

**TRADE LIBERALISATION AND ENTREPRENEURSHIP:
Responses to Constraints and Opportunities by Micro and Small
Garment Producers in Nairobi**

By

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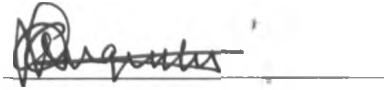
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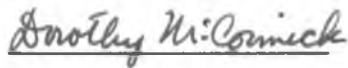
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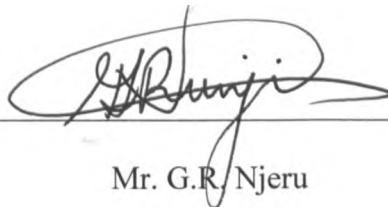


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This Project paper has been submitted for examination with our approval as University
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DEDICATIONS

This project paper is dedicated to my mother, Grace Nduta Muguku, who laid the foundation for my education, by tirelessly mobilising her meagre resources to pay the tuition fees for my high school education.

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I am solely responsible for any errors and omissions in this paper.

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LIST OF ACRONYMS

AGOA	Africa Growth and Opportunity Act.
CBD	Central Business District
CBS	Central Bureau of Statistics
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EPZs	Export Processing Zones
EU	European Union
GOK	Government Of Kenya
IDS	Institute for Development Studies
IMF	International Monetary Fund
KIBT	Kenya Institute of Business Training
LDC	Less Developed Countries
MFI	Micro-Finance Institutions
MSEs	Micro-and Small Enterprises
NCC	Nairobi City Council
SAPs	Structural Adjustment Programmes
US	United States
WB	World Bank

ABSTRACT

This study is about trade liberalisation and entrepreneurship in the small-scale garment sector. The study aims at identifying some of the entrepreneurial responses to opportunities and constraints of trade liberalisation by micro and small garment producers in Nairobi.

The study is based on the hypothesis that trade liberalisation created both challenges and opportunities in the business environment for micro and small garment producers in Nairobi. The study hypothesis is that the producers were entrepreneurial in the Schumpeterian sense, in response to the constraints and opportunities created by trade liberalisation. It is on this basis that the study uses the Schumpeterian theory of entrepreneurship, to identify the entrepreneurial strategies used by the producers to adjust to the new business environment.

This study uses the case study and qualitative methods, in data collection and analysis. Semi-structured interview guide was used in the in-depth interviews with purposively selected eight Micro small garment producers and four key informants. Primary data are supplemented by secondary data, and qualitative methods are used in the data analysis.

The study reveals that trade liberalisation created both negative and positive effects on the business environment for micro and small garment producers in Nairobi. The negative effects are seen in form of the competition and low demand for local products, occasioned by the influx of new and used clothing from foreign countries. Trade liberalisation presented export opportunities to the producers, in which they could export their products to the foreign countries.

In reference to the responses to the new business environment, the study reveals that micro and small garment producers in Nairobi have not seized the opportunities to export their products, mainly due to lack of information about such markets and financial capital.

In response to the constraints, the study finds that producers have devised various entrepreneurial strategies. They have shifted their original product line to the ones not readily available in the imports. They have diversified their product lines, reduced the price of the products and offered a variation of prices for different customers in an attempt to compete with the cheap imported clothes. They have also resorted to new sources of raw materials especially imported ones which are cheap compared to local ones. Although the producers are entrepreneurial in their responses to the constraints in the new business environment, this is not reflected in the responses to the opportunities.

In conclusion, the study notes that, entrepreneurs' responses to the constraints reflect a considerably low level of entrepreneurship in the Schumpeterian sense. However, as Schumpeter noted, entrepreneurial responses among the micro and small garment producers in Nairobi have been faced with various constraints, which include among others, lack of finance and Market information. This may explain the limitation to the entrepreneurship potential of the producers.

The study has made some recommendations for Programmatic intervention by the Government and other stakeholders. The recommendations are geared toward enhancing the entrepreneurship potential and entrepreneurial responses to the new business environment. They include the provision of financial credit to potential exporters, involvement of the small-scale producers in international trade fairs, training of workers in the sector to improve the quality of products for international market, lowering the cost of infrastructure, which affects the cost of production and competitiveness of the local products.

1.0 INTRODUCTION

In the last two decades, Kenya, like many other countries in Sub-Saharan Africa, has been struggling to implement socio-economic and political reforms. These reforms have been largely part of the structural adjustment programs, prescribed to the developing countries in Africa by the Bretton Woods Institutions (World Bank and International Monetary Fund), to address social, political and macro-economic problems that faced these countries.

Structural adjustment programs (SAPs) were introduced in the management of the Kenya economy during the 1980/81 fiscal year. They did not however become an important part of economic management until after the publication of Sessional paper No. 1 of 1986 (Republic of Kenya, 1997).

The adoption of structural adjustment programs entailed price and market liberalisation, financial sector policy reforms, international trade regulation reforms, parastatal and civil service reforms among others (Republic of Kenya, 1997). Since the introduction of the programs, debates have raged among scholars and policymakers on the impact of these policies on the socio-economic livelihoods of the African population.

Trade liberalisation was part of the macro-economic reforms that aimed at providing investment incentives to foreign and domestic investors. It was geared towards enhancing external and internal competitiveness of the economy through the deregulation of the international trade regime.

Before the liberalisation, the trade regime in Kenya as elsewhere in Sub-Saharan Africa was characterised by rigid and restrictive policies in form of tariff and non-tariff barriers, bureaucratic licensing requirements and procedures.

In this kind of trade regime, international trade was dominated and monopolised by large-scale private and state-owned firms, which used their political and economic power to acquire trade licenses and manipulate the government's trade regulations. Tariff and non-tariff barriers imposed on imports were in line with the government's import substitution strategy. It was also used in Kenya as a protectionist policy aimed at cushioning the local industries from external competition. This kind of trade regime was a disincentive to private investors and particularly the micro and small entrepreneurs, a situation that trade liberalisation sought to address.

Debates on the role and impact of trade liberalisation in Kenya as elsewhere in Africa have been contentious. The benefits and costs of trade liberalisation for developing countries constitute an increasingly controversial issue (Khor, 2001). The view that trade liberalisation is necessary and has automatic and generally positive effects on development is being challenged empirically and analytically (Khor, 2001). Economic liberalisation is supposed to create an enabling environment for private enterprise development (McCormick, 1996).

In Kenya, of particular interest have been the effects of economic reforms and trade liberalisation on private enterprise development. Trade and product market liberalisation created opportunities, challenges and constraints in the business environment for micro, small, medium and large enterprises. As regards constraints, it led to influx of new and old clothes and textile imports from both developed and developing countries. Trade liberalisation created stiff competition with the local garment and textile manufacturers, as textile and clothing imports flooded the market and led to the collapse of some of the large textile and garment firms in Kenya. They include the Eldoret-based Rift Valley Textiles (RIVATEX), Kisumu Cotton Mills, (Kicomi), Mountex, East African Bag and Cordage and Raymonds, among others.

On a positive note, it created opportunities to access external markets. Some small and micro enterprises have been able to access raw materials from foreign markets. For instance in Ghana and Tanzania, most of the small firms have been able to diversify their product lines due to the availability of certain components as inputs (Dawson, 1993).

Empirical studies in countries like Tanzania, Malawi, Mali and Senegal point out that trade liberalisation led to increased competition among micro and small enterprises. Similarly, the sector responded in various ways to the disequilibria caused in the demand and supply sides. Writing on the impact of structural adjustment programmes on small-scale enterprises in Tanzania, Bagachwa, (1993) notes that SAPs have served as a double-edged sword, threatening some firms' markets through more imports and domestic competition. He notes that the most adversely affected firms have been those that have been unable to innovate.

In reference to Kenya, the impact of trade liberalisation on the garment sector has continued to draw the interest of the government, policy-makers and scholars. Indeed, studies and existing literature on the phenomenon are neither exhaustive nor conclusive. This is the case because such studies have largely been based on survey and quantitative techniques and therefore unable to answer some of the qualitative questions.

It was from this background that this project was undertaken to find out using qualitative methods, how entrepreneurs in the micro and small garment sub-sector responded to the opportunities and challenges of the liberalised trade regime in Kenya. The focus on this category of entrepreneurs was hinged on their important contribution to socio-economic development, in terms of household livelihoods and national development goals of employment creation and industrialisation.

1.1 Statement of the problem

Over the last decade of trade liberalisation, the local garment manufacturers in Kenya have had to contend with increased competition from imported, new and old clothing. Statistics indicate that in 1991/92, demand for new clothing dropped sharply with renewed competition from second-hand clothes dealers (McCormick and Ongile, 1996).

It has also been shown that although micro and small garment enterprises have increased in numbers in the era of trade liberalisation, they only survive but do not grow (McCormick and Kinyanjui, 2001). Whereas large and medium-sized textile firms are collapsing, small firms seem to be doing the opposite, and seem to be increasing in number. In Nairobi, there are over 6,000 small-scale garment firms, of which 4,000 are producers, and the rest are traders. They have also managed to maintain their turnover (McCormick and Kinyanjui, 2001).

Empirical literature suggests that micro and small garment producers have managed to survive the constraints of trade liberalisation that include the constriction of the local product market. However, the literature on how they have managed to survive was inadequate. This is particularly so in reference to the entrepreneurial survival strategies the producers devised in response to the constraints and opportunities created by trade liberalisation.

1.2 Research questions

The study used the following broad questions to gather information from both primary and secondary sources.

1. What have been the constraints and opportunities created by trade liberalisation for the micro and small garment producers?
2. How did entrepreneurs in this sector respond to these constraints and opportunities?

3. How entrepreneurial were the enterprise owners in their response to the constraints and opportunities created by trade liberalisation?
4. What are some of the intervention measures necessary to address the problems facing the sector in relation to trade liberalisation?

1.3 Objectives of the study

The broad objective of this study was to examine the entrepreneurial responses to the opportunities and constraints of trade liberalisation by micro and small garment producers in Nairobi.

The specific objectives included the following:

1. To identify the opportunities and constraints posed by trade liberalisation on micro and small garment producers in Nairobi
2. To identify some of the entrepreneurial strategies adopted by the producers in response to the constraints of trade liberalisation.
3. To identify the entrepreneurial responses by the producers to the opportunities created by trade liberalisation
4. To identify the intervention measures for enhancing the entrepreneurs' responses to the new business environment.

1.4 Hypotheses and study assumptions

This study was based on the assumptions that trade liberalisation created both constraints and opportunities for micro and small garment producers in Nairobi. The producers responded to this new business environment by being innovative. This they did, for instance, by changing the product line and by diversification as well as by searching for new markets either locally or in foreign countries.

The following two hypotheses therefore guided the study:

1. Trade liberalisation led to the change of product-line choice of entrepreneurs in the micro and small garment sector in Nairobi
2. Trade liberalisation led to the change of market choice of entrepreneurs in the micro and small garment sector in Nairobi.

1.5 Rationale for the study

For many countries, garment manufacture has been the starting point for export-led industrialisation (McCormick, 1992). In Kenya, the garment sector remains a key vehicle for economic growth, having the potential to provide employment and contribute to gross domestic product as well as poverty reduction. Despite government recognition of the potential contribution of this sector to industrialisation, positive solutions to its many problems have yet to be developed (McCormick, et al, 2001).

The focus on micro and small entrepreneurs was derived from their importance in the country's economy, including employment creation, development of a pool of both skilled and unskilled workers, and an increase in savings and investment by local Kenyans. Small enterprises offer excellent opportunities for entrepreneurial and managerial talents to mature, and strengthen forward and backward linkages among socially, economically and geographically diverse sectors of the economy (GOK, 1992). In reference to employment creation and contribution to the national economy, by 1999 there were 1.3 million micro and small enterprises in Kenya, employing an estimated 2.4 million people, with a contribution of 18.4 per cent of Gross National Product, (CBS, et al 1999).

This study sought to develop some intervention measures that could be used to address the persistent problems that hinder entrepreneurship and growth of the micro and small enterprises with special reference to the garment sector.

The findings could be a benchmark for the stakeholders in the sector who are at the fore in addressing the multiplier effects of structural adjustment programmes and trade liberalisation in particular. In this regard, the study would generate information to guide policy makers and other players in the industry to design appropriate programmes to enhance the growth and development of micro and small garment producers.

The study would also generate theoretical debate regarding the presence of entrepreneurship in the country, role of entrepreneurs and micro and small enterprises in socio-economic development in a free market economy.

1.6 Scope and limitations of the study

This study aimed at examining the entrepreneurs' responses to the new business environment created by trade liberalisation. The study limited itself to the producer's interaction with product market in the liberalised demand side. It documents how the local product market was affected by trade liberalisation and how producers responded in an attempt to address these effects and exploit the opportunities in the foreign market.

The study selected Nairobi City as the study area due to agglomeration factors in MSE locations and limited financial resources. Due to financial and time limitations, the study used the case study methodology by selecting a small sample size, and hence results may not be generalised to all entrepreneurs in the sector.

1.7 Definition of key concepts

Development: A process in which society mobilises and utilises its resources to achieve socio-economic and political goals and improve the well being of the people.

Entrepreneurship: A socio-economic activity that entails the innovative mobilisation of resources for profit.

Entrepreneur: Innovative individuals, who make decisions affecting the location, form and use of goods, resources or institutions (Schumpeter, 1934, Hebert & Link, 1989).

Innovation: the introduction of new ideas and methods, (better than those that existed before) in the utilisation and management of resources. According to Schumpeter (1934), it is the creative art of entrepreneurship.

Micro and small enterprise: In this study, MSEs are defined as firms employing between 1 and 10 workers, including the owner(s).

Mitumba: Kiswahili word for second-hand or used items. In this study, it refers to both second-hand or used clothes, imported and collected locally. In Kenya, mitumba consists largely of used clothes cast off by affluent fashion-conscious consumers in the developed countries, which make their way through the networks of charitable organisations, recyclers, rag makers, wholesalers and exporters (Munyi, 1998).

Profit margin: The difference between the production cost and the selling price of a product, as the income for the producer.

Seasonality: The fluctuations in the sales, purchases, and stock turnover of an enterprise or product.

Turnover: The rate at which the stock of a producer or enterprise moves, as determined by the number of customers and quantity of purchases they make at a given period of time.

Trade liberalisation: A process of systematically reducing and eventually eliminating tariff and non-tariff barriers between countries as trading partners (UNIFEM, 1998).

Structural Adjustment Programmes (SAPs): Social-economic, and political reforms and policies, prescribed by the Bretton Woods institutions to sub-Saharan African countries beginning the early 1980s in an attempt to address the development problems that faced them.

1.8 Organisation of the paper

This paper consists of five chapters. The other chapters are organised as follows: Chapter Two deals with literature review as well as the theoretical framework that was used in the study. There are two main sections in this chapter. The first section reviews the theoretical literature that focuses on the concept of development theory, entrepreneurship and trade theory.

The second section deals with the empirical literature and addresses the issues of trade liberalisation as a component of structural adjustment policies in Africa and Kenya in particular. It gives special regard to the highlights of the impact and responses to these policies by micro and small enterprise owners in Kenya particularly in the garment sector.

Chapter three presents the methodology, sampling procedures and data collection methods used in the study. Chapter four and five present the empirical results and their interpretations. Chapter six summarises the study findings and gives policy recommendations.

2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Theoretical Literature

This chapter consists of three main sections. The first section discusses the concept and theory of development, and attempts to relate the major contemporary theoretical discourses to the African development context. The second section deals with the trade theory, and attempts to highlight the theoretical underpinnings behind trade liberalisation. It also tries to contextualise trade liberalisation policy in the realm of development theory and practice. The third section addresses the issue of entrepreneurship theory and the concept of entrepreneur. It discusses the role of entrepreneurs and entrepreneurship in the African development process in the light of changing development policies and paradigms.

2.1.1 Development theory

The realm of development theory has generally been epitomised by a concern for the intricacies and cause–effect relationships in the process of social change. This concern has been earmarked by conceptual postulations by scholars especially social scientists in an attempt to explain the process of social, economic and political change in world societies.

The origin of development theory could be traced to Hegel and Marx, who according to Leys (1996) treated change as a historical phenomenon. The advent of industrial capitalism in the late eighteenth century, and its impact on human economic, social, political and cultural development, drew the people's attention to the process of social change. (Leys, 1996, with own emphasis). Hegel and Marx were concerned about the sudden acceleration in the rate of change generated by capitalist production in bourgeois society, which they argued, would only be understood historically. They sought to explain the change in the society by tracing the historical evolution of human productive relationships. In capitalist society, Hegel and Marx were concerned with the relationship between the worker and owners of capital, and how that relationship influenced the production and distribution of goods and services.

In the contemporary society, the meanings and views of the concept of development have been contentious. Indeed, it has been argued that development is not value-free. This is evident in the various definitions given to the concept by scholars and social scientists. This is compounded by the various development theories that have been formulated in the last five decades to explain the problems of underdevelopment and its solutions in the developing countries.

The bone of contention in the views and meanings of the concept is seen in the agency, objective, objects, and means of development. This has generated value laden theoretical and practical approaches to development activities, policies and programmes especially in sub-Saharan Africa and other developing countries of the world.

Development has been viewed as a process that aims at improving the living standards of a people. It implies improved health and well-being for all (Allen and Thomas, 2000). Development is a process in which a society mobilises its resources to achieve social, economic and political goals. As a process, it involves two key factors, which include goals and means.

Cowen and Shenton (1996), distinguish between immanent and intentional development. They argue that immanent development refers to the natural change in society, similar to what was experienced in the capitalist development and industrial revolution of 18th century Europe. It means a spontaneous and unconscious change, for instance from agrarian to commercial and industrial society. They note that intentional development refers to deliberate actions and interventions by institutions and agencies in bringing about change and ameliorating the effects of immanent development, such as poverty, unemployment and other forms of human misery. Himmelstrand, (1994), notes that development is a multi-dimensional concept. It carries with it socio-economic, cultural, political and psychological facets. In reference to the agencies of development, Cowen and Shenton, (1996) raise the question of trusteeship and the efficacy of institutions and individuals entrusted with carrying out development work on behalf of others.

The bone of contention in this regard is who should develop who and how? The goals of development have been also a contentious issue. Allan and Thomas (2000), argue that development should be based on justice, sustainability, and inclusiveness.

According to the alternative development school, people should be empowered to take part in the development process to ensure human security and environmental protection.

This contrasts with the theory of economic growth, whose emphasis was on per capita income, gross national product and gross domestic product as the key parameters for measuring development. This position was questioned in the 1970s for disregarding equitable distribution of growth and poverty alleviation, as the case has been in Kenya and Africa in general.

The controversy surrounding the concept and practice of development has been earmarked by the various theories and programmes formulated and prescribed for the developing countries, among them the newly independent countries of Sub-Saharan Africa, and Kenya in particular. After independence, African countries like other developing countries were faced with a myriad of problems. Among them were diseases, illiteracy, political disorder, social strife and other forms of underdevelopment.

Seeking solutions to these problems was not a concern only for the African leaders and policy makers. The international institutions and world leaders from the developed nations also became involved. The concern marked the origin of the various development theories formulated by scholars and leaders geared toward a diagnosis and treatment of the problems of underdevelopment in Africa and third world in general.

Some of the main theories of development formulated and prescribed to African countries as well as other developing countries in the third world include the modernisation and dependency. Sociologists and political scientists from the United States of America formulated the modernisation theory. The theory aimed at dealing with the problems of development facing the newly independent states of the third world. It advocated for the transition of these countries from traditional to modern societies, attributing the low level of development in these countries to traditional characteristics viz: low level of division of labour, low level of production, reliability on agriculture and particularistic value orientations (Chambua, 1994).

The key proponents of the dependency theory include Scholars like Gunder Frank, Samir Amin, Walter Rodney and Cardoso. According to the theory, third world

countries are underdeveloped due to structural linkages with the west. According to the theory, the relationship between the third world and developed countries has been that of exploitation, and the former can only develop by delinking themselves from the international capitalist system.

In most of Sub Saharan Africa and Kenya in particular, development policies and programmes have been largely informed by the modernisation theory. This is seen in the import substitution strategies and reliance on aid. (Chambua, 1994). However, due to the unimpressive performance of these strategies, a new modernisation theory seeking to bring about economic development in LDCs through trade, deregulation of capital markets, and less state involvement in socio- economic affairs, rather than through aid has emerged since 1980s (Chambua, 1994).

2.1.2 Neo-liberal theory of trade.

Trade liberalisation is a process of systematically reducing and eventually eliminating tariff and non-tariff barriers between countries as trading partners. It aims at creating a level playing field on which economies at different levels of development can compete. It is motivated by the economic theory that postulates that unrestrained markets will result in the most efficient pattern of productive activity. It is one side of the development debate that has been going on for the last fifty years (UNIFEM, 1998). Trade liberalisation and structural adjustment programmes have been informed by a renewed form of modernization theory aimed at influencing development policies in Africa. In Kenya as elsewhere in Africa, it was part of the macro economic reform package prescribed by the Bretton Woods Institutions to redress the economic crisis that affected these countries since the late 1970s.

Trade liberalisation is based on the neo-liberal idea that successful development can only be achieved by adopting the policy of openness to global capital and competitive forces and closer integration with the global economy.

Underlying the structural adjustment programmes has been a neo-liberal development strategy referred to as the “Washington consensus,” which prioritises the opening up of national economies to global market forces and requirement for limited government intervention in the management of the economy (McGrew, 2000). Trade liberalisation is thus hinged on the trade-based development initiative, designed to bring about the desired economic reforms in LDCs ((Otiso, 2002).

Economists have argued that the advantage of free market economy outweighs those of tariff and non-tariff trade barriers especially in regard to the national socio- economic gains. According to the neo-liberal theory, trade liberalisation entails giving a leeway to markets, whereby competition and the price mechanism would determine the allocation of resources through the demand and supply equilibrium. The neo-liberal theory assumes that information is available about market trends, and thus enterprises and entrepreneurs will always respond to the needs of the market by producing the right quantity and quality products and services in ways that increase the returns to investment. The World Bank’s approach is that trade liberalisation increases competition and consequently, efficiency and productivity (World Bank, 2002).

Trade liberalisation aimed at providing the necessary investment incentives to both local and foreign investors, and enhance external and domestic competitiveness of the economy through liberalisation of markets. Thus trade policy reforms aimed at bringing private investment on board by creating incentives through the removal of restrictive trade barriers and government licensing procedures.

In relation to development, the neo-liberal theory is hinged on the view that immanent development of capitalism is sufficient. Capitalism here is defined as a system of production of goods and services for market exchange in order to make profit. It adores distribution of welfare through the market, distribution of wages and enterprise management for profit and accumulation (Allen and Thomas, 2000). It was the dominant view of development in the 1980s that saw the process of capitalist

development as leading to the desired result of modernization with no need for any kind of intentional development which was seen as creating obstacles to the proper working of the market.

Intentional development largely entails proactive state initiatives, aimed at providing public facilities and welfare programmes. This kind of approach to development is normally geared toward addressing the imperfections and inadequacy of free market economy by ensuring equitable distribution of resources and ensuring the availability of public utilities.

The critical issue at this juncture is the viability of the trade liberalisation policy in fostering development in Kenya and African countries in general. This concern is addressed in the following section.

2.1.3 Entrepreneurship theory

There is no standard definition of the concept of entrepreneurship. It is related to that of entrepreneur, and the two cannot be discussed in isolation. Schumpeter, (1934) argues that without the entrepreneur, the society would remain stagnant. To him, entrepreneurs are the engines of economic development. He emphasised the importance of innovation in capitalist development.

Through innovation, the entrepreneur introduces new goods in the market, ventures into a new market, discovers new sources of raw materials, introduces new methods of production through for example labour-saving methods, adding value to existing products, minimising production costs and introducing new management styles. He argued that entrepreneurs could only be identified retrospectively by their success. Schumpeter perceived innovation as the creative act of entrepreneurship, hence a dichotomy between entrepreneurs and non-entrepreneurs.

The concept of entrepreneur refers to an organiser and coordinator of economic resources. Entrepreneurs are persons who make decisions affecting the location, form and use of goods, resources or institutions (Hebert and Link, 1989). According to Njeru (1996), the concept of entrepreneur is commonly used to refer to persons responsible for the success of business firms, manufacturing or general industrial concerns. Entrepreneurs are dynamic, intuitive, perceptive and creative to mobilise resources to induce change. Kilby, (1971) defines the entrepreneur as a manager who engages in four main functions namely exchange relationships, political administration, management control and technological endeavours.

The concept of entrepreneurship can be defined as a social-economic activity that entails the mobilisation of resources for profit. Casson (1982) argues that entrepreneurship appears as personal quality, which enables certain individuals to make decisions with far-reaching consequences. Marris and Somerset (1971), note that entrepreneurship is a practical creativeness, which combines resources and opportunities in new ways. They argue that it is more than routine management and coordination of economic activities and familiar sequences of action.

The role of entrepreneurship in development in Sub-Sahara Africa has been a contentious one, with scholars divided on the presence or absence of entrepreneurs in the continent. On one side of the divide is the argument that the problem of underdevelopment in Africa can be attributed to a dearth of individuals ready to take the challenges of development process in the mobilisation of resources. On the other hand is the view that Africa is blessed with adequate supply of entrepreneurs. However, socio-economic and political obstacles are known to inhibit entrepreneurial behaviour (Njeru, 1996).

According to McClelland (1961), developing countries lack entrepreneurship because they are ascriptive and not achievement oriented and adhere to traditional norms. Entrepreneurs emerge in a society where achievement orientation exists, which appears

to be lacking in Africa. He suggests that a particular human motive, the need for achievement, promote entrepreneurship, which in turn is key to economic growth.

The underlying view is that Africans lack entrepreneurial skills. That there are certain social cultural and psychological traits that inhibit entrepreneurship among Africans. This argument also relates to what Hyden, (1983) refers to as the economy of affection, in which family ties and social obligations inhibit savings, investment and re-investment among Africans, a practice that hinders successful business ventures and National development

In contrast to the pessimistic argument against the presence of entrepreneurs in Africa, studies have shown that Africans and Kenyan businessmen in particular are not just mere routine managers and traders. Faced with external challenges and hostile business environment, Kenyan businessmen have portrayed certain unique entrepreneurial traits in response to the same. This is particularly the case in reference to the globalisation process, which can be traced to the advent of colonialism, and the neo-colonial activities, characterised by capitalist development and the general integration of African societies into the global economy.

Writing on African businessmen, Marris and Somerset (1971) note that an African entrepreneur is typically intelligent, experienced and ambitious. Kennedy (1988) argues that although most writers have not regarded innovation as a particularly important characteristic of African business performance, indigenous proprietors and entrepreneurs might have some scope for meaningful innovation in the implementation and organisational technological process previously monopolised by foreign companies, extending a marketing distribution system so as to tap income groups or localities not formerly reached by overseas businesses or simply adopting an imported commodity, practice or item of equipment, so as to meet local or environmental needs or cultural tastes. Any of these will demand skill and courage.

The concern for entrepreneurship in Africa is hinged on the role of entrepreneurs in economic development. At the micro level, the entrepreneur is obviously an important figure in the foundation and development of firms. There is a close connection between the personal qualities of the entrepreneur and the economic success of the firms, as measured by growth and profitability.

Casson (1982) argues that in practice, entrepreneurship is closely identified with private enterprise in a free market economy. Thus one can argue that in Africa, the efficacy of private enterprise in free market economy is dependent on individual entrepreneurial skills. Such entrepreneurial skills will include alertness to opportunity (Kirzner, 1979), risk-taking (Schultz, 1980) and innovativeness (Schumpeter, 1934). It requires individuals who are perceptive to profit opportunities, and ready to take investment risks particularly in view of the uncertainties associated with both international and local markets.

Trade liberalisation aimed at enhancing private enterprise involvement in both domestic and foreign trade. It exposed the local entrepreneurs to external products, inputs and eased the access to foreign product markets.

However, the efficacy, performance and response by the enterprise owners are largely influenced by such factors as availability of financial resources, information, level of education, availability of skilled labour, legal systems and entrepreneurial skills.

In Kenya, of particular interest is the ability of firms and entrepreneurs to respond to the disequilibria created in the product market by trade liberalisation. This brings into focus the role of entrepreneurship in economic development and enterprise growth in particular. Thus, in a liberalised economy, the agents of change and development are the entrepreneurs who are able to respond positively to the new incentives and challenges. To do this they must be innovative.

As far as this study is concerned, one of the key entrepreneurial activities expected to have been displayed in the garment sector in the new business environment is innovation as a survival strategy. However, it is also worth noting that this entrepreneurial activity may have been constrained by such factors as lack of adequate and perfect knowledge of new market opportunities and actors in these markets particularly those in the international arena.

In conclusion, one may argue that trade liberalisation in Kenya may have influenced the direction of entrepreneurship in the micro and small enterprise sector. Depending on the nature and intensity of this influence, one may want to note that the socio-economic conditions of the entrepreneurs in this sector were also affected in terms of income opportunities and levels of income, owing to their new relationship with the market and business environment in general.

2.2 Empirical Literature

This section consists of three parts. The first part gives an overview of existing empirical literature regarding the impact of trade liberalisation and structural adjustment policies in general on micro and small enterprises in Africa. The second section deals with the salient features of the garment sector in Kenya with emphasis on small-scale garment producers in Nairobi.

The third section discusses the impact of trade liberalisation on micro and small garment producers in Nairobi. It focuses on the new business environment created by trade liberalisation and how the producers responded to the same.

2.2.1 The impact of trade liberalisation on MSEs in Africa

Trade liberalisation in Sub-Saharan Africa and Kenya in particular can be said to have had both negative and positive impacts on micro and small enterprises.

The negative impacts have been largely seen in terms of stiff competition in the local product market for these firms. This was characterised by the flooding of both finished goods and inputs for MSEs production. The constricting home market has probably hit small formal and informal African enterprises hardest. Their small size and lack of

international contacts make it more difficult for them than for the non-indigenous enterprises to penetrate the export market (Steel and Webster, 1991)

Writing on the impact of structural adjustment on small-scale enterprises in Ghana, Osei, et al (1993), note that with the policy of trade liberalisation, imports of all kinds including consumer goods have been allowed into the country, competing with products of local industries, causing some of them to shut down. This scenario was also witnessed in Tanzania, where Maliyamkono and Bagachwa (1990), note that import liberalisation led to excessive competition amongst small firms which had threatened their profit margins and lowered their volume of sales, and resulted in plant closures in less competitive small-scale activities such as soap-making and tie and dye cloth making.

In a study of small enterprises and adjustment to liberalisation in Africa, Parker et al, (1995), found out that two-thirds of micro and small enterprises in the five countries sampled, reported facing increased competition in the post-reform environment as shown in table one below.

Table 1: Perceptions of the competitive environment by small-scale firms in Africa (Percent of all firms)

Country	Competition increased	Facing 10 or more competitors	Not facing competition
Ghana	64	52	8
Malawi	70	45	9
Mali	76	44	10
Senegal	69	63	13
Tanzania	87	63	5

Source: Parker et al, (1995)

Note: In their study Parker, et al defined micro and small enterprises in terms of employment size, referring to firms with 1-5 workers as micro and those with 6-49 workers as small.

As shown in table 1 above, most of the micro and small firms in the five countries experienced increased competition after economic liberalisation. Ghana had the least number of firms that reported increased competition at 64%. Tanzania had the highest number of firms that reported increased competition at 87%. In Malawi, 76% of the firms sampled had experienced increased competition, whereas in Senegal and Mali, 69% and 76% of the firms respectively reported increased competition.

In these countries, competition increased with the number of competitors. Most of the firms in three of the five countries reported facing more than ten competitors, with Tanzania and Senegal having the highest at both 63%, and Ghana with 52%. In Malawi and Mali respectively, 45% and 44% of the firms faced more than ten competitors. In Ghana, only 8% of the firms reported not facing competition, Malawi 9%, Mali 10%, while in Senegal and Tanzania, 13% and 5% of the firms respectively did not face competition. They noted that these increases were expected to force MSEs to make internal adjustment in order to survive. Parker et al, (1995) have also argued that firm level impact of structural adjustment programmes on micro and small enterprises may be mixed, producing both winners (successful adapters) and losers (firms ill-prepared to face increasing competition).

They also noted that the impact of SAPs seems to depend on the firms and owners themselves, arguing that small-scale enterprises were more likely than micro enterprises, to make the product-line changes necessary to take advantage of any new opportunities.

In reference to the positive effects, SAPs implied improved access to external markets and inputs due to the relaxed regulatory procedures that previously served as a disincentive for enterprise development. Parker et al, (1995) note that increased access to imports clearly removed an important constraint on the operation constraints of MSEs and that more MSEs increased their use of imported inputs.

In a study of the impact of adjustment policies on the small-scale enterprise sector in Tanzania, Bagachwa (1993), found that import liberalisation has given impetus to some

of the small-scale and informal-sector activities by providing them with freely available raw materials, tools, and spare parts, especially in small retailing enterprises, tailoring, food and wood working activities.

2.2.2 Nature and characteristics of the garment sector in Nairobi

Most empirical studies on the garment sector in Kenya and Nairobi in particular, reveals a wide range of aspects and characteristics. Some of the main characteristics include the distribution of enterprise size and ownership, nature of employment, products and market, domestic demand and sources of raw materials.

The following sub-sections give an overview of these characteristics, with a particular emphasis on micro and small garment producers in Nairobi

2.2.2.1 Distribution of firm size and ownership

In terms of the distribution of firm size, data on the distribution of garment firms in Nairobi show that Nairobi's garment firms are very many, varied and mostly very small. This is the case as shown in the table below.

Table 2: Distribution of size of garment firms in Nairobi

Firm size	Number	Percentage
1 person	747	33.9
2-3 Persons	909	41.3
4-6 persons	413	18.8
7-10 persons	68	3.1
11-50 persons	32	1.5
Over 50 persons	31	1.4

Source: McCormick and Ongile, 1996.

From the table above, one note that 94% of firms are very small, employing between 1-6 persons. 1.5% of the firms employ between 11-50 workers, whereas those employing over 50 persons constitute 1.4% of all firms in Nairobi (McCormick and Ongile, 1993).

In reference to the ownership, most of the garment firms in the Micro and Small categories (the focus of this study) have been found to be one-owner outfits, whereas the rest are owned through partnership (McCormick, et al, 2002). In terms of location, micro and small garment entrepreneurs operate from markets, kiosks and private houses (McCormick et al, I bid). In Nairobi, they operate in markets such as Jericho, Kenyatta, Uhuru (Jogoo Road), Gikomba and Kawangware, among others.

2.2.2.2 Nature of employment

Regarding the nature of employment, the garment industry in Kenya uses labour intensive technology and thus is capable of employing large numbers of workers (Otieno, 1999). Micro and small garment enterprises in Nairobi offer employment opportunities to the owners and both skilled and unskilled workers. These workers are involved in such activities like dress fitting, materials measurement and cutting, making and fixing of the accessories.

In the early 1990s, the garment sector provided approximately 19% of employment in the manufacturing sector (Aguilar and Bigsten, 2002). However due to the continued decline in the economic performance in the recent past, employment opportunities have declined, as has been the case in other sectors of the economy. In this same vein, statistics show that employment creation in the industry during the pre-liberalisation period was 3.1% annually, and this declined to 0.555 annually over the post liberalisation period (Otieno, 1999).

2.2.2.3 Products and product market

In terms of the product and the product market, the garment sector produces for the domestic, regional and global markets. However, markets tend to vary with the size of enterprises, particularly in relation to the capital and technological investment.

In this regard, micro and small producers target the local market, whereas the large ones target the domestic and export markets. (McCormick et al 2002).

In Nairobi, garment firms, which are mainly small scale and labour intensive, produce a range of clothing for domestic market. Consumers demand wide range of products, which include standards men's wear, women and children clothing, work and school uniforms, African shirts, and dresses, T-shirts, and safari wear for tourists (McCormick, 1992). In reference to the local demand, the structure and growth of the population ensure a steady demand for clothing for infants and young children. The education system that requires children to wear uniforms creates demand for uniforms, which include shorts, shirts, dresses and socks (McCormick, 1991).

Table 3. Customers of micro and small Garment enterprises in Nairobi

Market outlet	Firms	
	N	%
Individuals buying for their own use	125	100.0
Business buying for their own use	29	23.3
Wholesalers and traders	31	24.3
Retail shops or markets in Nairobi	21	16.8
Retail shops and markets in other parts of the country	29	23.2
Large retail chains	4	3.2
Exports or foreign buyers	12	9.6

Source: McCormick, et al 2001

As presented in table 2 above, a study conducted by McCormick, et al (2001) in Nairobi, revealed that all the micro and small enterprises sampled sold their products directly to individual consumers. Wholesalers and traders were the second largest consumers of the mass Products, with about one-quarter of the enterprises selling to them. Whereas 23.3% of the enterprises sold their products to businesses buying for their own use, 23.2 sold to retail shops and markets in various parts of the country,

followed by buyers from retail shops or markets in Nairobi, at 16.2%. Whereas 9.6% of the enterprises sold their products to exporters or foreign buyers, only 3.2% of the enterprises sold to large retail chains (Nicoma, Chum and Y-Fashions).

2.2.2.4 Sources of raw materials

The main sources of raw materials for the small-scale garment producers include new clothes and knitting thread. Other accessories include, lining or facing material, sewing thread, buttons, zip, snaps, buckles, lace, braid and elastic.

More firms source their raw materials from Kenya than outside Kenya, but small firms these suppliers are located in various parts of the city. (Kinyanjui and McCormick, 2001).

2.2.2.5 Trade liberalisation and micro and small garment producers in Nairobi

Trade liberalisation consisted of the removal of import controls and tariff reduction (McCormick and Kinyanjui, 2001). It has generally been argued that it has had both negative and positive implications for the micro and small garment producers in Nairobi. This has been largely the case for other sectors of the economy.

The negative effects are seen in the light of the competition and low demand in the product market occasioned by the influx of both new and old clothing. The positive effects are associated with the ease of the access to foreign product market and raw materials.

2.2.2.6 Opportunities created by trade liberalisation

Trade liberalisation has been associated with incentives for both export and import trade. This has been perhaps the case with the removal and reduction of tariff and non-tariff barriers as well as relaxed regulatory licensing procedure cross border and international trade. One outcome of trade liberalisation was the opening up of export opportunities. However, it has also been noted that the positive benefits of trade liberalisation can easily be outweighed by the negative impact of rent-seeking,

corruption and official harassment of business especially the small ones (McCormick, Kimuyu and Kinyanjui, 2002).

Other export opportunities witnessed in the era of trade liberalisation include Africa Growth and Opportunity Act (AGOA), and Common Market for Eastern and Southern Africa (COMESA). Under the AGOA for instance, African and Kenyan garment firms can access the United States apparel market duty free.

2.2.2.7 Constraints of trade liberalisation

In the recent past, the garment sector in Kenya has been faced with low and weak demand for locally produced clothes. Domestic demand for local clothes and textile products has declined in a trend that has been accompanied by the collapse of large firms and stagnation of small ones (McCormick, et al 2002). The decline has been attributed to the failing purchasing power of consumers and competition from imported new and old clothing (Njenga, 1997, McCormick et al, 2001, and 1997, McCormick 1997, McCormick and Ongile, 1993, Odero, 1997, Otieno, 1999).

Increased competition and the subsequent low demand have also been cited as one of the critical factors that inhibit the growth of micro and small enterprises in the country. Statistics indicate that in 1991/92, demand for new clothing dropped sharply with renewed competition from second hand clothes dealers (McCormick and Ongile, 1996, Rotich, 1993). McCormick and Ongile, (1996) note that following the legalisation of importation of second hand clothes by President Moi in mid-1991 demand for new clothes dropped sharply.

After liberalisation, textile enterprises have been trying to survive the onslaught from imported new and second hand clothes, which have been eating away the domestic market, share (Kimuyu and Wagacha, 1996). New clothes in this case comprise complete apparels with foreign labels and price tags normally popular with the middle and high classes.

On 6th June 2002, textile workers demonstrated in Nairobi streets against the influx of mitumba¹ and new clothes that has negatively affected the local businesses. They blamed the government of not doing anything to protect the local garment producers by allowing continued imports of textiles and shoes. This they noted has affected the employment in the local garment industry due to the collapse of garment firms (Nation television news, 2002).

In their study of growth and barriers to growth among Nairobi's small and medium-sized garment producers, McCormick and Ongile (1997) found out that low overall demand combined with competition from second-hand clothes erodes profit margins, making firm expansion difficult. Second hand, clothes are able to compete with new clothes because there are widely available in low prices and good quality (McCormick, 1992).

In a comparative study conducted by McCormick and others in 1989 and the year 2000, it was found that women's wear has been most affected by the second -hand and other clothing that were an outcome of trade liberalisation. By contrast, locally produced cardigans and pullovers faced least competition (McCormick, et al, 2002). In the same study it was revealed that specialised wear, including school uniform and African dresses (Vitenge)² do not face competition from mitumba dealers, and as such the number of producers remained the same between 1989 and 2000. This scenario implies that not all types of products were affected by trade liberalisation, whereas the intensity of competition was varied for different types of products.

2.2.2.8 Responses to the constraints of trade liberalisation by micro and small garment producers in Nairobi.

¹ Mitumba is a Swahili word for second -hand or used items
² Vitenge is a Swahili plural word for African Fashion dresses and men's wear made of African print or the dyed fabric. These are currently in high demand due to the special raw materials and unique African designs that constitute the Fashion. The Singular word is Kitenge.

In spite of the negative effects, Nairobi garments producers have managed both their turnover in the face of market liberalisation (McCormick and Kinyanjui, 2001).

Although large and medium sized textile firms are collapsing, small firms seem to be doing the opposite. They have their own way of overcoming risks and constraints as well as ensuring survival. They survive but they do not grow (McCormick and Kinyanjui, 2001). Micro and small garment producers in Nairobi have responded to the constraints of competition in various ways. Kinyanjui and McCormick, (2002), note that small garment producers were shifting from garment production to cardigans and pullovers because of competition from second hand clothing dealers. They also have fewer workers.

2.2.2.9 Responses to the opportunities of trade liberalisation

Recent studies on micro and small garment enterprises, particularly in Nairobi, cast doubt in to whether they have seized the opportunities to export. McCormick, Kimuyu and Kinyanjui, (2000), note that only a small proportion of Nairobi small garment firms participate in the export market and that rather than increase, such proportion declined from 15.1%in 1989 to 8.8%in 2000.They argue that small firms are less inclined to export in the post-reform period.

Thus exporting seems to be a preserve of the large enterprises endowed with physical capital and are more productive. Successful exploitation of the export market also requires reasonable productivity, consistently acceptable quality and the ability to fill orders in a timely manner (McCormick, 1989). This is perhaps what is lacking in the small-scale garment producers.

Other reasons and factors cited for inhibiting exporting by small-scale garment producers. They include the following: Uncompetitive prices due to high production cost, the risk of doing business across borders, bureaucratic bottleneck, lack of financial capital in adequate raw material supplies and the choice market (McCormick, 1991, McCormick et al 2002, Graner and Isaksson, 2002).

2.3 Proposed intervention measures

Previous studies on the micro and small garment sector have come up with various recommendations and programmatic interventions to mitigate the problems affecting the sector. Such recommendations have focused on how to enhance the export potential, competitiveness and growth of the small-scale producers.

In relation to the problem of the constraints of trade liberalisation, it has been recommended that the government should ensure a level playing field for the players in the garment sector (Kabogo, 2002). This could be done by regulating the volume of imports entering the country through illegal entry points and uncustomed goods. This calls for the effective enforcement of existing import regulations on new and used clothes (McCormick, et al 2002, Bedi, 2002).

Other recommendations have been made, aimed at making the local producers competitive in relation to imported products. For instance McCormick, et al (2002), note that the government, NGO sector and large-scale industry should assist the small-scale producers to improve the quality of their products, to make them competitive both on the domestic and regional market. In this vein McCormick and Kinyanjui (2001), note that in order for small-scale garment producer to take advantage of AGOA, they need to be able to assure buyers of consistent quality and timely delivery.

In order for the micro and small garment producers to exploit the export opportunities created by trade liberalisation, it has been suggested that financial assistance should be available to potential exporters (McCormick et al, 2002). This could be achieved by improving the financial markets to facilitate access to cheap credit by the producers (Kabogo, 2002). To expose them to the existing opportunities for in the foreign markets, the small-scale producers should be involved in international and regional trade fairs and exhibitions.

Another important recommendation suggested to improve the performance of the small-scale sector in the light of the new business environment is that of bringing

down the cost of infrastructure such as electricity, roads and telecommunication. (Bedi, 2002, Kabogo, 2002, McCormick and Kinyanjui, 2001, McCormick et al, 2002). This, it is hoped, would reduce the production costs and enhance the competitiveness of the producers in the sector.

2.4 Summary of the literature

The existing theoretical literature reveals that trade liberalisation is part of the modernisation approach to development particularly in the less developed nations of the world. The impact of this policy on the development process in Kenya as well as in other African countries is as contentious as the process of development itself.

Theoretical literature suggests that free market economy is not the panacea for economic and private led growth and development. In reference to Africa and Kenya in particular, there are strategic needs and services that require state intervention. At the micro level, there are firm level constraints and entrepreneur characteristics that determine the direction of entrepreneurship and indeed the enterprise's growth and survival. Thus, enterprise owners will not automatically respond to external changes in their business environment.

The literature suggests that structural adjustment programmes have had differentiated effects on the various sectors of the economy depending on the size, activities of enterprises, and entrepreneur characteristics which further determined entrepreneur response to the policy reforms. It has also been revealed that trade liberalisation has had both negative and positive effects on micro and small enterprises in Africa and Kenya in particular.

Enterprise responses depend on certain factors such as availability of capital, level of education and experience of the entrepreneur, legal systems, availability of raw materials, and most importantly, entrepreneurial skills and abilities of individuals to take on the opportunities and challenges of policy reforms profitably. It has been

shown that trade liberalisation created both constraints and opportunities for micro and small garment producers in Nairobi. These constraints include stiff competition in the local product market, occasioned by the influx of both new and old clothing from foreign countries. In reference to opportunities, trade liberalisation brought about easier access to export markets.

In regards to the responses to the constraints, it has been shown that micro and small garment enterprise owners in Nairobi have survived the onslaught of competition in the local market. Indeed, they have continued to increase in number. It has also been revealed that micro and small garment producers have not seized the export opportunities created by trade liberalisation.

The existing literature does not exhaustively reveal the various strategies used by entrepreneurs in the different sectors of the economy. This is particularly the case concerning micro and small garment producers in Nairobi. In this regard, the focus of this study was the entrepreneurial response to the challenges and opportunities posed by trade liberalisation and the general disequilibria created in the business environment for micro and small enterprises in the garment sector in Nairobi.

2.5 Theoretical Framework

This study takes the Schumpeterian entrepreneurship theory of innovation as its main frame of reference and analysis. The focus of this study was the entrepreneurial response to the challenges and opportunities posed by trade liberalisation and the general disequilibria created in the business environment for micro and small enterprises in the garment sector. The underlying argument was that trade liberalisation triggered entrepreneurial activities in an attempt to respond to the new challenges and opportunities. Indeed, it can also be argued that it required entrepreneurial acumen to effectively respond to the positive and negative effects of trade liberalisation.

This study hypothesised that in response to the stiff competition and low demand for locally made new clothes, entrepreneurs in the garment sector resorted to the search for new markets. To survive the onslaught, they devised ways of cutting production cost through labour cutting measures like engaging family labour and reviewing terms of employment for workers. They also diversified their product line, shifted to new ones and added value to products particularly those destined for the international market.

Thus, trade liberalisation triggered entrepreneurial behaviours in the micro and small garment sector as entrepreneurs responded to the opportunities and constraints of the new business environment. However, this study was concerned with only two aspects of Schumpeterian innovation: the development of new products and the search for new markets for existing products.

3.0 RESEARCH METHODOLOGY

3.1 Study site

The study site location for this research paper was Nairobi. The historical background of Nairobi can be traced to 1900, when the colonial government established the township committee to manage the affairs of Nairobi as a town. Having been founded in 1897 as a railroad depot, Nairobi started as a small centre for railway workers.

Its admiration by the colonial settlers originated from its prospects for expansion given the central position and suitable environmental conditions. In 1928, it was given the status of a municipality and in 1950, elevated to city status and remains to date as a metropolitan city run by the Nairobi City Council (Makibia, 1974).

As a capital city, Nairobi is characterised by high rate of population growth, an agglomeration of economic activities (both formal and informal) and high concentration of international regional and national institutions. In regards to population, Nairobi has approximately 2.1 million inhabitants, spread all over the eight administrative divisions (G.O.K, 2001).

Over the last decade, Nairobi has witnessed a proliferation of micro and small enterprises, engaged in myriad of activities, which mainly include manufacturing, services construction and trade. (See C.B.S et al 1999). This trend may be attributed to the high rate of unemployment in the mainstream formal sector occasioned by poor economic performance and high rate of inward migration.

In reference to the garment sub-sector, recent studies reveal wide variations in firms and their owners, with producers ranging from lone tailors using foot-powered machines to make a few garments a week, to large factories manufacturing for export (McCormick et al, 1997) Today, there are approximately 6,000 small-scale firms selling new clothes in Nairobi, 4,000 of these are producers (McCormick, et al 2002).

They are found in almost all places and operate from kiosks in front of shops residential houses, rental offices and stalls found in Nairobi City Council markets (Kabogo, 2002, Personal observation). In Nairobi, they operate in markets such as Jericho, Kenyatta, Uhuru market, Gikomba, Kawangware, Ngara among others. Gikomba market also refers to the open-air shades operated by second-hand clothes dealers. It is also the epicentre of used imported clothes, as a distribution point for exporters, wholesales and retailers. These markets were constructed and are maintained by the city council, and rented to such producers at a monthly fee. Small-scale garment producers are also found in the shopping enters and markets in the various residential areas.

Traditionally, Nairobi city centre, commonly known as central business district (CBD), has been the location of wholesalers who supply the small-scale producers with raw materials. However recently, other sources of raw materials popular with the producers have emerged. For instance, Garissa Lodge, located in Eastleigh, in the eastlands of the city, has become a centre of new imported raw materials preferred by small producers because they are cheap.

3.2 Sample design and unit of analysis

The study design entailed a small set of case studies of eight micro and small garment producers in Nairobi. Data gathered from business owners was supplemented by information from key informants from four institutions, chosen for their engagements with micro and small enterprise owners.

Field interviews were supplemented by secondary data, reviewed from existing theoretical and empirical literature. The review focused on local, national, and regional publications with reference to micro and small enterprises and entrepreneurs in general and in the garment sector in particular.

The unit of analysis is the owners of micro and small garment enterprises. However, it should be mentioned that the distinction between enterprise and the owner or entrepreneur is more theoretical than practical. This is the case in Kenya as elsewhere in Africa, where the continuity and organisational entity of small enterprises is dominated and heavily dependent on the individual founder. Thus, in smallest firms, the distinction between organisational and entrepreneur networks has little practical import because of the nearly total identification of the entrepreneur with the business (McCormick and Pedersen, 1996).

Indeed the performance and growth of such enterprises depends on the socio economic and political networks of the owner and his entrepreneurial acumen (McCormick and Pedersen, 1996, personal observation). In this regard, the concepts of enterprise owner, producer, enterprise and entrepreneur are used interchangeably.

3.3 Sampling procedures

This study used the purposive sampling technique in the selection of the key informants and the eight micro and small garment producers for case studies. Snowballing was also used in the selection of the case studies. For the purpose of key informants, four institutions were selected because of their relationship and engagement with micro and small enterprise owners. They included the following:

1. Micro-finance institution

2. Business training institution

3. Membership association

4. Policy institution

The selection of micro and small producers attempted to ensure that only typical and representative producers were selected. It was aimed at selecting entrepreneurs whose experiences in business activities span from pre-liberalisation to post liberalisation period. Snowballing was for this reason necessary as entrepreneurs were used to identify and locate their colleagues for inclusion in to the sample.

The selected producers had to satisfy the following criteria:

- (A) Must have begun the business before 1990. This criterion was based on the knowledge that trade liberalisation began in earnest in the early 1990s, and such entrepreneurs having been in business before and after this period would have typical experience in terms of the trends in business performance.
- (B) Must at the time of the fieldwork be employing between 1-10 workers including the owner.
- (C) Third, the producer must be dealing with either specialised wear or cardigans as one of the current product lines.

The selection of producers based on the criteria (c) mentioned above, was based on the previous empirical findings, that trade liberalisation has affected producers differently depending on the product type that they produced (McCormick, et al 2002). The entrepreneurs dealing with cardigans and pullovers faced less competition than those making other types of clothes like men, women and children wear, which are widely found in mitumba. Thus, the hypothesis or expectation was that producers might have switched to cardigans and pullovers in response to the stiff competition occasioned by old imported clothes.

The focus on producers dealing with specialised wear was intended to find out whether these products, which are not available in mitumba, were affected in any way

by imports, and if they ventured into new markets locally, regionally or internationally. The idea was also to find out whether they had shifted to their current product line due to the effects of trade liberalisation on the previous ones. Four of the producers were micro in size (Employed between 1-6 workers, while the rest were small (employing between 7-10 workers). Similarly, four of these producers were making specialised wear like school uniform and African attire, while the other four were dealing with pullovers and cardigans as their main product line.

3.4. Data collection methods

Data collection entailed the reviewing and content analysis of both theoretical and empirical literature. This was done using note cards to record the citations and references on the key issues and themes of the study. Field data collection involved the use of semi-structured interview guides administered on face to face with the selected respondents (See the interview guide in the appendix).

The interview guides for both the key informants and the case studies were designed to allow flexibility, and generate responses and issues for further probing and clarification. This necessitated further field revisits especially to the entrepreneurs. Responses were recorded on a field notebook during the interviews. Observations and other information obtained from personal and informal communication during the fieldwork were also recorded on the fieldwork notebook.

3.5 Data analysis

Data analysis for this study was qualitative and was carried out simultaneously with data collection. For the primary and secondary data, analysis, categories, themes and patterns were identified based on the objectives of the study. The analysis of secondary data involved the generation of themes and categories that had been recorded in numbered note cards.

The analysis of primary data entailed the identification of themes and patterns emerging from the responses. Field revisits were made in the process of analysis to

fill up the gaps identified. Once themes, categories and patterns had been identified, an evaluation of the data was done to determine the adequacy of, consistency, and similarities of the information around the study objectives, hypotheses and the research questions.

4.0 DATA PRESENTATION

4.1 Introduction

This chapter presents the entrepreneur and enterprise characteristics of the eight case studies of micro and small garment producers. It begins with a case-by-case presentation of the entrepreneur characteristics such as age, level of education, sex, ethnicity, reasons for going in to business and previous experience. This is followed by summary of the emerging patterns, in terms of similarities and differences in these characteristics among the eight case studies. This is also summarised in table 4. Enterprise characteristics such as year it began, Number of workers, Number of machines, initial, current and main product lines are also summarised in table 5.

4.2 Entrepreneurs Characteristics

Case study 1

The entrepreneur in this case is a female producer aged 54 years, who schooled up to form two. She went into the business in 1984, with initial capital of Kshs5, 000, given by her husband. She did not have any previous work experience, but had skills in dress making and tailoring which she wanted to utilise and generate some income.

Her initial product line was children dresses but she is currently producing women dresses, male trousers, women cardigans, and children pullovers. Children pullovers are the main product line. The enterprise has five workers, three sewing machines and two knitting machines, and is located in Gikomba City Council market, one of the biggest markets in the country hosting small-scale enterprises. She gets her raw materials from the wholesalers in town, Garissa Lodge, and from a factory in Ruiru.

Case study 2

This is a female entrepreneur aged 54 years old, who was educated up to Standard three. She went into the business in 1985 with initial capital of 900kshs from saving from her previous work as a housekeeper in a hotel. She went in to the business to utilise her dress making skills she had learnt from a friend. Her initial product line was women dresses, and currently producing school pullovers, male shirts and school uniform. School pullovers are her main product line.

Currently located in Gikomba market, the enterprise has three workers, and operates with two sewing and two knitting machines. She sources her raw materials from wholesalers in the city centre and the Garissa lodge.

Case study 3

This is a male entrepreneur, aged 48 years and went to school up to standard seven. He began the business in 1974, with initial capital of 8000kshs, savings from his previous business of woodwork and furniture, which he left due to poor business performance.

His initial product lines were men trousers and suits whereas the current product lines include school uniform, men trousers & suits and women dresses, with men suits as the main product line. The enterprise is located at Kibera, Laini Saba, has five workers, and owns three sewing machines. The entrepreneur obtains the raw materials from the wholesalers in the city centre.

Case study 4

This is as a small female entrepreneur aged 48 years, who schooled up to standard seven and went into the business in 1972. She was previously in rice retail trade, from which she got her initial capital. She did not have any skills, but was trained in knitting by her friend at a fee, and later on learnt dress making through apprenticeship. She went into this business since she did not have adequate education to enable her get a job, and she also wanted to generate some income.

Her initial product line was children pullovers, while the current product lines include school and other pullovers, petticoats, caps, and children dresses. Pullovers are her main product line. The enterprise is currently located at Uhuru market, operates with five sewing and three knitting machines and employs nine workers. She gets her raw materials from the wholesalers in the city centre and Garissa Lodge.

Case study 5

This is a female entrepreneur, aged 42 years who went to school up to form four. She went into this business in 1982 as a sole owner with savings from her previous work as a secretary, which she lost when her employer closed down. Thus she had to look for an alternative source of income. She began by producing petticoats, but her current product lines include cardigans, children panties and dresses, with cardigans as the main product line. The enterprise is currently located at Uhuru market, operates three sewing and two knitting machines, and has seven workers. The owner obtains the raw materials from the city centre wholesalers.

Case study 6

This is a female entrepreneur, aged 39 years with primary school level of education. She went into this business in 1981 with initial capital of 750kshs (300kshs from her brother and 450ksh from her own savings). Previously she used to trade in ready made women dresses made in Uganda, and went to this business to satisfy the demands of her customers and friends for fit to wear, tailor made dresses. She also wanted to use her skills in dressmaking. Her initial product line was women dresses, but she currently produces only vitenge for women. The enterprise is located at Kariobangi City Council market, operates with four sewing machines, employs nine workers, and obtains raw materials from Tanzania and Garissa Lodge.

Case study 7

This is a male co-entrepreneur aged 40 years, and schooled up to standard seven. He runs a micro enterprise, co-owned with another entrepreneur, and was begun in 1986 with initial capital of 2,500kshs. He has skills in dressmaking, which he acquired

through apprenticeship and was previously employed in Homabay as a dressmaker. He went in to the business to generate his own income and be self reliant instead of relying on wages. The initial product line was women dresses whereas the current ones include vitenge men suits and women dresses. The enterprise main product line is the vitenge. He currently located at Kenyatta market and operates with two sewing machines. He buys his raw materials from the wholesalers in the city centre.

Case study 8

This is a female entrepreneur aged 56 years, schooled up to standard seven, and located at Gikomba market. She went in to this business in 1974 with initial capital of 1000kshs given by her husband, and a sewing machine, hired from a friend at 100kshs per month. She had no previous experience, and learnt tailoring and dressmaking through apprenticeship when already in the business. She went in to the business to generate income .She also thinks that it is good to own and learn a business.

Her initial product line was school pullovers, whereas the current product lines include the school uniform and women dresses. School uniform is the main product line. The enterprise has employed eight workers and has four sewing and two knitting machines She sources her raw materials from the wholesalers in the city centre and Garissa Lodge.

For the purpose of case studies, eight micro and small garment producers were interviewed. As shown in table 4, six of the entrepreneurs were female and two were male. The entrepreneurs' age ranged between 56 and 39 years. In terms of ethnic background, five of the entrepreneurs were Kikuyu, while the other three were Kisii, Kamba and Luo. As regards the level of education, only one of the entrepreneurs was educated up to form four. Five had gone to school up to Standard seven, one had reached standard three and the other went up to form two.

In reference to the reasons for going into the business, three of the entrepreneurs cited the need to utilise skills, one of these also mentioned the need to satisfy an existing demand for garments. Four of the entrepreneurs mentioned the need to generate income as the reason for starting the business. Loss of previous employment as a reason for going into business was cited by one entrepreneur, as well as lack of employment and failure of the previous business.

Regarding the question of previous experience before venturing into the business of garment production, two of the entrepreneurs had no previous experience, either in the formal or informal sector. Three of the entrepreneurs had experience in the informal sector where they owned different trade enterprises. Two were employed in the formal sector, while one was employed as a dressmaker in the informal sector.

Table 4: Entrepreneur key characteristics

No	Age	Sex	Ethnicity	Education	Reason for going into business	Previous experience
	54	Female	Kikuyu	Form two	Utilise skills generate income	None
	54	Female	Kikuyu	Std three	Utilise skills	House keeper in a hotel
	48	Male	Kikuyu	Std seven	Previous furniture Performing poorly	Furniture business
	48	Female	Kikuyu	Std seven	Lack of employment & to generate income	Rice retail trade
	42	Female	Kamba	Form four	Lost previous formal employment	Secretary
	39	Female	Luo	Std seven	Utilise skills and satisfy market niche	Traded in new dresses
	40	Male	Kisii	Std seven	Generate income	Employed as dress maker
	56	Female	Kikuyu	Std seven	Generate income	None

Source: Own field notes, 2002.

4.3 Enterprise Characteristics

As shown in table 5 below, most of the enterprises were locate in the city council markets. Out of the eight enterprises sampled for case studies, three were located in Gikomba City Council market, two in Uhuru market one in Kenyatta, one in Kariobagi and the other one in Kibera, a residential estate. All the eight enterprises were generally old, with the oldest having been started in 1972, and the most recent having been started in 1986.

In terms of ownership and size, seven of the enterprises were a one-owner outfit, whereas the other one was a partnership, owned by two entrepreneurs. Four of these enterprises were micro in size, employing between two and six workers, including the owner(s). The other four were small in size with a range of eight to ten workers. Regarding the issue of sewing and knitting machines, all the eight enterprises had at least two machines, with one enterprise owning eight machines.

However it's worth to mention that some of the enterprises especially those owning more than two machines had under utilised them. Full capacity utilisation was mainly during the peak season, depending on the product lines of the enterprise.

As regards the source of initial capital, six of the enterprises were initiated with capital from the owner's savings, either from the previous business or employment. The other two enterprises were started with capital from the spouses of the owners.

Another important characteristic of the enterprises is the source of raw materials. In this regard, six of the enterprises obtain their raw materials from the wholesalers located in the city centre, whereas five of the enterprises source their raw materials from the wholesalers in Garissa Lodge. Only one enterprise sourced the raw materials from the factory. The same number (1) used the materials brought by customers when making orders. Whoever its worth noting that except one enterprise that sourced its raw materials from the wholesalers in town, the other seven had at least two sources of raw materials.

Another important characteristic of the enterprises in the eight case studies is the shift from the original product line to a different current product line. In most cases, this shift also went hand in hand with diversification of product lines as opposed to specialisation.

Diversification is clearly seen in the sense that whereas seven of the enterprises had begun with only one product line, they had diversified to at least two product lines at the time of this study. In contrast, only one enterprise had specialised in one product line. Thus one may conclude that diversification of product lines was more common with the enterprises as opposed to specialisation.

Table 5: Enterprise characteristics

Case No	Location	Year begin	Initial source & amount of capital	Ownership	Size & Workers	No of Machines	Source of Raw materials	Initial Product line	Current product line	Main product line
1	Gikomba Market	1984	5000/= From husband	Sole	Micro (Five)	Five	Wholesaler in Garissa lodge, town & Factory	Children dresses	Women dresses & cardigans, Children pullovers, male trousers	Children pullovers
2	Gikomba Market	1985	900/= from savings	Sole	Micro (three)	Three	Wholesalers in Garissa lodge and city centre	Women dresses	School, pullovers, & uniform, Male shirts	School pullovers
3	Kibera	1974	8000/= From savings	Sole	Micro (Five)	Three	Wholesalers in city centre and customers	Men trousers & suits	School uniform, men trousers & suits, women dresses	Men suits
4	Uhuru Market	1972	Savings from previous business	Sole	Small (Ten)	Eight	Wholesalers in Garissa lodge & town centre	Children pullovers	School & plain pullovers, Petty coats, caps & & Children dresses	Children pullovers
5	Uhuru Market	1982	Own savings	Sole	Small (Seven)	Five	Wholesalers in town	Pett coats	Ladies cardigans, Children inner wears & dresses	Ladies cardigans
6	Kariobangi Market	1981	750/= from saving and brother	Sole	Small (Nine)	Four	Wholesalers in Garissa lodge Tanzania	Women dresses	Vitenge	Vitenge
7	Kenyatta Market	1986	2500/-from savings	Duo	Micro (Two)	Two	Wholesalers in city centre	Women dresses	Vitenge, women dresses & men suits	Vitenge
8	Gikomba Market	1974	1000/= from husband	Sole	Small (Eight)	Six	Wholesalers in Garissa lodge and city centre	School pullovers	School uniform and women dresses	School uniform

Source: Own field notes, 2002.

5.0 TRADE LIBERALISATION: PERCEPTIONS AND RESPONSES

5.1 Introduction

This chapter analyses the information obtained from the eight case studies of entrepreneurs regarding their perceptions and responses to the new business environment created by trade liberalisation. The interpretation of the findings is supplemented by the information obtained from the key informants and the existing literature.

Field in-depth interviews with the eight entrepreneurs generated five main variables, which constitute five sections in this chapter. The variables are the following:

1. Opportunities presented by trade liberalisation
2. Constraints presented by trade liberalisation
3. Entrepreneurial responses to opportunities
4. Entrepreneurial responses to constraints
5. Proposed interventions

5.2 Opportunities presented by trade liberalisation

Table 6. Opportunities created by trade liberalisation

Case no.	Opportunities cited
1	Access to foreign product market
2	Access to external product markets, e.g. in Sudan where some of the customers come from.
3	Access to external product markets e.g. The AGOA initiative (U.S market) and in the eastern & southern African market
4	Not aware of any opportunities
5	Not aware of any opportunities
6	Access to foreign markets
7	Accesses to foreign markets like U.S.A and South Africa. The latter has market for Vitenge, since they are not produced in the country
8	Aware of access to external markets like in Uganda, Tanzania & Sudan

Source: Own field notes, 2002.

As presented in table 6 above, six out of the eight entrepreneurs said they were aware of external market and trade opportunities created by trade liberalisation. For instance, the entrepreneur in case 8 talked of export opportunities in countries like Uganda, Sudan, and Tanzania. The entrepreneur in case seven talked of business opportunities in United States of America and South Africa.

The entrepreneur in case 3 talked of the AGOA initiative (USA) opportunities and eastern and southern Africa markets. The entrepreneurs in cases number four and five said they were not aware of any opportunities created by trade liberalisation.

In general, information obtained from the eight case studies seems to suggest that trade liberalisation created opportunities for product market outside Kenya and that most of the micro and small garment producers were aware of such opportunities.

The key informants also highlighted this position. For instance, the key informant from the policy institution, in charge of micro and small enterprise development, noted that trade liberalisation led to an ease of access to foreign markets. In this regard, he mentioned about the AGOA initiative, where Kenyan entrepreneurs can access the U.S apparel market duty free. The key informant noted that the liberalisation of trade had created a room for export and import trade for micro small enterprise owners in general.

Recent studies on the impact of structural adjustment programmes on micro and small enterprises in Kenya and Africa in general argue that trade liberalisation created incentives for small-scale enterprises. This is for instance in the access to raw materials, tools and spare parts and export market,(Parker et al, 1995). In reference to Kenya, trade liberalisation is said to offer export opportunities, for the garment sector through the AGOA initiatives, EU market, COMESA, and East Africa Community (Bedi, 2002, Masila, 2002).

Africa Growth and Opportunity Act (AGOA), is United States trade rule, which came into force in October 1st, 2000, designed to facilitate socio-economic growth in Sub-Saharan Africa through trade rather than aid (Otiso, 2002). Through this initiative, African exporters can access the U.S manufactured products market such as the apparel, duty free.

Data from manufacturing enterprises in Kenya also shows that in the post liberalisation period between 1993 and 1995 the number of enterprises participating in the export market increased from 21% to 26%. McCormick, et al, (2002) has also noted that exports increased by 12% between 1996 and 2000. This trend could be attributed to the government effort at promoting exports through the reductions of export tariffs and relaxing the export licensing procedure and regulations, as part of the economic reform policies.

However, whereas trade liberalisation may have created export opportunities, questions abound as to whether micro and small garment producers have seized the opportunity to exploit the foreign product market. The following section addresses this issue.

5.3 Responses to the opportunities created by trade liberalisation

Table 7: Entrepreneur responses to opportunities

Case No.	Responses to opportunities
1	No response
2	No response
3	No response
4	Not aware of opportunities
5	Not aware of opportunities
6	No response
7	No response
8	No response

Source: Own field notes, 2002.

As shown in table 7 above, none of the eight entrepreneurs had seized the opportunities of trade liberalisation to export their products to either regional or international markets. Six of those who said they were aware of such

opportunities cited a number of factors that inhibit them from seizing these opportunities.

They included lack of information about such markets, lack of financial capital and the difficulties involved in export transactions like bureaucratic bottlenecks, and language barrier. For instance the entrepreneur in case number eight who deals with school uniform argued that although she would like to go and sell her products in other countries, she lacks information about the of colour requirement in those schools. In relation to language barrier she mentioned that export trade requires educated people who can speak foreign languages like English.

The key informant from the Ministry of Trade and Industry, in charge of small enterprise development noted that micro and small garment producers have not taken the initiative to exploit the foreign product market for lack of unity among them. Unity she believes is necessary for pooling resources, and to exploit export opportunities.

He noted that only the large garment enterprises operating from the export processing zones (EPZs) have benefited from opportunities such as the AGOA initiative. The key informant from training institution mentioned that most of the small enterprise owners are not well exposed to the information technology such as the use of Internet and E-commerce, which are widely used in international business transactions.

These findings tally with recent studies on the export potential of the garment sector. It is argued that exporting is less common among small or medium scale firms, McCormick, et al, 2002). In reference to the question of the inability to export, McCormick, (1991), Graner and Issackson, (2002), talk of similar problems highlighted by the entrepreneurs in this study that inhibit exporting by small-scale producers.

5.4 Constraints presented by trade liberalisation

Table 8: Constraints cited by the entrepreneurs

Case No.	CONSTRAINTS CITED
1	Led to the imports of second hand clothes, that are cheap compared to her products, hence low demand and reduced turnover and profit margin for local products
2	Led to competition and low demand for her products like boy suits due to the influx of mitumba and new clothes sold in Garissa lodge and mitumba
3	Turnover has dropped due to cheap imports of mitumba that have attracted his former customers
4	Has led to imports of both new & old (mitumba) clothes, which are cheap. She cites the case of boy's suits in Garissa Lodge, which led to a dead stock of his product, and hence to poor business performance.
5	Low demand for her products as customers shifted to the new clothes in Garissa Lodge and mitumba in Gikomba because they are cheap. This has led to a decrease in profitability and turnover
6	Has brought competition between local producers and mitumba traders. The mitumba business has affected the demand for local women dresses, because they are cheap
7	Has led to influx of clothes from other countries, which are cheap and thus attracts his potential customers, hence poor business performance.
8	Has led to imports of very cheap clothes with which her products like women dresses cannot compete

Source: own field notes, 2002.

As indicated in table 8 above, it can generally be observed that all the eight entrepreneurs interviewed noted that trade liberalisation led to increase in imports of both new and old clothes.

This has led to low demand for the locally made products, which could not compete, with imports since they are cheap and thus attract most customers. In this regard, the entrepreneurs cited poor business turnover particularly with women dresses, men shirts, trousers and children wear.

The entrepreneurs complained that the second hand clothes were cheap because the importers do not pay high duty, whereas imported new clothes commonly sold in Garissa Lodge, in Eastleigh, are cheap since no duty is paid for them as they enter to the country illegally. Thus the importers and retailers can afford to sell the products at low prices.

The key informants echoed similar sentiments. The key informant from the micro finance institution noted that trade liberalisation was a disadvantage to the local garment producers and an advantage for the mitumba dealers. The key informant from the membership association argued that trade liberalisation has led to the influx of mitumba and new clothes that has negatively affected the business of the members. He mentioned that trade liberalisation could only help the rich Kenyans, who are able to import mitumba and also exploit the export opportunities.

The findings of this study on the constraints of trade liberalisation are reflected in the existing empirical literature, which reveals that micro and small garment producers have to contend with stiff competition and low demand in the local product market, which has been eaten away by both mitumba and new clothes (Kabogo, 2002, McCormick, et al 1997, McCormick and Ongile, 1996, McCormick et al 2002).

5.5 Entrepreneurial responses to the constraints

TABLE 9: Responses to constraints

CASE NO.	RESPONSES TO CONSTRAINTS
1	Product line shifting, changing design, product line diversification and pricing
2	Product line diversification and shifting
3	Diversification, pricing and reducing number of workers
4	Diversification, product shifting and market search
5	Diversification, shifting and pricing
6	Product shift, pricing and attractive designs
7	Shifting, diversification and pricing
8	Product diversification and shifting

Source: own field notes, 2002.

As indicated in table 8 above, in-depth interviews with eight entrepreneurs indicated that micro and small garment producers in Nairobi have responded to the constraints of trade liberalisation in various ways. Product line shift, diversification and pricing emerged as the main entrepreneurial responses to the

competition and low demand in local product market occasioned by the cheap and readily available second hand clothes as well as new ones.

Seven of the eight entrepreneurs interviewed had diversified their product lines whereas the same number had shifted their product line. Seven of the entrepreneurs had adopted as their main product lines, products, that are not readily available in mitumba and new, imported clothes. In this case, two had vitenge as their main product line; four had shifted to school pullover and cardigans, whereas one had school uniform as the main product line.

The finding confirms the recent empirical findings by McCormick, et al (2002) that small garment producers were shifting from other garments to cardigans due to competition from second hand dealers. Their study found out that in Nairobi, more firms were producing cardigans and pullovers in 2000 than in 1989 (pre-reform period), because they faced least competition from mitumba. The same study noted that producers of specialised wear like school uniform and African attire did not face competition from mitumba.

This perhaps explains why vitenge and school uniforms were preferred as main product lines by three of the entrepreneurs. One of these specialised exclusively in vitenge, noting that her business performance had improved since 1989 when she shifted from women dresses to vitenge. Another common response to the constraints is the sourcing of raw materials. Five of the producers obtain their raw materials from Garissa Lodge wholesalers, who deals with imported materials that are cheap compared to local ones

Product pricing was used as a strategy to attract customers away from the low priced second hand clothes. In response to the question of what they were doing to attract customers, five of the eight entrepreneurs mentioned that they had lowered the prices of their products and had price variations for different customers. This was in an attempt to make their products compete with the imports. The lowering of prices could also explain why the micro and small garment producers have maintained their turnover as noted by McCormick and Kinyanjui, (2001). However, this could have affected the profit margin of most of their products, as shown in table 10 below.

Table 10: A typical case of product prices, profit margin and seasonality.

Product	Product ion cost	Price in Kshs		Profit in Kshs (Based on W/sale)	Profit margin as a % of the production cost	Seasonality: peak & slack months of the year	
	Kshs	W/sale	Retail	Kshs	%	Peak months	Slack months
Ladies cardigan	430	480	500	50	11.6	Cold season & festive seasons (December, April, May, June July august).	Hot seasons (Jan, Feb, September)
School pullover	130	160	190	30	23	School opening months (Jan, Feb, May, Sept).	Non- school opening months
Adult trousers	195	250	270	55	28	Festive seasons (Dec, April, and when new materials and fashions are in the market	When consumers are committed to other expenses e.g. school fees
Women dresses (suits)	230	280	300	50	22	” ”	” ”
Men shirts	95	130	150	35	37	” ”	” ”

Women skirts	100	150	170	50	50	” ”	” ”
Men suits	1700	2100	-	400	23.5	Throughout the year but, generally low demand	Throughout the year
Women vitenge	1200	1800	-	600	50	Currently in demand since they are not in mitumba	In demand throughout the year
Men's wedding suits	1900	2200	-	300	16	During festive months like April, August and December when most people conduct weddings	Other months of the year
School uniform	200	240	270	40	20	School opening months (Jan, Feb, May, Sep)	Non-school opening months
Knitted caps	25	35	40	10	40	Cold seasons	Hot seasons

Source: Own field notes, 2002.

It should be noted that the calculation of the profit margin is based on the wholesale price (except for vitenge, men's wedding and ordinary suits which are not sold in wholesale) since it was revealed that six out of the eight entrepreneurs sold approximately 80% of their products to wholesale customers who bought more than one item per purchase.

As shown in table 10 above, diversification of product lines was also in response to the seasonality of some of the products like school uniform, knitted caps and women dresses. All the entrepreneurs dealing with school uniform complained of seasonal fluctuations of school uniform, whose peak season was reported to be during school opening months. For women dresses, it was reported that they move fast during the festive seasons like the, months of December and April. The entrepreneur dealing with men wedding suits said that the product peak season is during the months of April, December and August when most people are conducting wedding ceremonies.

Other reasons cited for product line shift and diversification was the seasonality of most of the products like school uniforms, women dresses and caps. One entrepreneur (case number eight) also attributed the low demand for locally made products to the loss or decrease in incomes of consumers occasioned by lack of employment in the country and the collapse of parts of the agricultural sector (coffee, milk and tea). This perhaps leaves them with no alternative, but to go for the cheap and readily available imported new and old clothes.

Other entrepreneur's responses to the constraints of trade liberalisation include design development and reducing the number of workers. In relation to design development, one of the entrepreneurs dealing with vitenge argued that to make her product attractive, she had to keep in pace with the changing fashions and coming up with unique designs to attract and retain her customers. For this same purpose, she bought a special purpose machine for making special design when other producers saturated the previous one.

Although market search was associated with one of the entrepreneurs, it did not emerge as a common response among the small-scale producers, while only one of the entrepreneurs had reduced his workers from six in the year 2000 to three in 2002 due to poor business. Five of the entrepreneurs preferred having a small number of workers and subcontracting during peak seasons for the various products. This was aimed at minimising production costs.

As indicated in table 10 above, some of the responses to the constraints of low and weak demand affected the profit margin of the enterprises. For instance, the lowering of product prices reduced the profit margin, considering the production cost of a given item. A case in point is the difference in the profit margin of vitenge, knitted caps on one hand, and men suits and women dresses on the other. Since the former are not readily available in imports, their profit margin is higher than those of the latter. For example, whereas the profit margin of women kitenge is 50% of the production cost, the profit margin of women dresses stands at 22%. This difference could be due to the fact that women dresses and men suits are available in mitumba, and local producers have to reduce the profit margin in an attempt to maintain the business turnover.

Nevertheless, there are a few cases that appear to defy this trend. As shown in the table, men's shirts and male adults trousers, have impressive profit margin, standing at 37% and 28% respectively. This is in spite of the recent empirical findings and practical, personal experience to the effect that these products are widely and cheaply available in imported second hand clothes. Another contrast in the profit margin is that of Men's wedding suits, whose margin stand at 16%, lower than obviously expected because the product is rarely found in mitumba. It is normally a fit to wear and tailor made item meant for special occasions. These are some of the issues that require further investigation through intensive and in-depth studies.

Entrepreneurial responses by micro and small garment producers interviewed in this study reflects the position highlighted by the key informant from the micro finance institution, who argued that micro and small enterprise owners in general are unique for their capacity sustain and cushion themselves from effects of external factors. This he noted is seen in their commitment and ability to switch very quickly to other products and business lines, when they make loss in the other. He referred this to as diversification of incomes and business activities. The key informant from the membership association also noted that the members who are garment producers had diversified their product lines.

5.6: proposed intervention measures

Table 11: Proposed interventions

CASE No.	PROPOSED INTERVENTIONS
1	Government should ban mitumba business
2	Government should Impose high duty on imports
3	Government should ban mitumba business/imports
4	Government should ban imports of both new clothes and mitumba
5	Government should ban imports of new and old clothes
6	Government should not ban mitumba, since some people need it
7	Government should ban mitumba
8	Government should ban imports of all kinds of clothes

Source: Own field notes, 2002

As shown in table 11, in response to the question of how the issue of trade liberalisation should be addressed, six of the eight entrepreneurs suggested the government should ban the mitumba business.

Five of these entrepreneurs said that this should also apply to the new clothes, whereas one did not have problems with new imported clothes saying that some

of them are very expensive and have not affected his business. Two of the entrepreneurs did not favour banning the trade. One of the two suggested that the government should impose high duty on such imports, whereas the other one maintained that some people need mitumba, and the local producers should try to compete with the imports.

Responses from both the entrepreneurs and the key informant implied that the government should intervene to protect the local small-scale garment producers from the negative effects of trade liberalisation and enable them to seize the export opportunities. Six of the eight entrepreneurs suggested that the government should either ban the imports of mitumba and new clothes or impose a high duty for the products.

One of the common complaints from the entrepreneurs was that the importers of new clothes that are now readily available in Garissa lodge do not pay duty, making them cheap and affordable. The complaint about the mitumba was that duty paid for the imports is not high enough, making them cheap as well.

To enhance the small producers to export to other countries, the entrepreneurs and key informants argued that the government should provide financial assistance and provide adequate information about the existing markets.

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

This study has demonstrated that trade liberalisation has had both positive and negative effects on the business environment for micro and small garment producers in Nairobi. On the negative side, it led to a stiff competition in the local market and low demand for locally produced clothes occasioned by increased imports of cheap new and second-hand clothes.

This consequently led to poor business performance as it exacerbated the already existing low purchasing power of the consumers whose disposable income has been affected by the general poor economic performance in the country.

Trade liberalisation also presented export opportunities, for small-scale producers, as the government took proactive measures to promote export trade. In this regard, producers could export to other countries in the region or outside Africa.

The study has shown that micro and small garment producers in Nairobi have adopted a number of strategies in response to the constraints of trade liberalisation. These include product line shift, product line diversification, pricing, design development and cost cutting measures like reducing the number of workers and seeking for new sources of raw materials, especially the imported ones. Some of these responses, such as the shifting of product line to products not in mitumba and imported new clothes were entrepreneurial. This is the case since the producers who for instance shifted to vitenge and knitted caps, aimed at making high profits for they needed not to reduce the price of the products to compete with the imported clothes.

One may also argue that entrepreneurs responses to the constraints of trade liberalisation were largely survival rather than growth oriented. This is the case because, the entrepreneurs seem to be more concerned with remaining in business, and hence the focus on strategies such as pricing and diversification, aimed at maintaining the business turnover which does not necessarily lead vertical expansion and capita accumulation. It came out clearly, that none of the entrepreneurs had made efforts to seek information about the external market opportunities, despite the existence of trade information office in the Ministry of Trade and Industry.

In reference to the Schumpeterian theory of Entrepreneurship, the producers portray a considerably low level of entrepreneurship in their response to the new

business environment. This could be the case because, as mentioned earlier, most of the responses did lead to growth and profit maximisation. However, it is important to point out that, full potential of the entrepreneurial skills is constrained by certain factors, such as high costs of production due to expensive raw materials, especially the local ones, lack of market information and financial capital.

It has also been observed that low level of technology and poor workmanship affected the quality of local products, making them uncompetitive. This may have also constrained entrepreneurship among the producers. The issue of competitiveness between the local products and imported new clothes is also complicated in favour of the latter as most of them enter the country through black markets and routes and thus duty is not paid.

6.2 RECOMMENDATIONS.

Recent studies on micro and small garment producers have come up with suggestions on how to address the persistent problems that afflict the sector. This study incorporates some of the suggestions to those proposed by the eight entrepreneurs and four key informants in making recommendations for programmatic interventions.

These recommendations are deemed necessary to enhance the ability of small garment producers in Nairobi to exploit the opportunities of trade liberalisation and enhance their entrepreneurial responses to the constraints the new business environment.

1. The government should ensure level playing field in the business environment by strictly enforcing the existing trade regulations. This could be done by ensuring that import duty is paid for all imported clothing. This should also be coupled with strict control of the entry of illegal imports sold in Eastleigh, and imported through Eldoret airport, Somali border and other entry points as un-

customed goods, where no duty is paid (Bedi, 2002,McCormick, et al 2002,Kabogo, 2002,).

2. The government and other existing micro finance institutions should introduce export promotion schemes for small-scale producers, to give potential exporters financial assistance (see Kabogo, 2002, Bedi, 2002,McCormick et al., 2002).

3. The government in conjunction with the private training institutions and large-scale garment producers should work out training programmes in favour of small-scale garment producers. Such training programmes should be tailored to meet the emerging needs for foreign market information, skills development and improve the product quality and workmanship. This would ensure the competitiveness of local products in the regional markets. Similar suggestions have been raised elsewhere (McCormick, et al., 2002).

4. The government should put in place sound economic policies to rejuvenate economic development that create and guarantee employment opportunities, and a vibrant agricultural sector. This is the only sure way to raise the purchasing power of consumers and guarantee a steady demand for local products. This is necessary because, as noted by Kinyanjui et al, (1997) policies aimed at strengthening the domestic economy are likely to benefit producers across the board especially in addressing the problem of weak demand.

5. Beside the need for a concerted effort to revive the local cotton and textile industry, the Government should also lower the costs of infrastructure such as electricity, and communication to make them easily affordable and lower the cost of production and enhance the competitiveness of micro and small garment producers. This suggestion is also raised elsewhere (McCormick, Kinyanjui and Ligulu, 2002, Kabogo, 2002,McCormick et al., 2002, Bedi, 2002).

6. The government through the Ministry of Trade and Industry should actively involve the micro and small garment producers in regional and international trade fairs and exhibitions. This will create a forum for the producers to learn more about the existing markets, quality, standardisation requirements and external trade transactions and procedures. (See kabogo, 2002, for similar suggestion).

7. For entrepreneurs, there is need to make aggressive initiatives especially in the field of marketing and search for markets locally to enhance the place utility of products. This should also be applied in creating partnerships and networks with medium and large enterprises, to be able to learn and share experiences on issues of market information, quality and standardisation.

8. For the purpose of research, policy and interventionist programme, there is need for further studies on the issues investigated in this paper, not only in the garment sector, but also in other sectors of the micro small enterprises. This is necessary because, as mentioned elsewhere in this paper, this study was limited in scope and sample size, making it impossible to generalise the findings.

Such studies should aim at generating sector specific information about how entrepreneurs are responding to the new business environment occasioned by the policy of trade liberalisation. This will enable the stakeholders in the sector to come up with programmes for addressing the different needs of the various sectors.

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APPENDIX I - INTERVIEW GUIDES

KEY INFORMANTS

Introduction

My name is Charles Muguku. I am a postgraduate student in the Institute for Development Studies, University of Nairobi. As part of my studies, I am carrying out a study on the responses to trade liberalization by micro-small-garment producers in Nairobi.

I am doing this by talking to institutions that deal with small and micro garment enterprises to find out how they have been affected by liberalization of trade, the problems they face and how they are responding to the new business environment including the opportunities created in the access to the markets in other countries. The information that you provide will be completely confidential and will be only used for my academic interests and in advising the concerned authorities on how to address the problems.

1. Membership Association

Identification information

- Organization name
- Location
- Respondent name- (optional)
- Title and profession
- Years of service
- Main language of interview

Organisation profile

- When started and why (objectives)
- Membership characteristics, requirements, size and membership trend
- Mission, vision, objectives and main activities

Organisation and problems facing members

- Main problems facing members
- Which problems relate to trade liberalization
- How are you addressing them on behalf of members
- How are members coping with these problems
- What do you think should be done to address these issues

2. Business training institution

Identification information: -

- Organisation name
- Location
- Respondent name – (optional)
- Title and profession
- Years of service
- Main language of interview

Organisation profile

- Years of operation
- Reasons for starting
- Who are the clients- characteristics, types of business, level of education
- Objectives, ad main activities (areas covered in training)

Organisation activities and trade liberalization

- What are the training needs of the clients and how have they changed over time
- From your experience and interaction with clients what do you think are the problems they face from trade liberalization
- How are they coping
- What further skills do they require to respond to the new business environment
- In your opinion what should be done to address the situation

3. Micro finance institution

- Organisation name
- Location

- Respondent name – (optional)
- Title and profession
- Years of service
- Main language of interview

Organizational profile

- When started
- Reasons for formation, mission, vision and objective
- Clients profile – characteristics-size, activities, product and location of firms

Trade liberalization and clients

- Who are the main borrowers and how much do they borrow
- Criteria for lending
- Reasons for borrowing
- Repayment rates and trends
- Business performance and loan servicing-bad debts
- How trade liberalization has affected clients' business activities
- What are the clients doing about it – coping strategies
- What can be done to redress the situation

4. Policy institution

- Identification information
- Name of institution
- Location
- Name of respondent
- Title and profession
- Years of services
- Main language of interview

Organisation profile

- Main activities
- Activities related to the micro and small garment enterprises
- Main issues affecting the MSEs garment sector (trade liberalization)
- What policy or institutional interventions are in the place to address the issue of constraints and opportunities of trade liberalization

INTERVIEW GUIDE FOR CASE STUDIES:

Introduction

My name is Charles Muguku. I am a postgraduate student in the Institute for Development Studies, University of Nairobi. As part of my studies, I am carrying out a study on the responses to trade liberalization by micro- small garment producers in Nairobi.

I am doing this by talking to owners of Micro and small garment enterprises to find out how they have been affected by liberalization of trade, the problems they face and how they are responding to the new business environment including the opportunities created in the access to the markets in other countries. The information that you provide will be completely confidential and will be only used for my academic interests and in advising the concerned authorities on how to address the problems.

Part one- Enterprise and entrepreneur identification

- Name of entrepreneur and enterprise
- Gender/age
- Education level
- Training/skills
- Location
- Language of interview
- No of workers and their skills

Part two-History and current status of the enterprise

- Years of operation
- Previous experience
- Reasons for going into business
- Initial amount and sources of capital
- Product line
- Original product line
- Current product line

- Trends in the products line (reasons for product line shifts, and diversification of lines)
- Market choice
- Original market characteristics (geographic location, class and types of customers)
- Market choice trends (current market, and its characteristics, reasons for change of market choice over the years)
- Productivity and profit margin trends

Part three-Trade Liberalization and enterprise

- Effects of trade liberalization on the firm performance – problems faced by the enterprise
- What the entrepreneur has done in response to the problems
- Knowledge about any opportunities created by trade liberalization and the response to the same
- Opinion on how issues of trade liberalization vis-à-vis micro and small garment enterprises can be addressed and by whom.

APPENDIX II

FIELD INTERVIEW NOTES

Case study one-micro entrepreneur

Part one-enterprise and entrepreneur identification

- Anne Wambui (Wagacheru)
- Female
- Form two
- Tailoring
- Gikomba market
- Kikuyu
- Six employees (including owner)

Part two-History and current status of entrepreneur

- The entrepreneur began the enterprise in 1984.
- Did not have any previous work experience but had training in tailoring skills.
- She began the business because she had dressmaking skills, which she wanted to utilise and generate income.
- She started with capital of 5000 Kshs given by her husband

Part three-Product line (Main Product line- Children Cardigans)

- She began the business with children's wear (children below five years).
- Current product lines include Women's dresses, children and women cardigans.
- Stopped producing children clothes due to poor turnover and weak demand for the product in 1989, and shifted to women skirts and blouse. She keeps changing the designs to keep pace with fashion trend.
- In 1997, she began producing women cardigans.
- In the year 2002, she began making children's cardigans in an attempt to diversify her sales.

Part four-market choice

- She produces in bulk and displays the products for potential customers.
- Customers come from outside Nairobi-Kericho, Meru, Nakuru, Molo and most of them buy the products in wholesale. Most of her customers from Nairobi buy in retail.
- She is doing very little to market her products, claiming that she does not have time to go out looking for market.
- She claims that since 1990, the profit margin and turnover of her enterprise has been reducing. She gives an example of how most of her customers from outside Nairobi began taking too long than usual before coming for additional purchase (taking about one month to restock). She says that her customers have been complaining of poor business turnover and demand arguing that people are going for mitumba clothes which is cheap

Part five- Trade liberalisation and the entrepreneur

- She contends that the influx of mitumba has diverted their previous customers in to the products since there are cheap, a trend that began in the early 1990s.
- She has been changing the product line mainly to cushion herself from poor turnover occasioned by poor demand for one product.
- She also avoids expensive designs and tries to make designs that are affordable to most of the customers (some designs are very expensive to make in terms of skills and materials thus require high pricing which would not attract customers).
- She says that trade liberalization has had more harm than good to businesses of her type.
- She says that there is no information about market opportunities outside the country.
- She says that when she began her business in 1984, things were much better because there were no mitumba clothes unlike in the 1990's.

- She suggests that the government should abolish the importing of mitumba so that people can revert to new clothes.

Case study two-Micro entrepreneur

Part one-Enterprise and entrepreneur identification

- Jane Njeri
- Female
- Standard seven
- Tailoring through apprenticeship
- Gikomba, block A45
- Kikuyu
- Three employees including owner

Part two-History and current status of entrepreneur

- Began the enterprise in 1985.
- Previously worked in a hotel as a house keeper in Nairobi
- Went in to the business because she had the necessary skills in dressmaking.
- Began with initial capital of 900Kshs, from salary savings.

Part three-product line- Main Product line- School cardigans

- Original product line was women dresses, which she preferred because its raw materials were cheap.
- Current product lines include school cardigans, children and men's shirts, children dresses, thread caps. Main product line is the school cardigan. Caps are made only during the cold season when they are in demand.
- **Trends in product line change-** made women dresses until 1998, when she switched to primary school uniforms and cardigans. She says that the demand for her products (women dresses) was affected by mitumba (as most of her customers

went for mitumba, which was cheap). She prefers men's shirts because they are not affected easily by fashion changes.

- She has diversified her product lines to cushion her business from the seasonality of school cardigan. She claims that school pullovers are not available in mitumba, which is an advantage since parents will always buy new pullovers.

Part four-market choice

- Originally sold women dress in wholesale to customers from places like Narok, Meru. Very few of the customers were retailers.
- Currently she sells cardigans to customers from Narok, Namanga and Kisumu. She also sells to some few customers in Nairobi in retail. There are also some Sudanese who come to buy children's wear to go and sell in Sudan.
- Profit margin for women dresses was very poor as well as turn over profit margin for a school cardigan is fair. Turnover is particularly good during school opening seasons like January, May and September.

Part five-Trade liberalisation and the entrepreneur

- She claims that she tried to make boy suits between 1998 and 1999, but she could not cope with the competition from the exported boy suits from Garissa Lodge in Eastleigh.
- She says that imported clothes (both new and old) especially the ones sold by Somalis in Eastleigh have badly affected her business. This was the reason for stopping to deal with women dresses in 1998 and shifted to school cardigans.
- She is aware of market opportunities outside Kenya. However she lacks financial capacity and information to venture into these markets. She says that it is not easy to know the customer tastes and needs. She also thinks that it could be expensive to export to other countries.

- On the solution to the problem of exports, the government should charge a high fee (import duty) on such clothes this would discourage their imports and make them expensive.

Case study three-micro entrepreneur

Part one-Enterprise and entrepreneur identification

- Peter Maina (P.M Tailoring)
- Male (48 years)
- Standard eight
- Carpentry and tailoring-originally he was trained in carpentry, but since woodwork business was not doing well he decided to venture into dressmaking.
- Kibera, Makina estate, opposite Mzee Abdalla shops.
- Kiswahili
- Five employees including owner. He was forced to reduce the number of employees from seven to the current four in 2001 due to poor business environment (Low demand for clothes), claims that few customers are now buying new clothes.
- Employees are trained in tailoring skills.

Part two-History and current status of the entrepreneur

- Ventured in to this business in 1974.
- Carpentry-Furniture making as previous skills
- Carpentry not performing well hence the shift dresses making business.
- Initial capital was approximately 8000Kshs, from own savings. He began purchasing two singer machines.

Part three-product line- Main product line- Men's suits

- Original product line was men's trousers, coats and full suits, (normal and Kaunda suits) and wedding suits for men. Men's suits remain his main product line.
- Currently he also makes school uniforms. He also makes women's dresses, which began in 1995 out of demand by customers and the need to diversify his business. He notes that men's designs for suits are not complicated. For example he says that initially it was the three-button suit, and today it is the two-button suit.

Part four- market choice

- Initially the trader was located opposite Kibera law courts and targeted low class male customers. The suits he made were lowly priced. He moved to the current site in 1989 due to rent increment in the initial premises.
- Currently his customers include both low and middle classes from the neighbouring estates. He argues that due to the increased prices of materials, he has increased the price of his suits and therefore few low class people can afford his suits.
- Business turnover has been dropping continually, as most customers opt for second hand clothes. Demand is low. Initially they could sell ten men and women suits in a week, a situation that changed from 1990 after trade liberalization by the government. The profitability of the business is low today.
- His customers have been always the customers from Nairobi.

Part five-Trade liberalisation and the entrepreneur

- According to the entrepreneur, trade liberalization has resulted to increases mitumba clothing that is cheap. This has reduced the number of his potential

customers. He says that new clothes cannot compete with mitumba since the raw materials are expensive.

- He argues that in order to survive in this era of trade liberalization he has relatively reduced the price of his suits to attract customers, and make high quality suits.
- According to him, trade liberalization has not benefited him in anyway. No opportunities for him. Although he argues that he has heard of the AGOA, he lacks adequate finance to exploit it. He also notes that he lacks the knowledge on whom to link with to the U.S.A.
- He is of the opinion that the government should close the mitumba business.
- There is need for the government to make arrangements to expose the MSEs Garment Sector to the outside markets specially those within the eastern and southern Africa region.
- He remarks that currently the MSEs in the garment sector are not doing well as a result of the trade liberalization, which led to the importation of mitumba.

CASE STUDY FOUR-Small enterprise owner

Part one-Enterprise and entrepreneur identification

- Nancy Wambui
- Female (48years)
- Standard seven
- Knitting-trained by a hired friend on business
- Uhuru market, block A, stall 15
- Kikuyu
- Ten workers-with tailoring and knitting skills

Part two-History and the current status of the enterprise

- Began the business in 1972
- No previous work experience, she had just come from the rural area with her mother after her father passed away and dropped out of school and began the business of selling rice in retail in Nairobi.
- She went in this business since she did not have education to enable her to look for work, and she wanted to generate some income.
- With savings from previous business she hired a friend to train her knitting skills. Later on she learnt tailoring (dressmaking) through apprenticeship.

Part three-Product line-Main product line is pullovers (school and general)

- Initial product line was cardigans for children below five years.
- In 1974 she began making school pullovers and thread caps for cold seasons.
- In 1976 she bought a dressmaking/sewing machine and began producing children's dresses.
- In 1984 she began making petticoats.
- Current product line includes Pullovers (for school and general).
- Thread caps.
- Petty coats.
- And children dress.
- She says that she has been trying to diversify to products that are not common in mitumba and other imported new clothes (especially those found in East Leigh). She has also diversified to cushion her business form the seasonal fluctuation of school pullovers. She claims that initially children wear was moving very fast and the turnover was good, but later in the 1990's due to the competition from new clothes in Eastleigh the turnover has reduced. She says that today she can sell at high turnover thread caps since there are not readily available in mitumba, or in the new imported apparels.

Part four-market choice

- Originally she sold pullovers to individuals in retail from Machakos, Karatina, Embu, Meru and Kericho. She had regular customers from these areas, a thing that no longer exists. During those days there was certainty in market unlike today when she has to deal with anonymous customers.
- In 1996 she began going out of Nairobi to places like Kericho and Meru to look for customers and sell her products in wholesale. She says that she began going out to market her products, when counter and common customers reduced from 1990's. These days, she says, you cannot solely depend on counter customers, you have to go out of your business premise to look for customers.
- Profit margin and turnover had deteriorated over the years due to stiff competition from imports.
- For example, she has three knitting machines and five dress making machines. She says that two sewing/dressmaking machines are not utilised due to low demand for clothes, because of the competition from Eastleigh clothes.

Part five-Trade liberalisation and the entrepreneur

- Trade liberalisation has led to the import of mitumba and new clothes from foreign countries, which has badly affected our businesses. For instance she says that she has piled up a stock of children dresses, which could not be bought since they are cheaply available at Eastleigh (Garissa Lodge).
- She has tried to cope with this problem by diversifying and aggressively looking for market outside Nairobi.
- She is not aware of any market opportunities created by trade liberalisation.
- She says that imports only develop the countries of origin as opposed to the importing country. It affects the income generation of the local business people. Hence the government should completely ban the importation of clothes, which has affected the business performance, in terms of capacity utilization and stock turnover.

CASE STUDY FIVE-Small entrepreneur

Part one-Enterprise and Entrepreneur identification

- Christine Nduku
- Female (42years)
- Form four
- Tailoring skills, which she learnt through apprenticeship
- Uhuru market, Block C, stall 21
- English and Kiswahili
- Seven workers including the owner

Part two-History and current status of entrepreneur

- Began in 1982
- Trained as a secretary and worked for two years before venturing in to the business of dressmaking
- Decided to venture into this business after her former employer (company) closed down
- Cannot recall the starting capital, but she began with one sewing machine

Part three- Product line

- Began with petty coats
- Currently she makes Cardigans, children clothing (full dresses for girls, trousers and coats for boys and kaunda suits) and underpants for children
- She began making Cardigans and children clothing in 1997. This was in an attempt to diversify
- She praises the early days saying that there were many customers unlike these days

Part four-market choice

- When she started the business, she used to sell mainly to wholesale customers, whose number has drastically reduced over the years, today most of her customers buy in retail. Initially she had both middle class customers and currently all classes of people come to purchase clothing from her
- She also attributes the reduction of wholesale customers to the saturation of small garment producers
- Customers come from Nairobi, Nyeri, Nakuru, Narok and Kericho
- Profit margin and profitability has been decreasing over time. She states that initially the production of clothes was high and turnover were impressive. She notes that, then, wholesale customers frequently bought stocks as clothing was moving fast. She says that new stock can take even one month before there are purchased. Duet low demand since wholesalers and retail customers have shifted to imported new and old clothes in Gikomba and Garissa lodge.
- She says that initially the profit margin was good as she highly priced her products. However due to stiff competition in the business, her profits are now minimal since she has reduced the price in order to attract customers.

Part five-Trade liberalisation and the entrepreneur

- She says that currently she has few customers. Therefore she sells at low prices. She notes that trade liberalization has affected the business, as imported clothes are cheap.
- She has responded to this competition by offering competitive prices at least to survive. She has also tried to make a variety of products to attract a diversity of customers.
- She is not aware of any opportunities created by the liberalization of trade. Although she has heard of AGOA, she lacks very scanty knowledge about what it means.

- The government should tax all imported clothing (both the old and new), so that they can be expensive and thus level the playing field and attract customers to locally produced clothes.

CASE STUDY SIX-micro entrepreneur.

Part one-Enterprise and entrepreneur identification

- Jane Otieno-Kalando Tailoring shop
- Female (39 years)
- Standard seven
- Tailoring skills
- Kariobangi North city council market, stall no. 11
- Kiswahili
- Nine workers with tailoring skills

Part two-History and current status of the entrepreneur

- Began in 1981
- Previously doing business of buying new clothes from Uganda and sold them in Kenya.
- Went into this business because she had training skills. She was also having demand for tailor made clothes from friends and customers of her previous business, and she wanted to take that opportunity.
- Initial capital was 750Kshs (300Kshs from her brother and 450Kshs from savings from previous business).

Part three-Product line

- Began with women dresses (chiffon and silk fashions) with materials bought from Uganda. She used a hired machine.

- In 1989 business performance began going down, and shifted to making a special women dress (vitenge).
- In 1996, she purchased a new machine for making vitenge with special design when tailors saturated the original one. She keeps on changing the designs with time.
- The current product line is the vitenge.
- She moved to vitenge due to low demand for the ordinary women dresses.

Part four- Market choice

- She has always sold to retail and wholesale customers from Naivasha, Kisumu and Nairobi. These customers comprise both low and middle class. Currently she has ventured into other markets like Mombassa, Webuye and Eldoret where she sells to wholesalers.
- In the late eighty's, the business turnover began to deteriorate, however when she moved to vitenge, the business recovered the usual profitability.
- Currently she says that profitability is not bad since not many tailors produce vitenge in the market.

Part five-Trade liberalisation and the entrepreneur

- She says that trade liberalisation has brought competition between the local tailors and mitumba dealers. Since mitumba is cheap, most people like going for it. She attributes this to the problem of low demand for the women dresses she used to make prior to 1989. She says that even today most people cannot afford vitenge, and thus opt for mitumba.
- She tries to produce high quality and attractive designs and fashions, so as to outmatch the imported new and mitumba clothes. She also offers different prices for different types and designs of vitenge so as to attract different classes of customers. Sometimes this pricing the profit margin especially when most of the customers are of low class thus cannot afford expensive vitenge. In this case if

one makes the product expensive you lose such customers to mitumba dealers. She gives an example where in pricing, a dress that costs 1200Kshs to produce is priced at 1800Kshs for low class customers, whereas the same product would fetch 3000Kshs in other places for middle and upper class customers. The idea, she says is to reduce the price and increase the turnover. She also obtains her raw materials from Uganda since they are cheaper than in Kenya.

- The trader is aware of trade opportunities outside the country, but has not ventured due to lack of adequate information about the markets.
- She contends that mitumba is good for those who cannot afford new clothes. Producers of new clothes should try to compete and attract customers.

CASE STUDY SEVEN-Micro-entrepreneur

Part one-Enterprise and entrepreneur identification

- Joel Okuna – Tom’s tailoring and design
- Male
- Standard seven
- Dressmaking skills through apprenticeship
- Kenyatta market, stall No. 35
- Kiswahili
- Two workers (proprietors)

Part two-History and current status of entrepreneur

- Began in 1986
- Experience in dressmaking and employed in Homabay as a tailor.
- Went into business to generate his own income instead of relying on the wage labour.
- Began with 2500Kshs from savings from the wage employment.
- Initial product line was the women’s dresses.

- Current product line includes vitenge, ordinary women's dresses and men's suits.
- In 1999, he diversified to vitenge, and in 2000, he began making women and men suits.
- Diversified to vitenge due to customer demand and the need to capture many types of customers and cushion the business from the demand fluctuations experienced from suits.

Part four-market choice

- He has always sold his products to customers of both low and medium class from Nairobi region, particularly the neighbouring estates.
- He has experienced seasonality in profit margin turnover with peak season being between March and April and September and December whereas the slack season being between January and February and May.

Part five-Trade liberalisation and the entrepreneur

- Blame trade liberalization for clothes from other countries, which are cheap hence attracting potential customers of new clothes and hence affecting their businesses.
- The only advantage that he cites is that most customers especially those that are fashion conscious cannot find most of the fashions and designs, and even clothes of their sizes in them mitumba hence they come to them for tailor made dresses.
- He tries to make attractive designs that are not available in mitumba. He also prices his products depending on the ability of different customers "we cannot have a fixed price, otherwise we are going to chase some customers". He claims that different customers come to them for dress fitting with different amount of money and they have to offer them different designs, fashions and material that match the amount of money. This she says discourages them from going into mitumba since they can afford new dresses.
- He has now chosen the vitenge as his main product line since it is not in mitumba or other new clothes and thus its demand is very high.

- Aware of business opportunities outside Kenya like U.S.A. and South Africa especially because the latter do not make vitenge. However he lacks the finance and information on who to sell to.
- The problem of bureaucracy and high cost of getting passports and visa to travel outside Kenya.
- The government should ban the importation of mitumba so that we can have high demand and good prices for our products. Some new imported clothes have not affected their business since they are expensive.
- The government and other organizations should give loans to small traders to produce for export.
- The government should ease the business of acquiring visas and passports.

CASE STUDY EIGHT-Small Entrepreneur

Part one-Enterprise and entrepreneur identification

- Joyce Wambui
- Female –56 years
- Std five
- Tailoring skills, learnt through apprenticeship
- Gikomba market, block B, stall no 8
- Kikuyu
- Eight workers including owner with tailoring and knitting skills

Part two-History and current status of the entrepreneur.

- Began the business in 1974,with a hired sewing Machine at a fee of 100kshs per month
- Had no previous work experience, and had just gotten married
- Went in to the business to generate an income and says that its good to own and operate your own business
- Initial capital of 1000kshs given by the husband

Part three-product line

- Began producing school pullovers for primary school children until 1977 when she bought second sewing machine at 800kshs and began producing women dresses because they were in demand compared to school pullovers. In 1980, she stopped making school pullovers due to weak demand and poor turnover and began making jackets for both adults and children.
- In 1996, she began producing school uniforms which remains her main product line, and abandoned jackets .She ventured into school uniforms because it has good turnover and profit margin is good compared to jackets and dresses, although it requires a lot of capital for you to produce in a variety of colours.
- Current product lines include school uniform and women dresses .She produces the latter in very small quantity to sell during the slack season for school uniform. Which constitute about 90% of her sales and production capacity.

Business seasonally

Product	Slack season	Peak season
School uniform	January, February, May, September	March, April, June, July, August, October, November
Women dresses	April, August, November, December	Jan, Feb, March, May, June, July, Aug, Sep, October

Reasons for product line shift and diversification

- She says that she shifted to school uniform due to its high demand compared to dresses that has been affected by the mitumba. School uniforms are not in mitumba although its seasonal

Par four-Market choice

- She has always sold her products to wholesalers, who normally come from places like Athi River, lamu, machakos, meru, and to retailers (about 10%of sales) from Nairobi's areas of kibera and kawangwre She says that her customers change with product line.

Productivity and profit margin

- She produces 40 pieces of uniform per day, and subcontract during peak seasons
- Produces about 20 pieces of dresses per day in peak season
- In terms of profit margin, she says that her business profit t trend was very bad until 1996 when she began producing school uniforms.

Current sales and profit margin

Product	Specificati on	Peak season	Slack season	Price w/sale (Kshs)	Price in retail (Kshs)	Profit margin (Kshs)	
School uniform	Boys short	Jan, May, June	Feb, Sept	Mar, Apr, Aug, Nov, Dec.	75	125	30
	Boys shirt	“ “	“ “	“ “	90	140	30
	Girls uniform	“ “	“ “	“ “	170	220	35
Women dress	Full dress	400	20	250	300	46	

NB Difference in the price for retail and wholesale is normally between 10 and 50kshs

The cost of the item is determined by the sources and quality of the raw materials. For women dresses, she buys the raw materials from wholesalers in

Garissa lodge and for school uniform she buys from wholesalers in the city centre. She sells approximately 4000 pieces of uniform in peak season 80 pieces of the same product during slack season. For women dress she sells an average of 400 pieces in peak seasons and as little as 20pieces in slack season

Typical purchase

The common purchase by wholesalers is items worth between 2000-5000 kshs. In very rare circumstances a customer can make a purchase of items worth 10,000 kshs. On the day of this interview wholesale customer from Athi River had purchased 19 pieces of school uniform, worth 1,555 Kshs.

Part five-Trade liberalization and the entrepreneur

- She claims that there has been an import of very cheap cloths, with which her women dresses cannot compete. She says that local clothes are expensive due to high taxes by the government
- She says that if the demand for her women dresses had not been affected by the mitumba, she would have sought for more capital and produce in bulk as she does with school uniform.
- Her diversification and production of uniform as the main product line was in response to low demand for her previous products like jackets, and women dresses She says that “soko huru” requires a developed country with good machines and capital to produce in bulk and good quality product for export.
- She is aware of export market opportunities in countries like Uganda, Sudan, and Tanzania, but lacks information on product requirements like colour of school uniform in these countries. She also says that exporting requires people who are educated and able to speak foreign languages like English
- She says that before trade liberalization business was good compared to today. She also admits that the situation has been worsened by lack of employment and collapse of industries like coffee, which generated incomes for customers in the rural areas.

- The government should ban the imports of clothes since it does not help the country. It has only led to the closure of industries and loss of jobs

FIELD REVISIT NOTES

CASE STUDY ONE

- She began with one sewing machine and currently she has five machines (three sewing and two knitting machines)
- Currently producing Ladies cardigans, school cardigans, ladies dresses, children, youth and adult trousers

Typical purchase

Wholesalers buy between 2 and 30 pieces of products. They come from Molo, Nakuru, Kisumu, Kisii, Njoro, Meru, and Isiolo.

- A typical purchase is that of a wholesaler from Isiolo who on the date of this interview bought 30 pullovers. The customer comes twice a month. On the lower side a customer from Nakuru on the same day bought 5 pullovers. She says that normally during peak season for cardigans she can have 15 wholesale customers and 2 retail customers in a week. More than 80% of her customers buys in wholesale.
- In terms of profit, she says that in the 80's one could make a profit margin of 200kshs from women cardigans but due to competition among producers, one has to reduce the price. Whereas most of products are seasonal, currently men trousers are in demand because of a new type of raw material that is not in mitumba.
- She also says that women dresses are always in demand during festive seasons like December. She also says that cardigans have no competition from mitumba, compared to women dresses and men trousers

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Product Sales and Profit Margin

Product	Price in Kenya Kshs		Profit Margin	Seasonally	
	W/Sales	Retail		Peak	Slack
Lady Cardigans	450	480	50	Cold Months e.g. April, July, Aug.	Hot months e.g. Jan., Feb.
School Pullovers	160	190	30	School Opening months e.g. Jan., Feb., May., June, Sept.	Apr., July, Aug., Oct., Nov., Dec.
Male Trousers	250	280	55	Festive Seasons	“ “
Women Dresses	230	280	50	“ “	“ “
Knitted Caps	35	40	10	Apr., May, Jun., Jul. (Cold Seasons)	Hot Seasons Jan., Feb.,

Production capacity and sources of raw materials

- Produces eight pullovers per day, and sub-contract during peak season
- Produces 45 trousers per week
- Materials for trousers and women dresses bought from Easleigh, which is imported from other countries, Threads for pullovers and caps bought wholesalers in the city centre and from spinners in Ruiru.
- Pullovers constitute about 45% of her sales

Trade liberalization

- The producer is aware that the government has increased the duty on mitumba and she is very happy about it, saying that this might lead to increase in the price of the products to the advantage of traders like her
- She also say that parents are beginning to go to mitumba and select pullovers at Ksh100 and she has to be very careful when pricing her product

CASE STUDY TWO

- Currently dealing with Men's shirts, children's shirts, school uniform, caps and school cardigans as the main product
- Get materials for shirts from Garissa lodge, which is imported from Korea and from wholesalers in the city Centre for school uniform.
- She does not think that her products are of export quality due to poor skills especially in fitting

Production, sales and typical purchases and profit margin.

- Produces 48 pieces of school uniform per week on peak season
- Produces 56 pullovers (school) per week, and subcontract during peak season
- 49 shirts per week
- 75 caps per week
- In terms of typical purchase, on the date of the interview, a whole seller from Machakos bought school uniform worth kshs13, 000. A typical wholesale purchase ranges between 2000-4000kshs
- On trade liberalisation, she says that imported new shirts in Garissa lodge have affected men's shirts.

Typical Sales cost and profit

Product	Specification	Price in Kshs		Profit in Kshs	Sales in pieces per month	
		W/sale	Retail			
					Peak season	Slack season
Cardigan	School (various sizes)	150-190	170-210	35	800	400
Shirts	Different sizes	80-130	100-150	35	400	20
School uniform		120-240	150-270	40	1500	400
Caps	-Adults	50	60	15	100	60
	-Children	40	50	15	100	60

CASE STUDY THREE-MICRO ENTREPRENEUR

Original product lines –Trousers, coats, men’s suits, skirts and ladies suits.

Current product line-Kaunda suits wedding suits, trousers coats men’s suits skirts ladies suits and school uniforms.

Product prices

PRODUCT	PRICE IN WHOLE SALE KSHS	PROFIT KSHS
Trouser	600-750	200
Coat	800-1300	200
Men’s suit	2000-2200	400
Skirt	400-500	50
Ladies suit	1700-1800	200
Kaunda suit	1200-1500	350
Men’s wedding suits	2000-2200	300

Proportions of the products in total business sales

Men's suits account for $\frac{3}{4}$ of total sales, women's suits account for $\frac{1}{8}$ of the sales. Other products account for $\frac{1}{8}$ of the total sales. Main product line is the men's suit. The entrepreneur does not sell in wholesale

Seasonally

The peak season for the business is December, when a total of 30 men's suits can be sold. With 5-6 suits sold in a week. However the business is low especially in Jan, Feb and March where at least 10 suits can be sold in a month Poor business in these months is attributed to expenditures on school fees and December festivities

Sources of raw materials

Most of the materials that he uses are imported this is due to the closure of local textile industries local materials are also of poor quality and highly priced

TRADE LIBERALISATION

- The respondent learned about the AGOA, from newspapers .He thinks that the AGOA initiative requires a large amount of money which he lacks to enable him export
- The mitumba business has greatly affected the performance his business and other clothing businesses .The government should regulate the mitumba business by controlling the amount of mitumba clothes being imported

CASESTUDY FIVE –Small entrepreneur

Products cost in kshs

Product	Retail price	Retail in wholesale	Profit
Petticoat	110-120	90-100	40
Sweater	150-180(depending on sizes)	120-260	55
Dresses	200-370(depending on sizes)	180-350	50
Panties (children's)	10	8	5
Kaunda suits for boys	180	160	40
Trousers for boys	100	80	30

The prices of products at Garissa Lodge

- Petticoat-kshs60
- Big size sweater-kshs120
- Small size sweater-kshs100
- Full dress for girls- Kshs80-90
- Childrens' underpants-kshs5
- Kaunda suit for boys-Kshs90-120
- Trousers for boys-kshs60

Proportion of business sales

- Sweaters-50%
- Girl's clothing-25%
- Boy's clothing-25%

Product line shift

The respondent shifted out of petticoats to children clothing and sweaters due to increased demand for the latter. She organised wither cousin to sell the children's clothing and sweaters upcountry especially in Busia and Eldoret town
Petty coats constitute a very small proportion of her sales.

Trade liberalization and the entrepreneur

- The respondent argues that the prices of c clothing at Garissa Lodge are very low compared to her products. She says that they are cheap because they are imported through the black market. Hence not charged the import duty. She also says that Garisa Lodge products are of better quality and look more attractive than the local ones. She attributes this feature to the fact that they are made using superior technology.
- She also says that 35% duty for the mitumba clothes will not be enough to make he business competitive .she says that it should not be less than 50%.

Production capacity.

- The respondent says that she currently has sewing machines and two knitting ones and all are in use. She hires extra casual labor during peak seasons and urgent orders .She has never hired extra machine. Hiring of machines is very rare these days although it used to happen in the past

AGOA initiative

- She mentions that she heard of AGOA from the newspapers. That she does not have the capital to export her clothes to America. This require big businesses who have the capital and machineries to produce high quality products for export

Key informant interviews

Part art one-Identification information

- K-rep
- Kawangware, Nairobi
- Mr Moses Banda
- Credit Manager and a banker by profession
- English

Part two-Organisation profile

- It is a development Bank that specialises in Micro finances for very small businesses and low-income households and individuals.
- It aims at bringing micro finance at the Centre of the financial banking sector.
- Offers credit facilities to micro and small business traders for poverty reduction. Most of the borrowers are engaged in trade activities (buying and selling) and employ between 1-6 workers. Others engage in service manufacturing, and construction activities.

- Clients widely spread in the country and are served through the twenty-six field offices in the country. Borrowers are in both rural and urban areas.
- Main borrowers are businessmen and women in micro category wanting to start business, expand or diversify horizontally and vertically. Other borrowers include professionals and employees for consumption and business activities.
- Beginners at micro-level can start by borrowing between 500 and 20,000Kshs. For instance some traders in Gikomba have graduated from 1000 to 1,000,000Kshs and they are now dealing with bales of clothes.
- Small and medium entrepreneurs that employ more than six workers can borrow up to 100,000Kshs.
- Borrowers must have a guarantor form of the group structure.
- Other criteria include the proof of the ability to repay the money by having previous ability to pay and ability to save.
- Some borrow for consumption and other social needs and repay by income from employment and enterprise.
- Loan repayment rate has not been bad because of the group guarantee. However in some cases the loans are not paid due to financial mismanagement, diversion of funds or refusal to pay.
- Poor business performance in the country has led to the inability to repay loans. This is also due to the economic hardship. Other reasons include clashes kiosk and premises demolition in the country.
- Trade liberalization affects every sector of the economy and micro and small enterprises are no exception. It has been a disadvantage for traders of new clothes but of course an advantage for mitumba dealers. Trade liberalization is one of the external forces that affect our economy and micro and small enterprises in particular.
- MSEs are unique for their capacity to sustain and cushion themselves from effects of such external factors. There is commitment and ability to switch very quickly to other product line and business line. They are dynamic and flexible.

- In Kenya there is diversification of incomes and business activities, which is a reflection of entrepreneurial commitment by MSE traders. Some switch to other product line when they make a loss in the current one.
- The K-rep addresses the issue of policy like that of trade liberalisation through the association of Micro-finance institutions in which they advocate for the adoption of policies that promote the performance of their clients.
- There is need to harmonise policies to address the needs of small sectors and types of businesses.
- The government should provide safety nets for those negatively affected by policy of trade liberalisation.

2: POLICY INSTITUTION

Part one-identification information

- Ministry of trade and industry, Industrial development Department, Small scale enterprise division
- Utalii House, Nairobi
- Mr S. O Ongongo
- Senior assistant Director
- 20 years of service
- English

Part two-Organisation profile

- Policy formulation, feasibility studies and training
- Activities related to the MSEs include advisory services on technical and management, and market issue to both the government and the owners of micro and small enterprises.
- Trade liberalisation led to the collapse of the cotton industry. It has also eased the access to the foreign markets, thorough the AGOA and COMESA in which duty

and quota restrictions have been reduced. Currently the Kenyan entrepreneurs can access the U.S. apparel market through the AGOA initiative. However Micro and small garment producers in the country hence not exploited these opportunities, due to lack of financial resources (high cost of production, expensive electricity, poor communication and transport infrastructures), poor workmanship and low quality product to compete in these markets and we are technically disadvantaged.

- Trade liberalisation has led to the influx of mitumba, new apparels and raw materials that are cheap because the cost of their production is low compared to our products. Mitumba is mainly imported by very powerful and politically connected people, not taxed hence the local small producer industry.
- The influx of imports has led to the collapse of the local cotton industry. Thus there is not significant response to the opportunities of the trade liberalisation.
- The Government has established an office to deal specifically with micro and small enterprises, and also an AGOA information desk to facilitate entrepreneurs with information on the U.S. market.
- The government has already sent the samples of textile products that Kenya entrepreneurs can produce to United States for certification and approval (Jane Kiragu, AGOA information officer). She notes that Kenyan micro and small entrepreneur's need to work together and pool resources to be able to exploit the AGOA market opportunities.

3: MEMBERSHIP ASSOCIATION

Part one- Identification information

- Manga tailoring outfitters association
- Kenyatta market, Nairobi
- Wilfred Obiero
- Tailor and chairman of the association
- Two years as the chairman
- Kiswahili

Part two-Organisation profile

- Kenya institute of business training was established in 1966 under the name Management training and advisory centre with the assistance of ILO and UNDP, to train indigenous Kenyans in managerial and entrepreneurship skills. MTAC was later renamed KIBT in 1980, which is currently the training arm of the ministry of trade and industry. It caters for those wishing to enhance their entrepreneur and management t skills both in the private and public sectors .The institution designs tailor made courses and seminars for individuals and organisations on request.
- KIBT is an institution dedicated to excellence in practical business and management training, consultancy and counselling, research and information to both the private and the public sectors for the growth and development of the economy. The strategic objectives of the institution include;
 - To provide entrepreneurial and managerial skills to owners and managers of small and medium enterprises
 - To provide extension, counselling and advisory services to owners and employees of small and medium scale enterprises
 - To provided research and information services to commercial and industrial enterprises
 - To organise and conduct courses, seminars, workshops, conferences for supervisory personnel and business extension staff employed by various organisations, government parastatals, and other business development agencies.
 - The institution Trains individuals (owners and managers of SMEs who are over 18 years. There is a balanced proportion of men and woman trainees at the institute.
 - The institute trains both literate and illiterate individuals provided that they are engaged in business or they are potential business people.

- The trainees are from diverse business background i.e. mechanics artisans shoemakers, carpenters, etc. The institute trains approximately 60 trainees per month.
- The main objective of this training is to impart skills, knowledge, and attitude to business persons and impart entrepreneurial, and managerial skills and abilities to trainees.
- Some of the main areas covered in training include the following-
- Human resource management, developing young managers, secretarial management Development, the effective supervisor, total quality management, marketing and sales management, effective customer services management, export marketing management, how to get started in import/export trade, trading within comes and E.A region, The world trade organisation (the new multilateral trade systems) what are the, challenges and opportunities to the Kenya business community, Business management for women entrepreneurs,small business management, How to start manage and develop a small business enterprise,effective record management ,effective credit scheme management, export product development and adaptation, debt collection and management, African growth and opportunity act (AGOA) seminar.
- Key training areas; Record keeping, management, marketing, customer relations, business planning, Export trade, secretarial development.
- The training requests for advisory services on how to improve their business profitability. They also request for information about the existing market.
- With the current emphasis on export promotion most trainees request for information on existing export market potential both within Africa and beyond.
- Trainees are also currently being trained on information technology skills, even though only a few of them are interested in IT skills. This is because most of their businesses are small and medium therefore the trainees lack adequate finance to purchase computers.

come up with proper regulation for trade as is done in other countries where (NICs) SMEs exporters are subsidised to enable them access and sell products to external oviducts to external products. The government need to consider such options

- There is need to provide financial assistance to the small traders to enable them export
- There is need to promote AGOA initiative. Small entrepreneurs need to be educated on the AGOA opportunities.