

**IMPACT OF BUSINESS INFORMATION ON MICRO AND  
SMALL ENTERPRISES AS AGENTS FOR POVERTY  
REDUCTION IN KARIOBANGI NAIROBI**

**By**

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## **DECLARATION**

This thesis is my original work carried out during my PhD study at the Institute for Development Studies, College of Humanities and Social Sciences, University of Nairobi; and it has not been presented for a degree in any other university or learning institution.

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Date -----

## **DEDICATION**

I dedicate this work to my wife and friend, Martha Akumu, our children, Golda and Vincent, Andrew and Emma, David and Neema, Beldina, and our grandchildren, Josiah, Joshua, Zenie, Temmy and Gabe, who have brought much joy in our family.

This work is also dedicated to my late parents, Mwalimu Zakayo Watako and Mama Beldina Juma, who taught me about Jesus Christ and instructed me in the art of discipline, courage, tolerance, contentment and hard work; to my surviving siblings, Mwalimu Joyce Okoth and Ishmael Ouma, for their continued support; and to my late siblings, Christopher Mwanga, Agnes Awuor, Turfosa Omamo and Priscilla Oduor, who have gone to be with the Lord. Although they did not live to see this work, it is dedicated to them as well; they are my heroes, and I salute them. By God's unmerited favour, the work is now complete, and I give all the Glory and Honour to God. Amen.

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Finally, and more importantly, I owe special gratitude to all businessmen and women in Kariobangi who allowed me to be part of their fascinating lives during the period of the research. This work looks at how these people and their households in the informal settlement in Kariobangi experience and create meaning to life, and how they struggle to access basic human needs.

## ABSTRACT

This study investigates the role business information plays in the performance and poverty reduction of micro and small entrepreneurs in Kariobangi. The study considers micro and small entrepreneurs in Kariobangi, Nairobi, as agents of poverty reduction. The study has used International Labour Organization (ILO, 2002) definition of micro and small enterprises as “those economic entities that are characterized by ease of access; dependence on native resources; family possession; small scale of operation; use of adapted technology and skills obtained outside the conventional educational system; and not moderated and competitive markets” (ILO, 2002). The micro and small entrepreneurs in Kariobangi operate in business environments that have limited relevant business information on credit, business location, customers, price, markets, technology, government policy and regulations, and support services. This situation motivated this survey to investigate the potential influence of business information on micro and small entrepreneurs as agents for poverty reduction. It has done this by examining how the use of different types of business information, networks, preferred media and other demographics influence poverty reduction.

Mugande (2003)” the study uses both quantitative and qualitative research methodologies. Due to the absence of an official list of micro and small entrepreneurs in the study area”, the researcher constructed own sample population using a list of 1436 enterprises supported by some churches in Kariobangi as a baseline. A simple random sample of 144 entrepreneurs, proportionately drawn from the four clusters in the study area, was selected for the survey. Research assistants, who were mainly young people from Kariobangi, were recruited and trained to pre-test and administer the structured questionnaires under the supervision of the researcher. The survey was followed by detailed case studies of ten entrepreneurs purposively selected using a matrix of variables from the poverty category. The filled questionnaires were cleaned, coded and then entered into a computer database. “Analysis of quantitative data using the Statistical Package for Social Sciences proceeded in stages, starting with the generation of descriptive statistics of some of the variables” (Mugande 2003). Further tests of correlation between dependent and independent variables were also done. Qualitative data from in-depth interviews of the cases were content analysed.

The study has found that access and use of business information enabled micro and small entrepreneurs to graduate out of the poverty category. In particular, entrepreneurs who accessed and used different types of business information, networks, preferred media and demographics shared information were able to perform well and exit from poverty. Besides recording improved income, this category of entrepreneurs were able to access better health care, housing, safe water and education for their household. Notably, the main sources of business information were the family unit, friends, relatives and co-workers operating through cultural, economic, religious and ethnic orientations. The study concluded, from an entrepreneurial perspective, that continued use of different types of business information, networking with others, use of preferred media and the demographics shared information, make micro and small entrepreneurs potential growth engines that the government could use to reduce poverty. The study recommends that the levels at which business information dissemination occur in and through micro and small entrepreneurs, require a targeted approach in order to achieve positive results. This study has therefore provided empirical evidence that associates business information with poverty reduction.

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## **LIST OF ABBREVIATIONS AND ACCRONYMS**

ACCE	African Council for Communication Education
ACK	Anglican Church of Kenya
AIC	African Inland Church
AIDS	Acquired Immunodeficiency Syndrome
ANOVA	Analysis of Variance
CAK	Communications Authority of Kenya
CBO	Community Based Organization
CBS	Central Bureau of Statistics
CCK	Communications Commission of Kenya
COPPP	Commission on Poverty Participation and Power
DfID	Department for International Development
ECA	Economic Commission for Africa
ELM	Elaborated Likelihood Model
FM	Frequency Modulation
GDP	Gross Domestic Product
GoK	Government of Kenya
GSU	General Service Unit
HIV	Human Immune Virus
HSM	Heuristic Systemic Model



ICEG	International Centre for Economic Growth
ICT	Information Communication Technology
IDS	Institute for Development Studies
IDRC	International Development and Research Centre
ILO	International Labour Organization
IMF	International Monetary Fund
ITU	International Telecommunications Union
KBC	Kenya Broadcasting Corporation
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
MANOVA	Multivariate Analysis of Variance
MDGs	Millennium Development Goals
MSEs	Micro and Small Enterprises
MSEA	Micro and Small Enterprise Authority
NBS	National Baseline Survey
NCC	Nairobi City County
NGOs	Non Governmental Organizations
PCEA	Presbyterian Church of East Africa
PEC	Poverty Eradication Commission
PEV	Post Election Violence
PRSP	Poverty Reduction Strategy Paper

ROSCA	Rotating Savings and Credit Associations
SACCO	Savings and Credit Cooperative Organization
SAPs	Structural Programmes
SES	Socioeconomic Status
SHGs	Self Help Groups
SPSS	Statistical Package for Social Sciences
TV	Television
UN	United Nations
UNDP	United Nations Development Programme
UNCTAD	United Nations Centre for Trade and Development
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
WSIS	World Summit on Information Society
WSSD	World Summit for Social Development
WW II	World War II

# CHAPTER ONE

## INTRODUCTION

### **1.1 Background to the Study**

This section discusses business information, its origin and impact on business, and some contrasting views of the concept that are necessary in order to provide an analytic grip to the rest of the thesis. In particular, this section exploits and provides relevant knowledge on what researchers and information specialists have developed concerning information and its impact on human Endeavour, and how it can be harnessed to help in meeting the aspirations of the audience. The study seeks to examine the impact of information on Micro and Small Enterprises as agents of poverty reduction in Kariobangi. It is based on the general premise that when relevant and timely business information is provided to micro and small entrepreneurs, it enables them to reduce poverty through improved performance. The core issue in this study is that there is a correlation between business information, enterprise performance, and poverty reduction.

Business information dissemination among micro and small enterprises as agents of poverty reduction involved the provision of targeted and timely business information, which helped improve performance, thereby resulting in poverty reduction. In order to understand the impact of business information on micro and small entrepreneurs as agents of poverty reduction, this chapter discusses the background to the study, statement of the problem, research questions, objectives, significance of the study, assumptions, scope, limitations and delimitations, definitions of terms and concepts and organization of the thesis.

As Blackburn and Holland (2008) observe, little effort has been made to take advantage of new information technologies and build on the potentials of information, especially to target category

of audience such as micro and small entrepreneurs. According to Blackburn and Holland (2008), the capacity of business information systems to cut across institutional barriers and to encourage business collaboration in disseminating business information have not been effectively exploited. Blackburn and Holland (2008) argue that access challenges relate to lack of connectivity or linkage between the source and the points of information use. This kind of challenge, Blackburn and Holland contend, requires a level of skills that many micro and small entrepreneurs do not have. Menou (1993) notes that while there may be conflict of knowledge between experimental and social scientists about information use, others view information as a commodity, which people seek and use in order to improve their business performance.

This study begins with Shannon and Weaver's (1949) assumption that information is that which reduces uncertainty, while allowing accurate prediction of actions, thus leading to increased benefits. According to Shannon and Weaver, the quality of information is important and can be assessed in two ways: one, by determining the increased benefit or value it adds to the business and two, assessing the amount of uncertainty. This study distinguishes between information and knowledge. Holland (2008) "In contrast with information that exists out there, in nature, in print, in hard disks and in air, beyond human senses" Holland (2008), "In view of the foregoing, this study considers it prudent to first discuss the relationship that exists between information and knowledge since it is critical to the current study" Holland (2008).

Holland (2008) "This is because these entrepreneurs never behave like the prescriptive models of rationality derived from what economics say they should. They are therefore prone to seeking business information in biased or irrational manner, ignoring most of it and changing their

preferences without notice” Holland (2008). According to IDRC (2006) “information offers the promise of fundamentally changing the lives of people, in its various forms, including how businesses are managed, how individuals live, work and interacts with one another.” IDRC (2006) argues that “the development of generally comparable information statistics is essential for development players to be able to adequately design, implement, monitor and evaluate relevant business information policies” IDRC (2006). (ITU, 2005) This argument has also been reiterated by other global summits such as the “Geneva Plan of Action, and the Tunis Commitment of the World Summit on the Information Society” (ITU, 2005). (ITU, 2005) “The Tunis Summit, in particular, expressed a strong belief in the development potential of information, which represented a unique opportunity to raise awareness of the benefits that information could bring to humanity and the manner in which it could transform peoples’ lives, and the way, they did business”. Despite subscribing to all these conventions and many other national policy papers developed in Kenya, the benefits of these policy initiatives are yet to be felt. In particular, the impact of policy initiatives on poverty reduction has not been felt at the grassroots level, especially in Kariobangi.

Kinyanjui, (2014) Studies on the “micro and small enterprise sector debate the significance of the sector regarding poverty reduction” Kinyanjui, (2014), and agree that the sector has the capacity to tackle both growth and poverty at the same time (Daniels, Mead and Musinga, 1995; Liedholm and Mead, 1995; McCormick, 1988; Mead, 2009; Thorngate, 2010). This debate has raised questions regarding the conditions under which micro and small entrepreneurs are likely to succeed in this endeavor, and has to-date generated interest and provided great insights (Daniels, 1999; King and McGrath, 2009; Liedholm and Mead, 1995; McCormick, 1988). Contributing to the poverty reduction debate as a development agenda, Sachs (2005) introduces

the new dimension of information development. Sachs (2005) argues that “development for Africa is fraught with multiplicity of externally generated ideas, models and research paradigms, all with the purported goal of reducing poverty in our lifetime” Sachs (2005). Although there is general agreement that poverty reduction is the basic objective of any development agenda, the process needs to be domesticated to produce local initiatives for success to be realized. World Bank (2004) reiterates that poverty reduction is the benchmark against which the bank is judged. Further, among the development agencies, all projects and research initiatives are directed towards poverty reduction. However, the incidence of poverty is still as elusive as it is mysterious, and continues to defy descriptions, definitions and easy solutions. Despite there being plenty of information and literature concerning poverty reduction efforts, the war to eliminate poverty is far from over as poverty levels in Kenya currently stand at 43.4 % (UNECA, 2014). (ILO, 2002) “Kenya, like many developing countries, has increased her efforts in research and scholarly studies and has developed the MSE sub-sector as a springboard for poverty reduction by creating institutions such as Micro and Small Enterprises Authority (MSEA)” (ILO, 2002). .

In Kenya, the micro and small enterprise as a sub-sector of the informal sector was institutionalized in the 2000s when the International Labor Organization (ILO) held a series of multidisciplinary missions to various developing countries (ILO, 2002). In its report, the (ILO, 2002) “described the informal sector activities as characterized by ease of entry due to low barriers in terms of skill, capital and organization; reliance on indigenous resources; individual or family ownership of enterprise; the small scale of operation; labor intensive production with adapted technology; skills acquired outside the formal school system and; unregulated and competitive markets” (ILO, 2002).

The release of the ILO report was followed by continued interest in the micro and small enterprise sub-sector (Daniels, 1999; Ferman *et al*, 2007; Henley *et al*, 2009; House *et al*, 2003; King and McGrath, 2009; Liedholm and Mead 2009; McCormick, 1998; Morrison *et al*, 2004; Richardson, 2004; Turnham *et al*, 2000). The sub-sector has also acquired a level of diversity characterized by as many interests and inequalities as by commonalities that bind them to their cause. These include, but are not limited to, workshop owners and renters, apprentices, employers and employees, manufacturers, general store traders and entrepreneurs engaged in repairs and services (ILO, 2002). Further, ILO asserts that these entrepreneurs are characterized by gender, marital status, education, ethnic and other social relations, resulting in differences in interest among enterprise operators. These differences in interest among the sector operators have led to differences in the level of business information needs, as more established operators are able to advance their interests more widely and strongly, compared to those who remain silent and marginalized.

UNDP (2003) “One of the crucial remedies the Kenya government has implemented in its efforts to combat poverty in Kenya since 1963 is to mainstream information dissemination as a critical agenda in micro and small enterprise development” UNDP (2003).

UNDP (2003) “Poverty is a denial of human rights. Human rights refer to rights that are inherent to the person and belong equally to all humans. Their realization has to be carried out in a participatory, accountable and transparent process, implying equality in decision-making. According to UNDP, human rights instruments, such as the Universal Declaration of Human Rights (UDHR), provide a coherent framework for practical action at the international, national and sub-national levels aimed at reducing poverty. The principles of equality and non-discrimination address one of the root causes of poverty.

Poverty strategies target individuals and groups that are socially excluded, marginalized, vulnerable and underprivileged. The based approach of human rights towards poverty reduction espouses the principles of universality and indivisibility, formal warrant and transparency, responsibility and participation. It addresses the multi-dimensional nature of poverty beyond the stringency of income. Poor people cannot seek treatment as if they constitute a homogeneous group, or as if discrimination occurs indiscriminately” UNDP. (2003).

The micro and small entrepreneurs know the challenges that the sector faces and their insights would be invaluable in informing policies and strategies for poverty reduction. Similarly, according to UNDP (2003), “reduction of poverty cannot be accomplished through anti-poverty programmes alone, but also through exchange of business information and democratic participation by micro and small entrepreneurs so as to ensure access to resources, opportunities and services” UNDP (2003) .

(Republic of Kenya, 2010) “Two-thirds of micro and small enterprises in Kenya have very low levels of productivity, making it difficult for most of them to achieve the quality and scale of production sufficient to make their products competitive in the market” (Republic of Kenya, 2010). The key concern, however, is not so much the place of this sub-sector in development, but rather the extent to which their performance leads to poverty reduction. Helmsing and Kolstee (1993) “have observed the significance of micro and small enterprises in Africa as compared to those in Latin America and Asia. Among the reasons they cite include the differences in the nature of state and society, especially the level of institutional arrangements and relative importance and relation between public and private sectors, as well as cultural dimensions at the micro” level Helmsing and Kolstee (1993). The authors observe that Africa, in particular, has witnessed waves of research; thus recognizing Africa as the birthplace of important research on



micro and small enterprises. (Hart, 1973; ILO, 2002, 1972; King, 2007) “Each wave focused on a specific theme, starting with research on enterprise development and modernization in the sixties, which was followed by research on the informal sector studies in the seventies” (Hart, 1973; ILO, 2002, 1972; King, 2007). Research on non-agricultural enterprise was conducted in the seventies and eighties (Anderson and Leiserson, 2011:1978) “In spite of the high level research interests, there have not been deliberate efforts to have micro and small enterprises issues high on the development agenda of many African governments” (Anderson and Leiserson, 2011:1978). Besides, the issues of definition of micro and small enterprises have been controlled by the level dimension, at the expense of other quantitative and qualitative aspect of small units of operation. Although this study does not attempt to resolve this issue, it however accepts a basic distinction between a micro and small enterprise and medium-sized formalized enterprise as a household and survival sector with one person operations, and which has the potential to graduate to a medium-sized formalized enterprise. For micro and small entrepreneurs to achieve this, technological advancement trends demand certain basic levels of literacy and training, and the ability to seek and utilize information. Kenya’s economy grew by 5.3 %in 2014 according to the Economic Survey 2015. This is down from 5.7 %in 2013. (Republic of Kenya, 2015) “are characterized The micro and small enterprise sector in Kenyaare characterized by low levels of education, lack of credit and infrastructure” (Republic of Kenya, 2015).

Despite the recognition that substantial advances in business transformation would only be possible when a critical mass of entrepreneurs were trained with capacity to learn, adopt, innovate and gather information, most micro and small entrepreneurs still lack necessary business training and skills to enable them access and use available sources of information. Against this background, we posit that the degree to which these micro and small entrepreneurs

would improve and grow into efficient and competitive entities to reduce poverty would depend on: first, the type of information needed; second, the network available; third, the preferred media; and finally, the demographic shared information.

According to the CBS (1999) “MSE National Baseline Survey (NBS) conducted by the Central Bureau of Statistics (CBS, 1999), the International Centre for Economic Growth (ICEG) and K-Rep Holdings in Kenya” (CBS, 1999), one of the debates on the micro and small enterprise sector in Kenya is whether the sector is an effective agent through which long term development and poverty reduction objectives can be achieved. (English and Henault, 1995; Helmsing and Kolstee, 1993) “Development analysts are focusing on micro and small enterprise sector as a potential and priority area to spur development and underscore information as the single most important factor determining the competitiveness, survival and growth of micro and small enterprises” (English and Henault, 1995; Helmsing and Kolstee, 1993). Kenya’s micro and small enterprise sector stands in an extremely disadvantaged position with regards to business information technology development. Although some studies (Kiiru, 1991; Longenecker, *et al.*, 2012; Oketch, 2000; Tomecko and Dondo, 1992) “underscore the importance of business information in the formulation and implementation of pro-poor development strategies, there is concern that lack of relevant business information for planning, financing (credit), marketing, production, has led to poor business performance, thereby resulting in the failure of many micro and small enterprises” (Kiiru, 1991; Longenecker, *et al.*, 2012; Oketch, 2000; Tomecko and Dondo, 1992). Notably, issues of poverty have been tackled from an economic stand point without considering the role of the contribution of relevant mitigating business information to micro and small entrepreneurs in mitigating poverty levels. Moreover, when such information is presented, it lacks the relevance and the depth that would assist these entrepreneurs in their quest

to reduce poverty. Inter-sectoral information sharing and dissemination would benefit the micro and small entrepreneurs as this would provide them with the knowledge of where to find such business information on such areas as credit, market, customers, affordable housing, and access to education, health, water and sanitation.

Micro and small enterprises, government agencies, and non-government agencies involved in business development should make this information accessible to micro and small entrepreneurs, through systematic dissemination and feedback process. This would strengthen the capacity of these entrepreneurs' capacity to make good decisions in using available,

## **1.2 Statement of Research Problem**

The problem of reducing poverty, particularly through micro and small enterprises, require explicit investigation, especially where much is yet to be known about factors that influence entrepreneurs' performance mechanism. A number of studies have been conducted on the role of MSEs in development and their contribution to poverty reduction (Beck *et al.*, 2005; Bolt, 1971; DFID, 2000; ILO, 2002; Snodgrass and Biggs, 1996; World Bank, 2004, UNESCO/UNDP, 2013). (DFID, 2000), "They have argued that a dynamic and growing micro and small enterprise sector can contribute to the achievement of a wide range of development objectives such as the attainment of income distribution and poverty reduction" (DFID, 2000), creation of employment (Daniels 1999), provision of the seedbed for industrialization (Gosh and Somolekae, 1996; ILO, 2002 and World Bank, 2004), "savings mobilization and production of goods and services that meet the basic needs of the poor" (Beck *et al.*, 2005; Cook and Nixon, 2005).

This study has examined the ways in which these entrepreneurs, when given relevant and timely business information, would contribute to poverty reduction. The general concern of the study

was whether the performance of micro and small entrepreneurs constituted a viable strategy for achieving development goals, particularly poverty reduction. The operations of micro and small enterprises in Kenya have demonstrated a variety of performance levels, ranging from growth, stagnation and decline, to death at infancy. Research on the micro and small enterprise sector over the last five decades focused on the formation, survival, levels of operation, operating environment, and strategies to graduate from one level to another (Beck *et al.*, 2005; Daniels, 1999; DfID, 2000; Gosh and Somolekae, 1996; Snodgrass and Biggs, 1996; World Bank, 2004). Kenya as the birthplace of the informal sector concept has been particularly well researched (Daniels, 1999; Dondo and Ongile, 1991; House *et al.*, 2003; ILO, 2002; McCormick, 1998; McCormick, Kinyanjui and Ongile, 1997). These studies have however investigated only the performance levels, operating environment and the role of micro enterprises in development.

Shannon and Weaver (1949) “Despite a number of studies on the impact of business information, there is still a gap given that most of these studies have concentrated on the big corporate. This study introduces business information as a critical variable in driving or influencing the performance of micro and small enterprises by reducing the uncertainty associated with decision making in line with” Shannon and Weaver (1949). This study contributes to the existing literature by investigating how business information can influence the level of enterprise performance, leading to poverty reduction. The place of business information in influencing the performance of micro and small entrepreneurs in poverty reduction needs to be adequately and empirically investigated in Kenya.

The study argues that access and use of business information can play a crucial role in helping improve performance of micro and small entrepreneurs as agents for reducing poverty in

Kariobangi. In particular, these entrepreneurs need to access business information leading to credit, price, customers, markets, technology, business networks, business support services, government policy and regulations, business location, among other business needs. Moreover, improved business information base would create improved business operations that enable these micro and small entrepreneurs to reduce poverty. These would be demonstrated through improved standard of living, access to quality education, health, food intake, housing, and improved life expectancy. By providing an interface between business information access and use, and entrepreneur performance, it would be possible to influence their flight from poverty. In this regard, the study has investigated the impact of business information on these entrepreneurs and has examined how this has influenced the entrepreneurs' exit from poverty, based on the following research questions and research objectives.

### **1.3 Research Questions**

The study investigated the impact of business information on micro and small entrepreneurs and has examined how this has influenced their poverty reduction. Accordingly, the fundamental research question was:

What is the impact of business information on Micro and Small Enterprises (MSEs) as agents for poverty reduction?

#### **1.3.1 Specific Research Questions**

In order to answer the overall research question, the following specific questions were investigated:

i. How does the use of different types of business information, networking, preferred media and demographics shared information influence micro and small entrepreneurs' performance in Kariobangi, Nairobi County?

ii. How have micro and small entrepreneurs' performance influenced poverty reduction in Kariobangi, Nairobi County?

#### **1.4 Research Objective**

The main objective of this study was to investigate the impact of business information on micro and small entrepreneurs as agents of poverty reduction. The study shows the linkage between business information access and use, entrepreneur performance and poverty reduction. The study argues that access and use of relevant business information by entrepreneurs influences the way they do business, which ultimately help them exit from poverty.

##### **1.4.1 Specific Objectives**

The specific objectives of this research included:

- i. To investigate and clarify how the types of business information, networks, preferred media and demographic shared information used by entrepreneurs helped them reduce poverty in Kariobangi, Nairobi County?
- ii. To investigate and clarify whether the improved performances by micro and small entrepreneurs helped to reduce poverty in Kariobangi, Nairobi County?

#### **1.5 Purpose of the Research**

(CBS, 1999) "There have been limited scopes of studies that have taken place over the years on the role of micro and small enterprise sector in Kenya. In 1999, International Labour Organization (ILO) conducted nation-wide studies (CBS, 1999) with a focus of generating baseline surveys in the country. The findings from this study underscored the important role that micro and small entrepreneurs played in Kenya's development process, particularly in the context of poverty reduction" (CBS, 1999). This study has been framed within the wider academic research interest to interface information delivery and use by micro and small

entrepreneurs, their performance levels, and poverty reduction. The absence of enough empirical research on impact of business information use by micro and small entrepreneurs and poverty reduction motivated this study. Although some evidence exists, gaps still persist in literature on how relevant and timely dissemination and use of business information influenced performance of micro and small entrepreneurs and their ultimate exit from poverty?

This study has identified the information sources and gaps in the sector and examined the institutional and social structures governing information flow. In addition, it identified the information needs and the major impediments to information flow.

### **1.6 Significance of the research**

The findings of this study could be used to develop a relevant information base to help micro and small enterprises to improve their performance. The study results could also provide the desire for a theoretical basis for designing appropriate information strategies by micro and small enterprises towards improving their efficiency.

### **1.7 Assumptions of the Research**

In relation to the purposes of this study, it assumed that business information reduces business uncertainty, and by so doing, micro and small entrepreneurs would improve their performance as they predict the consequences of their actions, and this would translate into poverty reduction. In view of this, MSEs were concerned with the quality of business information that would improve business performance. Thirdly, the study assumed that the respondents would accurately reflect the effects of quality business Information on improving their performance.

## **1.8 Scope, Limitations and Delimitations of the Research**

This research is about poverty reduction initiatives among local micro and small enterprises in Kariobangi, which is home to different communities in Kenya. Urban poverty, unlike rural poverty, cuts across cultural boundaries. And so this study's intention to assess whether local business communities participate in activities that have potential to change their standards of life is an initiative beyond tribe or religion. The study mainly targets the micro and small entrepreneurs within Kariobangi in Nairobi County.

The researcher recognized the prejudices associated with poverty, and its effect on this study, in terms of stereotyping and intimidation, especially when asking questions touching on their individual household poverty status. This limitation was addressed by phrasing questions in a way that would minimize emotional responses.

Secondly, due to multi-cultural practices and belief patterns in the research area, the researcher recognized that these micro and small entrepreneurs could not discuss freely household poverty coping strategies. However, this limitation was removed by the government's declaration of poverty as an impediment to development. This created an environment where poverty was discussed freely.

Thirdly, due to numerous studies undertaken in the area, there was an affective bias among the respondents, which could affect the level of accuracy of the data. Since the respondents felt that this study was beneficial to them, they cooperated with the field staff.

## **1.9 Operationalization and Definitions of Study Concepts**

This section discusses the definitions of the concepts and terms used in this study.

**Attitudes:** This study uses attitudes as associated beliefs and behaviors towards an object.

Attitudes are not stable, and are subject to change by social influences. The function of



business information in poverty reduction is to create awareness, influence attitudes and change the social behaviour of the micro and small entrepreneurs in exiting poverty.

**Business:** This study has used business as encompassing all profit seeking activities and enterprises that provide products and services needed or desired in an economic system that is used as an agency to reduce poverty.

**Business Information:** The study uses business information as a catalyst for business transformation that enhances the entrepreneurs' ability to make quality decisions with the purpose of enabling them to improve their individual and corporate performance, thereby reducing poverty.

**Change Agents:** This study uses change agents for micro and small entrepreneurs who introduce new ideas into the business environment. The micro and small entrepreneurs as change agents require the knowledge, skills and tools to implement change in their businesses so as to influence the business community.

**Communication:** This study uses communication as the process by which micro and small entrepreneurs' access, use and participates in sharing business information with one another in order to improve their business decision making.

**Communication channel:** The study uses communication channel as the means by which business information get from different sources to micro and small entrepreneurs.

**Community:** The study uses community in reference to micro and small entrepreneurs sharing business information concerning common business interests or circumstances. The

micro and small entrepreneurs in Kariobangi is a community of business people who network to share business information for the interest of their businesses across area.

**Development:** This study describes development as a process that aims at improving the living standards of micro and small entrepreneurs in terms of income, education, health, and housing, accessing food, clothing, and individual entrepreneurs' capacity. It is measured by the ability of micro and small entrepreneurs to tap from their networks so as to improve their businesses and move from poverty.

**Entrepreneur:** This study uses an entrepreneur as an owner or operator of a business unit, and who is able to identify a business opportunity within the environment, and organize the necessary resources, start a new business, or expand an existing one in order to improve his or her household economically. The study uses both enterprise and entrepreneur as single unit of this study, since you cannot separate one from the other and still remain with one.

**Entrepreneurship:** The study uses entrepreneurship as the ability of an entrepreneur to identify a business opportunity within one's environment, organize necessary resources, start a new business or expand an existing one in order to improve his or her household economically.

**Impact of Information:** The study uses impact of information as the extent to which business information influence micro and small entrepreneurs' business operations and enables it to reduce poverty.

**Micro and Small Enterprise (MSE):** This study has used both the Bolt Report and ILO definitions of micro and small enterprises. The Bolt (1971) report uses four main criteria to define micro and small enterprises: 1. small in relation to its market; 2.

managed by its owner in a personal way; 3. enjoys independence from outside control while making their principal decisions and; 4. does not form part of any existing larger enterprise. The ILO also defines micro and small enterprises as those economic activities that are characterized by ease of entry due to low barriers in terms of skill, capital and organization; family ownership of enterprises; reliance on indigenous resources; small scale of operation; labour intensive production with adapted technology; skills obtained outside the conventional educational system; and not moderated and competitive markets (ILO, 2002). Both definitions have been used to explain the business units that have been studied.

**Performance:** The study defines enterprise performance as “measured in terms of sales volume, number of employees, and profits made or losses incurred. It is this performance that enables micro and small entrepreneurs to reduce poverty from their household”.

**Poverty:** The study defines poverty as the inability of an individual micro and small entrepreneur or household, within the confines of the basic well-being areas such as income poverty and human poverty that include income, food, clothing, access to education, health care, safe water, decent housing, and capability deprivation.

## **1.10 Organization**

Chapter one introduces the thesis and highlights the study background, the statement of the problem, research question, research objectives, research hypotheses, purpose of the study, significance of the study, assumptions of the study, scope and definitions of concepts of the study, and the organization of the study. Chapter two introduces and discusses the theoretical literature review. Chapter three discusses the empirical literature review used in the study. Chapter four discusses the conceptual framework of the study. Chapter five discusses the study

methodology, while chapter six provides and discusses the study findings on the demographic characteristics of micro and small entrepreneurs. Chapter seven provides findings of business information available to micro and small entrepreneurs, highlighting the types of business information needed, the networks used, the preferred media, and the demographics shared information. Chapter eight provides and discusses the findings on micro and small entrepreneurs as agents of poverty reduction, incorporating the case studies findings. Chapter nine concludes with summary findings, conclusions and recommendations of the study.

## **CHAPTER TWO**

### **THEORETICAL LITERATURE REVIEW**

#### **2.1 Introduction**

In order to understand the impact of business information among micro and small entrepreneurs as agents of poverty reduction, the previous chapter highlighted the background to the study, statement of the problem, research questions, objectives, significance of the study, assumptions, hypothesis, scope, limitations and delimitations, and the definitions of the terms and concepts used in the study. One cannot overemphasize the role that micro and small entrepreneurs play in people's efforts to overcome the persisting challenges, particularly poverty. The key issues that the study gives prominence to include the growing need of business information in development, especially among the entrepreneurs as agents of poverty reduction. This chapter presents a review of literature of alternative theoretical and empirical approaches to the impact of business information on micro and small enterprises as agents of poverty reduction that would help put this study into perspective.

This chapter examines the theoretical approaches to poverty and how it relates to micro and small enterprises as agents in the process of its reduction. It continues to discuss whether these entrepreneurs may produce desirable socio economic outcomes as agents of poverty reduction.

#### **2.2 Theoretical Literature Review**

A theoretical (or conceptual) definition gives the meaning of a word in terms of the theories of a specific discipline, thereby assuming both knowledge and acceptance of the theories that underpin the concept.

This section highlights and discusses the important theoretical perspectives applicable to poverty reduction as defined and measured by various scholars. In particular, the following theories are

discussed: (1) Power Theory of Poverty; (2) Economic and Neo-Classical Theory; (3) Empowerment Theory and; (4) the central idea of the model of the Elaborated Likelihood concept.

(Veblen, 2010) “Theories on the causes of poverty are the foundation upon which poverty reduction strategies are based. While in developed nations, poverty is often seen as either a personal or a structural defect, in developing nations the issue of poverty is more profound due to the lack of equitable distribution of resources by the government” (Veblen, 2010). Ferguson (2009) argues that “while some theories on poverty in the developing economies focus on cultural orientations as a retardant to development, other theories focus on social and political aspects that perpetuate poverty” Ferguson (2009). (Stigler, 2011) “The underlying perception of the poor, therefore, has a significant impact on the design and execution of programmes to alleviate poverty. Indeed, some theorists argue that the way poverty is approached, defined, and thus thought, plays a role in its perpetuation” (Stigler, 2011).

Green (2006) and Bliss (2007) argue “that modern development literature tends to view poverty as an agency that absorbs people into itself; and the people, in turn, become a part of poverty, devoid of their human characteristics.” Green (2006), “further views poverty as an object in which all social relations (and persons involved) are obscured”. (Stigler, 2011) “Moreover, issues such as structural failings, institutionalized inequalities, or corruption may lie at the heart of a region's poverty, but these are obscured by broad statements about poverty” (Stigler, 2011). Drawing from Charles Taylor's points of recognition, Weintraub (2007) “blames the terms of recognition accorded to the poor, which allows poverty to take root. Weintraub contends that the terms are given to the poor because the poor lack social and economic capital, and thus have little or no influence on how they are represented and/or perceived in the larger community”

Weintraub (2007). Weintraub (2007) goes on to say that “the term poverty is often used in a generalized matter, thereby further removing the poor from defining their situation given that the broadness of the term covers differences in histories and causes of local inequalities. Thus, solutions or plans for reduction of poverty often fail precisely because the context of a region's poverty is removed, and local conditions are not considered” Weintraub (2007).

Ferguson (2009) argues that “the specific ways in which the poor and poverty are recognized frame them in a negative light, as poverty is portrayed as a singular problem to be fixed or something to be eradicated, or attacked” Ferguson (2009). Ferguson (2009) says that “when such a negative view of poverty, as an animate object, is fostered, it can lead to an extension of negativity to those who are experiencing it. This can in turn lead to justification of inequalities through the idea of the deserving poor, which can ensure that little change in the policies of redistribution are formulated” Ferguson (2009).

### **2.2.1 Power Theory of Poverty**

(Stigler, 2011; Weintraub, 2007; Veblen, 2010) In the power of poverty theory, the system of poverty determines the basic division of the society into two classes: the haves and the have-nots; that is, the property owners and the non-property owners. This view constitutes the fundamental nature of government, religion and culture in any given society. It is basically the Marxian theory of historical materialism that views power in terms of who controls what and how, in the political and economic structures of the system. (Stigler, 2011; Weintraub, 2007; Veblen, 2010) “In this context, the structure of political and economic power in the society is the determinant of the extent of poverty among the populace” (Stigler, 2011; Weintraub, 2007; Veblen, 2010). (Veblen, 2010) “Weintraub's power theory of poverty further states that “the

society has been dominated by the ruling class (owners of properties) who exploit the non-property owners owing to their ownership of the means of production. Many of the proponents of this theory associate the individual's position in the society with whether that individual owns the means of production, or works for someone else" (Veblen, 2010).

(Nyong'o, 1996) "Proponents of the theory also hold that religion is responsible for sustaining this power structure between the rich and the poor; by denying the poor any initiative to fight to improve their condition, hence condemning them to poverty" (Nyong'o, 1996). Thus, an effective poverty reduction programme should have an exploitative property that could be addressed and dislodged.

### **2.2.2 Economic and Neo-Classical Theory**

In Africa, the economic environment is largely characterized by risks of unpredictable variations in income as a result of weather and other exogenous processes. Stiglitz (2011) "provides a new theoretical foundation for policy interventions to correct market failures, and argues that in the absence of competitive insurance markets, credit transactions take on a special role in allowing resource transfer in response to income shocks" Stiglitz (2011). (Aspromourgos, 2006) "It is pertinent to bring to focus, the various breakthroughs that have made microfinance programmes imperative to poverty reduction. Perhaps the most important is the long standing and fundamental assumption about the banking ability of the poor, based on Aspromourgos' experience" (Aspromourgos, 2006). These cases demonstrated the ability of MSEs to use small loans productively, which they settled fully on or before the due date" (Aspromourgos, 2006). (Aspromourgos, 2006) "When given reasons to do so, the poor can, and are not only willing to, pay high interest rates on their loans, but they also save and often need savings services as much



as, if not more than, credit services. These findings correct the earlier notions that the poor cannot only use credit effectively, but do not have the capacity to repay loans, cannot afford to pay high interest rates that reflect the real cost of funds, and do not generate sufficient surplus to enable them to save” (Aspromourgos, 2006).

A shift in thinking is within the effort being made to deliver credits and savings to the poor MSEs. According to Antonietta (2007), “financial sectors are being redefined to include banks and non-bank financial institutions as well, a framework that differs radically from the long-standing practice of separating micro finance programmes from the financial sector development, including them within the project context for social welfare services for the poor” (Clark, 2008). (Stigler, 2011) “In this view, micro-finance institutions represent an essential component of an integrated financial system that serves the majority of citizens. This new paradigm has far-reaching implications, notably on: the need to revise banking regulations to include non-bank financial institutions, and a new legitimacy for financial institutions that serve the poor, who represent an enormous new market for financial services” (Stigler, 2011).

(Aspromourgos, 2006) An important breakthrough in this regard “has been the development of new lending technologies that are effective both in reaching large numbers of low income borrowers, and moving microfinance institutions toward financial sustainability” (Aspromourgos, 2006). Ferguson (2009) argues that “these technologies are designed to deliver small loans with terms and conditions that meet the needs of poor customers, lower lenders’ transaction cost, and increase revenues by using full-cost interest rates and high loan repayment rates” Ferguson (2009) . (Clark, 2008) “The generation of credit programmes were fueled by a constant supply of donor funds and paid little attention to operating costs, loan losses and the

expense of auxiliary services” (Clark, 2008). Efficiency and cost recovery were not prioritised by neither service providers, nor by international donors. As a result, Weintraub (2007) contends that “credit programmes had minimal outreach because credit funds were limited to donor funds, which was concentrated in the hands of privileged and less-than-creditworthy borrowers who successfully pursued these subsidized loans” Weintraub (2007). Over the past decade, a handful of pioneer micro-finance institutions have demonstrated not only the bankability of the poor but also the potential for sustainability of financial institutions that serve the poor. Clark (2008) posits that “savings services are needed urgently by the large number of poor people around the world to protect their incomes and to serve as an alternative to borrowing to meet financial needs” Clark (2008). Finally, full micro and small enterprise’s financial sustainability can only be achieved when business information becomes available to them on credit, among other market requirements.

(Antonietta, 2007) “The neoclassical growth theory is an economic theory that outlines how a steady economic growth rate can be accomplished with the proper amounts of the three driving forces: labour, capital, and technology” (Antonietta, 2007). This classic approach included the work of Adam Smith and David Ricardo, which states that by varying the amounts of labour, capital, and technology in the production process, an equilibrium state can be accomplished. Classical economics, developed in the 18th and 19th centuries, included both value and distribution theoretical components. Stiglitz (2011) says that “the value of a product depends on the costs involved in producing that product” Stiglitz (2011). Jevons (2009) adds that the “explanation of costs in classical economics was simultaneously an explanation of distribution, just as a landlord received rent, workers received wages, and a capitalist tenant

farmer received profits on their investment” Jevons (2009). Weintraub (2007) argues that “when you avail a new technology, the labor and capital component need to be adjusted to maintain growth equilibrium in the production process” Weintraub (2007).

According to Veblen (2010), “this theory emphasizes that technology change has a major influence on economic growth, and that technological advances must be built into the production process” Veblen (2010). The term was originally introduced by Veblen (2010) in his article: *‘Preconceptions of Economic Science’*, in which he related marginalists in the tradition of Alfred Marshall with other scholars in the Austrian School, who argue that economic growth will not continue unless there is a continuity in technological advances. However, Clark (2008) posits that “some economists began to emphasize the perceived value of a good to the consumer and proposed a theory that the value of a product was to be explained with differences in its utility (usefulness) to the consumer” Clark (2008). In England, economists conceptualized utility in keeping with the Utilitarianism of Jeremy Bentham, and later of John Stuart Mill (Clark, 2008). From the political economy, Ferguson (2009) “introduces marginalism and proposes that economic actors make decisions based on margins, for instance; that a person decides to buy a second sandwich based on how full he or she is, after the first one; a firm hires a new employee based on the expected increase in profits the employee will bring. This differs from the aggregate decision making of classical political economy in that it explains how vital goods such as water can be cheap, while luxuries can be expensive” Ferguson (2009).

### **2.2.3 Empowerment Theory**

(Bandura, 2004) “Empowerment is a transformative process within the human existence; from the state of powerlessness to the state of relative control over one’s overall existence by taking control over their destiny and making use of the immediate environment for a sustainable improvement in their livelihoods and improved standards of living” (Bandura, 2004). Microfinance as an emerging tool of community empowerment and poverty reduction surrounds the discussion of empowerment theory.

Friedmann (1992) argues that “given this approach, empowerment has become a common word in most development and international agencies, with most of its discussion centering on power relations, awareness, control, poverty alleviation, development and empowerment. The contributions of Friedmann (1992) and other scholars have been of paramount importance in this discussion, and in the overall development of this thesis” Friedmann (1992). However, greater emphasis will be placed on Friedmann’s (1992) “work titled ‘Empowerment: The Politics of Alternative Development’, which provides the basis for an alternative development approach defined in the politics of empowerment, asserting universal human awareness and rights of people within a given social setting. Bandura (2004) and Chambers (2007, 2005) puts more emphasis and focus on the voiceless, marginalized, underprivileged, the households and all classes of disempowered people; men and women alike who constitute a majority in their political communities” Friedmann (1992). They however do not negate the politics of sustainable economic growth in their emphasis on the autonomy of power and self-reliance initiatives, but rather seek to see a form of political, economic and social integration of communities regardless of their social status in the overall decision making process.

Friedmann (1992) sees “empowerment in terms of power relations, the abilities of people to take control over lives and the environment and participate in the overall decision making processes that affect their livelihoods, and which are geared towards improving their standards of living; and emphasizes on the needs of households” Friedmann (1992). Friedmann (1992) “Alternative development must be seen as a process that seeks the empowerment of households and their individual members through their involvement in socially and politically relevant actions” (Friedmann 1992). Friedman further distinguishes three forms of power: 1. social power, which has to do with awareness, knowledge, skills, participation in social organizations and access to financial resources without any form of societal discriminations, 2. Political power, which has to do with autonomy and active participation in the decision making processes and, 3. psychological power, which portrays individual potentialities and sense of reasoning that influences both the social and political power. Any deprivations of such rights would infringe on individual basic existence and would be a negation of one’s humanity.

Zimmerman (1993) suggests that “actions, activities, or structures may be empowering, and that the outcome of such processes result in a level of being able to participate in societal affairs” Zimmerman (1993). On the issue of poverty alleviation, Friedmann (1992) argues that “reforming the existing systems of socio-political and economic integrations would mean reducing societal injustices, provision of social needs and reduction in environmental degradations” Friedmann (1992). He further argues that “even if these services are provided as a result of being empowered, discrimination will still exist, especially on those living below poverty lines on account of their sex and race” Friedmann (1992). In order to remedy this situation, Friedmann (1992) concludes that “their effective political participation in the overall decision making process and the exercise of their rights largely depends on their social status,

referring to their subsistence or poverty level and the need for empowerment” (Friedmann, 1992, pp. 74).

(Bandura, 2004) “The powerlessness of one woman, which changes by means of her activism in collaboration with others in her situation, is a process that empowers the entire community of women” (Bandura, 2004).

(Bandura, 2004) “Critics of the empowerment theory argue that it is a perfect theory of alternative development through its bottom-up approach, but it is problematic in its evaluation of acquired outcomes” (Bandura, 2004). (Bandura, 2004) “In other words, since empowerment evaluation is not about merits or worth, but about the effectiveness of its application, it therefore suggests that an evaluator is not fully equipped to consider what effectively constitutes significant findings or how those findings can be achieved without the meaningful collaboration with the evaluated group. This collaboration may be problematic in that it could lead to bias result findings in favour of the evaluated group, which may more likely answer questions that favour them (Bandura, 2004).

(Clark, 2008) “Despite the above limitations, the contribution of the empowerment theory on development cannot be over emphasized, especially taking into consideration the numerous emergence of microfinance and microcredit initiatives all around the world and their impacts on the local community” (Clark, 2008) (Grameen Bank, 2010; Haq, 2008; Richardson and Haq, 2000) “A good example of the success of this theory is from the Grameen Bank in Bangladesh and how its model has been replicated throughout the developing world; leading to the emergence of SHGs that are aimed at providing microcredit initiatives to the rural poor” (Grameen Bank, 2010; Haq, 2008; Richardson and Haq, 2000). In view of this, microfinance has

emerged as a paradigm change in alternative development despite its challenges. This makes the empowerment theory a perfect bottom-up approach on development in its manifestations on the convergence of power relation from top-bottom to bottom-up autonomy, thereby giving power and wider opportunities to the powerless so that they could use their initiatives, rights and capabilities for the common good of their social settings, not only to better their lifestyles and improve their standards of living, but also to gradually move themselves out of the deprivations of poverty in a sustainable manner.

(Clark, 2008) “Unlike the empowerment theory, which suggest that development can only be achieved through structural changes in the echelons of power by empowering the disenfranchised voiceless poor masses, De Soto (2000, 1989) and Sen (2001) view development as different sides of the same coin” (Clark, 2008). Whereas De Soto sees development in terms of property rights legislation in order to access capital, Sen on the other hand sees development in terms of freedom as an enhancement of human capabilities. All of these approaches reflect typical bottom-up approaches on development for addressing third World poverty problems, albeit from different perspectives.

#### **2.2.4 The Elaboration Likelihood Model (ELM)**

In an attempt to explain how attitudes are formed and changed, Richard E. Petty and John T. Cacioppo (1980) developed the Elaboration Likelihood Model (ELM) of persuasion. The ELM, based on a postulate proposed by Leo Festinger in 1954, is a twofold, or dual-process, model that describes how people choose to manage, either systematically or heuristically, information they receive. Specifically focused on persuasion, Petty and Cacioppo (1980) argue that “there are two routes to persuasion: the central route on one hand, which is systematic and involves message receivers scrutinizing the central, logical merits of a message; and the peripheral route, on the

other hand, which is heuristic and is the means by which message receivers evaluate persuasive messages when they are unmotivated and are unable to elaborate on its logical merits” Petty and Cacioppo (1980). Although the ELM’s central and peripheral routes naturally cause one to focus on its dual processes, these scholars point out that it also incorporates the notion of elaboration likelihood, which means that message receivers move along a continuum of probability to engage in effortful thought. At one end of this continuum, receivers have a virtual 100 %probability of expending considerable cognitive effort to evaluate the central merits of a persuasive message. At the other end, receivers hold a nonexistent probability of effortful elaboration. Petty and Cacioppo (1986, 1981), Chaiken (2000) and, Chaiken, Liberman and Eagly (2009), frame their description of this elaboration continuum in terms of “the importance of heuristic devices (peripheral cues) in the persuasion process”. Petty and Cacioppo (1986, 1981), Chaiken (2000) argue that as “the combination of motivation and ability to engage in effortful elaboration decreases, these peripheral cues become important determinants of persuasion. Conversely, as receiver’s motivation and ability increase, peripheral cues become less important, hence, a defining element of the ELM is motivation”. Petty and Cacioppo(1986) argue that “receivers have the ability to scrutinize the arguments of a persuasive message as their level of motivation determines the extent to which they actually engage in this cognitive activity”. They argue that the variables in a persuasive context can serve three purposes: first, they can take on the role of persuasive arguments that are evaluated through the central route; second, they can serve as either positive or negative peripheral cues that allow message receivers to reach conclusions in the absence of elaboration and; finally, they can function as motivators affecting the amount and direction of issue-relevant elaboration. Petty and Cacioppo (2001, 1986, 1981) further argue that changes in attitude. which result from central route processing will



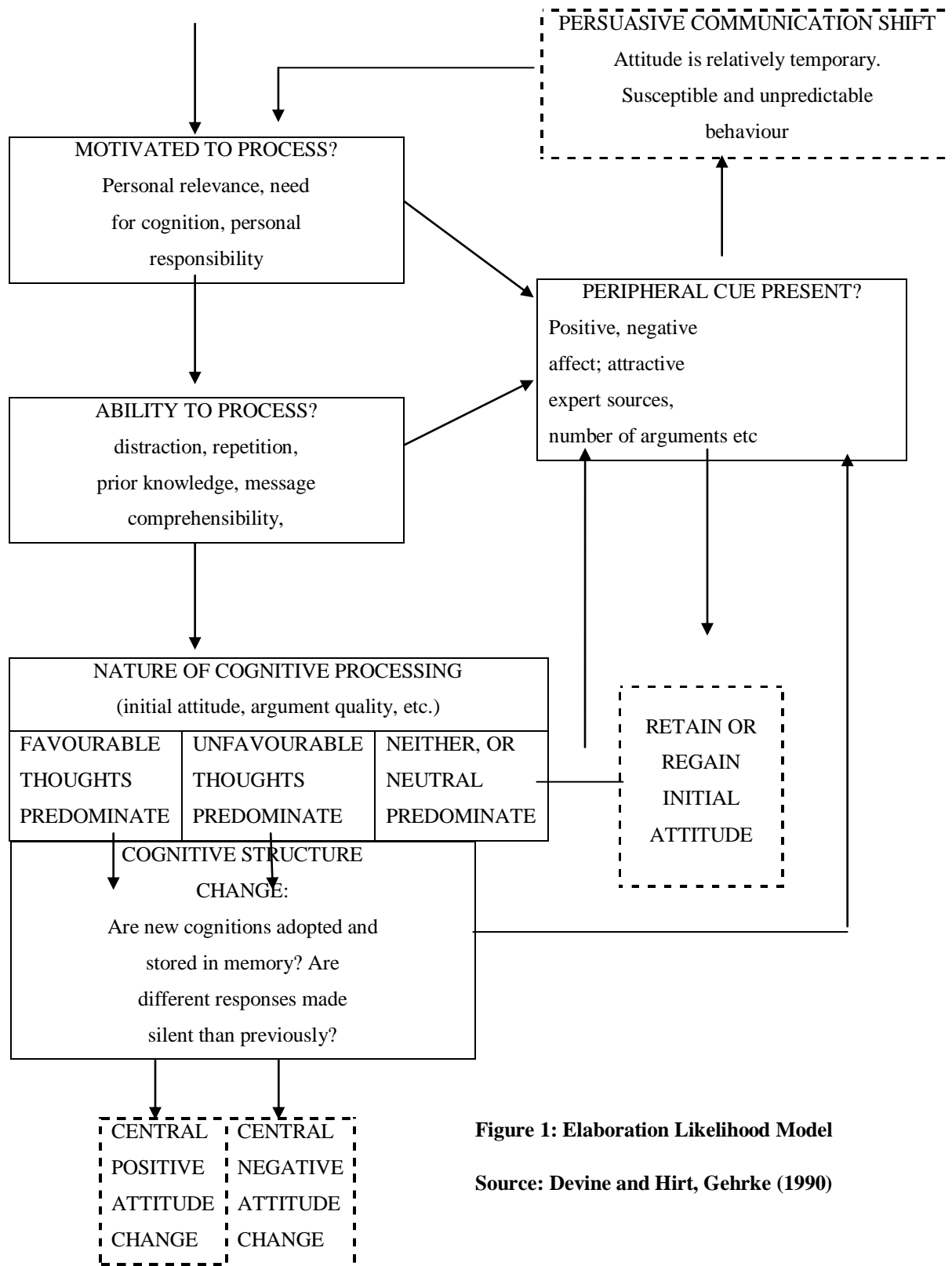
be more persistent, are better predictors of behaviour, and will be more resistant to counter-persuasion than are attitude changes that result from exposure to peripheral cues.

Cafferata and Tybout contend that, in making decisions and judgments, the peripheral route relies on a simple cue and on environmental characteristics of the message. For example, in the peripheral route, the audience relies on cues such as source attractiveness, perceived source credibility and the facts inherent in the message, which requires careful analysis. The attractiveness or perception that the source of the message is likeable relates to the peripheral route. Social proofing is similar to peer pressure, which is exerted on the receiver in such a way that once the society in which the receiver operates gives its approval to the relayed information, the receiver is obligated to accept that information. Consistency describes reliance on past thoughts and feelings about the message. Authority refers to the expert authority of the source, which gives the message credibility (Cialdini *et al.*, 1981; Mbennah, 2000). Scarcity refers to a perception that information is only available for a short period of time and must therefore be accepted quickly.

According to Shavitt and Brock (1994) “the decision on which route to use when forming or changing an attitude based on a persuasive message takes a series of steps. attitude. In the elaboration likelihood model, the main factors that influence which route is taken are motivation and ability. Without either of these two variables, the peripheral route must be used, and thus the individual must rely on simple cues to make a decision about their attitude towards the message. In comparison, the attitudes developed from the central route to persuasion are relatively easy to be called to mind, persistent and stable over time, resistant to challenges from competing messages, and predictive of a person’s attitude-relevant behaviour. In essence, the central route

produces a much stronger attitude than those that emanate from the peripheral route. There are two key implications of ELM though” Shavitt and Brock (1994). First, the variable can produce persuasion by different processes in different situations (Hamilton, 2004; Petty, 2001). This goes back to the notion that persuasion differs from one individual to another, and from situation to situation. Second, not all attitude changes of the same magnitude are equal. Thoughtful attitude changes through the central route are more consequential than non-thoughtful changes through the peripheral route. Thus, the Elaborated Likelihood Model helps to distinguish what types of messages work for which specific audiences and for what specific situations. Used wisely, the model can be a very helpful tool in persuading entrepreneurs on the type of information they require. Severin and Tankard (2002) argue that a two-sided presentation is better for both audiences because it provides various options for the audience.

PERSUASIVE COMMUNICATION



**Figure 1: Elaboration Likelihood Model**

**Source: Devine and Hirt, Gehrke (1990)**

This study adopts Devine *et al.* (1990) analytical model as the theoretical framework. The model is appropriate in this study that investigates the impact of business information on MSEs as

agents of poverty reduction. This design helped us to determine if information impacts on the enterprise performance, which in turn contributes to poverty reduction among them. The degree of business growth or change is thus affected by the degree of dissemination of business knowledge through information. Devine *et al.* (1990) argue that in this relationship, as the business receives the type of business information required, performance can improve. This, they argue, is because information has certain knowledge, attitude and practice patterns that are associated with enterprise management.

The various key concepts and variables for this research are represented in Figure 1, which shows the influence of intervention through information provision. The campaign interventions process includes mass, group, inter-personal, and intra-personal, and is used at different stages of the information dissemination process (Devine, *et al.*, 1990). The activities used in various information dissemination strategies are expected to result in the enhanced knowledge base of the entrepreneur. The information dissemination campaign through the entrepreneur has the general objective of sensitizing the business community. This access to relevant information will enable entrepreneurs to make informed decisions, which will result in positive attitudes towards best practices in business performance.

### **CHAPTER THREE**

#### **EMPIRICAL LITERATURE REVIEW**

### **3.1 Introduction**

This study considers information as a catalyst in the social development process, and business information as a necessary ingredient in the enterprise's development agenda. Accessing business information creates awareness, influences attitudes and changes social and economic behaviour of the entrepreneurs involved in economic activities.

### **3.2 Role of Information in Development**

According to Quebral (2011), development information as a concept was first articulated in 1971 at a symposium at the University of the Philippines College of Agriculture symposium in Los Banos. Both Librero and Quebral observe that this is done through an effective exchange of relevant, pertinent messages, which induce people to action. The two contend that such an exchange is necessary for the speedy transformation of a society's economic growth, modernization, industrialization and self-actualization, and greater social gratification. This model has received support from many quarters. Mefalopulos (2008) argues that information promotes social development, systematically applying the processes, strategies and principles, which include engaging entrepreneurs and other key stakeholders to establish conducive business environments.

According to Manyozo, the Bretton Woods School of information for development arose with the economic strategies outlined in the Marshall Plan after World War II. The Bretton Woods School Theorists include Daniel Lerner, Wilbur Schramm, Everett Rogers, and Jan Servaes. Librero (2005) this school of thought propagated a western-driven systematic and strategic employment of linear communications in Third World development experiments. The School's development paradigm propagated production and planning for development in indigenous and uncivilized societies. Librero (2005) argued that it tended to assume that western models were

appropriate for all parts of the world (Librero, 2005). According to Libreron (2005) these programmes failed to address the real underlying problems in development, such as lack of access to information on credit, fair market prices, technology, and support groups. The failure of many development projects from the 1960s, despite the increasing donor aid, compelled the Bretton Woods School to re-evaluate its top-down methods and align itself with the prevailing trends.

The Latin America School Theorists included Luis Ramiro Beltrán, Juan Diaz Bordenave, and Miguel Sabido (Manyozo, 2006). Singhal (1999) and Rogers (1999) “associate the school with the Paulo Freire Radio for rural education, and the Miners’ Radio Network in Colombia, which pioneered the employment of systematically designed radio communications in empowering economically and socially marginalized people, helping them to lead decent and healthy lives” Singhal (1999) and Rogers (1999). Singhal (1999) and Rogers (1999) note that “these educational rural radio approaches served as the earliest models for participatory information dissemination efforts around the world” (Singhal, 1999; Rogers, 1999). Manyozo notes that the school emerged in the 1940s, with the efforts of rural radio stations, which were the first to use participatory and educational rural radio approaches to empower the marginalized communities.

The African School (Anglophone Africa) theorists include Penina Mlama, Christopher Kamlongera, Zakes Mda, Robert MacLaren, and Ngugi wa Thiong’o whose contribution to information for development, according to Manyozo (2012), sprang from the continent's postcolonial and communist movements in the late 1960s and the early 1970s. After the post-colonial and communists movements in the early 1970s, African scholars began to rethink concepts of culture and communication, and development started to take the theatre to the

people. The Anglophone Africa embraced the use of radio and theatre for community education, adult literacy, health and agricultural education (Manyozo, 2006, 2005).

Balaswamy (2006) and Peirano (1985) observe that, like the Latin American School, the Indian history of organized information for development can be traced to the 1940s. The Indian School theorists include Mehra Masani, George Verghese, Keval Kumar, University of Poona, Joseph Velacherry, Delhi University, and University of Kerala. According to Balaswamy and Peirano (2006, 1985), central to this school are radio and television for rural development and development journalism. According to Balaswamy (2006), there was a new form of information dissemination process called public information campaigns (PIC) where public shows, seminars, workshops were organized. The NGOs and educational institutions were given licences to set up local community radio stations to broadcast information, advisories and messages on developmental aspects. Community radio provided a platform to entrepreneurs to broadcast local issues, and had the potential to elicit positive action from local leaders and development agencies (Balaswamy, 2006; Peirano, 1985).

Melkote (1991) notes that “the Post Freire School or Participatory Development Communication theorists include UPLB College of Development Communication, IDRC, FAO Communication Project, UNESCO, Rockefeller Foundation, Ford Foundation, and the World Bank, which worked in collaboration with the first and third world development communication organizations. Although modern development communication is characterized by diverse methodological and theoretical trajectories, it still centres on participatory production and utilization of indigenous knowledge in local development. Information generation involving community participation formulates a very important fact in the promotion of sustainable development” Melkote (1991).

Melkote (1991) observes that “the application of information in development can also be traced back to efforts undertaken in various parts of the world during the 1940s. The rise of the information sciences in the 1950s saw the recognition of the field as an academic discipline” Melkote (1991). The earliest influential advocates of information sciences included Lerner (1958), Schramm (1964) and Rogers (1959). The early studies of development information were crucial for providing channels for understanding the sources and types of information for MSE development. A paradigm of causal relationships between information and development is suggested in the works of Daniel Lerner (1958), Wilbur Schramm (1964), and Lucian Pyre (1963), and other scholars (see the Bretton School). They believed that an increase in information would pull the developing world to the level of their global northern neighbours (Melkote, 1991). Their theories rest on the hypothesis that individual behaviour would change as a result of messages mediated by opinion leaders, thereby producing a modern economic actor (Okigbo, 1995; Okigbo and Eribo, 2004). Thus, too much emphasis has been placed on an individual, both as the locus of change, and also as the locus of blame (Okigbo and Eribo, 2004). These theories failed to address the local needs, especially in considering the culture of the target audience. This, Rogers argues, was based on the notion that relief for developing economies depended on the availability of Western advances in agriculture, commerce, industry, and health.

According to Rogers (1976), Western agriculture, medicine, tools and business techniques outstripped corresponding traditional practices many times over. This made unquestionable sense that developing economies’ peasantry discard unconditionally their primitive ways and embrace Western technologies, which had brought such extraordinary progress in the advanced countries of the North. Dagon and Tufte (2006) argue that “this created confusion among the local entrepreneurs as they were coerced into embracing new information, while still clinging to the



traditional ways of doing things” Dagon and Tufte (2006). According to Dagon and Tufte, these scholars seldom asked pertinent questions based on the local people’s way of life. They could have done this by conducting situational analysis among the development partners. Dagon and Tufte argue that the majority of these contributors have failed to enquire whether the government, its agencies and the experts, know what suits the peoples’ needs best, and what to prescribe as solutions.

Earlier, Bordenave (1977) had advised bilateral, multilateral and development agencies on the need to take a closer look at the overall priorities of beneficiaries so as to determine where information efforts are most needed so as to create the greatest impact.

(Mefalopulos, 2008; Quebral, 2012). “Criticisms of development information theories are similar to those of the modernization theory, which include developed world biasness, neglect of international best practices, on the need to disseminate balanced information and development” (Moemeka, 2000; Okigbo and Eribo, 2004). This study considers MSEs as having an active mind that interrogates every message that it receives. (Mefalopulos, 2008; Quebral, 2012). “The process of seeking and using information should therefore create awareness, influence attitudes and change the social and economic behaviour of MSEs involved in economic activities” (Mefalopulos, 2008; Quebral, 2012).

It is the expectation of this study that information dissemination should take place in an environment of engagement. Towards this end, Mefalopulos (2008) “argues that information should not be seen as an essentially mechanical process in which the individual audience is treated both as passive and detachable from his or her social context”. According to Mefalopulos (2008) “the effects of communication are much larger than the rapid spread of information, and could include the gradual socialization into alternative ways of seeing and doing. Like

individuals and communities everywhere, entrepreneurs targeted by information agencies may welcome and accept, but in others, they may ignore, select, reshape, redirect, adapt and, on occasions, even completely reject the content. Even when the same content is available to all and widely consumed, the eventual outcome may vary considerably, both within and between entrepreneurs” Mefalopulos (2008).

Bordenave (1977) argues that “there is rising disenchantment with those theories, which encourage an orientation of information dissemination that is essentially vertical, directive, aimed at manipulation and indoctrination” Bordenave (1977). He recommends Paulo Freire’s (1983) pedagogy of the oppressed, which emphasizes participation, democracy and dialogue. Freire (1983) argues that at “the heart of the problem is the failure to recognize that information is embedded in cultural value systems - that the fundamental differences in culture, demographic structure, experience, and expectations in different societies preclude the use of carbon copy information dissemination process”. Freire (1983) argues that “the mere transfer of information from an authoritative source to a passive receiver does not promote performance, and ultimate growth” Freire (1983). Ogan (1982) argues that “as a function of development, information dissemination is not and should not be confined to the mass media channels”. According to Ogan (1982), “for information to be effective, the channels used should include all effective means such as interpersonal face-to-face, small group, the stage play, picture, or even a billboard” Ogan (1982).

Librero (2008) observes that “serious research in the field of information has been limited to agricultural and rural development efforts. He observes that this kind of research focused on the support functions of information in promoting agricultural and development programmes of the United Nations” (Librero, 2008). In considering information as a prerequisite for development,

the UN General Assembly in its very first session in 1946 adopted Resolution 59(I), which regarded information as a fundamental human right and the touchstone of all the freedoms to which the UN was consecrated (Hoq, 2012). Hoq (2012) reiterates that “it does not require a lot of effort to conceive information’s direct link with various development activities, and achievements of business, such as planning, decision making and capacity building” Hoq (2012).

Rahman (2009), citing Chowdhry (2007), while supporting the important role of information in development, observes that lack of information on market price puts entrepreneurs in a disadvantageous position when negotiating the price of a product. According to Rahman (2009), “the lack of public information sets the stage for corruption at every level of the society and administration, thereby affecting business development” (Rahman, 2009). Information therefore plays a critical role in the various fields of development, including MSEs as it gives them freedom to do business without being intimidated by suppliers, consumers or the authorities.

Braid (1979) introduces another aspect into the “impact of the information debate” when he argues that information delivery, which involves the identification and utilization of appropriate knowledge or expertise in the development process, plays two broad roles: first, a transformational role through which it seeks justice and; secondly, a socialization role through which it strives to maintain some of the established values of society that resonate with development, especially business Braid (1979). Braid (1979) further contends that “in playing these roles, information creates an enhanced atmosphere for the exchange of ideas, which produces a balance in social and economic advancement between the physical output and human relationships. Thus, information becomes the ingredient for human communion that is necessary for the speedy transformation of economic growth, modernization, industrialization and self-

actualization, the fulfillment of individual potential, and greater social justification” (Braid, 1979).

While supporting this argument, the World Bank (2009) adds that “efficient business development depends to a great extent on how successfully information is generated, shared and applied” World Bank (2009). This is so because entrepreneurs require regular supply of up-to-date flow of information on modern technology, market, customers, price, raw materials, credit, and support organizations. (World Bank, 2009) This information would enable the entrepreneurs to carry out activities, which would result in informed decision making and lead to greater performance and sustained growth. Failure to receive this information will result in stagnation, or risk being forced out of business altogether (World Bank, 2009).

Ballantyne (2009), while commenting on operationalizing information, argues that “a well designed, professionally implemented information strategy that is tied directly to socio-economic efforts, such as poverty reduction, will bear expected results”. Ballantyne (2009) contends that “information is necessary to build consensus through raising understanding and generating dialogue among entrepreneurs, whether discussing a business project or the broader economic reforms agenda such as poverty”. This information, Ballantyne (2009) argues, “must come from different sources across the full spectrum of producers, peers, researchers, educators, advisors, and policy makers” Ballantyne (2009).

This section set out to establish that information is necessary if development is to succeed. The following section discusses causes of poverty, and its reduction among micro and small entrepreneurs.

### **3.3 Causes and Reduction of Poverty**

According to Fosu (2007) neo-classical economics has traditionally argued that “the process of development entails changes in incomes over time, and that larger income levels achieved via positive economic growth would constitute higher levels of development” Fosu (2007). However, the income measure fails to adequately reflect development in per-capita income, in terms of its levels or changes to it. It does not also sufficiently correlate with measures of human development, such as life expectancy, basic health care, clean water and sanitation, literacy and housing. The United Nations Development Programme’s (UNDP) human development index (HDI) has constituted an improved measure for development to include gender-sensitivity, with variants that reflect gender inequality (UNDP, 2006). Other measures that reflect Sen’s (2001) capability concept, such as civil and political rights, have also been incorporated. Fosu (2007) argues that “economies where the level of poverty is large tend to exhibit low values of human development, thus lowering the mean values of the development measures. Where inequalities of development indicators are very large, the average values may not sufficiently reflect the conditions of the poor, requiring the need to concentrate on poverty per se”. Fosu (2007) contends that “the most recognized indicator of income poverty is the headcount ratio, which measures the proportion of the population considered to earn an income less than the standard required for basic needs. This poverty line may vary from country to country, and over time” Fosu (2007). However, to simplify comparability across countries and over time, the poverty line has been standardized as a daily income of US\$ 1. This poverty rate is also the yardstick for the United Nations’ Goal 1 of the Millennium Development Goals (UNDP, 2006).

According to UNDP (2006), “despite many criticisms leveled against measures of development and poverty mitigation, these indicators provide a reasonable picture of how well various

economies perform beyond mere income growth, a useful indicator since they signal specific economies that may require special attention” UNDP (2006). The evidence shows that economies that rank at the bottom of the high development index scale tend also to exhibit the largest high poverty index values. Both indices are needed, however, to gauge the nature of the development challenge. UNDP (2006), argues that a “relatively low development index value, despite a high per-capita income, suggests that growth is not being efficiently transformed into human development. Similarly, if both development index and poverty index are high, then the achievement in human development is not sufficiently shared by those at the bottom, suggesting the need to address the human-development distribution picture. In an ideal situation, the development index should be high while the poverty index should be low” (UNDP, 2006).

Akoteni (2006) argues that “because of the complex and elusive nature of poverty, its negative effects on the community will continue unabated, and any attempt to reduce will be futile, unless real causes on the ground are addressed” Akoteni (2006). The reality on the ground is that there are deep rooted causes that must be understood by those whose responsibility is to improve the well-being of the community. According to Akoteni (2006), “the current disconnect between the business community and those trying to bring salvation to them only perpetuates this mystery as these efforts continue to address symptoms that manifest themselves as poverty” Akoteni (2006). For the purpose of clarity as regards to poverty as a concept, this section discusses four possible causes of poverty, namely; (i) lack of modernization, (ii) economic phenomenon, (iii) sociological phenomenon and, (iv) consequence of power relations.

### **3.3.1 Poverty as lack of Modernization**

Modernization as a development paradigm propounds that communities have to engage in a series of modernization programmes that include education, industry, agriculture, housing, and

governance, as well as religion. That is a move from traditional societies to modern societies. Those communities that do not go through processes of modernization are considered backward, and hence poor. Kaplinsky (2005) notes that as the human species evolve, humanity continue to witness the growing sophistication of the process of knowledge enquiry. According to Kaplinsky (2005), “it is not that the so-called primitive communities lack technology since many of them have lived in eco-systems that required sophisticated knowledge systems. They knew how to inter-crop to avoid famines, and how to follow weather patterns from leaves and shoots. However, since the advance of the industrial age in the 18<sup>th</sup> century, the knowledge content in production and social systems has expanded exponentially” Kaplinsky (2005). As technology and communication allow a widening of personal and social horizons, modernization becomes a factor in human existence. Modernization and development are now keywords in the contemporary dialogue on the improvement of human condition. Scholars (Billet, 1993; Harrison, 2004; Rapley, 1997) note that “although modernization and development have different intellectual ancestry, they have come close to each other in substantive meaning.”

According to these scholars, modernization and development share three reference points. First, modernization theorists distinguish between traditional, transitional and modernized societies. Development theorists speak of underdeveloped, developing, and developed societies. Both modernization and development articulate a set of goals in the sense that the ideal of modernization or development provides an agenda for action. Further, both the concepts refer to a process, a movement from tradition to modernity, or from underdevelopment to development. Harrison (2004) argues that “mental attitudes and institutional structures constitute the key elements in the process of modernization. He calls the process creative rationality, whereby with the combination of concepts of innovation and order, the mental attitude begins to develop,

thereby triggering the modernization process” Harrison (2004). The notion of development in early economics was simple and uninvolved. Development meant the capacity of national economies to generate and sustain an annual increase in their Gross National Product (GNP) at rates of 5 to 7 % ( Rapley, 1997). (Rapley, 1997) notes that “another indicator used by economists was the relationship between the growth of per capita GNP and the ability of a nation to expand its output at a rate faster than the growth rate of its population. Although the modernization theory does not clearly spell out its distributive objectives, the narrowing of social gaps and the promotion of greater equality is desirable” (Rapley, 1997). According to this indicator, the trickledown effect of overall per capita GNP growth is expected to provide more jobs and economic opportunities, ensuring a wider diffusion of the benefits of growth and the ultimate reduction in poverty.

However, Rapley (1997) notes that “in developing countries, things did not go that way as the social benefits of growth remain confined to small sections of the population without reaching down to the person on the street”. He argues that, for this to work, it will require a redefinition of modernization goals to include the removal of poverty, disparity within the boundaries of a growing economy (Rapley, 1997). Billet (1993) posits that although some benefits of modernization have been diffused, a large section of humankind remains untouched by them. It is therefore unlikely that the ideal of equal modernization on a global scale can be realized.

### **3.3.2 Poverty as an Economic Phenomenon**

A large number of studies on poverty lines, poverty gaps and poverty orderings argue that poverty is an economic phenomenon (Atkinson, 1987; Foster and Shorrocks, 1988; Jenkins and Lambert, 1998). According to these studies, these economic indices define poverty in terms of the poor, who are defined as those people or households with an income below a certain



threshold level, irrespective of their standard of living. Thus, economic poverty lines define the poor as those persons with a low income, even if they enjoy a high standard of living.

Direct measures of poverty that look at deprivation, living standards and conditions of the poor have been investigated in order to establish those who live in poverty. Atkinson (1970) pioneered a relative deprivation approach to poverty that covered a wide range of aspects of living standards, both material and social. According to Atkinson (1970), “individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, take part in the activities, and have the living conditions and amenities which are customary, or at least widely encouraged or authorized, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, left out from common patterns, customs and activities” Atkinson (1970).

Atkinson(1970) further argues “that most economic poverty indices are measures of income inequality rather than poverty. Poverty lines are generally taken on the basis of observation or the assessment of needs, but some poverty lines have been adopted primarily because they provide a useful or plausible indicator of need. Poverty lines are generally seen as indicators of poverty, rather than precise measures, because lack of income should not be generally thought of as sufficient definition of income. They lament that although poverty affects different aspects of people’s lives, and exists when people are denied possibilities to learn, to work, to live fulfilling and healthyaccomplishing lives, and to live out their retirement years in security, its definition and acceptance has been subject to extensive discussion” Atkinson (1970).

Lenton and Mosley (2012) observe that during the years of the Conservative Government in the United Kingdom, from 1979–97, there was no official concession that poverty existed, and no

definition of it was acknowledged, although statistics applicable to poverty continued to be published. According to Lenton and Mosley (2012), “lack of earnings, access to quality health, good education and housing, and the quality of the local environment all affect people’s well-being. Bonds” Lenton and Mosley (2012), Keenan, Rohani, and Sachs (2010) use poverty trap to denote factors that keep developing economies stuck in poverty. They describe this as a vicious cycle where poor economic design and inequitable distribution of resources lead to low saving and investment.

Sachs describes the poverty trap as any self-reinforcing mechanism that causes poverty to persist. If it persists from generation to generation, the trap starts to strengthen itself if steps are not taken to break the cycle. Low saving and investment imply poor economic growth, which in turn deepens poverty. The absence of sustained per capita income growth because of low investment and an inefficient public sector is the primary cause of continued income poverty in Kenya. According to Sachs, over the past 30 years, poverty has been on the rise in Kenya, which seems to be a paradox in a country that has the best-developed economy in eastern Africa, with comparatively advanced agricultural and industrial sectors and substantial foreign exchange earnings from agricultural exports and tourism.

With the current average economic growth rate of more than four % per annum, and a relatively high per capita incomes compared to many countries in Africa, Kenya presents a positive economic and political example for replication by the developing world in general, and Africa in particular (Sachs, 2005).

### **3.3.3 Poverty As a Socio-urbanization Phenomenon**

The turning point in this section occurs with the work of Townsend (1979) with his idea that poverty is objectively defined only in terms of relative deprivation. However, the contribution

that more has been taken away from the purely monetary theories is that of the basic needs of Sen (2006), who, while recognizing the role of income as an indicator of deprivation, focuses its attention on the quality of life and the freedom of life of for the individual.

According to Pierli (cited in Shorter, 2002), urbanization is the process whereby people acquire material and non-material elements of culture, behavior patterns and ideas that originate in, or are distinctive of, the city. Urban growth, on the other hand, is a physical aspect of urbanization, and the term refers to the number of people actually living in urban areas, the increase of urban population, and the multiplication of towns.

Kariobangi is an example of this phenomenon and the dynamics that are associated with the urban poor are found in Kariobangi. Shorter asserts that the urban population growth rate in Africa is among the world's highest. Kenya, like other African countries, is poor, and also has high urban growth rate. This means that there is a high concentration of poverty in its urban centres. People are pulled into towns as well as being pushed out by their rural conditions. Thus, the poor flood the towns, pushed off their villages by economic, political and social forces. They all come, believing that they will discover incomparable wealth, health and happiness there. Instead, they end up moving into the slums and squatter settlements, and finally end up in desperate and vulnerable conditions.

Ravallion, *et al.* (2007) describe "urbanization as social consciousness and observe that urbanization has generally done more to reduce rural rather than urban poverty" Ravallion *et al.* (2007). In relating poverty as a socio-urban phenomenon, they pose fundamental questions, which include, one, how much of the world's poverty is found in rural areas; and how much is found in urban areas? Two, how quickly is the problem of poverty shifting to urban areas? And

three, is urbanization a good or a bad thing from the point of view of fighting poverty? In order to find answers to these questions, Ravallion *et al.* (2007) created a data set, drawing on more than 200 household surveys in about 90 countries, representing 92 % of the population of the developing world.

According to these urban poverty scholars, across countries and over time, as the urban share of the total population rises, the general urban and rural poverty rate tends to fall. Ravallion *et al.* (2007) “They argue that this effect is transmitted largely through a higher economic growth associated with more rapid urbanization, rather than through redistribution” (Ravallion, *et al.*, 2007). Indeed, this new evidence suggests that urbanization has generally done more to reduce rural poverty than urban poverty. Urbanization in the developing world appears to have a compositional effect on the urban population that slows urban poverty reduction. Even as poverty falls in rural areas, new urban problems are emerging in poor and rapidly urbanizing economies.

Contributing to poverty and urbanization, Moser, *et al.* (1996b) argue that “in the urban context, those who are vulnerable face the risk of falling into poverty. According to these scholars, urban poverty, as opposed to rural poverty, has three distinctive characteristics: reliance on the cash economy, environmental hazard, which stems from the density and hazardous location of settlements and from exposure to multiple pollutants and, social fragmentation, which is a lack of community and inter-household mechanisms for social security” Moser, *et al.* (1996b).

Moser, *et al.* (1996a) observe that vulnerability is closely linked to asset ownership because the more assets people have, the less vulnerable or insecure they are; while the fewer the assets held by households, the greater their insecurity. According to Moser *et al.* (1996a), “these type of

assets fall under the headings of labour; human capital, which includes, health, education, and skills; productive assets, the most important of which is housing; household relations; and social capital. Two analytical approaches, namely, examining poverty in terms of its multiple dimensions and examining poverty with reference to vulnerability and asset ownership, complement each other. For operational purposes, the multidimensional character of poverty needs to be analyzed both with reference to the framework of asset ownership and to the cumulative impacts of poverty in its many dimensions” Moser, *et al.* (1996b).

(Eversole, *et al.*, 2005) There is a growing international consensus that development means doing something about poverty; and this does not happen in a vacuum, rather it requires societal participation, especially that of the poor. For diverse communities around the world, these ideas are opening a significant policy space where their often long-standing quests for resources and recognition can be heard (Eversole, *et al.*, 2005). These studies contend that there still remain serious inadequacies in the way in which the society and development policy makers express and understand their goals and aspirations.

(Eversole, *et al.*, 2005) “The health status of a household member is an important indicator of well-being. The focus will be on the nutritional status of children as a measure of result, as well as the incidence of particular diseases (diarrhea, malaria, and respiratory diseases) or life expectancy for different groups within the population. If data on such health outcomes are not available, input proxies will be used, including the visits an individual makes to hospitals and health centres, access to specific medical services (such as pre- and post-natal care) or the extent to which children receive vaccination in time as an input for their future health status” (Eversole, *et al.*, 2005).

Massive poverty and inequality are such terrible scourges of our time, in which the world boasts advances in science, technology, industry, and wealth increment. From the cradle to the grave, urban slum dwellers' life chances are dominated by the extraordinary levels of poverty that characterize the world's commodity order. A child born in Japan will almost certainly live to old age, compared to that born in Kariobangi, Kenya.

### **3.3.4 Poverty as a Consequence of Power Relations**

To be able to understand poverty today, one must understand how power is exercised in the urban setting. According to Hills, *et al.* (2007), power refers to “the ability to direct the conduct of others who accept that direction. And the mainstream conceptualization of power in development theory is attributed to Weber, who examined the holding of power by the state and other entities such as businesses and the church” Hills, *et al.* (2007),.

Power relations was defined as the probability of persons or groups carrying out their will even when opposed by others. In this view, power refers to relations of domination or authority by one person or group over another. Relations of domination are mostly based on power resources, including ownership of material assets such as land, water and forests; organized groups and labour; and money or access to money. “Domination or authority confers the power of decision-making to owners of these resources regarding the resources” (Hills, *et al.*, 2007). For Weber (cited in Marshall, 1999), the differential distribution of power leads to a situation where life-chances or the ability to obtain economic, social, and political resources, are unequally distributed, resulting in stratification or structured social inequality.

In some circles, structure is also conceptualized as institutions. The social and cultural contexts represent the external environment or the structure in which social actors or agents operate.

According to Peet and Harwick (2015), “this structure influences how agents perceive and articulate their intentions, and how they engage or act in achieving those intentions”.

Peet and Harwick (2015) contend that “institutions are the rules of the game in society or, more formally, as the humanly devised constraints that shape human interaction and differentiate them from organizations, the players of the game”. This understanding of institutions as constraining, as well as enabling, social actors in their everyday practices, focuses on such institutions as the state, market and firm with an emphasis on transaction costs as those incurred in obtaining information, monitoring and enforcement of the rules Peet and Harwick (2015).

The Peet and Harwick (2015) argue that “power accumulates into global systems and institutions such as the European Union, the World Bank as well as the International Monetary Fund, the so called Bretton Woods Institutions and the United Nations. These institutions control the economies and livelihoods of people the world over through policy instruments such as structural adjustment, the conditionality accompanying loans or debt relief, annual inspections by team of experts, and other similar strategies” Peet and Harwick (2015).

The mainstream view of power as expressed by Weber (cited in Marshalls, 1999) refers to the capacity to realize one’s goals in a conflict situation against the will of others. Lukes (2005) criticizes this view for its inability to consider power in covert circumstances and to acknowledge non decision-making, emphasizing that the process of understanding and expressing one’s interests, as a first step in realizing them against the will of others, is itself determined by power relations (Lukes cited in Rowlands, 2009).

This section looks at the power relations that result in poverty situations in many economies of the world, particularly in the developing countries. These global governance institutions come in the form of humanitarian concern about global poverty. Peet and Harwick (2015) posit that

“these global institutions condition their aid to poor countries on the adoption of certain set of neo-liberal policies” Peet and Harwick (2015). These institutions insist on an exaggerated market organized, export oriented economy, which ultimately is said to produce an economic growth that creates jobs and reduces poverty.

However, global economic power relations studies (Cox, 2010; Domhoff, 2010; Knox, *et al.*, 2014; William, 2010) “have shown that these policies favour free enterprise, private capital investment and extraction of profit from the very poor economies they purport to assist. These scholars argue that in order to understand poverty as a consequence of the power relations, it is important to uncover the interests served by these institutions' global economic policy. They contend that these super-rich global elite have more money than they know what to do with, except reinvest and accumulate even more. On the other extreme of the continuum are masses of poor peasants who have so little that they must watch helplessly as their children fade and die” (Cox, 2010; William, 2010; Domhoff, 2010; Knox, *et al.*, 2014). Should it be the case that the poor die because the rich get more, then we must advocate for a fundamental change, no matter the forces against equitable distribution of common wealth, as God intended. We must open the possibility for the people of the world to theorize their economic destinies as the scholars offer their help in formulating their wishes without imposing their own policy designs. Ultimately, issues of global economic policies are questions of political ethics and human values.

In recent years, evidence against the power consideration and its impact on the economic well-being of the developing economies has been accumulating, and these researchers have expressed dissatisfaction with the consequences of this power game on the general poverty reduction initiative. Jackman (1993), for instance, suggests that “from a system maintenance perspective, there is far more to be gained by members of dominant groups fostering cooperative and



affectionate relationships with their subordinates” Jackman (1993). Her research shows that dominants and subordinates are highly averse to conflict and antagonism and generally develop collaborative relationships, even within the context of dramatically egalitarian institutions such as slavery. It showed that seemingly favorable attitudes toward the powerless, especially women, can help to sustain gender participation. It is imperative that the study looks at the genesis of poverty in the Kariobangi area of Nairobi, and how these people found themselves in such poverty.

### **3. 4 Micro and Small Entrepreneurs as Agents for Poverty Reduction**

This section highlights and reviews literature that presents the micro and small enterprise sector as an agent for poverty reduction, and the conditions under which the sector is likely to succeed in this role.

The Bolt (1971) report uses four main criteria to define micro and small enterprises: 1. small in relation to its market; 2. managed by its owner in a personal way; 3. enjoys independence from outside control while making principal decisions and; 4. does not form part of any existing larger enterprise. In the baseline survey, micro and small enterprises are defined as those non-primary enterprises (excluding agricultural production, animal husbandry, fishing, gathering and alsoforestry), whether in the formal or in the informal sector, which employ 1-50 people (CBS, 1999).

The ILO (2002) defines “micro and small enterprises as those economic activities that are characterized by ease of entry due to low barriers in terms of skill, capital and organization; family ownership of enterprises; reliance on indigenous resources; small scale of operation; labor intensive production with adapted technology; skills obtained outside the conventional educational system; and not moderated and competitive markets” ILO (2002).

In the categorization of micro and small enterprise, Duncombe and Heeks (2005) presents two comprehensive types, namely:

- i. *Livelihood enterprises* – micro-enterprises that form the majority in both rural and urban areas, delivering benefits in terms of livelihood assets.
- ii. *Growth enterprises* – micro and small enterprises that show a greater business focus, and which deliver broader and longer-term benefits of competitiveness, invention and exports. Growth enterprise needs for information reflect a greater degree of business maturity.

Presenting micro and small entrepreneurs as agents for poverty reduction, Kimando, *et al.* (2012), Duncombe and Heeks (2005) and McPherson *et al.* (1998) argue that “many countries in the African continent see the development of entrepreneurship as the only way of achieving industrialization and economic development”. According to studies conducted in Botswana, Eritrea, Kenya, Malawi, Swaziland and Zimbabwe, the importance of the micro and small enterprise sector, especially in employment creation and income generation, is emphasized. As a result, research has revealed that the failure rate among the micro and small enterprises is very high as more than nine out of ten of these fail before their third birth day.

There is an increasing awareness of the importance of micro and small enterprises for socio-economic growth in the developing economies (Leidholm, 2001; Duncombe and Heeks, 2005; Kimando, *et al.*, 2012; Munyua, 2009). For example, Duncombe and Heeks (2005) argue that “these enterprises have the potential to contribute directly to poverty reduction in three main ways: a. income generation and diversified livelihood opportunities for the poor in developing economies; b. providing more secure employment opportunities for the poor in developing economies and; c. provision of other social benefits to the poor such as enhancement of skills,

increased self-assurance, increased women involvement, empowerment, and security against income loss” Duncombe and Heeks (2005).

According to Leidholm (2001), “businesses with five or fewer employees, referred to as micro and small enterprises, support households in developing countries, and are critical parts of their economies. In urban areas, these enterprises include trading stalls, retail stores, wood and metal fabrication workshops, leather, stationery, information, health care, food stalls, tailoring and dressmaking, laundry, posho mills, general mechanics, entertainment, electrical repairs and maintenance, plumbing, transport services, schools and hair dressing and beauty, and financial services” Leidholm (2001). (Duncombe and Heeks, 2005) “The degree of permanence, productivity and formality varies considerably between entrepreneurs. Indeed, some are entrepreneurial; growing firms with skilled owners and productive business models” (Duncombe and Heeks, 2005).

(Leidholm, 2001) “The majority, however, are simply self-employed and often struggling to get by, and will never develop their businesses into medium enterprises” (Leidholm, 2001). Nevertheless, even if the majority of these businesses are not sources for phenomenal growth, any gains in productivity, profitability and even basic stability are of utmost importance to the livelihoods of the households involved. A well-functioning micro and small enterprise reduces obstacles to trading flows, provides business with skilled workers, competitive prices, quality goods and services, appropriate technology, access to financial services such as microfinance institutions, rotating savings as well as credit associations (ROSCAs), savings and credit cooperative organizations (SACCOs), and grassroots groups. Kimando *et al.* (2012) argue that “micro and small enterprises play a key role in triggering and sustaining economic growth and equitable development in both developed and developing economies” Kimando *et al.* (2012).

According to these scholars, the exploitation of the potential of the indigenous sector as an engine for growth, using local resources and proper technology, which is the nature of micro and small enterprises, is seen as an alternative development model to the traditional large-scale intensive stages of growth paradigm in developing economies. The micro and small enterprise sector in Africa is a vibrant example of small enterprises activities that lead to the successful growth and development of African economies. (Buskens and Webb, 2009) “However, lack of access to local credit has constrained the improved performance of many entrepreneurs. There are also gaps in the provision of business information on financial, market, government support services” (Buskens and Webb, 2009).

Munyua (2009) observes that “in developing economies, these entrepreneurs operate in business environments characterized by fragmented and incomplete information, where there is limited access to finance, markets, technology, skilled labour, policy, regulations and finance” Munyua (2009). This study, among other things, attempts to determine whether micro and small entrepreneurs improve their performance as a result of their use of information. The study set out to explore the external structural barriers, as well as the internal and conceptual factors which these entrepreneurs experience, and which might prevent or enable them to take advantage of business information, and how this has helped them to improve performance. According to Munyua (2009), scholars “decry the current plight of the micro and small entrepreneurs, where they are seen as benefiting less from business information strategies than the more established medium and large enterprises. This is a major problem, especially if micro and small entrepreneurs are expected to benefit from equitable business information dissemination. In the absence of a formal business information strategy for these entrepreneurs, it would be difficult for them to take advantage of emerging opportunities in local markets” Munyua (2009).

It is appreciated that each business has its own unique combination of critical success factors, but some are important for all businesses. Bowen *et al.* (2009) argue that “small businesses should have a regional outlook so that businesses of all sizes across the region can interact and share information, technology and products. They note that small businesses should consider what regional trends are affecting availability of resources, increasing or decreasing demand for commodities or services, and where there is an unfilled need that one might be able to meet” Bowen *et al.* (2009) . This may prove a challenge to these enterprises, but the government can step in to provide information on business trends. There is also a need to get training in an area that is relevant to the business carried. An interaction with a wide range of entrepreneurs in the research area by the researcher has found out that entrepreneurs with basic, relevant training succeed in businesses compared to their untrained counterparts. The basic business training helps them improve ways of gathering relevant customer information for the purpose of personalized marketing and service. The more a business knows about its customers, the better they can meet their needs.

According to Bowen *et al.* (2009), the “micro and small enterprises (MSEs) play an important role in the Kenyan Economy as the sector contributed over 50 % of new jobs in 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation” Bowen *et al.* (2009). According to Amyx (2005), one of the most significant challenges in the sector is attributed to the negative perception people have towards this sector. Amyx (2005) “observes that potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical projects simultaneously. In view of this, often larger companies are selected and given business for their clout in the industry, and due to their name recognition alone. Starting and operating a small

business has a high possibility of success as well as failure” Amyx (2005). Longenecker, *et al.* (2006) “argue that because of their small size, a simple management mistake is likely to lead to the sure death of a small enterprise, therefore no possibility to learn from its past mistakes. Lack of planning, improper financing and poor management have been posited as the main causes of the failure of small enterprises. Inadequacy of credit has also been known as one of the most serious constraints facing micro and small entrepreneurs, and which hinders their development” Longenecker, *et al.* (2006).

Studies by Oketch (2000), Tomecko and Dondo (1992), and Kiiru (1991) further reveal that “most of the female-headed households lack the basic necessities of life such as food, health, education, safe and clean water, and shelter. As such, empowering them economically through MSEs is not only an effective strategy for poverty reduction, but enables them to also share fully in the benefits of the national development process, and in the production of their own labour” Oketch (2000), Tomecko and Dondo (1992), and Kiiru (1991). Kimani and Kombo (2010), “supporting the argument, asserts that issues of credit and property rights to women reflect widespread gender-based inequalities and poverty in most African economies. They add that since low literacy levels, exacerbated by poverty among both women and men, any development process that does not recognize the role of micro and small entrepreneurs, their needs and interest, gender, dynamism of poverty and education, is bound to promote inequality” Kimani and Kombo (2010).

Kimani (2006) also argues “that there is need to increase the chances of those who were excluded to participate in economic programmes as this would help to bridge the existing inequality gap and facilitate equality and equity in all spheres of economic development, especially the difficulties women entrepreneurs encounter when seeking capital to invest in

income-generating activities” Kimani (2006). Kimani (2006) and Kombo (2010) support the argument that “the more resources made accessible to women entrepreneurs, the more the chances that those resources would reach the household level to address the basic needs of the entire family” Kimani (2006) and Kombo (2010). The scholars note that a gender perspective need to be upheld in intensifying poverty reduction efforts by micro and small entrepreneurs as the absence of women from decision-making positions has resulted in gender inequality in Kenya’s fight against poverty.

(UNECA, 2014) “There are several global initiatives focused on poverty reduction that Kenya and other African countries have pledged commitment to implement. Governments at the World Summit for Social Development held in Copenhagen in 1995 pledged to reduce poverty through decisive national actions. This included implementing national anti-poverty plans and international cooperation” (UNECA, 2014). This was followed by the Millennium Summit of 2000, which adopted the Millennium (UNECA, 2014) “Development Goals (MDGs) as a powerful agenda for a global partnership to fight both income and human poverty. It set the income poverty eradication as the number one target of cutting extreme poverty by half by the year 2015. In the context of the Beijing Declaration and Platform for Action, governments agreed to promote gender mainstreaming in all policies and programmes, including those aimed at poverty eradication” (UNECA, 2014).

According to UNDP (2013), “despite progress achieved since the endorsement of the Millennium Development Goals (MDGs) by world leaders at the UN in September 2000, human poverty still remains widespread in certain parts of the world. Globally, the number of extreme poor has dropped by 650 million in the last three decades, a level of advancement humankind had never seen. But, still, there are more than a billion people living in extreme poverty” UNDP (2013).

(UNDP, 2013) “However, in the midst of globalized progress and development, human deprivations are still widespread. In this context, poverty reduction is the overarching goal in the process of transformational change, which would bring about real improvements in people’s lives (UNDP, 2013). In this process, UNDP is uniquely positioned to help connect countries to the knowledge and resources they need, and organize the efforts of the UN at the country level. UNDP reveals that it invests nearly US\$ 1 billion every year in the fight against poverty and in advancing progress towards the attainment of the MDGs” (UNDP, 2013).

These initiatives consider reducing poverty as the greatest global challenge facing the world today; and also an indispensable requirement for sustainable development, particularly for developing countries. They recognize that although each country has the primary responsibility for its own sustainable development and poverty reduction, the role of national policies and development strategies cannot be overemphasized. However, these initiatives have not been translated into tangible implementable programmes that would involve the poor.

Kinyanjui (2012)“The commitment of the Kenya Government to eradicate poverty is manifest in its current development strategies as demonstrated in its efforts towards the achievement of the Millennium Development Goals, especially Goal No. 1 on the eradication of poverty to less than 30 %of Kenyans by 2015, and the Kenya Vision 2030” Kinyanjui (2012),. These efforts go back to the pre-independence years, a history that reveals a shift in the emphasis of the development agenda. The colonial government started planning for industrial development to deal with problems of increased unemployment. According to Kinyanjui (2012), “planned economic development met the raw material demand of expanding manufacturing industries in the West and created captive markets for manufactured goods from Europe. This economic order spurred



marked inequalities in incomes, access to social services, including land ownership between Asians, Africans and Europeans” Kinyanjui (2012).

After independence in 1963, the government, with the help of development experts from the West, took over the responsibility of planning for development and poverty reduction. The subsequent development and poverty reduction process was steered and financed by these international bilateral and multilateral institutions, thus ignoring local input. This arrangement excluded the beneficiaries of development, as they were forced to abandon their socio-cultural institutions upon which they based their livelihood. According to Kinyanjui (1996) and KIPPRA (2002),”the first issue that the government first confronted at the beginning of its post independent programme was population growth. They note that this growth was caused by migrations from rural to urban centres that took place after independence. They further argue that rather than tap into the potential of rapid population growth, the government opted to finance population control programmes” Kinyanjui (1996) and KIPPRA (2002). In the Sessional Paper No. 1 of 1986, the government of Kenya introduced liberalization programmes to deal with economic challenges recommended by the World Bank and the International Monetary Fund (IMF). Under these programmes, the government reduced budget deficits and removed financial restrictions, market protections and poor people’s dependence on social welfare. With the help from these institutions, the government introduced structural adjustment programs (SAPs), which introduced free trade, opening up of markets, freeing interest rates and cost-sharing in education and health services. The SAPs adversely effected ordinary people and failed to incorporate them and their institutions. This was because the World Bank funded only large expensive projects that benefited high-priced consultants and well connected local elites, but did little for ordinary citizens (Obama, 2008, cited in Kinyanjui, 2012).

(Republic of Kenya, 2003) “Over the post-independence era (1964-2000), Kenya had transited from a high growth path in the 1960s, with 6.6 % average annual growth over 1964-1972; to a declining path of 5.2 % over 1974-79; 4.0 % over 1980-89; and 2.4 % over 1990-2000 periods” (Republic of Kenya, 2003). As a result, the number of poor Kenyans increased substantially. Poverty profiling in Kenya can be traced back to 1992 where the number of poor people in Kenya was estimated at 11.3 million (44.8 % of the total population). It rose to 13.4 million (52.3 %) in 1997 and further to 17 million in 2000 (56 %) before declining slightly to 46 % in 2005/2006. (Republic of Kenya, 2015, 2011, 2009, 2005, 2003) “Achieving economic growth and poverty reduction has been central to the development process in Kenya since independence in 1963. These initiatives have included the *Sessional Paper No. 10 of 1965 on the African Socialism and its Application to Planning in Kenya*, through which the government identified poverty as one of the three enemies of development, the other two being ignorance and disease. Successive Kenya governments have tried to tackle poverty” (Republic of Kenya, 2015, 2011, 2009, 2005, 2003). These governments' development initiatives have been set out in a series of Development Plans over the periods 1966-1970; 1970-1974; 1974-1979; 1979-1983; 1983-1988; 1988-1994; 1994-1999; 1999-2003; 2003-2008; 2008-2012 (Republic of Kenya, 2015, 2011, 2009, 2005, and 2003).

In each of these plans, the government outlined policy guidelines and laid down development strategies that included poverty reduction. One of these strategies was the creation of the Poverty Eradication Commission (PEC), with the mandate to promote policies and pilot strategies for eradicating poverty in Kenya (Republic of Kenya, 2009). The PEC mandate placed it in a strategic position to implement the Kenya Vision 2030's equity and poverty reduction objectives. While undertaking evaluation of the commission's performance, the task force found out

weakness in advocacy and publicity. (Republic of Kenya, 2009) “They thus recommended that the commission should undertake and coordinate national and international media campaigns, advocacy and publicity against poverty through the establishment of appropriate forums for information sharing; mainstream poverty issues in various programmes and forums; influencing policy formulation and review” (Republic of Kenya, 2009). Besides PEC, the government initiated the Poverty Reduction Strategy Paper (PRSP), which outlined priorities and measures necessary for poverty reduction and economic growth for the period 2011-2014. (Republic of Kenya, 2011) “According to this strategy, the most valuable outcome has been that Kenyans have been able to identify issues affecting them and define their development needs and priorities. This framework recognized the crucial challenges facing the country, including how to revamp growth; raise productivity; encourage private investment; alleviate unemployment and reduce poverty” (Republic of Kenya, 2011).

Currently, continued economic development is partly constrained by the lack of economic freedoms (Kinyanjui, 2012). Financial services, notably savings, can be made accessible to the poor through technology, such as mobile banking. According to Abdella (2008), “poverty reduction is considered a common survival strategy in the low income economies through its mechanisms to reduce transaction costs in purchasing inputs and marketing outputs by pooling traders, and through the smooth flow of information, as well as facilitating order and labour sharing” Abdella (2008). (Abdella, 2008) “Forward and backward linkages between enterprises, including intensive business information exchange, would be critical in poverty reduction processes. Both institutions and individual MSEs involved in poverty reduction can play an indispensable role in fostering joint actions and creating locational advantages” (Abdella, 2008). This can take the form of small enterprises reaping benefits through a diversified institutional

infrastructure support system, where they support specific activities from identified industries. While these diversified institutional infrastructures are laudable, there is however no robust implementation guidelines that have been developed.

(Abdella, 2008) “In order to help micro and small entrepreneurs reap benefits of poverty reduction, as agents for poverty reduction, it may be necessary to develop an effective and efficient cluster development system for them. In any cluster arrangement, creating social capital such as networks, partnerships and trust, is considered very important as it plays a fundamental role in promoting cooperation among micro and small entrepreneurs. These networks can create a shared vision among the micro and small entrepreneurs in their effort to reduce poverty” (Abdella, 2008). This study seeks to understand how networks can be developed to facilitate the competitiveness and productivity of micro and small entrepreneurs, which would enable them to exit from poverty.

Although the importance of networking in the process of poverty reduction has been highlighted, Kinyanjui (2012) argues that “the proper functioning of the cluster players, namely; co-located and linked industries, government, academia, research institutes and financial institutions, calls for governance and institutional frameworks, and effective leadership, to be successful” Kinyanjui (2012). According to Kinyanjui (2012), “the motivation to poverty reduction by micro and small entrepreneurs has been prompted by the need to neutralize the traditional constraints such as exclusivity, lack of capital, and lack of skills associated with the sector by addressing strategic issues concerning poverty reduction” Kinyanjui (2012). UNIDO (2005). “Indeed, a number of studies on the MSE sector have been conducted in Africa, such as the study on the Garment sub-sector infrastructure (McCormick, 1999); MSE competitiveness and viability (Abdella, 2008) and; market diagnostic study by” UNIDO (2005). These studies, however,

mainly focused on the economic aspects of poverty reduction, thereby leaving a marked strategic and managerial knowledge gap as to how poverty reduction initiatives can be made through the agency of the MSE sector. This study aims to fill this gap to some extent, by not only looking into the leadership role MSEs play in poverty reduction initiatives, but also including a strategic information gap in their quest to reduce poverty.

## CHAPTER FOUR

### CONCEPTUAL FRAMEWORK

#### 4.1 Introduction

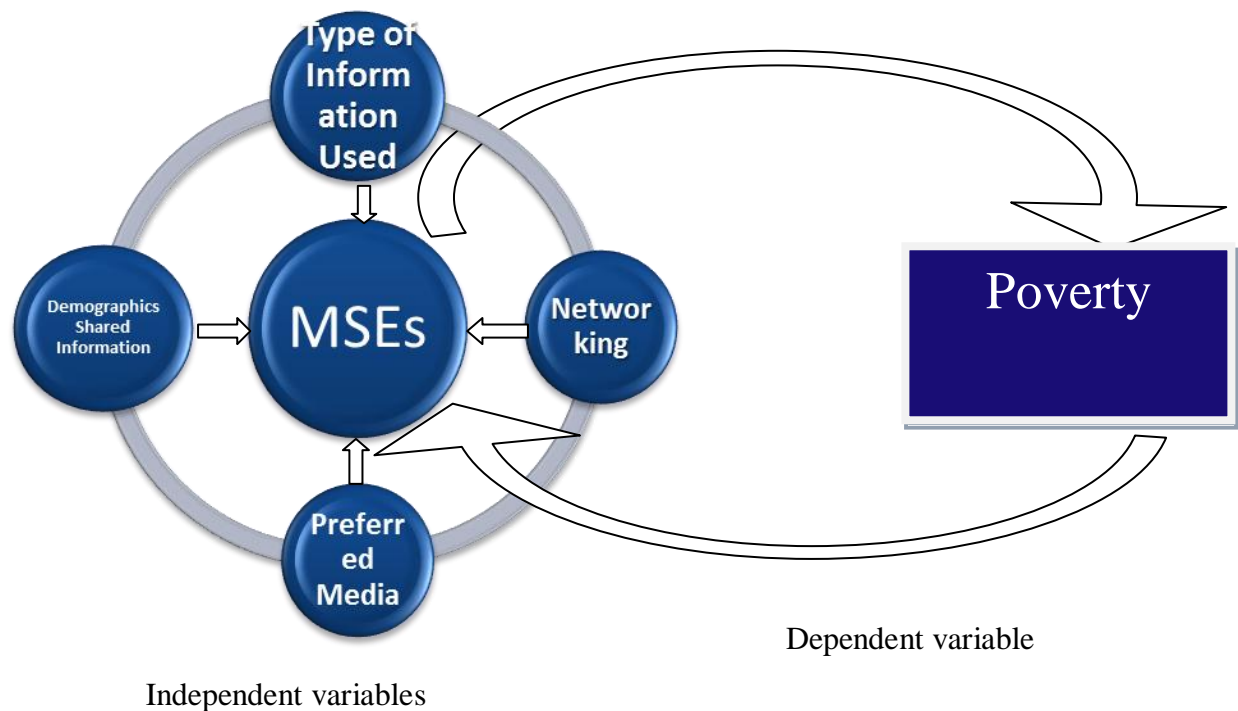
This study investigates the relationships between business information, micro and small entrepreneurs' performance, and poverty reduction. The conceptual framework outlined below shows the impact of information in micro and small enterprises as agents for poverty reduction in Kariobangi, Nairobi.

#### 4.2 Impact of Business Information

The conceptual framework (Figure 2) shows the impact of business information on micro and small enterprises as agents for poverty reduction in Kariobangi, Nairobi. It shows the interface between information (type of information, networks, preferred media and demographic shared information) micro and small enterprises and poverty reduction. In this framework, the outer layer illustrates four conceptual pillars, namely; type of information, networking, preferred media, and demographic shared information, which are independent, while micro and small enterprise is a dependent variable. As a general conceptualization framework, it shows poverty reduction as a dependent variable, while information, networking, preferred media and shared information are depicted as independent variables.

In the second level, micro and small enterprise is an independent variable, while poverty is a dependent variable. The framework reveals that micro and small enterprises require different types of information, networks, preferred media and demographics shared information to make informed decision making so as to improve their performance. This improved performance leads to increased income, which enables the entrepreneur to exit poverty. Graduating from poverty, among other benefits, help the business operators to access basic needs, which they were hitherto

unable to access. These basic needs include, but are not limited to, quality food intake, health care, clean water and sanitation, education and housing. This exit from poverty results in improved access to basic needs. The improvement in income also results in growth in business capacity and in employment creation.



**Figure 2: Conceptual framework**  
**Source:** *Field Survey (2012)*

#### 4.2.1 Type of Information

This section considers access and use of business information by micro and small enterprises for their survival, i.e. so as to remain relevant and improve performance with the purpose of reducing poverty. It is important to understand why this is so. Most microenterprises are limited to selling their goods and services in local markets that are overly crowded, highly competitive, and which are characterized by low barriers to entry and correspondingly low profit margins.

It is appreciated that each business has its own unique combination of critical success factors, but some are more important for all businesses than others. Emerging evidence by Kabiru (2006) suggests that information is basic for enterprise creation, improved performance, survival and growth. Unfortunately, according to Kabiru (1996), many micro and small entrepreneurs are not keen in seeking and using information as most of them rely on what is available, whether relevant or not.

Kabiru explored internal and external factors, which micro and small entrepreneurs experience, and which might hinder or enable them to take advantage of business information, that are necessary to improve their performance. In the absence of a formal business information strategy for micro and small entrepreneurs, it would be difficult for these entrepreneurs to take advantage of emerging opportunities in local markets compared to the more established medium and large enterprises.

Bordenave (1977) and Dagon and Tufte (1977, 2006), while commenting on the findings of the study, which evaluated projects in ten countries that included Colombia, Brazil, India, Senegal, Peru, Iran, Tanzania, Canada, Tobago and the Philippines, discovered that in none of the ten case studies was an attempt made to solicit baseline information concerning their needs and knowledge level. This finding could be one of the reasons why researchers such as Kabiru (1996) conclude that these entrepreneurs' failure to seek business information is as a result of their negative attitude towards information-seeking since their views are never sought.

The answer lies in Bordenave and Dagon and Tufte's arguments that requires development information agents to take a closer interest at the overall priorities of local communities at the grassroots level in order to determine the type of information they require. Pineda *et al.* (1998) point out that although information systems exist, they are usually inaccessible, haphazard,



untargeted, unsuitable, and driven by the needs of the source rather than the needs of the recipient. This is because they are generally generated without input from local entrepreneurs and are mainly meant for the large corporate. According to Quebral (2012), most existing users of information in development have relied heavily on externally induced change. This approach was borne by those with the perception that some societies are static and as such they can only be brought to life by external influences, technical aid, resources, knowledge and financial assistance; and through the diffusion of ideas (Quebral, 2012). Researchers such as Schramm (1964) argue that, for traditional societies, such as those in Africa, to develop, people had to change their attitudes and ways of doing things. For this change to take place, they needed vast amounts of information and persuasion, which could only be obtained through the media, which he calls “the great information multipliers” (Schramm, 1964, pp. 246).

To add credence to the power of information in business, Narayan (2002) observes that an effective information delivery system has the potential of linking poor buyers and sellers to daily market prices for commodities in the urban centres, thus changing their negotiating power in fundamental ways. The United Nations Development Programme (UNDP, 2006), while sharing experience from a study in Ghana, observes that those MSEs without business information wasted up to half their working time traveling from place to place; compared to those who had information. Rowlands (2009) observes that the import of information access and use by MSEs is to enable them create new opportunities so that they can improve their business performance. They argue that awareness of a problem is necessary before any change can be effected. Usually such information and the systems that carry them are embodied in social networks and community institutions among the business community. Balaswamy (2006) observes from the

experiences of a study conducted in India that business information has become a major contributor to the economic growth and improvement of quality of life in general. The findings of this project revealed that the predominant sources of business information in the project areas were family, friends, neighbours, local traders and small shopkeepers in market places, suppliers, as well as poor households. Balaswamy states that prior to the implementation of the project, there was an in-depth study of users and their requirements, done in order to understand the state of existing information use habits and channels in the project areas. Like Balaswamy, Shestowisky *et al.* (2008), and Rahman (2009), argue that information contributes to business improvement by providing better market information, improved transport efficiency; reduced isolation and increased security, increased connectivity and coordination with other players in the market.

These studies contribute to the general spirit of the current study, which hypothesizes that when these micro and small entrepreneurs access and use relevant business information, that information will help influence how they do business, thereby improving their performance. They however do not drill down to how the sources of these information support these businessmen and women as they access and use business information in order to determine their needs. The studies propose what the business require, but do not prescribe the process of information need analysis by both the business agencies and the local business operators to determine and access the information needed (Bordenave, 1977; Dagron and Tufte, 2006).

This section has reviewed relevant literature on the importance of the type of business information used by micro and small entrepreneurs to improve their performance and reduce

poverty. The following section reviews literature and discusses the importance of networks to these enterprises in improving their performance in poverty reduction.

#### **4.2.2 Networking**

Entrepreneurs are embedded in a larger social network structure that constitutes a significant proportion of their opportunity structure. Networks come in to fill this gap as access to a larger social network helps overcome this problem. Atieno (2009) observes that in most developing countries, business support is mainly made available to those businesses within the cluster, where they are organized into networks, and benefit from available social capital. Atieno observes that networking enables business units to take advantage of complementarities, exploit new markets, and integrate activities, or pool resources or knowledge to achieve economies of scale, or address common problems. Networks can be horizontal and vertical, where former link firms in need of similar specialized services or technologies, while the latter link firms that perform different functions in the value-added chain. Stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation (McCormick, 1999). Other researchers (Kinyanjui, 2014, 2012, 2010, 2002, 1996; Kinyanjui and Khayesi, 2005; Bowen *et al.*, 2009; Macharia, 2007; Kimani and Kombo, 2010) have suggested that it is important for business founders to have access to entrepreneurs in their social network as the competence these networks have represent a kind of cultural capital that business ventures can draw upon in order to detect opportunities. Women entrepreneurs who join social networks tend to gather information on the performance of their enterprises, and are thus able to market their businesses through networking.

Opportunities tend to be identified through information that is transmitted through social networks. Women search differently for business opportunities than men do. Women have

dissimilar types of networks than men and also have access to different sources of information. For example, women are to a lesser extent present in networks where investors are active, and this makes it more difficult to reach these business actors (Kinyanjui and Khayesi, 2005; Kimani and Kombo, 2010).

According to Kinyanjui (2005), business networks and networking are an important requirement for success in entrepreneurship. Networking introduces the exchange of resources such as knowledge, financial capital and information within the group, which may lead to hitherto hidden opportunities. Kinyanjui (2005) argues that “entering a network should be a strategic choice for every entrepreneur since networks are bound up with social, political, cultural and economic structures” Kinyanjui (2005). (Kinyanjui, 2014, 2012) “Networks thus affect the identity of the entrepreneur individually and also as a group, since all acquire the culture of the network; and because social reciprocity and the positioning of comparable individuals are part of a network, especially for women, being a member of a business network means more respect and recognition from the business world” (Kinyanjui, 2014, 2012).

(Atieno, 2009; Bowen *et al.*, 2009) “Networks have long been hailed as essential for micro and small enterprise’ survival, as they are critical elements for entrepreneurs’ linkages in gaining access to business capital, advice and information needed for initiating and operating new ventures easily (Atieno, 2009; Bowen *et al.*, 2009). Entrepreneurs make use of social relations and social contacts as channels to gain access to customers, suppliers, information and to the sources of finance. (Bowen *et al.*, 2009) “They make use of family networks to access free labour as well as emotional support. (Bowen *et al.*, 2009) “It has been established that support from individual networks improves survival, growth and performance chances of new ventures.

Support from strong ties such as spouse and life partner, parents, friends and relatives may be more important than support from ties such as business acquaintances, collaborators, former employers and former co-workers, which influence the success of business ventures by sharing business information. Help and emotional support from a spouse are more important for success, especially for the women entrepreneurs” (Bowen *et al.*, 2009).

Kinyanjui (2014) observes that “the majority of women do not have the same tools, assets, and chances as men in the small business arena. According to her, this might be due to lack of professional experience or life skills needed for women to fully utilize the information and resources provided. This phenomenon seems to apply to Kenyan women entrepreneurs, where they face a shortage of peer support networks that their male counterparts enjoy” Kinyanjui (2014). Kinyanjui argues that “various women entrepreneurs and industry associations have been formed as a platform for women entrepreneurs to establish networks and exchange information and experiences as well as to carry out training programmes, seminars and workshops on motivation” Kinyanjui (2014), leadership and entrepreneur development, among other means of support. However, many micro and small women entrepreneurs have not been able to take advantage of these associations as they might be overloaded with business and family responsibilities. Kimani and Kombo (2010) argue that “this situation has limited micro and small scale women entrepreneurs’ ability to access advice and peer financing as well as the information networks needed for survival and growth” Kimani and Kombo (2010). This poses a challenge to women entrepreneurs in establishing networks that are helpful to the survival of their businesses.

Macharia (2007), while lauding the “role networks play in the allocation of business premises, transfer of skills and technology, entry into business, and in establishing markets, decry ethnic

networks for their negative role, which act as barriers to information flow since they create exclusive information flow channels among ethnic groups”. Macharia (2007) argues that “since micro and small enterprise networks affect both social and economic outcomes, by capturing local business information and circulating it among the business fraternity, the networks must serve all local business needs” Macharia (2007).

This is consistent with the phenomenon that Kinyanjui (2014, 2013) refers to as solidarity entrepreneurialism. She uses solidarity as a business logic and institution that is based on the African tenet, and which entrepreneurs use in business entry and management of transaction costs, espoused by Mbiti (2015, 1990:108) and referenced by (cited in Kinyanjui (2014, 2013): ‘I am because we are and because we are, therefore I am.’ This is also similar to the Utu-Ubuntu philosophy, which embeds humanness and social relations in business transactions and creates an interdependent and inextricably-bound-to-each-other community through learning and self-regulation (Kinyanjui, 2014, 2013). The study uses the multi-ethnic nature of the church membership as a channel to help micro and small entrepreneurs, while at the same time using it for peace building and cohesion in Kariobangi, which was a hotspot, and is still healing from the 2007/2008 post-election violence (PEV). This is in line with Kinyanjui’s argument that “entrepreneurs in economic informality are inextricably bound to each in a web of collective alliances that are used in smoothening transactions and encouraging each other to enter and stay in business”. In so doing, the entrepreneurs share spaces, take risks together, share transaction costs such as rent, transport fees, and security fees; or invite others to join them. It is a mode of doing business that is characterized by strong personal relationships that stimulate group agency, which enhances individual initiatives. Competitors tend to collaborate rather than compete, destroy or buy each other out (Kinyanjui, 2014).

This section has reviewed literature and discussed the importance of networks to micro and small entrepreneurs in improving their performance in poverty reduction.

#### **4.2.3 Preferred Media**

This section reviews literature and discusses the importance of preferred media to micro and small entrepreneurs in improving their performance in poverty reduction. Heeks and Jagun (2007) argue that “business information in the 21<sup>st</sup> century has acquired a greater importance for development players since the types of business information they must deal with have become more varied, taking into account social, economic, political and cultural dimensions. In view of this occurrence, business information providers and consumers need to reassess this expanded environment to access and use necessary business information. In doing so they would do well to remember that information delivery is necessary to redefine that environment” Jagun (2007). Quebral (2012) argues that “if media is properly used, it can prove helpful to the development agenda as it links entrepreneurs with each other, and with their customers. In view of this, entrepreneurs need to review their professional goals and then decide on what to communicate with whom, using face-to-face methods or whatever medium is appropriate, be it traditional, new, digital, social, or whatever” Quebral (2012).

Quebral, while contributing to the subject of changing media platforms, argues that these changes bring with them more challenges, which provide opportunities for reaching new audiences, and the need to understand where certain groups are clustering. According to Quebral, “as one works through their own social media segmentation strategy, they would be required to take a deep dive into the demographics of each of the major platforms” Quebral (2012).

The selection of appropriate media from which to access relevant type of business information has proved to be a challenge as each medium has special characteristics that the user must keep

in mind. In view of this, it is incumbent upon the user to determine, first, the type of information required by the enterprise, with the object of accessing relevant business information that would increase knowledge by creating awareness of available sources of that information. Second, the medium through which the type of business information needed will be disseminated, with the object to determine the medium used by those sources, which provide the type information required by the business. According to Quebral (2012), “there are a number of media to select from while determining one's preferred media. These include broadcast media (television and radio), print media (newspapers and magazines), mobile telephony, and the internet” Quebral (2012).

Mzungu (2013) Observes “that an urban television viewer watches an average of three different television stations compared to the rural counterpart who watches two stations. These trend shows that television viewership changes with the location of the viewer”. Mzungu (2013)

This trend, according to Mzungu (2013), can be attributed to the way of life which cuts across both rural and urban set up, as news programmes during prime time are a significant driver of viewership.

On gender Mzungu (2013) argues that “male viewers largely opt for news programmes whilst while their female counterparts opt for entertainment programmes. The more educated middle class spend slightly more time watching television compared to the less educated. As regards the age groups, persons aged 15 – 17 years and those aged 45 and above years allocated more time to watching television, with an average of 20 more minutes compared to the other age groups” (Mzungu (2013).



Manyozo (2012), while giving an analysis of the media for development, examines the process of doing media for development, especially in relation to the challenges of developing content that satisfies the diverse needs of multiple stakeholders. Manyozo (2012) focuses on the role of media in reporting development, a process referred to as “development journalism” (p. 54).

In expounding the concept of development journalism, Manyozo (2012) explains three strands of practice: factual news, creative and educational reporting, and indigenous knowledge communication systems.

The factual news strand is described as “either externally or internally generated communications in which journalists, subject matter specialists and policy makers, develop and circulate development content so as to raise public awareness regarding development challenges and opportunities available in communities” (p. 57).

Manyozo (2012) further argues that “the creative and educational reporting strand is posited as a practice of applying “organized strategies of using entertaining popular art forms and genres (such as music, comic strips, theatre and drama) in educating the public about development issues” (Manyozo, 2012, p. 81). The indigenous knowledge communication systems strand refers to “the use of media and communication practices rooted in local and indigenous epistemology” to empower communities on development issues” (Manyozo, 2012, p. 95).

Surprisingly, theatre for development, a participatory practice that falls under the community engagement approach, is also given emphasis under the media for development approach. Theatre for development has been described by Manyozo as “a non-formal education approach that draws on popular culture, art and other forms of performance in order to sensitize

communities to improve their status quo” (p.91). Manyozo (2012) further acknowledges that where information deals with the development of messages that are packaged in theatre and drama products in order to influence changes in knowledge, attitude and behaviour, media becomes a crucial tool for development.

Okigbo (2003) observes that the mass media in Africa presents such a wide range that it is difficult to characterize them in simple terms. According to him, they range from the still prevalent traditional forms such as town crying gongs and drums used in transmitting messages in community and rural newspapers, radio stations in Kenya and other African countries such as Nigeria, Zambia.

Okigbo traces the development of the role of media in Africa up to our time, this century, where it is active in the tasks of promoting social development, through public enlightenment and general education. According to Okigbo (2003), the “media revolution is a phenomenon that affects everybody, bringing fundamental changes to the way people work, entertain and interact with each other” Okigbo (2003). The performance of mass media, especially in specialized areas as sources of business information, has often been less than expected due to many factors, among the most important being financial constraints, proprietors' self-interest, and the undemanding nature of their audience. However, according to Okigbo (2003), corporates have used the media to promote their products and corporate brand. This suggests that the fault is not with the media in general, but most likely with those charged with the responsibility of promoting development ideas. Yet, the reality is that such changes have bypassed the majority of humankind, the billions of poor people for whom media means nothing.

Okigbo (2003) argues that “many poor people prefer food, not media; which they consider a luxury, a preserve for the rich” . That is why many people feel that the African continent is not ready to invest in information, communication and technology (ICT) when other more deserving, and accurately pressing, and perhaps life-threatening, areas of action such as business and agriculture are a priority” (Okigbo, 2003, 1996). This feeling is shared even among the very educated, well placed and arguably well informed Africans (Okigbo, 2003, 1996). (Munyua and Mureithi, 2008) “The truth, however, is that ICTs have the potential to improve the livelihood of communities in both rural and urban area economies, especially in micro and small enterprise operations. In Kenya, the mobile telephony, for instance, has revolutionized the way people do business, communicate and go about their day-to-day activities in the rural areas” (Munyua and Mureithi, 2008).

This has completely changed Kenya, where micro and small enterprise operators use mobile telephony to do business, especially the mobile phone enabled M-pesa transactions. The pace of change has not only accelerated the growth and coverage of mobile telephony, but providers have extended the scope of their activities among the hitherto excluded micro and small enterprise sector. The big development is now in savings and credit services, which has been traditionally the domain of the banking and microfinance institutions. The Pesa Pata Innovation by Joyce Wangui of Microfinance Investments in Nairobi is using this innovation to provide credit uptake among kiosk owners in the form of scratch cards given on credit to customers, with 103,000 agents in Kenya (courtesy of K24 TV business segment interview of July 2, 2012). Another case in point is the experience of the Bangladeshi Grameen village phone programme.

According to Grameen Bank (2010) and Hoq (2012), and Richardson and Haq (2000), the Bangladeshi Grameen programme developed a financial and technological model which empowered thousands of women entrepreneurs to act as phone ladies for micro and small scale businesses in Bangladeshi village. Studies on information use by MSEs scholars (Kinyanjui, 2014; Kimani and Kombo, 2010; Munyua and Mureithi, 2008; Singhal, 2003; McCormick, *et al.*, 1994) continue to emphasize the importance of information dissemination through networks, where, using mobile phones, men target fellow men, women target fellow women, and the youth target fellow young traders.

Ten years ago, there existed a huge digital divide among the world's estimated 1.2 billion people living in abject poverty. The kind of digital technology available today was completely out of their reach. Many digital experts (Brown, 1996; Heeks, 2002; Obayelu, 2006; Okigbo, 2003; Olatokun, 2008) have pointed out that in Africa, information dissemination was yet to be effectively integrated into national development policies. For instance, the United Nations Economic Commission for Africa (UNECA) noted that traditionally, decision makers had regarded information and communication and technologies (ICTs) as a completely separate area; and often failed to see its role in poverty reduction.

However, according to UNECA (2014), "ICTs have an important place in addressing a direct need such as poverty and hunger, HIV/AIDS, education, environmental sustainability; all of which are MDGs target areas" UNECA (2014). Heeks (2002) "concur when he says that without accessible, local business information content that addresses the real problems of local people in their own language, and in terms that they can understand, media cannot achieve the scalability desired for financial sustainability, since the poor need access to new, locally

contextualized information more than access to existing information from irrelevant sources and context” Heeks (2002).

According to Heeks(2002),“problems of access and use of business information are compounded by lack of appropriate content, both in terms of language and subject matter. Heeks suggests that it is important for developing countries to develop models for information access and relevant content because the capacity to generate and share information about local resources is as important as access to distant digital information. The free flow of relevant information is a critical factor that underly poverty reduction strategies” Heeks(2002).

#### **4.2.4 Demographics as Systems for Business Information Sharing by MSEs**

This section reviews literature concerning the demographics as systems for information sharing. The section looks at how gender, marital status, entrepreneurs with similar levels of education, women or men groups, business colleagues, schoolmates, church groups, and ethnic groups use business information sharing to enhance entrepreneurial success.

Kimuyu (1999), “researching on business information sharing, argues that information sharing is an African integral part of the communal interaction process, which is active, dynamic and subjectively constituted. Through these demographic systems, social interactions among micro and small entrepreneurs create awareness about the behaviour of other players, including non-behavioural aspects such as markets, prices and available technology, and benefits for collective action. This acquired information when used effectively, would enhance enterprise performance directly by way of productivity, resulting in profitability. Some of the systems used by micro and small entrepreneurs include gender, age groups, education, colleagues, business locations, ethnic groups, church groups, and marital status” (Kimuyu, 1999).

Duncombe and Richard (1999) observe that “micro and small entrepreneurs coalesce around solidarity groups; without which the MSEs, characterized by small, closed and poor business information knowledge, will suffer isolation from formal information bases”. According to Pedersen (1999), “business information sharing facilitates larger market information, since prices and qualities of goods are freely available. This implies that micro and small entrepreneurs involved in a simple exchange have limited access to market information relative to those operating in clusters” Pedersen (1999).

This study follows these arguments to determine the contribution of demographic networks as reliable sources of business information for micro and small entrepreneurs. Supporting this argument, McCormick (1999) argues that “networks can build entrepreneurial capacity by increasing market access, fostering information sharing, enhancing technological spillovers, increasing efficiency, and contributing to the development of supportive institutions”. McCormick further states that “evidence from Kenya, Ghana, and South Africa, indicate that inter-enterprise collaboration leans more towards horizontal joint action and less towards a vertical joint action. This inter-enterprise collaboration contributes to improved performance to those enterprises that embrace it” McCormick (1999). Kinyanjui (2012), contributing to the cluster debate, argues that “the formation of new forms of social groups (*chamas*) underlies the centrality of social relations and associations in ordinary people’s lifestyles” Kinyanjui (2012),

According to her, *chamas* play a vital role in enlarging the latitude of interaction between members of a group or alliances. The *chama* concept, she argues, adds value to social interaction and encourages social action and community life, as opposed to individualistic lifestyles. These groups contribute to the strengthening of micro and small enterprises, which helps to improve their performance and growth, thereby contributing to poverty reduction. This study brings a new

concept to the information sharing debate that has not been used as channels for information sharing. It looks at how gender, age, ethnicity, denominations, education, marital status, and business location can be used as channels for business information sharing.

Contributing to this debate, Macharia (1998) observes that “ethnic groups play a substantial role in Kenya’s micro and small enterprise sector in sharing business information concerning allocation of business sites, transfer of skills and technology, entry into business, and in establishing markets” Macharia (1998). However, according to Macharia, in so far as these ethnic groups serve these roles, they act as barriers to effective information flow, since they create exclusive information flow channels among ethnic groups. Macharia further argues that “since micro and small enterprise networks affect both social and economic outcomes, by capturing local business information and circulating it among the business fraternity, these sources must serve all local business needs” Macharia (1998). For them to achieve this, they must connect to and be controlled by the local community for the good of the business fraternity.

Macharia (1998) further observes “that for these information sources to be relevant to the micro and small enterprises, they will not only have to properly interface with the local, traditional information channels, but also incorporate locally generated information in their package” Macharia (1998). (Rogers, 2005) “This is based on the premise that the adoption of innovation can be greatly facilitated by the proper identification of traditional information systems through which members acquire and diffuse their existing knowledge, attitudes and practices” (Rogers, 2005).

A major weakness of most information dissemination agencies that target micro and small entrepreneurs is their general assumption that this sector should be provided with technology,

information and knowledge. This underlies the assumption that micro and small entrepreneurs do not generate knowledge and information. Micro and small entrepreneurs generate critical business information and should be perceived not only as consumers of information, but also as sources of information. For empowerment to take root through a particular information system, information generated by micro and small enterprises should be blended with external business information to make sure they are not isolated. In all this, one can view information as systems that create new relationships which amplify and strengthen existing business ties.

Duncombe and Heeks (1999), while commenting on the impact of shared business information on micro and small enterprises in Botswana, points how information extend businesses through social networks in that economy. According to them, entrepreneurs' networks, which represent the sum of interactions with different people, use different channels such as face to face, mail, mobile and internet, to communicate different business issues. A study of Kenyan entrepreneurs reveals that the mobile phone has been used to share business information, which has affected the effectiveness and efficiency of micro and small entrepreneurs positively (Munyua and Mureithi, 2008). The application and use of the mobile phone by different women or men groups, business colleagues, former schoolmates, church groups and ethnic groups to enhance entrepreneurial success has also contributed to the entrepreneurs' empowerment. The application of information sharing addresses the perennial problem of improving access to finance, markets, technology, raw materials, regulations, support services, and has had an enormous impact on people's livelihoods, especially in transforming the way the micro and small enterprise sector operates.



### **4.3 Critic of Existing Literature**

There are many misconceptions about the impact of business information on micro and small enterprise as a viable agent for poverty reduction. From the theoretical foundation of the study, theories place too much emphasis on an individual, both as locus for change; and as locus for blame as well. However, these theories place the responsibility for the failure to make a positive and sustained impact on development to the implementer's use of information. "These theories rely on information and development notion that ignored the existing local social structures and systems as vehicles for change" (Oketch, 2000).

As alluded to earlier, the Western theories have failed to consider, appreciate and address the local needs; such as the local culture. This confirms the criticism based on the Western scholars' notion that relief for developing economies, especially in Africa, depend on Western advances in agriculture, commerce, industry, health and education sectors. Moemeka (2000), Okigbo and Eribo (2004), critiquing the development information and modernization theories, agree on the biasness and neglect of international best practices, and the need to disseminate balanced information and development.

Bordenave (1977), Moemeka (2000), and Okigbo and Eribo (2004), among other scholars, commenting on many developing economies, argue that existing patterns of power and exploitation in such economies mean that poor people have little reasonable prospect of self-confidence, and many have found refuge in fatalism. This, they argue, is due to a general tendency by scholars to consider those targeted as essentially passive, to be manipulated into compliance with superior ideas and agenda from the source (Bordenave, 1977; Moemeka, 2000; Okigbo and Eribo, 2004). In this model, everything is seen in terms of injecting the development message into the system directed at the target audience. However, the micro and small

entrepreneurs have active minds that interrogate every message that it receives and who should be taken seriously in the information dissemination chain.

Current calls to rethink development in the African context by scholars such as Moemeka (2000) and Okigbo and Eribo (2004) are in tune with past efforts, just as current poverty eradication initiatives share much in common with the modernization theory that has assumed the status of a dinosaur. Commenting on African development in the image of modernization theory, Laburthe-Tola and Warnier (2003), give a prelude of the entry of western development initiative into Africa. They point out that following World War II, the gap between the rich, fast growing industrialized countries, and countries of the developing world, buried in their poverty and underdevelopment, became evident.

The sociologists from the developed economies saw their economic success as a benefit of westernization. They understood this success as the process of change towards all types of social, economic and political systems, and which subsequently could spread to other regions of the world. The first generation of scholars, led by Lerner (1958) and Schramm (1964) on their dependency theory had discussed the post-colonial state as if its constitutive agency does not count. The nature and role of planners is not mentioned by Schramm as the scholar uses the term developer to admit that there is no role of a political institution that directs development. Lerner's work (1958), *"The Passing of Traditional Society"*, was not about Africa, but focused on the development of former colonies that became nations. It was about modernizing these states into the cold war divide of Washington and Moscow.

The contribution of Lerner was established in the classics of development communication because of its pioneering effort on how to modernize what were considered traditional societies.

On the relationship between development and information, good information has been presented as being able to break through blockages with knowledge. According to Nyamjoh (2010), the blockages have been identified as backward attitudes and practices, including customs, traditions and philosophies.

The process of accessing and using business information should therefore be to create awareness, influence attitudes and change the social and economic behaviour of micro and small entrepreneurs involved in economic activities (Mefalopulos, 2008; Quebral, 2012, 2011). Considering information as a prerequisite for development, the UN General Assembly in its very first session in 1946 adopted Resolution 59(I), which considered information as a fundamental human right, and the touchstone of all the freedoms for which UN was consecrated. That lack of business information for public consumption set the stage for corruption at every level of the society, thereby negatively affecting business development” (Rahman, 2009). Business information plays a critical role in the various fields of development, including micro and small enterprise development. This it does by giving them freedom to do business without being intimidated by suppliers, consumers or the authorities.

#### **4.4 Chapter Summary**

This chapter has reviewed theoretical literature, including the power theory of poverty, economic theory, neo-classical economic theory, empowerment theory, and the elaborated likelihood model. It has also reviewed empirical literature on the role of information in development, poverty; its causes and reduction, and micro and small enterprises as agents for poverty reduction. Further, it has outlined the conceptual framework, highlighting the types of business information available to micro and small entrepreneurs, networks, preferred media for business information, demographic shared information, critic of existing literature, and chapter summary.

The following chapter discusses the research design and methods used to answer the research questions to fulfill the central aim of this study.

## **CHAPTER FIVE**

### **RESEARCH METHODS**

#### **5.1 Introduction**

The general objective of this study is to investigate the extent to which types of business information, networks, preferred media and demographics shared information impact on micro and small entrepreneurs' performance and influence poverty reduction. This chapter discusses the research design and methods used to answer the research questions and fulfill the central aim of this study. In doing this, it presents and outlines the study methods by highlighting the background of the study area, sampling frame, sampling size, research instruments, data collection procedures, sample category and distribution of enterprises, reliability of results, data coding and analysis, and ethical considerations.

In answering the research questions, the study used the combination of qualitative and quantitative methods. The combined methods approach has many advantages. Bryman (2006) provides extensive reasons to justify the combination of quantitative and qualitative research approaches. The qualitative data was used to complement the quantitative data, as they seek and provide concurrence that micro and small scale enterprises provide exit points from poverty, and respondents' views on best practices. The qualitative research techniques used yielded in-depth data and enabled the study to reveal various dimensions and aspects generated from the survey. This procedure has been adopted by this study in order to enable testing and theory building at the same time. Thus, the focus of the study is both to understand, measure and illuminate the

demand for information and communication on micro and small entrepreneurs, and their influence in the poverty reduction process.

According to Davidsson (1989), the survey method makes it possible to test on a larger sample the ideas generated in the other qualitative research methods that had a more restricted scope. It allows comparisons between entrepreneurs within a sub-group and between sub groups, such as those entrepreneurs of the same category and those from a different category.

Case studies focused on small groups or individuals within a group and documented that group's or individual's experience in their specific settings, as opposed to focus group discussions that would require groups of between eight to ten meeting together. Another key characteristic of a case study approach as opposed to focus group discussions is the gathering of data through multiple sources of perspectives and from the entrepreneurs areas of operation. Primary tools used included interviews, observation, and document analysis. Another reason why the study did not use focus group discussions was the nature of micro and small enterprise, whose tasks you cannot delegate. The operations are so personalized that when the entrepreneur is away, the business will have to be closed. In view of this, it was impossible to invite these entrepreneurs for a focus group discussion, even if the session would take as short as one hour. The loss of income as a result of closure posed a challenge for focus group discussions; few could accept to attend.

The qualitative data was used to complement the quantitative data as they provided concurrence of respondents' views on business best practices. Johnson *et al.* (2007) argue that survey and case study research methods make an understanding of why the results are the way they are. This is because behind statistics, there are complex and intriguing realities that need some scientific

investigations, and hence the need for qualitative analysis. The qualitative research techniques used provide in-depth information that enables the study to reveal various dimensions and aspects of information sourcing and use by the entrepreneurs generated from the survey.

Thus, the focus of the study was to understand, measure and to illuminate the demand for business information on micro and small entrepreneurs and their influence on the poverty reduction process. Bryman (2006) argues that the systematic combination of qualitative and quantitative evidence is one of the significant contributions to studies. This sets out to investigate a contemporary phenomenon concerning the enterprise behaviour within its real life situation so as to trace how entrepreneurs operate their businesses, and the boundaries that exist between the enterprise and the entrepreneur. The study uses cases to provide in-depth information, identify key variables, establish patterns and categories, and pave the way for a broad based research.

## **5.2 Background of Study Area**

As indicated at the beginning of this chapter, the general objective of this study is to investigate the extent to which types of business information, networks, preferred media and demographics shared information have impacted on enterprise performance and influenced poverty reduction. Four clusters in Kariobangi were selected for this study. These were villages in Kariobangi North location, namely; Kariobangi, Kariadudu, Kasabuni and Riverside.

Of the many urban informal settlements, Kariobangi was selected for three reasons. The first is that majority of studies conducted on poverty reduction and micro and small enterprises have been in other informal settlements in Nairobi such as Kamukunji, Korogocho, Kibra, Mathare, and Pumwani. Kariobangi North has not been considered as a slum area by majority of studies and has been neglected in issues of support by development partners. Traditionally, Kariobangi

is one of the informal settlements that were inherited from the colonial administration. These were peripheral centres for indigenous Africans, who were moved from other settlements due to various reasons. These included forceful evictions by the Nairobi City Council authorities, while some were born here and inherited their parents' houses.

The second reason is personal, since Kariobangi North falls in the area where the researcher works as a Priest. When the researcher was posted to Kariobangi, he found that the majority of Kariobangi residents, including those who worship in the church he pastured, operate micro and small businesses. From enquiry, he found out that these enterprises don't grow in status or employment. The general consensus among the entrepreneurs was that these enterprises' performance constituted a viable strategy for achieving poverty reduction.

From the baseline data obtained from the ground, these businesses operate in environments with limited relevant business information on credit, business location, customers, price, markets, technology, government policy, and other support services. In view of this, the study set out to examine how the use of different types of business information, networks, preferred media and demographic shared information by these entrepreneurs could influence their poverty reduction initiatives.

The area has only two public primary schools, 129 informal pre-primary and primary schools, which charge fees, and one secondary school. The area covers 1.6 sq. km and has a population of 61,077, comprising of 29,796 female and 31,281 males. It also has 19,282 households (Republic of Kenya, 2010a,b). Kariobangi North has an active micro and small enterprise base, which the research considers as a seedbed for poverty reduction, and hence the use of micro and small enterprises as agents for poverty reduction. The research intended to use the existing businesses to improve the socio-economic conditions of the micro and small entrepreneurs.

Kariobangi North is located 18 km from Nairobi City centre on the North-eastern part of Nairobi. It borders the light industries to the South, Huruma estate to the South-west, Korogocho estate to the East, Mathare estate to the West, and Baba Dogo estate to the North. It is served by Outering Road, which is a major communication route that joins Kenya's main airport, the Jomo Kenyatta International Airport, to the Thika super highway through the General Service Unit (GSU) intersections. It is within the Embakasi North constituency, Kasarani District, in Nairobi County.





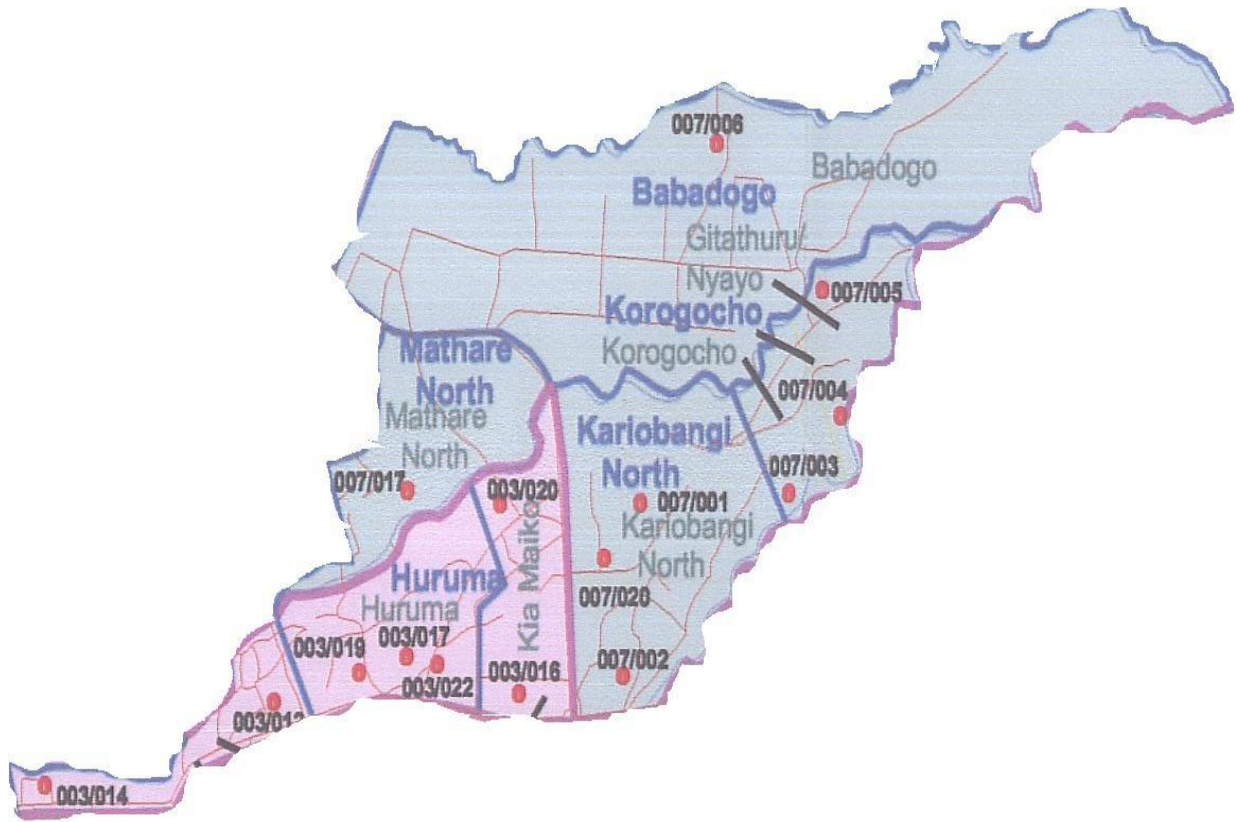
**Figure 3: Map showing Counties of Kenya**

Source: <http://devolutionhub.or.ke/files/large/4a0573fb7535bf11cbd522c22f03e00d.jpg>



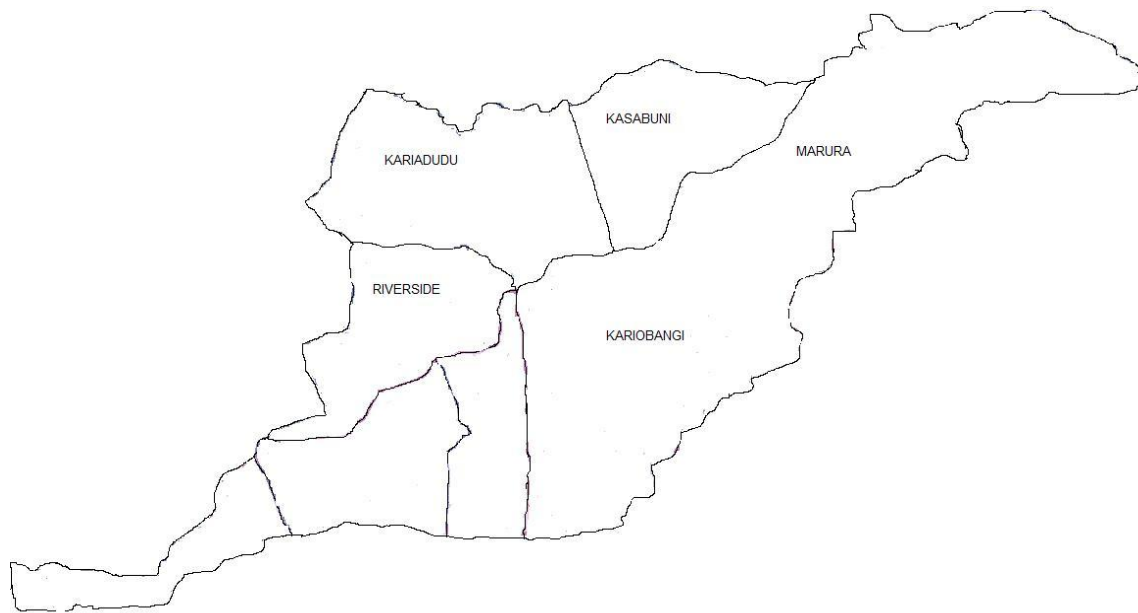
**Figure 4: Map showing Sub-counties of Nairobi County**

Source: <http://devolutionhub.or.ke/files/large/4a0573fb7535bf11cbd522c22f03e00d.jpg>



**Figure 5: Map of Kariobangi North**

*Source: Kenya Population Census (2009)*



**Figure 6: Map showing the selected study areas**

*Source: Field Survey (2013)*

### **5.3 Sampling Frame**

(Orodho, 2004). This section discusses, “how the respondents were identified for the study. Target population is the collection of elements that possess the information sought by the researcher” (Orodho, 2004). The target population was micro and small enterprises within Kariobangi. The micro and small entrepreneurs were selected across all categories. The entrepreneurs who were owners or managers of the micro and small enterprises were selected and interviewed. In order to identify micro and small enterprises for the survey, the researcher approached churches in Kariobangi North who had organized micro and small enterprise groups, and who maintained membership registers, to provide the sampling frame. The faith based registered micro and small enterprises in the study area were one thousand four hundred and

thirty six in number. Four clusters were identified on the basis of physical and economic concentration. These were Kariobangi, Kariadudu, Kasabuni and Riverside.

Samples were drawn from the four clusters, which are henceforth referred to as areas. The enterprises were categorized into nineteen broad subsectors: food items, construction, wood fabrication, metal fabrication, textile, information technology, bar and lodging, telecommunication, personal services, general stores, leather work, hair dressing and beautification, health care, finance, stationery, general mechanics, entertainment, education and training, and transport. This was followed by a selection of 144 respondents, which formed 10 %of the total micro and small entrepreneur population of 1436. The selection was based on the business strengths according to numbers on the ground. The areas were selected because they constitute the villages within the study area. The study therefore used the clusters (villages) to determine their business strengths. The following table shows the distribution of respondents sampled within the clusters.

**Table 1: Number of respondents interviewed in each village (cluster)**

<i>Villages</i>	<i>No. of respondents</i>
Kariobangi	60
Kariadudu	30
Kasabuni	30
Riverside	24
<b>TOTAL</b>	<b>144</b>

**Source: Field Survey (2013)**

According to Table 1, the majority of the businesses located in the larger Kariobangi village were 41 %(60 respondents). Kariobangi is the largest village in the research area, according to the population census of 2009 (Republic of Kenya, 2010). According to the census, Kariobangi

was followed by Kasabuni and Kariadudu with 21 %(30 respondents each). Riverside, the smallest of the villages, had 16 %(24 respondents). The personal observations and interviews conducted revealed that those who did not specify their area of operation (2.4 %) during the survey did so due to the mobile nature of their businesses, moving from place to place depending on the availability of customers. The majority in this category were forced to move due to the frequent harassment by the county council officials due non- payment of business fees.

#### **5.4 Sample Size**

While the previous section discussed and highlighted the sampling procedure used to identify respondents for the study, this section discusses the study's sample size. The total population was 1436 entrepreneurs; and out of this, a 10 % sample was selected for the study. The study used all the micro and small enterprises included in the official faith based records in Kariobangi. A sample of 144 enterprises was therefore selected. According to Mugenda and Mugenda (2003), “a sample size of 10 % of the total population is considered adequate for a descriptive study.” Mugenda and Mugenda (2003). Mugenda and Mugenda (2003) “This means that the current study's sample of 144 entrepreneurs is within the required proportion and is therefore adequate. The study targeted owners or managers of relevant business enterprises and carried out interviews, which were distributed proportionately across the survey sample. The selection of clusters was guided by the need to provide clusters or blocks of units with relatively homogeneous characteristics” Mugenda and Mugenda (2003).

## **5.5 Sampling Procedure**

### **5.5.1 Sampling for Survey**

This section highlights the sampling for the survey method. The churches operating in Kariobangi who supported their members to do business provided the author with lists, which were used to map the enterprises on the ground. During the mapping exercise, the churches provided the research team with personnel who took the team around and identified places where these enterprises were located. The respondents were purposively selected in order to include the faith-based businesses. The enterprises were categorized and distributed among the four clusters. The categorization was done along the high concentration of these enterprises and clusters with sparsely located businesses (Kariobangi, Kariadudu, Kasabuni, and Riverside). From the categories, further stratification was done based on both high and low concentration, identifying clusters, streets or alleys. During data collection, enumerators selected one in every three enterprises they came across in clusters or streets or alleys of high concentration. But for the low concentration clusters, they selected one in every two enterprises they came across. The rationale for this kind of selection criterion was that we get meaningful and helpful information from a variety of enterprises, rather than just representative information for the sake of it.

### **5.5.2 Sampling for Case Study**

This section discusses the selection procedure for case study respondents. This study did not rely on any strict criterion for qualitative data collection. Johnson *et al.* (2007) “The reason for this was to allow the data to tell which businesses had graduated or have not graduated, based on their characteristics. However, it should be noted that the status of most of the entrepreneurs was obvious, even based on casual observation” Johnson *et al.* (2007). This is in accordance with Johnson *et al.* (2007) view that “many researchers say: you know it when you see it, but it can’t be defined.” Johnson *et al.* (2007)

Johnson *et al.* (2007) “Data for the case study constituted the interviews in which enterprises were purposively selected from those who took part in the first round of interviews (quantitative). All the respondents in the first round were asked to indicate whether they were interested in the second round, and all respondents said they were. The quantitative interviews therefore provided an avenue to solicit the enterprise consent for the qualitative round of interviews, which was sought at the end of each interview” Johnson *et al.* (2007).

The participants were selected based on their characteristics and knowledge as they relate to the research questions posed. The study’s primary concern was to explore individuals in their natural context. This meant that the results could not be generalized beyond the participants of the study. The sampling procedure used was purposeful sampling. This meant that only information-rich cases were selected for in-detailed study. Information in rich cases are those that one can learn a great deal about issues of central importance to the purpose of the research.

Half of those interviewed were selected on the basis of their performance, had graduated from the poverty bracket; while the other half were still struggling for survival. (Republic of Kenya, 2009).

“The entrepreneurs narrated how they had survived the challenges that they faced as they moved from one level of business performance to another.

Selection on the basis of gender (female to male) was in the ratio of 3:2 respectively. This is because in this area, most households are headed by female entrepreneurs” (Republic of Kenya, 2009).

By involving these entrepreneurs through widening their access to information, and by encouraging them to express their views in genuine power sharing exercises, they were indirectly empowered. The entrepreneurs thus owned the study by establishing their own priorities for



action in very practical ways, allaying fears of false expectations, a concern that was normally raised when research was conducted by outsiders. Involving the entrepreneurs assisted them to work through emerging questions, issues and future possibilities, thereby enabling them to improve their understanding of their society and the culture in which they operate. This was made through interviewing, observation and additional information, and by accessing information from records.

(Strauss and Corbin, 2008)“Cases were used to give in-depth information, and to trigger a deeper understanding into the survey responses, and to provide new information that the survey did not reveal as other studies have found out.” (Strauss and Corbin, 2008) (Visser, 2006) “The philosophy behind the use of case study in this study was to probe a practical life situation among the entrepreneurs, thereby obtaining a full picture of the actual interaction of variables. Case study interviews enabled the study to collect in-depth information from selected enterprises, which enables the researcher to understand the behavior patterns of those business units.” (Visser, 2006)

This study used case studies on two special categories of entrepreneurs who were purposively selected. These included those entrepreneurs who had exemplary performance and through enterprise development, had excelled, graduated and were above the poverty bracket threshold. The second categories were those entrepreneurs who were still within the poverty bracket threshold, and struggling to survive the challenges of staying in business. The selection was informed by the current value of their businesses, compared to the value at the beginning of the business. The businesses were required to provide accounts of how business information contributed to improved performance, and poverty reduction.

While this section has highlighted the sampling procedure for survey method used in this study, the following section discusses development of a survey questionnaire for the study.

## **5.6 Research Instruments**

### **5.6.1 Survey Questionnaire**

This section discusses the research instruments used in the study. In order to collect primary data, the study developed, tested and administered survey questionnaires to one hundred and forty four (144) respondents, which was 10 % of the total one thousand, four hundred and forty three (1436) faith-based registered enterprises in Kariobangi. This study used a structured questionnaire to collect information on a variety of issues and patterns of how businesses were operated (Appendix II). The questionnaires were administered for three weeks, from 2<sup>nd</sup> to 22<sup>nd</sup> January, 2013. This was conducted after a three day pre-testing run in the last week of December, 2012. Research assistants, mainly young people from Kariobangi, were recruited and trained during the period between 27<sup>th</sup> to 29<sup>th</sup> December, 2012 to pre-test and administer the structured questionnaires under the supervision of the researcher.

The questionnaire consisted of seven sections. The first section included the general demographic profile, which sought the operator's gender, age, marital status, number of children living within the household, education, income, religion, and ethnicity. Section two comprised of the business characteristics and scope of the enterprise, including location, size, when the business started, starting capital, source of funding, legal status, staff employed, current value of the business, monthly income of the business, and the sources of information on all these variables. The third section addressed access and use of business information, frequency of use and importance of the available sources. Section four included the performance of the selected entrepreneurs, indicated by sales volume, number of employees, profit and loss from 2003 to

2012. Section five consisted of the networks used by these entrepreneurs; while section six consisted of the socio-economic conditions of the entrepreneurs, and finally; section seven looked at the state of poverty reduction by these entrepreneurs, especially on the well-being areas.

According to Davidsson (2009), “the survey method makes it possible for comparisons between entrepreneurs within enterprises, and also between sub groups such as enterprises within a category and those from different categories.” Davidsson (2009). With the survey approach, more general conclusions were made as the approach used a bigger number of respondents. The use of representative samples and statistical techniques made it possible to measure the relationships between variables. The questionnaire was developed and pre- tested to assess its reliability and suitability two weeks before the commencement of the actual survey to allow for necessary modifications resulting from the test run.

The questionnaire was used to obtain quantitative data in this study. A general structured quantitative questionnaire was used to generate information for the study. This was administered by the researcher with the help of research assistants. The following section highlights interview schedules for case study

### **5.6.2 Interview Schedule for Case Study**

In order to collect qualitative data, a case study interview guide was used (Appendix iii). The guide included an entrepreneur’s background information such as age of the enterprise and entrepreneur, gender, marital status, level of education, faith, location of business, and ethnicity. The guide also included the type of family support, including support from one's spouse and children. Sources of business information included credit, price, customers, suppliers, technology, government regulations, and training. They were required to indicate whether they

belonged to any business network, or special demographic business information groups such as age groups, faith groups, and ethnic groups, colleagues in business or school, and marital status. They were also asked about their preferred media sources of business information, including Newspapers, Radio, TVs and Social media. Discussions on finances, including start-up finances, arrangements to pay creditors, extending credit to customers, type of banking maintained such as micro finance, sacco, *chama* or table banking. Poverty and poverty reduction, including their condition when they started their business and their condition during the interview. Conditions investigated included income, savings, food intake, health care, water and sanitation, accessing education, housing, sales volume, and staff position.

The interviews were arranged on individual basis and were staggered; since it was not possible to have a continuous stretch due to the nature of their businesses. They had cautioned that continuous interviews would interrupt their businesses, except for those entrepreneurs who had employees, who would run the business when interviews were going on. Even during the interviews, the owners would still be interrupted when help was necessary. Sometimes interviews were conducted at the owners' houses after the close of business.

This study observed strict neutrality in the research during data collection. In order to maximize participant's responses, the researcher listened keenly and avoided being judgmental in his reactions. The researcher was sensitive and did not act with shock or got upset about what was said. Acting judgmental is likely to limit interaction and may cause the participant to question the level of trust in the researcher. Any personal biases in both the respondents and the researcher were anticipated and documented as much as possible. This helped the researcher to be alert to the possible influence these might have on the data collected.

The researcher used effective probes with follow up comments made by participants due to the semi-structured nature of the interview. A probe is a follow-up question that is asked to get clarification about a response. This helped the interviewer to get more detailed information and give the respondent a chance to clarify response. Probes are not questions that can be prepared before the interview because it depends on what the respondent says in answer to one's questions.

The balancing of power relationship between the researcher and the interviewee was solved by the fact that since different faiths supported the business ventures, the majority of the respondents understood the importance of the study to their businesses.

### **5.7 Data Collection Procedures**

Two rounds of data collection were carried out. The first involved collecting survey data with a structured questionnaire from a sample of entrepreneurs operating in the identified locations. Research assistants or enumerators were recruited from young people in the study area, and who were trained to enable them understand the research questions, objectives, and methodology. The questionnaire was then pre-tested and subsequent feedback considered.

The number of enumerators corresponded to the proportion of respondents in each cluster. For example, Kariobangi had three enumerators, the rest had two enumerators each. There was a supervisor in every cluster to supervise the exercise. Special case studies of entrepreneurs, who had survived, excelled and graduated from the poverty bracket, and those who were still within the poverty bracket were conducted. Primary data was generated from survey and case study interviews conducted from entrepreneurs who had graduated from poverty and those who were struggling to graduate; and from observation.

Further, the use of representative samples and statistical techniques made it possible to measure, rather than subjectively judge, the relations between variables. While this section has discussed the data collection procedures, the following section highlights the sample category and distribution of enterprises in the study area.

### **5.7.1 Sample Category and Distribution of Enterprise**

Enterprises in the study area are either informal, family owned, or sole proprietorships. This study adopted a sampling procedure that combined a purposive selection of the villages (clusters) and categorization of enterprises. The enterprise was the variable that was used as the unit of analysis. This approach was justified by the difficulty in obtaining a database of micro and small enterprises in Nairobi's Kariobangi area. This was due to lack of a directory of all enterprises, not only in the study area, but from the entire Nairobi County as well. The population for this study comprised of all church registered micro and small enterprises in Kariobangi North. The four clusters selected formed the villages in Kariobangi, which included Kariobangi, Kasabuni, Kariadudu and Riverside.

All listed micro and small enterprises within each cluster (village) were then categorized. The MSEs engaged in a broad array of economic activities, which were most commonly categorized in larger segments such as industry (including manufacturing, fabrication, and construction), trade (wholesale, retail and street trade) and services (hotels, lodgings and restaurants; transport and communications; community, social and personal services; and repairs). The study categorized them into nineteen categories (Table 2) that included general food; butchery; wood work; metal work; textile; bar and lodging; telecommunications; construction; general stores; leather work; saloon and beautification; finance; entertainment; books and stationery; education and training; personal services; transportation; health care; general mechanical and; information.

Rather than randomly sample a percentage of every entrepreneur from each village, the study randomly sampled every business category in 10 %of the four villages.

**Table 2. Categories of survey sample distribution**

<b>Item</b>	<b>Business type</b>	<b>Total number registered</b>	<b>% Identified for study</b>	<b>No. Identified for study</b>	<b>Actual returned</b>	<b>Gap</b>
1.	Textile	200	10	20	18	2
2.	Saloon and beautification	100	10	10	9	1
3.	Personal services/laundry	54	10	5	2	3
4.	General stores	81	10	8	8	Nil
5.	Construction /hardware	30	10	3	2	1
6.	Electrical/electronics	50	10	5	3	2
7.	Metal fabrication	50	10	5	5	Nil
8.	Financial services/Mpesa	79	10	8	7	1
9.	Health care	72	10	7	7	Nil
10.	Bar/lodging	51	10	5	2	3
11.	Wood fabrication	71	10	7	7	Nil
12.	General food/grocery	300	10	30	26	4
13.	Books/stationery	20	10	2	1	1
14.	Education/training	101	10	10	10	Nil
15.	Leather work	50	10	5	4	1
16.	Entertainment	32	10	3	3	Nil
17.	Information/internet	41	10	4	3	1
18.	Transportation	35	10	4	3	1
19.	General mechanics	29	10	3	3	Nil
	<b>TOTALS</b>	<b>1436</b>	<b>10</b>	<b>144</b>	<b>123</b>	<b>21</b>

*Source: Field Survey (2013)*

### **5.8 Reliability of Results**

(Sekaran, 2003) “Reliability refers to the extent to which a measuring instrument contains variable errors. Variable errors are errors that appear inconsistently from observation to observation during any one measurement attempt or that which varies each time a given unit is measured by the same instrument” (Sekaran, 2003). (Sekaran, 2003) “The researcher administered a set of designed structured and unstructured questionnaires through a pilot study to appraise the questionnaire soundness of the items, and to estimate the time required to answer the items. The pilot study covered some of the 15 entrepreneurs who were not covered in the sampled population. The results of the pilot study were discussed with the respondents to make



the required adjustments. The major objective was to test the instrument's reliability and validity” (Sekaran, 2003). A total of 15 questionnaires were obtained. Reliability tests were conducted using SPSS. Reliability results, which represented the dependent and independent variables, attracted a cronbach alpha statistics of more than 0.7. According to Sekaran (2003), “cronbach alpha of 0.7 indicates that the instrument used in the study for data collection is reliable” Sekaran (2003). The reliability statistics are presented in Table 3:

**Table 3: Reliability Statistics**

<i>Item</i>	<i>Questionnaires</i>	<i>Questions</i>	<i>Cronbach Alpha</i>	<i>Comment</i>
Educational Level	15	12	0.877	Reliable
Location, Size, Characteristics and Scope of Business	15	9	0.878	Reliable
Access to Information	15	10	0.834	Reliable
Level of Poverty Reduction	15	8	0.868	Reliable

*Source: Field Survey (2013)*

### **5.9 Data Coding and Analysis**

This section highlights how the data was coded and analyzed. The filled questionnaires were then cleaned, coded and entered into a computer database. Analysis of quantitative data using the Statistical Package for Social Sciences Mugande,(2003) proceeded in stages, starting with the generation of descriptive statistics of some of the variables. Use of business information was taken as an independent variable and critically analyzed on how it related to the dependent variables, which included, but were not limited to, income, healthcare, education, housing, water and sanitation, among others. The following section highlights the analysis of quantitative data.

Descriptive analysis was conducted to create a general understanding of entrepreneurs' attributes such as gender, age, marital status, level of education, income, religion, ethnicity, among others. Inferential analysis was used, which included grouped frequency, percentages means, tests, and measures of association. This section has highlighted the analysis of quantitative data.

Analysis for qualitative data was done, mainly by content analysis, matching the explanations and observations with the literature and empirical findings. Areas which needed explanation from the quantitative data were followed up for more clarification. The following section highlights the ethical considerations of the study.

#### **5.10 Ethical Considerations**

In considering ethics in this study, the researcher applied informed consent, where the researcher was able to anticipate the events that would emerge in the field about which those to be observed were to be informed. However, by its nature it is not possible to provide full information about the method that will be used in a qualitative study.

A qualitative study occurs in a naturalistic setting, and does not impose a treatment. As such, there is no harm to the respondent, a scenario anticipated during the interview. However, because some cases of truancy touched on the private lives of the respondents, such as lifestyles, this could cause emotional distress to the participating entrepreneurs during the interview. The researcher was sensitive during the interviews, and respected the decision of the interviewee when they decided not to respond to a question. This was made known to them ahead of time, that they had the right to decline to answer any questions.

The confidentiality of the participants was assured by concealing their identities, and the interviewer ensured that their responses could not be traced back to them. Even though the study provided substantial information about the context of the study and a detailed description of the

group and setting, efforts were still made to keep confidential the respondents and their businesses.

The study conducted case studies where business persons gave confidential information concerning their businesses. After their consent was sought, the respondents were assured of the confidentiality of the interview results. For this reason, the study uses fake individual and business names due to ethical considerations.

This chapter has presented and outlined the study methods by highlighting the background of the study area, sampling frame, sampling size, research instruments, data collection procedures, sample category and distribution of enterprises, reliability of results, data coding and analysis, and ethical considerations.

## **CHAPTER SIX**

### **FINDINGS ON THE DEMOGRAPHIC CHARACTERISTICS AND PERFORMANCE OF ENTREPRENEURS IN KARIOBANGI**

#### **6.1 Introduction**

This chapter provides and discusses findings on the social and demographic characteristics of enterprise operators and their impact on poverty reduction, as well as the entrepreneur's initiative to reduce poverty through enterprise performance. The demographic characteristics include ownership of business, management of business, distribution of business, gender of the entrepreneur, ethnicity of the entrepreneur, age of entrepreneur, marital status of the entrepreneur, level of education of the entrepreneurs, denomination of the entrepreneur, duration of business, business site, and skills training. The frequency tables and figures presented in this chapter reveal the findings of various demographic characteristics investigated.

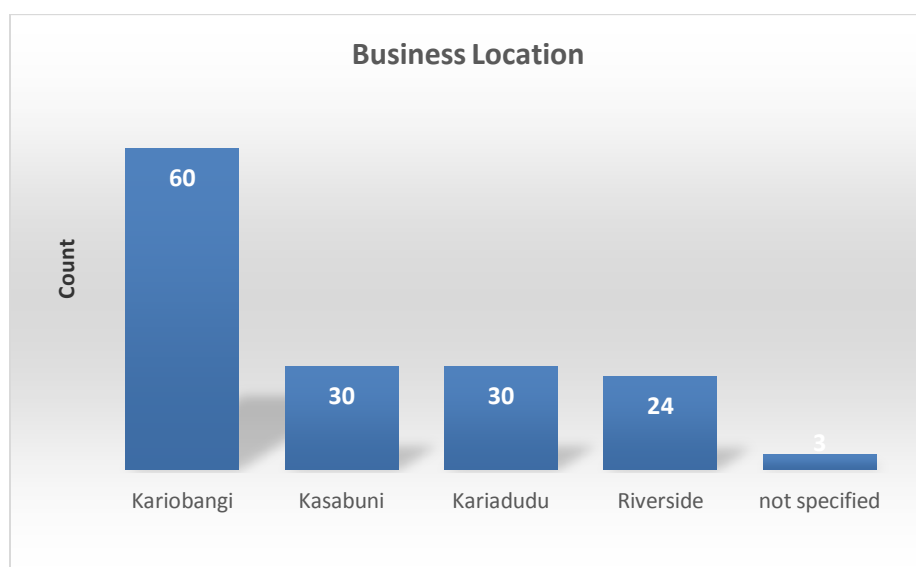
A key assumption of this study is that those entrepreneurs who access and use the needed type of business information from reliable sources improve their performance and are able to exit poverty. Hence the assessment of the differentials of the surveyed entrepreneurs by various background characteristics.

#### **6.2 Demographics Characteristics of Entrepreneurs**

##### **6.2.1 Distribution of Entrepreneurs in Research Area**

(Republic of Kenya, 2010) "This research interviewed micro and small entrepreneurs who were distributed in four villages in Kariobangi that formed the clusters within the study area, namely; Kariobangi, Kasabuni, Kariadudu and Riverside. Figure 7 presents the frequencies and percentages of the distribution of businesses within the research area. It reveals that 50 % (60 of the respondents) operate in Kariobangi, which is the largest village in the research area, according to size and population as per the population census of 2009" (Republic of Kenya, 2010). This is followed by Kasabuni and Kariadudu with 16 % (30 respondents each). Riverside

had 14.8 % (24 respondents). These frequencies/percentages represent the reality on the ground in these villages as regards business distribution, especially among the categories studied. This was supported by the case study interviews, which revealed that although the majority of the business persons lived in three clusters, namely; Kariobangi, Kariadudu, and Kasabuni, those who have graduated from poverty were mostly found in Riverside.



**Figure 7: Distribution in Research Area**

*Source: Field Survey (2013)*

### 6.2.2 Distribution by Ownership

This study targeted entrepreneurs, who were founders or owners of micro and small enterprises. The survey revealed that 80.5 %) of the entrepreneurs interviewed operated their businesses. This resonates well with other studies (English and Henault,1995; ILO, 2002), “that present a basic distinction between a micro and small enterprise, as a household and survival sector operated by the founder or owner with the hope of graduating to a medium-sized formalized enterprise. This was followed by joint-ownership at 14.6 %, while the remaining were spread

among those owned by a spouse (3.3 %) and parents at 1.6 %” (English and Henault,1995; ILO, 2002).

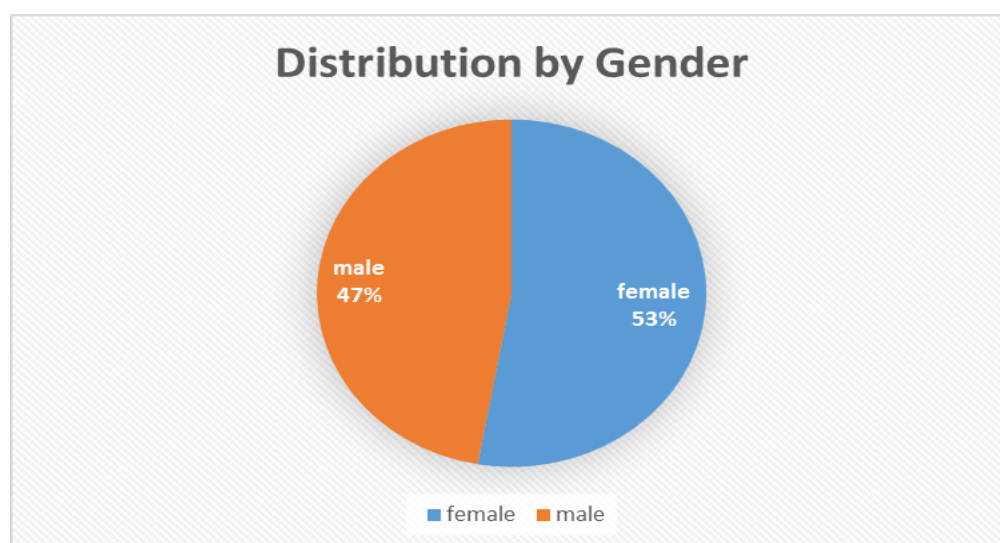
### **6.2.3 Distribution by Management**

This section presents findings of those entrepreneurs who engaged the services of other people to help them run their businesses. The survey revealed that 88 %(108) were managed by the owners themselves. The remaining 12 %were operated either by relatives or employees. This was confirmed by the case study interviews, which revealed that the owners engaged specialists in businesses where they did not have expertise such as internet. Some entrepreneurs allowed their children to manage their businesses while they played an oversight role. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise, hence there is no opportunity to groom members of the family should the owner be immobilized.

### **6.2.4 Distribution by Gender**

The study targeted both male and female entrepreneurs. Figure 8 presents the percentages of the respondents by gender. It shows that out of the respondents surveyed, 52.8 %comprised female entrepreneurs, while 47.2 %were male. The findings reflects a higher number of women who get support from the institutions where they worship. (CBS, 1999) “The finding agrees with the 1999 National Survey of entrepreneurs, which estimated that 55.7 %of the entrepreneurs in retail trade and 67 %of these entrepreneurs in leather and textiles were female” (CBS, 1999). These findings are consistent with studies conducted by Liedholm and Mead (2008), who noted “that the majority of micro and small enterprises in Eastern Africa, including Kenya, are owned and operated by women” Liedholm and Mead (2008). According to Liedholm and Mead, a large number of enterprises in Africa are owned and operated by women. Indeed, it is striking that in Kariobangi, women outnumber men as owners and operators of micro and small enterprises.

Furthermore, since working proprietors are the single largest category of the labour force, the great majority of workers in such enterprises are also women. These women-headed enterprises, compared to their male counterparts, operate from their homes. They are therefore less visible and disadvantaged.



**Figure 8: Distribution by Gender**

*Source: Field Survey (2013)*

(Republic of Kenya, 2008) “In Kenya, poverty manifests itself in the form of hunger, malnutrition, illiteracy, lack of shelter and failure to access essential social services such as basic education, health, water and sanitation, as observed in the Republic of Kenya Sessional Paper No.3 of 2005, and in the Kenya Vision 2030, the current blueprint guiding the Kenya government's development agenda up to 2030” (Republic of Kenya, 2008). (Republic of Kenya, 2008) “The majority of the Kenyan poor are women since most of them have no access to education due to the low value placed on the girl-child compared to the boy. Based on the traditional beliefs and practices, women have had little access, ownership and control to family assets and resources as compared to their male counterparts. Although deprivation for both

women and men is bad enough, it has a serious negative impact on women because of their socio-cultural roles” (Republic of Kenya, 2008).

### **6.2.5 Distribution by Ethnicity**

The study considered the multi-ethnic makeup in the study area due to the cross-cultural business solidarity that exists. These ethnic groups have different business strengths, and capacities which are shared across the socio-cultural business divide. Kariobangi is also regarded as a hotspot, according to the 2007 post-election violence. Table 4 presents the frequency/percentages of the respondents by their ethnic grouping. It revealed that out of the enterprises which were interviewed, about 40.7 % were Luo, while 23.6 % are Kikuyu. It further revealed that 16.3 % were Luhya, 9.8 % Kamba, and 1.6 % belonged to the Ameru. The remaining 3 % were run by the Kisii, Taita, and Embu ethnic groups. These percentages also reflect the residential status on the ground as observed by the researcher.

The case study findings revealed that these entrepreneurs support one another in their business operations.

“Mama Mboga, who is eighty years old, has lived in Kariobangi for over sixty years. She operates a wholesale green grocery and fruit business in Kariobangi. She told the researcher that during her stay in Kariobangi, she has encouraged over fifty of her reluctant Luo male neighbours to allow their wives to start micro enterprises to supplement their family income. The Luo neighbours were reluctant and had told her that when they allow their wives to go out a lot, they will befriend other men. This initiative has had positive results, especially those in fish and green grocery business. Those who are still in Kariobangi told the researcher that they owed their entry into business to encouragement by their neighbours from other ethnic groups.”

So, this is positive ethnicity as the neighbours use their ethnic capabilities and diversity to support one another. This finding is consistent with the phenomenon that Kinyanjui (2014, 2013) refers to as solidarity entrepreneurialism. She uses solidarity as a business logic and institution that is based on the African philosophy espoused by Mbiti, that “I am because we are, and because we are, therefore I am” (Mbiti, 1969: 108). The study finding is however



inconsistent with findings by Macharia (2007). “While lauding the role ethnic networks play in sharing business information, in allocating business premises, transferring skills and technology, entry into business, and in establishing markets, Macharia decries their other negative role, which acts as barriers to information flow since they create exclusive information flow channels among co-ethnics. The study uses ethnicity as a source of business information on markets, supply, and customers, while at the same time encouraging peace-building and cohesion in Kariobangi, which was a hotspot, and is still healing from the 2007/2008 post-election violence (PEV)” Macharia (2007). This is necessary for creating a conducive environment to do business. The entrepreneurs have used their ethnic groups as sources of crucial information, not only for business but also to create a conducive environment for business to thrive.

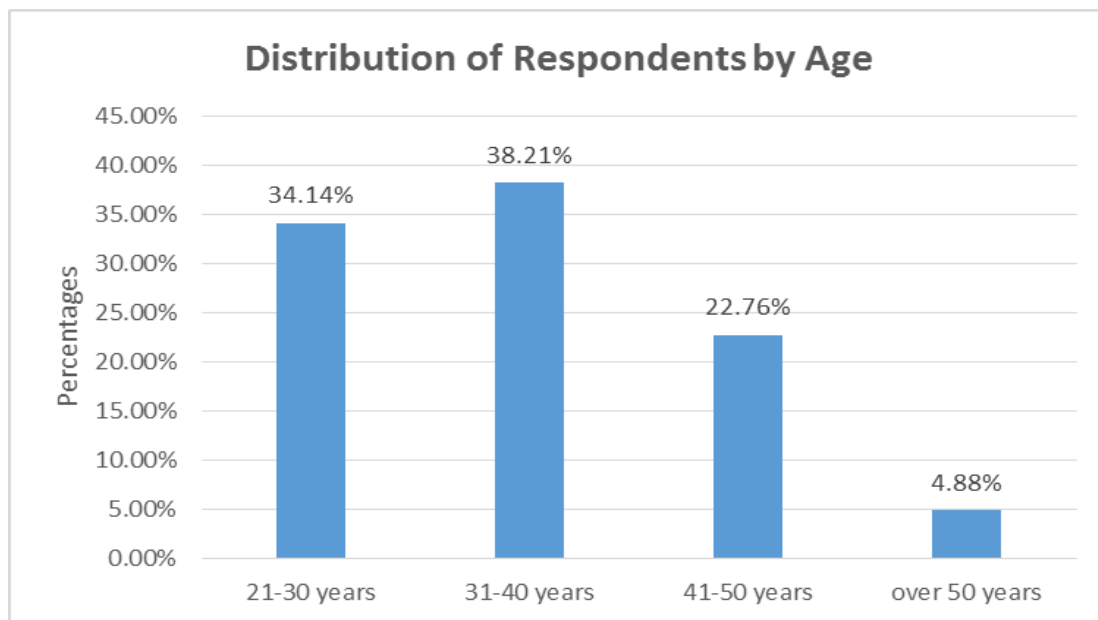
**Table 4: Distribution by Ethnicity**

<b>Ethnic group</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Luo	50	40.7
Kikuyu	29	23.6
Kamba	12	9.8
Luhya	20	16.3
Kisii	1	.8
Taita	1	.8
Meru	2	1.6
Embu	1	.8
not specified	7	5.7
Total	123	100.0

*Source: Field Survey (2013)*

#### **6.2.6 Distribution by Age**

The surveyed entrepreneurs were asked to indicate which age group they belonged to. The study provided all age groups of entrepreneurs the opportunity in the survey. Figure 9 presents the frequency of the ages of the entrepreneurs. It reveals that out of those MSEs surveyed, 38 % (47) belonged to 31-40 age groups, and 34 % (42) belonged to 21-30 years, while 23 % (28) belonged to 41 to 50 age bracket. Only 5 % (6) belonged to respondents aged over 50 years. These findings agree with Bowen *et al.* (2009) who observe that the majority of these entrepreneurs and managers are in their late twenties and early thirties. Clearly, most micro and small enterprises are owned and mainly run by people in their late 20s and early 30s. However, the implication is that those who had graduated from poverty and those who had not were found across all age groups.



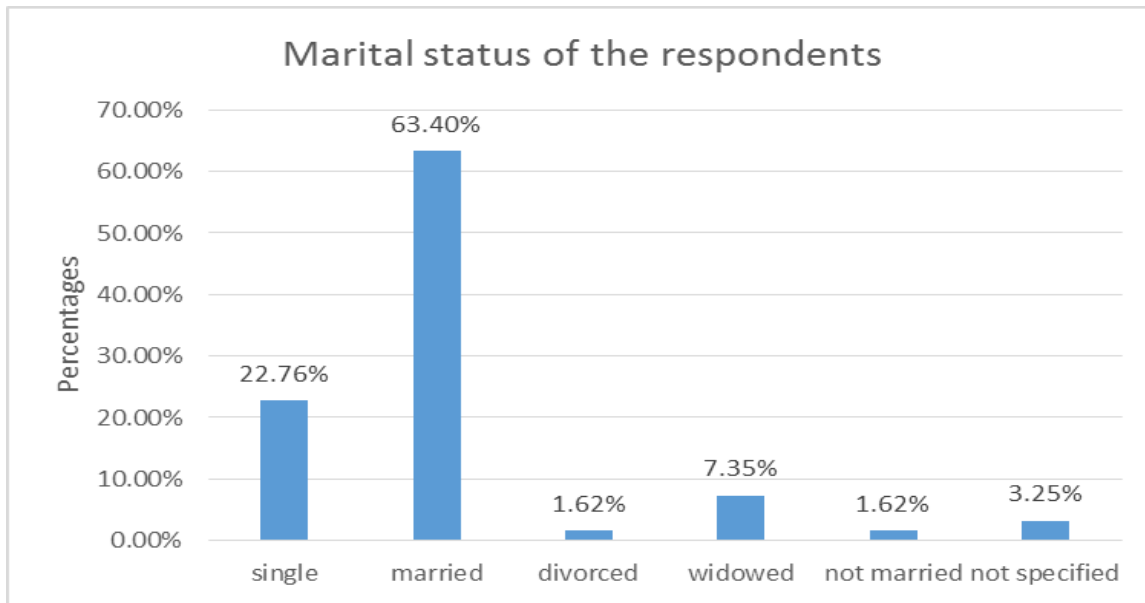
**Figure 9: Distribution by Age**

*Source: Field Survey (2013)*

### 6.2.7 Distribution by Marital Status

The surveyed entrepreneurs were asked to indicate whether they were single, married, divorced, widowed or not married in order to determine the status of those entrepreneurs who owned and

operated business. Figure 10 presents the frequency and percentages of the respondents' marital status. It shows that 63 %(78) of the businesses were owned by married couples. The finding further reveals that 23 %(28) of businesses were owned and operated by single entrepreneurs. Widows, who after the death of a spouse started a micro enterprise to support the family, owned 7 %(9) of the businesses.



**Figure 10: Distribution by Marital Status**

*Source: Field Survey (2013)*

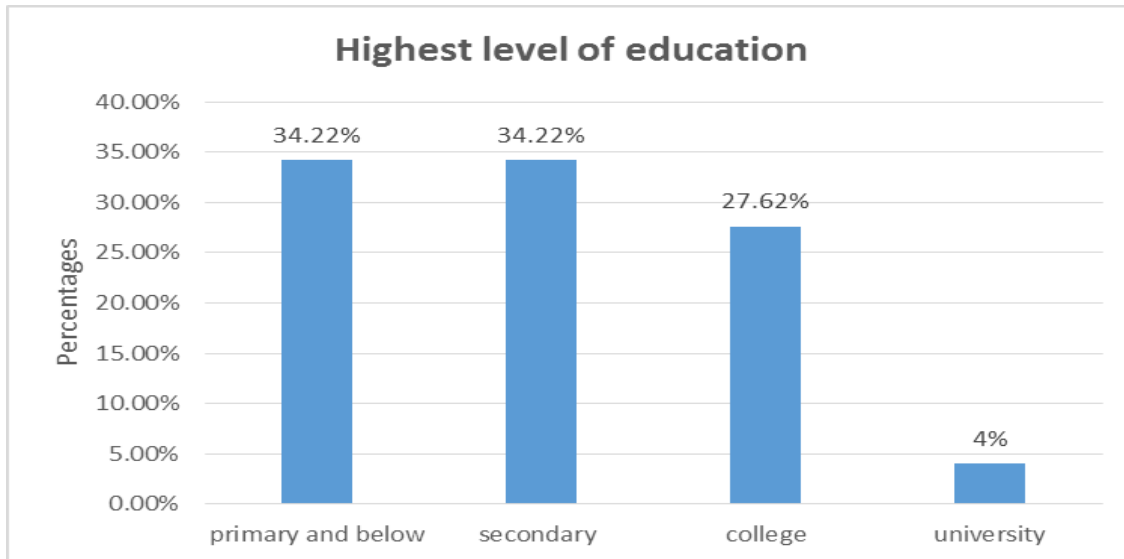
### 6.2.8 Distribution by Education

Figure 9 presents the frequency and percentages of the respondents' level of education. It shows that 34 %(42) of the respondents had secondary level of education, while 27.6 (34) had primary and middle college education. Those with university education constituted 5.7 %(7), while 4.1 %(5) had pre-primary education. These findings differ from those by KNBS (2009) that characterized low levels of education within the micro and small enterprise sector in Kenya - that three-quarters of entrepreneurs have primary level or no education. This study reveals that the majority of those micro and small enterprise operators in Kariobangi are relatively literate

academically. This revelation differs with Bowen's and his colleagues' findings that micro and small businesses are dominated by people with relatively low levels of education.

According to the case study interviews, the problem of stagnation of businesses is due to the inability of micro and small entrepreneurs to access and use the type of business information needed to support quality decision making, and not because of their low education level. This resonates with Kabiru (2006), who found that “little is known about the information seeking and access behaviour among entrepreneurs in Kenya” Kabiru (2006). In view of this, Kabiru notes that many entrepreneurs have no access to the relevant business information needed by their businesses. The process of information dissemination creates awareness, influences attitudes and changes social and economic behaviour of entrepreneurs involved in economic activities.

Kabiru (2006) “Analysis to determine if there was a relationship between business performance and level of education did not provide conclusive results. Overall, 75.4 %of those respondents who had received technical or vocational training said their business performance was declining. This may suggest that formal education is not a critical success factor at the level of micro and small business. According to the respondents interviewed, the majority of entrepreneurs with higher education qualifications do not consider their businesses as full-time concerns” Kabiru (2006).



**Figure 11: Distribution by Education**

*Source: Field Survey (2013)*

### **6.2.9 Distribution by Denomination**

The surveyed entrepreneurs were asked to indicate the denominations they belonged to. Table 5 presents frequencies/percentages of the denominations of the respondents. It reveals that 36.6 % (45) were from the Catholic Church, while 26 % (32) were from the Anglican Church of Kenya (ACK), and 13 % (16), were from Pentecostal churches. Other churches made up 16.3 % (20) of the denominations. The Presbyterian Church of East Africa (PCEA), constituted 5.7 % (7), and AIC comprised of 1.6 %, while 0.8 % did not specify their denomination. The Catholic Church in Kariobangi is the pioneer institution in supporting enterprise development among its members. This is also demonstrated by the findings, which show that the majority of the entrepreneurs surveyed were Catholics. All religions are concerned about the development of a total person; it is the church's responsibility to encourage and support people in their neighbourhoods so as to reduce poverty.

**Table 5: Distribution by Denomination**

	<b>Frequency</b>	<b>Percentage %</b>
Anglican	32	26.0
Catholic	45	36.6
Pentecostal	16	13.0
AIC	2	1.6
PCEA	7	5.7
Other churches (SDA, PEFA, KAG, Baptist, Islam)	20	16.3
Not specified	1	0.8
Total	123	100.0

*Source: Field Survey (2013)*

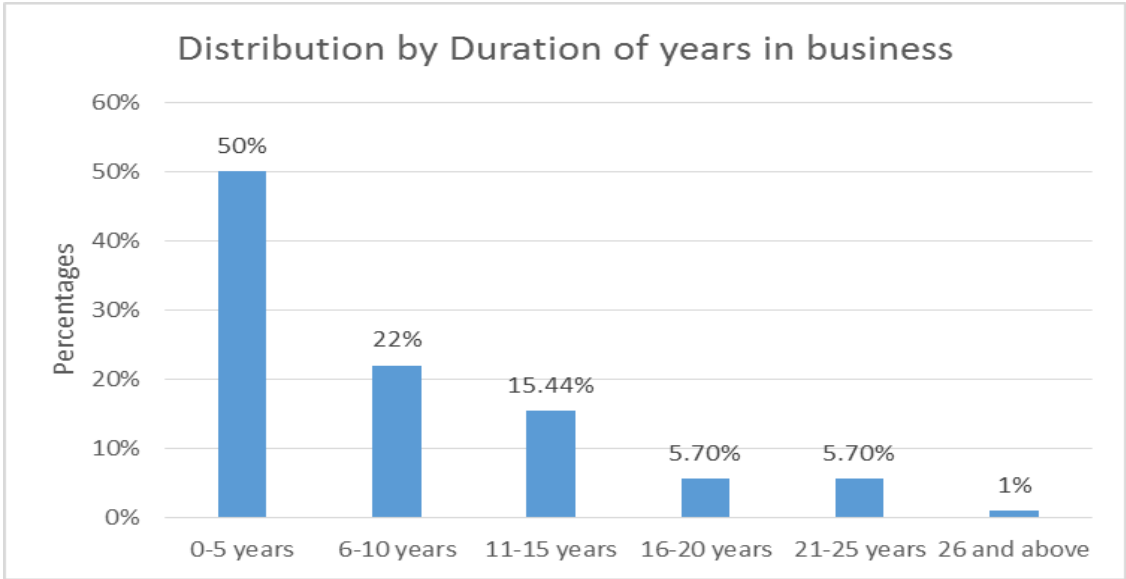
#### **6.2.10 Distribution by Duration in Business**

Figure 12 presents the frequency and percentages of the duration of the businesses studied. It reveals that 50 %(61) of the respondents had been in businesses for a period of between one and five years, while 21 %(27) have been in business for over five years, but less than ten years. It also shows that 15 %(19) of the respondents have been in business for between eleven and fifteen years, while 12 %(14) have been in business for between sixteen and twenty five years. About 1 % have been in business for over twenty six years.

The case study interviews revealed that businesses that are starting seem to face serious challenges that make their owners consider other options. This finding is clearly supported by the literature. Micro and small businesses achieve their peak in their fifth year of existence. After the fifth year, most entrepreneurs seem to suffer from what may be described as entrepreneurial burnout, and the excitement starts to decline. However, some entrepreneurs have managed to

survive the stiff competition and have improved their performance. Those who managed to survive graduated from the micro level of business to small and medium level. Those who start business for the sole reason of making money, and not for the sake of the business, almost bring their businesses to a grinding halt.

This finding seems to confirm the observation made by Liedholm and Mead (2008) and Longenecker *et al.* (2006) that, “stiff competition may lead to entrepreneurs losing interest in one business venture and instead look out for other opportunities” Liedholm and Mead (2008) and Longenecker *et al.* (2006) Case study interviews revealed that those who started their businesses as money making ventures did not do well, while those who had a passion for a particular business venture, or wanted independence, did well.



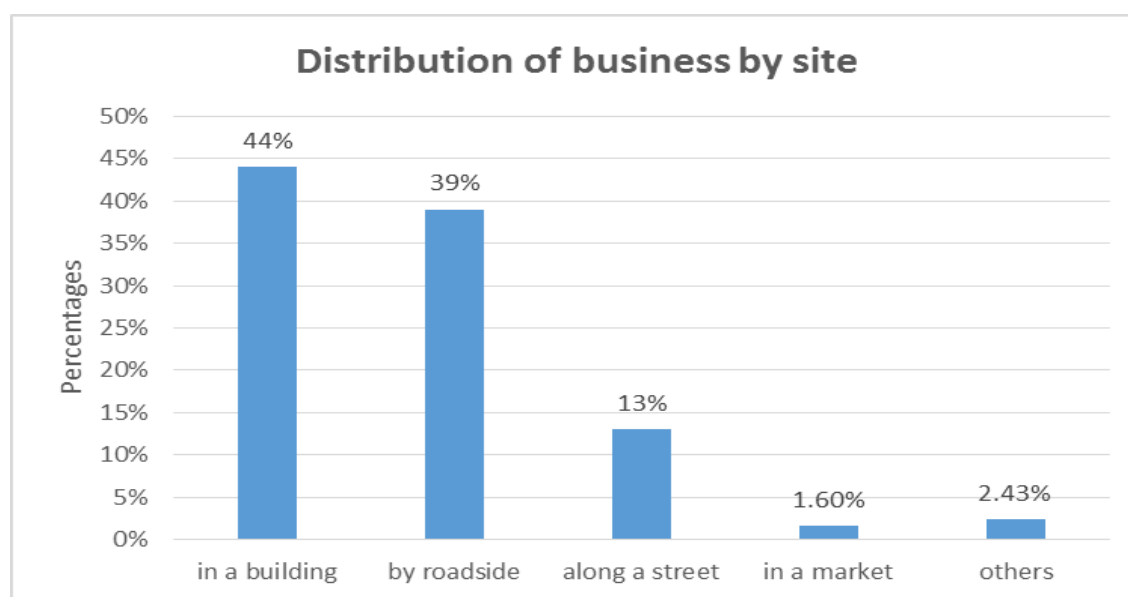
**Figure 12: Distribution by Duration**

*Source: Field Survey (2013)*

**6.2.11 Distribution by Business Site**

Figure 13 presents the frequencies and percentages of the business sites. The majority of micro and small enterprises in Kariobangi were in makeshift or temporary facilities. Figure 13 reveals

that 44 % of the entrepreneurs operate their businesses from their houses, while 39 % operate their businesses along the road sides and dark alleys. These sites are consistent with the expectations of the study and other studies, especially those conducted by Liedholm and Mead, “Business sites play a significant role in determining micro and small enterprises chances of survival as the majority of the enterprises are located in busy commercial places, particularly in areas where they have access to potential customers” Liedholm and Mead. The locational variables proved to significantly influence enterprise growth, as businesses located in commercial areas or along busy roadsides showed markedly stronger growth than those based within the home. The findings from the study, for example, reveal that businesses in traditional markets also grow more rapidly than home-based enterprises. In general, location has a strong influence on enterprise growth, although the specific effects sometimes vary at the market level.



**Figure 13: Distribution by Business Site**

*Source: Field Survey (2013)*

### **6.2.12 Distribution by Skills Training**



This study considered training as fundamentally important to business development as it acts as a vehicle that takes organizations to their destinations within a stipulated time frame.

Field Survey (2003) “The study sought to determine if there was a relationship between business performance and level of training in a particular line of business. The respondents (37 %) who received training in their areas of business reported that their businesses were doing well” Field Survey (2003). The interview results revealed that 60.8 % of those interviewed had no relevant business skills training. Field Survey (2003) “Their businesses were doing poorly as compared to those operated by entrepreneurs who had relevant training, though there were a few entrepreneurs in this category who reported that their businesses were doing well, even without training. It can be inferred that there is a negative relationship between lack of training and business performance” Field Survey (2003).

These findings are consistent with the findings by CBS (2000) which indicated, “That there was low access to basic services needed by micro and small enterprises to improve their performance. This limitation is due to the fact that most of the entrepreneurs lack necessary training and skills to enable them access and use information sources. The degree to which these entrepreneurs are able to grow and transform themselves into efficient and competitive entities that could reduce poverty depends on the extent to which they are able to receive and utilize information” (CBS, 2000). According to the respondents, this was attributed to lack of training opportunities and time to attend. Some operators indicated that even when such opportunities were available, the time to attend such training was not there, since closing business to attend such training meant no food for the day as they relied on the income from the business for daily basic needs.

However, the importance of skilled human resource to the survival of modern business cannot be overemphasized. For micro and small enterprises to survive the competitive business world, it must have skilled staff in consonance with its immediate and remote operational environment.

### **6.3 Performance of Entrepreneurs as Agents of Poverty Reduction**

Poverty affects different aspects of people's lives, existing when people are denied possibilities to learn, to work, to live fulfilling and healthy lives, and to live out their retirement years in security. Lack of earnings, access to quality health, good housing and education, and the quality of the local environment all affect people's well-being. This section highlights findings of enterprise performance in the entrepreneur's initiative to reduce poverty through enterprise performance. In this study, performance of the enterprises was measured in terms of (1) sales volumes, (2) number of employees and (3) the profits achieved. According to Liedholm and Mead (2008), "there are substantial differences in economic efficiency by enterprise size following analysis of sales and production costs of micro and small enterprises in several developing countries" Liedholm and Mead (2008). The results show that the returns per hour of family labour are significantly higher for enterprises with two to five workers when compared with enterprises with only one person working alone. These results suggest that one-person enterprises generate the lowest returns to the enterprise.

#### **6.3.1 Sales Volume**

The respondents provided their sales volume from the years they have been in business. Their responses were graded on Likert scale of 1 to 5, with 1 being 'very low', 2 being 'low', 3 being 'average', 4 being 'high' and 5 being 'very high'. Mean and standard deviations were calculated and are tabulated as shown below. The sales volume was graded as follows: very low (less than 5000 shillings), low (5000 to 15000 shillings), average (15001 to 50000), high (50001 to 70000) and very high (over 70000 shillings). Remembering their operations of the past years provided a

big challenge to many of the entrepreneurs, but since the majority of them were required to file their annual returns with the churches, we were able to get information from church records.

Table 6 shows the sales volume for the years 2003 to 2007 was average as shown by the mean of 3. In the year 2008 and 2009, the sales volume declined (mean of 2), probably due to the aftermaths of the post-election violence. In the year 2010 and 2011, the sales volume started their climb to average (mean of 3), and finally in the year 2012, most respondents reported that their sales volume was high (mean of 4.1456). This study had the advantage of comparing the performance of businesses over three phases in Kenya's history, namely; (1) trading years between 2003 to 2007 were years of stability, which were conducive for business, as shown by a mean average of 3; (2) Years between 2008 and 2009 were the aftermath years of the post-election violence, which affected business, hence the low sales volume of mean 2; (3) Years 2010 to 2012 were years of good business, rising to a record high of mean 4+, which was over and above the average of mean 3.

**Table 6: Sales Volume**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Sales volume 2003	123	3.0443	0.63061
Sales volume 2004	123	3.5190	0.80775
Sales volume 2005	123	3.5570	0.77959
Sales volume 2006	123	3.5886	0.88245
Sales volume 2007	123	3.0063	0.90643
Sales volume 2008	123	2.0316	0.69960
Sales volume 2009	123	2.2532	0.72214
Sales volume 2010	123	3.3228	0.76773
Sales volume 2011	123	3.6962	0.95577

Sales volume 2012	123	4.1456	0.69416
<b>Average</b>		<b>3.2405</b>	<b>0.70384</b>

*Source: Field Survey (2013)*

### 6.3.2 Number of Employees

The respondents provided the number of employees they had engaged since the inception of business. Their responses were graded on a Likert scale of 1 to 8, with one being 'less than 5', two being '5 to 10', three being '11 to 15', four being '16 to 20', five being '21 to 25', six being '26 to 30', seven being '31 to 40', and eight being '41 and above'. Table 7 shows the calculation of mean and standard deviation.

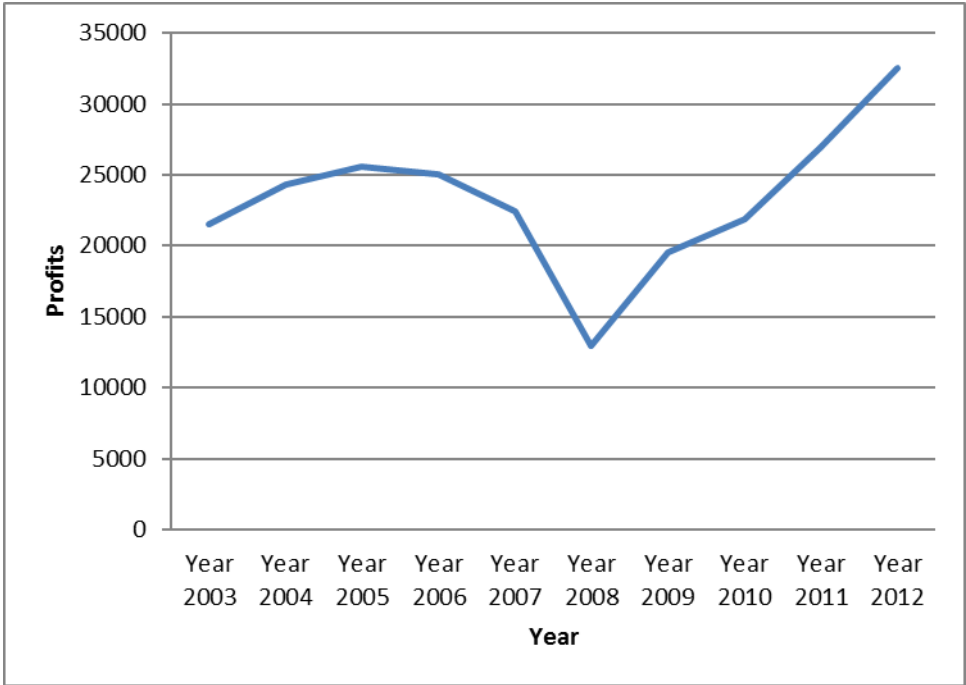
**Table 7: Number of Employees**

<b>Number of Employees</b>	<b>Mean</b>	<b>Std. Deviation</b>
No. of employees 2003	2.2278	.82862
No. of employees 2004	2.3924	.70213
No. of employees 2005	2.6013	.19415
No. of employees 2006	2.5506	.22369
No. of employees 2007	2.4873	.08691
No. of employees 2008	2.2911	.88371
No. of employees 2009	2.4304	.06099
No. of employees 2010	2.5063	.12157
No. of employees 2011	2.7975	.33907
No. of employees 2012	3.1772	.50379
<b>Total</b>	<b>2.4454</b>	<b>.45634</b>

*Source: Field Survey (2013)*

From the study findings in Table 7, it is evident that most enterprises had an average of 5 employees (mean of 2) from the years 2003 to 2011. However, in the year 2012, most enterprises had increased the number of employees to an average of 11 employees as evidenced by a mean of 3.1772. With the majority of enterprises operating as a one-person undertakings, it is not surprising that the largest employment category is working proprietors.. When unpaid family members are added, the numbers reach three-fourths of the workers in most places.

**6.3.3 Profits and Losses**



**Figure 14: Profits and Losses**  
*Source: Field Survey (2013)*

As shown in Figure 14, in the years between 2003 and 2007, the businesses were making average profits of 20000 to 25000 shillings. However, in the year 2008 the profits dropped to an average of 12900 shillings; this was probably due to the effects of the post-election violence that affected most of the people in the country. In the years of 2009, 2010, 2011 and 2012 the profits were once again on the rise, peaking at an average of 32500 shillings in 2012.

### 6.3.4 Enterprise Performance

The respondents were presented with various factors to rank their enterprise performance on the following scale: 1 being ‘very low’, 2 being ‘low’, 3 being ‘average’, 4 being ‘high’ and 5 being ‘very high’. Mean and standard deviations were calculated and are shown in Table 8. The respondents indicated that their ability to pay business costs, level of competitiveness, revenue generation and ability to run business activities was high with a mean of 4. On the other hand, others reported that their enterprises had an average variety of products (mean of 3).

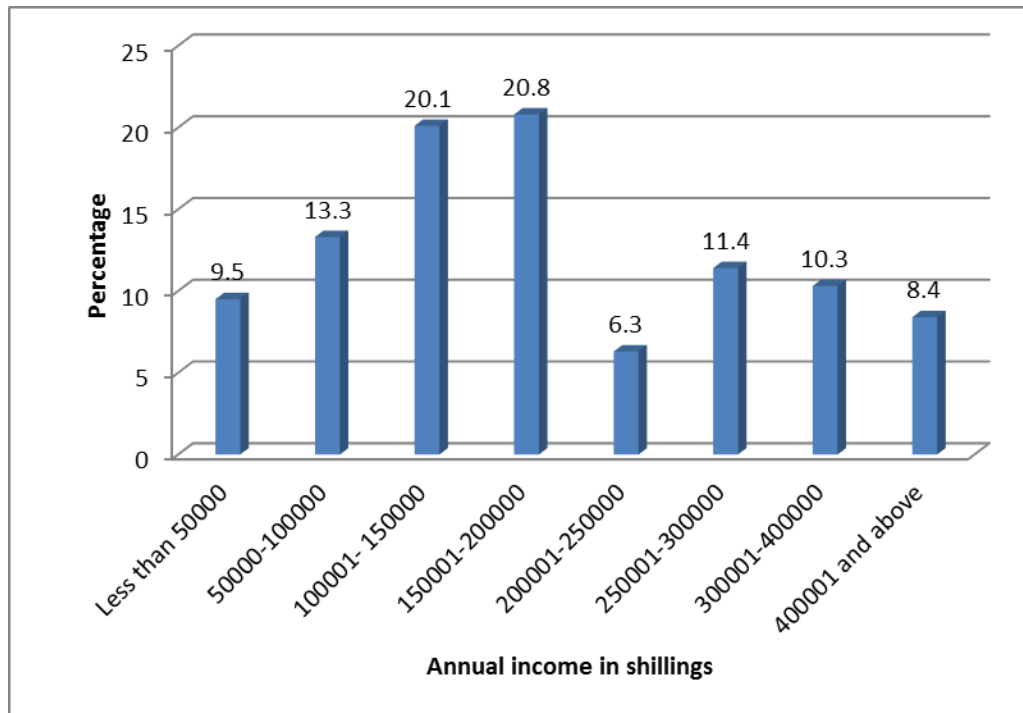
**Table 8: Factors Determining Enterprise Performance**

<b>Factor</b>	<b>Mean</b>	<b>Std. Deviation</b>
Ability to pay business costs	3.8987	0.75029
Level of competitiveness	4.481	0.56118
Varieties of products	3.4127	0.65557
Ability to run business activities	4.0127	0.69564
Revenue generation	3.8481	0.4397

*Source: Field Survey (2013)*

### 6.3.5 Level of Income

Figure 15 reveals that 20.8 % and 20.1 % of all the respondents indicated that their annual income was between 150,001 to 200,000 and 100,001 to 150,000 shillings respectively. Only 8.4 % of the respondents reported that their income was 400,001 and above, while 9.5 % indicated that their income was less than 5,000 shillings annually.



**Figure 15: Annual level of income**

*Source: Field Survey (2013)*

#### **6.4 Summary of Findings**

On the social and demographic characteristics of micro and small enterprises studied, 14.6 % (18) were joint-founded and owned by both spouses. Individual spouses founded and owned 3 % of the businesses. This resonates well with King and McGrath (2009); English and Henault (1995); and ILO (2002) who define, “micro and small enterprise as a household and survival sector, operated by the founder and owner, to provide basic needs and hopefully graduate to a medium-sized formalized enterprise” King and McGrath (2009); English and Henault (1995); and ILO (2002). On gender and business, there were more female entrepreneurs (52.8 %) than male (47.2 %). This is a reflection of a higher number of women entrepreneurs in Kariobangi who were able to benefit from the micro finance support from the faith-based institutions. The findings are also consistent with studies conducted by Liedholm and Mead (2008) and Kimani and Kombo (2010) who noted that majority of micro and small enterprises in Eastern and Southern Africa, including Kenya, are owned and operated by women. The ages of the entrepreneurs studied revealed that

the majority of the entrepreneurs were between twenty and forty years of age. Some of them had left paid jobs, while the majority were fresh from school. On entrepreneurs' level of education, the majority had secondary school education (34 %), while those with college and university education were at 4 %. These findings differ from those of the Republic of Kenya (2009) which characterized "low levels of education with the micro and small enterprise sector in Kenya" Republic of Kenya (2009). According to Republic of Kenya, three-quarters of the entrepreneurs in Kenya have either a primary level or no education. This study however reveals that the majority of entrepreneurs in Kariobangi have secondary school education and above, and therefore relatively literate.

The performance of the micro and small entrepreneurs was measured in terms of sales volumes, number of employees and the profits achieved. The entrepreneurs were asked to indicate their sales volume from the year 2003 to 2012. Sales volume for the years 2003, 2004, 2005, 2006 and 2007 were average, with a mean of 3. In the year 2008 and 2009, the sales volume declined to a mean of 2, probably due to the aftermaths of the post-election violence. In the year 2010 and 2011, the sales volume rose to a mean of 3, and finally, in the year 2012, most respondents reported that the sales volume was high with a mean of 4.1456 (Table 6).

On responses concerning the number of employees, the findings revealed that most enterprises had an average of 5 employees from the years 2003 to 2011. However, in the year 2012, some enterprises had increased the number of their employees to an average of 11 as evidenced by a mean of 3.1772. The findings are consistent with KIPPRA's (2002) findings that "micro enterprises generally are those with less than 10 employees" KIPPRA's (2002). The National Baseline Survey of 1999 (CBS, 2000) defined "micro enterprises as those non-primary enterprises in the informal sector which employ 10 or fewer workers" 1999 (CBS, 2000).



On the profits front, most enterprises were making an average of between Kenya shillings 20,000 to 25,000 in the years 2003, 2004, 2005, 2006 and 2007. During the year 2008 the profits dropped to an average of Kenya shillings 12,900, probably due to the effects of the post-election violence that affected most of the people in the country. However, in the period covering 2009, 2010, 2011 and 2012, the profits were once again on the rise, peaking at an average of Kenya shillings 32,500 in 2012.

Most of the respondents indicated that their ability to pay business costs, level of competitiveness, revenue generation and ability to run business activities was high at a mean of 4. Despite the complex performance process, due to numerous factors, micro and small entrepreneurs' performance had a profound impact on poverty reduction. Those entrepreneurs who performed well were able to exit from the poverty bracket. The indicative information from case studies revealed that these entrepreneurs behaved differently in seeking different types of information, in networking, in the use of preferred media and in demographics shared information.

According to findings on income generation, 20.8 % of the respondents had annual incomes of between Kenya shillings 150,001 and 200,000, while 20.1 % of other respondents indicated that their annual incomes were between Kenya shillings 100,001 to 150,000. Only 8.4 % of the respondents reported an annual income of Kenya shillings 400,001 and above; while 9.5 % indicated their income was less than Kenya shillings 5000 (Figure 13).

## CHAPTER SEVEN

### RESULTS ON ACCESS AND USE OF BUSINESS INFORMATION BY MICRO AND SMALL ENTREPRENEURS

#### **7.1 Introduction**

This study provides an interface between information use, micro and small enterprise performance and poverty reduction as it investigates the impact of information on these enterprises as agents for poverty reduction. This chapter examines and highlights findings of properties and dimensions of study concepts and how they help entrepreneurs to reduce poverty. The concepts highlighted in this section include the types of business information, networking, and preferred media and demographics shared information. It also provides and discusses findings on the important sources of business information and conclusions.

#### **7.2 Type of Information Used by Entrepreneurs for Poverty Reduction**

This study is based on the premise that access and use of business information by micro and small entrepreneurs would help them to improve their performance, which would enable them to exit from poverty.

This section provides and highlights findings on the types of business information needed by micro and small entrepreneurs. The findings on the type of business information include such variables as credit, markets, suppliers, customers, location, networks, government regulations, technology and training; variables that were compared by gender, marital status, education and age. The study's assumption was that when these types of information are made available to these entrepreneurs, it will help them to improve their performance. In the case study interviews, Debora, who is a textile trader, while contributing on the importance of business information to business and her sources of information said:

*“I get business information from my customers. In the informal settlement like Kariobangi, government does not care how we do business. We try to form business groups so that we can support one another and improve our families. So, there is no business information, except when city council askaris (security) confront you about business license, and so information is limited. However, I feel that information on business is important for its performance, but for me life now is how to survive. I am in business so that the family can get daily bread. Business information is critical to the business, but for me tunawindana (we play hide and seek) with the authority and I am not concerned where I get information for my business.”*

Table 9 shows that 53.7 %(66) of the respondents indicated that business information was available on market availability, while 70.7 %(87) was available on suppliers, and 72.4 %(89) was available on customers. Others indicated that 56.9 %(70) available on business location, and 30.9 %(38) was available on *chamas* (social groups), while 36.6 %(45) was available on technology, and 49.6 %(61) on training. When asked how useful the business information they received was, the general response was that the information they received was not specific and relevant to their type of business since it was for general consumption. They would receive general business information for all businesses, but not relevant to the needs of entrepreneurs, who require very specific business information. This resonates with other studies (Quebral, 2012; Pineda *et al.*, 1998; Bordenave, 1977; Dagon and Tufte, 2006) which observe that “conventional sources of business information were inaccessible, and when accessible, were haphazard, untargeted, unsuitable, and their source driven, instead of being demand driven” (Quebral, 2012; Pineda *et al.*, 1998; Bordenave, 1977; Dagon and Tufte, 2006). They are also in line with findings by Bordenave (1977) and Dagon and Tufte (2006) “who argued that sources of information were out of touch and lacked local interest and priorities” Bordenave (1977) and Dagon and Tufte (2006). The case study interviewees indicated that the sources from which business information originated had large business entities in mind, and they found it difficult to shift through the body of information to find what was relevant. Those who have managed to exit the poverty bracket indicated that this was due to the business information they received from their networks.

**Table 9: Frequency of Type of Business Information Used**

<b>Type of Information</b>		<b>Frequently Available</b>	<b>Frequently Available</b>	<b>Never Available</b>	<b>Not Specified</b>	<b>Total</b>
Credit	Count	67	46	8	2	123
	%	54.5	37.4	6.5	1.6	100.
Markets	Count	66	50	5	2	123
	%	53.7	40.7	4.1	1.6	100.
Suppliers	Count	87	31	3	2	123
	%	70.7	25.2	2.4	1.6	100.
Customers	Count	89	28	0	6	123
	%	72.4	22.8	.0	4.9	100.
Business Location	Count	70	39	6	8	123
	%	56.9	31.7	4.9	6.5	100.
Business Associations/Network	Count	38	47	31	7	123
	%	30.9	38.2	25.2	5.7	100.
Policy and Regulations	Count	32	48	34	9	123
	%	26.0	39.0	27.6	7.3	100.
Technology	Count	45	42	26	10	123
	%	36.6	34.1	21.1	8.1	100.
Business Training	Count	61	40	12	10	123
	%	49.6	32.5	9.8	8.1	100.
<b>Total</b>	<b>Count</b>	<b>555</b>	<b>371</b>	<b>125</b>	<b>56</b>	<b>1107</b>
	<b>%</b>	<b>50.1</b>	<b>33.5</b>	<b>11.3</b>	<b>5.1</b>	<b>100.</b>

*Source: Field Survey (2013)*

### 7.2.1 Type of Information by Gender

This section provides comparison of the ratings of type of business information by gender. Table 10 reveals that 98 %of both male and female entrepreneurs indicated that they sought business information on credit facilities. Both male and female entrepreneurs tied at 98 %for business information on markets and suppliers. On customers, 93 %of male entrepreneurs indicated that they sought business information on customers compared to 97 %of their female counterparts. Concerning business location, 93 %of male entrepreneurs indicated that they sought business

information on business location compared to 94 %of their female counterparts. On business networks, 93 %of male entrepreneurs sought information on networks compared to 95 %of their female counterparts. On government regulations, 93 %of male entrepreneurs sought business information on government regulation compared to 92 %of their female counterparts. As regards technology, 93 %of male entrepreneurs sought business information on technology compared to 91 %of their female counterparts. Concerning business training, 91 %of male entrepreneurs sought information from NGOs, compared to 92 %of their female counterparts.

These findings did not provide very useful variations as both male and female entrepreneurs had very close ratings. When we sought clarification from the case study interviewees, they indicated that they sought the type of business information they needed and not those that were available.

Since the sources do not target the business community, the information is unsuitable. In view of this, they spend their readership, viewership and listenership, on news and entertainment, hoping to find business related information. Mzungu (2013) argues that “male audience listen more to radio than their female counterparts” According to Mzungu (2013) “while reviewing consumption patterns among gender Mzungu (2013) determined that news was a significant driver male audiences” Mzungu (2013).

Table 10: Type of Business Information by Gender

	Male %	Female %
Credit	98	98
Markets	98	98
Suppliers	98	98
Customers	93	97
Business location	93	94
Business associations/network	93	95
Policy and regulations	93	92
Technology	93	91
Business training	91	92

*Source: Field Survey (2013)*

### **7.2.2 Type of Information by Marital Status**

This section provides comparison of the ratings of type of business information by marital status. Table 11 reveals that 100 % of single entrepreneurs indicated that they sought business information on credit compared to 97 % of those who are married, 100 % of divorced, and 100 % of widows. As regards to markets, 100 % of single entrepreneurs indicated that they sought business information markets compared to 97 % of those are married, 100 % of divorced, and 100 % of widows. As regards to suppliers, 100 % of single entrepreneurs indicated that they sought business information on suppliers compared to 97 % of those who are married, 100 % of divorced, and 100 % of widows. On customers, 100 % of single entrepreneurs indicated that they sought business information on customers compared to 95 % of those who are married, 50 % of divorced, and 100 % of widows. Concerning business location, 96 % of single entrepreneurs indicated that they sought business information on business location compared to 94 % of those who are married, 50 % of divorced, and 100 % of widows. On business networks, 96 % of single entrepreneurs indicated that they sought business information on business networks compared to 95 % of those who are married, 50 % of divorced, and 100 % of widows. As regards to government regulations, 93 % of single entrepreneurs indicated that they sought business information on government regulations compared to 94 % of those are married, 50 % of divorced, and 100 % of widows. Concerning technology, 93 % of single entrepreneurs indicated that they sought business information on technology compared to 94 % of those married, 0 % of divorced, and 100 % of widows. On training, 93 % of micro and small entrepreneurs indicated that they sought business information on business training compared to 92 % of those who are married, 50 % of divorced, and 100 % of widows.

On average 99 %of the entrepreneurs had access to credit, markets and suppliers, while 86 %had access to customers, 85 %had access to networks and location, 84 %had access to government policy and skills training, and 72 %had access to technology.

These findings did not exhibit useful variations. The statistics were however useful in informing the case study questions as to why there were such responses. Although those who are single, married, divorced and widowed indicated that they were aware of availability of the type of information they needed, the interviewees clarified that this information was not available from the traditional official sources such as government agents, financial institutions, NGOs, print or broadcast media, but from family, friends, relatives and networks. Apart from those who are divorced, all other categories had indicated that they sought information on all areas. Respondents who were interviewed during case study sessions indicated that divorced entrepreneurs suffered from stigma, especially from family and relatives; and had very limited networks. This affected their urge to seek business information.

**Table 11: Type of Business Information by Marital Status**

	Single %	Married %	Divorced %	Widowed %
Credit	100	97		100
Markets	100	97	100	100
Suppliers	100	97	100	100
Customers	100	95	50	100
business location	96	94	50	100
business associations/network	96	95	50	100
policy and regulations	93	94	50	100
Technology	93	94	0	100
business training	93	92	50	100

*Source: Field Survey (2013)*

### 7.2.3 Type of Business Information Education

This section provides comparison of the ratings of business information by level of education. Table 12 reveals that 100 % of entrepreneurs without education, pre-primary, and primary sought business, while 98 % with secondary, 80 % university education, sought the same. On markets, 100 % of those entrepreneurs without education indicated that they sought business information on markets compared to 100 % of those with pre-primary, 100 % with primary, 98 % with secondary, 100 % with middle level and 80 % with university education. As regards to suppliers, 100 % of those entrepreneurs without education indicated that they sought business information on suppliers compared to 100 % of those with pre-primary, 100 % with primary, 86 % with secondary, 100 % with middle level and 80 % with university education. On customers, 100 % of those entrepreneurs without education indicated that they sought business information on customers compared to 100 % of those with pre-primary, 97 % with primary, 95 % with secondary, 94 % with middle level and 80 % with university education. Concerning business location, 100 % of those entrepreneurs without education indicated that family members were important source of business information compared to 100 % of those with pre-primary, 97 % with primary, 90 % with secondary, 94 % with middle level and 80 % with university education. On business networks, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 100 % of those with pre-primary, 97 % with primary, 93 % with secondary, 94 % with middle level and 80 % with university education. Regarding government regulations, 100 % of those entrepreneurs without education indicated that they sought business information on government regulations, compared to 100 % of those with pre-primary, 97 % with primary, 90 % with secondary, 91 % with middle level and 80 % with university education. On technology, 100 % of entrepreneurs without education indicated that they sought business information on technology, compared to 100 % of those with pre-primary,



97 % with primary, 93 % with secondary, 85 % with middle level and 80 % with university education. On business training, 100 % of those entrepreneurs without education indicated that they sought business information on business training, compared to 86 % of those with pre-primary, 94 % with primary, 95 % with secondary, 88 % with middle level and 80 % with university education.

On average, all categories of entrepreneurs with different educational statuses had 96 % on credit, markets and suppliers, 94 % on customers, 93 % on location, 94 % on networks, 93 % on government policy and technology, and 91 % on skills related training.

These findings did not demonstrate useful variations; but the statistics were useful in informing the case study questions, especially as to why there were such responses. Although those with different levels of education indicated that information was available on the type of information they needed with such high frequencies, the interviewees clarified that this information was not available from the traditional official sources such as government agents, financial institutions, NGOs, print or broadcast media; but from families, friends and relatives, and networks.

**Table 12: Type of Business Information by Education**

	None %	pre-primary %	Primary %	Secondary %	College %	University %
Credit	100	100	100	98	100	80
Markets	100	100	100	98	100	80
Suppliers	100	100	100	98	100	80
Customers	100	100	97	95	94	80
Business location	100	100	97	90	94	80
business associations/network	100	100	97	93	94	80
Policy and regulations	100	100	97	90	91	80
Technology	100	100	97	93	85	80

Business training	100	86	94	95	88	80
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*Source: Field Survey (2013)*

#### **7.2.4 Type of business Information by Age**

This section provides comparison of the ratings of type of business information by age groups.

Table 13 reveals that 96 %of entrepreneurs of the 18-35 years age group indicated that they sought business information on credit facilities compared to 94 %of entrepreneurs in the 36-50 age group and 96 %of entrepreneurs above 50 years. On markets, 96 %of entrepreneurs in the 18-35 years age group sought business information, compared to 94 %of entrepreneurs in the 36-50 years age group, and 96 %of entrepreneurs above 50 years. On suppliers, 96 %of entrepreneurs in the 18-35 years age group sought business information, compared to 94 %of entrepreneurs in the 36-50 years age group and 96 %of entrepreneurs above 50 years.

On customers, 96 %of entrepreneurs within the 18-35 years age group sought business information, compared to 85 %of entrepreneurs in the 36-50 years age group, and 96 %of entrepreneurs above 50 years. Concerning business location, 95 %of entrepreneurs aged between 18 and 35 years sought business information, compared to 82 %of entrepreneurs in the 36-50 age group, and 96 %of entrepreneurs above 50 years. On business networks, 96 %of entrepreneurs aged between 18 and 35 years sought business information, compared to 82 %of entrepreneurs within the 36-50 age group, and 96 %of entrepreneurs above 50 years. On government regulations, 93 %of entrepreneurs aged between 18 and 35 years sought business information, compared to 82 %of entrepreneurs in the 36-50 age group, and 96 %of entrepreneurs above 50 years. As regards technology, 90 %of entrepreneurs aged between 18 and 35 years sought business information, compared to 85 %of entrepreneurs within the 36-50 age group, and 96 %of entrepreneurs above 50 years. Concerning business training, 92 %of entrepreneurs within the 18

and 35 years age group sought business information, compared to 82 %of entrepreneurs in the 36-50 age group, and 96 %of entrepreneurs above 50 years.

On average, 94 %of those aged between 18 and 35 years had access to relevant business information compared to 87 %of those within the 36-50 years age group, and 96 %of those above 50 years.

These findings do not demonstrate useful variations. These statistics were however useful in informing the case study questions, as to why there were such responses. Although the survey findings indicated that information was available to the respondents, during case study interviews it was revealed that this information was not available from the traditional official sources such as government agents, financial institutions, NGOs, print or broadcast media; but from families, friends and relatives, and networks. The availability of these information sources however had its limitation since they did not cover the wider business sources.

**Table 13: Type of business Information by age**

	<b>18 - 35 years</b>	<b>36 - 50 years</b>	<b>Above 50 years</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Credit	96	94	96
Markets	96	94	96
Suppliers	96	94	96
Customers	96	85	96
Business location	95	82	96
Business associations/network	96	82	96
Policy and regulations	93	82	96
Technology	90	85	96
Business training	92	82	96

*Source: Field Survey (2013)*

**Table 14: Cross Tabulation of Type of Information Used**

Type of Information Used	Yes	No
Credit	96	27
Markets	110	13
Suppliers	78	45
Customers	123	0
Business location	68	55
Technology	45	78
Business	50	73
Associations/network		
Business training	67	56
Policy and regulations	109	14

*Source: Field Survey (2013)*

### 7.3 Networking and Linkages as Agents for Poverty Reduction

This section highlights findings of networks and linkages as methods of sourcing business information sought by micro and small entrepreneurs. The entrepreneurs in Kariobangi have used networks and linkages to access business information. The respondents were given various statements on networking and poverty reduction by the micro and small enterprises in Kariobangi.

**Table 15: Statements on Networking**

Statements on networking	Mean	Std. Deviation
Conferences are effective mechanism of getting to meet potential customers, keeping up-to-date with the latest developments	4.2468	0.73741
Effective information networks enrich the entrepreneur's environment	4.0253	0.56376
Participation in trade associations enhances employees motivation, thus improving their standards	4.2025	0.60528
Involvement with women's groups enhances networking	4.4051	0.55337

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Availability and accessibility of mentors and advisors in business matters helps in poverty reduction	4.0316	0.55776
Support systems and networking among business associates is key to positive growth	4.1962	0.60211

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*Source: Field Survey (2013)*

Most respondents agreed (mean of 4) to all the statements given on networking; that is: conferences are effective mechanism of getting to meet potential customers, keeping up-to-date with the latest developments; effective information networks enrich the entrepreneur's environment; participation in trade associations enhances employees motivation, thus improving their standards; involvement with women's groups enhances networking; availability and accessibility of mentors and advisors in business matters motivates poverty reduction; and support systems and networking among business associates is key to positive growth.

### **7.3.1 Methods of Networking**

Respondents were asked to indicate the methods of networking that they used in their enterprises. Most of them reported the following methods: meeting with other women in business; having table banking groups; being a member of a 'chama' (women's group); attending workshops and business clubs. Case study interviews revealed that three quarters of the operators sold to individual consumers as opposed to traders and manufacturers. However, subcontracting efforts were identified, especially among those entrepreneurs who had managed to exit the poverty bracket in the research area. This may be due to the somewhat smaller markets as well as to the propensity of the larger firms to import a large share of their needed inputs (Liedholm and Mead, 1987).

### **Table 16: Cross Tabulation of Networking**

	<b>Yes</b>	<b>No</b>
Networking	120	3

#### **7.4 Preferred Media for Business Information**

In order to assess the preferred media used for business information, the entrepreneurs were asked to rank their daily use of preferred media. Table 17 presents print and electronic media, namely; Radio, TV, Newspapers, Mobile Phones, Internet and Social Media, as sources of business information. It identifies considerably different patterns among the sources.

##### **7.4.1 Preference to Radio for Business Information**

In the study, the surveyed entrepreneurs were asked to indicate the pattern of their preference radio for business information. Table 17 reveals that 13.8 %(4) of MSEs listened to Radio for business information, compared to 12.2 %who watched TV for business information, and 20.3 % who don't read newspapers, and 30.9 % who used mobile phones for business.

On radio listening, the survey findings revealed that 3.3 %of the entrepreneurs listened to radio one day a week, 10 %listened for two days a week, 7.3 %listened for three days a week, 5.7 %four days a week, 0.8 %five days a week, 1.6 %six days a week,while 38 %of the respondents listened to Radio seven days a week.

According to case study interviews, Inooro FM was preferred because it provided relevant business information in the Kikuyu vernacular language to Kikuyu listeners. According to Kikuyu listening entrepreneurs, Inooro FM provided the listeners with business information that give training packages, sources of business information on skills required to do business, credit and market information for different products. This has equiped Kikuyu entrepreneurs with skills

that have enabled them to improve their performances. The Luo entrepreneurs preferred Ramogi FM since it provided them with business tips in the Luo vernacular language, although they mostly used it for social and political news. Mzungu (2013) argues that male audience listen more to radio than their female counterparts. According to Mzungu (2013), while reviewing consumption patterns among gender Mzungu (2013) determined that news was a significant driver for male audiences.

**Table 17: Preferred Media for Business Information**

Source of business News									
	Don't use source of business news	One day in a week	Two days in a week	three days in a week	four days in a week	five days in a week	six days in a week	seven days in a week	Total
Radio	17	4	13	9	7	1	2	47	123

	%	13.8	3.3	10.	7.3	5.7	.8	1.6	38.	100.
TV		15	7	11	8	9	3	3	44	123
	%	12.2	5.7	8.9	6.5	7.3	2.4	2.4	35.	100.
Newspapers		25	8	8	3	3	1	2	38	123
	%	20.3	6.5	6.5	2.4	2.4	.8	1.6	30.	100.
Mobile Phones		38	4	4	1	1	2	3	35	123
	%	30.9	3.3	3.3	.8	.8	1.6	2.4	28	100.
Internet		63	3	4	1	0	1	0	9	123
	%	51.2	2.4	3.3	.8	.0	.8	.0	7.3	100.
Face book and Twitter		67	3	2	2	0	1	0	8	123
	%	54.5	2.4	1.6	1.6	.0	.8	.0	6.5	100.
Others		52	0	2	0	0	0	0	0	123
	%	42.3	.0	1.6	.0	.0	.0	.0	.0	100.

*Source: Field Survey (2013)*

#### **7.4.2 Preference to TV for Business Information**

In the study, the surveyed entrepreneurs were asked to indicate their pattern of TV viewership for business information by number of days in a week. The findings revealed that 12.2 % of entrepreneurs watch TV for their business information, compared to 13 % who listen to radio for business information, and 20.3 % who read newspapers. Table 17 reveals that only 5.7 % of the respondents indicated that they used TV for their business information for at least a day in a week, while 8.9 %, or eleven respondents, used TV two days a week, 6.5 % or eight respondents used the internet thrice a week, 7.3 % used it four days in a week, 2.4 % or three respondents each used TV five and six days a week respectively, while 7.3 % or nine respondents used TV seven



days per week. The TV was the second most preferred source of business news, especially Citizen TV among the TV audience.

#### **7.4.4 Preference to Mobile Phones for Business Information**

In the study, the respondents were asked to indicate the pattern of mobile phone usage for business information by the number of days used in a week. Access to and usage of mobile phones compared to other media was relatively high as 28 %, or thirty five respondents, used mobile phones for seven days a week. Table 17 reveals that 3.3 % used mobile phones once per week, 3.3 % (4) used mobile phones twice a week. It further reveals that 0.8 % used mobile phones three days in a week, while 1.6 % used the mobile phone five days a week, and 2.4 %, used it for six days in a week.

#### **7.4.5 Preference to Internet for Business Information**

Internet users in Kenya are now most likely able to obtain firsthand information from a company or the government from Twitter or Facebook. The information could be a press release of a new product, countering an allegation, informing the public of a suspended service or a link where people can download a report. Previously, people relied almost exclusively on traditional media outlets such as print, TV and radio to obtain this kind of information. In addition, breaking news tend to break first on social media before trickling down to the traditional media outlets. The surveyed entrepreneurs were asked to indicate their pattern of internet usage for business information and to indicate how many days in a week they used it for business news. Table 17 shows the preferred media for business information and the number of days in a week it is used for business news. It reveals that 51.2 % of the respondents indicated that they did not use internet for their business information. Only 2.4 %, or three respondents, used the internet once a

week, 3.3 % or four respondents used the internet twice a week, 0.8 % used it three times in a week, while 7.3 % or nine respondents used the internet throughout the week. Access to and usage of the internet and other social media was dismally low. The low usage of internet is consistent to the low internet penetration and the low computer ownership, especially among the informal settlements as revealed by CCK (2012).

#### **7.4.6 Preference to Social Media for Business Information**

The surveyed entrepreneurs were asked to indicate their pattern of Facebook and Twitter usage for business information and number of days in a week. Table 17 reveals that 54.5 % (67) of the respondents did not use Facebook and Twitter for their business information. Only 2.4 % (3), used Facebook and Twitter one day in a week for their business information, 1.6 % (2) used Facebook and Twitter two days in a week for their business information, 1.6 % (2), used Facebook and Twitter three days in a week for their business information, while 6.5 % (8), used Facebook and Twitter seven days per week for their business information. Access to and usage of Facebook and Twitter and other social media by the entrepreneurs in Kariobangi was dismally low. The low usage of Facebook and Twitter is consistent to the low internet penetration and low computer ownership, especially in the informal settlements as revealed by CCK (2012). However, according to the ICT Sector Statistics Report (2014), “Twitter usage in Kenya has been doubling year on year, and it is estimated there are around 1.4 million to 2.1 Kenyans on Twitter, with 700,000 being active monthly users of the social network. Social media usage in Kenya is growing” ICT Sector Statistics Report (2014). According to CCK (2012), “there are estimated to be over 26.1 million internet users in Kenya, from 23.2 million the previous quarter, which is an impressive growth of an additional 4.8 million users in a single quarter” CCK

(2012). Also, in Kenya there are 4.3 million people on Facebook and close to one million users on LinkedIn. These numbers are expected to go up due to the increase use of social media in the country.

## 7.5 Preferred Media by Demographic Profiles

This section highlights the comparisons of the usage of preferred media for business information by demographic characteristic.

### 7.5.1 Preferred Media by Gender

This section presents findings that show the usage of preferred media by gender for business information. Table 18 reveals that more female (88 %) listened to radio compared to men (84 %) for business information. For TV use, both male and female tied at 88 %. As regards to reading newspapers for business information, 81 % of male entrepreneurs read newspapers, compared to 78 % of female entrepreneurs. More female entrepreneurs used mobile phones for business news than their male counterparts (67 %), so was in the use of the internet where 51 % of female entrepreneurs used the internet compared to 47 % male entrepreneurs. In the use of Facebook and Twitter, more female entrepreneurs (52 %) used this medium than their male counterparts (38 %), so was in the use of other sources, where 68 % were female and 47 % were male.

**Table 18: Preferred Media by Gender**

<b>Sources</b>	<b>Male (%)</b>	<b>Female (%)</b>
Radio	84	88
TV	88	88
Newspapers	81	78
Mobile Phones	67	71
Internet	47	51
Facebook/Twitter	38	52
Other sources	47	68

*Source: Field Survey (2013)*

### **7.5.2 Preferred Media by Marital Status**

This section presents findings that show the usage of preferred media by marital status for business information. It determines whether the difference in marital status influence have preferences on media consumption for business news. Table 19 reveals that 100 % of entrepreneurs who are divorced prefer radio compared to those who are single (82 %), married (87 %), widows (89 %). Like in the above category, those who are divorced still lead in watching TV for business news, especially the vernacular channels. This is followed by widows (89 %), married (88 %), and the single (86 %). It reveals further that divorced entrepreneurs still lead in newspaper readership (100 %), followed by those who are single (89 %), widowed (78 %), married (76 %), in that order. As regards the Mobile phone use, widows had higher preference at 78 %, followed by singles (71 %), and the married (68 %). Internet use by marital status is relatively higher among those who are married (51 %). This is followed by singles at 46 % and widows at 44 %. Those who are divorced had zero use of the internet. Those who used Facebook and Twitter included, in the order of frequency, singles (50 %), married (45 %), widows (44 %). Like in using the internet, those who are divorced never used Facebook or Twitter. Others include singles (57 %), married (57 %), widows (18 %) and divorced (4 %).

**Table 19: Preferred Media by Marital Status**

	<b>Single</b>	<b>Married</b>	<b>Divorced</b>	<b>Widowed</b>	<b>Not Married</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Radio	82	87	100	89	50
TV	86	88	100	89	50
Newspapers	89	76	100	78	50
Mobile Phones	71	68	50	78	50

Internet	46	51	0	44	0
Facebook/Twitter	50	45	0	44	0
Other sources	57	57	4	18	7

*Source: Field Survey (2013)*

### 7.5.3 Preferred Media by Education

This section presents findings that show the usage of preferred media by education for business information. Table 20 reveals that 100 % of those with pre-primary education prefer radio compared to 82 % with primary education, 81 % of secondary level, 91 % of middle-level and 100 % of university level education. It also shows that 86 % of those with pre-primary education prefer radio compared to 85 % with primary education, 88 % of secondary level, 91 % of middle level and 80 % of university level education. As regards newspaper readership, 71 % of those with pre-primary education read newspapers, compared to 74 % of primary, 81 % of secondary, 82 % of middle college and 100 % of university education. Mobile phone use cuts across the education divide, with those with university education having a higher preference for mobile phone use for business news (80 %). Others include secondary (74 %), primary (71 %), college (62 %) and pre-primary (57 %). Internet and social media have higher among those with university education (80 and 60 % respectively). The use of internet and social media is made possible by the family members of the entrepreneur, especially the children, who then share information with their parents.

**Table 20: Preferred Media by Education**

	<b>Pre-Primary</b>	<b>Primary</b>	<b>Secondary</b>	<b>College</b>	<b>University</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Radio	100	82	81	91	100
TV	86	85	88	91	80
Newspapers	71	74	81	82	100

Mobile Phones	57	71	74	62	80
Internet	43	53	43	50	80
Facebook/Twitter	43	56	38	44	60
Other sources	57	59	57	62	40

*Source: Field Survey (2013)*

#### **7.5.4 Preferred Media by Age**

This section presents findings that show the usage of preferred media by age for business information. Table 21 reveals that 82 % of those between 18-35 years prefer radio compared to 85 % of those between 36-50 years, and 69 % of those above 50 years.

It also shows that 86 % of those between 18-35 years watch TV for their business news compared to 82 % of 36-50 years, and 69 % of those who are over 50 years. There is a reduction in the level of readership of newspapers compared to radio listenership and those who watch TV by 78 % between the ages of 18-35 years and 36-50 years. Mobile phones remain relatively competitive at 65 % for those between 18-35 years, and 69 % for those between 36-50 years, reducing to 55 % for those over 50 years. This is because mobile phones are predominantly used to transact M-pesa business, and not necessarily to source business news. Other social media compare favourably among the age groups: 49 % and 47 % of 18-35 use the internet, Facebook and Twitter, compared to 43 % and 39 % of the same age bracket. Other sources of business news such as *chamas*, networks, and social forums compare well at 56 % for the 18-35 age group, 59 % for 35-50 age group, and 27 % for those over 50 years.

**Table 21: Preferred Media by Age**

	18 - 35 years	36 - 50 years	Above 50 years
Sources	%	%	%
Radio	82	85	69

TV	86	82	69
Newspapers	78	78	55
Mobile Phones	65	69	55
Internet	49	43	27
Facebook/Twitter	47	39	27
Other sources	56	59	27

*Source: Field Survey (2013)*

**Table 22: Cross Tabulation of Preferred Media for Business News**

<b>Cross tabulation of Preferred media</b>	<b>Yes</b>	<b>No</b>
Radio	96	27
TV	110	13
Newspapers	78	45
Mobile phones	123	0
Internet	68	55
Facebook/Twitter	50	73
Other source of business news	109	14

*Source: Field Survey (2013)*

## **7.6 Demographics Shared Information**

This section provides the findings of the demographic shared information. The selected demographic profiles considered are gender, age, marital status and the level of education.

### **7.6.1 Sources of Shared Information by Gender**

This section provides comparison of the ratings of the importance of business information to micro and small entrepreneurs by gender. Table 23 reveals that 91 %of male entrepreneurs indicated that family members were important source of business information compared to 88 %of female entrepreneurs. On friends, 97 %of male entrepreneurs indicated that friends were an important source of business information compared to 94 %of female entrepreneurs. As regards relatives, 91 %of male entrepreneurs indicated that relatives were important source of business information compared to 89 %of female entrepreneurs. On religion, 88 %of male entrepreneurs



indicated that religion is an important source of business information compared to 78 %of their female counterparts.

Concerning the same ethnic grouping, 93 %of male entrepreneurs indicated that people from their ethnic group were important source of business information compared to 88 %of their female counterparts. On banks, 86 %of male entrepreneurs indicated that banks were an important source of business information compared to 75 %of their female counterparts. As regards micro finance, 86 %of male entrepreneurs indicated that micro finance institutions were an important source of business information compared to 80 %of their female counterparts. Concerning NGOs, 83 %of male entrepreneurs indicated that NGOs were important sources of business information compared to 75 %of their female counterparts. On radio, 86 %of male entrepreneurs indicated that radio, especially local vernacular FM stations, were important sources of business information compared to 80 %of their female counterparts.

On TV, 88 %of male entrepreneurs indicated that TV, especially local vernacular channels, were important sources of business information compared to 80 %of their female counterparts. On women groups, 78 %of male entrepreneurs indicated that women groups were important sources of business information compared to 88 %of their female counterparts. On self-help groups, 90 %of male entrepreneurs indicated that self-help groups were important sources of business information compared to 85 %of their female counterparts. As regards welfare groups, 81 %of male entrepreneurs indicated that welfare groups were important source of business information compared to 75 %of their female counterparts. On former schoolmates, 79 %of male entrepreneurs indicated that former schoolmates were important source of business information compared to 78 %of their female counterparts. On suppliers, 83 %of male entrepreneurs indicated that suppliers were important source of business information compared to 80 %of their

female counterparts. As regards to visits to social places, 81 %of male entrepreneurs indicated that social places were important sources of business information compared to 75 %of their female counterparts.

**Table 23: Sources of Shared Information by Gender**

	<b>Male</b>	<b>Female</b>
<b>Sources of Business Information</b>	<b>%</b>	<b>%</b>
Family members	91	88
Friends	97	94
Relatives	91	89
Religion	88	78
People from my ethnic group	93	88
Banks	86	75
Microfinance	86	80
NGOs	83	75
Radio	86	80
Television	88	80
Women group	78	88
Self-Help Group	90	85

Welfare and Burial Org.	81	75
Former Schoolmates	79	78
Suppliers	83	80
Clubs	78	75
Bars	84	75

*Source: Field Survey (2013)*

### **7.6.2 Sources of Demographic Shared Information by Age**

This section provides comparison of the sources of business information by age. Table 24 reveals that 88 % of the 18-35 age group indicated that the family was an important source of business information (compared to 85 % of the 35-50 age group) 82 % of being the age of 50 years.

On friends, 95 % of entrepreneurs within the age group of 18-35 indicated that the important source of business information was family compared to 87 % of 35-50, and 96 % of over 50 age groups. As regards to relatives, 89 % of entrepreneurs within the age groups of 18-35 indicated the same about the family compared to 82 % of the age group of 35-50, and 96 % of those being over 50 years. On religion, 81 % of entrepreneurs within the age group of 18-35 indicated likewise to the family as the important source of information compared to 78 % of 35-50 and 82 % being over 50 years.

Concerning ethnic groups, 89 % of entrepreneurs within the age of 18-35 indicated that family members provided important source of business information compared to 71 % of the age group of 35-50, and 82 % of over the age of 50 years.

On banks, 81 % of entrepreneurs within the age group of 18-35 indicated that family members were important sources of business information compared to 71 % of 35-50, and 82 % of those over 50 age groups. On micro finance, 81 % of those entrepreneurs within the 18-35 age group indicated that family members were important sources of business information compared to 78

%of 35-50, and 82 %of those over 50, age groups. On NGOs as sources of business information, 76 %of entrepreneurs within the 18-35 age groups indicated that family members were important source of business information compared to 75 %of 35-50 and 82 %of over 50 age groups. On radio, 82 %of 91 %of entrepreneurs 18-35 age group indicated that family members were important source of business information compared to 78 %of 35-50 and 82 %of over 50 age groups. As regards TV 82 %of entrepreneurs within 18-35 age group indicated that family members were important source of business information compared to 78 %of entrepreneurs within 35-50 and 82 %of over 50 age groups. On women groups, 81 %of entrepreneurs within 18-35 age group indicated that family members were important source of business information compared to 75 %of 35-50 and 96 %of over 50 age groups. On self-help groups, 85 %of entrepreneurs within 18-35 age group indicated that family members were important source of business information compared to 82 %of 35-50 and 82 %of over 50 age groups. As regards welfare groups, 79 %of 91 %of entrepreneurs within 18-35 age group indicated that family members were important source of business information compared to 71 %of 35-50 and 69 %of over 50 age groups. On former schoolmates, 76 %of entrepreneurs within 18-35 age group indicated that family members were important source of business information compared to 78% of 35-50 and 69 %of over 50 age groups. On suppliers, 78 %of entrepreneurs within 18-35 age group indicated that family members were important source of business information compared to 82 %of 35-50 and 69 percents of over 50 age groups. As regards visits to social places, 75 %of entrepreneurs within 18-35 age group indicated that family members were important source of business information compared to 73 %of 35-50 and 69 %of over 50 age groups.

**Table 24: Sources of Shared Information by Age**

	18 - 35 years%	36 - 50 years%	Above 50 years%
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Family	88	85	82
Friends	95	87	96
Relatives	89	82	96
Religious Groups	81	78	82
Ethnic Groups	89	85	82
Banks	81	71	82
Microfinance	81	78	82
NGOs	76	75	82
Radio Station	82	78	82
Television Station	82	78	82
Women Group	81	75	96
Self-Help Group	85	82	82
Welfare and Burial Org.	79	71	69
Former Schoolmates	76	78	69
Suppliers	78	82	69
Clubs	76	71	69
Bars	79	75	69

*Source: Field Survey (2013)*

### **7.6.3 Sources of Shared Information by Marital Status**

This section provides findings on the comparison of the importance of business information by marital status. Table 25 reveals that 93 %of single micro and small entrepreneurs indicated that family was an important source of business information compared to 87 %of those married, 100 %of divorced, and 100 %of widows. As regards friends, 96 %of single entrepreneurs indicated that family members were important sources of business information compared to 94 %of those married, 100 %of divorced, and 100 %of widows. As regards relatives, 89 %of single entrepreneurs indicated that family members were important source of business information compared to 90 %of those married, 100 %of divorced, and 100 %of widows. On religion, 89 %of

indicated that family members were important source of business information compared to 79 %of those married, 50 %of divorced, and 89 %of widows.

Concerning ethnic group, 89 %of single entrepreneurs indicated that family members were important source of business information compared to 91 %of those married, 50 %of divorced, and 89 %of widows. On banks, 86 %of single entrepreneurs indicated that family members were important source of business information compared to 79 %of those married, 50 %of divorced, and 78 %of widows. As regards micro finance, 86 %of single entrepreneurs indicated that family members were important source of business information compared to 83 %of those married, 50 %of divorced, and 89 %of widows. Concerning NGOs, 86 %of single entrepreneurs indicated that family members were important source of business information compared to 78 %of those married, 50 %of divorced, and 78 %of widows. On radio, 86 %of entrepreneurs indicated that family members were important source of business information compared to 83 %of those married, 100 %of divorced, and 78 %of widows. As regards TV 86 %of single entrepreneurs indicated that family members were important source of business information compared to 83 %of those married, 100 %of divorced, and 78 %of widows.

On women groups, 93 %of single entrepreneurs indicated that family members were important source of business information compared to 77 %of those married, 50 %of divorced, and 100 %of widows. On self-help groups, 93 %of single entrepreneurs indicated that family members were important source of business information compared to 85 %of those married, 50 %of divorced, and 89% of widows. As regards welfare groups, 86 %of single entrepreneurs indicated that family members were important source of business information compared to 77 %of those married, 50 %of divorced, and 78 %of widows. On former schoolmates, 86 %of single entrepreneurs indicated that family members were important source of business information

compared to 77 % of those married, 50 % of divorced, and 78 % of widows. On suppliers, 93 % of single entrepreneurs indicated that family members were important source of business information compared to 78 % of those married, 50 % of divorced, and 78 % of widows.

As regards social places, 87 % of 91 % of entrepreneurs indicated that family members were important source of business information compared to 76 % of those married, 50 % of divorced, and 78 % of widows.

**Table 25: Sources of Demographic Shared Information by Marital Status**

	Single %	Married %	Divorced %	Widowed %
Family Members	93	87	100	100
Friends	96	94	100	100
Relatives	89	90	100	100
Religious Groups	89	79	50	89
Ethnic Groups	89	91	50	89
Banks	86	79	50	78
Microfinance	86	83	50	78
NGOs	86	78	50	78
Radio Stations	86	83	100	78
Television Stations	86	83	100	78
Women Groups	93	77	50	100
Self-Help Groups	93	85	50	89
Welfare and Burial Org.	86	77	50	78
Former Schoolmates	86	77	50	78
Suppliers	93	78	50	78
Clubs	86	74	50	78
Bars	89	78	50	78

*Source: Field Survey (2013)*

#### **7.6.4 Sources of Business Information by Education**

This section provides findings on the comparison of the importance of business information by the level of education. Table 26 reveals that 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 71 % of those with pre-primary, 88 % with primary, 88 % with secondary, 97 % with middle level and 80 % university education. On friends, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 86 % of those with pre-primary, 94 % with primary, 98 % with secondary, 97 % with middle level and 80



%university education. As regards relatives, 100 %of entrepreneurs without education indicated that family members were important source of business information compared to 86 %of those with pre-primary, 91 %with primary, 86 %with secondary, 97 %with middle level and 80 %university education. On religion,100 % of entrepreneurs without education indicated that family members were important source of business information compared to 86 %of those with pre-primary, 82 %with primary, 83 %with secondary, 82 %with middle level and 80 %university education. Concerning people ethnic groups, 100 %of entrepreneurs without education indicated that family members were important source of business information compared to 86 %of those with pre-primary, 88 %with primary, 93 %with secondary, 91 %with middle level and 80 %university education.

On banks, 100 %of entrepreneurs without education indicated that family members were important source of business information compared to 71 %of those with pre-primary, 79 %with primary, 86 %with secondary, 76 %with middle level and 80 %university education. As regards micro finance, 100 %of entrepreneurs without education indicated that family members were important source of business information compared to 71 %of those with pre-primary, 82 %with primary, 86 %with secondary, 82 %with middle level and 80 %university education. Concerning NGOs, 100 %of entrepreneurs without education indicated that family members were important source of business information compared to 71 %of those with pre-primary, 76 %with primary, 81 %with secondary, 79 %with middle level and 80 %university education. On radio, 100 %of entrepreneurs without education indicated that family members were important source of business information compared to 71 %of those with pre-primary, 79 %with primary, 86 %with secondary, 85 %with middle level and 80 %, university education.

As regards TV, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 71 % of those with pre-primary, 82 % with primary, 86 % with secondary, 85 % with middle level and 80 % university education. On women groups, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 86 % of those with pre-primary, 88 % with primary, 81 % with secondary, 82 % with middle level and 60 % university education. On self-help groups, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 86 % of those with pre-primary, 85 % with primary, 90 % with secondary, 88 % with middle level and 60 % university education. As regards welfare groups, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 86 % of those with pre-primary, 76 % with primary, 81 % with secondary, 76 % with middle level and 60 % university education. On former schoolmates, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 86 % of those with pre-primary, 74 % with primary, 81 % with secondary, 82 % with middle level and 60 % university education. On suppliers, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 86 % of those with pre-primary, 79 % with primary, 83 % with secondary, 79 % with middle level and 80 % university education. As regards visits to social places, 100 % of entrepreneurs without education indicated that family members were important source of business information compared to 86 % of those with pre-primary, 75 % with primary, 81 % with secondary, 82 % with middle level and 60 % university education.

**Table 26: Sources of Shared Information by Education**

	None %	pre- primary	Primary %	Secondary %	College %	University %
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		%				
Family Members	100	71	88	88	97	80
Friends	100	86	94	98	97	80
Relatives	100	86	91	86	97	80
Religion	100	86	82	83	82	80
Ethnic Groups	100	86	88	93	91	80
Banks	100	71	79	86	76	80
Microfinance	100	71	82	86	82	80
NGOs	100	71	76	81	79	80
Radio Station	100	71	79	86	85	80
Television Station	100	71	82	86	85	80
Women Groups	100	86	88	81	82	60
Self-Help Groups	100	86	85	90	88	60
Welfare and Burial Org.	100	86	76	81	76	60
Former Schoolmates	100	86	74	81	82	60
Suppliers	100	86	79	83	79	80
Clubs	100	86	74	79	76	60
Bars	100	86	76	83	79	60

*Source: Field Survey (2013)*

**Table 27: Cross Tabulation of Sources of Shared Information**

Sources of Business Information	Yes	No
Family	91	32
Friends	97	24
Relatives	91	32
Religious Groups	88	35
Ethnic Groups	93	30
Banks	86	37

Microfinance	86	37
NGOs	83	40
Radio	86	37
Television	88	35
Women group	78	45
Self-Help Group	90	33
Welfare and Burial Org.	81	42
Former Schoolmates	79	44
Suppliers	83	40
Clubs	78	45
Bars	84	39

*Source: Field Survey (2013)*

### **7.7 Conclusions**

(Chatman, 2005; Childers and Post, 2005; Dervin and Greenberg, 2002 “This chapter presented the findings of the performance of micro and small entrepreneurs in poverty reduction, the type of business information they need, their networks, their preferred media and the demographics shared information in Kariobangi. These were necessary to inform the decisions made by the micro and small entrepreneurs in order to help them improve their business performance.

The findings revealed that primary and important sources of business information by these micro and small entrepreneurs included consultations with family members, friends, business colleagues, and social networks such as *chamas*. This is in contrast with the existing study findings, which confine the major sources to formal institutions such as the government and its agencies” (Chatman, 2005; Childers and Post, 2005; Dervin and Greenberg, 2002). As regards the type of business information available to entrepreneurs, the findings shown in Table 10 revealed that 54.5 %of the entrepreneurs indicated that business information on credit was available, while 53.7 %indicated that business information on market was available, and 70.7

%of them indicated that business information on suppliers was available. 72.4 %of the entrepreneurs indicated that business information on customers was available, while 56.9 %indicated that business information on business location was available, and 30.9 %of them indicated that business information on social networks was available. 36.6 %of the entrepreneurs indicated that business information on technology was available, while 49.6 %indicated that business information on skills training was available.

On preferred media for business information, the findings shown in Table 17 identified differences in usage, revealing that 13.8 %use radio, 12.2 %watch TV, 20.3 %read newspapers, and 30.9 %use mobile phones. Radio remains the preferred source of business news, especially Inooro FM for the Kikuyu listeners, and Inooro TV. These channels provide relevant business news in the Kikuyu vernacular language. The Luo MSEs operators preferred Ramogi FM, which provided them with business tips in dholuo. Access to, and usage of, the Internet and other social media is dismally low. On factors affecting availability of business information to entrepreneurs, security was rated at 2.5 %(by 40 respondents), while illiteracy, ignorance and poverty were rated at 36.6 %(by 45 respondents). This was an interesting revelation since it contradicts the study findings, which showed that 34 %of the respondents had secondary education, while 28 %had post-secondary education. The field interviews revealed that illiteracy and ignorance as indicated by the entrepreneurs were not due to their inability to read or write, but due to ignorance of the sources of business information for the type of business information needed by the entrepreneurs. According to the interviews, business information is important for enterprise creation, improved performance, survival and growth. Unfortunately, many entrepreneurs have no access to business information and mostly rely on what is available, whether relevant or not.

Business information on these variables are necessary to enable the micro and small entrepreneurs to make informed decisions, which ultimately improves their performance in efficiency and effective mobilization, and prudent use of available resources. These findings expand our understanding of the importance of access to business information and their implications to business performance. A well-functioning micro and small enterprise sector reduces obstacles to trading flows and provides business with skilled workers, competitive prices, quality goods and services, appropriate technology, and access to financial services. The finding of this study identified lack of access to local credit, which has constrained the improved performance of many entrepreneurs. Other findings include gaps in the provision of business information on finances, market, government regulations and policy, among other support services, which resonates with the study findings of Buskens *et al* “This study set out to explore the external, structural barriers, as well as the internal and external factors, which micro and small entrepreneurs encounter, and which might prevent or enable them to take advantage of business information to improve their performance” Buskens *et al*. This poses a major problem if these entrepreneurs are to benefit from equitable business information dissemination. Munyua (2009) “In the absence of a formal business information strategy for these entrepreneurs, it would be difficult for them to take advantage of emerging opportunities in local markets. This is in line with Munyua (2009) who observe that the current plight of the micro and small entrepreneurs, where they benefit less from business information strategies than the more established medium and large enterprises is a major hindrance to their development” Munyua (2009),

The surveyed entrepreneurs were asked to indicate the kind of business information they needed to improve their business performance. Table 9 presents the frequencies and percentages of

business information available to micro and small entrepreneurs. It reveals that 54.5 %(67 respondents) of business information on credit was available. Kiiru (1991), and Longenecker *et al.* (2012), while commenting on the impact of credit on household welfare, argue that “credit contributes positively to household welfare through improved household production or smoothed consumption over time” Kiiru (1991), and Longenecker *et al.* (2012). Kiiru and Longenecker *et al.* (2012) observe that “although most credit programmes may not serve the poorest, all kinds of the poor may be able to benefit through increased income and reduced vulnerability to shocks” Kiiru and Longenecker *et al.*(2012).

The micro and small entrepreneurs were asked how often they used the mobile phone for business information; and how many days in a week they use it for business news. Access to and usage of mobile phones compared to other media was relatively high. Table 19 shows the preferred media for business information and the number of days in a week they use it for business news. 30.9 %of the respondents indicated that they did not use the internet for their business information. Only 3.3 %(4 respondents) used mobile phones one day per week, 3.3 %(4 respondent) used mobile phones two days a week, 0.8 %used it three days in a week, 1.6 %used it five days a week, 2.4 %used the mobile phone six days a week, while 28 %(35 respondents) used the mobile phone throughout the week. These revelations confirm a study of Kenyan entrepreneurs, which indicate that the mobile phone has positively affected the effectiveness and efficiency of micro and small entrepreneurs.

The findings confirm Kinyanjui's assertion that “Safaricom has exploited what its former CEO, Michael Joseph, described as African’s ‘peculiar calling habits’ by buying small quantities, and use of kiosks as business outlets to offer differentiated units of calling cards and to market Safaricom goods” (Kinyanjui, 2014).

“Currently, Safaricom is Kenya's top telecommunications operator with a subscriber base of nearly 19.1 million and a subscriber market share of over 65 %” (Safaricom, April 2012). The use of the mobile phone has not only enhanced entrepreneurial success, but has also empowered these micro and small entrepreneurs. The application of the mobile phone has improved the perennial problem of access to finance, markets, technology, raw materials, regulations, and support services, as these entrepreneurs are able to enquire from their business colleagues about the market situation as and when the need arises.

The surveyed entrepreneurs were asked to indicate their preferred media for business information and to indicate how many days in a week they use it for business news. The study reveals (Table 17) that 54.5 % of the respondents indicated that they did not use Facebook and Twitter for their business information. Only 2.4 % used Facebook and Twitter one day in a week for their business information, 1.6 % used Facebook and Twitter two days in a week for their business information, 1.6 % used Facebook and Twitter three days in a week for their business information, while 6.5 % used Facebook and Twitter throughout the week for their business information. Access to and usage of Facebook and Twitter, and other social media, by entrepreneurs in Kariobangi was dismally low. The low usage of Facebook and Twitter is consistent with the low internet penetration and low computer ownership as revealed by CCK (2012), which indicated that only 7 million Kenyans have access to the internet.

In her study, Gathenya (2012) observes that “education is vital for poverty reduction in any enterprise since it influences the ability to think critically” Gathenya (2012). Studies by GEM (2010) do not agree with this and suggest that “education has a significant influence on poverty reduction” GEM (2010). (Barringer *et al* 2005) “Entrepreneurs with higher education levels can effectively manage and succeed in their businesses” (Barringer *et al* 2005). (Verheul *et al.*, 2001)



“This is especially the case when entrepreneurs start businesses related to their areas of expertise. Education also enhances entrepreneurs’ self-confidence and capability to perceive and exploit new entrepreneurial opportunities” (Verheul et al., 2001). Empirical proof on the impact of preferred media for business information on business growth in Africa (Biggs & Shah, 2006) shows that entrepreneurs with university or technical degrees start businesses that are approximately 50 % larger than entrepreneurs with only primary school education.

Similarly, enterprises operated by managers with secondary and university education grow 6 % faster on average than those operated by managers who only have primary or no education. This suggests that better educated entrepreneurs are more likely to experience growth in their businesses than entrepreneurs with low levels of education. Education and skills are required to run micro and small enterprises. Research shows that over 80 % of those carrying out micro and small enterprises in Kenya are not well equipped in terms of education and skills (Republic of Kenya, 2005). (King and McGrath 2002) “Studies suggest that those with high education and training are more likely to be successful in the micro and small enterprise sector” (King and McGrath 2002).

The finding reveals that entrepreneurs watched more on business information compared to those who never watch television. The study also found out that sharing of business information among gender, ethnic groups, church groups, age groups, colleagues, and former schoolmates, was common among the entrepreneurs. According to the case study, sharing helped these entrepreneurs to get crucial business information that enabled them to understand the dynamics of the market, thereby improving their decision making process.

**CHAPTER EIGHT**  
**FINDINGS ON MICRO AND SMALL ENTREPRENEURS AND POVERTY**  
**REDUCTION**

**8.1 Introduction**

This chapter highlights and discusses the findings on the role of micro and small entrepreneurs in poverty reduction, factors that cause poverty, the respondents' rating of causes of poverty, their

proposed ways of reducing poverty, and the impact of their performance on well-being areas. It incorporates the findings of case studies interviews as regards poverty reduction.

When the respondents in Kariobangi were asked to define poverty, this is what they said:

“Poverty is a dehumanizing condition for every household. It erodes human dignity and subjects an individual to a state of hopelessness, powerlessness, lack of self-esteem, confidence, and integrity, leading to a situation of multidimensional vulnerability. Poverty has a gender magnitude since women and men experience and react differently to its impact. It cuts across gender, ethnicity and age. Unless there are realistic and workable interventions to redress the situation, poverty evolves itself, forms a vicious circle where it is inherited from one generation to the other in households, communities and the nation”(expression of a case study respondent).

The desired outcome was the improved business performance as a result of access and use of relevant business information. This improved business performance increased household income, which in turn led to greater household economic security in education and skill levels, access to health, housing and in future economic and social opportunities.

## **8.2 Role of Micro and Small Entrepreneurs in Poverty Reduction**

This section highlights and discusses the findings on the role of micro and small entrepreneurs in poverty reduction. The study defines poverty within the confines of the basic well-being areas, both income poverty and human poverty, which include income, food budget, access to education, health care, safe water, housing and asset base. The micro and small enterprises are considered by the study as household and survival enterprises, with one person operations, with the goal of graduating to medium-sized formalized enterprises.

The survey required the entrepreneurs to indicate whether they had a role to play in poverty reduction. Table 28 shows that 79 % of those surveyed confirmed that they were critical agents for poverty reduction. Only 4 % disagreed, while 10 % did not know. (Republic of Kenya, 2007, 2005) “It confirmed the Kenya government’s confidence in micro and small entrepreneurs as

crucial drivers of the country’s employment generation, poverty reduction and industrialization” (Republic of Kenya, 2007, 2005). However, these initiatives have not been translated into tangible implementable programmes that would involve and motivate the poor at the grassroot level. This study found out from the micro and small entrepreneurs in Kariobangi that they were not aware of the government’s poverty reduction programmes. They felt that the government has not involved them in championing the programmes that would help them reduce poverty. “They argued that useful business information did not reach them, since they were not targeted in the poverty reduction strategy” (Field survey 2013). They further argued that the call for empowering people living in poverty through the delivery of affordable health care services, increased food security, increased access to sanitation, affordable housing and equal opportunities, has excluded them.

**Table 28: Role of Micro and Small Entrepreneurs in Poverty Reduction**

Valid	Frequency	Percentage
Yes	97	78.9
No	5	4.1
Don’t know	13	10.6
Not specified	8	6.5
Total	123	100.0

*Source: Field Survey (2013)*

The marginalization picture painted by these entrepreneurs seems to agree with Daniels, Mead and Musinga (1995), who view “micro and small enterprise sector as a dead-end for a pool of labour assumed to consist of workers who could not gain entry into the preferred formal sector” Daniels, Mead and Musinga (1995). The sector is perceived as ‘traditional’, marginal or peripheral, having no link with the formal economy for modern industrial development. Some observers (Sachs, 2005; Livingstone, 2011) believe that “the informal sector in Kenya would cease to exist once the country achieves sufficient levels of economic growth and industrialization” (Sachs, 2005; Livingstone, 2011). De Soto (1989) however “views informal business activities as a sign of entrepreneurial dynamism, with real market forces, which when supported could be used for industrial take-off” (De Soto, 1989). This view is reflected from the enthusiasm that the entrepreneurs showed during the interviews. The respondents indicated that the micro and small enterprise sector is here to stay, even when Kenya reaches a higher level of industrialization. According to the respondents, one of the most significant challenges facing this sector is the negative perception that views them as lacking the ability to provide quality services. In view of this, often larger enterprises are selected and given businesses due to their clout in the industry. This study opines that this sector should be linked with established industries in the country to act as supply chains for those industries.

### **8.3 Factors That Cause Poverty**

This section highlights and discusses the findings from the entrepreneurs’ ratings of the factors that cause of poverty. Table 29 shows that 92 %of the entrepreneurs interviewed indicated lack of income as a cause of poverty. Since they viewed poverty as lack of basic needs, income is needed to purchase these basic commodities. Lack of economic development was rated by 91 %of the entrepreneurs, who felt that if they are economically empowered, they could then exit from poverty. These findings are consistent with other studies that micro and small entrepreneurs

have the capacity to tackle poverty reduction through improved economic development and growth (McCormick, 2008; Mead, 2009; Liedholm and Mead, 2009, Livingstone, 2002). Lack of modernization was rated by 76 % of those interviewed as a cause of poverty. They viewed modernization as embracing modern ways and technology in doing business. According to the respondents, technology is critical in business as it reduces the time taken to perform tasks. The wood and metal traders require modern tools to be able to meet the deadlines as demanded by their customers. Traders who have modern tools must travel long distances to access them, and this causes delay in meeting their deadlines, thereby lowering their productivity. This is consistent with the Kenya government's studies (Republic of Kenya, 2010), which states that "about two-thirds of micro and small enterprises in Kenya had very low levels of productivity" (Republic of Kenya, 2010). This has affected their ability to achieve the quality and scale of production sufficient to make their products competitive in the market. (Helmsing and Kolstee, 1993) "It is increasingly acknowledged that the micro and small enterprise sector in Africa differs significantly from those in Latin America and Asia, especially the differences in the level, pattern and rate of change in economic development" (Helmsing and Kolstee, 1993). Common areas of difference cited are in the nature of institutional arrangement and relative importance of, and relationship between, public and private sectors, as well as cultural dimensions at the micro level.

The study found out that 73 % of the entrepreneurs rated laziness as a cause of poverty. This resonates well with the survey findings, which revealed that sacrificing leisure, taking risk, and having a competitive spirit were necessary for success in business. Societal or environmental cultural influence was rated by 60 % of the entrepreneurs as contributing to poverty. They explained that the environment in which they live and operate determine the entrepreneurial

culture. Power relations at the individual level (51 %), organization level (52 %) and at the country level (54 %), were also said to cause poverty. Scholars emphasize that attitude rather than the business structures and systems account for the high level of enterprise's non-performance. (Servaes, 2006, 2004, 2003; Kasongo, 2008; Moemeka, 2000; Okigbo & Eribo, 2004). Chambers (2005), "Development information scholars have laid emphasis on the entrepreneur, rather than the system, as the engine for performance" (Servaes, 2006, 2004, 2003; Kasongo, 2008; Moemeka, 2000; Okigbo & Eribo, 2004). Chambers (2005) argue that "participation or involvement of the people in their development process, as well as knowledge of business information, is pivotal to poverty reduction"

**Table 29: Factors That Cause of Poverty**

Causes of Poverty	Rate Your Agreement with Stated Causes of Poverty			Total %
	Agree %	Disagree %	Not Specified %	

Lack of Income	91.9	4.9	3.3	100.0
Lack of Modernization	75.6	17.9	6.5	100.0
Lack of Economic Dev	91.1	4.9	4.1	100.0
Laziness	73.2	20.3	6.5	100.0
Powerful Individuals	51.2	40.7	8.1	100.0
Powerful Organizations	52.0	39.0	8.9	100.0
Powerful Countries	53.7	37.4	8.9	100.0
Society	60.3	27.3	12.4	100.0

*Source: Field Survey (2013)*

#### **8.4 Ways of Reducing Poverty**

This section highlights and discusses findings from the respondents on ways of reducing poverty.

This is within the background of a growing concern and general recognition that the welfare of most urban Kenyans is worsening, and the important role of micro and small entrepreneurs in the Kenya's economic development. In terms of the sectoral distribution of micro and small entrepreneurs, close to two-thirds (64.1 %) of all enterprises were engaged in the trade sector. Retailing, a dominant activity in the trade sector, accounted for 62 % of total trade in Kenya, while manufacturing and services sectors accounted for about 13 % and 15 % of total enterprises, respectively. The concern for this study was whether the micro and small enterprises could create employment opportunities, increase production and income levels that would help reduce poverty.

The study required the respondents to indicate those ways that can be used to reduce poverty. Table 30 reveals that by 21 % of the respondents indicated that by inculcating a culture of hard work and discouraging laziness, poverty can be reduced. Laziness was cited by 73 % of the respondents as one of the causes of poverty. Improved life skills for the micro and small



entrepreneurs were mentioned by 15 % of the respondents as critical in poverty reduction. Ten % proposed improved security and empowering the poor, through capacity building, business opportunities, including self-employment. This was in line with the best practices that were cited as necessary for success in enterprise performance during case study interviews. Education and ability to access loan facilities were proposed by 9 % of the respondents, while 7 % proposed creating employment opportunities. Accessing relevant business information was proposed by 5 %, while better health care was proposed by 3 %. Supporting entrepreneurs and self-help groups were proposed by 2 % each. Chambers (2005) argue that “participation or involvement of the people in their development process, as well as knowledge of business information, are important ingredients for poverty reduction” Chambers (2005). The respondents in the case study shared their experiences in business operations and proposed ways of reducing poverty. While echoing what the survey had revealed, the case study interviewees expounded on the identified and proposed ways of reducing poverty.

**Table 30: Ways of Reducing Poverty**

Ways	Frequency	Percentage
Education	24	8.6
Better Healthcare	9	3.2
Access to Information	13	4.7
Providing Security	28	10.0
Improve Access to Loans	25	9.0
Create Employment Opportunities	19	6.8
Support the Poor Financially	12	4.3
Create Culture of Self-Employment	12	4.3

Promote Chamas	5	1.8
Fighting Corruption	2	.7
Empower the Poor	17	6.1
Support MSEs	5	1.8
Breed the Culture of Hard work, Discourage Laziness	59	21.1
Improve Life Skills	43	15.4
Not Specified	6	2.2

Source: Field Survey (2013)

### 8.5 Impact of Micro and Small Enterprises on Well-being Areas

This section highlights the findings on the impact of micro and small enterprises on well-being areas of the entrepreneurs' household. The definition of micro and small enterprises by their sizes was important for this study. According to the study, only small number of the entrepreneurs surveyed employed more employees since their start-up; and the enterprises that did so add only a few workers. Only less of the expanding enterprises graduated from the micro enterprise seedbed to reach the size of a small enterprise. This may be attributed particularly to the level of investment and risk-management strategies employed by most enterprises, which often results in the addition of the *number* of informal enterprises grid, rather than their size. This study agrees with McCormick *et al.* (1997) that "this lack of size is due to the low resource levels available to them, since they rely predominantly on family resources and own funds for start-up capital" McCormick *et al.* (1997). According to ILO (2002), "most entrepreneurs earn little, than those in white collar jobs, and there is a linkage between the micro and small enterprise sector, and poverty" ILO (2002). (UNDP, 2006; ILO cited in Kabeer, 2008:13) "However, this study found out that a significant number of entrepreneurs in the informal sector

earn more, on average, than low-skilled workers in the formal sector. But to view poverty simply as a shortage of income has been established as misleading since poverty is regarded as a structural problem that is embedded in social and economic systems” (UNDP, 2006; ILO cited in Kabeer, 2008:13). This argument is also supported by Sen (2009, 2001) who emphasizes that “poverty has to be understood as capability deprivation” Sen (2009, 2001).

Table 31 reveals the rate at which micro and small entrepreneurs in Kariobangi influenced the well-being areas, as constituted by the basic needs. It reveals that 78 %of the respondents indicated that as a result of their improved business operations, there was increase in access to health care, 72 %had access to water and sanitation, 67 %had access to education, 62 %had access to housing, 59 %saw their incomes increase, 54 %had improved transportation methods, 44 %had increased their food budget, and 42 %had enhanced their asset base.

**Table 31: Impact of Micro and Small Enterprises on Well-being Areas**

Well-being Areas	Impact of Business on your accessing well-being Areas		
	Impacted %	Not Impacted %	Not Specified %
Increase in Income	58.5	16.3	25.2
Increase in Food Budget	44.7	28.5	26.8
Education	66.7	20.3	13.0
Healthcare	73.2	14.6	12.2
Water and Sanitation	72.4	14.6	13.0
Family Housing	56.9	28.5	14.6
Type of House	61.8	24.4	13.8
House Size	59.3	24.4	16.3
Family Asset Base	42.3	31.7	26.0

Type of Transport Used	53.7	24.4	22.0
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*Source: Field Survey (2013)*

The degree to which micro and small enterprises in Kariobangi, and Kenya in general, would grow and transform into efficient and competitive entities that could be relied upon as agents for poverty reduction, would depend on the extent to which they embrace information seeking and use behaviour. According to CBS (1999), one of the debates on the micro and small enterprise sector is whether these entities can be trusted as agents through which long term poverty reduction objectives could be achieved. The joint (CBS, *et al.*, 1999) study noted that business information is critical and remains the single most important factor determining the competitiveness, performance, growth and survival of micro and small enterprises. However, as things stand, according to the findings of this current study, Kenya’s micro and small enterprises sector stands at an extremely disadvantaged position with regard to targeted business information dissemination. The manner in which this would be achieved is left for another study.

**8.6 Case Study on MSEs and Poverty Reduction**

This section presents highlights and discusses findings of case study accounts on how different micro and small entrepreneurs have used the types of business information, networks and linkages, preferred media, and demographics shared information to improve their performance and to reduce poverty.

This study, despite using a quantitative survey methodology, has also used case study to gain in-depth information from purposively selected micro and small entrepreneurs. Apart from representing the largest source of new jobs country wide, these entrepreneurs often struggle with efficiency and fail to grow beyond their very small size. The operations of these entrepreneurs as described through their accounts represent a series of comparable dynamic actions which have

put to bear their different capacities to excel and not excel. The focus was to understand how the entrepreneurs access and use business information and how that information helped to influence the way they conducted their business, and in poverty reduction. Ten entrepreneurs were purposively identified and interviewed in an inquiry process of understanding issues, concepts and real practices. The researcher made several field visits; and for every case, the respondents were required to provide to the researcher a brief introduction of their business, their experiences and attributes, the type of business information they used, the networks they had, their preferred media used, the demographics shared information, and how these influenced poverty reduction. The aim was to get the respondents to bring out their survival abilities against the business challenges, and to demonstrate how they have moved away from the poverty bracket.

The vast majority of these entrepreneurs sell directly to final consumers rather than to other firms. Findings from interviews revealed that the entrepreneurs sell primarily to individual final consumers. And the majority of those who sell to individuals are among the entrepreneurs who are still struggling to graduate from poverty. This is consistent with studies by Liedholm and Mead (1999), who observed that those micro and small entrepreneurs who sell to traders and manufacturing firms are more likely to grow than those that sell directly to final consumers. Those entrepreneurs who had graduated from poverty are those who sell to traders manufacturing businesses. They reported that subcontracting and clustering enabled them to move beyond the poverty bracket as the traders provided them with reliable and secure markets, which have sustained their business.

The case study interviews revealed how these entrepreneurs out-performed, displayed, mobilized and out-maneuvered others as they struggled for survival. Evidence from the cases showed that those entrepreneurs who accessed and used relevant types of business information, networked

with others, used preferred media and demographics shared information, had added advantage over those that didn't, as they influenced their resolve to exit from poverty.

Lack of business information on credit, price, market, technology, customers, networks, denied these entrepreneurs important opportunities for efficient running of business, which would ultimately have kept them out of poverty.

These case studies were also necessary for testing the findings of Kimani and Kombo (2010) and Myers (2009), who observed that when people are poor, they do not have sufficient basic needs such as food, clothing, shelter, health care, education, clean water for themselves and their family, among other deficiencies, including what people do not know, or the skills they do not have.

#### **8.6.1 MSEs Who Have Excelled**

The following are the case study findings from those entrepreneurs who had advanced in their businesses and managed to exit from the poverty bracket. The respondents were asked to give a brief introduction of their business, their experiences and attributes, the type of business information they used, the networks they used, their preferred media for business information, the demographics shared information, and how these influenced poverty reduction. The findings identified that 80 % of them were exposed to a high level of the type of information they required for their business. When asked to indicate the types of business information they needed to improve their business performance, majority of those entrepreneurs surveyed indicated that they were able to get business information concerning credit. De Soto (2000), “while commenting on the impact of credit on household welfare, argues that credit contributes positively to household welfare through improved household production or smoothed consumption over time” De Soto (2000). Chowdhry (2009) “noted that although most credit programmes may not serve the

poorest of the poor, all categories of the poor may be able to benefit through increased income. This reinforces the need for the types of business information by micro and small entrepreneurs to increase their income and reduce their vulnerability” Chowdhry (2009). They accessed business information on credit, price, location, suppliers, and technology. Information on government regulations came from varied sources, including family members, friends and relatives, colleagues, and financial institutions. The findings on the frequency of use of available types of business information as presented also identified that 100 %of the entrepreneurs indicated that business information on markets was available, while 80 %indicated that information on suppliers was available, and 80 %had access to customer information. Another 60 %indicated that information on business location was available, and 100 %said they had access to information on *chamas* (social groups), while 80 %acknowledged the availability of information on technology; and 60 %were aware of the availability of information on training.

The finding also resonates with Rowlands (2009); Narayan (2002); Shestowisky, Wegner and Fabrigar (2008), who observe “that when information is systematically applied in the business processes, strategies and principles, which include engagement of entrepreneurs and other key stakeholders, it establishes friendly business environments” Rowlands (2009); Narayan (2002); Shestowisky, Wegner and Fabrigar (2008).

Plate 1 shows Ruth’s textile and embroidery products on display. Ruth, who is 29 years old, is a Kamba, and worships at the Redeemed Gospel in Kariobangi. She owns a beautification, dress making and embroidery business. She is married, has primary education and training in design, dressing making and beautification, but has no business training. She has been in business for five years. She serves women of middle income, who come for specialized embroideries. She says that in the era of mitumba (second-hand clothing) competition, specialization is tricky. She

also does textile repairs and adjustments. She sub contracts several women groups who make special designs for her. She says that when entrepreneurs indicate that business information is available, that information does not come from the government and its agencies, but it comes from non-conventional sources such as friends, relatives, customers, *chamas*, and business colleagues.

She sells her products to specialized design shops in Nairobi's central business district, schools and factories.



**Plate 1 Shows Ruth's Textile and Embroidery Products on Display in Kariobangi Market**

*Source: Field Survey Photography (2013)*



Plate 2 shows Maina's woodwork business. Mr Maina (not his real name), who is 47 years old, is a Kikuyu, and an Anglican by denomination. Maina is married, has secondary school level of education and has trained in financial management. He worked with the City Council of Nairobi before starting his business. He has been in business for eleven years.

Maina started his business with a startup capital of Ksh.50,000. According to him, business characteristics needed for business success include sharing information, taking risk, competitiveness, sacrificing leisure, networking, business skills, sourcing funds, and discipline in the use of resources.



**Plate 2 shows Maina's Furniture on Display in Kariobangi Roadside.**

*Source: Field Survey Photography (2013)*



**Plate 3 Shows Maina's Woodwork Workshop.**

*Source: Field Survey Photography (2013)*

**Plate 4 Below Shows a Textile Workshop.**

*Source: Field Survey Photography (2013)*





**Plate 5 Shows Kimani's Boda Boda business at Kariobangi stage**

*Source: Field Survey Photography (2013)*

Plate 6 shows Oduor's welding business. Oduor is a 40-year old Luo, a Catholic and owns a welding business. He is married, has secondary education and is trained in welding technology. He has been in business for five years. Before starting his business, he was employed as a welder where he honed his welding skills. He started business with the financial support from his family with a startup capital of Ksh 50,000, and a working capital of Ksh. 70,000. The current value of

his business is Ksh. 250,000. He has an average income of Ksh.150,000, depending on availability of orders. He has spent much of the business income paying for welding machines, which he received on credit. The rest is used for family upkeep, including rent, food, school fees for children in primary, secondary and college.



**Plate 6a Shows Oduor's Welding business in Kariadudu**

*Source: Field Survey Photography (2013)*

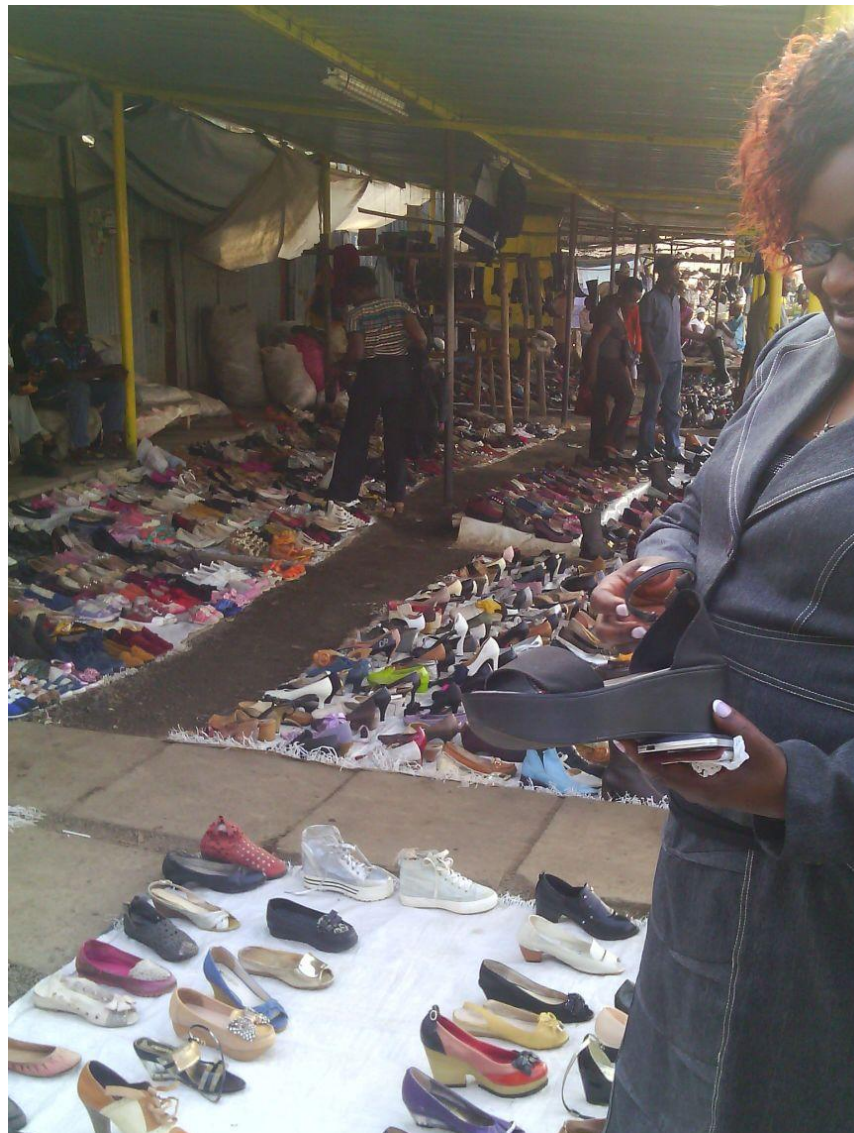


**Plate 6b Shows Oduor's Welding business in Kariadudu**

*Source: Field Survey Photography (2013)*

Plate 7 shows Elizabeth's new and used shoe business. She specializes in ladies' shoes. Elizabeth is 30 years old, a Luo and an Anglican by denomination. She is married, has secondary education and a diploma in health sciences. She has no business training. She started the business with the financial support from her spouse, with a startup capital of Kenya shillings 80,000. She spends on average Kenya shillings 50,000 per month with a sales volume of Kenya shillings 80,000. As

regards sources and types of business information, Elizabeth gets her business information from friends, relatives, customers, suppliers, *chamas*, and business colleagues. Since she deals with general merchandise, the suppliers set the market prices. Customers are generally middle income office workers. Elizabeth says that she stocks items that are on demand, and that information comes from her customers.



**Plate 7 Shows Elizabeth's New and Old Shoe Business on Display in Riverside**  
*Source: Field Survey Photography (2013)*



Plate 8 shows Mama Njeri's green grocery business in Kariobangi. She is 70 years old, a Kikuyu, and an Anglican who owns a wholesale green grocery business. She is married, has primary education and has no business training. She has been in the business for over forty years. She supplies small businesses with green groceries. She also supplies to local schools and health centres.

She started the business with the financial support from her husband, who was working with the City Council of Nairobi as a Foreman. She has never taken a bank loan or borrowed from any financial institution, and she is therefore not aware of any conditionality. She had a startup capital of Ksh 50,000, and a working capital of Ksh 50,000 for buying green vegetables and fruits from the Wakulima Market.



**Plate 8 Shows Njeri's Green Grocery Business in Kariobangi**

**Source:** *Field Survey Photography (2013)*

Plate 9 shows Jackline's textile design and saloon business in Kasabuni. Jackline is 37 years old, a Luhya and an Anglican who owns a textile design business. She is married and has secondary school level of education, but has no business training. She gets her business information from friends, relatives, customers, *chamas*, and business colleagues. She started her business with a startup capital of Kshs 200,000. She spends an average of Kshs 50,000 per month with a sales volume of Kshs. 100,000.



**Plate 9 Shows Jackline's Textile Design Business in Kasabuni**

*Source: Field Survey Photography, 2013*



**Plate 10 Shows Jackline’s Beautification Business in Kasabuni**

*Source: Field Survey Photography, 2013*

This systematic application of business information helps in disseminating information on assessing risks and opportunities on pertinent business variables such as markets, credit, locations, customers, raw materials, support institutions, and inducing positive behavioral and social change (Mefalopulos, 2008; Okigbo and Eribo, 2004; Schramm, 1964).

The study findings also revealed that these entrepreneurs belonged to different social networks, and their interpersonal networks extended over a wide range of business groups. They were able to exchange business information with those entrepreneurs who were doing well in their business and who acted as role models and encouragers. This meant that these entrepreneurs did not depend on their individual or subjective evaluations, but tapped and learnt lessons from other members of their social networks. Networking became an integral component of personal interaction, tapped and learnt from other members of their social networks.

Quebral's (2012) "In order to eradicate poverty and achieve sustainable development, they decided to network with other entrepreneurs in order to improve their business performance" Quebral's (2012). These findings are in line with Quebral's (2012) observation that the process of business information dissemination is done through effective exchange of relevant, pertinent messages, which induce people to take action.

These networks also enabled them to cope with challenges such as supply and demand fluctuations, and market uncertainty. They understood and applied complex technical knowledge.

On preferred media, the respondents were asked whether their preferred media had any influence on poverty reduction in Kariobangi, Nairobi County. According to the case study results, there were significant benefits that accrued from the business information that came from the preferred media on micro and small enterprises in Kariobangi, Nairobi County.

Age and education were not factors for business excellence as those who excelled were found among all age groups. Education was also not a significant factor in the socio-economic characteristics of those who had excelled, although an average level of literacy and special level of intelligence were observed. They had a favourable attitude towards new technology and aspired to grow their businesses to the next level.

### **8.6.2 MSEs Who Have Not Excelled**

This section provides the highlights of the cases of those entrepreneurs who, although working hard in their businesses, have not been able to exit from the poverty bracket. The findings identified by this study include the difference between the two groups. Whereas those who excelled saw an increase in profit margins and the distribution of the same between the business and family, there were those who were still struggling to survive in business. Three quarters of the income they generated from the business was used to meet the basic needs of the family. This situation inhibited any degree of business expansion as the income generated was just enough to cater for the basic needs of the family. Unlike the former group, this group was characterized by a lack of exposure to business information and was suspicious of new ideas. They operated their business on the basis of their daily subsistence since the business was the source of the family livelihood. The survival of the business depended on individual subjective efforts, as well as pressure from their peers. They followed the traditional way of doing business, with past experience as their point of reference, and decisions made depended on how they had performed previously.

This group of entrepreneurs is generally not venturesome, and not inter-connected with others in terms of information sharing. They have limited resource base due to their reluctance, and fear of borrowing from financial institutions, since they lack business information. This has meant that

their businesses do not expand as they lack technical competence to understand and apply complex technical business knowledge.

Although age and years of education have no significance influence on poverty reduction, it was found that a certain level of literacy is important in embracing new ideas, and resisting social network pressures from their peers.

The benefits of business information use are important to micro and small entrepreneurs and should not be limited to large businesses. This will enable the entrepreneurs to make contacts in the market, check prices, suppliers, technology, access financial institutions government policies and regulations for the sector. This study has discovered that although business information systems exist, they are generally generated for the corporate and are inaccessible to the entrepreneurs, and where accessible, this information is general, untargeted, unsuitable, and driven by the needs of the major organizations. This contradicts Narayan's (2002) "observation that an efficient and effective information delivery system has the potential of linking even poor buyers and sellers to daily market prices for commodities in the urban centres, thus changing their negotiating power in fundamental ways" Narayan's (2002). The United Nations Development Programme (UNDP, 2006) "sharing experience from a study in Ghana, observes that those micro and small entrepreneurs without information dissemination systems wasted up to half their work time traveling from place to place, compared to those who had information" (UNDP, 2006). Quebral (2012), Balaswamy (2006), UNDP (2006), and Rahman (2009) observe that provision of business information to the entrepreneurs enables them to exploit opportunities that help them improve their performance. Thus, awareness of a problem is necessary before any change can be effected.

These case studies traced and identified the kind of information the MSEs identified and the sources of information from which they sought them. It found that those entrepreneurs who received relevant information on the modern business techniques improved their entrepreneurial performance, thereby moving away from the poverty bracket.

## **8.7 Conclusion**

This chapter has explored the findings of the study objectives that investigated the association between business information use, the performance of micro and small entrepreneurs, and poverty reduction. In order to do this, the study investigated the causes of poverty, proposed ways of reducing poverty, the role of micro and small entrepreneurs in poverty reduction, impact of their performance on well-being areas, and case studies on their role in poverty reduction. Presented also are findings on the performance of micro and small entrepreneurs and how their performance has helped them reduce poverty.

The well-being variables investigated increased household income, which in turn led to greater household economic security in educational and skill levels, access to health, housing and in future economic and social opportunities.

On causes of poverty, the study indicates that 92 % of the respondents indicated lack of income, while 91 % indicated lack of economic development as a cause of poverty. Lack of modernization was rated by 76 % of the respondents as a cause of poverty. Laziness was also rated as a cause of poverty by 73 % of the respondents. This confirmed the rating of characteristics that enhance demand and use for business information. In these ratings, sacrificing leisure for work, risk taking, and a competitive spirit were highly rated as poverty mitigation characteristics. Societal cultural activities were rated by 60 % of respondents as playing a part in poverty reduction since human beings are a creation of the society and therefore mirror that society. Power relations at individual, organization and at national level, were rated



by 51, 52 and 54 % of respondents respectively. Scholars emphasize that entrepreneurs' attitude, rather than poor business structures and systems, account for non-performance of MSEs (Servaes, 2006, 2004, 2003; Kasongo, 2008; Moemeka, 2000; Okigbo and Eribo, 2004).

Chambers (2005) argues that lack of participation or involvement of the people in their development process, as well as lack of business information knowledge is an important poverty reduction component.

This study has also found that among the means of eliminating poverty, 21 % of the respondents proposed inculcating a culture of hard work and discouraging laziness by providing equitable opportunities. Laziness was rated by 73 % of the respondents as one of the causes of poverty. Improving life skills was rated by 15 % as being in line with best practices that are necessary for success in enterprise performance. Security and empowering the poor through capacity building, business opportunities, including self-employment was rated by 10 % as a prerequisite for poverty reduction. Access to loans, education, employment, relevant business information, better health care, supporting self-help groups and creating a conducive environment to support entrepreneurs were rated highly by the respondents.

On the role of micro and small entrepreneurs as agents of poverty reduction, the study elicited a number of reactions from the respondents. Respondents indicated that they had the potential to reduce poverty. This they said would strengthen their capacity to recognize different skills that would enable them to interpret the market trends and therefore identify resources necessary for the improvement of their businesses.

Further, they need to mainstream the micro and small entrepreneurs in national planning and budgeting so as to ensure equitable allocation of resources, design of new business information and communication mechanisms to facilitate access and use of targeted information. The case

studies indicated that those planning and developing micro and small entrepreneur programmes had not addressed practical and strategic needs and interests needed to promote equality among entrepreneurs in order to enable them reduce poverty

Chambers (2005) “According to the case study respondents, this would necessitate the use of affirmative action in bridging existing gaps in an effort to promote, empower and address the practical and strategic needs of the poor” Chambers (2005). This information can then be used to develop pro-poverty reduction policies, plans and programmes in the development process so as to meet the entrepreneurs’ different needs and experience, which makes them respond to poverty differently. According to these entrepreneurs, engaging them in dealing with challenges that affect them would enable them to identify their own problems and come up with solutions that relate to basic well-beings of individuals and families.

Chambers (2005) “Further, the micro and small entrepreneurs in Kariobangi encountered difficulties when seeking capital to invest in income-generating activities” Chambers (2005). There was a general feeling among the respondents that a deliberate attempt should be made to create micro and small entrepreneur friendly financial institutions, which would provide special lending rates.

While commenting on the various attempts by the government to create special funds to support the youth, women and those people with disability, this is what they said:

“We small scale entrepreneurs in Kariobangi dismiss the existing government programmes such as Uwezo Fund, Youth Fund, and Women Fund as political projects that lacked transparency in their operations, which are given only to supporters of those politicians who control the funds.”

According to findings of this study, more money reached the household level and addressed the basic needs of the entire family in cases where women entrepreneurs accessed available funds.

Chambers (2005) “The respondents felt that in order to reduce poverty and achieve sustainable

development, more women entrepreneurs must participate fully and equally in the sharing of relevant business information and other resources available to them” Chambers (2005).

Finally, because of lack of visibility by the government at the micro and small enterprise level (this was evident in the study findings, demonstrated by the sources from which these entrepreneurs receive their business information), the government and its agencies performed poorly. Compared to family (54 %), friends (58 %), relatives (29 %), suppliers (66 %), customers(76 %), networks (33 %), church(25 %), banks and financial institutions (28 %), print media (28 %), electronic media (78 %), mobile phones (44 %), and the government at only 11 %, a very low rating indeed.

This study has demonstrated that business information is a critical for micro and small entrepreneurs to improve their performance, thereby helping to reduce poverty. This is in line with Chambers’ (2005) observation that participatory planning based on targeted information enhances ownership and control, and permits mobilization and use of local resources.

All these constitute best practices that these micro and small entrepreneurs require, and which when availed to them, can enable them improve their performance in service delivery, which in turn helps them as agents in poverty reduction.

Issues of credit and property, especially among women, and widespread gender-based inequalities and poverty in Kariobangi were highlighted during the interviews. Chambers (2005) “In order to achieve success, the respondents recommended that poverty reduction interventions needed to be responsive to the specific needs and concerns of female and male entrepreneurs in Kenya” Chambers (2005). However, lessons learnt from this study on poverty reduction trends in Kariobangi demonstrates that the existing policies, objectives and strategies have not favoured micro and small entrepreneurs.

The study found out that the entrepreneurs improved their income, which enabled them access to well-being areas. It revealed that as a result of improved performance, these entrepreneurs had increased access to health care (73 %), water and sanitation (72 %), education (67 %), housing (62 %), increase in income (59 %), transport (54 %), and food budget (44 %), and asset base (42 %).

According to case study findings, poverty reduction among micro and small entrepreneurs was less likely to quickly transfer to industrial growth because of a number of factors.

First, even if there was poverty reduction in the sector, it failed to create demand for industrial goods because of its insignificant ripple effect. The informal urban settlement's demand for industrial goods is growing very slowly, leaving poverty reduction among these entrepreneurs unlinked to industries. Second, given the small rate of business information penetration and rapid population growth rates, it is less likely for the micro and small entrepreneurs to yield profit that can be transferred to stimulate industrial growth. Third, lack of technology and business information use by these entrepreneurs hinders their productivity generating capacities as agents of poverty reduction. In such a situation, it is illogical to think that micro and small entrepreneurs could serve as an engine for poverty reduction. The implications of this could be a re-allocation of resources towards the micro and small enterprise sector.

Poverty reduction requires more investments to boost their absorptive capacities in terms of hosting unemployed and informal sector operators. Investment in infrastructure and services would intensify the capacity and profitability of not only large and medium firms, but also that of micro and small enterprises. Equitable growth can also be brought about through the development of informal sector operators in poverty reduction.

This study argues that micro and small enterprise operators in the informal sector should be tolerated because they mirror the failure in the other segments of the economy, and a way to incorporate them in economic development should be sought so as to leverage their poverty reduction potential. From this study, neither government support packages nor existing enabling environments would have significant influence on microenterprise success in the urban informal sector. This is a sign of failure for a country with more than half of urban employment composed of micro and small enterprise operators. This would call for policymakers revisiting the current intervention strategies to evaluate whether they are still relevant.

The respondents were not aware of any government initiative that sought business information from small business owners. The respondents interviewed indicated that the information they receive from those in authority were in the form of directives from the top, and they were not given the opportunity to interrogate them. This approach (social marketing) was used by agents of the financial institutions in the study area, who tried to sell the business ideas, which were meant for larger business entities.

The study observed that any planning and policy development process that did not recognize and address different practical and strategic micro and small entrepreneur development needs and interests was bound to promote inequality, thereby escalating poverty. Conversely, any gender responsive policy, planning and implementation that promotes micro and small entrepreneurs' efficiency, leads to greater well-being of men, women and the entire household. The study findings also identified that access to education made women and men seek resources, and address their socio-economic, cultural and physical environment differently.

## CHAPTER NINE

### SUMMARY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### **9.1 Introduction**

This thesis investigated the impact of business information on micro and small entrepreneurs as agents of poverty reduction. Variables investigated included types of business information, networks, the preferred media, and the demographics shared information used, and the extent to which these variables helped to influence poverty reduction in Kariobangi, Nairobi County. A key assumption of this study was that those micro and small entrepreneurs who deliberately access and use relevant business information from reliable sources improved their performance and reduced poverty. This study has shown that availability of relevant business information to micro and small entrepreneurs has helped them to improve their performance, which ultimately enabled them exit poverty. It has also identified insights of the functioning of the enterprise and entrepreneur as general business units, and how this impacted on their poverty reduction.

#### **9.2 Summary Findings**

This section summarizes findings in line with the four key research areas delineated by research questions and objectives on the impact of business information among micro and small entrepreneurs as agents of poverty reduction; investigating the extent to which the types of business information, networks, the preferred media, and the demographics shared information influenced their performance and how that performance in turn enabled them to reduce poverty.

##### **9.2.1 Types of Information**

This section summarizes the findings for the study objective that states that investigates whether the type of business information used by micro and small enterprises had significant influence on poverty reduction in Kariobangi, Nairobi County.

The key finding of this study was that access and use of relevant and timely information enabled micro and small entrepreneurs to reduce and graduate from poverty.

According to case study interviews, business information is important for enterprise creation, improved performance, survival and growth; but many entrepreneurs have no access to business information and mostly rely on what is available, whether relevant or not.

These findings expand our understanding of the importance of access to business information and how a well-functioning micro and small enterprise sector reduces obstacles to trading as it provides businesses with sources of skilled workers, competitive prices, quality goods and services, appropriate technology, and access to financial services.

The study has identified lack of access to local credit, gaps in the provision of business information on finances, market, government regulations and policy and other support services, which constrain the improved performance of many entrepreneurs.

Evidence from the cases showed that those entrepreneurs who accessed and used relevant types of business information, networked with others, used preferred media and demographics shared information had an added advantage over those that didn't as they influenced their resolve to exit from poverty.

On sources of business information, the findings revealed that primary and important sources of business information by these micro and small entrepreneurs included consultations with family members, friends, business colleagues, and social networks such as *chamas*. This is in contrast

with the existing study findings, which confine the major sources to formal institutions such as the government and its agencies. Lack of business information on credit, price, market, technology, customers, and networks denied these entrepreneurs important opportunities necessary for an efficient running business, which would ultimately have kept them out of poverty.

### **9.2.2 Networks**

This section presents summary findings on the impact of networks used by micro and small entrepreneurs. Most respondents agreed that networks kept them up-to-date with the latest business developments; effective information networks enriched the entrepreneur's working environment; participation in trade associations enhanced their motivation, thus improving their standard of doing business; involvement with women's groups enhanced networking; availability and accessibility of mentors and advisors in business motivated them to reduce poverty; and support systems and networking among business associates was key to positive business growth. Networking became an integral component of personal interaction, tapped and learnt from other members of their social networks. The respondents benefitted from the synergy created, not only for themselves, but also with other customers and non-human elements such as quality assurance.

This study has revealed that the micro and small entrepreneurs in Kariobangi belonged to different social networks. These networks enabled them to exchange business information with those entrepreneurs who were doing well, and who acted as role models and encouragers. This is in line with Quebral's (2012) observation that the process of business information dissemination



is done through effective exchange of relevant, pertinent messages, which induce people to take action.

### **9.2.3 Preferred Media**

This section presents the summary findings on the impact of preferred media used by micro and small entrepreneurs. The findings of this study identified the significant influence of preferred media used by micro and small entrepreneurs in poverty reduction.

On preferred media for business information, the findings revealed that radio remains the preferred source of business news, especially Inooro FM for the Kikuyu listeners, and Citizen Channel for TV viewers. These channels provided relevant business news in Kikuyu vernacular language. The Luo operators preferred Ramogi FM, which provided them with business tips in Dholuo.

### **9.2.4 Demographics Shared Information**

This section presents summary findings on the impact of demographic shared information used by micro and small entrepreneurs.

This study found out that sharing of business information among gender, ethnic groups, church groups, age groups, colleagues, and former schoolmates, was common among the entrepreneurs. According to case study interviews, sharing helped these entrepreneurs to get crucial business information that enable them to understand the dynamics of the market, thereby improving their decision making process.

Chambers (2005) “Business information sharing further helps them to bridge the existing gaps in business skills and access to resources, and facilitates equality and equity in all spheres of economic development for sustainable alleviation of poverty” Chamber (2005).

### **9.2.5 The Role of MSEs as Agents of Poverty Reduction**

This section presents summary findings on the role of micro and small entrepreneurs in poverty reduction. The findings identify conditions under which entrepreneurs were likely to succeed as agents for poverty reduction. According to case study respondents, the micro and small entrepreneurs have the potential to reduce poverty. This would ensure an equitable, efficient distribution and utilization of resources, focusing on empowering these micro and small entrepreneurs as they strive to reduce levels of poverty among them.

There is lack of recognition of different skills that would enable micro and small entrepreneurs to interpret the market trends and therefore identify resources necessary for the improvement of business.

This study demonstrates a lack of mainstreaming micro and small entrepreneurs in national planning and budgeting that would ensure equitable allocation of resources, design of new business information and communication mechanisms to facilitate access and use of targeted information.

The case studies respondents noted that planners and policy developers of micro and small entrepreneur programmes had not recognized and addressed different practical and strategic needs and interests that could promote equality in the society, thereby reducing the rate of poverty.

Chamber (2005) “There is a failure to appreciate the socio-cultural, political and historical injustices contexts that would necessitate the use of affirmative action in bridging the existing gaps in an effort to promote, empower and address the practical and strategic needs of the poor. The case study interviews identified that poverty reduction is dynamic and differs from one area to another, and therefore the need for continuous collection of business data and analytical information” Chamber (2005).

Chamber (2005) “There was also a failure to involve micro and small entrepreneurs in reflecting on challenges that affect them, identifying their own problems and coming up with solutions that relate to basic well-beings of individuals and families” Chamber (2005). All these constitute best practices that MSEs require in order to improve their performance in service delivery, which in turn would help them as agents for poverty reduction.

Further, MSEs in Kariobangi encountered difficulties when seeking capital to invest in income-generating activities. There was a general feeling among MSEs that a deliberate attempt should be made to create MSEs-friendly financial institutions, which will provide special lending rates.

While commenting on the various attempts by the government to create funds to support the youth, women and those physically challenged, the MSEs in Kariobangi dismissed the existing government programmes (Uwezo Fund, Youth Fund, and Women Fund) as political and lacked transparency in their operations. Women and young people lamented that these funds are given only to supporters of those politicians who control them.

The general feeling from those interviewed was that in order to reduce poverty and achieve sustainable development, women and men entrepreneurs must participate fully and equally in the sharing of relevant business information.

Finally, because of lack of government visibility at the micro and small enterprise level, it was evident from the study findings that the government and its agencies performed poorly as a source of business information for micro and small entrepreneurs.

### **9.3 Conclusions**

From findings on the impact of business information on micro and small enterprises as agents for poverty reduction in Kariobangi, the study concludes that the ability to grow and sustain the micro and small enterprise sector has created the demand for services associated with it. This

includes the competitive spirit in job creation and provision of services, which would have an overall positive and redistributive impact on the economy. This makes micro and small entrepreneurs very strategic as agents for poverty reduction in Kariobangi, especially when such poverty reduction initiatives are channeled through them. The government thus needs to tolerate informal sector activity as it is the channel of sharing the benefits of urban growth.

This study has posed an important policy discussion for those charged with the responsibility of developing micro and small enterprise programmes, who appear undecided when it comes to empowering this level of business as the catalyst for economic take-off. The study concludes that micro and small entrepreneurs could serve as agents for economic growth if the sector is given the necessary support. In the past decades, government efforts were geared towards micro and small entrepreneurs led development based on the argument that the country could use the abundant resources that it possesses, by channeling them through micro and small enterprise led development initiatives. Kenya possesses abundant resources, both in the rural and the urban sectors, which when used well are what the economy needs as a launch pad for industrial take-off.

In terms of information dissemination, one of the key cross-cutting policy considerations, which is currently lacking, is an affirmative action in favour of micro and small entrepreneurs. Lack of affirmative action perpetuates the existing inequalities in education, skill training, and access to business information, including access to credit. This has not helped the government's efforts towards improving equality and equity in a bid to reduce poverty.

The study concludes that if the poverty reduction process is channeled through the micro and small enterprise sector, the government will be able to strengthen the informal sector as a way of distributing and sharing resources among its poor.

#### **9.4 Recommendations**

Although the case study respondents indicated that micro and small entrepreneurs have the potential to reduce poverty, they contend that for them to succeed by ensuring equitable and efficient distribution and utilization of resources, and greater focus on business skill development. According to them, this would strengthen their capacity to recognize different skills that would enable micro and small entrepreneurs to interpret the market trends and therefore identify resources necessary for the improvement of their businesses.

Mainstreaming micro and small entrepreneurs in national planning and budgeting would ensure equitable allocation of resources, design of new business information and communication mechanisms to facilitate access and use of targeted information. The case studies identified that planners and policy developers of micro and small enterprise programmes had not recognized and addressed different practical and strategic enterprise needs and interests that are bound to promote equality in the society, thereby reducing poverty levels.

Chamber (2005) “This information can then be used to develop pro-poverty reduction policies, plans and programmes in the development process so as to meet these entrepreneurs’ different needs and experiences, which makes them respond to poverty differently. Involving these entrepreneurs would enable them to identify their own problems and come up with solutions that relate to basic well-being of individuals and families. Micro and small entrepreneurs in Kariobangi encountered difficulties when seeking capital to invest in income-generating activities. A deliberate attempt should be made to create micro and small entrepreneur friendly financial institutions, which will provide special lending rates” Chamber (2005).

Lastly, the government needs to be visible at the micro and small enterprise level because lack of visibility by the government at this level was evident in the study findings, which showed that micro and small entrepreneurs received more business information from other sources than from the government and its agencies.

This is consistent with Chambers' (2005) observation that participatory planning based on targeted information enhances ownership and control, and permits mobilization and use of local resources.

All these constitute best practices that these entrepreneurs require, and which when availed to them can enable them improve their performance in service delivery, which in turn helps them as agents in poverty reduction.

In order to achieve success, the study recommends that poverty reduction interventions need to be responsive to the specific needs and concerns of women and men entrepreneurs in Kariobangi. Issues of credit and property ownership and widespread gender-based inequalities, especially among women, are a common trend in Kariobangi. Lessons learnt from this study on poverty reduction trends in Kariobangi demonstrate that the existing government policies, objectives and strategies have not mainstreamed micro and small entrepreneurs.

Chamber (2005) "The study recommends that as a way of intensifying poverty reduction efforts, a gender perspective should be upheld in the formulation and implementation and promotion of these enterprise policies in poverty reduction. According to the study, the success of this would go a long way in reducing poverty at the household, business, community and national levels as it would ensure that those women and men's perspectives and experiences are taken on board so as to enhance the greater well-being of all entrepreneurs using micro and small enterprises as

vehicles. Further, poverty reduction planners and policymakers need to encourage research and make policy decisions with business men and women in their minds so as to address the existing imbalance” Chambers (2005). The study found out that those entrepreneurs who had succeeded were those who sought and used business information, mostly through networks. Those who did not network stagnated, while others were forced out of business.

In order to eradicate poverty and achieve sustainability, the business playing field must be made conducive by those in authority so as to enable the micro and small entrepreneurs to network with others so as to participate fully in improving their businesses. The micro and small entrepreneurs that belonged to networks benefitted from the synergy created, not only for themselves, but also with other customers and non-human elements such as sub-contracting.

#### **9.4.1 Recommendations to Policy**

In terms of information dissemination, one key cross-cutting policy consideration lacking is an affirmative action - deliberate effort in favour of micro and small entrepreneurs as development engines. Lack of an affirmative action has perpetuated the existing glaring inequalities in accessing business information and capacity building. When poverty reduction initiatives are channeled through the informal sector, the government will be able to strengthen the sector as a vehicle for distributing and sharing resources among the poor.

#### **9.4.2 Recommendation for Future Study**

Business information is critical and remains the single most important factor determining the competitiveness and performance. In Kenya’s micro and small enterprises sector stands at an

extremely disadvantaged position with regard to targeted business information dissemination. The manner in which this would be achieved is left for another study.

#### **9.4.3 Recommendation to Theory**

The study recommends the model of a combined impact of business information on micro and small entrepreneurs as agents for poverty reduction, which looks at the gross impact of the types of business information, networks, preferred media, and demographic shared information on MSEs and their influence on poverty reduction. The model identifies the types of business information and their importance, social networks, preferred mass media, and demographic shared information as the major determinants for poverty reduction in Kariobangi, Nairobi County.

#### **9.5 Areas for Further Research**

This study builds on other studies and has argued that micro and small entrepreneurs capacity could be reinforced and developed further by providing these entrepreneurs with access to relevant information, by encouraging business networks and media stations to target micro and small entrepreneurs, and demographics shared information.

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## APPENDIX

### APPENDIX I: CATEGORIES OF MSEs STUDIED

Item	Business Type	Total Registered	% Studied	Number Studied	Actual Returned	Gap
1.	Textile	200	10	20	18	2
2.	Saloon and Beautification	100	10	10	9	1
3.	Personal Services and Laundry	54	10	5	2	3
4.	General stores	81	10	8	8	Nil
5.	Construction Hardware	30	10	3	2	1
6.	Electrical and Electronics	50	10	5	3	2
7.	Metal Fabrication	50	10	5	5	Nil
8.	Financial Services and M-pesa	79	10	8	7	1
9.	Health Care	72	10	7	7	Nil
10.	Bar and Lodging	51	10	5	2	3
11.	Wood Fabrication	71	10	7	7	Nil
12.	General Food/Grocery	300	10	30	26	4
13.	Books/Stationery	20	10	2	1	1
14.	Education/Training	101	10	10	10	Nil
15.	Leather Work	50	10	5	4	1
16.	Entertainment	32	10	3	3	Nil
17.	Information/Internet	41	10	4	3	1
18.	Transportation	35	10	4	3	1
19.	General Mechanics	29	10	3	3	Nil
20.	TOTALS	1436	10	144	123	21

*Source: Researcher, 2013*



## APPENDIX II: SURVEY QUESTIONNAIRE

### INSTITUTE FOR DEVELOPMENT STUDIES, UNIVERSITY OF NAIROBI QUESTIONNAIRE FOR IMPACT OF INFORMATION ON MICRO AND SMALL ENTERPRISES AS AGENTS FOR POVERTY REDUCTION IN KARIOBANGI

This survey is aimed at identifying and understanding the impact of information on the micro and small enterprises as agents for poverty reduction in Kariobangi. Your consent to answer these questions will be highly appreciated. Your answers will be held in utmost confidence and used only for the purposes of this study.

Type of Business .....

Name of Respondent (optional) Mr./Mrs./Ms/Miss.....

Position (Title) in the business.....

Telephone No.....

Date of Interview.....

Area.....

Business/Plot No.....

#### SECTION ONE: GENERAL INFORMATION

1. Gender of Respondent : Male  Female
2. Ethnic group of the respondent.....
3. Date of birth.....
4. Marital Status: single  married  divorced  widowed  not married
5. No. of children: Above 18yrs..... Below 18 yrs.....
6. Indicate those living with you: Above 18yrs..... Below 18yrs.....
7. Highest Level of Education attained by respondent: None  Pre-Primary  Primary  Secondary  College  University
8. Have you attended any of the following post secondary institutions?  
Vocational training  College (Diploma/Certificate  University  Other  
(Specify).....
9. What is your religion/denomination? Anglican  Catholic  Pentecostal  AIC

KAG [ ] PCEA [ ] Islam [ ] other (specify).....

**SECTION TWO: LOCATION, SIZE, CHARACTERISTICS AND SCOPE OF BUSINESS**

1. When was your business started?.....
2. Who started this business? Self [ ] Spouse [ ] Parent [ ] other (specify).....
3. Where is your business site?In a building [ ] by roadside [ ] along the street [ ] in a market [ ] others (specify).....
4. Why did you choose this site for your business?.....
5. Where did you get information about this business site?.....
6. Why did you choose this area as your business location?.....
7. Where did you get information about it as a business location?.....
8. What type of business do you have? Please specify.....
9. Are you trained in business skills? Yes [ ] No [ ]
10. If yes, specify the type of skill and where you trained: skill.....here trained.....
11. Where did you get information about skill training?.....
12. What is the legal status of your business?  
Family [ ] Sole proprietorship [ ] partnership [ ]  
registered company [ ] other specify.....
13. If family owned, state the owners: siblings [ ] spouse [ ] parents [ ] other(specify)
14. Is your business registered? Yes [ ] No [ ]
15. Where did you get information about registration?
16. Do you have insurance for your business? Yes [ ] No [ ]
17. If yes, where did you get information about insurance?.....
18. Have you got employees? Yes [ ] No [ ]
19. If yes, how many are: Women [ ] Men [ ]
20. How do you recruit your employees?.....
21. Where do you obtain information about employees?.....
22. What do you consider while recruiting your employees?.....
23. What was your start- up capital in KShs?.....
24. What is the current value of your business in kshs?.....

25. Who are your customers?.....
26. Where are they located?.....
27. What are your sources of information about customers?.....
28. What are the sources of your raw material?.....
29. What are your sources of information about raw materials?.....
30. What are the sources of your finances?.....
31. What are your sources of information about finances?.....
32. Please specify the following as sources of your working capital?

<b>Item</b>	<b>Source of funding</b>	<b>Please tick appropriately</b>	<b>Please specify where applicable</b>
1.	Saving from <i>Chama</i> (self-help groups)		
2.	Saving from church group		
3.	Loan from relatives		
4.	Support from spouse		
5.	Loan from family		
6.	Grant from church/religious group		
7.	Loan from micro-finance institutions		
8.	Loan from bank		
9.	Assistance from friends		
10.	Assistance from relatives		
11.	Assistance from NGOs		
12.	Assistance from CBOs		
13.	Others.....		

33. State problems in obtaining capital (if any): Lack of information [  ]  
Lack of skills [  ] Lack of business plan [  ] Lack of security [  ] other (specify)
34. What kind of security did the lenders ask?.....
34. Where did you get information about these conditions?.....

**SECTION THREE: ACCESS AND USE OF INFORMATION**

1. Is business information readily available in this locality? Yes [ ] No [ ]
2. If yes, what type of business information is available?.....
3. What factors affect the availability of business information?.....
4. Has availability of business information improved since the start of your business? Yes [ ]  
No [ ]
5. What factors have led to the improvement of business information since the start up of your business?.....
6. What should be done to improve availability of business information to MSEs?
7. How **frequent** do you use the following as sources of business information?

Item	Source of Information	Very frequently	Frequently	Not Frequently	Not very Frequently	Never use
1.	Family					
2.	Friends					
3.	Relatives					
4.	Suppliers					
5.	Customers					
6.	Other business people					
7.	<i>Chamas</i>					
8.	Government agencies					
9.	Church					
10.	Banks					
11.	Microfinance Institutions					
12.	Newspapers					
13.	Radio					
14.	Television					
15.	Mobile phone					
16.	Land line phone					
17.	Internet					
18.	Twitter					
19.	Facebook					
20.	Consultants					
22.	Lawyers					

23.	Trade magazines					
24.	MSE Sector Coalition					
25.	Jua Kali Association					
26.	Kenya Institute of Business					
27.	NGOs					
28.	CBOs					
29.	Visit to the clubs					
30.	Visit to the bars					

8. Please indicate, how **important** are the following sources of information for your business?

Item	Source of Information	Very important	Important	Not important	Not very important
1.	Family members				
2.	Friends				
3.	Relatives				
4.	Religion				
5.	People from my ethnic group				
6.	Banks				
7.	Microfinance				
8.	NGOs				
9.	Radio Station				
10.	Television station				
11.	Women group				
12.	Self help group				
13.	Welfare and burial org.				
14.	Former schoolmates				
15.	Suppliers				
16.	Visit to the clubs				
17.	Visit to the bars				

9. What type of business information do you need?.....

10. Are you aware of the sources of types of business information you require? Yes [ ] No [ ]

11. Do you agree that the following enhance the demand and use of information on MSEs?

<b>Item</b>	<b>Abilities</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>
1.	Sharing information				
2.	Financing Business				
3.	Taking Risk				
4.	Competitive spirit				
5.	Sacrificing Leisure				
6.	Membership to a Church				
7.	Membership to a Chama				
8.	Having Business skills				
9.	Ability to source for funds				
10.	Discipline in the use of business income				
11.	Being Optimistic and Determination				
12.	Others (specify)				

12. Approximately how many days per week do you spend accessing business information from the following sources? (Tick one in each question).

<b>Source of business news</b>	<b>No. of days</b>	<b>Type of channel/FM station/News paper</b>
Listening to business related news in radio	0 1 2 3 4 5 6 7	
Watching business related news on television	0 1 2 3 4 5 6 7	
Reading business related news from news papers	0 1 2 3 4 5 6 7	
Using mobile for business related news	0 1 2 3 4 5 6 7	
Using internet for business related news	0 1 2 3 4 5 6 7	
Using face bookor twitter for business related news	0 1 2 3 4 5 6 7	
Others(specify)	0 1 2 3 4 5 6 7	

13. State the frequency of availability of the following types of business information

Item	Type of Information	1 Very Frequent	2 Frequent	3 Not Frequent	4 Not very Frequent	5 Never available
1.	Credit Startup capital Business expansion					
2.	Markets Increased sales Expanded market Other specify.....					
3.	Suppliers Source of supplies New suppliers New products Expanded market					
4.	Customers new customers more sales new products new markets expanded business					
5.	Business Location availability of sites availability of premises availability of cheap premises					
6.	Business Associations or Network exchange of information membership of network social protection exchange of experiences new partners expanded markets					
7.	Policy and regulations business registered business secured					

	receives regulations government support aware of regulations legal protection						
8.	Technology Sources of technology New technology New machines New production methods						
9.	Business training sources of training new courses new seminars						

#### SECTION FOUR: PERFORMANCE OF MICRO AND SMALL ENTERPRISES

1. Kindly indicate in the table below concerning sales volume, number of employees and profits/loss, from the year 2003 to 2012. (For profit/loss variable, indicate –ve then amount if it was a loss and if profit indicate the amount)

##### Sales Volume

Variables	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sales Volume										

##### Number of employees

Variables	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of employees										

##### Profits/loss

Variables	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Profits/loss mean										



2. Rank your enterprise performance according to the following variables using **1** as ‘**very high**’, **2** as ‘**high**’, **3** as ‘**average**’, **4** as ‘**low**’ and **5** as ‘**very low**’.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Ability to pay business costs					
Level of competitiveness					
Varieties of products					
Ability to run business activities					
Revenue generation					

Estimate your level of income.....

#### **SECTION FIVE: NETWORKING**

1. Rank your level of enterprise networking according to the following statements using **1** as ‘**very high**’, **2** as ‘**high**’, **3** as ‘**average**’, **4** as ‘**low**’ and **5** as ‘**very low**’.

<b>Statements on networking</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Conferences are effective mechanism in terms of getting to meet potential customers, keeping up to date with the latest developments					
Effective information networks enrich the entrepreneur’s environment.					
Participation in trade associations enhances employees motivation thus improving their standards					
Involvement with women’s groups enhances networking.					
Availability and accessibility of mentors and advisors in business matters improves performance					
Support systems and networking among business associates is key to positive growth.					

2. What methods of networking have you been using in your enterprise?

.....

.....

.....

.....

**SECTION SIX: SOCIO-ECONOMIC CONDITION**

1. Rank your enterprise socio-economic condition according to the following statements using **1** as ‘very high’, **2** as ‘high’, **3** as ‘average’, **4** as ‘low’ and **5** as ‘very low’.

Statements on entrepreneurial socio-economic condition	1	2	3	4	5
Entrepreneurial innovation is considered a key factor in business survival and success in increasing sales volume.					
Entrepreneurs develop new products and services for a market niche, or confront established firms with better quality, additional features or lower prices					
Micro and Small Enterprises are more flexible and have closer contact and relationships with their customers.					
Competition is the underlying principle behind business performance					
Adoption of new technology minimizes costs thus improving profits					
Training and development of employees would expect their ventures to grow					

2. What risk-taking factors would you consider relevant to enhance performance of your enterprise.....

.....

.....

.....

**SECTION SEVEN: LEVEL OF POVERTY REDUCTION BY MSEs**

1. State whether you strongly agree, agree, or disagree, with the causes of poverty:

Causes of poverty	Strongly agree	Agree	Disagree
Lack of income			
Lack of modernization			
Lack of economic dev			
Laziness			
Powerful individuals			
Powerful organizations			
Powerful countries			
Society			

2. Would you consider yourself poor? Yes [ ] No [ ] Don't know [ ]

3. What are your monthly business earnings in Kshs.....

4. What is your monthly expenditure in Kshs.....

5. State three (3) ways of reducing poverty (i).....(ii)..... (iii).....

6. Does owning MSEs help you in reducing poverty? Yes [ ] No [ ] Don't know [ ]

7. Rate how your business has impacted on the following poverty indicators?

Item	Impact areas	Strongly impacted	Impacted	Not impacted	Not strongly impacted
1.	Increase in Income (in Kshs)				
2.	Increase in Food budget (in Kshs)				
3.	Children Education i.None.....[ ] ii.Pre-primary.....[ ] iii.Primary.....[ ] iv.Secondary.....[ ]				

	v.Vocational..... [ ] vi.University.....[ ] vii.other.....				
4.	Health care i.Private health care.....[ ] ii.NHIF.....[ ] iii. Public heath care.....[ ] iv. Medical insurance.....[ ] v.Other (specify).....[ ]				
5.	Water and sanitation i.Piped water.....[ ] ii.Communal water.....[ ] iii.From vendors.....[ ] iv.Flash toilet .....[ ] v.Pit latrine.....[ ]				
6.	Family housing Own house.....[ ] Rented house.....[ ] Other(specify) .....[ ]				
7.	Type of house Timber.....[ ] Mabati.....[ ] Stone .....[ ]				
8.	House size One room..... [ ] Two rooms.....[ ] Over two rooms.....[ ]				
9.	Family asset base Family plot.....[ ] Family house.....[ ] Business plot.....[ ]				

	Shares.....[ ] Others (specify).....[ ].				
10.	Type of transport used Walking.....[ ] Boda boda.....[ ] Motor bike.....[ ] Matatu.....[ ] Own vehicle.....[ ] Other (specify).....				

9. Are there challenges or information about your business which you would like to share?

**THANK YOU FOR YOUR CO-OPERATION**

### **APPENDIX III: CASE STUDIES INTERVIEW GUIDE**

- i. Type of business
- ii. Ownership
- iii. Gender
- iv. Education
- v. Marital status
- vi. Age
- vii. Ethnicity
- viii. Religion
- ix. Training
- x. Business skills
- xi. Work experience before entering business
- xii. Years in business
- xiii. Types of business information sought
- xiv. Starting capital
- xv. Working capital
- xvi. Income and expenditure
- xvii. Sales
- xviii. Business characters needed- sharing information, taking risk, competitiveness, sacrificing leisure, networking, business skills, sourcing for funds, discipline in use of resources determination
- xix. Types of business information identified
- xx. Networks and their impact on performance
- xxi. Preferred media used and impact on performance
- xxii. How have business information, networks, preferred media, influenced poverty reduction
- xxiii. Well-being areas including, income, employees, access to education, access to health care, housing, use of clean, piped water with flash toilet.