withdrawals are made from it to pay for labour, since it is so marginally economic. From an individual's point of view, if he has no scarce skill to offer, and his dependants are well able to take care of whatever land he owns, shopkeeping may be the only activity where he can buy himself into employment. From the national point of view it is nevertheless possible to compare the capital/labour ratio of small shops with other types of enterprise. Most of the shops in the sample employed only one person; he or she was not necessarily the owner, but if not, the owner's involvement was limited to occasional supervisory visits. Children or other relatives were sometimes asked to "mind the store" for brief periods, but this could scarcely be called employment. Thirty per cent of the shops employed one or more full time assistants in addition to the manager. On average each shop in the sample employed 1.4 people, including the owner or the manager. The average of total assets was Shs. 9,036/-, so that the investment per job created was Shs. 6,422/-. This figure compares with Shs. 5,566/- for small scale rural industrial enterprises,[8] Shs. 14,000/- for existing paint and textile factories,[9] and some Shs. 65,000/- for new modern sector industrial investments in Kenya.[10] For the individual, therefore, a shop may be the only possible investment which will provide employment. In national terms the cost per job created is far below that of the modern sector, and is only marginally above that for small scale industries, where the input in terms of scarce skills is substantial, and where alternative employment opportunities are often available to the craftsman investor.

Since the only opportunity cost to most small general shopkeepers, in terms of their own time, is the sacrifice of enforced leisure or occasional casual employment in agriculture, it is clearly difficult to distinguish between wage payments and profits, since both represent a return on the investment. Slater, when assessing the returns from small shopkeeping in Bolivia, aggregates the owners' withdrawals and the profits, and makes this point that a major goal of the investor, and thus a portion at least of his return, is the fact of getting a job.[11] There is nevertheless a remarkable consistency between the monthly amounts paid by owner/manager to themselves, the amount paid to additional employees if there are any, and Child's figure for the wages paid to unskilled workers in rural industrial enterprises. The average for these latter is Shs. 104/- per month[12] while both the former averaged Shs. 103/- per month. Shops which employed more than one person were certainly among the larger ones in the sample, so that their owner/managers were paid more than the average, and thus more than their own employees. The similarity of the figures does indicate, however, that shopkeepers tend to reward themselves no more generously than an unskilled labourer. Wages may be limited by the belief, correct or not, that success depends on more capital, which is only likely to come from reinvested earnings. Whatever the reason, 65% of the shopkeepers in the sample paid themselves Shs. 100/- or less per month while only 7% paid themselves Shs. 300/- or more. The average compares unfavourably with the minimum wages for adult employees anywhere in Kenya,[13] and although it exceeds the average casual agricultural rate it can scarcely be considered an adequate reward for the long and tedious working hours or for the original or subsequent investment.

Seventy-five per cent of the shops in the sample were making a profit after the payment of wages if any, and 91% were providing some return in the form of profit, wages or both. Only 16%, therefore, were withdrawing so much money or goods from their shop that they turned a profit into a loss. This figure is far smaller than what might be indicated by the common view of excess withdrawals as a major cause of the difficulties of small shopkeepers. The subsequent examination of the employment of funds may in fact imply that withdrawals are often too low. Although 57% of the shops were at the start of the consulting procedure keeping some form of record of the movement of cash through the business, very few made any attempt to make use of this record to calculate the profit or loss. MacLelland makes the point that an entrepreneur values profits more as an indication of his success than as a source of wealth.[14] Most small general shopkeepers in Kenya appear to be unable to assess their own profitability. If profits are unknown, they are of no value to the businessman as a source of satisfaction, and the low rate of wages or withdrawals indicates that they are somewhat underused as a source of wealth. Even if retained earnings are invested in assets which contribute little to the future profitability of the business, but are themselves indicative of growth in the eyes of the owner, profits are clearly of national economic interest since they contribute to growth in one way or another. The average return on the investment of the shops in the sample was 17¼% per annum. This compares with Child's figure of 115% for rural industrial enterprises[15] and a very approximate target cash return of 16½% for low density settlement scheme farms which were offered to landless citizens with some capital to invest, and may thus represent a genuine alternative to shopkeeping.[16] Agricultural incomes and returns are notoriously difficult to assess, because of the element of subsistence, and the poor repayment record of farmers who took up settlement plots may in part result from non-achievement of the target incomes. The very high figure of 115% for rural industry contains some element of the value of the skill input of the owner, which he may not adequately reward in the form of wages, but the contrast does reflect unfavourably on small shops. There has undoubtedly been considerable growth in the numbers of small general shops since independence, but the number of empty shops in most rural markets indicates that there have been many failures. Table 4 shows the age profile of the shops covered in this project.

Table 4

AGE PROFILE OF 169 SMALL GENERAL SHOPS IN SAMPLE

Sample findings

40 shops founded less than a year before contact date	24%
40 shops founded between a year and two years ago	24%
14 shops founded between two years and three years ago	8%
14 shops founded between three years and four years ago	8%
11 shops founded between four years and five years ago	6%
36 shops founded between five years and ten years ago	22%
14 shops founded over ten years ago	8%

We have already seen that suppliers agree that the number of small general shops is presently growing at a rate of some ten per cent per year; if we assume that this growth rate has been maintained over the last three years, we can combine the rate with the age profile, assuming that this profile has also been constant over the period, to obtain the figures given in Table 5.

Table 5

NUMBERS OF SHOPS IN DIFFERENT AGE GROUPS FOR YEARS 1971-73

Year	Total No.	Under 1 Yr.	1-2 Yrs.	2-3 Yrs.	3-4 Yrs.	4-5 Yrs.	5-10 Yrs.	Over 10
1971	20319	4877	4877	1626	1626	1219	4471	1626
1972	22350	5364	5364	1788	1788	1341	4917	1788
1973	24585	5900	5900	1967	1967	1475	5409	1967

It is only necessary to follow the fate of the shops started in a particular year to see the failure rate in the second and third years is very high. The 4877 shops which were started in 1971, for example, can be seen to be reduced to 1967, with a loss of 2910 in the intervening years, by 1973. There appears from these figures to be a small increase in the group in its second year. This presumably arises from sampling errors, but the decline in numbers from those which are between one and two years old to those which are over this age is very striking. These figures are too approximate to permit the calculation of an actual failure rate, but they do indicate that it is substantial. This is confirmed by the fact that about ten shops, or nearly six per cent, of the shops which were covered in this experiment, went out of business during the four to five months of the project.

Failure is generally a gradual process. Since trade credit is only extended to about five per cent of shops, bankruptcy as such is unusual. As stocks decline, less customers appear, the owner absents himself more often, and the shop is eventually closed for good. Rents fall into arrears, but landlords rarely evict defaulters since few other tenants are available. Shops which were near to final closure of this sort tended not to be included in the sample, if only because they would be more likely than most to be closed at the time of initial contact. The failure rate may therefore be higher than six per cent every four months, or eighteen per cent a year as is indicated by Table 5; in any case, it appears to be a high risk business, and the returns are certainly not commensurate with risks of this order. A small farm may be a risky enterprise in that one crop or another may fail; the major investment, however, is the land itself, and the level of indebtedness caused by crop failure rarely leads to the loss of the land. Cash cropping may be dropped in favour of subsistence farming, or the land may even be left fallow, but it still belongs to the original owner and confers social and security values apart from its uneconomic use. If a shop fails, the whole investment in working capital has been lost, since closure usually takes place only when nearly all the stocks have either been sold or are so old and shop-soiled as to be unsaleable at any price. Twenty-seven per cent of the shopkeepers in the sample owned the buildings in which they carried on their business. Failure would not usually lead to the loss of this building, but appearances indicate that such buildings often remain empty for long periods without being rented to other shopkeepers. They therefore produce no returns at all, and in addition their poor initial construction often leads to substantial deterioration over time. Shopkeeping is thus a more risky enterprise than farming, and the return should be proportionally higher.

Any assessment of the rate of return on investment is complicated by the ownership of buildings. Since under ten per cent of the shops were in receipt of either trade credit or loans, failure is unlikely to lead to the loss of the building if it is owned by the shopkeeper. Seventy-three per cent of the shops in the sample were carried on in rented premises, and for the purposes of calculating the rate of return it may be useful to separate the investment in property from that in the retail enterprises themselves, since they are in a sense different businesses. There is no data available on the movement in prices of small shop property in Kenya, and since many transactions are unregistered it would be very hard to make any accurate assessment. New premises are often built adjacent to apparently adequate buildings which have lain empty for some time. It would probably be unreasonable to ascribe to the average rural Kenyan who invests his funds in such a building the same financial sophistication as is shown by property developers in London and elsewhere who can make large profits by constructing buildings in the knowledge that they will stand empty for many years. Nevertheless, property ownership has rarely been proved by events to be an unwise investment anywhere, unless government sequestration is involved. Shop building prices may not have risen as fast as those for agricultural land, but the combination of rental income or saving of rent, potential capital appreciation and psychic value from property ownership is presumably sufficient to justify this type of investment. Rents averaged Shs. 57/- per month, and the stated value of the buildings Shs. 12,480/- each. The businesses which owned their own buildings were significantly older than the average, but were no larger or more successful in terms of total profits. It is thus reasonable to use the rent as a typical return for a shop building; the result is a figure of 5½% per year. This is substantially lower than the figures of 20% or more which are general for modern sector properties in Nairobi, but in this case the risk of expropriation or expulsion of the owners has a marked effect on the expected rate of return. If therefore we exclude the value of buildings from the total assets employed, and subtract a notional rent of 5½% of this value from total profits, the average assets fall from Shs. 9,036/- to Shs. 5,715/-, the average profit is reduced from Shs. 130/- to Shs. 115/- per month, and the rate of return increases to 24%. This still seems inadequate in relation to the risks and the alternatives that may be available.

A further indicator of the economic role of small general shops is their capital/output ratio. Retailing is traditionally a poor performer by this standard, since value added is small by the nature of the business. The actual figure for the sample is 1.557. This compares with Child's figure of 0.44 for small industrial enterprises.[17] If we follow Child's example and include in the figure for capital an estimate of the value of buildings even when they are not owned by the business, our figure rises to 3.176. We might expect a favourably low figure for the typical rural industrial enterprise, which often makes use of scrap material with a minimum of capital equipment. It may be more useful to compare the figure for small general shops with any that may be available for other distributive organisations. The 1968 census of distribution for Kenya omitted to cover the so called "informal sector" and the smaller enterprises such as are the subject of this study. This is shown by the fact that the annual labour cost per employee for establishments employing between one and four staff is given as £568;[18] this figure is so far above any of the wages mentioned in our sample that it is clear that a quite different group of traders are covered. Nevertheless the capital/output ratio for these modern sector distributive organisations is given as 0.59. Even the larger enterprises, employing over one hundred staff, and presumably involved in importing with its heavy stocking requirements, achieve a figure of 2.1. The ratio for the Kenyan economy as a whole can be calculated from national income accounts showing increases in G.D.P., and the gross investment which has been necessary to achieve such increases. The figures obviously vary from year to year, since factors other than gross investment have a marked effect on G.D.P.; from 1969 to 1970 the marginal capital/output ratio for Kenya was 2.5, from 1970 to 1971 it rose to 3.7.[19] These figures are presumably affected to a large extent by recent modern sector industrial investment including capital-intensive processes and a substantial proportion of expensive imported components and raw materials. The figure for small general shops might have been expected to compare more favourably.

The value of wages is clearly of major importance to shopkeepers themselves, and the wages paid are lower than all other activities apart from casual agricultural employment. The profits, and other economic indicators, will mean very little to the average businessman since he himself is unlikely to have the skills or records necessary to enable him to appreciate his own situation. They are however of national concern, and if shopkeepers were more aware of their own circumstances they might be more able to improve them. It is not possible to quantify the other satisfactions or problems which the shopkeepers experience, but they are still important. Most shops are open seven days a week, and although many shopkeepers close their shops for some hours from time to time, they are usually away at the nearest wholesale centre, obtaining new supplies. They are thus still occupied with their businesses for twelve hours a day or more. There are clearly substantial social satisfactions to be gained from shopkeeping, and in the absence of sufficient customers the manager may be tempted to make more buying trips than are strictly necessary because of the volume of his sales or the narrowness of his financial constraints. The cost of such journeys is however usually an effective deterrent. In general, the shopkeepers who were visited in this project seemed to be far from contented with their lot. Their discontent was usually not the aggressive restless discontent of the entrepreneur so much as the despairing hopelessness of the peasant who sees no way out of his difficulties. There was no significant difference between the success, in terms of total profits, wages or the return on investment, of those shopkeepers who bothered to keep some form of accounts and the 43% who did not. Sixty-six per cent of the shopkeepers believed that their need for more finance, or as they saw it, a loan, was by far their most pressing problem, but only 6% were actually in receipt of a loan. The reward for greater than average management effort, or the possibility of relief in the area believed to be most necessary, are thus both extremely small, so that there is a strong case for despair.

The locked and barred doors of his erstwhile competitor are a forceful and continuous reminder of the risk of failure, and it is altogether hardly surprising that most shopkeepers regard their future as more subject to the whims of fortune or Government officials than susceptible to any efforts at improvement which they themselves may attempt. The total picture is thus far from satisfactory. The incomes received by owners, managers and employees are small, their economic performance in terms of the use of capital is poor and the shopkeepers themselves are unconstructively dissatisfied. There is a degree of inconsistency between the apparent cause of most customer and supplier dissatisfactions, namely the lack of capital to finance sufficient stocks, and the economic indicators which imply that the capital base may be higher than it should be. It is therefore necessary to examine this capital constraint in some detail, to ensure that the major problems of small scale general retailers are correctly identified before any attempt is made to develop solutions.

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THE CAPITAL CONSTRAINT

There seems to be no doubt that the majority of small scale retailers, or in fact small businessmen of any sort, anywhere, believe that their most important problem is shortage of capital. They may be failing their customers, their suppliers or themselves in one way or another, but the cure for all or any of their difficulties is believed to be more money. Marris and Somerset found that two thirds of all the Kenyan businessmen they interviewed believed this to be the case, and "few of the country shopkeepers thought any other problem worth noticing".[1] In an effort to relate the consultancy service to the perceived problems of the clients, the first question in the procedure was "what do you believe to be your most important problem?" Over two thirds of the potential clients replied that it was the shortage of capital; others mentioned the lack of customers, of sufficient stocks or of good premises, but further probing usually showed that they believed that more finance was the solution. Such answers should perhaps be treated with caution; if a stranger who appears to be a representative of government or some other distant and presumably wealthy organization enquires what a man's major problem is, he may be expected to mention the one which he believes the stranger may help to solve. Many in fact mentioned not the shortage of capital but the difficulty of obtaining a loan; such an answer may in part have been prompted by the hope that the enquirer might be able to expedite an application, but the receipt of a loan seemed to be generally regarded as a passport to success. Garlick says that in some parts of Ghana children who are born on the day that a loan is granted are specially named for the event.[2] In New Guinea, the shopkeepers cannot understand why small business promotion agencies want to discuss profits, markets and so on, when all they believe to be necessary is a loan.[3] Lynton and Stepanek describe the main topic of conversation among small businessmen in India which is

> "little else than the inadequacy of finance, by which they mean finance granted or loaned by the government; not a word about markets or improved technology."[4]

In Nigeria,[5] Ghana,[6] the Nyanza Province of Kenya,[7] and Uttar Pradesh,[8] small businessmen themselves believe that their major or only problem is the shortage of finance. Even at the other extreme of development, namely the United States, the belief is said to be the same, and Parris is probably making a universally valid generalisation when he writes "ask any small businessman what his principal problem is, and he will invariably say 'money' or the lack thereof".[9]

Small businessmen themselves perceive shortage of capital as their major problem; governments and other agencies in many countries have for many years been engaged in the promotion of small business, for reasons given in Chapter 2, and others related more particularly to industrial ventures. Their efforts have usually been concentrated on the provision of more finance, which is perhaps reasonable considering the opinion of the small businessmen themselves. The Small Business Administration in the United States, which was started in 1953, is mainly involved in providing finance, whether as a lender or a guarantor of other financial institutions.[10] The British COSIRA, or Council for Small Industries in Rural Areas, had a large technical staff, but it is significant that in eight out of the ten case histories which are described in the 1968-1970 report, a loan was the most significant contribution made by the Council.[11] Garlick appears to take at face value the belief of traders in Kumasi when he suggests that more loans, low interest rates, more guarantees and more lenient security requirements would be the best remedies that could be provided for the problems as he saw them.[12] Most of the literature on small business promotion is more concerned with industry than with commerce. Capital shortage may be a greater constraint for a small manufacturer than a shopkeeper, since the investment curve may be discontinuous and a large sum may be needed at one time to progress to the next stage of technology. On the other hand, the need for other inputs such as marketing assistance, management and technology is surely more pressing for industry than trade, so that the capital shortage is by no means the only constraint. Davenport writes that in India, Colombia and Brazil finance on its own was enough to promote small industry, while in Nigeria and Ghana other inputs were needed as well.[13] McCrory concludes from his detailed survey of small industry in one town in Northern India that the need for capital was the principle reason for the lack of success.[14] The New York Association of Harvard Business School Graduates operates a much admired voluntary consultancy service for small businessmen from minority groups; here again although all kinds of management advice are provided, the major benefit to clients has undoubtedly come from the consultants' expertise and contacts in the solicitation of loans.[15] The Colonial Office 1951 Economic Survey of East Africa states that "one of the chief difficulties for indigenous businesses is the lack of sufficient capital".[16] There are reasons why the lack of infrastructure, for instance may "increase the capital required for a given rate of consumption" in an underdeveloped country.[17] Transport and communications are expensive, inadequate and unreliable, so that journeys for purchasing supplies are made as infrequently as possible. In addition, investors are naturally unwilling to risk all their limited capital on any one venture. The familiar high failure rate of new businesses, and uncertainty about government policies and other factors beyond the control of any small businessman which can sometimes wipe out a specific type of business virtually overnight, make it natural for businesses to spread their risks; the limited capital is thus further circumscribed by the belief that it should be shared among more than one enterprise. It is therefore likely that one man's capital will be invested in more than one enterprise, even if it is only a cash crop farm as well as a shop. Profits, if any, may well be taken from a business for investment in other activities, on the same principle of spreading the risk.

Apart from the views of shopkeepers and others themselves, there are thus other good reasons for believing that shortage of capital is the major problem, and that lending money is the obvious solution. In 1956, the Kenyan Industrial Development Corporation set aside the sum of £30,000 as a revolving loan fund for small enterprises; after independence, in 1964, the District administered Trade Development Joint Boards took on the responsibility for administering loans of under £500, so that something of a rural banking network became available, in the form of the District Trade Development officers. Between 1965 and 1971 a total of £881,580 had been advanced to 8,144 traders by the Trade Development Joint Boards at District level. Between 1966 and 1971 the ICDC gave small commercial loans to 2,106 traders for an approximate total of £300,000.[18] These figures are quite impressive, but if they are related to the total number of small scale enterprises in Kenya and their high failure rate, it becomes clear that the major portion of the small enterprises have not received the particular form of assistance which they believe to be most essential. The vast majority have never had a loan, and only 6% of the 169 shops for which balance sheets were produced in the project here described had loans outstanding from any source. This group of nine shops is too small for any final conclusions to be drawn about the nature of loan recipients or the effect of loans on their businesses. Nevertheless the data comparing these shops with non-recipients, given in Table 6, is of some interest.

Table 6

SOME CHARACTERISTICS OF LOAN RECIPIENTS AND NON-RECIPIENTS

Indicator	Loan Recipients (9)	Non-Recipients (160)
Average age of Business	9.7 years	3.4 years
Total Assets employed	Shs. 21,819/-	Shs. 8,316/-
Total Withdrawals and Profits	Shs. 425/-	Shs. 217/-
Percentage return of wages and Profit on Assets employed	32% p.a.	59% p.a.
Stockturn Rate	6.5 times p.a.	6.3 times p.a.
Asset turnover rate	1.4 times p.a.	3.6 times p.a.
Course attendance	56%	14%

Age clearly increases the chance of getting a loan, and a long established businessman is more likely to have developed the network of personal connections that have inevitably become important determinants of which businessmen receive loans, because of the excess of demand over supply. The receipt of the loan itself, unless it is at once diverted to other uses, must increase the scale of the business. The rate of return on the assets employed is however barely half that for the remainder of the sample, and the rate of asset turnover is similarly low. It is probable that attendance at courses is a cause rather than an effect of receiving a loan, and loan recipients appear to be four times as likely to have been on courses as those who have not received a loan. Since loans are generally believed to be the answer to all a shopkeeper's problems, and courses clearly improve the chances of getting a loan, there could be no better proof of the efficacy of courses. The data may allow us tentatively to conclude that loans in fact do no more than increase the scale of a business, but they seem to reduce substantially the rate of return on the assets employed. It therefore appears that the most significant form of assistance for small scale shopkeepers, in terms of publicity and deployment of resources is not reaching the majority of those whom it is intended to help. They certainly know about it, but the effect is rather like that of a "miracle drug" which is publicised but never becomes widely available; frustration and discontent are the main results, with consequent unwillingness to look far beyond the failure to receive a loan for other problems and solutions. The main theme of the ILO report on Kenya's unemployment problem is the growing inequality in Kenyan society; a loan programme, which is believed by its administrators and its potential clients to be relevant to nearly all, and yet reaches only 6% of them, is a potent device for strengthening those who are already strong. Ascroft and others stress the divisive effect of agricultural extension services which are mainly directed to the more progressive farmers; the laggards fall further behind, and their farms may eventually be absorbed into those of the more progressive individuals.[19] A business loan programme which reaches such a small proportion of the potential borrowers must have the same effect. Lenders of any sort, whether government or commercial banks, must have some regard for the security available. A shopkeeper who has title to a reasonable piece of land or a building, and believes he needs a loan to stock his shop, may think that his shortage of capital is no less acute than that of his competitor who has no security. However, the man with title deeds will get the loan, other things being equal, so that the effect is to make more capital available to those who already have more. Garlick confirms this potentially divisive effect of any loan programme, and refers to governments' natural reluctance to face the obvious conclusion, namely that loans to the leading few must eventually damage the businesses of the majority who are not so fortunate.[20]

Government loan programmes do not seem to be wholly successful in reaching those whom they are designed to assist. In addition, in spite of demands for security, the programmes are far from trouble-free to the institutions which provide them. The repayment record is generally poor. Even if the cost of delay and total default, and the administrative expenses associated with slow repayment, were accepted as reasonable, loans often do not achieve the other goals of those who provide them. There are many parallels between small shopkeepers and small farmers, and smallholder credit is a mainstay of Kenya's, and other countries', agricultural development plans. Heyer writes that the results of Kenya's loan programme for smallholders have been disappointing in terms of repayment, the numbers of loans given, and improved productivity.[21] Repayments were in 1969 more than 50% in arrears.[22] It is planned that the Agricultural Finance Corporation should be able to lend to smallholders at an annual rate of £700,000 by 1974. The amount of each loan will "normally" be between £75 and £500.[23] If we take a low average figure of £150 per loan the number granted per year would be under 5,000. There were said to be about 1.2 million agricultural holdings in Kenya in 1969[24] so that the inadequacy of loan coverage is similar to that prevailing for small businesses. Loans did not seem to be critical to the success of hybrid maize promotion programmes in Vihiga.[25] It is perhaps not surprising that credit extended to traders to encourage them to stock agricultural inputs was not passed on to the farmers as had been intended, but this is yet another example of loans not achieving the goals of the lenders.[26] Marris and Somerset found that those businesses which were most dependent on Government loans were the least successful,[27] and Child's findings were similar.[28] There is no reason to presume a causal relationship between loans and lack of success, although the opposite might apply. In any case, however, Government loans have not in themselves been sufficient to change failure into success.

So far we have considered loan programmes in isolation from other inputs. Government and other institutions have usually started their small business promotion programme with loans or credit as the main emphasis; unsatisfactory experiences such as those already referred to have then shown that something else is needed as well. Since loans are often misused so that they neither result in the development of the business nor are they repaid on schedule, the obvious requirement is for education to teach the borrower how to use his loan. An individual Trade Officer, bank employee or other field officer of a lending institution is very likely to provide an "after-care" service of this sort on his own initiative, since it is an obvious addition to the pre-loan appraisal and the all too usual post-loan visit to demand arrears of repayment. The Small Business Administration in the United States follows up loans in this way,[29] and the Nigerian Government is obligated by law to provide free advice to loan recipients.[30] Once the principle of advice or training in addition to credit has been accepted, it is natural to try to provide it before giving a loan rather than afterwards, and this order is in fact recommended by most authorities who have studied the problems of small business promotion. Sir W.A. Lewis writes of Ghanaian business, "What these people need is first supervision and advice and only secondly capital".[31] Hawkins recommends that loans should be given to "a selected few" after instruction.[32] Whatever might be the inequity of such a suggestion, the order is clear. Staley and Morse confirm that governments tend to think first of finance, and that they add management assistance after the failure of credit on its own. They adduce Colombia and Ghana as examples of this and make the point that the worst effect of bad management is the "underemployment of capital".[33] Onyemulukwe writes that in Nigeria it is a "now a well accepted principle that what businessmen need is not only financial aid but also ... managerial aid".[34] In Madras State of India, entrepreneurs are said to need management advice before they receive capital assistance,[35] and in Puerto Rico the success of the small business credit programme is ascribed to the ample staffing which allowed effective individual advice to be given to prospective borrowers.[36] In India the State Finance Corporation's poor performance was likewise blamed on its shortage of staff which prevented the Corporation from doing other than the normal tasks of administering a loan programme.[37]

Similarly in Kenya, the authorities are agreed that capital is not the only input that is necessary for the success of a small business. Kamau,[38] the colonial administration,[39] Roemer,[40] and the ILO report[41] are all agreed that capital was needed, but that managerial assistance is at least as urgent a requirement. It is not surprising that advice and training should have been considered after lending activities: all forms of Government lending institutions are urged to operate on commercial principles, and they naturally follow the example of the banks in minimising their expenses. No commercial bank would regard continual management advice as part of its obligation to borrowers, and any involvement of this sort is usually restricted to a demand for board representation as a last hope when default is imminent. The interest rate structure and administrative overheads of a government lending institution are unlikely to allow for the high cost of management advisory services, and the payoff in terms of reduced default is likely to be delayed and hard to predict. Like any other activity, a small business credit institution should be "budgetarily sound".[42] The obvious conclusion for the banker is that advice and training should be provided by another institution, but this may hinder the close co-ordination between the two services that is so often stated to be necessary. Staley and Morse refer to the "principle of interaction" by which they mean the necessity for an effective and integrated combination of inputs to achieve change.[43] The ILO report deplores the separation of advice from finance and recommends that the ICDC should "cease to be mainly a credit granting institution".[44] If we observe the relationship between the desire for loans, their limited availability and training being regarded as a prerequisite for the receipt of loans, it is clear that the potential borrower will come to perceive training as a means to the end of getting a loan. This perception of loans as the ultimate goal by small businessmen has in fact been used by various agencies to encourage small businessmen to accept other less immediately desirable inputs.

It is easier in a developed economy for any lender to insist that loan applications should be accompanied by properly presented figures and a quantified statement of the uses to which the loan will be put if it is granted. This condition is in itself an incentive to good accounting practices. In the Kenyan situation, however, where loans are so widely desired and so rarely received, the use of loans as an incentive, deliberately or otherwise, can be actively disfunctional. The ILO report[45] and Heyer[46] agree that loans should be used to encourage innovations. The Kenya Industrial Training Institute in Nakuru offers a twelve-month programme for future small scale industrialists, and the advertisement inviting applications mentions the possibility of loans as an important incentive to prospective students.[47] Even if the use of loans as a "carrot" is not deliberate, the universal belief in the necessity for loans will lead businessmen to investigate very carefully the real or apparent criteria used for granting them. If the application forms, or verbal questions, touch on book-keeping, or attendance at a course, traders will try to qualify on those criteria at least. The difficulty is that such qualifications are then perceived not as ends in themselves, nor as direct means to better management or higher profits, but as means to the end of being granted a loan. Books of account are kept by rote, without any attempt to discover how they may be used to make any difference to the business, and attendance at a course is recalled by a framed certificate on the wall rather than by adoption of any better business practices. Fifty-seven per cent of the shopkeepers who were visited in the course of the project kept some sort of record of the movements of cash in and out of their businesses. Most of them never added the figures at the end of any period, and those who did seemed to have no idea as to how they could use the resulting totals.

It is reasonable for a Trade Officer to give more favourable consideration to loan applications from those shopkeepers who have attended trader's courses or seminars which he has organised. Attendance at such a course involves some inconvenience and expense on transport and perhaps accommodation. The shopkeeper who makes the necessary sacrifice is presumably more interested than most in learning how to be a better businessman, and might be expected to make better use of a loan. It is difficult to persuade shopkeepers to come to courses, and Trade Officers are not to be blamed if they use the possibility of improved chances of a loan as a means of recruiting participants. It is then only too easy for the course itself to come to be regarded as no more than a qualifying exercise; some shopkeepers send relations who have little or no connection with the business, to stand in for them until the final day when certificates are presented. If the shopkeeper subsequently receives a loan, the course has done its work and the lessons can safely be forgotten. If a loan application is rejected, the trader feels cheated and frustrated, and the lessons of the course are disregarded for that reason.

The initial emphasis on loans as the most effective means of small business promotion may therefore be expensive and not particularly effective. In addition, the association of loans with other forms of assistance may reduce the effectiveness of training programmes. It may be possible to suggest other less expensive and more effective means of assistance, which will not be "tainted" by association with loans. Lending might then be left to specialised institutions, and might eventually be regarded merely as one of the services which are available and should be recommended and adopted only when appropriate. There is in fact some evidence that the private sector is or can be a more suitable source of finance than government sponsored organisations which attempt to mix profitability with subsidised development assistance. In Kenya there are about 25 District Trade Officers, who may or may not have one or two assistants. They are based in District Headquarters, and transportation facilities are limited to one vehicle at most per District. There are at the same time 79 branches of commercial banks in rural areas of Kenya; these have traditionally been regarded as sources of deposits which could then be lent out to more economic and secure enterprises in urban areas. This role is coming to be seen as outdated not only in relation to development aspirations but also as far as future profitability is concerned. The mechanics of an overdraft are often more suitable for the needs of a small shopkeeper than a term loan with a five or ten year repayment schedule, and the interest rates are similar. We have seen that the majority of shopkeepers believe that their greatest problem is lack of capital; in most cases, they would use more capital, if it were available, to buy more stocks. The flexibility of an overdraft, with the interest calculated monthly according to the outstanding balance, makes it far more suitable for the financing of an asset which should vary with customers' requirements, such as stocks. Long term finance is clearly more suitable for the purchase of fixed assets such as a building or equipment, when the additional profits which the asset will generate can fund the interest and capital repayment requirements over a period. Trade credit, from suppliers, is perhaps an even more obvious source of capital since it relates directly to the purchase of stocks for which additional finance is believed to be necessary. Individual suppliers, however, have neither the necessary expertise nor sufficient business with one trader to enable them to obtain any security for their credit. Heyer, Ireri, and Moris[48] point out that commercial banks are already serving farmers better than the Government in some areas. Cooperative Societies are developing their role as suppliers of credit, and they are well situated as suppliers of inputs and purchasers of outputs so that they can be sure of recovering loans they have made. There are no institutions in a similar position in relation to small shopkeepers, but the mutual interdependence that exists between a small retailer and his supplier, or his bank, is a potentially more satisfactory basis for credit than the one way relationship with a Government body. Hunter[49] writes that commercial credit is potentially the best source of finance, and Andersen,[50] and Geertz[51] describe the socially lubricating effect of trade credit between businesses in the Phillipines and Indonesia. Non-government institutions appear therefore to have the potential to satisfy many of the financial needs of small shopkeepers, in ways that are more closely related to the uses to which the finance is put.

If the need for more capital, or a loan, is as vital to the future development of small retailers as they themselves believe, it may not be appropriate to leave the provision of finance in the hands of a variety of perhaps unco-ordinated and usually profit-oriented organisations. If, on the other hand, it can be shown that the shortage of capital is to some extent illusory, then it may not be essential to include loans as a necessary part of any "package" of assistance to small traders. This could result in a more effective and economical programme of small trade development. In addition, any form of development assistance should presumably aim to "put itself out of business" by eliminating the problem which it sets out to solve. There is always a risk that the clients of any service will become totally dependent on it. Subsidised loan schemes are particularly likely to create conditions which will guarantee their survival rather than eliminate them. Borrowers are inevitably tied to the lending institution for the period of repayment, and it is hard for any bank to stop making new loans while continuing to bear the costs of administering the old ones. The small business sector is likely to be marginally profitable for commercial banks; so long as a Government institution is serving small businesses, banks are unlikely to make strenuous efforts to become involved in providing loans or any other facilities. The businessmen themselves will not be encouraged to develop the good banking relationships that are often a necessary condition for a loan, so that they will be the less likely to receive the practical benefits of operating a bank account. Only 36% of the traders contacted in this project had a bank account of any sort, including a post office saving bank; very few of these were other than saving accounts. If commercial banks were the prime source of loans, traders might spend more time developing good relationships with them and they would probably gain more from this than from their present efforts to ingratiate themselves with Trade Officers and other avenues to Government sponsored loans.

Assistance to small traders has concentrated mainly on loans, and other services have been introduced as ancillaries to lending activities. This process has been expensive, it has not reached the majority of those it is designed to help, and the concentration on lending has had damaging side effects on the efficiency of other types of assistance. It is therefore appropriate to investigate the basis of such a policy, namely the hypothesis that the capital constraint is the most serious problem affecting small businesses in developing countries. Many authorities who have addressed themselves to the problem conclude that the capital constraint is not the only problem affecting small businesses; they may identify the lack of management skill, or markets, or contacts with other organisations, as being equally critical areas. They usually imply, however, that these problems must be tackled before, or least at the same time, as loans are made available. Kilby, for example identifies the "deficiency of managerial and technical skills" as the greatest impediment to indigenous entrepreneurs in Nigeria. He then goes on to say that until this impediment has been removed "loaning activities will bear little fruit".[52] Staley and Morse write that loans must be denied until proper records are kept,[53] and Sir W.A. Lewis states that in Ghana

> "African enterprises cannot be built up simply by lending Africans money. To lend money to entrepreneurs who lack managerial capacity is merely to throw it down the drain".[54]

In Northern India small retailers are said to have no real idea of how they would use funds for expansion, because their low managerial ability effectively limits the size of their businesses.[55] The lack of capital is apparently not the main problem in Indonesia[56] so much as the lack of ability to organise into one enterprise the diverse range of economic activities that make up a small retail business. In every case, however, the implication is the same; capital is scarce, but additional inputs, usually educational ones, are needed before capital can be properly used. There is, however, some evidence that extra capital may not be needed at all; better deployment of existing resources may in many cases be sufficient to finance existing needs and to earn the profits which will enable future development to take place. Fuller writes that the typical business "needs more counsel than cash"[57] and Hawkins points out that in Tanganyika a request for a loan or finance is a "standard procedure". More serious than this lack of capital is "the lack of knowledge as to the use of such capital as they do have".[58] Schatz's article is entitled "The Capital Shortage Illusion; Government Lending in Nigeria". He adduces the 79% rejection rate of applicants to the Federal Loan Board as evidence for his contention that sound ideas, rather than capital, are in short supply.[59] Heyer concludes that there are funds available for investment in rural areas;[60] although her concern is with agricultural credit, many of her conclusions are also relevant to small retailers in rural areas. The commercial banking network in the rural areas, such as it is, has traditionally operated as a source of funds for lending to urban enterprises; the large amounts of money raised for the new Institutes of Advanced Technology in Kenya[61] are further evidence that mobilisation of capital, rather than injection of new capital, is what is required. Loans may in fact encourage or perpetuate the misapplication of existing funds, and any system of subsidised credit is unfair to those whose better performance has enabled them to tap commercial sources.[62] On the other side of the continent, in Nigeria, there was apparently a tripling of the bank's savings in small accounts held by Africans in Onitsha in three years.[63] This is one of the largest centres of small scale African traders on the whole continent; in spite of the universal cry for more capital, substantial sums were apparently available for savings. Danhof points out the danger of "selecting remedies for their convenience".[64] It is administratively easy, and politically attractive to lend money to large numbers of businessmen, and providing the cost and default rate are not outrageous they will perhaps be accepted as a proper price for development. Cheap loans can be a substitute for earnings, if the recipient either does not need them or is not ready to make proper use of them.[65] Marris and Somerset entitle one section of their book "The illusion of Capital Shortage",[66] echoing Schatz's use of the word "illusion". They describe the development of various businesses which have thrived with a minimum of outside capital, and they point out that those businesses which were most dependent on Government loans tended to be the least successful. Reinvested earnings were the most important source of capital for the successful businesses.[67] Marris and Somerset conclude that training is necessary; this will increase the number of businessmen who will be eligible for Government or commercial bank loans, or even for private equity finance.[68] We should now investigate the existing financial position of small shopkeepers, in order to identify the proper role of whatever form of training may be considered appropriate.

R E F E R E N C E S

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THE PRESENT DEPLOYMENT OF CAPITAL

There seems to be some measure of agreement that the capital constraint may not be as important as most small businessmen, and many of those attempting to help them, seem to believe. It is appropriate to investigate in some detail the actual financial position of small general shops in Kenya. This will show how capital is presently being employed, and may point to deficiencies in management which will themselves indicate the type of training which is required.

Approximate balance sheets and profit and loss accounts were collected for 169 small shops, primarily in order to provide information which would lead to appropriate advice for each business. Since the collection of the data was undertaken as a part of the consulting exercise which the data itself is now used to justify, it is appropriate to explain at this stage the genesis of the hypothesis that such consulting might be necessary. Experience of teaching at courses for small traders, and occasional follow-up of such courses to determine the needs of participants and to evaluate the success of the course, indicated that most small shopkeepers were unable either to reorient themselves to a classroom situation or to apply whatever they learnt in a constructive manner to their own businesses. Individual on-site advice seemed to offer more chances of success, and it soon became clear that a standard set of information, approximating to a balance sheet and a profit and loss account, was necessary before useful advice could be given. The few sets of figures collected in this way indicated that the universal cry for more capital might not be wholly justified, and a further experiment was undertaken using four undergraduates as consultants. The information they collected, and evaluation of their success as consultants, showed that a larger scale and more replicable experiment was justified; the figures which are used here are the product of this larger scale research, and they are used because the sample was considerably bigger, and the methods of enquiry more consistent, than in the two earlier stages of the project.

It is important to note that with one or two minor exceptions every piece of information obtained from each shopkeeper was sought not in order to add to the sum of knowledge about Kenya's small general shops but to enable the consultant to offer individual and relevant advice. The outline of the financial position and performance of the shops that follows is therefore more in the nature of a by-product than the main purpose of the research.

The balance sheet and profit and loss account together make up a financial picture of the sources and uses of funds in a business, and of the way in which the business operates over a period. Neither is of much use without the other, since relationships between figures are more significant than orders of magnitude in themselves. The figures for each shop are certainly not wholly accurate, although the asset side of the balance sheet is quite reliable. The present deployment of funds in the business is something that an observer can assess for himself without too much difficulty, by valuing cash, stocks, debts outstanding, equipment and the building. The financial operations of the business over a period cannot be monitored without the full-time presence of the observer, since figures for sales or purchases can easily be missed. Nypan mentions the difficulty of obtaining information on turnover, because traders in Accra felt that this was the crucial figure whose disclosure might lead to taxation, theft or other difficulties.[1] Because the consultants were at some pains to explain that they were not seeking information for its own sake, but for the immediate benefit of the traders themselves, there was virtually no overt refusal to cooperate and, it is hoped, little or no deliberate deception. There was no prior indication of what kinds of figures or relationships were "right" or "wrong", and on the occasions when detailed information later became available as a result of book-keeping advice the initial estimates were usually shown to have been of the right order of magnitude.

Appendix 4 gives a set of accounts for might be considered a typical small scale shop from the sample of 169 which were advised, together with some information on the distribution of the sample over the range of certain figures and ratios. The selection of the sample was as random as was practicable. The choice of clients was supervised, but nevertheless the sample is not completely representative of all small general shops in Kenya, but rather of the vast majority of such shops who would be suitable clients for the advisory service which was the subject of the experiment. A small minority at either end of the spectrum of size and apparent success tended to be omitted. The largest and most obviously prosperous were passed over because of the diffidence of the consultants, and the supervisor, but this was consistent with the overall goal of developing a promotional tool which would not benefit the most progressive at the expense of the remainder. The least successful shops would also tend to be omitted, since they are so often closed. The figures given are not an exact average, but may be taken as approximating to the median, and they have been rounded off for the sake of clarity.

Since most of the shopkeepers in the sample, like most small businessmen everywhere, believe that they need more capital, it is clearly appropriate to investigate how they are using the capital they do have. There are no significant differences between the 66% of the shopkeepers who said that their main problem was a shortage of capital and the 34% who mentioned some other deficiency, so it is reasonable to examine the assets of the complete sample. The figure for cash, whether it is held in the shop itself, at home, or in a bank account, is fairly approximate since in spite of the best efforts of the consultants many of the respondents were not clear themselves as to what proportion of their liquid funds really belonged to the shop. Since barely a third of the shopkeepers had bank accounts which were in any way associated with the shop, it is unreasonable to expect any but the most substantial to operate separate accounts for their personal and business funds. In any case, the total figure is fairly small in relation to the total assets; it is obviously a highly volatile asset, and that proportion which is kept in the shop is often reduced to little or nothing after a buying expedition or the visit of a supplier. The amounts are reasonable in relation to the scale of the individual businesses. Few had excessive funds lying idle in the form of cash, and few were so illiquid as to be unable to give change for the amounts commonly tendered by their customers. Large companies are often criticised by outside financial analysts for holding relatively large sums in cash or current bank accounts which could at the very least be lent out as overnight money or for a longer term. These small shopkeepers do not seem to fall into this error. It may be that fear of theft is the motive for opening a bank account, and the banks' own reluctance to offer current account facilities to new customers forces the shopkeeper to open a savings account which gives him a small amount of interest. Cash and bank balances are not a particularly productive area to search for idle resources which might in part answer the need for more capital.

Excessive credit to customers is frequently regarded by traders themselves, and by outsiders, as a major reason for failure. Marris and Somerset surveyed a sample of "market traders", by which they describe shops similar to those in this sample, mainly in order to compare their methods and attitudes with those of the more substantial businessmen who form the main subject of their study. Many of their figures, including the percentage of shops offering credit facilities to their customers, are encouragingly close to the data from this sample, but their information on attitudes is additionally useful. Forty-seven per cent of their respondents believed that excessive credit to customers was the commonest reason for failure.[2] All the larger scale businessmen were asked what items of advice they would offer to a tyro, and total avoidance or at least very limited credit to customers was mentioned more than twice as often as any other item.[3] Marris and Somerset also found that the more successful traders, in terms of profits, were less likely to give credit.[4] Twenty-four per cent of the shopkeepers in our sample offered no credit to their customers; the average total earnings for these shops was Shs. 144/20 per month, while those who gave credit averaged total earnings of Shs. 254/50 per month. Several of the traders who did not give credit were very new to business, and were planning to offer credit after their first few months of operation, but nevertheless the figures indicate that giving credit is certainly not directly associated with poor results.

The amount of credit granted by the 76% of the sample who offered this service to their customers amounted on average to less than a fifth of one month's sales. The most generous trader was only extending credit to the length of a month and one third's worth of sales, and even this can hardly be considered a gross misuse of funds, particularly when it is related to the one quarter of one month's sales which is the average value of credit extended by a sample of American and British publicly quoted retailing organisations, most of whose business is on a cash basis.[5] Credit is rarely, if ever, granted for casual purchases such as cigarettes,[6] but only for regular staple requirements. Although one of the most welcome recommendations offered by the consultants in this project was a simple method of regular recording and balancing of customers' debts, nearly all shopkeepers kept some form of record of their debtors. Even illiterate traders seemed able to check their customers' own records in their books, and if a child was left in the shop for a period customers were often refused credit until the return of the manager. A few traders complained of bad debts or slow payers, but this was never mentioned as a major cause of their alleged shortage of finance. Given the limited range of goods in demand, and the few opportunities for differentiating their service from their competitors', controlled credit to a small number of well known and reliable customers would appear to be one of the most effective competitive devices. It may be that the popular belief in the danger of credit, as exemplified by the early prints displayed in many shops contrasting a dishevelled American businessman who has granted credit with his prosperous if less generous colleague, has effectively educated Kenya's small general shopkeepers, so that their use of credit is tightly controlled. The consultants advised more clients to start giving credit than to restrict it, and the shopkeepers generally seemed to have an almost superstitious, if not entirely disfunctional, attitude of dread about the whole subject. The figures given were usually verified from the records which were kept. In any case, the total amount of capital tied up in credit amounts to under four per cent of the total of all the assets, so that neither a substantial rate of bad debt loss nor a complete stop to the granting of credit to customers would have a very material effect on the total amount of finance available to the traders.

The meagre range of equipment which is necessary for a small general shop in Kenya offers few opportunities for misuse of funds. The major item is nearly always a set of weighing scales, which are usually valued at around four hundred shillings. Fear of Government inspectors, customers' pressure or the shopkeepers' own feeling that the presence of a top quality set of scales is a symbol of being in business ensure that even the smallest and newest establishments have this item of equipment. They are sometimes rented by the month, at a rate that would buy a new pair in under two years, but this is exceptional.

Otherwise, the equipment consists of simple wooden shelves covering the back and sides of the shop, and a more or less elaborate counter unit across the front. This latter may have glass fronted display shelves built into it, or it may be little more than a plank supported at both ends. The furniture sometimes comes with the building, and is included in the rent, but it is more usual for the shopkeeper to have it made to his own specification. The initial cost of furniture and equipment is a substantial part of the investment necessary to start a small shop, but it is clearly necessary. Some shopkeepers have a radio or a gramaphone playing in order to entertain themselves and to attract customers. This seems an effective device for differentiation, and investment in attractions of this sort is too rare rather than excessive. The most frequently observed item of equipment apart from scales and furniture is a sewing machine, but this nearly always belongs to a tailor who operates from the shop. He may be allowed to use the space free of charge, because he attracts customers, increases the sale of cloth, and provides company for the shopkeeper. In any case, the sewing machine is not an item on which the capital available to the retail shop has usually been spent. The average figure for furniture and equipment is twice that for credit, but in terms of the percentage of total funds and the actual equipment required this use of resources seems reasonable.

The ownership of buildings was discussed earlier, in relation to the return on capital employed. In terms of rental income, capital invested in shop premises yields only slightly over five per cent per year. This compares unfavourably with savings institutions and almost any other investment which is available to rural shopkeepers, but capital appreciation is presumably a major, if unknown, ingredient of the actual return. Only 27% of the shopkeepers in the survey owned their buildings; although the rate of return measured as profits plus withdrawals, on their total investment is significantly lower than that of shops operating in rented premises, the possibility of an increase in the value of the building, and the security and status of property ownership, may presumably make up the difference. The average amount of money earned by shopkeepers who owned their buildings is not significantly different from the earnings of those in rented property; ownership of buildings thus seems to have no effect on success except in so far as it reduces the return on investment, and it may mean that the funds so used could have been more profitably used elsewhere. The additional finance that most shopkeepers believed to be necessary for their success was rarely said to be needed for buildings, and only a very few mentioned poor premises as a major problem. Rents were never mentioned, but seemed to be regarded as necessary and reasonable. In most markets there are adequate supplies of empty shop premises, and the range of rents charged is very small. Competition presumably prevents either isolated increases or a general increase in the rate. The owners of buildings were equally likely to believe lack of funds was their major problem as were the sample as a whole. An average of 37% of the total capital, or Shs. 3,325/- per shopkeeper, was invested in buildings: the owner-occupied premises were worth on average Shs. 12,480/- each, and constituted 68% of the total assets of those shops. In spite of the very large share of the total funds which is employed in this way, it is probably reasonable to regard this investment as a separate business enterprise rather than as part of a small shop. There does not appear to be an active market in small shop buildings, and if a shopkeeper wants to occupy his own premises he is more likely to build them for himself than to buy what others have already built. The position of a building within a market rather than the nature of the building itself, is agreed to be an important determinant of success.[7] The percentage of occupancy is certainly higher for buildings in sections enjoying more traffic, but there seem to be few occasions when shopkeepers take the risk of moving to such a plot when one becomes vacant. The scale of the investment required for a building, in relation to the capital available is such that it rarely diverts funds from alternative uses. A windfall receipt from the sale of some other asset, inheritance, or other similar source is used in this way, and the investment is separate in the owner's mind from the day to day sources and application of the funds within his business. Whether the building is owned or not, the fact seems to be part of the environment of the business rather than an aspect which is subject to conscious decision making. This feeling may be reasonable, in view of the difficulty of effecting a sale and the initial impossibility of financing a building from the earnings of the business itself.

The average amount of money tied up in stocks is as it happens forty shillings less than that invested in buildings; it amounts to Shs. 3,281/- per shop, or 36% of the total capital available. This is, however, a very different type of asset; every shopkeeper has some stocks, and the value and type of stock is subject to hour by hour decisions by the shopkeeper. Stocks are by far the most important single use of funds for the 73% of shops which rent their premises, and they constitute on average 57% of their assets. We have already seen that the nature and amount of stocks is a critical element in customers' and suppliers' relationships with small retailers. This is clearly an area which is vital in terms of use of resources and importance to success, and it is therefore worth studying in some depth.

Retailers who are anxious to make the best possible use of their capital try to turn over their stocks as often as possible in a year, insofar as a high rate of stockturn is consistent with good service to their customers. There is a reasonable amount of information available concerning the stockturn of small retailers in developing countries. Little of this is backed by specific data, but it is presumably based on familiarity with the operations that are described. Slater and others found that the "neighbourhood stores" in Recife achieved a rate of almost thirty times a year, which is very impressive even for shops in a wholly urban environment.[8] Hunter[9] and Bauer both refer to the fast stockturn achieved by the Ibo traders of Nigeria. Bauer even states that they "turned over their capital twice a week".[10] It is not clear whether they are referring to shopkeepers such as those who are the subject of this study, or to itinerant traders for whom physical limitations alone are clearly a formidable bar to high stocks. Baker says that female market traders in Nigeria have to move between markets and that their stocks are therefore limited to what they can carry.[11] Garlick gives a range of stockturn rates between two and ten times a year for the traders of Kumasi, but he is describing businesses with a turnover exceeding £10,000 per year, many of whom are importers on their own account. He does mention in passing that many of the smaller firms, who are not importers, may achieve considerably higher figures.[12] Boyd, Sherbini, and Sherif appear to have rather more detailed information about small shopkeepers in Egypt. They mention annual sales of $6,000, or about Shs. 3,500/- per month which is fairly close to the sales of about Shs. 2,000/- per month achieved by our general shopkeepers in Kenya. They also say that stocks are usually less than Shs. 1,400/-; this figure is well under half the average found in our sample. They say that the lack of trade credit prevents retailers from increasing their stocks;[13] only 6% of our sample were in receipt of any trade credit, but this did not prevent them from achieving a high level of stocks, with lower monthly sales.

There is rather more information about stock holdings in East Africa, although the picture presented is far from conclusive. Hawkins mentions the problem of infrequent deliveries combined with low sales in rural areas which causes the wide variation between the rate of stockturn of twenty times per year reached in Dar es Salaam and that of ten times a year which is more usual outside the cities.[14] Kamau states that "it is not surprising to find an article on a shelf for a year or more"[15] and Hawkins implies the existence of dead or slow moving stocks when he refers to the absence of piece goods during slack months of the year "except the unsold items".[16] It may be that the more favourable estimate of the rate of stockturn arises from a superficial examination of the stock, which misses the slow-selling items which may be half hidden in the darkness of the higher shelves, and possibly covered with dust as well. Hawkins also states that although average figures of stockturn would be interesting, it is impossible to obtain them without a very large sample because of differences between areas, seasons, tribes, and so on.[17] One hundred and sixty-nine may not be a large sample as he defines it; a number of the shops in our sample were located in coffee-growing areas, and the information was not collected during the two main months of coffee harvest. The majority of the shops served customers who seemed to depend on cattle, teaching or other government employment or remittances from employed relatives. There were clearly seasonal variations, but they did not appear to be very significant. As far as tribal or other differences are concerned, the stockturn, and indeed all the figures, do not vary very much between the two very different areas of Nyeri and Machakos, except that the shopkeepers nearer to Nyeri town are larger than average, and of older foundation. The critical relationships in the accounts are no different. Figures have also been collected for a number of shops in other parts of Kenya, in the course of developing and testing the consulting procedure. Here again, the relationships between figures, and the figures themselves, are similar.

The actual average rate of stockturn of the sample was 6.3 times per year. Twenty-eight per cent of the sample achieved a monthly stockturn or better, and a further 28% only managed to turn their stock over six times or less per year. The balance of 44% had between one and two months worth of goods in stock. It is interesting to compare these figures with those derived from the published results of large retailing organisations in the developed countries. The Great Atlantic and Pacific Tea Company, generally known as the "A and P", is said to be the "greatest food retailing organisation in the world".[18] Its sales in 1971 were over twenty times Kenya's gross domestic product. Nevertheless this company plays a similar role in the United States to that played by small general shopkeepers in Kenya. It provides basic necessities to the bulk of the people, from a large number of conveniently located outlets, and in addition the company carries out many of the intermediary functions between manufacturer and retailer which are in Kenya left to wholesalers. The "A and P" achieved a stockturn of 9.76 times in 1971. A sample of publicly quoted British retailing organisations achieved exactly the same figure of 9.76 times in the same year,[19] and even Macy's, the world's largest department store, carrying a fantastic range of specialised requirements, turned its stock over 8.18 times in 1971.[20] Smaller independent enterprises which do not carry such a wide range, and perform only the retail function, achieve considerably higher rates. The average independent supermarket in the United States has a stockturn of 14.9 times per year,[21] and small independent grocers in the United Kingdom are said to "have an average rate of fourteen to fifteen times a year", with some reaching eighteen times.[22]

There are several reasons why retailers in a developed economy might be expected to have a slower rather than a faster stockturn than the small general shops in Kenya. The average American supermarket stocks 7,250 different lines,[23] and nine out of ten of these are said to be sold in less than a case quantity per week.[24] Small general shops in Kenya stock only about one hundred different lines, including the various package sizes for the same product, and suppliers are sufficiently aware of the low rate of sales, and the shopkeepers' shortage of ready cash, so that they offer wholesale quantities small enough to avoid tying up too much capital for too long a period. Hawkins goes so far as to say that the typical stock need not exceed Shs. 245/-, but that it usually amounts in fact to between

Shs. 4,000/- and Shs. 10,000/-.[25] He bases his low estimate of what is really required on the fact that a bag of sugar is by far the most expensive item that a shopkeeper need ever buy, and even today this costs less than Shs. 200/- in Kenya. Hawkins goes on to state reasons why the actual stock figure is so far above his minimum estimate. He mentions the need for a wide selection if a trader is to progress beyond the simplest day to day staple goods, and such a selection presumably involves a slow stockturn. Few of the shops in our sample carried any non-staple goods except for a very narrow range of clothing or shoes, and their high stocks were usually caused more by large quantities than by wide variety. Hawkins also mentions the problem of seasonal demand, and the ignorance of the owners who can easily be tricked into buying goods which will not sell.[26] Few of the shops in our sample appeared to be holding goods which were totally unsaleable. It was however frequently found that the quantities of some items were sufficient for several months of sales, and neither a manufacturer's minimum wholesale quantity nor a supplier's discount structure had led to the large purchase. The vast majority of the shops such as were advised in this experiment purchase their supplies from wholesalers rather than direct from manufacturers. Although these wholesalers quote prices for most items in dozens, enquiries indicated that they are always willing to supply even quarter dozens at the wholesale price, providing that the retailer buys at least one dozen assorted items. There rarely appears to be any price advantage for the retailer from buying larger quantities. Fearn refers to the need to buy and stock new items for a long period before people would buy them.[27] Here again, there was no evidence from our study that a significant proportion of the stocks consisted of goods which were unfamiliar in the area. Clothing and shoes clearly present special problems, because of the size and style combinations. Shoe retailers in the United States are said to turn their stock over only twice a year[28] and Geertz mentions that Bata Shoe stockists in Indonesia aimed at a stockturn of 4.8 times a year.[29] Few of the shops in our sample, however, carried other than a very small range of such goods, and even then they tended to have a fairly large quantity of one size or style rather than a wide range.

Poor communications are often cited as a reason for high stocks in relation to sales. Hawkins[30] and Nypan[31] both refer to the frequency of purchasing opportunities for urban traders, and it is implied that rural traders are less fortunate. Corcoran and Tyrrell mention the case of a shopkeeper who bought new supplies of cigarettes fourteen times in one day.[32] This frequency may be inconvenient for most traders, but none of the sample indicated that they bought new stocks less often than once a week, and many visited their suppliers more often than this. All these traders, like the vast majority of those in Kenya, could visit their main centre of supply and return in the same day by public transport, so that this frequency of restocking is not too inconvenient, although it may be costly in terms of the average monthly transport cost of Shs. 40/-. Traders in Marsabit, a centre some 300 kilometres from any major supply centre, had similar stockturn figures to those for our sample; they also restocked at least twice a month, travelling even as far as Nairobi, some 500 kilometres to the South, in order to do so. Fearn writes that shopkeepers in Nyanza are usually able to give an approximate estimate of their monthly sales of each item.[33] The shopkeepers contacted in our project seemed able to do this with reasonable accuracy, so that the high stock levels cannot be ascribed to total ignorance of the effects of purchasing decisions. Absentee ownership may contribute to high stocks, since the owner may only visit his business at monthly intervals, and either bring new stocks with him or at least refuse to allow restocking unless he is consulted. None of the shopkeepers who were advised mentioned this problem, although on several occasions other recommendations, such as price reductions or the purchase of new stocks which had not been bought before, had to be deferred until the owner's visit.

It is difficult to separate the rational desire for an impressive display of goods from the prestige effect of large stocks as an indicator of success and wealth. Some of the smallest shops, with a gross turnover of Shs. 200/- or less per month, would clearly need some multiple of this amount to show their customers that they were in business at all. The need for impressive stocks, however, is not consistent with the chaotic arrangement of goods in most shops. One third of the shops in the sample appeared to be filthy and totally without any order in their display on the initial visit, and the balance were usually untidy but had at least some semblance of organisation on their shelves. In any case, most shopkeepers could mount an impressive enough display with far less goods than they have; this problem only becomes acute at a very low level of stocks. The high level of stocks may in part be explained by some of the "rational" or "commercial" reasons which have been mentioned. In sum, they do not adequately justify the very slow rate of stockturn achieved by so many of the traders. What is more important, there appears to be a definite relationship between a slow rate of stockturn and poor results. Table 7 shows the average performance by three indicators of the shops in each of the three groups of fast, medium and slow stockturn. It can clearly be seen that in every case a stockturn of twelve times a year or better, similar to that achieved by British grocers and American independent supermarkets, is associated with above average profitability. It is likely that slow stockturn will be associated with below average return on investment, because stocks form so high a proportion of the investment. It is difficult to distinguish between profits and the owner/manager's wages, and for that reason these were aggregated for most of the calculations; by this standard, and by that of profits alone, stockturn and earnings are closely related. This confirms that the apparently reasonable "commercial" explanations for slow stockturn which have been mentioned are not sufficient. Since the most successful shops are not constrained by these factors, we must look further for cultural or social reasons for high stocks.

The groups with above or below average stockturn appear not to differ from one another in aspects other than profitability, which might explain the slow rate achieved.

Table 7

PROFILE OF SHOPS ACHIEVING FAST, MEDIUM AND SLOW RATES OF STOCKTURN

Group A:	Stockturn 12 times or more per year	47 shops
Group B:	Stockturn between 6 and 12 times per year	75 shops
Group C:	Stockturn under 6 times per year	47 shops
Total Sample		169 shops

	Group A	Group B	Group C
Wages and Profits as a percentage of capital employed, per annum	120%	41%	18%
Wages and Profits per Month	Shs. 267/-	Shs. 241/-	Shs. 165/-
Years since start of Business	2.17	4.61	3.7
Profits per month	Shs. 167/-	Shs. 130/-	Shs. 82/-
Total Assets employed	Shs.5738/-	Shs.8888/-	Shs.12637/-
Owner occupiers	19%	31%	32%

Table 7 shows the average figures for age, ownership of buildings and total assets of each of the three groups defined by the rate of stockturn. The shops with slow stockturn are rather older than those with a high rate, but the middle group are older than either, which indicates that age has no significant effect on stockturn. The slower group has a similar proportion of owner occupiers as the middle group, but rather more than the faster group; it may be that this indicates a propensity to ownership, as opposed to profitable use, of assets, but the figures are not conclusive. The shops with faster than average stockturn are less than half the size of those with a slow rate, when measured in terms of total assets, but this is likely since stocks themselves make up more than half the assets for the majority of the shops.

Since neither commercial reasons, nor age nor any other feature, appears to account for the slower rate of stockturn, we may conclude that such a rate is evidence of an attitude which is disfunctional in terms of profitability, and which must be explained by reference to social or cultural factors. The so-called "extended family system" tends to be overused by outsiders to explain what they consider to be abnormal behaviour. It may nevertheless be partly responsible for this phenomenon of slow stockturn. Bauer, Garlick and Kilby are all concerned with West African traders, and we have already seen that Bauer and Garlick mention rates of stockturn somewhat in excess of those achieved by our sample; they nevertheless point to the significance of family demands as a motive for unproductive investment. Bauer writes that

> "textiles and trinkets are used as outlets for savings, rather than more productive forms of investment which are more likely to attract the attention of relatives.[34]

He was referring to personal adornment, but the same principle would lead a shopkeeper to prefer to invest money in stocks rather than in a bank account. Garlick writes that

> ". . . this family system ... makes it necessary for a man to hide, or absorb in less useful ways, his cash balances."[35]

A bank account may not be visible, or even known, to the trader's relatives, but his aim is not so much to hide his wealth as to invest it in such a way that with the best will in the world he cannot respond to the demands of his extended family. If he has money in the bank, he can only refuse at the cost of deception; if his funds are tied up in stocks, particularly of slow selling goods, he can answer quite truthfully that he has no money and has no immediate way of obtaining any. Garlick also refers to machinery being bought for this reason rather than because its capacity is really needed,[36] and Kilby says that bread-making equipment is bought for this reason in Nigeria.[37] There is no doubt that in spite of social pressure many African businessmen are anxious to limit their contribution to their extended family, whether because they want to maximise their own wealth or because they realise that reinvested capital will ultimately benefit the family more than business stagnation caused by excessive withdrawals.[38] Bosa contrasts the Asian joint family system, which generates and conserves capital, with the open system of the African extended family, which diffuses resources.[39] A successful civil servant or modern sector manager can live apart from his extended family and they will know little of his wealth. A rural shopkeeper is however in frequent contact with his relatives. He will partly be motivated by the desire for recognition which causes "money to be spent on the enhancement of prestige";[40] in addition, he will want to avoid accusations of extravagance, and to be able to resist the pressure for assistance from his family. Investment in stock is the ideal solution; it results in an impressive display which is at least marginally useful in attracting customers and certainly impresses his peers by its bulk; it shows the world that the shopkeeper has thriftly reinvested his profits, and if the stocks are not immediately saleable this very fact provides an immediate answer to relatives' requests for cash. There is thus every reason to suppose that the family system at least contributes to excess stocks.

There are in addition other factors which contribute to this misuse of resources. Official statistics are of little value in assessing the prevalence of theft, if only because so few cases are reported to the police; a trip to the nearest police station may take a complete day, and the chances of recovery are negligible. Several of the shopkeepers in our sample mentioned security as a major problem, and in many cases one of their miscellaneous expenses was the whole or a share of the wages of an "askari" to guard the premises at night. Stocks of goods can certainly be stolen, but they are not as vulnerable as cash. Theft may be just as prevalent in other more developed countries, but banking services are considerably more convenient and generally acceptable to the mass of the population; cash which is not needed for stocks which will be sold before the next restocking opportunity can easily be banked. In Kenya, savings facilities are extremely limited. There are few branch banks, or Post Offices which transact savings bank business, many branches are only open for one or two half days a week, and the concept of banking is relatively new, and more or less unadvertised. The commercial banks are fairly restrictive in their policies, even in relation to the totally risk-free area of savings accounts. They usually demand a minimum opening deposit of Shs. 400/- or more, and their whole approach to customers is not calculated to encourage the nervous and perhaps mistrusting trader who may venture within their doors. It might be natural for a shopkeeper to bank his surplus cash at the end of his day of buying new supplies in the town, but by that time the bank is sure to be closed.

MacLelland mentions the importance of profits as an indicator of success to an entrepreneur, quite apart from their value as a source of increased wealth.[41] A retail business is particularly lacking in visible indicators of achievement, either for the businessman himself or for his peers. A farmer can take pride in his crops or his cattle, and a craftsman can feel some satisfaction when he creates articles of value from what is often, in Africa, discarded raw material of little or no value. A shopkeeper has no such visible standard of success, and must rely on his periodic calculation of profit or loss as a more subtle indicator. The majority of the shopkeepers in this sample, however, have no idea of what their profits are. Forty-three per cent made no attempt to record anything except their debtors, and those that did keep a cash book were usually unable to make any use of the figures they recorded, even if they did add up the "cash in" and the "cash out" at the end of each month. Failing a quantitative measure of success, which might in any case be of limited significance to a man with little or no education, the shopkeeper is thrown back on the growth of his stocks. If, as is often the case, he starts with too little capital, and his stock level is a genuine constraint on his sales, he is right to take satisfaction in the gradual reduction of the empty spaces on his shelves, particularly if the new stocks are bought with retained earnings and not with new funds from outside the business. Growth of stocks in the early weeks may be a very effective indicator of the likelihood of survival of the business. Sooner or later, however, the stocks reach a level which is adequate in relation to the demands of the customers and the frequency of restocking opportunities. This moment is not self evident, and once the habit of judging success by the accumulation of stocks has been acquired, there is no reason for any other standard to be adopted.

There are thus several reasons for the high level of stocks in relation to sales; some of the causes can be eliminated only by increased disposable incomes, better communications, reduced risk of theft, greater availability of banking facilities and other improvements which may be expected to accompany economic development. Others relate more to the attitudes and education of the shopkeepers, which may possibly be more susceptible to change. The problem of slow stockturn is by no means the only one affecting small general shopkeepers in Kenya, but it is an important one. Table 7 showed that the more successful traders were able to sustain their success with a stock level equivalent to less than one month's sales. It is therefore reasonable to suppose that those shopkeepers who are presently achieving a stockturn rate of less than twelve times a year could increase their rate to that figure without damaging their profitability. The average excess value of stocks over one month's sales for the 122 shops in Groups B and C in Table 7 was Shs. 1,252/-. If this sum was to be released from the unproductive items where it is now employed, it would surely suffice to buy most of the goods which suppliers and customers complain are not presently stocked in sufficient quantities. In addition there might be a substantial surplus available for improving the business, or for investment in some other enterprise, such as a farm. The total amount, assuming that our sample is representative of the country as a whole, and using Corcoran and Tyrrell's figure of 24,585 for the number of shops in Kenya, would be well over one and a half million pounds. If the shopkeeper was to withdraw all the excess amount from the business altogether, so that the investment base was reduced with no increase or decrease in the profits, the average rate of return would increase from 17½% to 20%, and, in the case of non owner-occupiers, from 24% to 31%.

It is important to recall at this stage the employment value of small retailing, and the danger of alleged improvements which may indeed improve the lot of the most fortunate or receptive, but in so doing seriously injure the remainder. The problem of excess stocks is particularly convenient from this point of view, since its remedy can increase profitability by reducing the investment without affecting the performance of the business. Increases in sales, given the restricted and finite scale of the total market, are likely to be achieved at the expense of competitors, so that existing inequities between progressive shopkeepers and the laggards will be further exaggerated. It would be theoretically possible for the very large sums presently lying idle in excess stocks to be totally withdrawn from the business, without affecting the service to customers or the financial return to the owners, and without in any way upsetting the fragile balance which permits so many marginal shops to survive and thus to offer some form of employment. Although this ideal may be in practice unattainable, it clearly represents a worthwhile goal, along with other improvements in terms of cleanliness, record keeping and so on which can improve the level of service without upsetting the competitive balance. It appears that we have moved from a strategy of increasing the amount of capital, by means of loans, to one of improving the deployment of whatever already exists or even reducing the amount invested. Clearly such a task involves significant changes of attitudes. We should now examine the means by which changes of this sort can most effectively be promoted.

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THE ROLE OF EXTENSION

Small shopkeepers themselves, and many others who are involved with them, believe that the capital constraint is their major problem. The deployment of the capital they presently have, and the cost of providing more, indicate that training of some sort may be a more appropriate way of improving their performance. The word "extension" has many definitions, and it is fruitless to argue whether or not a particular activity is a form of extension. Mosher states that the essence of extension "... is that it is an out-of-school educational process".[1] Large organisations are able to send their staff on courses of several months' duration, because one man represents a relatively small proportion of the total managerial capacity. Small businessmen, and particularly retailers of the sort involved in this study, are unable to be absent from their businesses for more than a few days at a time. The owner is usually the manager and often the sole employee as well, and his absence means either closing the shop altogether or entrusting it to a child or other relative who has no idea of what ought to be done. Many owners of small shops are not involved full time in their management, but only because they have other jobs, and in any case it is their employed managers who need to be trained. Any training must therefore be "out-of-school" in the sense that it must not involve more than a few days' absence from the place of business. It could be argued that any such absence is to be avoided, since it must lead to temporary closure or unsuitable management, and it is wrong for any effort to improve management to be associated with these obvious errors.

Most attempts to categorise the various forms of extension have been directed towards agricultural applications, if only because the term originated in the United States to describe the Land Grant Colleges' efforts to "extend" their activities to farmers beyond the campus. There is thus much emphasis on demonstration and other visual techniques, and on sharing experience and new ideas. As has already been pointed out, an improvement in one farmer's performance can only damage his neighbour in an indirect way, by increasing the competition for scarce inputs or by microscopically increasing the total national or even world supply of the crop involved. Traders, however, are operating in a finite market, and any improvement which increases the sales of one is likely to reduce those of his competitors. It would be uneconomical to arrange any sort of demonstration or problem solving activity for a group of non competitive traders, since the area covered would have to be so large, and equitable selection of the participants would pose intolerable problems. The most fruitful methods of extension may therefore either be those where the advice or instruction is generalised and unrelated to individual problems so that the problems of competition do not arise, or those which involve a private interaction between the change agent and his client. Dube in his work on change in Indian rural society defines extension more narrowly than Mosher, and regards demonstrations, group visits, classes, exhibitions, visual aids and other techniques as being outside extension, which is individual advice, given in the home, in the business or on the farm. The definition is less important than the fact that few of the techniques he mentions, apart from individual visits or classes, are appropriate for small general shopkeepers in Kenya. Dube makes the obvious if sometimes neglected point that the method of communication must depend on the nature of the information to be communicated,[2] and the whereabouts and occupations of the potential audience are clearly important as well. These practical determinants of the method of communication must naturally play an important role, as they do in any media selection decision in the field of commercial advertising and marketing.

There is in addition a further and more subtle dimension, which similarly preoccupies commercial marketers and is perhaps best analysed by Rogers in his exposition of his theory of the diffusion of innovations. He breaks down the process into the four stages of awareness, evaluation, trial and adoption, and describes the communication media most suitable for each stage, whatever the nature of the innovation.[3] Initial awareness, which requires no commitment on the part of the farmer, shopkeeper or other individual to whom the innovation is being promoted, can most effectively be created by the use of mass media, with no opportunity for feedback and maximum economy in terms of the cost per thousand people contacted. "Group influences", such as village meetings are said to be the most effective means of promoting the actual trial and evaluation of innovations. Individual experience with the trial will clearly be the main determinant of complete adoption, but the availability of personal advice is an important ingredient at this stage. We have already seen the practical difficulties of organising group sessions of competitive traders. Rogers says that one hundred per cent reliance on individual extension would be "folly" because the ratio of such staff to clients can never be high enough.[4] It is not entirely clear if he considers individual extension to be the ideal, but accepts mass media and group training as more economical alternatives which are good enough for the awareness and trial stages of diffusion. Lynton and Pareek rate various training methods against the objectives of the trainer, and they make the point that individual extension in the field fails to provide the feeling of common membership of a new group which can sustain innovators over the initial difficulties of adoption.[5] They recommend continuation of contact between such group members and the trainer, to counter the loneliness and occasional despair which must afflict the trainee when he returns to his working situation. These feelings would presumably never have occurred if the group method had not been used in the first place but Lynton and Pareek appear also to recommend group methods mainly because of the high cost and difficulty of staffing an individual extension service, particularly in developing countries.

There is no doubt that the mutual support and group spirit generated by group training methods is a valuable asset. Carr goes so far as to say that extension cannot work unless farmers are gathered together.[6] MacLelland and Winter's technique for motivating economic achievement depends almost entirely on the creation of a peer group with mutual support and one cannot imagine how this particular technique could be applied by staff working with individual entrepreneurs in the field. This technique has however so far been used only to create an elite of highly motivated entrepreneurs, in the hope that they will generate increased economic activity by example and their own outstanding performance.[7] We have already seen that the task of improving the operation of Kenya's small general shops is very different from that of stimulating general economic activity, and the intention is not to create a small elite of good performers. Rogers stresses the role played by early adopters and opinion leaders, who may be more effective diffusers of innovations than any more heterophilic external change agent could ever be.[8] Mosher also makes the point that the enthusiasm of the early adopters is a major source of more widespread adoption.[9] The innovations in question have almost always been agricultural or domestic, where an increased rate of adoption will benefit the early adopters. If more people in a village realise the advantages of clean water, or more farmers start to use fertilisers, it is likely that the increased demand will lead to more effective supply. If a new cash crop is adopted by a larger number of farmers, it is more likely that an efficient marketing system can be set up. There are thus practical motives for early adopters of this type of innovation to encourage their less enthusiastic neighbours to do the same. Rogers admits to peasants' perception of what he calls the "perceived limited good"; such a view of the world leads a man to believe that he can only benefit at the cost of someone else's suffering, and this belief apparently inhibits the diffusion of innovations even when the good is in no sense limited.[10] We have already seen that the total market available to small general shops is in fact very limited, and that improved results for one will probably be gained at the expense of his competitors. There are no data available on the effect of demonstrably finite benefits on the rate of diffusion from early adopters, but it is clear that emulation would be more likely to arise from the interest and jealousy of the laggards than from voluntary encouragement by the early adopters. It is therefore unlikely that group training methods, of any kind, will be as successful for small general shopkeepers as they have been shown to be for farmers, mothers or businessmen from a wide range of non-competitive enterprises, such as were selected for MacLelland's achievement groups in India.[11]

Although loans have been the major promotional device for small traders in Kenya, there have been substantial efforts to provide courses. Although these efforts have been somewhat uncoordinated, and there has been no systematic evaluation of the results, it is worthwhile to examine what has been done, and its effect on the few of our sample who have participated. Roling, Chege and Ascroft in fact propose a major re-emphasis on courses for farmers, because of the scarcity of extension staff and the inequitable effects of existing extension services.[12] The ILO report describes the inequity of existing methods of agricultural extension,[13] and Rogers confirms that change agents tend to have more contact with clients of higher than average social status, who are presumably among the more successful.[14] There are some twenty-five District Trade Development Officers in Kenya, and they are meant to organise one course for traders in their District every month. Their actual performance is far below this figure and in Central Province, which has by far the most aggressive trade development activity, there were only fourteen courses during 1972 although there should have been sixty according to the number of Districts. Nevertheless, Trade

Officers may be responsible for some forty courses per year in Kenya; if the observed average attendance of some twenty shopkeepers is typical, about 800 traders receive this form of assistance each year. The official figures for attendance are somewhat unreliable, since they are based on the numbers of certificates handed out at the end, and many traders only turn up for the first and the last sessions. In addition, the United Nations sponsored Management Training and Advisory Centre in 1972 conducted nine courses for a total of 243 traders and the institute for Adult Studies of the University of Nairobi, in Central Province at any rate, offered courses to over one thousand traders during 1971.[15] The total of some two thousand participants approaches ten per cent of the total number of small general shops in Kenya, and even though a number of them were not shopkeepers this is a reasonable figure. Sixteen per cent of the 169 shopkeepers contacted in this project had attended a traders' course of some sort at some time. Table 8 lists some characteristics of this group of 27, and compares them with the characteristics of the remainder of the sample.

Table 8

COMPARISON OF SOME CHARACTERISTICS OF COURSE PARTICIPANTS WITH NON PARTICIPANTS, WITHIN THE SAMPLE OF 169 SHOPS

	27 Participants	142 Non Participants
Total of Annual Wages and Profits as a percentage of Capital Employed	48%	47%
Total Assets Employed	Shs. 18,075/-	Shs. 7,317/-
Years since Foundation of Business	6.2 Years	3.2 Years
Percentage of shops keeping some Record of Cash Movements	74%	55%
Number of Consultant's Recommendations accepted in this Project	2.8	3.1
Percentage of Shops in Receipt of a Loan	19%	3%

The sample is small, but the results suggest that attendance at a course is associated with greater than average age and scale of operations, but not with a higher rate of return in terms of wages and profits earned from the investment. The most obvious difference is in the matter of loans. Ninteen per cent of course attenders are in receipt of loans, whereas only 3% of those who have not been to a course are so fortunate. De Wilde has suggested that individual extension, such as the prototype which is tested in this research, is most effective when combined with group courses.[16] There are obvious attractions to this idea, since it might avoid the need for repeating instructions about basic techniques to each client individually, but the data from this admittedly small sample of course participants does not suggest that they are any more likely to be receptive to individual advice than shopkeepers who have not attended courses. If the course material was specifically designed to prepare participants for our consulting procedure, the results might be different, and further research would be needed to test the efficacy of such a combination. This data is certainly insufficient basis for a comprehensive evaluation of traders' courses. Examination of typical programmes, and experience of teaching in these courses, indicates that their value may be limited.

The content can usually be divided into two major categories. The first may be described as that which aims "to extend the network of acquaintance", to use Marris and Somerset's phrase,[17] or to act as a communication link between two social systems.[18] Representatives of banks, insurance companies, Government Ministries, suppliers and other institutions give brief talks on the operation of their respective organisations, with some reference to their relationship with small traders. There is a tendency for these sessions to be used as selling opportunities by the speakers. If the institution is in any way a source of loans, the speaker is barraged with questions and complaints and he is often compelled to devote his talk to the reasons why loans are not given. The second category of content relates to internal management techniques; some sessions are general, with titles such as "Business Management" or "Types of Business Organisation", and here the quality and relevance varies enormously with the calibre of the speaker. Other sessions, usually conducted by the Trade Officer or his assistant, are devoted to specific book-keeping techniques. A typical course lasts for one week, and about half the time is devoted to book-keeping; this period is often extended because outside speakers fail to arrive and the Trade Officer fills the gap with more sessions on the cash book, the ledger or the balance sheet. Little if any time is devoted to explaining the uses of these records, and it is very rare to find any trader in the field who does more than keep a daily record of cash received and paid out. If, as is unusual, the shopkeeper adds up the totals every month, he does get a very rough idea of the excess of incomings over outgoings, or vice versa, but variations in the level of stocks, the incidence of annual payments such as licence fees and variations in debtors mean that only the annual aggregate even approximates to a figure of profit or loss. Kamau confirms that the "note book" accounts which are kept by traders "are of practically no use for proper management".[19] In any case, our data indicates that attendance at a course is by no means a guarantee that even this form of record will be kept. Conversation with course participants usually reveals that techniques or principles may have been learned by rote, but they are infrequently applied to improve individual circumstances. Everyone believes that his problems are unique, although small general shops are even more similar to one another than smallholdings in the same area. It is not practical to demonstrate any but the simplest good housekeeping techniques, and the conceptual leap from the blackboard or notebook of a classroom to the trader's own shop seems to be beyond the capacity of most participants.

Protagonists of group courses might argue that it is unreasonable to judge this form of extension by reference only to what is being done, rather than to what might be done with more carefully selected content and better organisation. We have already discussed the problems of competition and the difficulty of persuading shopkeepers to absent themselves from their businesses for any but a short period. A major virtue of mobile extension staff is that they promote innovations to all, except those who are actively opposed to change. Courses involve a considerable effort and sacrifice on the part of the participants, even if no charge is made. Unless the organisers take positive steps to avoid it, the courses are likely to benefit only those least in need of help. Roling, Chege and Ascroft propose a highly structured package, centred round a course, which is designed and offered specifically to laggards. They offer the incentive of a loan to pay for the inputs necessary to start growing hybrid maize. The enrollment, attendance and subsequent results were apparently excellent.[20] We have already seen that most small general shopkeepers do not need a loan, and any more direct incentive, such as actual payment for attendance, might seriously distort the traders' motives for attendance. In addition, the goal of a specific agricultural extension package is presumably to achieve the maximum homogeneity of methods among all the farmers, who have been selected from an area where conditions are more or less the same. Small general shops are already too homogeneous, and more differentiation is needed. A short course to a group of shopkeepers is hardly the best setting for teaching them how to be different from one another.

There are therefore strong arguments in favour of greater reliance on individual advice and training for mutually competitive businesses than for other groups such as farmers. It is certainly true that a combination of techniques and services is likely to be more effective than any one on its own, and Mosher refers to the necessity for combining different methods.[21] If we compare the present promotion for small business with that for other activities, however, we find that individual extension services are notable for their absence in small business promotion. At the same time most authorities are agreed that such services are particularly necessary for small business, and this belief is based on reasons other than those already discussed. Mosher stresses the external nature of all other forms of training; the trainee can "lean on" an extension officer, who "translates new opportunities into a personal form in which they can be understood".[22] Janetzky describes the consulting service operated by the Netherlands Government for small business, and stresses the importance of the availability of the service on the businessman's own premises.[23] The differing technical problems of industrial enterprises are clearly a major argument for the "plant visit" as opposed to the "clinic" approach. Although one shopkeeper's problems may not differ from another as much as those of a manufacturer, they are likely to be unique in his mind, in the same way as are those of a farmer or a housewife. Individual extension services have been used in such diverse fields as birth control, health care, educational methods and vocational guidance, as well as agriculture and small business.[24] There are good reasons for home visits to discuss many of these topics, but the individual and confidential nature of a shopkeeper's problems is surely at least as deserving of on the spot advice. In Kenya, apart from the Ministry of Agriculture's general husbandry and veterinary advisers, there are specialised staff employed to give advice on tea, coffee, pyrethrum and cotton. Cooperatives, the Kenya Farmers Association and sales representatives for agricultural inputs are also involved in taking advice to the farm. It is accepted that farmers are more numerous, and economically more important, than small traders, but it is reasonable to suggest some sort of individual extension service for small shops when some 7,200 staff are said to be employed to provide such a service for farmers.[25]

There is general agreement that individual "in plant" advice should be made available to industrial entrepreneurs. Staley and Morse describe this as the "cutting edge" of management development for small industry in developing countries,[26] and Mosher points out that it is very suitable for small non agricultural industries.[27] De Wilde writes;

> "An effective programme ... requires both the extension of advice within individual plants and enterprises and ... more formal training".[28]

He also points out that management training and business promotion organisations in Africa have "... lacked sufficient capacity to provide advice to individual enterprises".[29] De Wilde seems to regard such advice as an adjunct to more formal training, to "sell" the idea of attendance at courses, follow up such attendance, and ensure that the course material is based on familiarity with the operating problems of the participants. He also refers to the failure of the business advisory service in Dahomey, which only dealt with 20 clients in a year because it was not taken out to businesses in the field but awaited their invitation.[30] This is contrasted with the apparently successful beginnings of the "Association pour la Formation des Cadres de l'Industrie et de l'Administration" in the Cameroon, where most of the staff were said to be advising on site, and not teaching in centralised courses.[31] De Wilde, and others, mention the supportive nature of individual advice, which is needed to ease the transition from a formal course back to the working situation.[32] Other authorities recommend that individual advice should be provided for industrial entrepreneurs whether or not they attend courses as well. The ILO general text on services for small scale industry[33] and the ILO report on Kenya's unemployment situation are quite definite on this point. The latter states that their major recommendation for small scale and rural industrial promotion is "to establish an individual extension service",[34] and Onyemelukwe makes the same recommendation for Nigerian business.[35]

Industrial enterprises need advice on technical and managerial problems. Traders and shopkeepers have received less attention, even though there are far more of them, and this relative neglect may in part arise from the tradition of contempt which was referred to earlier. There is however a substantial body of opinion in favour of such advice for small business of all kinds, including retail shops. Several authorities recommend such a service, or criticise existing institutions for not providing it. The ILO report, the World Bank and the Kenya Government Working Party on Small Business Development all recommend it for small business in Kenya. The relevant quotations are worth quoting in full.

> "Follow up (to courses) is required in the form of business promotion and advisory services that will be geared to the need of smaller wholesalers and retailers.[36]"

> "The Kenya Management Training and Advisory Centre has no capability for giving continuing advice to traders."[37]

> "The training of small businessmen is most efficiently accomplished through an extension service on the premises of the business itself."[38]

> "Above all, more extension services of an on going nature must be provided."[39]

A similar recommendation is made for Tanzania, where Hawkins proposes a "... commercial extension service comparable to the agricultural extension service", because traders cannot get away from their place of business and "... practical instruction and demonstration in the retailer's own shop seems to be the answer".[40] France[41] and Mosher[42] are primarily concerned with farmers, but they both say that similar on the job training should be available for retailers.

There are many recommendations for individual extension for small businessmen, but there is little practical experience of their implementation. De Wilde refers to the "Moniteurs du Commerce" who were proposed for Côte Ivoire, but this system aimed at the creation of a totally new chain of Government sponsored and initially Government managed retail outlets.[43] The Partnership for Productivity project in the Western Province of Kenya has received some attention. This is a privately financed operation, with origins in the American Society of Friends, which aims to develop local small business in a somewhat neglected and heavily over-populated part of Kenya. The initial approach was to lend money to finance promising ventures, and to guide the borrowers with continuing on the spot advice. It may have been fortunate that the loan funds were quickly exhausted,[44] because the staff turned perforce to providing advice on its own. The early borrowers became somewhat of a burden, since they seemed unable to detach themselves from the financial or the managerial advice of the Partnership for Productivity, but some success has been achieved with later clients. The staff includes a few Kenyans of some experience and qualifications, and a number of expatriate advisors who usually remain for short periods only. The calibre of both the local and the expatriate staff is higher than could be expected in a nationwide service, and the religious background has helped the organisation to attract staff at sub-economic salaries. Experience of working with this group in the field indicates that valuable results have been achieved, albeit at great cost, in spite of substantial organisational difficulties which may have arisen because of the varying backgrounds and motivation of the staff. The advisors are however, "heterophilic", to use Roger's term, in the extreme; this must reduce their efficacy even if a larger scale replication of the scheme were possible, which is unlikely. This service aimed primarily to generate new activities rather than to help all or a large proportion of the businessmen in the area, so that it could not be expected to remedy the widespread problems which we have identified among small general shops.

Organisers of services in Ghana, Malawi and Papua New Guinea have provided useful information about their activities. The Ghanaian Business Bureau offers advisory, consulting and training services for small business, with the major emphasis on financial control and record keeping. They concentrate on individual consulting, but some courses are also offered. Five American Peace Corps volunteers and ten local consultants are employed. All have high qualifications, with some business experience. The results are said to be satisfactory, but the cost of employing staff of this calibre prevents the service being extended to the very small scale businesses such as the retailers who are the subject of this study[45] In Malawi

Bookers (Malawi) Limited used to operate an advisory service, in conjunction with the granting of credit. When a trader asked for credit, he was visited and his operation was assessed. If the verdict was favourable, credit was granted and controlled by normal commercial procedures. If not, a detailed letter was sent to the applicant, stating the reasons for rejection, and giving specific advice as to how the business might be improved so that a subsequent application for credit might be successful. This letter might or might not be followed by a visit from an advisor, and some traders followed the advice and were later granted credit facilities as a result. It is significant that the state owned National Trading Corporation reduced this service substantially when they took over the operations of Bookers (Malawi) Limited, because of the high costs and low returns.[46]

A circular letter was sent to the relevant authorities in a large number of developing and developed countries, enquiring about extension services for small business. A number of replies were received, but in almost every case the services, if any, were operated on a small scale, using highly qualified, experienced and thus expensive advisors. For this reason, the services were available only to a small number of businessmen. These might be the ones in a particular part of the country, or a particular industry. The Papua New Guinea operation, however, comes closer to the ideal of providing a service to every businessman, however small the scale of his operation. This service was in 1972 staffed by 23 expatriates and 42 local staff, 20 of whom were in training. Some 4,000 clients were being serviced on a bi-monthly basis, and considerable improvement in their operations was evident. This is substantial, and, so far as is known, a unique achievement, particularly when the very poor communications and other primitive aspects of Papua New Guinea's economy are taken into account. The qualifications and training of the staff will be discussed later, but it should be noted that they receive two years of special training for this work, and are expected to have had some business experience before being recruited.[47] The cost must therefore be substantial.

It becomes clear that individual extension is a most suitable form of training for small general shopkeepers. It is widely recommended, both for small business in general and for retailers in particular, but it has rarely been implemented. There may be a number of reasons for this failure, but the most likely one is the difficulty and expense of recruiting staff with the experience and qualifications which are believed to be necessary. This possibility will now be examined; if it can be shown that staff are the major constraint, but that the calibre recommended is unnecessarily high, it may be possible to facilitate the implementation of a service which is widely regarded as being necessary for the effective promotion of small business in developing countries.

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EXTENSION STAFF, THEIR QUALIFICATIONS, SELECTION AND TRAINING

Management consultants are among the most highly paid and highly qualified of all employees; this is not unreasonable, since their clients presumably expect to be advised by people whom they believe could perform many of the functions of those whom they are advising. The fees for management consulting are bound to be high in any case, and there may be a vicious circle which forces them even higher, since high fees lead to a demand for highly qualified consultants who lead to higher fees and so on. In the small business sector it is often agreed that similarly high qualifications are required, in order to gain the respect of the client, whether he is paying for the service or not, and in order to be sure that a competent adviser is employed. In Holland high academic qualifications plus four years' experience in business are the minimum requirements for recruits to the small enterprise consulting service,[1] and in Denmark three years' experience is similarly demanded.[2] The Service Corps of Retired Executives (S.C.O.R.E.) programme in the United States employs highly experienced retired senior executives to give advice to small business, both within the United States and in developing countries. These men give their services for little or no charge,[3] but even their local living expenses make such a service far beyond the reach of small businessmen in Kenya.

The Asian businessmen who are rapidly being replaced by Africans might be thought to be an ideal source of advisers for their successors. They are experienced in retailing, substantial numbers are presumably unemployed since they have been compelled by Government to hand over their businesses, and they need to ingratiate themselves with the new order so that their departure and that of their money, can be facilitated, or so that their continued operations in manufacturing or other enterprises can be safeguarded. There are however a number of difficulties which must prevent the implementation of this solution to the staffing problem. Marris and Somerset devote some space to African businessmen's feelings about other races as sources of assistance, and it is clear that the Asians are mistrusted, even though they have often been very helpful to the very respondent who condemns them.[4] There are other practical difficulties; the Asians usually do not speak local vernacular, and many of the shopkeepers advised in this research, particularly the women, were unable to speak Swahili. The Asians rarely live in the rural areas where the majority of the small general shops are located, either because these areas were always served by small African owned shops or because the Asians left many years ago. The status and income expectations of the average Asian are fairly substantial, and it is difficult to imagine them being willing to tolerate the very simple living conditions, and the lack of personal transportation, which are necessary if a service is to be truly cost-effective. Many of the same objections would apply to the use of successful African retailers as advisors to the remainder. Business ability is not necessarily identified with teaching skill, and although the average level of salaries paid to themselves by the shopkeepers in the sample is sufficiently low to be economic for extension workers, the more successful traders were usually paying themselves well over the average, and would presumably expect a substantial additional inducement before they would leave their shop which at least in their opinion held out future chances of considerable wealth. A temporary assignment to extension would also pose problems, since a competent replacement would have to be found to manage the shop in the meantime, and the necessary investment in initial training would be uneconomic if the adviser was only employed for a short time. Existing traders, whether African or Asian, are already performing a training role by employing assistants who later go on to start their own businesses. There does not appear to be any formal system of apprenticeship, but a number of the shops in our sample were owned by businessmen who had been informally trained in this way, sometimes by their fathers or other relatives, and sometimes by businessmen who were not related to them and had employed them as assistants without any commitment to training. This form of in-service training can be very effective if the employer is an efficient shopkeeper and is unlikely to be susceptible to external encouragement, and is more or less unrelated to the provision of extension or other services from outside. Reports and recommendations for small business extension services in developing countries often state the qualifications required for their staff, but they rarely go into how such people are to be recruited, or at what cost. Davenport writes a "... high level of professional training and lengthy practical experience",[5] and the ILO report on Kenya refers to a force of some 500 industrial extension officers, who are to be recruited over a period of years, and who should have business experience.[6] The Kenya Government Working Party recommends a "large number" of "Business Analysts", who are the "key resource" of the proposed small business development centres, and should be "broadly trained in all aspects of business problems".[7] Sir W.A. Lewis recommends that the Business Promotion Agency in Ghana should equip itself with "sufficient competent staff", but he does not go on to say how this is to be done.[8] Staley and Morse suggest that counsellors for businessmen must be trained adult educators as well as practical men who can demonstrate innovations to their clients, and they state that three years of on the job training is necessary before consultants can start giving independent advice. Here again the cost is not mentioned.[9]

Other authorities at least recognise that finding staff of the necessary qualifications is likely to be a problem, even if they do not suggest ways in which it may be solved. De Wilde writes;

> "the availability of competent personnel is likely to remain a serious constraint on efforts to promote African private business enterprise".[10]

In Israel,[11] Turkey,[12] Ghana,[13] and Nigeria[14] staff recruitment problems are said to be the major factor which prevents the development of effective small business promotion. De Wilde states that the "recruitment of Kenyan staff for the service may pose even more difficult problems",[15] and he refers to the possibility of "raiding" the private sector for competent personnel. It would certainly be possible to recruit staff from other organisations, simply by offering very generous salaries. Quite apart from the cost of doing this, however, it is doubtful that the whole economy of Kenya, or of any other country, would benefit by an uneconomic concentration of its scarcest resource, namely competent and experienced local managers, on the promotion of small business.

There is a considerable body of knowledge about agricultural extension workers, and the determinants of their success. There seems to be general agreement that the task of small business extension work is more difficult. De Wilde writes;

> "a business extension service demands a range of expertise far broader than that needed by an agricultural extension service",[16]

Davenport refers to the difficulty involved in serving a widely scattered clientele, who are more sophisticated than farmers and in overt competition with one another.[17] It may be, however, that the differences and difficulties have been exaggerated so that the undoubted advantages of low level, local staff, apart from its economy, have been neglected. All the available evidence seems to indicate that personality traits are a far more important determinant of success than academic qualifications or training, for agricultural extension workers at any rate. The evidence from the United States may be discounted, since nearly all extension workers there are college graduates, but the situation is the same in India.[18] Kelsey points out that an educational system which encourages rote learning, and discourages individual initiative, may even be disfunctional for potential extension officers, because they have "not grown up knowing how to analyse and attack actual problems".[19] De Wilde observes that the Zaria branch of the Nigerian Industrial Development Corporation avoided the mistake of recruiting staff with high academic qualifications[20] and there is other evidence that higher education may be a disadvantage for extension workers. Kulp says that in Taiwan the Farmers' Associations "... whose staff had only primary school education were more successful than those with University degrees".[21] Indian Village Level Workers with secondary education are said to be more successful than University graduates,[22] and Rogers refers to the Allahabad Agricultural Institute's findings that staff with elementary education only were the most effective at reaching and convincing their clients.[23] Leonard shows that in Kenya the most educated agricultural extension workers were more technically ignorant and presumably less effective than those with between five and nine years of schooling,[24] and Harrison apparently had similar results in Nigeria.[25]

Apart from Kelsey's observation which has already been referred to, education is not seen as a disadvantage in itself. The difficulty is rather that education very often leads to alienation from the environment in which extension staff must operate, even if the educated recruits come originally from that environment. In many countries, including some of the underdeveloped nations of Asia, education tends to be more easily available to those with an urban background, so that the use of educated extension workers necessarily involves interaction between urban and rural people, with consequent problems of mistrust or contempt.[26] Kenya is so far fortunate in that the vast majority of its citizens still consider their homes to be in the rural areas; even if wage earners are concentrated in the cities, their families often remain at home, and are educated there, at least to secondary level. University education takes place away from home, but the graduate is still known and recognised as a native of his home area. Nevertheless the educated man will acquire norms and attitudes which conflict with those of his less fortunate neighbours. He may in fact conform closely to the norms of his employer who aims to promote innovations, but this very conformity is shown by Rogers to be disfunctional to his success as a change agent.[27] Clearly, however, a certain acceptance of these norms is necessary for the change agent to appreciate the need for change so that he can promote it. The problem is to confine the "heterophily", to use Roger's term, to the minimum area of knowledge and attitudes which is relevant to the particular extension task. Rogers accepts that change agents must be "ahead" of their clients in some overt way, in order to be credible.[28] This should not be evidenced by the Homburg hats and city suits which were apparently the preferred dress of well educated Colombian extension workers.[29] Kelsey criticises even the white shirts and brief cases likely to be affected by educated change agents.[30] This comment may be appropriate in agriculture, but small tokens of being "ahead" such as a generally neat appearance may be the appropriate evidence which is recommended by Rogers.

Janetzky refers to the danger of confusion with Government health or tax inspectors which arises if change agents are obviously from an alien background.[31] This danger is very real in Kenya. The abolition of the Graduated Personal Tax in 1973 was accompanied by a drive to recruit more tax inspectors to collect more tax from small businessmen.[32] There is in any case a substantial body of evidence that people with a local background are more likely to be successful change agents than those from other places. Local background may be erroneously identified with lack of education, but there is no doubt that higher education of any sort, particularly that which takes place away from the pupil's original home, may well induce a distaste or even contempt for his origins. He may require extraordinary inducement to return to the very place from which he believed his education would release him, and in spite of such inducements his commitment to the task may be less than acceptable. The demands of the extended family are another reason why well qualified, and thus well paid staff are reluctant to work full time in their home areas. A brief monthly visit from the city is expensive enough in terms of family support, but the pressure of demands may be intolerable if the wealthy relative is available at all times.

The Kenyan agricultural extension effort is staffed largely by some 5,500 Junior Agricultural Assistants and Junior Animal Health Assistants, and they rarely have more than seven years education. Their performance is however not particularly good. Much of the inadequacy may arise from poor supervision and control, but it is significant that recruitment of this level of staff has now been stopped. Only the higher grade of Agricultural Assistant is being hired, with a minimum of four years secondary education. It may be that the completion of four years secondary schooling, and attainment of the minimal qualification of the East African Certificate of Education, represents the optimum level for small business as well as agricultural extension staff. Boarding school in Kenya usually starts at the fifth form level, since most parts of the country have lower level secondary schools within reasonable reach. East African Certificate of Education holders are thus unlikely to have been too seriously alienated from their home environment, and their very numbers guarantee not only economic salaries but also a degree of familiarity which will not be too discouraging to a client. In 1972 there were 27,610 pupils in the fourth year of secondary school, and 22,341 received at least E.A.C.E. after leaving the fourth form in 1971. The equivalent figures for sixth form students are 2,990 and 1,899.[33] One thousand one hundred and twenty one of the Higher Certificate recipients went on to the University of Nairobi.[34] The figures are not completely comparable, but they do indicate that there are likely to be fewer candidates for positions where more than E.A.C.E. and less than a University degree is demanded. On the grounds of "homophily", familiarity and cost, it therefore appears that fourth form leavers may be the best group from which to recruit extension staff. Local origin is perhaps even more important than any particular level of education. In Senegal,[35] India,[36] Malagasy,[37] and in developing countries in general,[38] as well as Kenya,[39] extension success is closely related to local origin. There may be good political reasons for breaking down tribal barriers by posting senior Government staff to areas other than their own, but in the field of extension familiarity with the local vernacular and the local economy is essential. There is some evidence from the results of this research that this can be over-emphasised. The consultants tended to be rather less successful in the immediate neighbourhood of their homes, where they were well known, and perhaps even closely related, to some of their clients. This is however a minor problem, since in only a small proportion of a man's "parish" can he be expected to be that familiar.

Most authorities believe that business extension services need staff with higher qualifications than four years of secondary education, and this belief has perhaps been the reason why so few recommendations for the establishment of such services have been implemented. This relatively low level may nevertheless be appropriate for business as well as for agricultural extension staff. Although the ILO report on Kenya recommends Bachelor of Commerce degrees for its "Business Analysts",[40] the general handbook on "Services for Small Scale Industry" published by the same organisation suggests that "... at least secondary education and a talent for solving problems" may be sufficient qualifications for consultants.[41] In Papua New Guinea, fourth form leavers are used for commercial extension, but they receive a further two years of full time formal training in commercial subjects, and are then trained for more than a year on the job before being given consulting responsibilities, so that they may really be closer to sixth form leavers or even to University Gradiates. It does however seem worth while to try to devise a business extension service staffed by fourth form leavers. There is substantial evidence that staff with this level of education may in fact be better at extension work than those who are usually recommended, and a successful demonstration would perhaps allow many such services which have been proposed actually to be implemented.

If staff were to be recruited from the relatively small group of University Graduates or sixth form school leavers the task of selection would be fairly easy, since attainment of that level of education guarantees a fair degree of intelligence, particularly in the fiercely competitive situation in Kenya. The number of applicants would also be restricted by their distaste for working in rural areas. Since it has been decided that extension staff are to be recruited from fourth form leavers, the number of potential candidates is far larger, they are more likely to be willing to work at any job which is offered to them, and the selection task is thus considerably more difficult. Rogers has rated the importance of the determinants of success for extension workers, and concludes that personality is almost twice as important as any other factor, followed by training, the candidate's own interest, and his attitude. Rogers rates ability to learn new information quickly as of no significance.[42] Mosher refers to "personal qualities" as being more important than knowledge or previous qualifications.[43] It is clearly more difficult to assess personality than academic attainments; there has been a great deal of research on determinants of success in extension work, but the authorities do not usually translate this into practical techniques for effective selection.

Many extension services lack the effective monitoring and control systems which might expose the effects of poor selection or training. It is useful to compare the techniques used by commercial firms for their salesmen. There has been little enough exchange of ideas between the fields of extension and commercial selling. Extension staff and salesmen are fundamentally doing the same job, namely promoting change, and the determinants of success, and the costs of failure, are similar. It may be that the lack of controls in many extension organisations conceals the inadequacies of the staff, because performance is not measured or rewarded and staff turnover remains low. An American survey of 500 commercial sales forces showed that only half the men recruited during a given year were likely to be still employed by the end of the following year.[44] It may be that extension services would show similarly high wastage rates, if poor performance was identified. As it is, the costs of poor selection and training are often even higher, because ineffective staff remain undetected, and are probably themselves unaware of their own deficiencies.

Empathy and ego drive are generally acknowledged as the main determinants of success for a salesman.[45] There are many tests available to assess these rather elusive qualities, but they seemed unsuitable for candidates from rural secondary schools in Kenya, and in the final selection procedure they were subjectively assessed in personal interview. In addition, a brief test was made of the candidate's aptitude for simple commercial calculations. The test is shown in Appendix 5.

It was decided to employ six consultants in the prototype test of the proposed extension method. Financial constraints later forced this number to be reduced to five, but their success in the field, and the ease of recruiting them, suggests that their qualifications were sufficient and that the selection procedure was reasonable. Those who were finally chosen seemed to be fairly similar in their performance during interview, and their marks on the test, and their academic results, were not markedly different from one another.

The six consultants were selected from some fifty candidates, who were themselves chosen from over a hundred applicants. The majority of those who were interviewed and tested were easily eliminated because of their apparent inability to do the calculations, or because they were so diffident and unable to make a favourable initial impression that it was felt that no shopkeeper would give them a hearing. The final selection was more difficult, and it may well be that several of the candidates who were not selected would have done as well as those who were. In any case, a large number of academically and personally qualified candidates applied, largely through the operation of the effective informal "brokerage" system referred to in the ILO report.[46] This shows all too clearly how seriously Kenya's educated manpower is underutilised, and it demonstrates the ease of recruiting staff with the qualifications required for the projected extension service. The salary of Shs. 300/- per month, which was made known from the beginning of the recruitment process, was not such as to attract many by its generosity.

The quality of the applicants from Nyeri, in academic terms, was somewhat higher than those from Machakos, in Eastern Province. This difference was presumably the result of the better education available in Central Province. In 1970 82% of the primary school teachers in Central Province were qualified, as against only 66% of those in Eastern Province. There were 35.1 first form secondary school places available for every 1,000 of the population aged between 15 and 19 in Central Province, and only 18.9 places in Eastern Province.[47] This is yet another example of the imbalance in Kenyan society. The fact that the performance of the consultants from Nyeri was no better than that achieved by those from Machakos may indicate that the training and consulting methods employed are potentially able to make some small contribution towards remedying the existing inequities.

The funds available for this project would allow for no more than seven months' employment of the staff. The pilot tests of the procedure indicated that a minimum of four visits to each retail client, at monthly intervals, was necessary for good results. The period of training had therefore to be no more than three months, and preferably less because of holidays, sickness, and other problems which might be expected to reduce the effective working time available. The rationale of the whole approach depended on the hypothesis that a simple procedure would allow consultants without business experience or specialised qualifications to perform effectively. No attempt was made, therefore, to concentrate the benefits of a University degree or business experience into a three-month course.

The period was perforce shorter than that generally recommended, and since low cost was a major target, this constraint was welcome. The "conseillers d'entreprises" in Côte Ivoire are trained for ten months, in addition to having business experience,[48] and the Papua New Guinea business counsellors receive two years of formal instruction.[49] A very short course was made possible by the concept of the consultancy procedure itself. Experience had shown that it was possible to predict nearly all the problems, and appropriate solutions, which the consultant might come across in his work. Clearly occasions arise when a consultant was faced with a situation for which he had not been prepared. The damage that was done by his failure to propose a remedy, or even by faulty diagnosis, was considered a cheap price to pay for the benefits of using low level staff and a brief training period. In addition, every consultant had a supervisory session of one or more hours at least every month, since close field supervision is an important part of the concept. The forms used were some guarantee that a faulty diagnosis would be corrected even if the consultant did not himself raise the problem.

This concept of a diagnostic rather than an analytical training may be criticised for lack of breadth and genuine educational value. It is certainly true that the training was intended to do nothing other than to equip the trainees for this specific task, and they were in a sense "programmed" to respond to particular visual or quantitative symptoms with specific recommendations. Written case studies were extensively used as training material, and these were supplemented by "living" case studies, as is recommended by Alan Major[50] and the Kenya Government Working Party report.[51] The necessary material was eventually compressed into an eight-week course, which actually lasted nearly ten weeks because of holidays and so on. The complete programme is reproduced in Appendix 6, with the exception of some readings and case studies which have been published elsewhere, and for which references are given in the Appendix. It is possible to follow from the weekly assignments the development of these "longitudinal case studies"; the trainees worked in a shop for one or two days each week, and attempted to analyse the problems and to develop and implement improvements after persuading the owner or manager to cooperate. This form of in-service training, together with traditional case studies, is widely recommended for extension workers in business, community development and agriculture. It was used for the Indian Village Level Worker programme,[52] and in the Japanese small industrial consultant training scheme.[53] Garrigues uses the phrase "une Pédagogie du Possible" to describe the combination of class and field training which he recommends for workers in Malagasy.[54] This term emphasises the value of a system which reinforces classroom lessons at every stage by showing that what was taught is possible. Mosher mentions the advantages of alternating classroom sessions with fieldwork, with the trainees' attention being directed to specific techniques which are attempted, discussed in class, and then reapplied in the field.[55] This eight-week training programme involved at most one or two days per week of classroom work; the remainder of the week was spent working in shops or in private study. In addition to the field work, short tests were given in class to make absolutely certain that no essential points were missed, since the pace was such that a trainee could easily lose touch with the whole course. Rogers suggests that empathy, which we have already identified as an important determinant of success, comes from the ability of the change agent to put himself in the position of the client. This ability depends ideally on his having in fact been a farmer prior to joining the extension service.[56] We have already seen that it was not practicable to recruit ex-shopkeepers for this service. Nevertheless some empathy might develop from the brief experience of actual working in a shop to which the trainee had been exposed.

Dube[57] and Heyer, Ireri and Moris[58] recommend that extension workers should be trained not only in their particular subject, but also in the techniques of persuasion and extension methods in general. Time did not allow for these to be dealt with in this programme, and in any case the diagnostic concept of the training militated against methods of persuasion being considered as something separate from what was being promoted. The trainees received demonstration and practice in diagnosis, selecting recommendations and "selling" them, both in classroom role playing situations, and in group visits to shops close to the classroom, where ideas could be tried out in a real life setting within minutes of their introduction in the classroom. It might be possible in future research to experiment with longer or otherwise different training methods, and to evaluate the results of consultants trained in various ways. The final test at the end of the course, and, more important, the performance of the trainees in their initial consulting work which started before the classroom sessions were completed, indicated that this prototype programme was not without merit. They appeared to grasp most of the relevant principles which students at a higher level who are trained in a more conventional programme take months or even years to assimilate. In the final analysis, the training must be assessed by the success of the consultants in the field. Since they were entirely without any knowledge of business when they started it is fair to ascribe whatever success they achieved to the training they received.

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THE CONTENT AND ORGANISATION OF THE EXTENSION SERVICE

It should be clear from the foregoing account of the training given to the extension staff, or "consultants" as they were called to enhance their own status, that the approach was diagnostic, working from an analysis of the needs of the client. Bruce distinguishes between a supply and a demand oriented system of extension advice,[1] and there is an obvious parallel between this and the concept of marketing as applied by commercial firms. Levitt distinguishes between selling, which "... focuses on the needs of the seller ...", and marketing which focuses "... on the needs of the buyer".[2] Rogers points out the dangers of applying mass produced solutions rather than making an individual assessement of needs,[3] and he quotes the graphic phrase "scratching where the masses do not itch" to emphasise his point.[4] It may well be that the loan programmes which have until now constituted the main form of assistance to traders are an example of this type of error, but this raises the distinction between the perceived and the genuine problems. We have already seen that shortage of finance, or the need for a loan, is believed by the majority of small general shopkeepers to be their most important or even their only problem. It has also been demonstrated that the way in which existing funds are being employed actually constitutes a more immediate problem, whose solution would solve the perceived shortage of capital for many traders. Kelsey states that extension services must offer what clients want, and not what the institution believes they need.[5] Mosher analyses the situation more deeply, and points out that extension must start by emphasising the "felt needs" of clients, and then show that these can perhaps be satisfied by adopting the means which the extension service recommends.[6] Management consultants often admit that their most important function is to define problems rather than to identify solutions, and the diagnostic or problem definition function of extension work for small business is stressed by Janetzky,[7] Limp,[8] and Primo.[9] Dube mentions that the Village Level Workers in India were more successful than most extension workers because they looked for needs before they recommended changes.[10]

It is difficult enough to use staff with no experience and few qualifications to present mass produced solutions. How can such an adviser make a meaningful analysis of a trader's total situation, so that he can identify the real problems even if the trader himself is quite unaware of them? As has already been indicated, the answer to this difficulty was found to lie in the traditional accountant's statement of a balance sheet and a profit and loss account, supplemented by a few additional pieces of information and guided intelligent observation. A simple, pretested, set of basic information seems to be a prerequisite for successful extension in any field. The Kenya Tea Development Authority uses a basic system of field reports to record the quality of the various aspects of tea husbandry on each holding. The farm plan is said to provide "something to cling to" for the extension officer and the smallholder in Kenya.[11] The ILO stresses that the first stage of any extension procedure must be to collect the facts, by a combination of observation, interview and facts subsequently acquired as a result of record keeping which was initially recommended.[12] Limp emphasises the importance of the basic analysis which answers the questions, "What are the essential rationalisation reserves in an enterprise?", and "In what ways is it possible to make these reserves accessible?", which he says must precede any definition of problems or suggestion of solutions.[13] Similar techniques are used in Japan,[14] in Peru, Swaziland and Papua New Guinea, to provide a firm basis on which the subsequent extension effort may be built, and to ensure that the advice is based strictly on that client's own problem.[15]

The actual forms which were used in this research project are shown in Appendix 7. The suggested wording was of course not followed slavishly, and readers of Kikuyu and Kikamba can see from the following versions that the exigencies of the vernacular if nothing else demanded paraphrase rather than translation. Rogers mentions the danger of asking clients "how much" or "how many" without first establishing the existence of the asset in question, since courtesy prescribes giving a positive figure even if there is in fact none.[16] Similarly, the consultants were trained to avoid suggesting in any way the answers they wanted or expected, since clients were extremely quick to appreciate the purpose of the question and then to give what they believed to be a welcome answer, even if it was not correct. This preference for good manners over veracity is an example of the cultural differences which were minimised by employing change agents who were as close as possible to the social and cultural environment of their clients.

The initial analysis was essential to ensure the relevance of the subsequent advice, but it must be stressed that the purpose of the project was not to gather information except insofar as it had a bearing on increasing the available knowledge about methods of improving the operations of small general shops. The schedule of possible recommendations is shown in Appendix 8. The consultants recorded their suggestions on each call, and on subsequent visits they noted whether the advice had been followed or not in the appropriate space. Certain innovations in book-keeping techniques were recommended initially in order to provide the figures which would enable the basic analysis to be completed. It was necessary to avoid the dangers inherent in purely clerical recommendations. We have seen that the shopkeepers who already kept some record of cash movements were no more successful than those who did not. Clerical procedures are easy to teach because they are standard and they are attractive to the institution and the individual change agent because their adoption can easily be measured. This is particularly important when, as in this case, an organised attempt is made to evaluate the success of the individual consultant. The client himself can also feel that he is actually doing something new which is a part of the package of success. This is dangerously akin to the cargo cults practiced in New Guinea and elsewhere, which teach that money can be made by following meaningless procedures which seem to be similar to the things that rich men do.[17] Although the introduction or improvement of record keeping often provides the businessman with a valuable tool, books are only a means to an end, and if they are not used they merely waste time and may eventually bring disrepute to all the change agent's recommendations.

This is not to suggest that there are no benefits to be gained from keeping records other than those of customers' debts. Tubigyele gives a useful list of the advantages of keeping accounts.[18] We have seen that knowledge of profits is a useful measure of achievement. Quite apart from this, regular record keeping can show the businessman whether he ought to limit his withdrawals or he can safely take more money out of his shop. Loans are often an appropriate form of assistance, although, as has been shown, they are by no means as universally necessary as is usually supposed. Accounts are necessary for a careful lender to evaluate a prospective borrower. The recent emphasis in Kenya on tax assessment is also a powerful incentive to record keeping. The Minister for Finance stated in a press interview that if traders did not know their profits they would be arbitrarily assessed, and would then have to substantiate any claim for reduction.[19] A suggested format for a cash record, and a record of debtors, is shown in Appendix 9. These were available to the consultants in book form, but were only given to clients who understood how to use them and whose existing systems were either non-existent or incapable of simple modification. The debtors record enabled shopkeepers to keep a constant check on each customer's level of indebtedness, as opposed to adding up the total only when he came to pay his bill. The cash record is less simple; it attempted to combine in one document a record of purchases, sales, expenses and withdrawals, as well as of new funds brought into the business, but in the field its use was usually varied and modified on the advice of the consultant in relation to the needs and abilities of each client.

Clark raises the question of the order of events involved in the adoption of innovations; does attitude change follow behaviour change, or vice versa?[20] Clearly the final goal is behaviour change, since the intention is to improve the operation of small general shops. Nevertheless, changes in behaviour which are prompted by instructions from a change agent, rather than by a change in attitude, will not survive the departure of the change agent. Rogers stresses that a change agent must aim to "... put himself out of business..." as far as a particular client is concerned.[21] Clark suggests that changes in behaviour which may be virtually forced on the client can lead to attitude changes more easily than if an effort is made to change attitudes first.[22] The policy adopted in this project was to be sure that no change took place without the complete agreement of the client, but to use the benefits accruing from the adoption of the innovation as an argument to strengthen the change in attitude so that future behaviour changes could take place without the stimulus of outside advice. Rogers subdivides the process of adoption into awareness, evaluation, trial and adoption.[23] The attitude change is presumably finalised after a trial is successfully completed. The short time available for consultant contact in this research, which was the result not only of financial constraints but more importantly of a desire to develop a genuinely cost-effective prototype, meant that an attempt was made to telescope the stages of diffusion. Clearly the consultants could not do anything in a shop without the complete agreement of the shopkeeper, but he did not necessarily have to be convinced, for instance, that the capital tied up in dead stocks could be turned into cash by a small price reduction, before agreeing to allow the consultant to draw up a simple advertisement offering a lower price. The success of such a trial, however sceptically it was initiated, was usually sufficient to bring about a change of attitude in favour of that type of innovation. Dube mentions the importance of early success.[24] It clearly influences the change agent's own future performance, the attitude of the client where the success was achieved, and the reputation of the change agent with other clients. Sales managers have been known to "set up" a successful first call for a novice salesman. Although this expedient was not practicable in this case, every effort was made to select initial clients where the potential for success appeared to be greater than average. The consultants were also advised to ensure that at least one of their initial recommendations was of such a kind that the client would obtain a swift reward if he adopted it. It is hoped that there was not an excessive degree of "hustling" involved. An overaggressive salesman will presumably justify himself by his belief that his product will benefit the customer if he gives it a trial. The natural diffidence of the consultants, arising from their own youth, inexperience and awareness of the brevity of their training effectively prevented any obvious excess of this sort.

The number of times each recommendation was given and with what success, is given in Table 9.

Table 9

RECOMMENDATIONS MADE BY CONSULTANTS AND FOLLOWED BY TRADERS

Type (Note A)	Recommendation	Times Made	Times Followed (Note B)	Percentage of Recommendations Followed
C	To keep, or improve the cash record	140	66	47%
C	To keep, or improve the debtors' record	115	64	56%
H	To label the stocks with prices	113	52	46%
C	To record all withdrawals	112	42	38%
H	To rearrange stocks together	93	54	58%
H	To clean and tidy the shop	66	25	38%
A	To dispose of slow stocks at low price	54	32	59%
A	To buy only fast selling goods	51	29	57%
A	Other major policy suggestions	49	27	55%
C	To count and value goods in stock	47	20	43%
A	To return slow stocks to supplier	39	25	64%
A	To advertise a specific service	35	25	71%
H	To stop buying a particular item	30	22	73%
A	To open a Bank account	29	10	34%

Table 9 (Continued)

Type (Note A)	Recommendation	Times Made	Times Followed (Note B)	Percentage of Recommendations Followed
A	To give free gifts to customers	19	14	74%

SUMMARY

	Times Made	Average Number of of Recom-mendations per shop	Times Followed	Average Number Followed per shop
All Clerical Recommendations (Type C)	414	2.4	192	1.1
All Housekeeping Recommendations (Type H)	302	1.8	153	0.9
All attitude Change Recommendations (Type A)	276	1.6	162	1.0
All Recommendations	992	5.8	507	3.0

Note A. Type A Attitude Change Recommendations, are those where it appeared from the nature of the innovation and the traders' understanding of it, that a basic change of attitude had taken place.

Type C. Clerical Recommendations, are those involving new or modified recording techniques.

Type H. Housekeeping Recommendations, are those involving simple improvements in the appearance or cleanliness of the shop.

Note B. The fact that a recommendation was followed was substantiated not only by reference to the completed form, but by 100% follow up visits by a third party evaluator, at least one month after the last call by the consultant.

The figures are also summarised into the three major categories of clerical, housekeeping and "attitude" innovations. These latter are those where the innovation itself, and the trader's understanding of it, indicated that a basic change of attitude had taken place. It can be seen that clerical recommendations were made more frequently than the other two categories, but their higher failure rate meant that very similar numbers of all three categories were actually adopted.

The specific recommendations on the form were selected as a result of the pilot project with undergraduate consultants. They appeared to be the most appropriate, but it was also possible for the consultants to make suggestions which were not covered by any of the headings and were described in the spare space. The consultants were taught to try to give a combination of advice which would give both immediate and long term benefits. The reinforcement effect of an immediate improvement in debt recording procedures, or a simple advertisement, would increase the chances not only of the continuation of that particular innovation but also of the adoption of others which might be slower to bear fruit. MacLelland and Winter, and Rogers, stress the importance of such reinforcement,[25] and Kelsey recommends this combination of long and short term projects.[26]

The ILO report lists the criteria for selecting appropriate innovations for farmers in Kenya. They should cause an increase in output, they should involve little risk, be practicable with the available inputs, fit easily into the physical and social system of the farmer and should not involve too much capital.[27] Rogers has a similar list, and adds simplicity, the possibility of limited trial and the ease with which successful adoption can be displayed.[28] The aspect of display may be relevant as a reinforcement device for the client himself and for the change agent, as well as for increasing his reputation with his peers, and in the competitive situation of small general shops the diffusion from early adopters is not as important as it is for farmers. If a shopkeeper buys less potential "dead" stocks and more fast moving items, his profits will improve but the effect will be delayed and not immediately visible. If he returns or sells off at a reduced price some bulky stock which has gathered dust on his shelves for several months or years, the benefit may be small but it will be immediate and the change will be visible. He will then be more likely to adopt more profitable buying policies in the long run. Davenport points out that the content of extension "need not be elaborate".[29] There is no special technique involved in sweeping a floor or arranging the stock so that everything of a kind is displayed together. The idea may never have occurred to the trader, however, and even if the customers' favourable reaction is slow to make itself felt, the client himself and his adviser will both feel that they have achieved something.

Mosher reminds us that development consists of extending the area of choice.[30] No attempt was made to prescribe a specific pattern of advice such as is recommended by the advisers to country storekeepers in Papua New Guinea.[31] In some cases traders are illiterate, or otherwise unwilling to keep records, or they may be very conscious of the social benefits arising from large stocks. The role of the consultant was not to compel change, even if he could, but rather to show his clients, by record keeping, small scale demonstration or conversation, that alternatives were open to him. In a few instances it was obvious that the best solution, in monetary terms, was to realise the assets employed, close the shop and reinvest the money in a savings bank account, if no more attractive alternative was available. The consultant pointed out the benefits of such a remedy, but the shopkeepers preferred to remain in business and to try to improve their operations. Although these cases appear in the summary of results as unaccepted attitude recommendations, it is not unreasonable to argue that something was achieved by showing the trader that the option existed.

Individual field extension is criticised because it aggrevates inequity by benefitting only the most progressive. The fault may lie more in the organisation of a particular extension service than in any basic failing of the method itself. The very word "extension" implies a reaching out to the clients or the market. This may be done by using any other form of promotion, such as radio to generate requests for on site assistance. Even then it is likely that the more progressive will be the main beneficiaries, when our aim is to reduce rather than to increase existing inequities. Dube describes an on demand service provided in India, and states that 70% of the enquiries were from the progressive farmers, who made up a very small proportion of the total population.[32] The Small Business Administration in the United States only provides assistance when requested to do so,[33] but the ILO report on Kenya's problems seems to represent the majority opinion and practice when it recommends that small business extension staff should seek out clients without waiting for requests.[34] Even then it is all too possible that the staff will concentrate their efforts on the clients with the highest potential and these are usually those least in need of help. The low qualifications, and very brief training, of our extension staff prevented them from devoting their efforts solely to the most obviously successful shops, since they had little to offer once a shopkeeper had reached a certain level. There is usually a conflict between the demands of equity, which imply that assistance should be concentrated on the most needy, and economic pressure for results, which can be achieved most easily with those who are already more successful. The use of rather low level staff, concentrating on simple recommendations, meant that this conflict did not exist. The shopkeepers who were unsuccessful because of their own lack of effort were difficult to help, but the many very recent newcomers to business were very anxious to learn. This did not mean that the advisers could be left completely to themselves, although the most attractive clients in terms of response to suggestions were not necessarily the most prosperous, the intention was that all shops, and not just those who were initially responsive, should receive the same treatment. Leonard writes of "the low level of work effort on the part of extension staff" advising Kenyan farmers[35] and Kotler describes the typical commercial salesman who, "if left alone, tends to spend most of his time with present customers", rather than seeking for new business.[36] Many agricultural extension staff are totally free to choose their calls as they will. No records are required, and they inevitably take the line of least resistance.[37]

We have already seen that the Kenya Tea Development Authority operates what is considered the most successful extension service in Kenya, and their call reporting system is linked to regular meetings and close supervision. Their itineraries are pre-planned, and each supervisor controls only between three and seven field staff.[38] Mosher states that extension workers inevitably concentrate on the most progressive or responsive clients, and he seems to regard this as a fact of life which cannot be changed.[39] Widstrand, however, writes

> "... even travelling fertiliser salesmen do better and have a greater impact on rural areas because of other types of incentive",[40]

This raises the question of the incentives available for extension workers. It is certainly easier to measure success by orders or sales than by the adoption of innovations, but this does not mean that extension staff cannot be evaluated or motivated in any way. Manufacturers are primarily interested in the volume of sales, but in addition they are anxious to maximise sales of particularily profitable products, or to generate future success by encouraging salesmen to open new accounts for a disproportionate effort in relation to the initial orders obtained. These standards are quantifiable, but the incentive package cannot be a simple one since the aim is to motivate the salesman to do several things at once, and to allocate his effort in a particular way.

The Government base of many extension services may seriously inhibit or even totally prevent the use of variable payment schemes, but social recognition, and salary increases within a grade or promotion from one grade to another can be an effective if rather more indirect incentive. Leonard recommends that promotion for Kenya's agricultural extension staff should be based on job performance rather than on education or seniority, but he says nothing about how supervisors should assess the quality of job performance. The test used in his research to rank the staff measured only their memory of technical information, whereas we have already seen that this is a relatively unimportant determinant of success on the job.[41]

In this prototype experiment no attempt was made to introduce a system of payment by results, if only because the period was too short, and there could be no question of promotion. On the other hand, the consultants were made fully aware that they were judged first by the relevance of their initial information obtained for each client, and subsequently by the rate of adoption of these recommendations. No formal system of evaluation was used during the consultancy period itself, but the consultants were well aware that they were judged by their success in promoting change, and that although all the normal recommendations were valuable, those under the category of "attitude changes" as referred to in Table 9 were considered worthy of greater effort and deserving of more praise if they were accepted. Clearly the number of calls made would have an important bearing on the number of innovations adopted. The call rate was not emphasised in the fortnightly supervision meetings, except insofar as the number of calls was checked against the supervisor's knowledge of weather conditions, transport facilities and distances affecting the particular area covered in that period. Dube refers to the poor results which arise if a fast call rate and quick results are overemphasised,[42] and Huxley goes so far as to say that "staying put and getting results are two sides of a coin" for extension workers.[43] In the event our consultants covered between thirty and forty clients each during their monthly cycle. They received no financial assistance with transport costs, and they had no bicycles or other means of personal transportation. The consultants covering large numbers of shops in one or two villages naturally achieved a higher rate. The long distances involved, and the fairly frequent failure to make contact because the responsible manager was away on a buying trip, meant that this was a reasonable performance for a five and a half day week.

The Kenya Tea Development Authority advisers service about 150 farms each, and a call is said to last about half an hour. Each farmer is contacted once a month, and there is no plan at present for reducing the call rate, or eliminating the service because farmers can operate competently on their own.[44] Thirty minutes was far too short a time for an effective call on a shopkeeper, particularly when calculations were involved. It is sometimes necessary to repeat a complete line of argument if it is interrupted by a customer, even if he is a child with five cents for a sweet. The higher call rate achieved by the K.T.D.A. advisers is also partly explained by the proximity of tea roads which service these areas. In the Ivory Coast each Moniteur du Commerce services 52 wholesalers. They are however provided with transportation.[45] In Papua New Guinea the 22 business advisers are said to be reaching some 4,000 clients, on a bi-monthly basis. This implies about ninety calls a month, but this is an overstatement since many storekeepers are only visited two or three times. In addition, they tend to be concentrated in large markets, and transport is provided.[46]

It has been suggested that field staff should work in pairs, to combat loneliness and to provide mutual support.[47] This is obviously expensive, unless one member of the pair is a trainee. Others suggest that close knowledge of one area by one man is the secret of success,[48] and it is probable that frequent opportunities for discussion will provide the necessary support and sharing of experiences. In Holland[49] and Kenya[50] monthly meetings are recommended, and the Indian Village Level Workers apparently have meetings every two weeks for supervision and mutual encouragement.[51] The consultants in this project met their supervisor at least every month, and usually every two weeks. Apart from about one hour of discussion with each man, in which his colleagues participated, an attempt was made to give the consultants as much time as possible together for informal interaction without the possibly inhibiting presence of the supervisor. In addition to discussion of the achievements and problems of the previous period, the working programme for the following month was closely laid down. The suggested number of calls might not be achieved, and such failure was not criticised unless it appeared that the consultant had not worked as hard as he should. There were isolated instances of this, which arose from family troubles such as sickness or stolen cattle, but the problem of divided loyalty between the employer and the family was not serious. The clients were initially selected, and the consultants briefly introduced, by the supervisor. This ensured a random selection. Thereafter the consultants were required to complete each cycle of calls before starting the next, so that every client, whether progressive or laggard, received equal attention.

Clearly frequent supervision of this sort increases the need for staff with substantially higher qualifications, and more experience, than the consultants themselves. The supervisor deliberately avoided visiting clients except for the initial introduction and the final evaluation a month after the consultants' visits had ceased, and it was fairly easy to supervise three consultants in a day, including travelling time which would not have been necessary for a locally based supervisor. Fortnightly meetings would imply one supervisor to thirty consultants. Administrative duties, leave and other factors would significantly reduce the number who could be supervised by one man, but in any case it compares very favourably with the Kenya Tea Development Authority's figure of between three and seven field staff per supervisor,[52] and the average of six advisers working under each regional supervisor of the American Small Business Administration.[53] Fuller consideration of the supervisory requirements must in any case await our analysis of the possibility of Kenya wide replication of this prototype experiment.

The choice of a monthly call rate was a simple one, since it is recommended by most authorities, and, more importantly, relates to the trade cycle in Kenya. Wages and salaries are paid monthly, so that credit customers settle their bills at the end of the month, and any trial of book-keeping or other procedures cannot be evaluated over a shorter period. The four undergraduates employed in the pilot tests of the procedure worked on a ten to twelve week cycle, because of the exigencies of University vacations, and they all complained that it was necessary to start the educational process afresh each visit.

The monthly cycle may thus have been more or less self evident, but it is more difficult to determine what is the optimum period over which advice should be given. The Kenya Tea Development Authority continues its advisory services indefinitely,[54] and most other agricultural extension services appear to have no system for eliminating clients because the value of any further improvement is less than that to be gained from switching the adviser to a new client. Even if a continuous rate of improvement could be maintained, however long the consultant continued his calls, which is unlikely if only because of the limited knowledge of the consultants, equity alone would demand that their time should be reallocated to shops which had not been contacted. The short period of this research did not allow a meaningful calculation of the relationship between the rate of improvement and the period over which the advice was given. The data collected shows a very close relationship between the number of calls made on a client and the number of innovations he adopted. There is no evidence however as to the effect of any more than five calls, since no client was visited more often than this. The simple nature of the recommendations meant, however, that even after three or four calls the consultant was sometimes able to do little more than remind and confirm the shopkeeper in his implementation of previous recommendations. This period of confirmation may however have been very valuable, as is evidenced by the relationship between calls made and suggestions accepted, and a longer period still might have significantly improved the adoption rate of the less successful clients.

A small number of the more successful clients, in terms of innovations adopted, were re-evaluated nearly six months after the last visit. Some of the clients of the undergraduates advisers were re-assessed nearly a year and a half after the conclusion of their series of visits. In most cases there had been little or no discontinuation of the innovations which had been adopted so long before and had been continued without any encouragement other than the resulting benefits. Rogers mentions the possibility of discontinuation, after the change agent or any impartial evaluator, and probably the client himself, would conclude that adoption was complete and permanent.[55] This presumably results from the client's judgement that the innovation was not worth while, since a more than adequate trial has taken place. Since we are trying to develop a need-related service, and to extend the possibility of choice rather than to compel long term adoption of any standard set of innovations, we should possibly regard such discontinuation as evidence that our system had functioned as planned.

Rogers states that the period between awareness and trial of an innovation is usually longer than that between trial and adoption.[56] It is not entirely clear how an outsider, or the client himself, can determine when trial ceases and adoption takes place, particularly in the limited context of a small general shop where small scale experiments are not often practicable in the same way as they are on a farm. When all the shops were evaluated a month after the last consultant visit, there was a substantial reduction in the number of recommendations which were being followed, compared with those recorded by the consultant. Further investigation usually revealed that this was not the result of the consultant's mendacity so much as of discontinuation by the client, because he judged it to be not worth the effort. This judgement might well be based on a faulty appreciation of the potential benefits, but it was clearly a case of conscious discontinuation after a reasonable trial.

There may thus be little value in continuing the advice for more than four or six months. Occasional reminder visits may be valuable, and could be used to distribute or sell account books similar to those developed for this research. In addition such visits would ensure that transfers of ownership were known to the consultants, since these transfers provide the majority of new clients. In New Guinea, client visits are terminated at the discretion of the consultant or his supervisor, and not after any specific period.[57] Further research might indicate whether consultants' judgement of this point was reliable, or whether they tended to discontinue the less receptive laggards and thus concentrate their attention on the more receptive clients as they are said to do without close supervision. Approximately 60% of the shops advised in this research were under two years old. A successful extension service might be expected eventually to lower the failure rate and thus to increase the longevity of shops and to reduce the number of new entrants. Nevertheless the number of shops which are now operating, the likely increase discussed earlier, and the existing rate of attrition through failure, age or preferable opportunities, are such that it would be economic to limit the calling period to six months.

Specific incentives, such as promotion, status recognition or commission payments, could only be determined in the context of a large scale service and the constraints of the organisation within which it was located. The standards of evaluation, however, the methods of supervision, the call frequency and the duration of the consultancy period have all been developed and tested so that we have a prototype for a service which at least rivals those which are most effectively organised in agriculture or any other field.

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THE PROBLEM OF PAYMENT

This was an experimental research project, and in these circumstances it would hardly have been legitimate to charge the clients for the service they received. We should not therefore be deluded into ignoring the problem of whether or not extension clients should be asked to pay for advice. Opinion differs on this point, but there is perhaps a tendency towards making a charge, even though most existing services are provided free. In Holland[1] and Papua New Guinea,[2] we are told that there are plans to introduce a charge for the advice that is presently available without a fee. De Wilde writes,

> "A business extension service, like an agricultural extension service, should generally provide its assistance free of charge".

He goes on to imply that this is particularly true at its inception, and that it may be possible to introduce a fee once the service is established and well accepted.[3] Since so few business extension services have actually been established in developing countries, for reasons already discussed, it is not surprising that there is little evidence available on the feasibility of making charges.

Every client of this project was asked whether he would be willing to pay five shillings per visit for the service he had received. The question was asked during the final evaluation session, in order to provide some measure of the acceptability of this type of service. This does not of course give any indication of the number of clients who might have been discouraged from participation if a charge had been suggested at the initiation of the service, before they had any experience of its benefits. The question as to clients' willingness to pay was an evaluation device rather than a means of determining the feasibility of making a charge, but the 63% favourable response does give some indication of the possibility. It might be possible to ask for payment after the first three months or so of instruction, either as a condition of further service or as payment for what had been received, but there is a risk that once this system was known it would discourage shopkeepers from agreeing to participate at the beginning. Further research would be needed to identify the effects of making a charge from the beginning, introducing the idea after some months of instruction or not asking for any payment at all. There is clearly a possibility that any payment system will tend to eliminate the poorer clients who are the chief target of this form of assistance, but our results show that willingness to pay is more closely associated with the success of the consultancy than with the wealth of the client. Table 8 lists some characteristics of the 107 clients who were willing to pay.

Table 10

COMPARISON OF CLIENTS WILLING TO PAY WITH THOSE UNWILLING TO PAY

Willing to Pay	107	(63%)
Unwilling to pay	62	(37%)
Total	169	

	Willing	Unwilling
Total Assets employed, Average	Shs. 10,280/-	Shs. 6,888/-
Years since start of Business, Average	3.4	4
Total of monthly wages and Profits, Average	Shs. 271/-	Shs. 154/-
Wages and Profits as percentage of Capital Employed, per annum, Average	58%	56%
Number of recommendations accepted, Average	3.85	1.53
Number of attitude change Recommendations accepted, Average	1.28	0.41

It is clear that although they are somewhat larger than those who were not so willing, they do not differ significantly in terms of the return on their investment in the business. The relationship between willingness to pay and the success of the consultancy in terms of recommendations adopted is however very clear, so that it is not unreasonable to suggest that there is little causal relationship between the scale and existing efficiency of a business and the success of the service.

There are arguments against any form of payment, at any stage, apart from the fear of discouraging participation. In Swaziland it is said to be difficult to interest businessmen in any form of training, so that payment would only exaggerate the major problem presently confronting the promoters of small business.[4] In Holland the initial visits of the small business consultants are apparently made sometimes against the will of the client, so that a charge is only possible after a trial period.[5] In Ethiopia the fees demanded by the Centre for Entrepreneurship and Management seriously discouraged the use of its services.[6] Stepanek makes the point that many advisory services have grown out of regulatory or lending organisations, so that charges would be inappropriate in relation to clients' perception of the major role of the institution.[7] On the other hand, the Kenya Agricultural Finance Corporation is said to add Shs. 35/- to the outstanding loan if a slow paying borrower has to be visited on his farm, so that the association of lending money and charging for advice is not impossible.[8] The Canadian and Indonesian small business advisory services, and the United States Small Business Administration, make no charge for their advice, although they may charge for loan guarantees or other specific services if it becomes clear that these are necessary.[9] Many advisory services are parts of larger organisations which tacitly or otherwise subsidise the provision of extension staff. The German Government organisation makes a charge, which covers only a quarter of the total cost,[10] the Danish service is subsidised as to half of its costs by the state[11] and the South African Industrial Development Corporation is able to assist some ten to twenty small businesses each year for no charge because of the 90% of its business which comes from large organisations who can more than pay for what they receive.[12] Rau makes the point that consultancy can be free of charge, because it so often leads to other services which can reasonably be paid for, but this argument might well bias consultants in the direction of their advice.[13] The participants in MacLelland's Achievement Motivation courses in India did have to pay, but they contributed only a very small share of the total cost.[14]

In addition to the reasons mentioned, the administrative costs of organising a system of payment, and of ensuring that all the money collected finds its way to the proper place, might seriously reduce the net amount of money which was raised. Consultants might also be expected by their clients to produce immediate results at the expense of long term benefits, although we have already seen that some part of the advice should in any case have a fast payoff in order to ensure the good reception of the remainder. The arguments in favour of making a charge have perhaps been neglected because advisory institutions are reluctant to put their services to the acid test of demanding payment. There is however no doubt that any product or service tends to be valued and respected in relation to its cost. The cost may be psychic, in terms of the sacrifice of past habits or beliefs, but a monetary measure of value cannot help but increase the client's respect for what he has received. In addition, the consultant himself and his supervisors are provided with an automatic feedback device as to the quality of the advice he is providing, and the client is more likely to insist on regular calls, and to make himself available for them, if he has to pay. There is also some equity justification for asking the beneficiaries of any service to contribute towards its cost. On the other hand, no charge is likely to cover more than a rather small proportion of the total costs of the service, and if a demand for payment tended to discourage the poorer shopkeepers from participation this would deprive them of the service which was intended to help them in particular, and would frustrate the income redistribution effects of a service which was paid for by Government. It might be possible to recover the costs through a levy on the cost of goods sold through the shops, but this would almost inevitably be passed on to consumers in the form of higher prices. The taxation system might provide a means of recovering the costs in some way, but since the vast majority of small general shops pay no taxes and are not assessed this would be impracticable. The Kenya Tea Development Authority is able to recover the cost of its extension service because the same organisation processes and pays for the tea that is grown.[15] Because the cost is recovered from the sales of tea the farmers pay according to the amount of tea they have grown, and this may bear some relationship to the value they have received from the extension service. There is no such convenient device for automatic payment by results for shopkeepers, but their own feeling of self-reliance, and the public's sense of justice, might be furthered if they felt that they were paying for a service which at least appears to be benefitting them exclusively, even though consumers and suppliers will ultimately benefit as well.

The arguments seem to be fairly evenly divided between a free service and one to whose cost its clients must make at least some contribution. Table 11 illustrates some characteristics of the group of shops in this project who were unwilling to pay in spite of their adoption of at least some recommendations.

Table 11

ACCEPTANCE OF RECOMMENDATIONS BY THOSE CLIENTS UNWILLING TO PAY FOR ADVICE

21	Shops	Accepted	Nil	Recommendations
13	"	"	1	"
14	"	"	2	"
8	"	"	3	"
3	"	"	4	"
2	"	"	5	"
1	"	"	6	"
62	Shops in total unwilling to pay			

Median number of recommendations accepted	1
Median number of recommendations accepted by those willing to pay	3
Average total of monthly wages and profits for those unwilling to pay in spite of acceptance of recommendations	Shs. 169/-
Average total of monthly wages and profits for all 169 shops in sample	Shs. 228/-

If we consider this group as representative of the probably larger number who might have been discouraged from initial participation by a charge, and who would nevertheless have benefitted from participation, we should probably conclude that the loss of 29% of the total who followed at least one recommendation, or even 15% of those who accepted the median of three or more suggestions, would be too high a price to pay for the advantages of a fee. This conclusion is strengthened by the fact that those who were unwilling to pay, in spite of following some recommendations, tended to be smaller and less successful than the average in terms of their total of withdrawals and profits.

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MANAGEMENT EXTENSION BY SUPPLIERS

We have already examined the opinions of a cross section of suppliers, and we have seen that they are far from satisfied with the performance of small general retailers. It was also clear that these suppliers were more willing to suggest that the Government should provide finance or training than they were ready to remedy the deficiencies themselves. There are nevertheless obvious advantages to be gained if assistance is provided by an organisation which will itself benefit directly and which has a long term dependence on ths survival and success of the clients. If both parties stand to gain, the relationship may be more fruitful than if the promotional agency is an arm of Government or some other external institution whose aim is to promote economic development in general. This is particularly true if no charge is to be made for the service.

Rogers found that commercial salesmen in Colombia were only marginally more credible than newspapers in the eyes of farmers, whereas Government extension workers were four times more credible.[1] He also concluded that salesmen were of slightly more value at the later stages of the adoption process, and for the more progressive clients, although they were less credible than other change agents to all clients and at all stages.[2] This lack of credibility was in relation to the actual products which were being sold by the salesmen. It is possible that general management advice, which would only benefit the supplier in the medium to long term because his channels of distribution would operate more efficiently, would be more readily accepted.

A number of authorities suggest that the private sector should play a more active role. Since these authorities often see themselves as advisers or spokesmen for governments, they may be behaving in the same way as suppliers who recommended that Government should take the steps they believe to be necessary. De Wilde points out that African businessmen complement rather than compete with large foreign firms, and any general assistance to local traders can be used to improve the public relations of firms whose position in African countries may be precarious.[3] He does not go on to draw the obvious conclusion that such assistance may accelerate the change from the complementary to the competitive role, but it may be the only alternative to more precipitate expulsion. We have already seen that in Malawi one large supplier attempted to provide some general management advice, in connection with the granting of trade credit. Many foreign owned firms in developing countries supply a wide range of products, and are near monopolists of such supply. This situation has sometimes arisen as a result of the firm's early involvement in the country as a source of raw materials. The limited demands of the mass market, and the peculiar expertise involved in reaching it, mean that this monopoly position is often more or less unchallenged. Such firms are in an ideal position to provide general management advice, since they have few or no competitors who might share the benefits without contributing to the costs, and the shopkeepers will not be suspicious of the advice since they are bound to buy that supplier's products in any case. Many such firms have spent substantial sums on the development of indigenous wholesale distributors and specialised retail outlets for such products as shoes or bicycles.[4] Garlick,[5] Roemer,[6] and Major[7] suggest that experienced staff from such firms should voluntarily assist local entrepreneurs by providing businessmen's clinics or other extension services, and in New York City highly qualified executives assist minority disadvantaged businessmen on site without charge.[8]

In spite of the possible problems, it seemed worth while to carry out a small experiment to test the hypothesis that suppliers' representatives already in the field could provide useful management advice which would benefit their own sales performance as well as that of their customers. A large international company, enjoying the major market share of several basic foodstuffs and cleaning materials, was approached and the management agreed that the test should take place in two of their sales areas. This particular company was selected because it is well known for its progressive attitudes, its products are widely distributed in nearly every shop in Kenya, and they are rarely overstocked. Most manufacturers are anxious to maintain the suggested retail selling prices of their products, and it was felt that it would be asking too much to expect representatives to recommend the return or reduction in price of their own products which they themselves had previously sold to the retailer.

The salesmen in question had several years' experience, and were very familiar with the operations of small general shops. They covered areas adjacent to, but not the same as, those covered by the full time consultants, to avoid any possibility of the results being confused by territorial differences. They received a few hours instruction in the details of the procedure, and their comments showed that they clearly appreciated the problems involved and the need for such advice. They were then asked to apply the consultancy procedure to four customers each. They were instructed to try to avoid "showpiece" customers and to choose those most likely to need the advice they would have to offer. They then called on their selected clients for between four and five months, at monthly intervals, on the same basis as the full time consultants. They discussed each client with the supervisor between visits, and their experience appeared to be similar to that of the other consultants. A major difficulty arose from frequent reallocation of territories, leave, courses and other departures from routine which meant that only two of the shops were advised by the same salesman throughout the period of the experiment, and some were advised by three different representatives. The new men each received the same introduction to the procedure, but it seems probable that general management advice is unlikely to be accepted if there is no continuity of relationship between the adviser and the client, even though the salesman-customer relationship may not suffer from such changes. The salesmen were operating on a tight schedule. Although their employer was prepared to accept that they would take up to half a day on each advisory call as opposed to their usual thirty-minute sales call, it was not possible for the monthly cycle to be disrupted to allow repeat calls to be made if the responsible manager was absent on the first occasion.

The sample is of necessity small, because the manufacturer was naturally unwilling to allow a major diversion of effort. Although there may be little competition between suppliers for sales of the same product, we have already seen that many shopkeepers buy new stocks as soon as they have the money to enable them to do so. These may not be the right stocks in terms of customer demands, but the first representative to reach a shop may be the one to make a sale, since trade credit is rarely allowed. There is thus something of a race between the few representatives who do call on retail shops, and a fairly high call frequency is considered to be necessary to obtain the maximum amount of business.

The average size and profitability of these eight shops are shown in Table 12, together with the results of the consultancy in terms of recommendations followed.

Table 12

SOME CHARACTERISTICS OF THE SHOPS ADVISED BY SUPPLIER'S REPRESENTATIVES COMPARED WITH SHOPS ADVISED BY FULL TIME CONSULTANTS

Total number of shops advised 8

	Shops advised by Suppliers' Representatives (8)	Shops advised by full time Consultants (169)
Total assets employed, average	Shs. 32,768/-	Shs. 9,036/-
Total of monthly withdrawals and profits, average	Shs. 1,135/-	Shs. 228/-
Years since start of business, average	4.4	3.7
Total number of recommendations accepted, average	2	3
Total number of attitude change recommendations accepted, average	1	1
Withdrawals and profits, as percentage of capital employed, per annum, average	80%	57%

The figures reveal a slightly lower rate of adoption when compared with the larger group who were serviced by the full time consultants, but this is of no significance in such a small sample. The most obvious difference is in the size of the shops. The average total assets employed is nearly four times that of the other group, and the total of profits and wages is about five times as large. Only two of the shops had assets lower than the average for the larger group of 169, and only one had a lower figure for profits and withdrawals. They are in effect hardly comparable with those making up our sample of 169. This particular company has thirty-four of these van salesmen, who work in pairs. Although the sales they make are not sufficient to justify the expense of maintaining such a force, the company employs these men in an effort to develop its channels of distribution and to assist its wholesale stockists. Nevertheless they only call on some 8,000 accounts each month, which is under one third of the total number of 24,585. The profile of the eight accounts who were advised indicates a typically far larger shop even than the larger third of the sample of 169. They were meant to be typical accounts for the representatives, but it was perhaps inevitable that they would select customers with higher than average potential. There was some indication that although the salesmen did call on smaller accounts, they did not do this on the regular basis necessary for giving general management advice, but only in order to open new accounts for the wholesalers whom they were trying to develop.

This manufacturer maintains a closer than average contact with its retail outlets, and the results suggest that a service provided by any supplier will neglect the smaller shops. The shopkeepers were not asked whether they would be willing to pay for the service, because such a possibility might have confused their relationship with their supplier. Their response during the final evaluation was however less enthusiastic than that of the smaller shops advised by the full time consultants. Some implied that although they had followed recommendations to advertise, reduce prices and so on, these were not strictly speaking innovations since the shopkeepers had been familiar with such techniques before. This was of course to be expected since they were so much larger and more successful than the typical shops making up the sample who were advised by full time consultants. All of them clearly perceived the salesmen primarily as suppliers of merchandise, and this perception was no doubt strengthened by the fact that the salesmen not only solicited orders but delivered the goods as well. Mention of the salesman's name elicited first a reference to the supplier or one of its products. Only after a reminder did the client associate the man with general business advice, and this was clearly regarded as an incidental service, which if anything, confused the relationship between supplier and customer.

It was not possible to ascribe any increase in sales to the consulting sessions, and the particular salesmen felt that the work was distracting rather than helpful to their major task. Management was interested in the results, but it was clear that the experiment could only be extended if the whole basis of the sales force was radically altered, and its coverage drastically reduced. They were interested in developing sales-related advisory comments which could be used to overcome certain objections, and which might also improve the general performance of the shops, but the full procedure was too lengthy and not sufficiently rewarding in terms of direct benefits. It might be that salesmen would be able to be more useful to their customers and their employers if the whole emphasis of their training and motivation was based on an advisory rather than a sales role. A basic change of this sort would be very hard to implement, and it is possible that unless all major suppliers adopted it the result would be a reduction in sales for those who did. The conclusion therefore must be that in a competitive situation, even for purchasing power rather than specific products, suppliers are unlikely to be able to provide comprehensive management advice. Even the limited assistance they could provide in the course of their sales routine is likely to be confined to the larger retailers who are least in need of it.

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EVALUATION

The only points of agreement on the subject of the evaluation of extension seem to be that it is difficult, and that any simple measures of achievement are likely to be deceptive. Helleiner writes;

> "The fact is that there has never been, so far as I am aware, a cost effectiveness study of the extension effort in Africa",

and he goes on "that this is an extremely difficult task ... is no justification for the failure to try".[1] There are many reasons for the omission of any comprehensive assessment of the costs and benefits of extension. Their cumulative effect is such as to daunt the most cost conscious researcher. MacLelland and Winter,[2] and Lynton and Pareek[3] make the obvious point that participants' satisfaction at the termination of any form of training is not a useful guide to the value of the training in terms of changes in behaviour or attitudes. Rogers refers to "Si Senor" or "Courtesy Bias" by which he describes the tendency for clients of any service to express great enthusiasm.[4] We have already referred to Kenyan shopkeepers' apparent preference for good manners as opposed to factual accuracy. When the pilot research using undergraduate consultants was being evaluated, each client was asked whether he felt that the service had been valuable. Virtually every one said that it had, including those who barely remembered any of the suggestions, let alone adopted any of them. This enquiry was therefore eliminated from the evaluation procedure, and replaced with the question as to the client's willingness to pay for the service. This sort of question has not been suggested by any previous researcher, but its value would probably decline with more extensive use, and it could not be used to evaluate a large scale service where the decision to charge or otherwise had already been made. It would be possible to use other means to test clients' reactions to the service. After a certain number of calls, clients might be asked to visit the consultant in his office instead of waiting for an on-site consultation. Their willingness to take the time and trouble to do this would presumably indicate their opinion of the value of the advice. The consultants would be able to cover more clients in this way, albeit with some loss of effectiveness because of inability to demonstrate innovations on site. There would also be a danger that consultants would overemphasise this type of service because it would be less troublesome for them, and this may be an example of an evaluative technique which could damage the extension service which it was designed to evaluate.

The time problem is also important. Rogers refers repeatedly to the diffusion effect from early innovators to later adopters, and he writes of the "S" curve of adoption over time.[5] The difficulty posed by this phenomenon is that no evaluator can be sure at what point he is evaluating the adoption process, and it is always possible to assume that more innovations will be adopted after the evaluation has taken place. The reverse also applies, and we have already discussed the difficulty of trying to determine at what point trial is converted into adoption. There may be an optimum point, at which the most innovations are actually being practised, but even if this could be identified, evaluation at this point would give an unfairly favourable picture of the effects of the extension service. Lynton and Pareek say that any form of measurement of results which takes place at the end of the training period itself is of little more value than a record of the participants' satisfaction, and they go on to suggest a continuous process of evaluation at various intervals after the withdrawal of the service to determine the life of whatever improvement was effected.[6] It would be necessary to discount the value of the benefits from the innovations which were being practised at any time, and to relate their present value to that of the cost of the training. What follows constitutes a very basic attempt to do just this, but it is clear that even if a reliable adoption profile over time can be constructed, the quantification of the benefits is extremely difficult.

Rogers measured the periods taken for adoption of various innovations, and concluded that none took under six months and that most took over two years.[7] Most of the innovations he measured were agricultural practices, where a full season was necessary for one trial to be completed, and our extension service did not last as long as Roger's minimum period required for adoption. Rogers says that the trial evaluation stage is the one where individual inter-personal contacts are most useful.[8] If we apply his minimum time of six months we must conclude that adoption had not taken place in any instances before the withdrawal of the service, and that we were therefore removing the consultants at the very moment when they might have been most useful. Nevertheless as has already been pointed out, visits to clients six months or even eighteen months after their last call from a consultant indicated that very few innovations were discontinued during the intervening period. We may conclude either that adoption in fact took place in a shorter time than Rogers suggests, or that a high proportion of the trials resulted in eventual adoption in spite of the withdrawal of the consultants. In either case, the brief period of each client's exposure to the advisory service is reasonable, and there is little point in trying to distinguish between rejection after trial and discontinuation after adoption.

Lynton and Pareek,[9] and Staley and Morse[10] point out the dangers of trying to evaluate an extension service by the number of visits made or the number of clients who were reached. Majundar states that in India around one million pounds per year was spent on "small enterprise counselling", and that over a period of thirteen years half a million visits were made to clients. This indicates the scale of the activity, but it tells us nothing of what was achieved.[11] The causal relationship between extension effort and the adoption of innovations is in any case not entirely clear, since change agents may increase their efforts because their clients are making changes, rather than the reverse. This phenomenon is probably more likely in a service without the relatively strict system of organisation and supervision which was described earlier, but it is an elementary point of sales management that the number of calls made is in isolation an almost wholly inaccurate predictor of success.[12] There was no relationship between the total number of calls made by our consultants and their success, although success with an individual client was clearly related to the number of visits he had received. The number of clients served by each consultant ranged from 42 to 33, apart from the 24 covered by the man who left early and worked on a two weekly rather than a monthly calling cycle. Here again, there was no apparent relationship between a high or low number of clients and success in initiating change. It is more likely that the constraints of the particular area covered, in terms of distances and roads, were a more important determinant of the numbers of clients and calls.

Mosher warns of the danger of allowing the requirements of evaluation to damage the extension itself, and he implies that while relative evaluation of staff may be possible for operational purposes, it is virtually impossible, and perhaps undesirable, to attempt to evaluate a complete service.[13] It is certainly true that the demands of an evaluation procedure may lead to overemphasis on easily measurable innovations, such as bookkeeping but it is surely wrong to commit the substantial investment required for an extension service of any kind without making some attempt to evaluate not only the individual parts of it but also the service as a whole. The ILO report on Kenya points out that the re-direction of extension services to those most in need of help may result in a temporary loss of output, but it surely is incumbent on the social science researcher at least to try to develop standards of measurement which will allow for social as well as more easily quantifiable benefits.[14]

Advertisers frequently use keyed response coupons, or other devices, to measure the effects of their advertising, and so long as the evaluative device does not damage the communication or persuasion role of the change agent there are surely no arguments against it. Voluntary purchase of a book of debt recording sheets could have been used both as evidence of the acceptability of the innovation and as an incentive for the shopkeeper to make good use of it. This possibility was not followed up, for reasons already explained in the earlier section on the problem of payment, but the record books which were distributed free of charge did provide valuable and totally objective evidence of the consultant's success. The consultants were however warned against forcing these books on clients whose existing systems were either effective as they stood or could easily be modified and improved without using the new layout, so that improved accounting procedures could not all be measured by the presence of the pre-prepared books. We have seen that an advertised price reduction of a specific slow moving item was a more effective introduction to the principles themselves. By the same token, adoption of such a recommendation was easily verified, either by inspection of the actual stock or advertisement, or by a non-directive question to the shopkeeper which quickly showed whether the action had in fact been taken and understood.

It may be that some authorities are reluctant to subject their extension services to any comprehensive evaluation because they are nervous of the results, but there is yet another even more important difficulty. Heileiner mentions that the adoption of some innovations is often quite erroneously ascribed to the effects of an extension service,[15] and both Mosher[16] and Moris[17] refer to the difficulty of isolating the effects of an extension service from those of other variables. It is of course possible to set up control groups of potential clients who do not participate in the service, but this adds considerably to the expense, and is only feasible in an experimental situation. It is also possible that the very knowledge by an individual that he is part of an experiment, and that certain features of his performance are being measured, will materially alter his performance. This "Hawthorne effect" is particularly likely in non-farm enterprises, where few aspects can be visually assessed without the knowledge and cooperation of the owner. The recommendations which were made in this research were selected after lengthy investigation and experiment as being suitable because they covered techniques or practices which were valuable and were infrequently applied in existing businesses. The book-keeping techniques were devised in some detail in order to be most useful to clients, but also so that their use could easily be verified. In only one case, for instance, was a shopkeeper found to be keeping a continuous record of the balance of outstanding customer debts without having been advised to do so by one of our consultants. Sixty four shops adopted this practice after being advised to do so. It is therefore most unlikely that shops which had not been advised by our consultants would have adopted these particular practices. Isolated visits to such shops during and at the end of the consulting period confirmed that in terms of the specific recommendations the state of the advised sample at the beginning could reasonably be identified with that of any control group at the beginning and at the end of the period.

Staley and Morse state that in the case of extension for small industry, the potential benefits are so large that the cost may not be important.[18] This point of view may conceivably be justified if there is only one form of extension available for the group in question, or if sources of external aid are so generous in this particular field that the opportunity cost for the recipient country is minimal. Otherwise an attempt should surely be made at least to compare one form of extension or assistance with another. Table 8 indicated some features of the 27 shops in our sample whose managers had attended courses, and the benefits in terms of return on the investment seem to have been minimal, and the increase in assets was the result of age and the receipt of loans rather than improved management. Helleiner commented that there had been no "cost effectiveness study" of extension. The qualifying term is important, because there have been many attempts to evaluate extension in terms of the numbers of innovations adopted, or to compare different methods or individuals serving the same types of clients. Most of the difficulties which have been described relate to assessments of this sort, and although Helleiner was writing in 1969 it appears that his comment is still valid. It may be that preoccupation with comparing different methods of diffusion had blinded some researchers to the importance of ensuring that any diffusion effort is economically justified. Rogers writes "... diffusion research examines overt behaviour change rather than changes in knowledge or attitudes",[19] and Lynton and Pareek state that all forms of training must be judged by their success in changing behaviour.[20] This point is valid enough, and an attempt has been made in this research to follow its implications. Nevertheless, changes in behaviour are themselves an intermediate stage between the client's initial change in attitude or knowledge and the final goal of improvement in his economic or social condition. It is reasonable for diffusion researchers to concentrate on the achievement of behaviour change, since this is vital to the end objective, but it should not be considered as an end in itself. The standards which are suggested, or which actually have been used for evaluating extension, reveal a certain preoccupation with behaviour changes rather than their final results. Such results may be extremely difficult to isolate, and even more so to quantify, but without this assessment the evaluation process must be incomplete. MacLelland and Winter suggest various different standards by which they hoped to evaluate their Achievement Motivation training.

They consider that evidence of new ventures which have been planned or better still implemented, shows that the client has started to plan his activities in an organised way towards predetermined goals.[21] They list the criteria for scoring in their "Business Activity Code", ranging from minus one for increased family or religious activity at the expense of business, to plus two for new ventures conceived and implemented, but there is no allowance for the actual benefits accruing from the changed activity.[22]

Dube describes how extension services in India were assessed by their achievement or otherwise of target numbers of new activities, such as new jaggery factories, brick kilns constructed or carpentry classes started, but there was no attempt to relate the economic benefits of these new activities to the cost of the extension services which were said to have caused them to be started.[23] Achievement Motivation courses were also given in Uganda and the employers of the participants were asked sometime afterwards whether their staff who had attended had performed better than might have been expected before they received the training. The training staff also made an assessment of the participants' potential before the course, and related their subsequent performance to this assessment. One may criticise this method for its subjectivity, but in a wider context no attempt was apparently made to value the increased contribution of the one third of the participants who were agreed to have performed better than might have previously been expected, or to relate such a value to the cost of the training.[24]

It is fairly normal for diffusion researchers to record the numbers of innovations adopted, without making any estimate of their value. Roling, Chege and Ascroft mention a 97% adoption rate for hybrid maize in support of their new approach to agricultural extension.[25] There is almost certainly a closer relationship between growing hybrid maize and increased well-being than there is between adoption of any of our retail management techniques and increased profitability. In either case a bald list of the number of innovations apparently adopted may be impressive but it is not particularly informative. Table 9 gives such a list which is relevant to the the discussion of the consulting procedure itself, but the figures, or their projection on to the national total of small general shops, are of little value in themselves.

Olankapo defines success as the increase in the value of the capital employed between two dates, and he states that this rather crude measure has to be used because

> "... most indigenous traders do not keep accounting records of their sales and purchases, not to talk of balance sheet and profit and loss statements".[26]

His method of evaluation would not be applicable in our case, since reduction in the capital employed is sometimes the objective of a recommendation. Our project aimed in part to develop the ability and desire to keep the accounting records which Olankapo found to be as lacking in Nigeria as they are in Kenya. Few of our clients were keeping such records at the initiation of the service, however, and the figures used in this research were themselves often the result of gradual improvement in recording procedures over the five months of the project. They are thus of little or no value for a "before and after" comparison, and in any case they are often of insufficient accuracy to reveal the small changes in profitability which are likely to have been achieved. In some cases, the consultants managed to obtain, or make for themselves, the estimates necessary to build up the financial picture in the balance sheet and the profit and loss account, but it was obvious that the abilities and inclination of the shopkeeper would not be conducive to improved recording procedures, and no effort was wasted on trying to persuade him to adopt them. This is no reason for that client to have received no benefit from the service, and the consultants often had great success in persuading clients of this sort to adopt other innovations apart from clerical ones. It is wrong to assume that if improvement cannot be measured, it has not taken place. The Kenya Government Working Party on Small Business advocated the use of "longitudinal case studies" such are provided, in embryo at least, by each of the sets of accounts for the 169 shops in our sample, both for training the "business analysts" and for on-going evaluation of the extension operation.[27] These are indeed useful for tracing the stages of recommendation and adoption, and even subsequent discontinuation, of innovations, but the accounting figures are usually themselves the result of improved book-keeping techniques rather than indicators of the benefits which have resulted from the adoption of these or other innovations.

Although MacLelland and Winter suggested, and used on some occasions, some rather vague measures of success, they themselves analysed the costs and benefits of the Achievement Motivation course in Kakinada, relating the costs of the training to the number of new jobs created and the amount of new capital mobilised. They found that each new job which could be ascribed to increased entrepreneurial activity by a course participant cost only Rs. 183, which was one twentieth of the cost per job created for Government sponsored enterprises. It is not clear if the new capital mobilised was previously totally idle, was less profitably invested, or was raised from lending institutions, but in spite of the likelihood of there having been some opportunity cost of its redeployment it is nevertheless impressive that the total of new private capital raised was between 13 and 20 times the cost of the training, whereas direct government investment only mobilised rather less than its own value, at best, in terms of additional private capital.[28] Our project shares one of the advantages claimed for Achievement Motivation training, since it aims to reduce the amount of capital required for a given result.[29] Nevertheless our intention was not to raise new capital, but to improve the return on that already employed, and only incidentally to create new employment by preserving existing jobs in small general shops. Hence MacLelland and Winter's standards cannot directly be used for evaluating our service.

Blaug refers to the difficulties of cost benefit analysis of education, both on the cost side, because it is hard to evaluate incidental inputs such as intelligence and family upbringing, and on the benefit side because an educated person may gain substantially in the quality of his life even if he earns no more in monetary terms than his uneducated colleague.[30] A business extension service should presumably be easier to analyse, particularly in a developing country, because the unquantifiable inputs tend to be homogeneous and insignificant, and the objective is strictly vocational and more nearly related to increased earnings. Blaug also states that, "the state is economically justified in investing in education if annual expenditures can be eventually recovered by increased tax receipts".[31] This comment is inconsistent with the same author's recommendation of a rate of return approach to the evaluation of educational investments, and it is hard to see how tax receipts can be directly ascribed to any particular general educational activity, except on the general basis that more education is likely to lead to more earnings which will in turn yield more taxes. The Kenya Government is committed to increasing the number of small tax payers, since the abolition of the Graduated Personal Tax, and small general shopkeepers are an important potential target for tax collectors. The Minister for Finance implied in the newspaper interview previously referred to that the basis of assessment would not incorporate any incentive for small businessmen to limit their withdrawals, since tax would be assessed on an evaluation of the business rather than of the owner's earnings from it.[32] There is clearly a conflict involved if tax inspectors have to rely on accounts, since keeping such accounts will increase the chances of the trader being caught by the net of taxation. If the Minister's intentions are put into practice, however, the businessman will only be protected from excessive assessments if he can substantiate his claims with properly kept accounts. It is not clear whether our book-keeping recommendations would in the present or likely future circumstances of taxation collection increase or decrease the amount of direct tax collected.

The total monthly profits and withdrawals only amounted on average to Shs. 228/-, and it is unlikely that the consultancy would so increase this figure as to make a significant difference to the liability for direct taxation, at this low level of income. The ILO report quotes figures for the incidence of total taxation, direct and indirect, which show that the rate falls from 11.3% to 8.5% when monthly incomes rise from the Shs. 200/- to Shs. 299/- bracket into the Shs. 300/- to Shs. 399/- bracket.[33] If we use these figures, and assume that the taxable income of the shops advised rises to Shs. 300/- per month, which is unlikely, the actual amount of tax collected will remain constant at about Shs. 25/- per month, because of the reduced proportion of the higher incomes which is collected. It is thus unlikely that the cost of the service could be recouped from increased taxation receipts.

Agricultural extension services are often directed towards the single objective of introducing a new cash crop. It is fairly easy to calculate the value of the new crop that is grown, and to ascribe it to the extension service and the accompanying package of finance, processing and marketing facilities, because there was previously none of that crop grown in the area in question, and because there are no alternative marketing or processing facilities. Moris investigated the extension programme whereby cotton was introduced to Embu District. He found that the annual cost of the service was 49% of the annual value of the crop that was produced, and he did not attempt to assess the opportunity cost in terms of subsistence crops or cattle grazing which were foregone in favour of the new crop.[34] The cost of inputs, other than those supplied free as part of the extension package, was not deducted from the value of the cotton produced, and the estimate of the cost of extension did not include any figure for general administrative overhead, or depreciation or the use of buildings. Presumably production of a new cash crop of this sort can be expected to increase over time, and the extension effort will either be progressively withdrawn, or at least will not increase in cost at the same rate as the value of what is grown. If this method of evaluation was applied to shops, it would presumably be necessary to compare the cost of extension, with the total, or incremental, value added by the shops. Such an approach would be absurd, because the main determinant of value added is the level of sales, over which shopkeepers as a whole have very little control, and the other most obvious way of increasing this measure of "production" would be to increase prices, which would hardly be desirable. Belshaw has constructed a model for analysing the costs and benefits of an agricultural extension or training project, and he uses the term "increased productivity of workers" to describe the direct quantifiable constituent of the benefits. He states that it is not necessary to be able to express all or even any of the costs or benefits in financial terms for this method of analysis to be used, but it is difficult to see how a non-monetary statement of costs and benefits could be used except perhaps for comparing different methods of extension which were aimed at the same objective and target groups.[35] Kincaid suggests that the Nigerian agricultural extension effort should be concentrated on certain highly remunerative crops, but there is no attempt to rank the various crops, or to show that below a certain point the extension effort will cost more than the benefits it is likely to produce.[36]

Lynton and Pareek comment that in the final analysis only the participant himself can evaluate an extension programme, because only he is familiar with all its costs and benefits.[37]

This is only true if the participants have to pay the full cost of the service, and Blaug distinguishes between private and social evaluation of education or training. The individual participants need only discount the value of their expected increase in earnings and relate them to the cost of the education to themselves, including any earnings lost as a result of attendance. Students at graduate schools of business often justify the time and cost in this way, and there may be a very high return. Society in general must aggregate the total cost of the education or training activity, including both fees paid by participants and public subsidies, and compare the total with the present value of expected future earnings, before tax.[38] This distinction thrown a valuable light on the apparently insatiable demand for higher education in Kenya, where alternative employment is unlikely and fees are negligible, and in the case of our prototype extension service the shopkeeper's private cost of participation is virtually nil, since he does not have to close his business, and the consultants were trained to ensure that their work in no way interrupted the business of the shop. The consulting service should therefore have been very easy to "sell" to clients, since even the most marginal benefit would make cooperation at no cost attractive. This is borne out by actual experience where only two clients actually refused to cooperate when the service was introduced to them. We are thus concerned only with the total national cost of the service, and before continuing our search for a valid and applicable measure of the benefits we must endeavour to make some assessment of the costs.

The costs of the experiment itself are largely irrelevant, because the only direct expenses were the consultants' wages and the supervisor's travelling expenses. The administrative overhead, such as it was, came from other organisations, and apart from one or two ex gratia payments, the consultants themselves bore their own travelling and other out of pocket expenses. It is perhaps a revealing comment on the desperate desire of secondary school leavers for high status employment that they were willing to accept these conditions even though the situation was explained before candidates were interviewed, and it is unlikely that any organisation would be willing or able to be so niggardly in the future. We must in fact endeavour to make an estimate of the total cost of a nationwide service, including some allowance for administration and supervision at all levels. This figure, together with an estimate of the cost of initial training and organisation which would precede any field extension work, must be related to the number of shops which would be served, and the likelihood of their benefitting from the service. It would be interesting to compare the final figure with the cost of the courses that are presently offered to small traders. These however rely to a great extent on the use of teaching and other resources which are principally devoted to other activities; apart from the difficulty of making a meaningful estimate of the cost of this type of input, a more substantial effort would involve new specialised resources, since the main reason for the small number of courses that are now offered is the scarcity of these "part time" inputs. In addition, we have already seen that these courses are not particularly valuable to the participants, except insofar as they may open the way to a loan, so that any estimate of the benefits would be questionable in the extreme. Our estimate of the costs and benefits of our service is bound to be very approximate, but we should refer back to Helleiner's comment that the difficulty of the task is no excuse for failure to try.

The salaries and expenses of senior staff are likely to be a very important factor in the final figure, given the large salary differentials which are usual in Kenya, and it is not possible to make any estimate of the number of senior staff without first estimating the number of consultants who would be needed. It is reasonable to calculate on a national basis, since this should enable the projected service to benefit from economies of scale in supervision and administration. Further regional application may be necessary for experimental purposes, but the service must be evaluated in its national application.

We have already seen that the approximate estimate of the rate of growth in the numbers of small general shops, when combined with the age profile revealed from our sample, suggested a very high failure rate. The total numbers of shops, and the failure rate and numbers of new entrants, are obviously vital for computing the size of the force of consultants, and Table 13 attempts to project the total numbers, and age profile, from 1973 to 1980.

Table 13

PROJECTION OF TOTAL NUMBERS, AND AGE PROFILE, OF POPULATION OF SMALL GENERAL SHOPS IN KENYA, 1973 TO 1980

Year	Total No.	0-1	1-2	2-3	3-4	4-5	5-10	Over 10
1973	24585	5900	5900	1967	1967	1475	5409	1967
1974	27044	6491	6491	2163	2163	1623	5950	2163
1975	29748	7140	7140	2380	2380	1785	6545	2380
1976	32723	7853	7853	2618	2618	1963	7199	2618
1977	35995	8639	8639	2880	2880	2160	7919	2880
1978	39594	9503	9503	3167	3167	2376	8711	3167
1979	43553	10453	10453	3484	3484	2613	9581	3484
1980	47909	11498	11498	3833	3833	2875	10540	3833

Note: The above assumes a 10% annual growth rate, and maintenance of the age profile shown from the sample data. Diagonal left to right reading illustrates the high fall out rate between years 1-2 and 2-3.

It may be questionable to assume that the growth rate, and the age profile, will not change over this period; the failure rate might be reduced if a nationwide service was implemented, and in any case the growth rate cannot be sustained at ten per cent per annum for very long. Nevertheless, in the absence of better information the existing figures are used, and in any case the economies of the service are not particularly sensitive to changes in the total number of shops.

The experimental consultants covered an average of 36 shops each. They were working in rural areas, and they moved mainly on foot. Moris estimated that the average extension worker spent 20% of his time travelling, and he recommended that bicycles should be provided in order to reduce this figure.[39] It may therefore be reasonable to assume a 10% improvement in the number of clients per consultant if bicycles are used. The resulting figure of 40 clients per consultant has been used when estimating the number of men required. There would certainly be less time spent on travelling in urban areas, but this has been ignored in the interests of simplicity. Although the very sparsely populated areas of Kenya would probably not be covered by such a service, it is also true that the areas covered in the experiment were rather more densely populated than the average for Kenya as a whole.[40] The greater distances between shops and markets in some areas might reduce the coverage achieved, and this factor might compensate for any underestimate of coverage because of the reliance on rural rather than urban experience.

We have already concluded that a six month period of consulting is appropriate in terms of optimising the rate of adoption of changes, since visits to ex-clients up to eighteen months after the end of their consultancy period showed that innovations adopted at the end of the six-month period had usually not been discontinued in the intervening months. Only time will tell how long such improvement will last, but given the number of new entrants revealed by our projection of the age profile, there is no question of the extension task being completed once a certain number of shops has been covered. The size of the team of consultants would also be materially affected by the wastage rate. Our figure of two early leavers out of a total of six is scarcely relevant, since the experimental research project offered no long term employment prospects. The continuous process of evaluation and control which was carried out during the experiment would, if replicated on a larger scale, lead to a certain number of dismissals, and this too should be taken into account in any assessment of the numbers required. The actual period of consulting for each trader in the experiment was five months, and we propose to count six months for each client in order to allow for leave and sickness.

There are various possibilities for the timing of the consulting process, and it might be reasonable to start the actual consulting in early 1975, and to spend five years on the initial coverage. Table 14 shows the number of consultants who would be needed to cover all the shops in business by the end of 1979, and those who might be expected to fail between 1975 and 1979.

Table 14

CALCULATION OF NUMBER OF CONSULTANTS
REQUIRED FOR KENYA-WIDE EXTENSION

Total of shops operating in 1979				43553	(Table 13)
Closures	1975-6	7140-2618	(Table 13)	4522	
"	1976-7	7853-2880	"	4973	
"	1977-8	8639-3167	"	5472	
"	1978-9	9503-3484	"	6019	
Total number of shops to be advised				64539	
Consultants required, for 5 years, at 80 shops per consultant per year				161	
New entrant shops in 1980				11498	(Table 13)
Consultants required to cover new entrants, in one year				144	
Consultants excess to 1980 requirements				17	

A force of 161 men would be required to advise each shop for six months. This force would at the end of the period be appropriate to deal with the 11,498 new entrants expected in 1980, with 17 spare consultants to allow for wastage and the increased number of new entrants in succeeding years.

A force of some 160 consultants might require the initial recruitment and training of about 200. The initial total of shops for each of our consultants would be 185, which is not far from the figure of 150 which is the recommended number of new agricultural holdings to each adviser in the ILO report.[41] Each consultant would of course only be dealing with 40 clients at any one time, or 80 in a full year, and a concentrated treatment over a short period is more effective than the three or four visits a year which would be the most that could be managed for each client if the consultant tried to handle them all at once. The whole force could cover 12,880 clients in a year.

The training of such a group would have to be preceded by training for the trainers, who would have therefore to be recruited before the trainees, and who could eventually be expected to act as the field supervisors. We have already seen that the experiment showed that one supervisor could manage 30 consultants, giving each a fairly lengthy individual session every two weeks. We may use Moris' finding that extension agents typically spend around half their time on non productive activities,[42] and conclude that if the supervisors are similarly distracted a figure of fifteen consultants per supervisor is not unreasonable. We arrive at a requirement for eleven supervisors, who might themselves report to one director and an assistant. A very approximate estimate of the costs of training and deploying such a group is given in Table 15.

Table 15

PROJECTED COSTS OF SMALL RETAILER EXTENSION SERVICE

Annual Operation Costs

161 consultants at £489 per annum	£78,729	
OR at £201 per annum		£32,361
Housing allowance for consultants		
at £210 per annum OR	£33,810	
at £120 per annum		£19,320
Travel and other expenses for above		
at £60 per annum	£ 9,660	£ 9,660
Total costs of consultants	£122,199 OR	£61,341
11 supervisors, at £936 per annum		£10,296
Housing allowance for above at		
£360 per annum		£ 3,960
Secretaries for above, at £489		
per annum		£ 5,379
Housing for secretaries, at		
£210 per annum		£ 2,310
Transport for supervisors, at		
£600 per annum		£ 6,600
Assistant Director, at £2,334		
per annum		£ 2,334
Director at £3,276 per annum		£ 3,276
Housing for Director and Assistant,		
at £570 per annum		£ 1,140
Secretaries for Director and Assistant,		
at £690 per annum		£ 1,380
Housing for secretaries, at £240 per annum		£ 480
Transport for Director and Assistant		
at £1,200 per annum		£ 2,400
Drivers for supervisors, Director and		
Assistant, at £201 per annum		£ 2,613
Housing Allowance for Drivers, at £45 per annum		£ 585

Table 15 (Continued)

Data processing expenses			£ 2,000
Contingencies, office expenses, etc.			£ 3,048
Total overhead expenses			£47,801
Total cost of operating service for one year			£170,000
			OR £109,142

Initial Training Costs

Director and Assistant Director, for 12 months, with all supporting overheads			£15,625
Supervisors, plus all supporting overheads for 6 months			£11,502
200 trainees, plus overheads, for 3 months	£37,950	OR	£19,050
Contingencies, materials, etc.			£ 4,923
Total training cost before operation can begin	£70,000	OR	£51,100

Two alternatives are shown for the salaries of the consultants. The higher rate is that proposed for Job Group F in the Ndegwa Report on Kenya's public service; this is the lowest group where East African Certificate of Education is required, and where the description of typical duties roughly approximates to what is expected of our consultants.[43] A salary of £489 plus housing allowance of £210 per year is certainly far higher than what is needed to attract the right quality of applicants, and to retain those who are selected. Those who left the experiment before it was completed were attracted by salaries of around £240 per year, without housing allowance. It is clear that the combined salary and housing allowance of £321 which is recommended for Job Group C,[44] would be more than sufficient to recruit and retain the consultants, and for that reason the alternative calculation shows the effect of paying at this rate. A reduction of this order in the main cost element clearly makes a very significant difference to the viability of the service in terms of the minimum benefits that must be expected to accrue to each client for it to be worthwhile. The decision as to which rate was actually paid would have to depend on Government policy at the time, and all we can hope to do is to show the repercussions of either alternative. In addition to the salaries, a small allowance is made for bicycles and other out of pocket expenses. The salaries of the supervisors and the Director and his assistant are fixed at appropriate points in the Ndegwa Report scales, and very rough estimates are made of secretarial and transportation costs.[45] No allowance is made for the occupation of buildings since it is assumed that existing Government offices would accommodate this small number of staff, and all office accommodation, in the field and at headquarters, would be extremely limited in order to stress the fact that the service was designed to reach out, or extend, to its clients, and all levels of staff should do likewise. An allowance is included for data processing charges, since the staff would be materially assisted by fast feedback of the results of each area, each consultant and each client. The cost of operating a service with 161 consultants paid at the higher rate would be about £170,000 per year, and an initial investment of some £60,000 would be needed to finance the initial training activity which would precede the actual initiation of consultancy and would involve senior staff for six months and the consultants for three. If the lower salary scale was employed, these figures would be reduced to £109,520 and £51,100 respectively. No allowance has been made for future training expenses, since it is assumed that staff replacements could be trained by supervisors on the job with the assistance of the more able consultants.

The estimates of the costs may be oversimplified, but the benefits are even more difficult to assess. The first problem is that by no means all the shopkeepers who are advised gain equally from the service they receive. We have already examined the relationship between the success of the consultancy and client's willingness to pay. Although this latter measure is not perfect, it does bear a close relationship to the number of innovations adopted and it has the additional force of the client's own opinion behind it. Only five shopkeepers agreed to pay in spite of having accepted no recommendations. They were presumably satisfied with the opportunity provided to evaluate new ideas, but since we are interested in strictly quantifiable benefits these five should be eliminated from the total of successes. The fourteen shops whose managers were unwilling to pay but who nevertheless accepted and put into practice three or more recommendations, should also be added back. We thus arrive at a total of 116 successes out of 169, or 69%, and we can use this figure as the probable success ratio of a nationwide service.

It has already been seen that shopkeepers were found to be practising most of the innovations they had adopted eighteen months earlier. No research was possible into the longer term retention of what was learnt, but table 13 illustrates the sharp failure rate during the second year of shops' existence. Only 36.6% of the shops founded in a given year are likely to be in business two years later, but once this hurdle has been overcome the wastage rate seems to be much lower. It is hoped that even shops which are going to fail will benefit from innovations adopted in the period before closure, but it is important to take the failure rate into account when assessing the benefits over time, since a proportion of the clients will not be in business at all in the years following their reception of the extension. The shops that do survive may increase their profits from the innovations as they gain experience in their application, but it is also possible that there will be a significant fall off in total benefits over time as recommendations fall into disuse. Failing other information, it has been assumed that improvement because of a learning curve effect and decline because of discontinuation over time will cancel each other out. Table 16 shows the number of shops who may expect to be benefitting from the consulting in each of the five years over which the projected service is evaluated. Wastage through closure is allowed for, but it is assumed that the shops that survive will continue to benefit at the same rate in the years subsequent to receiving their advice.

Table 16

CALCULATION OF NUMBER OF BENEFICIARIES OF CONSULTING SERVICE OVER PERIOD 1974 TO 1978

Assumptions

1. Sixty-nine per cent of clients advised benefit from advice.
2. In year of advice being given, only 50% of benefit is received.
3. Consultants cover 80 shops per year, or 12,880 for whole force.
4. Closure of shops already advised, 35% after 2 years, a further 4% after 3 years. (From Table 13)

Year 1 (1974)	Nil	
Year 2 (1975)	.5(12880 x .69)	= 4443
Year 3 (1976)	.5(12880 x .69) + (12880 x .69)	= 13330
Year 4 (1977)	.5(12880 x .69) + (12880 x .69) + .65(12880 x .69)	= 19107
Year 5 (1978)	.5(12880 x .69) + (12880 x .69) + .65(12880 x .69) + .61(12880 x .69)	= 24528

Table 17 aggregates the annual flows of money involved in the training and operation expenses of the projected services, and relates them to the calculation of the number of beneficiaries over the period between 1975 and 1979.

Table 17

COMPARISON OF PRESENT VALUES OF COSTS AND NUMBER OF BENEFICIARIES OF PROJECTED SMALL RETAILER EXTENSION

	Discount Rate Used		
	5%	10%	15%
Present value of costs 1974-79, using high wage consultants	£644,107	£559,888	£429,040
Present value of costs 1974-79, using low wage consultants	£419,683	£365,612	£322,055
Present value of number of beneficiaries in years 1975-79	50482	41967	35244
Minimum "break even" annual benefit per beneficiary using high wage consultants	Shs. 255/18	Shs. 266/82	Shs. 279/20
Minimum "break even" annual benefit per beneficiary using low wage consultants	Shs. 166/26	Shs. 174/22	Shs. 182/74

Both sets of figures are brought back to their present values, to take account of the substantial initial investment in training and the delayed benefits from shops which continue to enjoy the fruits of the recommendations in years after that in which they were advised.

Discount rates of 5%, 10% and 15% are used. Ten per cent is said to be used by Kenya Government staff when appraising projects,[46] and is recommended in the British Government manual on project appraisal.[47] This figure has also been used in the United States for appraising training projects,[48] but the results using 5% and 15% show that the calculation is not very sensitive to changes in the discount rate. The lower wage rate might quite possibly be used if the service were to be implemented, and experience has shown that it is more than sufficient to encourage the unemployed secondary school leaver to forego his leisure, which is Mishan's criterion.[49] It may therefore be reasonable to use this wage, and the apparently respectable 10% discount rate, so that we can select the figure of Shs. 174/22 as being the minimum annual benefit per beneficiary which will justify the service.

It is not difficult to estimate the costs of such an extension service, since the inputs are all marketable, and the market price for the main item of cost, namely the consultants' wages, is not too far from a realistic shadow price for secondary school leavers' labour. Besen, Fechter and Fisher suggest that the returns of a training programme can be divided into two categories, first the increased income of the trainees and second the "social returns", which they say are likely to constitute a smaller proportion of the total than for most Government investments. They also mention the cost of removing trainees from work for the period of their training, and on-site extension can be said to have an advantage because little or no loss of output is involved for the trainee.[50] We have already noted the difficulty of assessing the improvement in profitability of the client shops, because there are no reliable figures of their profit position before the consultancy service was made available. Even if accurate figures for increased profit were available, however, they would not necessarily provide us with a satisfactory measure of the benefits. It is reasonable to use the increased earnings of those who are trained, if as a result of their training the total output of the economy is increased. Similarly, if a farmer adopts a new crop and thus adds to the total agricultural production of the nation, without depriving anyone else of the inputs he consumes, his net increase in income may be considered as the benefit derived from the extension programme that induced the change.

The net increase in production for a small general shop would presumably be the increase in value added, net of any increased overhead costs. Although many of the clients of this extension programme did increase their sales substantially as a result of following the advice they were given, these increases could not be described as increases in the total national market for the goods that were sold.

Small general shops operate in a finite and very competitive market. Although they can no doubt contribute to an increase in the size of that market by improved efficiency, this is a very long term process and wholly impossible to quantify and measure against the costs of providing advice. If we were evaluating the benefits within the enclosed group of the beneficiaries and without reference to those who were not contacted by the service or did not respond to advice, increased profitability would be a reasonable measure of benefit. Since we are proposing a service which is to be provided by society as a whole, we must attempt to evaluate the social benefits. Mishan comments that if the analyst is working for one section of the community he can reasonably ignore the effects of his projects on other groups.[51] This research is explicitly concerned with the nation as a whole, with particular emphasis on the least fortunate among the target population. Increased profits are likely to arise from increased sales, and it is almost inevitable that these will have been made at the expense of other shops. Some of the clients in our sample reported that customers who had previously shopped in a nearby town were patronising their shops because of improved stocks or services which had resulted from acceptance of the consultants' recommendations. This was presumably valuable to society as a whole insofar as it tended to redress the imbalance between urban and rural areas, but it was more likely that any increase in sales would be made at the expense of the shop next door. The long term effect of this would be to aggravate inequities, so that increased profits are not necessarily social benefits. Profits may also rise as a result of a reduction in overheads; the general expenses of the shops advised in this research were usually low, and consisted of rent, wages, licence fees and incidental expenses such as water, lighting, wrapping materials and transportation. This latter cost was sometimes reduced as a result of the advice, since buying trips were made less frequently, but there were very few cases of this. Rents appeared reasonable and not susceptible to improvement, and wages were usually very low already. Wrapping materials constitute a major proportion of incidental expenses, but there were few savings to be made in the amount of newspaper or gummed tape used to wrap sugar or other staples which are supplied in bulk. There were thus very few cases where profits were increased by reducing the overhead expenses.

Small general shops serve three masters, namely their customers, their suppliers and their owners. Mishan refers to the danger of double counting of benefits, and when three interests are involved it is very easy to fall into the trap of valuing both the customers' improved satisfaction and the profits accruing to the shopkeeper as a result of their increased purchases. Customers benefitted from shopkeepers' adoption of the consultants' recommendations insofar as they enjoyed cleaner shops, with more stocks of what they wanted to buy, and less likelihood of shop-soiled goods from overstocking. Suppliers benefitted from the faster throughput of their products, which enhanced their reputation with customers and provided a more effective feedback of the actual rate of consumption by the public. These benefits are real but hard to quantify, and since they are a function of improved economic performance by the shopkeeper, it is better to confine our assessment of the benefits to the shopkeepers alone. Fortunately, and not entirely fortuitously, the major single benefit to clients was one that could be measured slightly more easily than profits, and which damaged nobody. This was the reduction in the amount of capital necessary to sustain a given level of business. The capital that was released from dead stocks was sometimes reinvested in faster selling goods, but such reinvestment was usually a substitute for a commitment of more funds from outside of the business, so that the capital invested in the shop was effectively reduced. There is no way of telling how the capital thus released was employed, but it is probably reasonable to consider it as a net benefit to the owner, since its previous use had been of no value to him and its withdrawal from the shop in no way reduced the profits. He might sacrifice the psychic benefits of ownership which were discussed earlier, but it may be that his acceptance of the recommendation to liberate the capital implied that his valuation of this benefit had fallen substantially. In any case, he could reinvest the funds in other equally status-conferring assets, such as farm improvement, household durables or education for his family.

If the reduction in capital is to be used as the only measure of benefit, we must endeavour to decide whether such reduction amounted to more or less than the figure of Shs. 174/22 per beneficiary which has been calculated in Table 17 to be the "break even" annual benefit which must be realised if the service is to be viable. The "attitude change" recommendations which were referred to in Table 9 all involved at least a degree of capital release. They involved various techniques for stock reduction, opening a bank account and other policy changes. Some 90% of the clients whom we have counted as beneficiaries adopted at least one of these, and nearly half of them adopted two or more. The specific recommendations may have involved only a few shillings worth of patent medicine, or some hundreds of shilings worth of clothes or hardware. Several clients followed their acceptance of the initial recommendation with disposals of further items on their own initiative, within the six-month period of the consultancy and evaluation, and those who were contacted some eighteen months after being advised reported that they were continuing to control their stocks in this way, although the need for specific reductions was reduced since they appreciated the need to buy only fast moving goods.

Mishan, when discussing social costs, such as the noise generated by an airport, concludes that in the absence of any better information it is legitimate to assess the number of people likely to be affected and to calculate the minimum "compensating variation", or sum of money each would have to be paid in order to outweigh the other net benefits of the project. This sum might be so large that it was obvious that these costs did not invalidate the economy of the project, or it might be so small that it clearly outweighed the other benefits.[52] This technique can be applied to benefits as well as to costs, and if such approximations are accepted in part they may perhaps be acceptable as measures of the whole of the benefits. Table 16 showed the number of beneficiaries of the extension service, and each of them adopted on average 1.6 "attitude change" recommendations. Nearly three-quarters of the shops in our sample had over one month's worth of goods in stock, and the average excess over the value of one month's sales was Shs. 1,252/-. This is over seven times the figure for the breakeven benefit per beneficiary. Some of the smaller shops might not, initially at least, benefit to the extent of Shs. 174/22 of capital saving each year, but the potential saving for the larger shops is clearly far greater than this sum. It therefore seems reasonable to conclude that on average, successful clients of the service would benefit to this extent per year, so that the project becomes viable.

Mishan also mentions the possibility of using questionnaires to determine the potential benefit of a project, or the amount of "compensating variance" people affected by spillovers would be willing to accept as the price for tolerating the nuisance.[53] The Kenya authorities have in a sense adopted this method of evaluating the benefits of University education, by asking students to repay the costs from their higher earnings after graduation. In spite of the uproar this has caused, there has been little evidence of a drop in applications, so that candidates presumably value the education at something above the amount that they are being asked to repay. The problems involved in asking shopkeepers to pay for our consultancy have already been examined, and it was concluded that it was probably not appropriate, but the majority of beneficiaries were willing to pay at least Shs. 60/- per year for the service. Several said that they would be willing to pay far more than this, because the advice had allegedly saved their business, and although this may in part be put down to good manners, it does indicate that some would be willing to pay the actual cost. Clearly, however, the vast majority would not have been willing to pay as much as Shs. 174/22, since training of this sort is akin to other welfare programmes such as vaccination or family planning where clients need substantial inducements to persuade them to do what will in the long run be of major benefit to them.

In addition to the rather cautious conclusion as to the viability of the project in terms of annual capital saving per beneficiary, the costs have to some extent been overstated and the benefits understated by the use of a closed five-year period, and the rigid definition of beneficiaries, in Table 16. There would presumably be some small benefit to some of the 31% of clients who have been ignored because they did not qualify as beneficiaries. They may only have benefitted to the extent that they had an opportunity to make a change and voluntarily declined to do so, but only 16% of the clients accepted no recommendations at all, so that 84% benefitted at least to a small extent. We have also ignored any benefit that might be enjoyed by shopkeepers who go out of business, for whatever reason, after they have received the consultancy service, and there is likely to be at least some residual benefit to some of them in whatever activity they take up instead.

By closing the evaluation at the end of a five-year period the value of any longer lasting benefits, has been ignored and the value of the trained consulting staff has been treated as a wasting asset which would be wholly consumed at the end of the period. It would of course have some terminal value, and in addition the trained consultants who left the project to take up other employment would presumably be of some value to the economy as a whole because of their basic business training and their wide experience of actual operating problems. The total effect of all these omissions may be such as considerably to increase the confidence of our conclusion that the service would be economic.

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THE INSTITUTIONAL PROBLEM

We have up to now more or less ignored the institutional problem, which MacLelland and Winter have concisely summarised as follows;

> "in any intervention effort there is not only an achievement problem - succeeding in what you are trying to do - but also a power problem -finding an institutional base for carrying out the task.[1]

Rogers also confirms that this latter problem is a primary cause of the frequent failure of development programmes which originate from external sources.[2] In Kenya, the promotion of small scale enterprises has been bedevilled by lack of coordination between institutions,[3] and it is particularly appropriate to give some consideration to the problem in view of the Kenya Government's definite intentions, expressed in paragraph 270 of the Sessional Paper on Unemployment, which reads:

> "secondly, the Government will reorganise the institutions which are now promoting small business development under a new Small Business Development Agency. This Agency will be responsible for developing its own extension service and for providing an effective, comprehensive and coordinated service to small businessmen."[4]

The Kenya Government Working Party recommended that this Agency should be "under the direct control of the Industrial and Commercial Development Corporation" which is the main Government credit institution.[5] The ILO report agreed that the ICDC should be responsible for the overall administration of small business development, although they also recognised that "the Corporation would cease to be mainly a credit extending organisation".[6] We have already discussed the inertia of clients' beliefs about the functions of organisations which serve them. This suggestion to subordinate extension within a credit granting institution might have prejudged the question of an institutional home in a damaging way. The wording of the Sessional Paper emphasises that the institutional decision had not yet been taken, but that whatever is done will be effectively coordinated.

There are many arguments for and against the institutional integration of credit and extension. De Wilde writes,

> "no hard and fast rules can be prescribed ... the weight of argument is certainly in favour of establishing the (extension services) as independent institutions."[7]

He reiterates this comment in his section on Kenya's small business, and writes; "it is desirable to separate the task of business promotion and that of financing".[8] De Wilde argues that a lender must have a genuine arm's length relationship with the extension officer who may be the advocate of the potential borrower, and Mosher confirms our earlier point when he states that extension officers tend to be regarded primarily as purveyors of supporting services rather than "companions in the learning process" if the extension organisation is institutionally integrated with sources of credit or other specialised inputs.[9]

Kelsey reminds us that when extension was started in the United States it was based on universities, and had no association with credit or with government. Inevitably, however, Government became involved, and there arose the dangers of confusing advice with regulation.[10] Education and compulsion cannot be combined, and in the same way as the credit function of a lending institution colours a client's opinions about everything it does, similarly the regulatory functions of government tend to taint its best intended efforts at education and training. We have already discussed the increased emphasis on tax collection, and although the Kenya Government intends to improve the position,[11] both central and local government have traditionally been a source of harassment rather than assistance for small business.[12] Government has also acquired a protective role in relation to indigenous traders, which may be as disfunctional as the often simultaneous harassment, and is equally unsuitable as a background for extension. Hunter refers also to the featherbedding of indigenous businesses by West African governments;[13] this is perhaps an inevitable development of the quest for localisation of enterprise, but it often leads to excessive reliance on government. A determinist attitude to business produces a somewhat paradoxical dependence on and hostility to government, which is regarded as the only source of improvement.[14] This is hardly a fruitful background for a counselling relationship. Davenport warns against the association of other inputs with credit institutions[15] and Heyer recommends that for agricultural development each input should be supplied by a specialised independent institution, linked only in terms of effective coordination.[16]

This raises the issue of the status of extension in relation to other inputs. It can be regarded as the functional apex, which is in direct contact with clients and introduces them to the sources of credit, technical or other specialist inputs. Alternatively, extension may be treated merely as one of the specialist inputs, which may incidentally inform clients of the existence of other services, and advise them of their suitability for specific situations. The danger of the second approach is that every institution may be tempted to employ its own extension staff, with resulting duplication and confusion. Extension staff must necessarily be generalists whose knowledge of the technicalities of credit or legal institutions will be limited. Nanjundan makes the obvious point that specialists are needed in addition.[17] The specialists are likely to be of higher status than the generalist extension workers, and tension would result if they were at the beck and call of their nominal inferiors. A compromise solution is probably the most effective, where specialists contact clients with the knowledge and agreement of generalists, but are not subordinate to them.

A major argument against an independent extension service is that it is likely to contribute to the proliferation of institutions which is such a problem in developing countries. Kelsey emphasises that it is necessary to "be sure that we work with all the organisations we possibly can before we think of setting up new ones"[18] and it is certainly true that any new institution reduces the chances of coordination and increases the total administrative overhead. Rau sees the close relationship between loans and consulting which was apparently developing in Asia as a hopeful sign,[19] and Bosa says that in Uganda training and finance must "run together" and "go hand in hand".[20] It is important to notice that these authorities do not specifically recommend institutional integration, but only close coordination. In Papua New Guinea the business advisory officers act as agents of the state development bank, and this functional integration is not said to be particularly fruitful, since most clients ask for loans and few receive them.[21]

The extension organisation which was projected for the purpose of assessing the costs of nationwide replication of our prototype employs a total of some 200 staff after the initial wastage in training. This is surely a large enough group to make up an autonomous department, within a Ministry but not closely associated with its base in the minds of potential clients. An independent corporation funded in part by central government but also from external sources such as aid donors and suppliers of goods marketed through small general shops might also add slightly to the administrative costs but be justified in terms of its independent institutional image. Lending and other specialised activities should also be set up independently of one another, and one can only hope that an effective coordinating machinery, and a powerful common directorate, would insure that institution building was subordinated to effective coordination and cooperation.

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CONCLUSION

The rationale of this research depends on successive acceptance of a series of hypotheses, each of which follows from substantiation of the preceding one. There is for instance no reason to be concerned with how effectively small general shopkeepers are fulfilling their various roles in society unless it is accepted that they have a vital role to play, and there is similarly no point in examining methods of improving their effectiveness until it has been shown that it needs improvement. It may be useful at this point to summarise this succession of hypotheses, so that the reader may be confirmed in his acceptance of the validity of the argument, or may alternatively be reminded of the precise point at which his views diverged from those of the writer.

It was initially suggested that small general shops, in spite of a long-standing tradition of contempt for the owners and their activities, have a vitally useful role to play, particularly in developing countries. Following from this, it was hypothesised that in Kenya at any rate these shops were to some extent failing in their role. Their performance in relation to their customers, suppliers and owners was examined, and found wanting in several respects. Many of their failings arose from an apparent lack of capital, and the opinions of the shopkeepers themselves, as well as those of many who were concerned to improve their operations, appeared to be consistent with this constraint, since they believed that their major problem was a shortage of capital. It was then hypothesised that this shortage was to some extent illusory, and detailed examination of the financial position of a sample of 169 traders substantiated this view. Their major problem was their failure to make the most efficient use of their existing capital, rather than a need for more capital from outside.

The existing forms of promotion or assistance for small business in general, and small scale general shops in particular were then examined. Past and present endeavours were mainly devoted to remedying the apparent shortage of capital. In some cases, financial institutions had developed training and other services, but their association with loans often vitiated their efforts since they tended to be regarded as means to the end of providing additional finance rather than as worthwhile devices for improvement for their own sake. Regardless of their institutional origin, it appeared that short courses were not a particularly effective promotional device for small business, and it was suggested that for a number of reasons individual on-site extension was the most appropriate form of assistance for small general shopkeepers. Many authorities appeared to concur with this suggestion, but they recommended that the extension staff should have considerable experience and high academic qualifications. This meant that the implementation of a full scale service, reaching the mass of small businesses, was impossible or wholly uneconomic, especially in an economy such as Kenya's, where there is an extreme shortage of such experienced businessmen.

Examination of the experience of extension programmes in other fields indicated that a far lower level of staff was often more effective in promoting change, quite apart from the advantages of low cost and ready availability. It was hypothesised that a cost-effective extension service for small general shops could be provided by fourth form secondary school leavers, with no business experience. A prototype procedure for selection, training and field operations was developed and applied to test this hypothesis. The results indicated that the procedure had the potential to make an effective and economic contribution to the improved operation of small general shops in Kenya.

Research of this sort may be expected to pose as many questions as it answers, and it may be useful to suggest areas where further research is needed. The procedure was developed and tested almost entirely in the Central and Eastern Provinces of Kenya. Isolated enquiries in other parts of the country, and elsewhere, suggested that the problems of small general shopkeepers were similar to those identified in our sample of 169 traders from Nyeri and Machakos Districts of Kenya, but it may be that our suggested remedy would not be applicable for one reason or another.

It has been suggested in particular that in some societies there is more automatic respect for age or for education, so that consultants of the type employed in this experiment would not be effective. The results of the pilot project using undergraduate consultants do not suggest that education in itself has a very marked effect on ability to promote change, since they achieved a success rate of only 60% compared with 69% attained by the fourth form leavers employed in the larger scale experiment. As for age, all the consultants appeared to be far younger than the majority of their clients. No information was obtained as to the ages of the shopkeepers who were advised, since it was felt that every question that was asked by the consultants should be directly related to the provision of advice. There is presumably a strong correlation between the age of the shopkeeper and that of his business, however, and there was no evidence that the more recently established shops were more receptive than those which had been started some years ago. Further research would be needed to find out whether consultants of the same age and qualifications would be equally effective with shopkeepers in other parts of Kenya or elsewhere.

Similarly, random visits to businessmen other than shopkeepers suggested that their problems were not dissimilar. Small scale manufacturers needed capital for specific investment in machinery or other assets, but at the same time they had substantial funds tied up in excess raw materials, work-in-progress or slow-selling finished goods. Their problems are clearly less homogenous than those of small scale shopkeepers, and some familiarity with technical as well as commercial problems would be necessary to enable an adviser to perform effectively. Further work would be needed to develop a suitable form of training for advisers to small manufacturing industry, and to determine the appropriate level for recruitment of staff if fourth form school leavers were not able to manage the task.

We briefly examined the possible effects of rationalisation of retail distribution, and concluded that the likely reduction in prices would not compensate for the loss of employment opportunities, quite apart from the reduced availability of other services such as credit or long opening hours. It could be hypothesised, however, that more substantial price reductions, improvements in quality, and other benefits to suppliers, particularly farmers, would result from the rationalisation of the whole system of distribution from producer to consumer. A model of such a rationalised system might be used to test this hypothesis, and to produce more precise estimates of the economic and social costs and benefits.

It is important that the suggested method of improving the operations of small general shops should be viewed in the context of a dynamic development process, rather than as a static and unchanging training technique. In spite of the numerous built-in safeguards against inequity, nationwide application of the suggested system of extension would inevitably benefit the businesses with higher potential at the expense of those whose owners or managers were less capable of making use of the advice. Increased spending power and growing sophistication among consumers will lead to demands for a wider range of better quality goods, and this in itself will aggravate the pressures on the less successful. It is to be hoped that Government policies will improve the employment situation, so that alternative opportunities will become available, whose returns will exceed the very meagre rewards presently obtained by the least successful shopkeepers. At a certain stage it might become appropriate for the consultants to facilitate this process, by concentrating their efforts for improvement on those with the highest potential, and assisting the others to make an orderly withdrawal from shopkeeping, without losing the capital they had invested. This task might demand a higher level of consultant skill, and it is also possible that wholesalers and other institutions further back in the distribution system should be advised so that its overall efficiency would be improved. We have seen that economic development, and population growth, are likely to lead to more shops rather than less in the long term, but these shops are likely to be more specialised and very different from the small general shops advised in this research. They also would need a more sophisticated form of advice than is suggested here, because a stereotyped list of possible recommendations would perhaps no longer apply.

Over a period of time some of the consultants employed in a service such as is described would develop their abilities to a higher level, but it would be important for this development to be encouraged and assisted. If the task of the consultants was viewed within the context of improvement and change, their personal development would be welcomed, but if the service was regarded statically, those who did develop their own skills would become frustrated and leave, so that the service would be the less able to adapt itself to its changing role.

Our assessment of the rate of return for the owners of small general shops was weakened by the lack of data on the availability and rate of return of alternative investments. If it could be shown that the capital presently invested in these shops could be reinvested more profitably in agricultural innovations, for instance, which would also generate employment, the arguments against an orderly rationalisation and reduction in the number of shops would have to be reconsidered. It is notoriously difficult to estimate the rate of return for agricultural activities, but our particular problem may add further impetus to efforts to produce meaningful figures.

Apart from the possible difficulties of application in other areas and in other industries, it may be that the very small scale of the prototype experiment, and the knowledge by all concerned that it was something of a pioneering venture, contributed to its success. This is an inevitable problem of any experimentation in the social as opposed to the physical sciences, since the people who are the subject matter of the research must necessarily be aware that it is a research project. It might be that longer or more formalised training for the staff would be necessary to obtain similar results from a large scale replication of this prototype system of extension.

A high level of enthusiasm on the part of the supervisory staff would be required to maintain the same level of consultant commitment on successive six-monthly calling cycles. It could be that the necessary tight organisation, and the tedium of applying the same procedure to large numbers of similar shops, would lead to a fairly high turnover of staff. This would have two advantages; first, the continuous infusion of new staff would ensure that the initial enthusiasm was maintained and that the need for continuing training would keep supervisory staff alert to new ideas and improvements; second, a large number of trained and experienced ex-consultants would provide an invaluable source of future entrepreneurs who had been exposed to a large number of business situations with good and bad management. This spillover benefit might in the final analysis be almost as valuable as the improvement generated among the clients of the service. It is likely that the best consultants would be those who would become disatisfied with the routine and would be the most likely to find alternative outlets for their abilities. There would be a danger that the service would therefore be left with the least effective, but continuous evaluation of results along the lines suggested would ensure that they also departed, albeit involuntarily.

Apart from the differences between a full scale service and a prototype experiment, there are clearly many variables which could be manipulated in a larger series of experiments, possibly on a district basis, in order to arrive at an optimum procedure. The calling frequency could be reduced or increased, the calls themselves could be of longer or shorter duration, and more information could be obtained on the returns to be obtained from prolonging the consultancy beyond the five-month period used in the experiment. Supervision is expensive, because of the large differentials between salaries of field and senior staff, and it might be that a lower grade of supervisors than is implied by the salary rate used in the suggested structure of a full scale service, or an intermediate tier of supervision, would be more economical in terms of costs and benefits. It would clearly be possible to cary out an almost endless series of experiments to test each combination of variables. Such experimentation could delay the implementation of a nationwide service, but it could also be carried out within the context of a staged introduction, district by district. One advantage of this type of experiment is that whatever the results there would presumably be some benefits to the clients and the consultants. The experiments could be justified not only because they would improve the final result but because they would in themselves be valuable. No special evaluation expense would be necessary, since continuous and detailed evaluation is an essential part of the procedure in any form.

In the final analysis, an experiment in the social sciences only shows what has happened in a given set of circumstances, and with a given set of individuals. We can only be certain that the same results would be obtained if the identical circumstances were repeated; "Certum est quia impossibile est". Nevertheless, it is hoped that our experiment has adhered as closely as possible to the methodology of scientific research, so that our conclusions can at the very least suggest future directions for programmes of assistance for small business. In any situation of rapid change, it is likely that a minority of progressive individuals or firms will out-distance the majority in adapting their operations to new circumstances and taking advantage of new opportunities. Society suffers because the improved product or service is only available from a small number of outlets, and the laggard majority suffer through the erosion of their competitive position and frustration at their inability to change. The concept of a carefully planned and closely controlled individual extension service, based on an initial diagnosis and a selection from a limited number of suitable recommendations for change, could usefully be applied to such situations, in any field. In Kenya, there may be a need for change in the total internal marketing system, and this could be facilitated if a procedure such as has been outlined were to be employed to promote whatever changes were necessary to the channels of distribution. The informal sector has been identified as a valuable and hitherto ignored aspect of economic activity, and this form of extension service could also ensure that any programme to assist informal enterprises was made available to all of them and not only to the minority who were fortunate or able enough to reach out for it themselves.

A P P E N D I C E S

APPENDIX I

CUSTOMER SATISFACTION SURVEY

I am employed by the University of Nairobi, and I am trying to find out how well the local shops are satisfying the needs of the people. We hope that your answers will help us to assist the shopkeepers to do a better job.

....

What is your opinion of the following aspects of the shops in the place where you do most of your shopping?

OPENING HOURS	Very convenient.
	All right.
	Very In convenient.
CREDIT	Very Generous.
	All right.
	Very inadequate.
SERVICE	Very Polite
	All right
	Very Rude.
GOODS IN STOCK	Everything I need.
	Most of what I need.
	Most things not available.
CLEANLINESS	Very clean.
	All right.
	Very dirty.

MALE/FEMALE.

APPENDIX 2

QUESTIONNAIRE TO MANUFACTURERS

PART A Your firm's present relationship with small rural retailers.

N.B. For the purpose of this exercise a small rural shop may be defined as a non specialist retail outlet located outside urban centres.

1. Approximately, what are your total sales of goods which are suitable to be sold through small rural shops? (Check one box)

Under £10,000 [ ] £10,000 to £100,000 [ ]

£100,000 to £250,000 [ ] Over £250,000 [ ]

2. Approximately what percentage of the above annual sales figure is eventually sold through small rural shops? (check one box)

Under 5% [ ] 5% to 20% [ ] 20% to 50% [ ]

Over 50% [ ]

3. Is the percentage figure mentioned above; (Check one box)

Growing [ ] Remaining stable [ ] Declining [ ]

4. Do you advertise your products in rural areas through the following media? (Check as appropriate)

Newspapers [ ] Radio [ ] Mobile Cinema [ ]

Loudspeaker Vans [ ] Posters [ ]

5. Are the products which are eventually sold through small rural shops: (Check as appropriate)

Bought by these shops direct from your firm [ ]

Bought by these shops from local wholesalers who have themselves bought them direct from your firm [ ]

Supplied by your firm direct only to specialist selected distributors [ ]

......../2

6. How many travelling representatives, or distributor's men whO sell only the products of your firm, are employed mainly in promoting your products direct to small shops?(check one box)

None [ ] 1 to4 [ ] 5 to 9 [ ] 10 to 20 [ ]

Over 20 [ ]

PART B Your opinion about small rural shops

1. What do you believe to be the least satisfactory aspect of small rural shops as distributors of your firm's products?

2. What do you believe to be the most useful thing that your firm can do to help small rural shops, and thus to increase your sales through them?

3. What do you believe to be the most useful thing that the Government should do to help small rural shops?

4. What do you believe to be the most useful thing that small shopkeepers themselves can do to improve the service they provide to their customers and to their suppliers, and thus their own profitability?

(PLEASE USE THE BACK OR SEPARATE SHEET OF PAPER FOR ANSWERING PART B)

APPENDIX 3

SUMMARY OF RESULTS OF QUESTIONNAIRE TO MANUFACTURERS

24 Firms replied, out of a total of 54 to whom questionnaires were sent.

PART A.

1. Approximate annual sales of goods suitable for sale through small retail shops:

Under £10,000	6 Firms
£10,000 to £100,000	8 Firms
£100,000 to £250,000	2 Firms
Over £250,000	8 Firms

2. Approximate proportion of above figure actually sold through small retail shops?

Under 5%	4 Firms
5% to 20%	1 Firm
20% to 50%	9 Firms
Over 50%	10 Firms

3. The above percentage is:

Growing	18 Firms
Stable	5 Firms
Declining	1 Firm

4. Advertisement media used:

Newspapers used by	14 Firms
Radio used by	12 Firms
Mobile Cinema used by	8 Firms
Loudspeaker vans used by	3 Firms
Posters used by	11 Firms

5. The goods eventually sold through small retailers are sold:

Direct to small shops themselves by	7 Firms
Through local wholesalers by	20 Firms
By selected distributors by	8 Firms

6. Representatives employed mainly in promoting sales to or through small rural shops;

None employed by	5 Firms
Between 1 and 4 employed by	8 Firms
Between 5 and 9 employed by	3 Firms
Between 10 and 20 employed by	5 Firms
Over 20 employed by	3 Firms

PART B.

1. The least satisfactory aspect of small rural retailers:

Undercapitalised mentioned by	8 Firms
Too small mentioned by	4 Firms
Too conservative mentioned by	3 Firms
Other faults of management mentioned by	9 Firms

2. What should manufacturers do to help small rural retailers:

More advertising mentioned by	10 Firms
Direct supply mentioned by	5 firms
More product information mentioned by	5 firms
More general management advice mentioned by	3 firms
Give more credit mentioned by	2 firms.

3. What should Government do to help small rural retailers:

Provide more courses mentioned by	10 firms
Give more loans mentioned by	9 firms
Provide extension services mentioned by	3 firms
Improve roads and communications mentioned by	3 firms
Restrict numbers of shops mentioned by	1 firm.

4. What should rural retailers themselves do to help themselves:

Better management in general mentioned by	6 firms
Display better mentioned by	4 firms
Keep shops cleaner mentioned by	4 firms
Specialise mentioned by	4 firms
Diversify mentioned by	3 firms
Pay bills more promptly mentioned by	2 firms
Other improvements mentioned by	6 firms

APPENDIX 4

Profile of an average shop, as indicated by the sample of 169 small general shops in Kenya

Age: 3.6 years. (24% under 1 year, 54% 1 to 5 years, 22% over 5 years)

Most important Problem: 66% lack of capital.
13% lack of management skill.
10% lack of customers.
5% other problem.
6% No problem.

Attendance at a Traders' Course: 84% No, 16% Yes.

Balance Sheet.

Liabilities		Assets	
Trade creditors (6% some trade credit)	NIL	Cash available for shop	Shs. 650
		Bank Balance (64% had no bank account)	None
Customers' Deposits (5% had some)	NIL		
Loans outstanding	NIL	Debtors(24% gave no credit)	Shs. 350
Retained Earnings and Original or Subsequent Investment (12% total capital less than original investment)	Shs. 5000	Stocks	Shs.3300
		Equipment	Shs. 700
		Building(72% rented premises)	None
Total	Shs. 5000		Shs.5000

Profit and Loss Account for one month's Trading

Sales		Shs. 2000
Cost of Goods Sold		Shs. 1630
Gross Margin Available		Shs. 370
Expenses: Owner/Manager's drawings	Shs. 100	
Wages to other staff (30% employed other staff)	NIL	
Rent	Shs. 60	
Transport	Shs. 40	
Other expenses(Licences, (wrapping materials, water, light etc.)	Shs. 40	
Loan interest and Repayments (6% had loans)	NIL	
Total Expenses	Shs. 240	
Net Profit		Shs. 130

Critical Ratios

Debt Ratio Average customer indebtedness = 15% of one month's Sales
Maximum " " = 130% " " " "

Stock/Turn Average Rate of Stockturn = 6.3 times per year
28% of the sample achieved 12 times per year or more
28% " " " " between 6 and 12 " " "
44% " " " " 6 times or less per year

Return on Investment, (profits)
17¼% on total investment
24% excluding buildings

Return on Investment, including profits and wages for Owner/Manager
27% on total Investment
48% excluding buildings

APPENDIX 5

CONSULTANCY APTITUDE TEST

Time Allowed: TEN MINUTES.

Write your answers, together with the necessary calculations, NEATLY on the separate sheet provided.

1. A shopkeeper buys a box of 200 headache pills for Shs.18.00. He then sells the pills for ten cents each. How much profit does he make on each box?

2. Add Shs. 926.50, Shs.431.80 and Shs. 18.00. Take Shs.28.10 away from the total of these three amounts.

3. Take Shs. 15.50 and Shs.31.25 away from Shs. 3110.00.

4. A shopkeeper pays out rent of Shs.50.00 per month, licence fees of Shs.150.00 per year and transport costs of Shs.15.00 per month. What is the total of his annual cost of rent, licence fees and transport?

5. A shopkeeper has Shs.100.00 to spend on new stocks. He can either buy ten blankets, which he will sell for Shs.15.00 each, or one hundred packets of tea, which he will sell for Shs.1.10 each. He will sell the blankets at a rate of one per month, and the tea at a rate of one hundred packets per month. Should he buy the blankets or the tea, and why?

APPENDIX 6. TRAINING COURSE FOR CONSULTANTS

NOTE: ALL REFERENCES ARE TO "THE AFRICAN TRADER" MALCOLM HARPER, EAST AFRICAN PUBLISHING HOUSE, NAIROBI 1973.

ASSIGNMENTS FOR FIRST WEEK.

A. 1. Read, and make sure you understand;
   a. "What a Business is". (P.10)
   b. "Keeping Simple, Useful, Accounts". (P.16)

2. Do the exercise, "John Kamau".

3. Read, and make sure you understand, "Using Simple Accounts". (P.23)

4. Do the exercises;
   a. "Musau's Shop".
   b. "Josiah Walonze". (P.30)

B. 1. Spend at least <u>two full days</u> working in your selected shop (including one market day, or two if possible).

2. Make notes on the following aspects of the business;
   a. How well is the cash controlled, and how safe is it ?

   b. Do any of the customers buy goods on credit? If so, how well are their purchases and payments recorded? Can the owner or manager see at a glance how much he is owed by each customer?

   c. Are the stocks sufficient for what the customers need? Do customers often go away without obtaining what they want?

   d. How does the owner or manager decide what goods to put in stock?

e. How does the owner or manager decide on the quantities of goods to buy, once he has decided what items he will buy?

f. Why do customers come to this shop, as opposed to any other in the markct?

g. How attractive does the shop look to a customer, and how are the customers treated once they enter the shop?

3. Write down your ideas and specific suggestions as to what the owner or manager might do to improve each of the aspects you have commented on as above.

4. Write down any other suggestions you may think of, after working in the shop, which are not covered in item 2 above.

5. Try to put together a very approximate "Balance Sheet" for the shop where you work, to show the uses and sources of the money that is employed in the shop now.

6. Try to put together a very approximate profit and loss account for the shop where you work, for the month of January 1973.

7. The "Balance Sheet" and "Profit and Loss Account" for the shop will almost certainly involve some approximations or even complete guesses as to some of the necessary figures. Make a note of the information that is lacking to enable you to make up reasonably accurate accounts, and describe how this information might be obtained.

JOHN KAMAU

John Kamau started his shop on January 1st. 1970. At the end of January he wanted to know how well he had done. He had noted down the following facts;

1. He had started the month with Shs.1000.00 worth of goods in his shop.
2. During the month he had bought Shs.500.00 worth of goods, in addition to the stocks he had at the beginning.
3. At the end of January he counted up his stocks, and worked out that they were now worth Shs.1100.00.
4. He had kept a record of his cash, so he knew that he had received Shs.600.00 from his customers during January.
5. His rent was Shs.600.00 for the whole year, and this included payment for the use of all the equipment in the shop.
6. The total of his licences for the whole year was Shs.120.00.
7. He had taken Shs.100.00 from the shop for his own use during the month.
8. During January he had not given any credit to his customers, and he had paid cash for all his supplies.

How much profit or loss had John Kamau made during January 1970?

MUSAU'S SHOP.

Musau started his shop in January 1963. He had invested Shs.500.00, which was all his savings at the time.
On January 1st. 1973 his brother Kungu asked Musau what he had achieved in 10 years of business. Musau said that he had managed to keep himself and his family, and to send his five children to school. Kungu answered that this was indeed very good, but he wanted to know how much the business was worth today, on January 1st, 1973, so that they could compare it with the original Shs.500.00. Musau did not know what to say, but they decided to see if they could find out. Musau made a note of the following facts, which he thought might be useful to them.

1. There was Shs.50.00 in the cash box, belonging to the shop.
2. He had opened a bank account for the shop in 1971, and there was now a balance of Shs.150.00 in it.
3. His customers owed him a total of Shs.300.00 for goods he had sold to them on credit.
4. He had counted up his stocks the previous day, December 31st. 1972, to see how he was doing, and he found that they were worth a total of Shs.2000.00.
5. He had bought his building two years before, for Shs.10,000.00.
6. The shelves, counters, and other equipment in the shop were worth a total of Shs.1000.00.
7. He owed his wholesaler a total of Shs.500.00 for goods he had bought on credit.
8. He had borrowed Shs.10,000.00 from the Trade Development Joint Board to buy the building, and he had so far only repaid Shs.2000.00.

Make up a "Balance Sheet" for Musau's shop, as it was on January 1st. 1973.
How much of the shop's profits had Musau reinvested in the business during the ten years since he had started it?

ASSIGNMENTS FOR SECOND WEEK.

1. Go over last weeks work, and if any of it was wrong, make sure that you understand exactly what you should have done, and why.

   If you completely missed the point of any of the exercises, (John Kamau, Musau's shop and Josiah Walonze) do the complete exercise again to be sure that you know how it should be done.

2. Study your notes on how to record debtors, and how to record cash, and make sure that you understand them. Do the exercise "Juma's General Shop".

3. Do the exercise "Peter Okello and his Credit Customers". (P.33)

4. Do the exercise "James and His Cash". (P.31)

5. Read, and make sure that you understand," Business Decisions". (P.43)

6. Do the exercise "Mwangi Wonders What to Buy". (P.35)

7. Read, and make sure you understand," Satisfying the Customer". (P.64)

8. Read the exercise "Harrison Matumo". (P.67) BEFORE you go on to the "suggested analysis" of this problem, decide for yourself what Matumo's real problem is, and what he might do about it. Write your ideas down. Then, and only then, read the "suggested analysis" of Harrison Matumo, and make sure that you understand what is suggested,and why.

9. Do the exercise "The Friendly Grocery". (P.75) answering the questions that follow the description of his situation.

NOTE. All the exercises are quite simple, providing you have understood what you have been taught about recording debtors, recording cash and deciding what to put into stock. They are, however, full of many different figures, and you MUST work through them carefully, checking all your calculations again and again.

It is a waste of time if you understand the principle, but get the answer wrong because you add up two figures wrongly, copy something down wrong, or make other simple Primary School mathematics errors.

10. Work for two more FULL DAYS in the shop where you worked last week, and try to put into practice some of the suggestions you had for improving the business. Write down the problems that you and the owner of the shop experience in trying to carry out your ideas.

JUMA'S GENERAL SHOP.

Juma did not keep any accounts for his business, but he did make a note of how much cash he had at the beginning and end of each month, and how much he spent on wages, rent, licences and on his own expenses. He also kept all the receipts he got from his suppliers when he bought new stocks. He always paid cash for everything he bought, and all his customers paid cash too, at least until the end of 1972.

His son Mohamed came home from secondary School at the end of January 1973, having completed Form IV. Juma was very glad to see him, because he wanted some help with his business. In particular, he had the following problems, and asked Mohamed to try to solve them;

1. Juma had had an argument with some of the other traders in the market over whose shop sold the most goods. They agreed to compare their sales figures for December 1972, but Juma only had the following information;

   a. He had started the month with Shs.258.00 in the cash box.

   b. He added together all the receipts for new stocks bought during December, and the total came to Shs.2572.00.

   c. He had withdrawn a total of Shs.234.00 in cash for his own use, as well as Shs.35.00 worth of goods for his own consumption.

   d. He had paid Shs.100.00 in wages to his assistant, Shs.60.00 for the rent for the month, and Shs.40.00 for transport of new stocks to his shop.

   e. He had finished the month with Shs.528.00 in the cash box.

   What were the total sales of Juma's shop for December 1972?

2. In January Juma had started to sell goods on credit to his friend Hamisi. At the end of the month he wanted to know how much Hamisi owed him. He had recorded the following information;

   a. Hamisi had purchased goods nearly every day in January, on credit, for the following amounts;

      Shs. 1.50, 2.75, 10.25, 18.00, 15.50, 22.00, 3.50,
      Shs. 27.00, 13,00, 12.75, 7.50, 11.00, 14.25, 7.75,
      Shs. 9.50, 11.25, 10 cents, Shs.2.00, 20.00.

   b. Hamisi had paid various amounts of cash during the month, whenever he himself had managed to sell some sheepskins to tourists. Juma had listed these payments as follows;

      Shs.10.00, 20.00, 15.00, 5.00, 25.00,
      Shs.30.00, 5.00, 10.00.

   How much did Hamisi still owe Juma?

3. Juma wanted to expand his business. He had to choose between two new ideas, and could not decide which was the most profitable;

   a. He could buy six bicycles (the minimum wholesale quantity) for Shs.1500.00. He would resell them to his customers for Shs.325.00 each. He thought that he would sell about one bicycle a month.

   b. He could become an agent for cement. He would have to buy a minimum of 150 bags for Shs.1500.00, and he would resell them for Shs.11.00 per bag. He thought he would sell about 100 bags a month.

   Juma only had Shs.1500.00 to spare. Should he start to sell cement or bicycles, and why?

ASSIGNMENTS FOR THIRD WEEK

1. Go through your notes and last week's assignment. Make sure that you REALLY UNDERSTAND what a Balance Sheet and a Profit and Loss account tell you about a business.

   If you totally missed the point on any of last weeks assignments, do them again from the beginning, making quite sure that you understand WHY you are doing whatever is required.

2. Re-read, very thoroughly, "Using Simple Accounts". If necessary, go back to "Keeping simple, useful, Accounts", in order to be sure you understand what they say and how they can be used.

3. Do the exercise, "Are loans really the solution." This tests your ability to learn something about a business from its balance sheet and profit and loss account. Remember that it is the relationships <u>between</u> figures rather than the figures on their own which usually tell the most about a business.

4. Do the exercise, "Ali Bumba and the Sewing Machine Money".

5. Do the exercise, "Joseph Chogo's loan".

6. Read, and make sure you completely understand, "The Long term Direction of Business." (P.98)

7. Read "Joseph Njoroge" (P.100) and BEFORE you read the suggested analysis write down what the accounts for each of Njoroge's three businesses can tell you about the business, and what you would recommend that Joseph should do. Then, and only then, read the suggested analysis, and make sure you understand it, particularly the analysis of the accounts.

8. Do the exercise "Tabitha Achila". This is quite difficult, and your answer should consist of a list of specific recommendations to Mrs. Achila as to what she should do to improve her business, after you have analysed how well she has done so far.

9. Go back to the shop where you have been working for the last two weeks, and do as follows;

   a. "Take Stock", by counting, and valuing, all the items in stock, at the cost price to the shopkeeper, not the final selling price. It will be necessary to guess quantities and estimate costs sometimes; make a note when you do this.

   b. If there is any item where the stocks are, in the opinion of the owner, enough for more than three months expected sales, decide how to release the money thus tied up in slow stocks. With the owner's agreement, put your plan into action, and return to the shop before the next meeting to see how successful your idea has been.

   c. Select some feature or item in the shop that should be advertised, and, again with the owner's agreement, put up some advertising material. This may well be advertising your stock reduction plan in item b. above.

   d. Produce a balance sheet and profit and loss account for the shop, including the result from your stock taking and any other better records etc. that you have recommended. The profit and loss account should be for a minimum period of a week, and preferably for a month.

10. Spend at least two full days working in the second shop, selected on the previous visit. Do as follows;

   a. Try to construct a simple and approximate balance sheet, and profit and loss account for the last week or preferably month of business.

b. Recommend, and help the owner/manager to implement, any recording routines (cash, debtors etc.) that may be necessary for figures to be made available for the accounts required above.

c. Carry out items 9 a. b. and c. as described above, namely stocktaking, the disposal of a slow moving or "dead stock" item, and advertising, this disposal or some other feature of the shop.

ARE LOANS REALLY THE SOLUTION?

Each of the following traders says that he needs a loan more than anything else; how would you advise each of them to obtain money from their businesses themselves, since loans are difficult to get, and expensive even if they are granted?

1. Ibrahim

Balance Sheet, 1 February 1973

Assets			Liabilities		
Cash	Shs.	100.00	Creditors	Shs.	500.00
Debtors		500.00	Loan from family		1000.00
Stocks		4000.00	Investment		1000.00
Equipment		1000.00	Reinvested Profits		3100.00
		5600.00			5600.00

Profit and Loss Account, January 1973

Sales			Shs.1000.00
Opening Stocks	Shs.	3900.00	
Goods bought		950.00	
Total		4850.00	
LESS Closing Stocks		4000.00	
Cost of Goods sold		850.00	
Rent		50.00	
Wages		60.00	
Licences		10.00	
Transport etc.		20.00	
Total costs	Shs.	990.00	990.00
Net Profit			Shs. 10.00

2. Shariff

Balance Sheet, 1 February 1973

Assets		Liabilities	
Cash	Shs. 1000.00	Creditors	-
Debtors	900.00	Loans	-
Stocks	3000.00	Investment	Shs. 5000.00
Equipment	600.00	Reinvested Profits	500.00
	5500.00		5500.00

Profit and Loss Account, January 1973

Sales			Shs. 5000.00
Opening Stocks		Shs. 3100.00	
Goods Bought		4700.00	
		7800.00	
LESS Closing Stocks		3000.00	
Cost of Goods Sold		4800.00	
Gross Margin			Shs. 200.00
Rent	Shs. 100.00		
Wages	100.00		
Licences	10.00		
Transport	60.00		
Total Expenses	270.00		
Net Loss			Shs. 70.00

3. Laban

Balance Sheet February 1st. 1973

Assets			Liabilities		
Cash	Shs.	50.00	Creditors	Shs.	500.00
Debtors		4500.00	Loan		-
Stocks		1500.00	Investment		9800.00
Equipment		450.00	Reinvested Profit		5700.00
Building		9500.00			
		16000.00			16000.00

Profit and Loss Account, January 1973

Sales				Shs.	1500.00
Opening Stocks		Shs.	1800.00		
Goods Bought			950.00		
			2750.00		
LESS Closing Stocks			1500.00		
Cost of Goods Sold			1250.00		
Gross Margin				Shs.	250.00
Wages	Shs. 100.00				
Transport	50.00				
Licences	10.00				
Total expenses	160.00				
Net Profit				Shs.	90.00

4. Muiruri

Balance Sheet February 1st. 1973

Assets		Liabilities	
Cash	Shs. 30.00	Creditors	Shs. 100.00
Debtors	570.00	Loan	-
Stocks	2500.00	Investment	5000.00
Equipment	1000.00	Reinvested Profit	9000.00
Building	10000.00		
	14100.00		14100.00

Profit and Loss Account, February 1973

Sales			Shs. 2000.00
Opening Stocks		Shs. 2800.00	
Goods Bought		1300.00	
		4100.00	
LESS Closing Stocks		2500.00	
Cost of goods sold		1600.00	
Gross Margin			Shs. 400.00
Expenses; Rent	Shs. 50.00		
Wages	Shs.400.00	(owner/manager sole employee)	
Licences	Shs. 10.00		
Transport, Wrapping etc.	40.00		
Total Expenses	Shs.500.00		
Net LOSS			Shs. 100.00

5. Kibedi

Balance Sheet, February 1st. 1973

Assets			Liabilities		
Cash	Shs.	300.00	Creditors	Shs.	300.00
Bank Account		800.00	Loan		-
Debtors		-	Investment		2000.00
Stocks		1200.00	Reinvested Profit		500.00
Equipment		500.00			
Building		-			
		2800.00			2800.00

Profit and Loss Account, January 1973

Sales			Shs. 750.00
Opening Stocks		Shs. 1400.00	
Goods bought		400.00	
		1800.00	
LESS closing stocks		1200.00	
Cost of goods sold		600.00	
Gross Margin			Shs. 150.00
Expenses;	Wages	Shs. 50.00	
	Rent	100.00	
	Licences	10.00	
	Transport etc.	40.00	
		200.00	
Net LOSS			Shs. 50.00

JOSEPH CHOGO'S LOAN

Joseph Chogo started his general shop in 1959. He was quite satisfied with the results; he had been able to get all his family's provisions without charge out of the stocks, and he had also withdrawn money from time to time for school fees, uniforms, funerals and other emergency requirements. He had started with only Shs.600.00 in 1959, and by 1973 the business was worth several thousand shillings. He took stock at the end of 1972, and found out that the value of the stocks alone was Shs.6000.00.

Joseph had heard a lot about the loans that the Government was giving to citizen traders, and in 1973 he applied for a loan of Shs.2500.00 from the District Trade Officer. He was sure that he would get a loan, as a reward for so many years of successful trading.

Joseph decided that he would spend the loan on stocks of sugar, salt and maize flour, since he usually ran out of these staple items towards the end of each month. Many of his customers were paid monthly, and Joseph allowed them credit for this period. He had himself to pay cash for goods of this sort, so that when he had spent the cash he received he was unable to buy more supplies. Most of the shops in his market had the same problem, but recently one or two younger men had started shops and seemed able to avoid running out of stocks. Joseph was therefore anxious to compete with them, and he expected that the loan would enable him to do so.

The Trade Officer visited Joseph's shop before the meeting of the Trade Development Joint Board which was to decide which applicants would receive loans.

Joseph gave him the information he asked for, and he was particularly proud to tell him that the stocks were worth Shs.6000.00. Joseph thought that the increase from Shs.600.00 to Shs.6000.00 was proof of his business skill and personal economy, and he was sure that this would guarantee him a loan. He sold about Shs.2000.00 worth of goods per month, although this figure was dropping a little because customers were put off by the shortage of staples.

Joseph was therefore completely astonished when he was told some three weeks after the meeting of the Board that his application had been refused and he was not going to get a loan. He at once went to the Trade Officer's Office, and their conversation went as follows;

Joseph; Why didn't I get a loan? Did anybody deserve one more than me?
Is this all I get for so many years of hard work?

Trade Officer; Loans are not given to those who deserve them, but to those who need them. According to your application form you wanted the loan to buy more stocks. The Board felt that your existing Shs.6000.00 worth of goods in stock is more than enough to maintain monthly sales of Shs.2000.00.

Joseph; I know that I haven't got enough stocks. Why, only this morning I had to turn away customers who wanted sugar.

Trade Officer; How often do you buy more goods?

Joseph; I go to my wholesaler at least once a week, and sometimes more often than that.

Trade Officer; Look at your stocks more closely. It appears that while you have more than enough stocks in total value, maybe you have not got the right stocks. On average you have enough goods to keep you going for three months without buying any more, since your stocks are worth three times your monthly sales. But you yourself say that you have not got any stocks at all of some things. In a way, you and the Board are both right. Since you are out of stock of some things, you must have far more than three months worth of some others. Go and have a look. If you find large stocks of some things, in relation to your sales of them in a month, try to decide how you can get rid of them. Maybe you can "wake up" the money that is "sleeping" on your shelves now, and put it to better use by buying things that will sell quickly. You may even "wake up" more than the Shs.2500.00 you asked for from the Board, and it will be yours, without any obligation to repay it, or to pay interest.

Joseph was not sure he understood what he had been told, and he went thoughtfully home. Next morning his shop was quiet, since it was near the end of the month and he was out of stock of sugar and salt. Everybody wanted these two things, so they bought them, and their other requirements, from the few shops which had stocks. He decided to try to follow the Trade Officer's advice. He found a piece of chalk, and wrote under each item on his shelves his estimate of the number he sold in a month. He then counted the stock, and he listed on a piece of paper all the important items where the quantity in stock exceeded three times his estimate of monthly sales. His list looked like this;

Item	Cost Price Shs.	Selling price Shs.	Est.monthly Sales	Stock
Bottles of Ink	1.00	1.25	6	60
Hair Oil	2.75	3.50	10	50
Cotton Reels	.75c.	1.00	20	120
Plastic bangles	1.00 for 15	.10c. each	30	500

Item	Cost Price Shs.	Selling Price Shs.	Est.monthly sales	Stock
Blankets	10.00	15.00	4	56
Plough Points	12.00	15.00	3	36
Ladies dresses (various sizes & patterns)	40.00	50.00	3	30
Cattle "dawa"	7.00	9.00	8	70
Karais	3.00	3.50	5	55
Pens	.85c.	1.10	12	150
Sandals	2.50	3.25	15	120
Sufurias	3.25	4.00	10	90
Umbrellas	11.00	14.00	6	45

Questions;

1. What was the total value, at the cost price to Joseph, of the items on his list?
2. Joseph said that he was able to buy new stocks at least once a week. What quantities of the listed items would have been sufficient to ensure that he did not run out of stock of them?
3. What would have been the total value, at the cost price to Joseph of the stocks of the listed items if Joseph had the minimum necessary stocks, which you have listed in question 2. What would be the difference between the total value as it was according to Joseph's list and the value if the quantities had been as you have suggested?
4. Could Joseph raise the Shs.2500.00 he wanted by "waking up" some of the excess money as the Trade Officer suggested? Exactly what would you recommend he should do to raise the money? Say exactly what he should attempt with each item.

ALI BUMBA AND THE SEWING MACHINE MONEY

Ali wanted to improve his business. He decided to buy a sewing machine, because it would help him to sell more cloth, it would attract more customers to his shop, and in addition it would enable him to employ his brother Juma, who was unemployed but was a very good tailor.

The only problem was that the sewing machine which Juma recommended cost Shs.2000.00 and the dealer would not offer any credit or hire purchase terms. Ali applied for a loan from the District Trade Officer, but he knew that it would take up to a year before the application was even considered, and his business acquaintances all told him that only about a third of the applications were granted. So Ali wondered whether there was any other way he could obtain the necessary money. He had no security to offer a bank in exchange for a loan, and he knew that nobody in his family, and none of his friends, had any spare money at all because they had recently built a self-help cattle dip, and anything that was left after that had been subscribed to the new Institute of Technology.

Ali's monthly sales from his shop were about Shs.1500.00 at the moment. He estimated that the goods he sold for this amount cost him about Shs.1200.00 to buy, so that he had a "gross profit" of about Shs.300 a month. He was anxious to avoid taking money out of the business for his own use, so he did not withdraw any salary at all. He was able to keep his wife and their one child on the income from their farm. His other relations were not so fortunate or hardworking as he was, and Juma knew that if he tried to accumulate money at home, he would be unable to deny their continuous requests for help. He therefore made sure that he spent all his spare cash on new stocks, and he was now spending about Shs.1400.00 each month on goods for his shop. He was pleased to see that this rate of spending meant that the level of stocks was rising each month. At the time of his sewing machine problem his stocks were worth about Shs.2000.00 in total. He managed to keep the cash in the shop down to under Shs.50.00 by buying more goods whenever it rose above this figure. In this way he felt that he was avoiding the danger of robbery and was able to say "no" if his relatives came and asked him for "a loan" as they called it during his business hours.

Question:

How would you recommend that Ali Bumba should obtain the Shs.2000.00 necessary for the sewing machine. How long would it take him if he follows your advice?

TABITHA ACHILA

Mrs. Achila had been in business since the beginning of February. Her small shop was at the end of a row of similar shops, butcheries and bars on the edge of a large market area. It was now the end of August, in the same year; although the shop had been reasonably busy ever since it had been opened, Mrs. Achila felt that she should have some guide as to how well she was doing. A friend who had been to a traders' course told her that they had been advised to keep certain information, and Mrs. Achila noted down the following facts from the records she had kept.

1. She had put Shs.1000.00 into the business when she started, and she had invested a further Shs.600.00 in March and Shs.510.00 in May.

2. She had restricted her own wages to Shs.1.00 a day, taken in the form of cash or goods.

3. She had paid Shs.160.00 for plot and trade licences when she started the shop.

4. She had paid shs. 90.00 a month as rent for the building and the shelves and cupboards in it.

5. She had bought one additional counter for Shs.60.00.

6. She had hired a pair of weighing scales for Shs.7.00 a month.

7. She had paid Shs.25.00 a month to an askari to watch the shop at night.

8. She allowed about twenty customers to buy goods on credit . These were all carefully recorded, and at the end of August they owed her a total of Shs. 705.00. No single customer owed her more than Shs.80.00.

9. On her friend's advice, she counted all her stocks on the last day of August and calculated what they were worth. The total was Shs. 499.00

10. She had recorded all her purchases during August, and they came to a total of Shs.1490.00. She thought that this was slightly more than average. She had not recorded the cash receipts or sales at any time.

ASSIGNMENTS FOR FOURTH WEEK

1. Go through your notes and last week's assignment. Make sure that you really understand any points you missed when you did the exercises, and if necessary do them again.
2. Do the exercise "James Kibisu".
3. Do the exercise "The Five Traders".
4. Deliver the letters prepared for local officials. Try to see the official yourself, or at least somebody in authority in his office, and be sure to explain the purpose of what you are doing. Invite their questions and comments, record the names of the people whom you see, and make a note of their reactions and questions. Emphasise that you are working in cooperation with the District Trade Development Officer, and the new Rural Industrial Development Centre.
5. Where necessary, complete the list of one hundred traders which you started to prepare in the first week. Be sure to give the name of the shop, the plot number, the market and a series number for later reference, 1 to 100. Provide with the list a map showing me exactly how to get to each market.
6. Write an essay as follows;
   What do you consider to be the most important problems of the Businessmen in your area. What do you consider to be the best remedies for the above problems?

JAMES KIBISU

James Kibisu unlocked the doors of his shop at about 9.30 on the morning of March 1st., 1973, and, as usual, despaired of ever getting any order into his business. He had a bundle of papers in his hand, and he sadly threw them on to the counter among the old cartons, empty sacks and soda bottles. One or two of the papers fell to the floor, and James glanced wearily at them as he shook off the dust and put them back on the counter. One was a demand for the monthly rent of Shs.60.00, and another was a note from the Trade Office reminding him that his licences fees of Shs.120.00 for the year were overdue. He took Shs.45.00 in cash out of his pocket, where he had put it the night before when he had closed the shop, and replaced it in the old shoe box he used as a cash box. A few minutes later his nephew Oyando walked in. James, as he did every morning, complained that Oyando was late for work, but he replied by demanding his months wages of Shs.40.00. James put him off by promising to pay sometime during the week, and then asked Oyando to find out how much Mauka owed them, since he was sure to come in soon for a cigarette. Oyando pulled from its nail the heap of scraps of paper which served as I.O.U.s, and after about half an hour he told his uncle that Mauka's debt was Shs.55.00. He said it was just as easy to add up all the debts at the same time, and the others totalled Shs.395.00. While Oyando was busy with the I.O.U.s, James had slipped two packets of cigarettes and Shs.5.00 in cash into his "personal" pocket, as he called the left hand one where he tried to keep his own money; he reckoned that he took about Shs.10.00 per day as his wages, in cash or goods, as well as the odd cigarette during the afternoon, and he did not like Oyando to see him removing the money as he thought it might tempt him to do the same. He then told Oyando to measure out and pack some 500gr. packets of sugar. The scales had cost Shs.500.00 two years ago, but they were so dirty that customers often doubted their accuracy. James had bought them, and his Shs.1500.00 worth of equipment such as shelves and the counter, with the Shs.3000.00 his brother had lent him two years before. He had repaid Shs.600.00, and hoped that this would keep his brother quiet for a few more months at least. The day passed ordinarily enough. James spent his Shs.5.00, and smoked or gave away most of his cigarettes, during his usual three hour break for lunch at the bar, and Oyando dozed at the back of the shop while waiting for his uncle to come back. The number of customers, and what they bought, seemed typical. James sent Oyando out in the afternoon to buy some more soap and tea from the wholesaler; this cost Shs.35.00 in total, and had to be paid in cash because he had not yet paid his bill of Shs.250.00 for goods bought on credit during January and February. At the end of the day; James took the Shs.50.00 that was in the shoe box and put it in his "business" pocket. Then he wearily closed the doors and padlocked them, after yet another day of his depressing business. He looked along the line of shops, and wondered if all the other were as unrewarding to the owners as his was; he reflected that they certainly all looked the same, except for one or two with bright posters and clean paint outside. James knew that this was a waste or money, and it might attract thieves too. He recalled how differently he had felt about business when he had invested his savings of Shs.2000.00 in the venture some four years before. He wondered idly what had gone wrong, and wished that the government would give him a loan to put everything right.

Questions:

1. Put together a balance sheet for the end of the day that is described and a profit and loss account for a typical month for James Kibisu's shop.
2. Suggest ways in which James could provide you with the information that may be necessary to fill any gaps that remain in your accounts.
3. What recommendations would you make to James so that he can improve his business?

THE FIVE TRADERS

What advice would you give to each of the following small shopkeepers? They all say they want a loan. Note that you should pay attention to the information which is not given as well as to that which is available, and that you should try to give advice which will give an immediate return as well as that which involves better record keeping, where that is necessary.

1. KAMALU Business started 5 years ago.

Liabilities	Shs.	Assets	Shs.
Creditors	500.00	Cash	90.00
Investment	3000.00	Bank	1000.00
Reinvested Profits	3700.00	Debtors	200.00(about)
		Stocks	5000.00(about)
		Equipment	910.00
	7200.00		7200.00

Sales in a month	About		2000.00
Cost of goods sold	About		1700.00
Gross Profit			300.00
Own Drawings maybe		Shs. 200.00	
Rent		50.00	
Licences		10.00	
Other expenses about		50.00	
Total		310.00	
Net Loss			Shs.10.00

2. NDOLO Business started 2 years ago

Liabilities	Shs.	Assets	Shs.
Advances	310.00	Cash	50.00
Investment	500.00	Debtors	340.00
Reinvested Profits	3190.00	Stocks	3260.00
		Equipment	350.00
	4000.00		4000.00

Sales in a month		Shs. 1590.00
Cost of goods sold		1200.00
Gross Profit		390.00
Own Drawings	Shs. 90.00	
Rent	50.00	
Licence	10.00	
Other expenses	30.00	
Net Profit		Shs. 210.00

3. MWANZIA Business started 3 years ago

Liabilities	Shs.	Assets	Shs.
Original investment	15000.00	Cash	25.00
Reinvested Profits	Not known	Debtors	Not known
		Stocks	Not known
		Equipment	500.00
		Building	15000.00
	?		?

Sales in a month	maybe	500.00
Cost of goods sold	maybe	400.00
Gross profit	?	100.00
Own drawings	maybe	100.00
Other expenses	maybe	40.00
Licences		10.00
Total expenses		150.00
Net Loss		Shs. 50.00

4. MUKEKU Business started 1 year ago

Liabilities	Shs.	Assets	Shs.
Original investment	3500.00	Cash	250.00
Losses since	700.00	Bank	750.00
		Stocks	1000.00
		Equipment	800.00
	2800.00		2800.00

		Shs.
Sales in a month		740.00
Cost of goods sold		650.00
Gross profit		90.00
Own drawings	Shs. 30.00	
Rent	70.00	
Other expenses	20.00	
Licence	10.00	
Total	130.00	
Net Loss		Shs.40.00

5. KISANGAO Business started 10 years ago

Liabilities	Shs.	Assets	Shs.
Creditors	150.00	Cash	250.00
Investment	850.00	Bank	2000.00
Reinvested profits	8000.00	Debtors	1150.00
		Stocks About	5000.00
		Equipment	600.00
	9000.00		9000.00

Sales in a month			4000.00
Cost of goods sold	About		3500.00
			500.00
Own drawings	About Shs.	400.00	
Rent		80.00	
Other expenses		40.00	
Licence		20.00	
Total expenses		540.00	
Net Loss			Shs. 40.00

6. MATHEU Business started 2 years ago

Liabilities	Shs.	Assets	Shs.
Investment	2000.00	Cash	20.00
Reinvested profit	2200.00	Debtors	1000.00
		Stocks	2500.00
		Equipment	680.00
	4200.00		4200.00

Liabilities		Assets
		Shs.
Sales in a month	About	2000.00
Cost of goods sold	About	1900.00
Gross profit	?	100.00

Drawings	About	Shs. 30.00
Rent		40.00
Other expenses		20.00
Licence		10.00
Total expenses		Shs. 100.00

Net Profit or Loss N I L

ASSIGNMENT FOR WEEK 5

1. Go through last weeks assignment, and ensure that you fully understand where you went wrong. If necessary, do a particular assignment or question over again.
2. Go to at least one shop, which may be the one where you have been working, and fill in the owner/manager's answers to the questions listed on the "First Consulting Session" forms. Where information is lacking, or is the result of a guess, note the fact and consider what should be done by the shopkeeper to provide the missing information.
3. Translate the "First Consulting Session" and "Consultancy Progress Record" forms into your local vernacular. Ensure, by checking with shopkeepers, that the words and phrases you use are properly understood in the sense which you intend.

ASSIGNMENT FOR WEEK 6

1. Complete your census of 100 shops, listed neatly by name, location, market and plot number. Remember to include a map showing how each market can be reached, and if plot numbers are not clear or properly marked, include a plan of each market showing where each shop is. For this purpose, and for later reference, each of your shops should be numbered in sequence, 1 to 100.

2. Do the exercises, Simon Chybire, Peter Odhiambo, Mrs. Solomon Ndeti and Mr. Joshua Mutiso. Study the figures and comments on the "First Consulting Session" forms, and then fill in what you feel to be appropriate recommendation on the consultancy progress record.

3. Write out a "dictionary" of useful words and phrases which you have not translated in the forms already written last week. Examples might be "dead stock", "fast moving stocks", "Friendly service", and so on.

4. Lay out, very neatly, samples of the proper form for debtors and cash records, showing the headings in English and your local vernacular. These should be used in the future to demonstrate the proper way of keeping such records to your "clients".

5. Choose one more shop, NOT the one in which you have been working during earlier assignments, and NOT the one for which you filled in the "First Consulting Session" forms last week, and fill in the forms for this shop, and in addition give whatever advise you consider appropriate, marking it down on the progress record. Spend at least a day in the shop, if possible, to be sure that you get as much information as you can, and that you have really persuaded the owner to carry

out what you have recommended. Some of the things, such as record keeping, stock taking or advertising a price reduction, you may be able actually to start yourself.

ASSIGNMENT FOR WEEK 7.

Spend ONE FULL DAY in each of the FIVE shops selected for this week's work:

1. Follow up the earlier introduction, and ensure that the owner/manager fully understands what you are trying to do for him, and that he is willing to cooperate. If, after trying hard, you cannot persuade him, move to one of the "reserve" shops.

2. Fill in the First Consulting Session forms for the shops as completely as the available information allows. Make intelligent guesses where possible and necessary, and be sure to record the source of each figure.

3. Study very carefully the shopkeeper's present system of recording cash in and out. It should give him the following information, at least;

   a. A daily, weekly or at least monthly total of cash actually received.

   b. A list of all cash paid out, showing, at least, whether it was spent on new stocks, other business expenses or on personal expenses. More detail than this is desirable.

   c. Unless recorded in some other way, a record of <u>all</u> cash or goods withdrawn by the owner for his own or his family's use.

   If the present system already does, or can with minor modifications, provide this information, show the shopkeeper what modifications are necessary.

   If not, show him how to use "our" system, and be sure he fully understands WHY and HOW to do it.

4. Similarly with debtors, study the present recording system; it should give at least the following information;

a. The name of each debtor.
b. The sum owed at any time.
c. The goods bought on credit, or at least a summary description.

If it can easily be modified to do this, show the shopkeeper how. If not, show him how to use "our" system for recording debtors, and be sure he fully understands WHY and HOW.

5. List as many items as you can where the stock exceeds three months sales. Try to concentrate on those where substantial sums of money are likely to be "sleeping". In order to find out which these over-stocked items are, you should first ask about how many are sold per month of some apparently overstocked item, before drawing the shopkeeper's attention to the actual stock itself.
   Recommend, and obtain the shopkeeper's agreement as to how the stock of at least TWO such items should be reduced to the level of ONE month's sales. The method suggested may depend on the owner/manager's reluctance to reduce prices, or "make a loss" as he sees it. Explain that it is better to sell for a small profit or none at all, than NOT to sell for a larger one.

6. Check the arrangement of the stocks, and the general tidiness of the shop; Recommend improvements, and start to do the actual work yourself.

7. Record carefully everything you find out and recommend, including full details of the present and the recommended cash in/out and debtors records, the overstocked items and how they are to be reduced, and the particular items of untidiness or stock badly arranged which you discussed. These notes should be written NEATLY on foolscap sheets along with the forms.

8. Try to call back one or two days after your first day's work in each of the shops, to make a quick check that your advice has been followed.

ASSIGNMENT FOR WEEK 8

Spend ONE FULL DAY in each of the FIVE shops selected for this week's work.

Carry out exactly the same procedure as last week in each of the shops; be sure to record on a separate sheet of paper full details of the present methods of recording cash and debtors, and the USE, if any, which is made of present records. Be more suspicious of "dead stock" items; you are sure to be able to find some if the stock figure is more than the monthly sales figure, and there are most probably "dead" items even if the stock figure is very low.

Make a brief visit to each of the shops you dealt with last week; see how well they have followed your advice, show them again what to do if they have done it wrong or not at all, and again, RECORD exactly what has not been done, on the Progress Record sheet, and, if necessary in more detail on a separate sheet.

TRAINING TEST

1. For each of the following two businesses, answer these questions;

   1. How many months worth of goods are there in stock, on average?
   2. How long are customers taking, on average, to pay their bills?
   3. How would you advise each of the owners to try to accumulate Shs. 2000/- in cash, if all outside sources such as loans or investment were closed?
   4. What other pieces of advice would you give to each of the owners?

MR. A. Started his shop five years ago.

Balance sheet

Assets			Liabilities		
Cash	Shs.	200.00	Creditors	Shs.	Nil
Debtors		500.00	Loans		1000.00
Stocks		4000.00	Investment		500.00
Equipment		300.00	Reinvested Profits		3500.00
Building		NIL			
Total		5000.00			5000.00

Profit and Loss Account for a month

Sales			About	Shs.	1000.00
Cost of goods sold			About		800.00
Gross Profit					200.00
Own drawings	Shs.	100.00	(About)		
Rent		50.00			
Other expenses		30.00			
Total		180.00			
Net Profit				Shs.	20.00

MR. B. Started his shop one year ago

Balance Sheet

Assets			Liabilities		
Cash	Shs.	100.00	Creditors	Shs.	Nil
Debtors		Nil	Loans		Nil
Stocks		1000.00	Investment		2000.00
Equipment		400.00	LESS Losses		500.00
Building		Nil			
Total		1500.00			1500.00

Profit and loss account for a month

Sales		Shs.	1200.00
Cost of goods sold			900.00
Gross profit			300.00
Own drawings	Shs. 30.00		
Rent	60.00		
Other expenses	30.00		
Total expenses	120.00		
		Net Profit Shs.	180.00

2. Mr. C. had collected the following information about the cash in his business during the first three days of April, 1973.

   a. On each of the three days he had started with Shs.50/- in the cash box in his shop.

   b. On March 31st. he had finished the day with Shs.80/-, on April 1st. he had finished the day with Shs.120/-, on April 2nd. he had finished the day with Shs.50/- and on April 3rd. he had finished the day with Shs.40/-. In order to pay school fees for his family, he had withdrawn the balance between these sums and the Shs.50/- with which he started each day, for his own use.

   c. On April 1st. he had spent Shs.40/- on new stocks, on April 2nd. he had spent 50/- on new stocks and on 3rd. April he had spent Shs.70/- on new stocks and Shs.40/- on rent.

Lay out this information in the proper form for a cash account, and show how much cash he had received in the shop during each of the three days.

3. Mr. D. had noted the following information about his credit customers during the first three days of May 1973.

May 1st. Mr. F. bought sugar on credit for 1/-.
Mr. G. bought posho on credit for 5/-.
Mr. H. deposited an advance of 50/- against future purchases.

May 2nd. Mr. F. bought a blanket on credit for 15/-.
Mr. G. paid cash of 4/-.
Mr. H. bought 10/- worth of cloth.

May 3rd. Mr. F. paid 10/- in cash.
Mr. G. bought 3/- worth of tea on credit.
Mr. H. bought 15/- worth of general groceries.

Lay out these facts in the proper way, and show how much Messrs. F. G. and H. owed to Mr. D.'s shop on the evening of May 3rd.

APPENDIX 7

FIRST CONSULTING SESSION

DATE OF SESSION ....

CONSULTANT ....

NAME ....

DATE BUSINESS STARTED ....

LOCATION, MARKET, PLOT NO. ....

What is the most important problem in your business? ....

....

Better MANAGEMENT may help you to get over this problem. I am employed by the University of Nairobi, I am not giving loans, chasing debts or asking about taxes, but trying to HELP you manage this business better with some ADVICE. Have you ever attended a trader's course?(Y/N). I am trying to give you the same sort of advice you get from a course, except that it will be advice especially for your business. I do need some information from you before I can do this.

First, I need to know what you have in your business today, and how much it is worth.

How much CASH have you got here now which belongs to the business? (Try to see the actual money) ____________________

Do you have any other money which can be used for the business when necessary? ____________________

Does the business have a bank account (Y/N) if so, how much is in it? (Try to check the bank book) ____________________

Do you give any credit at all (Y/N) if so, how much is owed to you today, by all your customers, whether or not? (Try to add up the total from the record debtors). ____________________

What is the value of all the goods in stock today at (purchase/selling) price? ____________________

What is the value of all the furniture and equipment you have in your business, if you had to sell it today? ____________________

Is this building your property (Y/N) if so, what is its value now?

____

The total amount of money, or value of other things that you are using in your business today is therefore ____________________

Let us try to see where this came from. Do you get any credit from your suppliers (Y/N) if so, how much do you owe them altogether today? (Try to check from records)

____

Do your customers pay in advance (Y/N) if so, how much have you got from them at the moment for goods not yet taken? (Try to check from records)

____

Have you received loans from any source (Private/Bank/D.J.B./ICDC/None) If so, how much do you owe at the moment? ______

How much money did you and your partners if any put into this business at the beginning? ______

How much have you put into it since then? ______

The total amount put into the business by you or "lent" from other sources is therefore total ______

The difference between this and the total value of what is in the business has come from profits earned by the business and not withdrawn ______

The total value of the business is therefore (Transfer total from bottom of previous page) Shs. ______

Do you have any other business such as cash crop farming (   ), a bar (   ), transport services(   ), another shop(   ), other(   )

If so, are all the figures which you have given the ones for this business alone or does the cash or any other item belong to the others as well? (Correct as necessary).

Now let us see how much profit or loss you are making each month.

What is the total value of your sales in an average month? (Try to check from cash records, debtors records, guesses of a day's sales, or your observation)

What does it cost you to buy the goods that you sell for this amount? (Check Opening stock and goods bought - closing stock, or receipts, or average gross profit on sales) ______

What do you yourself take out of the business in an average month in wages, salary, value of goods taken and not paid for, extra amounts for school fees and so on? (Check records) ______

Do you employ any others in this business, how many? If so, what do you pay them in total per month including GPT? ______

What rent do you pay per month? ______

What do you spend on transport each month? ______

What do you spend on water, electricity and wrapping materials each month for the business? (Be sure no expenses are forgotten) ______

What do you spend on loan interest and repayments each month? ______

What is the MONTHLY cost of your plot and trade licences? (Check licence Certificate) ______

Your total expenses per month are therefore Total ______

The difference between your total expenses and your sales is your profit/loss

Shs. ______

KIKUYU TRANSLATION

GUTUNGANA KWA MBERE NA KWARIA

MWERI ....

MUHEANI UHORO ....

Ritwa ....

Ririria nduka ya mbiriirie ....

Kuria iri itura na namba ....

Thina uria munene muno thiini wa nduka yaku ni uriku? ....

....

Nyandikitwo ni Nairobi University no tiundu wa loan, thiiri kana uhoro wa magoti no nikugeria kana kuri goteithio ndingikuhee ta ga guthondeka nduka yaku turore kana yagagira hanini. Uri wathii githomo kia uhoro wa mbiacara. Giakwa githomo no takiria murutagwo tiga no ati mataro makwa marikoragwo makanainie na nduka uria ihana tondu twiho. Kwoguo nihari uhoro munini ngukururia nigetha menye ni atia.

Mbere ndirenda kumenya nduka ino yaku ni ya muigana wa kii korwo ni mbia?

....

1. Wina mbia cigana atia haha thiini wa nduka cianduka yo nyene?

....

2. Wina mbia ingi ingitumiruo na nduka ingiendekana? ....

3. Nduka niri mbia bengi cigana atia? ....

4. Niwitikagiria andu makue indo thiiri magakuhe mbia cigana atia?

....

5. Indo iria ihaha ndukaini ni ciamuigana uriku na kwndia/kugura?

....

6. Shelves, ratiri na indo ingi ta icio urahuthira cigana atia ingiuma mbia? ....

7. Nyumba ino yakoruo ni yaku, ungimiendia mbia cigana? ....

8. Kwoguo mbiacara yaku yothe ingiuma mbia .... ingiendio.

9. Uri na thiri wa indo ukuite? ....

10. Kuri mundu urutaga mbia mbere ariege kana ahuthagire? ....

11. Kuri loan kana uteithio ungi uhetwo ni mundu, bengi, DJB, ona kana ICDC? ....

12. Ni mbia cigana atia we ona kana mwina mundu ungi mwambiriirie nacio? ....

13. Wongereire kana mwongereire cigana kuma hindi iyo? ....

14. Mbia ira ciothe ndumirite na nduka ino kwoguo ni ....

15. Utigithukanu wa ici na iria ingi ni bainda iria nyoneku na tinyumu nja ....

16. Mbiacara ina muigana wa ....

17. Uri na mbiacara ingi ta mugunda, bar, mutoka na ingi ti icio?

....

Ngukikorwo niuguo ri mbia ici ciothe ni cia mbiacara ino iki?

....

Riu reke twone kana ni urona bainda kana ni urathii hathara.

17. Mbia iria wonete kuma na indo iria wendetii ni ....

18. Indo iria ciendario mbia icio cioimite kii (rora indo cia kwambiriria na indo cia murikia kana rithiti).

....

19. Indo iria urutaga thiini wa nduka ta mucara kana indo iria itarihariguo cigana atia (rora mandiko) ....

20. Niwandikite mundu, umuheaga mbia cigana?.......................

21. Nyumba ukomboraga atia? ....

22. Urehithia waindo ni ta mbia cigana? ....

23. Utumagira mbia cigana na kindu ta maguta, thitima, mai kana kindu kingi? ....

24. Loan urihaga ki? ....

25. Plot and licence urihaga ki mweri? ....

26. Mahuthiro ma mweri ni ....

27. Utiganu wa mahuthiro mothe na iria cionekete kuma kwi wendia ni bainda kana hathara. ....

KIKAMBA TRANSLATION

FIRST CONSULTING SESSION

MUTHENYA WA KWONANA ....

MWONANA: ....

SYITWA ....

KILA UTANDITHYA WAMBILIILYE ....

LOCATIONI, MARKET, NAMBA YA NDUKA ....

Ni thina mwau wonaa munene utandithyani waku? ....

....

Uvangi Museo nutonya ukutetheesya kusinda thina uu. Nimuandike ni - University ya Nairobi, ndiunengane mukovo, ndiulungya and ala mosaa miio kwaku makovete, kana kwitya koti, indi niutetheesya kuendeesya utandithya waku nesa. Kwa kuunenga motethyo. Waamba kuenda umanyisyoni wa - utandithya? (Y/N). Niutavya maundu ala utonya utavwa waenda kimanyisyoni kya muthemba usu, onakau muno muno niutavya iulu wa utandithya waku. Ningwenda maundu amwe kuma vala ui mbee wa ndanambiliiilya ukutethya.

Mbee ningwenda umanya kila winakyo utandithyani waku umunthi, na kina thooa mwau? ....

....

Wina mbesa syiana mokoni ila sya utandithya waku? ....

....

Wina mbesa ingi itonya utumika utandithyani waku yila ve vata? ....

....

Utandithya waku wina mbesa syi vengi (Yes/No) Ethiwa syivo nisyiana?

....

Nukovethasya (Yes/No) Ethiwa nukovethasya umataite syiana umunthi oonthe?...

Miio yoonthe ila uutandithya yina thooa mwau? ....

....

Ni thooa mwau wa miio yaku, mbwau na malatili utandithyani waku, kethwa nutonya kuta umunthi? ....

Mwako uu niwaku (Yes/No) Ethiwa niwaku wina thooa mwau? ....

....

Utalo wambesa syonthe, kana thooa wasyindu ila ingi uutumia utandithyani waku umunthi kwoou niundu umwe na ....

Eka tutate usisya vala syaumie. Niwosaa miio ya ukova kuma kwa athoosya ala angi (Yes/No) Ethiwa niwosaa, mautaite kyau umunthi? (Sisya vala uandikaa) ....

Athooa maku nimauivaa teno (Yes/No) Ethiwa nimauivaa, wina mbesa - syiana kuma vala mai ivindani yii, sya miio ila matosete? ....

....

Waaosa mukovo kuma vandu, ta, (Private/Bank/D.J.B/ICDC/None) Ethiwa niwoosie, wina mbesa syiana utanamba kuiva? ....

Weekiie mbesa syiana wina munyanyau, kana ethiwa wai weka, mwambiliilyoni wa wia uu? ....

Wikiite mbesa syiana kuma ivindani yiu? ....

Mbesa ila wikiite wiani kana ila ukovete syonthe ni -

Utalo woonthe ....

Kivathukanio kya mbesa ii na utalo wonthe wa thooa wa utandithya wumite vaitani ila isyaitwe ni wia utaumitwe ....

Utalo wonthe wa thooa wa utandithya ni Sh...............................

Wina wia ungi ta wa uimi ( ) Kilavu. ( ), wia wa mitokaa - ( ), Nduka ingi ( ), Kana undu ungi ( ). Ethiwa niwo, mbesa ila waweta ni sya wia uu <u>wiwoka</u> kana nisya mawia ala angi?

....

Eka twone vaita kana wasyo ula wonaa kila mwei.

Utalo wonthe wa uthoosya waku wakila mwei nikyau? ....

....

(Sisya ivukuni yila uandikaa, kila wata nakila wakovethya)

Utumiaa mbesa syiana kwa kuthooa miio ila utesaa uyona mbesa isu? .....

....

Wosaa kyau nthini wa wia waku kwa mwei: Sya musaala, syindu ila wosaa uteuiva, na mbesa ingi ta sya viisi? (Sisya vala uandikaa) -

....

Nuandikite athukumi angi wiani waku, Meana? Ethiwa mevo umaivaa mbesa syiana syonthe vamwe na koti? ....

Mbesa sya nyumba uivaa syiana kila mwei? ....

Utumiaa mbesa syiana kwa kukuithya syindu syaku sya nduka na ovamwe naku kwa mwei? ....

Utumiaa mbesa siana ata kwa kuiva kiw'u, sitima na syindu sya kwova miio kila mwei? (Tata muno ndukolwe ni kila utumiaa onakimwe)

....

Utumiaa mbesa siana ata nthini wa kuiva vaita wa mikovo, vamwe na ila ingi uivaa kwa mwei? ....

Uivaa mbesa siana sya vuloti yaku na Lesenzi yaku ya utandithya kila mwei? (Sisya valua waku wa Lesenzi)

....

Ngalama yaku yoonthe ila utumiaa kwa mwei ni Sh. ....

Kivathukanio kya ngalama yaku yonthe kwa mwei, na mbesa ila wonaa wathoosya nisyo vaita kana wasyo waku.

Sh. ....

APPENDIX 8

CONSULTANCY PROGRESS RECORD

CLIENT .... CONSULTANT ....

RECOMMENDATIONS	DATE	DATE	DATE	DATE
Keep Cash Book				
Record Debtors and Advances				
Record withdrawals of cash(in cash Book), Pay for goods withdrawn, if necessary by withdrawing cash and recording it.				
Count and Value stock on(Date)....				
Tidy up Premises with Special Attention to				
Rearrange Stock, in Particular (Items)				
Open Bank Account Where .... Monthly Deposit Shs.				
Reduce Stocks by: a) Lower Price Item .... Present Stock .... Present Price .... Bargain Price				
b) Stop buying Item .... Present Stock .... Target Stock				
c) Return to Supplier Item .... Present Stock				
d) Free Gift Item .... Present Stock .... Basis of Gifts				
e) Exchange with other Traders Item .... Present Stock				
Advertise, Item .... How .... (Try Actually to do it)				

RECOMMENDATIONS	DATE	DATE	DATE	DATE
Buy New Stock, Item .... Qty				
OTHER ADVICE.				

KIKUYU TRANSLATION

PROGRESS RECORD

Mundu uria ndirora ....

Mwirani ....

R - Uria ndonania C - Uria muthiru

Iga mbuku ya kwonania uria mbia irathie	MWERI	MWERI	MWERI	MWERI
Mbuku ironania andu aria mena thiri na aria marihaga mbia mbere				
Andika indo iria ciumite nja. Muno kungihoteka riha kindu giothe woya.				
Menyerere ugakokargwo wina indo cia kwendia na ui muigana wacio.				
Theria indo ciaku wega ta				
Thondeka indo ciaku wega muno ta				
Hingura bengi uigage bainda ya nduka uigage ta .... o mweri				
Nyihia indo ciaku (a) Nyihia thogora wa Indo cigana Ciumaga Endia				
(b) Tiga kugura Muigana wakio Kinya ikinye				
(c) Chokeria andu aria makwendeirie muigana wakio				

(d) Heana tuindo twa mwana Kiria kiho Uria ukuheana				
(e) cenjania na nduka iria ingi Muigana wakio				
Anirira				
Gura indo njeru Muigana				
Mataro mangi				

KIKAMBA TRANSLATION

CONSULTANCY PROGRESS RECORD.

CLIENT .... CONSULTANT ....

R- RECOMMEND C- COMPLETED

RECOMMENDATIONS	MATUKU	MATUKU	MATUKU	MATUKU
Ithiwa na ivuku ya mbesa sya - Mokoni				
Andika Akovi na mbesa ila maiaa nikenda mosae miio.				
Andika mbesa syonthe ila syumaa nza, ivukuni ya mbesa sya mokoni, kuiva miio ila yosetwe, na - ethiwa nivatonyeka kwa kwosa mbesa na uiandika.				
Tala noyonania thooa wa miio yonthe (Matuku)...........				
Seuvya nyumba (Nduka) yaku nesa vyu, wiyumbanitye kuvika				
Vanga Miio, kila muthemba vandu vaw'o ....(Syindu)				
Ia mbesa syaku Vengi Va .... Kwa mwei ukaiaa Sh...............				
Kuvalukya Miio na a) Thooa wa Laisi Muio........................... Miio ila yivo ivindani yii........ Thooa ula wivo yu............. Thooa wa ukanania.............				
b) Kuungamya kuthooa Muio.......................... Miio yonthe ila yivo yu....... Miio ila ya kwonania...........				
c) Tunga kwa athoosya Muio........................... Miio ila yivo..................				
d) Muthinzio Muio............................ Miio ila yivo Undu mithinzio uunengane...........				

RECOMMENDATIONS	MATUKU	MATUKU	MATUKU	MATUKU
c) Kūūania na athoosya ala angi. Muio.......................... Miio ila yivo.................				
Kutangaasa, Muio................. Ata.................. (Tata muno wike uu)				
Kūūa miio ingi, Muio .... Undu miio yiana and iilyi........				
MAUTAO ALA ANGI.				

APPENDIX 9

CASH RECORD

DATE	STARTING CASH		MONEY BROUGHT IN		CASH OUT/WITHDRAWALS			ENDING CASH		CASH RECEIVED	
					DESCRIPTION						
	SHS.	CTS.	SHS.	CTS.		SHS.	CTS.	SHS.	CTS.	SHS.	CTS.

DEBTOR'S RECORD

NAME .... CREDIT LIMIT SHS. ....

DATE	WHAT IS BOUGHT			CASH PAID/DEPOSIT		CUSTOMER'S DEBT		BALANCE OF ADVANCE	
		SHS.	CTS.	SHS.	CTS.	SHS.	CTS.	SHS.	CTS.

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B I B L I O G R A P H Y

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