

FACTORS DETERMINING MANAGEMENT AND PERFORMANCE OF THE INFORMAL/SMALL SCALE ENTERPRISES IN MUMIAS TOWN.

UNIVERSITY OF NAIROBI
ADD LIBRARY

BY

ANYERA JOEL OMUKOKO, B.A (HONS) EGERTON

A THESIS SUBMITTED IN PART FULFILMENT FOR THE DEGREE OF MASTER
OF ARTS (PLANNING) IN THE DEPARTMENT OF URBAN AND REGIONAL
PLANNING IN THE UNIVERSITY OF NAIROBI.



NAIROBI

NOVEMBER, 1997

DECLARATION

THIS THESIS IS MY ORIGINAL WORK AND HAS NOT BEEN PRESENTED FOR A
DEGREE IN ANY OTHER UNIVERSITY

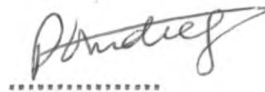


SIGNED

ANYERA JOEL OMUKOKO

(CANDIDATE)

THIS THESIS HAS BEEN SUBMITTED FOR EXAMINATION WITH MY APPROVAL
AS UNIVERSITY SUPERVISOR



SIGNED

DR. PETER ONDIEGE

SUPERVISOR

DEDICATION

This thesis is dedicated to my loving wife Willie and our children for their continued love, inspiration and understanding. To my Grand Mamie Flo, Mother and Father who gave me maximum care and taught me by their examples how to overcome challenges in life.

ACKNOWLEDGEMENT

In carrying out this study, many people have been involved either directly or indirectly, to whom all I am grateful for their assistance and contributions. Foremost, I am indebted to the Ministry of Lands and Settlement for granting me a scholarship to undertake a masters course in the department of urban and regional planning of the university of Nairobi. It is through the ministry's generosity that this study has been accomplished.

I wish to express my sincere thanks to my supervisor, Dr. Peter Ondiege, who tirelessly guided me in every stage of this work. Sincere regards also go to Mr. Andrew Were, who helped me in collecting data and all the other individuals who helped me with information in the field.

Much thanks should also go to all my colleagues in 1995/97 M.A (Planning) class whose company made the study period appear shorter than it actually was.

Although the success of this study depended on many people, I alone remain responsible for any errors or misconceptions contained in this work.

Omukoko A.J

September, 1997

ABSTRACT

This study examines the factors determining management and performance of Informal/Small Scale Enterprises in Mumias town. This town is in western province of Kenya. Mumias is a town with a long history that dates as far back as the early 1800 A.D., but whose present rapid rate of urbanization started only in 1972 as a result of the establishment of a sugar factory.

In examining these factors, both primary and secondary data were used. Data about the background of the study area and some of the literature and government policy guideline were obtained through reference to secondary data. The existing enterprises, their characteristics and factors determining their management and performance were obtained from primary data through sample surveys.

The findings of the study show that major factors that determine management and performance of the sector emanate from both the environmental and socio-economic characteristics of the entrepreneurs and the enterprises. It also found out that the government and the town council have done little to assist the entrepreneurs in the sector.

The study has recommended the need for integrated environmental approach in planning for the Informal/Small Scale Enterprises operations. This planning approach, requires the involvement of all agencies and institutions concerned with the development of the Informal/Small Scale Enterprises sector, with the government and local authority taking the lead in providing

the required infrastructure necessary for environmentally sound
Informal/Small Scale Enterprises operation.

TABLE OF CONTENTS

Title of Thesis	i
Declaration	ii
Dedication	iii
Acknowledgement	iv
Abstract	v
Table of Contents	vi
List of Tables	ix
List of Maps	x
List of Figures	x

CHAPTER ONE: INTRODUCTION

1-1 Background to Study	1
1-2 Statement of the Problem	3
1-3 Objectives of Study	4
1-4 Study Hypotheses	5
1-5 Research Methodology	5
1-5.1 Survey Areas and Activities	5
1-5.2 Sampling Procedures	5
1-6 Methods of Data Collection	6
1-6.1 Primary Data	7
1-6.2 Secondary Data	9
1-6.3 Data Analysis	9
1-7 Justification of the Study	10
1-8 Limitation of Study	11
1-9 Organization of the Study	12

CHAPTER TWO: CONCEPTUAL ANALYSIS AND LITERATURE REVIEW

2-1 Introduction	13
2-2 Management	13
2-3 The Importance of Management	15
2-4 The contribution of I/SSEs Sector to the Economy	19
2-5 Government Policy towards the Development of Informal/ Small Scale Enterprises	25

CHAPTER THREE: Background To Study Area

3-1 Introduction	35
3-2 Location and Historical Background	35
3-3 Physical Characteristics	42
3-4 Land Tenure Systems	42
3-5 Urban Structure	44
3-6 Population	46
3-7 Employment and Incomes	48
3-8 Employment Structure	48
3-9 Incomes	50
3-10 Commerce and Industry	50
3-11 Summary	53

CHAPTER FOUR: THE DATA, CHARACTERISTICS OF I/SSEs SECTOR ACTIVITIES IN MUMTAS TOWN

4-1 Introduction	56
4-2 The Data	56

4-3 Distribution of I/SSEs Activities in Mumias	56
4-4 Characteristics of Enterprises	57
4-4.1 Location	56
4-4.2 Business Premise Type	59
4-4.3 Facilities	61
4-4.4 Initial Capital	63
4-4.5 Business Age	66
4-4.6 Enterprise Ownership Status	68
4-4.7 Premises Ownership/Land Lord	69
4-4.8 Labour Force	70
4-4.9 Equipments/Tools of production	71
4-4.10 Raw Materials Required and their Source	72
4-4.11 Marketing of Products	73
4-4.12 Earnings in Enterprises	74
4-5 Characteristics of Entrepreneurs	75
4-5.1 Enterprise Ownership	76
4-5.2 Entrepreneurs Age	77
4-5.3 Entrepreneurs Marital Status	80
4-5.4 Entrepreneurs Education Level	82
4-5.5 Post School Training	84
4-6 Problem Encountered	86

CHAPTER FIVE: Effects of Business Management on Enterprise Performance: Planning, Organizing, Staffing, Leading and Controlling

5-1 Introduction	87
5-2 Planning	87
5-3 Organizing	89
5-4 Staffing	91
5-5 Leading	94
5-6 Controlling	95
5-7 Factors Influencing Management of I/SSEs	97
5-8 Summary	98

CHAPTER SIX: FINDINGS, PLANNING IMPLICATION AND RECOMMENDATIONS

6-1 Findings	100
6-2 Planning Implications	106
6-3 Recommendations	106
6-4 Future Research	112
Bibliography	113
Appendix I	117

List of Tables

1-1 Survey Areas and Sample Size	6
2-1 Persons Engaged: Recorded Totals, June 1991-1994	22
2-2 Number of Persons Engaged by Province	23
2-3 Number of Persons Engaged by Activity	24
3-1 Population of Mumias 1969-1976	46
3-2 Sources and Levels of Employment	59
3-3 Industrial Enterprises and Rate of Increase between 1979-1996	51
3-4 Growth Trends of Commercial Activities 1979-1996	52
4-1 Initial Capital	64

4-2 Business Age	67
4-3 Age Distribution of Entrepreneurs	79
5-1 Staffing in the Surveyed Enterprises	91

List of Maps

Map 1 Mumias Town- National Context	40
2 Mumias Town-Regional Context	41
3 Mumias Town	47

List of Charts

1. Premise Type	60
2. Number of Facilities	62
3. Source of Capital	66
4. Marital Status	80
5. Education Level	83
6. Business Management Training	85
7. Planning	88
8. Factors of Management	97

CHAPTER ONE: INTRODUCTION

1-1 Background to the Study

The informal sector play an important role in income and employment generation as well as poverty alleviation and is thus viewed by the government of kenya as an important sector in the context of industrialization and commercial development. The sector is also expected to promote the degree of the economy and help improve the distribution of income in many direction such as gender, location and sector.

The informal sector like any other activities is faced with various factors that determine its management and performance. One of the greatest challenge facing the sector to day is to compete in a liberalized market economy. Competition consequences could be devastating. The entrepreneurs in the sector need to apply managerial skills in their business management practice to enable them survive. Planning, one of the fundamental functions of management need to be exploited to the maximum to enable the sector survive.

There is already an out cry of the people in the sector about the flooding of the market with cheap imported goods. This points to the fact that the people in the sector are unable to reorganize their business management practices to operate effectively in the prevalling situation. Management practices in the sector tend to be instinctive. Entrepreneurs plan and organize their activities only when there is a market opportunity. The entrepreneurs in most cases do not have strategies to direct their

enterprises activities. Lack of a strategy lead to fluctuations of enterprise activities or eventual collapse of the enterprise.

To the individual poor enterprise management means poor performance and eventually loss of income to the entrepreneur. Loss of income will automatically lead to lack of basic necessities of life: food, clothing and shelter this state is likely to lead to feelings of frustration and failure. These factors deprive the entrepreneur of his personal worth, self fulfilment and personal development. To the family poor enterprise management that lead to poor performance and eventual collapse will mean a loss of a source of livelihood. This can even lead to family break up. To the community and the nation it could mean loss of employment opportunities, loss of goods or the services that the enterprise provided, loss of taxation to the government, slowed economic growth among others. If not checked it can magnify and lead to social and political instability.

The problem of poor management and poor enterprise performance are explained by the level of education and training type of the entrepreneurs in the sector. Other factors that contribute to management problems are that institutions related to the development of the sector tend to focus on credit provision than other factors that affect the performance of the sector (Aleke-Dondo 1995). For a better performance of the sector, all factors related to its management and performance need to be addressed simultaneously. This however is not an easy task especially during this time of high unemployment level and structural adjustment. It is therefore imperative to investigate some

of the factors that determine management and performance of the Informal sector.

1-2 Statement of the Problem

7
The positive role the sector play in national development was recognised in the 1980s. Before then, the sector suffered from serious poor public image with the result that its operations have not grown into a coordinated planned manner and have not been easily integrated in the national planning process. The negative public image suffered by the sector has partly been attributed to the legal relationship between the operators in the sector and various organizational and institutional arrangements within the economic frame work of the state.

Poor management practices in the sector and its consequences of poor performance stems from the fact that most of the entrepreneurs have only had vocational training. Training programs do not provide managerial skills to the entrepreneurs. The question to ask is that how do these entrepreneurs manage their businesses? And how do their management practices determine the performance of their enterprises? Is there any other factor apart from management practices that determine enterprise performance?

Managerial skills are acquired through post school training. Post school training that the entrepreneur has gone through is an important factor in the performance of an enterprise. This may affect both the technical and managerial aspect of the enterprise. Business management training determines

enterprise performance more than vocational training. Employees training is also a determinant of enterprise performance. Besides, the sector also needs a conducive policy environment and various related services at different stages of their growth. These include sites for their activities, infrastructure facilities, work shops/premises, among others. It is against this background that this study is conducted to find out the factors that determine management practices and performance of the informal sector.

1-3 Study Objectives

The main objective of the study is to find out the factors determining management and performance of Informal/Small Scale Enterprises in Mumias town. The study specific objects are to:

1. Examine the informal sector activities spatial distribution and operation characteristics in Mumias town.
2. Examine factors that determine management practices and enterprise performance in the town. An attempt will be made to establish factors that facilitate or hinder practice of business management.
3. Analyze how business management practised impact on the performance of the sector in the town. The focus is on establishing how business management practices put in place sustain the enterprises.
4. Propose recommendations aimed at enhancing business management practices and performance of the sector.

1-4 Hypotheses

1. Business management and performance in the sector are determined by social and economic characteristics of the enterprises.
2. The type and characteristics of the enterprises in the sector determine the business management practiced in each enterprise and hence the performance of the enterprise.

1-5 Research Methodology

1-5.1 Survey Areas and Activities

In order to sample the centres in which a base line survey was conducted, area (cluster) sampling was employed. Area sampling is based on the notion that geographic subdivisions could be used as listing units. After selecting these geographical areas, a sample of them was chosen by taking a random sample of the geographical areas on the list.

To sample out the sub-sector that was to be studied, stratified random sampling was employed. The total population of the informal sector activities were divided into sub-sector each of which was treated like a simple random sample.

1-5.2 Sampling Procedures

In order to determine the sample of enterprises to be interviewed, the universe of the manufacturing sub-sector activities were established in each sampled area. Areas were sampled on satellite town basis. The universe of manufacturing sub-sector activities were taken to be the working population

and it comprised all manufacturing activities pertaining to metal work, woodwork and tailoring in the sampled areas. This exercise revealed a total of 120 manufacturing sub-sector enterprises in the sampled centres. About 25% of the sample was interviewed in each area. In order to determine the sample of enterprises to be interviewed, the universe of the manufacturing sub-sector activities were established in each sampled area.

Table 1-1: Survey Areas and Sample Size

Areas Surveyed	Total No. of manufacturing activities	Sample Size	% of Total
Mumias Old Town	70	20	29
Shibale	50	10	20
Total	120	30	25

Source: Field Survey 1996

A systematic random sampling procedure was used to determine which of the many enterprises were to be interviewed. The rule was to interview every fifth enterprise until the desired sample size was obtained.

1-6 Methods of Data Collection

1-6.1 Primary Data

a) The Questionnaire

A standard questionnaire was used to collect information. The questionnaire was designed in a way that it addressed all the objectives of the study. It therefore sought for information on; first, the type of I/SSEs activities in

the study area. This included questions on the characteristics of enterprises and the socio-economic characteristics of the entrepreneurs such as age, levels of education, marital status etc. Second, management situation was addressed. The questions included the number of employees per enterprise, how work is planned, organized, controlled and the type of leadership in the enterprises also employees incomes, the number of hours and days worked and the type of tools and machinery employed.

The questions were formulated to address factors that facilitate or hinder the application of conventional management procedures in the operations the I/SSFs. This included questions on relationship between management practised and availability of market, working capital, managerial skills etc. Fourth, the questionnaire had questions aimed at finding out the constraints that entrepreneurs face in the management of their enterprises. This study targeted owners of the enterprises as respondents of these questions. An attempt was therefore made to see that owners of the enterprises were found and interviewed. The second most important person was to be interviewed in a situation where the owner was not found. The study did not ignore the employees. A no of questions were addressed to the employees. The owner however was seen to be in a position to answer on behalf of the employees, where not adequately informed about his employees, the employees in question were interviewed directly.

b) Interview Schedules

Interviews were conducted by the researcher himself. Those that were interviewed included Kenya Industrial Estates (KIE) Office, Jua Kali Association, Town Council, Trade Office, Planning Office. Information was sought regarding the contribution of KIE towards the development of I/SSEs in terms of providing space to the enterprises and also training the entrepreneurs in managerial skills. The planning office provided information regarding the distribution of I/SSEs activities in the town and its planning implications. From the town council office, Jua Kali Association and trade office information was sought regarding the contribution of these offices/bodies towards training of entrepreneurs in the I/SSEs in management skills and also the development of I/SSEs activities in the town over time.

c) Observation

This technique of data collection was employed to gather information pertaining to physical structures of premises, the size of premises, their location in space etc.

1-6.2 Secondary data

Before embarking on field work research, secondary data was collected. Various books, pamphlets, journals and papers together with government publications relevant to the study were consulted. The information gathered therefore from these sources formed the background information to the study.

1-6.3 Methods of data analysis

The data obtained was analyzed through the use of both qualitative and quantitative statistical methods. This included the computation of measures such as frequency, percentages, means, correlation and regression analysis, among others. SPSS was employed to perform some of this statistical analysis. Data presentation techniques such as pie charts, bar graphs, maps etc. were used in the presentation of the findings.

1-7 Justification of the Study

This study was found necessary, first, because the government has emphasized the important role the I/SSEs sector has been playing in the economic and technological advancement of this country. This is in regard to modifying the indigenous and Imported technology to meet the demands of the economy. In order for the I/SSEs sector to develop, information has to be provided in areas that affect its management and performance. This is one of the areas that will facilitate or hinder the development of the sector.

Research work such as those of (Ondiege 1990, 1995), (Ondiege and Akeke - Dondo 1991), (Mulongo 1993) and others, have shown that the I/SSEs development opportunity exists. These studies however have tended to concentrate on large and intermediate urban centres such as Nairobi, Mombasa, Nakuru, Kisumu, Eldoret, Bungoma. There is however little that has been done on small centres of Mumias size (town councils). For a better picture of the development of the I/SSEs sector and for comparison purposes,

thought it was necessary that data be collected from urban centres of this size. This study aimed at providing such additional information.

These small urban centres and intermediate centres have been recognized as a means through which regional imbalances and migration to large urban centres could be reduced. The government is therefore encouraging the growth of these centres and there is Mumias Sugar Factory (a modern sugar processing factory) located in Mumias. I/SSEs sector development in this town will be one way of ensuring regional growth and development. The management of I/SSEs therefore need to be investigated so that its contribution to development of the sector can fully be exploited.

Another issue that need further investigation is to determine how management practices influence the performance of the I/SSEs sector. The studies cited above have demonstrated that some of the I/SSEs entrepreneurs manage their enterprises well. A question however arises as to how do they succeed? Do they manage by talent? Have they been trained in management skills? This study attempts to answer these questions. This is necessary because the development of management skills largely depend on whether or not there is information on management practices.

1-8 Limitations to the Study

There were a number of limitations that made it difficult for this study to comprehensively and fully address its study objectives. In order to adequately establish the distribution and characteristics of I/SSEs, and

characteristics of the entrepreneurs, a documented literature was necessary to supplement the field survey. This was totally lacking. Also lacking was a distribution map to show the spatial presentation of the sector.

Secondly, to assess the importance of management in relation to the performance of T/SSFs required an access to the enterprises records but this was not the case, the entrepreneurs could not allow the use of their records. Time was not available even to enable the research gather information from organizations such as NGOs, CBOs and banking institutions in the town.

Thirdly the survey was also ill timed. Field work was conducted in December and early January. These are the months of festivities and holidays. Most of the enterprises were closed to release the workers to go for the holidays and this affected the sampling frame and also had an effect on the information collected.

Lastly, the finance provided for the study was quite little and this affected the operation of the research. It was difficult to get research assistant and the problem of movement was also experienced.

1.9 Organization of the Study

The study is organized into six chapters. Chapter one has the introduction and the study methodology. Chapter two contains conceptual analysis and literature review while chapter three presents information about the study

area. Chapters four and five have information on data analysis and finally chapter six presents the findings and recommendations of the study.

CHAPTER TWO

CONCEPTUAL ANALYSIS AND LITERATURE REVIEW

2-1 Introduction

This chapter reviews the existing relevant literature on management, the importance of management at both Enterprise and Government levels, management of the national economy of Kenya, the contribution of Informal/Small Scale Enterprises to the economy and the government policies towards the development of the sector. It is important to have a comprehensive knowledge in this areas so as to guide and provide conceptual and theoretical framework to the work that will follow.

2-2 Management

From an almost unrecognized position in 1900 A.D, Management has risen to be the central activity of our age and economy. Management is at one and the same time the determiner of our economic progress, the employer of our educated, the amasser of our resources, the guider for our effective government, the strength of our national defence, and the moulder of our society. It is the central core of our national as well as personal activities, and the way we manage ourselves and our institutions reflects with alarming clarity what we and our society will become.

Despite its importance, however, management is one of the most nebulous and at the same time most ubiquitous functions in society, being found in the

homes, churches, governments and economic undertakings of all peoples. It is and has always been the strong right hand of the leaders. In fact, all the truly great leaders of history were managers-managing countries, managing explorations, managing wars, managing other men's efforts.

Glueck (1977) defined management as the effective utilisation of human and material resources to achieve the enterprises objective. Managerial tasks include whatever is necessary to make the best use of an enterprises resources. Over fifty years ago Mary Parker Follett (1920) defined management as "getting things done through people". The task of managers are those designed to make the most effective use of the enterprises financial, material and Ideational resources. These tasks include planning and decision making, building and developing organisation and, creating and monitoring control systems.

Boone and Kurtz (1987) defined management as the use of people and other resources to accomplish objectives. They went on to assert that this definition is applicable to all organizational structures, both profit-oriented and not-for-profit. The process of management is as important to the effective functioning of the hospital as for fire department as it is to a bank or firm.

Management involves the creation of an environment in which people must effectively use others to reach stated goals. It involves the implementation of four important functions- planning, organising, leading and controlling.

planning is the process of setting objectives for the future and developing courses of action to accomplish them. Organising is the process of arranging people and physical resources to carry out and accomplish plans. Leading is the act of motivating or causing people to perform certain tasks intended to achieve specific objectives. It is the art of making things happen. Controlling is the process by which managers determine whether organizational operations are consistent with plans.

Management is an "art of making decisions with insufficient information". The artistic process is generally seen as having three vital aspects: craft, vision and communications. Managers must have the tools (craft) to accomplish their tasks. They must possess vision in order to implement innovative strategies and they must be able to communicate effectively in the work environment and elsewhere. H.B. Boettlinger observed that "to manage is to lead, and to lead others requires that one enlists the emotions of others to share a vision as their own.

2-3 The Importance of Management

Sheldon (1966) observed that management as a part of industry is separated from capital and labour, and is broken into three main parts: administration, management, and organization. He went on to explain that administration is the function of corporate policy, the coordination of finance, production and distribution, the settlement of the compass of the organization and the ultimate control of the executive. In the I/SSFs these activities and functions are usually performed by an individual the entrepreneur thus

creating problems of management which ultimately translate into poor performance of the enterprise.

Literature concerning management and performance of the Informal/Small Scale Enterprises is quite limited. According to Holland (1974) there has been a substantial amount of research on this subject but still many of the determinants of success are still unknown and much of the field extension is still far from productive.

Ondiege and Aleke-Dondo (1991) observed that there were many constraints to I/SSFs sector development and among them was poor management practices. Poor management practices come as a result of lack of records for enterprise's operation and poor organization of the enterprise resources. This translate into poor performance of the sector.

Mulongo (1993) observed that to a large extent, majority of the enterprises either failed, not because of lack of customers, but because the way in which the enterprise was being managed. Under enterprise management, some of the important factors that were highlighted ranged from management in terms of keeping relevant information pertaining to an enterprise activities; this included keeping of a cash book or receipt book to determine how enterprise was performing by comparing the records over time. Lack of planning of enterprise activities which meant lack of guidelines to direct the activities of the enterprise.

Lack of proper record keeping and business bank account is a major problem which confronts I/SSEs when they seek credit facilities from banks and other financial institutions (Ondiege, 1995). This poor managerial practices of lack of business records affect business performance. It is not easy for an entrepreneur to remember all the business transaction over time if records are not kept.

Kagama (1996) observed that one of the factors contributing to poor performance of I/SSEs is low/lack of managerial/entrepreneurial skills. He noted that although entrepreneurs tend to have above average technical skills to produce the items or provide the services in which they were engaged, managerial/entrepreneurial skills were severely an obstacle to the sectors performance.

The policies governing the I/SSEs sector have stifled managerial/entrepreneurial development in the sector (Enterprise, 1996). I/SSEs sector policies have literary concentrated on enhancing technical training and provision of credit to the sector and has addressed the need for proper management of the resources invested in the sector. This has had a negative impact on the development of managerial skills in the sector which ultimately translate in poor performance of the sector.

Majority of I/SSEs have little if not no access to centres of information and databases (Enterprise, 1996). This has limited I/SSEs acquisition of information related to improvements in the sector. There are no researches conducted specifically for I/SSEs in the line of marketing, technology

improvement and managerial practices. Lack of current up to date and relevant information in these aspects have impacted negatively on the performance of I/SSEs.

Kagama (1996) observed that most enterprises in the I/SSEs sector are "born small, live small and die small". This is attributed to the fact that entrepreneurs in the sector lack the necessary managerial acumen that can foster the growth of the enterprises. Lack of proper managerial skills have more often than not impacted negatively on the performance of the I/SSEs sector.

The conventional managerial practices were found lacking in the sector operations. Entrepreneurs/managers do not draw plans to guide their operations, they rarely organize their enterprises in the conventional managerial organization structure and they do not control their operations. There are no control mechanism put in place. The enterprises operate without clearly formulated budgets, forecasts and even structural analysis. This is because most of the entrepreneurs/managers lack the necessary skills and expertise to apply the managerial functions to the business operations. This shortcoming in the sector operations affect management and subsequently the performance of the sector.

The failure of the informal sector to recognise and adopt the conventional managerial practices have had far reaching impact on their performance. There is little if any application of managerial practices in the sector. This fact is compounded by the conditions under which enterprises in the sector

operate, lack or limited managerial skills of the entrepreneurs/managers, the type of operations in the sector among others. The occurrence of unfavourable operating conditions influence the managerial practices an entrepreneur/manager adopts and lack of clear policies on managerial practices affect the performance of the sector.

2-4 The Contribution of I/SSFs Sector to the Economy

The role I/SSFs play in the economy varies from nation to nation and reflects the cultural background of the different countries. In the U.S economy, I/SSFs are considered to be the corner stone of a free market economy where free entry in to business is a central element. I/SSFs are seen as major forces of economic dynamism. Thus socio-political support for (both existing and new) small businesses in the U.S has been-and still is-normal practice (Bannock,1981).

In Japan the situation is rather different. I/SSFs in Japan play a more indirect role as suppliers of low-cost, high-quality and often innovative products to larger firms (Anthony, 1983). Due to this, larger Japanese corporation seem to demonstrate-in contrast to large U.S and European firms-a remarkable degree of internal flexibility and technical progressiveness.

In Europe, even though there are large differences between different countries, the focus has been primarily on the socio-economic position of the existing I/SSFs in the traditional and medium-technology sectors of the economy (Rothwell and Zegveld, 1982).

The important role of I/SSFs as triggers of development is often explained in terms of the specific entrepreneurial spirit in this sector, characterized by independence, responsibility, simple organizational structure, rapid decision-making, tailor made production organization among others (Fischer and Nijkamp, 1988).

In the framework of Schumperian analysis much attention has been given to the role of I/SSFs in innovation. The analysis of the firm size upon technical innovations and on the transformation of research input into output has not yielded entire conclusive answers, but many studies have indicated that new investment projects would tend to be more efficiently undertaken in a relatively small firm than it would in a large one (Kamien and Schwartz, 1975, 1982). However, whether the intensity of innovational effort increases with firm size is still an unresolved question.

Despite the diversity in this sector, however, I/SSFs may act as important vehicles for a technology-based indigenous regional innovation and development strategy, not only in central locations but also in intermediate and peripheral regions (Meyer-Krahmer, 1985). In all cases, however, density of information, accessibility to customers, availability of highly qualified manpower, and access to finance and business services are a pre-requisite for I/SSFs incubators of technological innovation. This also has direct implication for regional I/SSFs policies.

The I/SSFs sector was estimated to have accounted for 20 percent of total output and over 20 percent of the total labour force in the middle of the last

decade in sub-Saharan Africa, (World Bank 1989). Estimates by International Labour Organization (ILO) indicate that I/SSEs sector account for 50 percent of Sub-Saharan Africa's urban labour force. An ILO survey of seventeen countries found that the I/SSEs sector contributes on average 20 percent of GDP (or \$ 15 billion a year) to the economies studied, (World Bank, 1989).

Available evidence in Kenya for instance, show that outside agriculture and the public sector, employment opportunity in the I/SSEs sector out weigh those in the formal wage sector in industry and commerce. As indicated in table 2-1, the number of persons employed outside small-scale agriculture and pastoralism activities rose by 11.8% to 4.3 million persons (Kenya, 1997). Most of the additional jobs were created within the expanding informal sector. From the table it is clear that employment in the informal sector rose by 18.0% to 2,643,800 persons, and accounted for 61.3% of total persons engaged in 1996. Employment in the modern sector during the same period expanded by 3.2% to 1,670,000 persons consisting of 1,606,800 wage employees and 63,200 self employed and unpaid family workers.

Table 2-1: Persons engaged: Recorded totals, June 1993-1996 ('000's)

	1993	1994	1995	1996 *
Modern Establishment Urban and Rural Areas: Wage employees	1475.5	1505.5	1557.0	1666.8
Self employed and unpaid family workers	56.2	58.3	61.1	63.2
Informal sector **	1466.5	1793.4	2240.5	2643.8
Total	2998.2	3356.2	3858.6	4313.8

Source: Kenya (1997) Economic Survey

* Provisional

** Revised series

Table 2-2, indicates that the number of persons engaged in the informal sector rose by 18.0% to 2,643,750 persons. Most of the informal sector activities are based in the urban areas, which absorbed 64.0% of informal sector employment (Kenya, 1997)

Table 2-2: Informal sector, 1993-1996: Number of persons engaged by Province

Province	1993	1994	1995	1996*
Nairobi	366,332	433,014	536,432	623,924
Central	226,305	281,643	356,669	417,713
Nyanza	177,921	213,642	268,356	319,894
Western	98,254	131,472	156,493	187,706
R/Valley	279,260	332,256	470,960	502,313
Coast	174,582	229,905	274,291	325,181
N/Eastern	5,006	6,101	8,061	13,219
Eastern	138,852	164,340	217,704	417,413
Total	1,466,512	1,792,375	2,240,466	2,643,750
Of which Urban	960,801	1,165,043	1,470,225	1,692,000
Rural	505,711	627,332	770,211	951,750

Source: Kenya (1995) Economic Survey

* Provisional

During the year '96 informal sector employment in the trades, hotels and restaurants industry expanded by 19.3% to 1,675,482 persons (Kenya, 1997).

Also the industry absorbed 63.4% of persons engaged in the informal sector table 2-3.

Table 2-3: Informal sector, 1991-1994 Number of persons engaged by activity

Activity	1993	1994	1995	1996*
Manufacturing	418,252	492,439	616,854	710,859
Construction	20,590	26,015	31,554	36,049
Wholesale/Retail trade, Hotel/ Restaurants	909,878	1,126,217	1,405,450	1,675,482
Transport/ Communications **	23,642	28,861	35,070	41,460
Community social and Personal services	94,148	118,841	151,538	179,901
Total	1,466,512	1,792,373	2,240,466	2,643,750

Source: Kenya (1995), Economic Survey

* Provisional

** Includes mainly support services to transport activity

The contribution of the sector to job creation and economic growth of the country is quite immense that need to be encouraged. Encouragement can be done if all the factors affecting the sector's performance are understood and addressed. One of the factors that affect the sectors performance is lack of proper managerial practices. Proper managerial practises that embrace the management functions and activities will enhance the performance of the sector and lead to increased job creation and contribution to economic growth and development of the country.

2-6 Government Policies Towards the Development of Informal/Small Scale Enterprises (I/SSFs)

The Government is concerned with the development of I/SSFs and its strategy is to provide incentives such as investment allowances, import duty exemption for machinery, District Development Fund (DDF), Rural enterprise Fund (RFF) and provision of workshops and physical infrastructure and information network for the sector. It also encourage private sector, donor agencies and NGOs to support I/SSFs development (Ondiege, 1995).

However there are no clear indications on how the government proposes to tackle the issue of management at enterprise level in the sector. The government is mainly concerned with dealing with macro-level conditions that will facilitate a conducive working environment for the sector but non at all on how the managers in the enterprises will acquire the necessary skills to manage the enterprises. The contribution of the sector to job creation, income generation and economic growth of the country is quite Immense that need to be encouraged.

In 1967 there was an amendment to the Act that established the Industrial Commercial Development Corporation (ICDC). This amendment to the Act created the Kenya Industrial Estates (KIE) as a subsidiary of the ICDC. KIE was to look in to matters relating to finance and technical assistance of Industrial ventures to kenyan citizens (Ondiege, 1995). The major concern here was to provide finance and technical assistance to industrial ventures. KIE did not have concern on how the finance and technical assistance

provided could be managed to achieve the desired goals and objectives of industrialization. This set the beginning of entrenchment of lack of concern by the government to go down at the enterprise level and formulate policies that could have provided avenues to train and impart necessary managerial skills in the managers in the enterprises. This has witnessed quite a number of enterprises in the economy collapsing due to poor performance which resulted from poor management.

In the second development plan of (1970-1974), the Government pledged to put emphasis on the development of small scale industries and training of entrepreneurs as strategy for the alleviation of unemployment which was part of Kenyanization of the Kenyan economy strategy (Kenya, 1974). This strategy was a bit miss founded because it aimed at alleviating unemployment as part of kenyanization of the kenyan economy. The main focus should have been the enhancement of entrepreneurial skills to facilitate good managerial practices which would have in turn enhanced enterprise performance. This element lacked in this strategy and thus the strategy appeared a short term proposal to remedy the unemployment problem. After some time some of the kenyanized enterprises collapsed due to poor managerial practises.

ILO study mission to kenya (1972) on increasing productive employment in kenya desegregated the employment in kenya's economy into formal and informal. The term informal sector described the portion of the urban economy that escaped enumeration in official statistics (Mulongo, 1993). The report highly recommended the sector as a priority area for emphasis in the economic development of the country. The government responded to the ILO

report (1972) promptly with the 1973 sessional paper on employment wholly accommodating the recommendations on the informal sector (Ondiege, 1995). The commitments to the development of the informal sector continues to be mentioned in all subsequent national development plans.

The major weakness in the government response to the ILO report was that it addressed issues raised by the mission only by focusing on employment creation. The major concern of the government was to put policies in place which would help alleviate the problem of unemployment. It lacked strategic approach. Strategic policies advocate for long term operation of business activities and ensure their optimum performance. Short term actions on the part of the government on policy formulation and implementation which were concerned with short term remedy of the unemployment problem led to the neglect of formulation of strategic policies to enhance enterprise management and ultimate performance. Poor performance of enterprises in the economy is the making of the government policies that were put in place during the on set of planning of the country's economy.

In the third development plan (1974-1978), the establishment of industrial estates and rural industrial development centres were proposed to facilitate the development of the informal sector (Kenya, 1978). Central and local government regulations affecting the sector were to be reviewed to curb among others the harassment of the sector's entrepreneurs, direct assistance to the informal sector and the setting up of an administering organization for the sector was envisaged for the plan period.

Managerial expertise could not develop in the sector because the entrepreneurs were being harassed, there was hardly direct assistance to the sector and all these among others militated against the performance of the sector. Although the situation has changed some how, most of these problems still prevail in certain parts of the country. These experiences affect the management and performance of the sector.

In the fourth development plan (1979-1983), measures for the promotion of small scale industries during the plan period included: massive expansion of KIF services to every district, provision of Ksh. 50 million funding for the informal sector, review of inimical laws and regulations, training and encouraging subcontracting between small manufacturers and large enterprises. The Kenya external trade authority was to assist handcraft producers to modify and adopt designs to meet export market requirements (Ondiege, 1995).

The fifth development plan (1983-1989), envisaged the establishment of a full fledged small industries division in the ministry of commerce and industry to monitor the implementation of small scale development programmes and to provide assistance to the industrial extension service (Kenya, 1989). A shift from capital intensive mode of production to small cottage industries to increase the level of employment in the country was also proposed. At the initiative of the president, several workshops commonly known as Nyayo sheds were constructed as a support measure for the I/SSEs sector in the country.

This was a commendable move by the government only that it was done in piece meal. The programme could have involved all other support services and issues related to enhancement of the performance of the sector. The programme also lacked a long term strategy to development of the sector. The programme was short lived such that urban centres that were not affected then lack Jua Kali sheds today. This affects the performance of this sector especially in the small urban centres which were not affect with the programme.

The sessional paper No 1 of 1986 on Economic Management for Renewed Growth clearly demonstrated the importance of the sector in the economy and in the country's development strategies (Ondiege, 1995). The sector have a much heavier responsibility and plays a vital role in the renewed growth of the country. A number of measures were proposed to be undertaken to make the I/SSFs sector play its intended role, these included:

1. Macro-economic policies were to be geared towards assistance of I/SSFs sector entrepreneurs especially those in manufacturing, transport, construction and housing.
2. The government was to promote schemes to provide graduates of youth polytechnic and other secondary schools with tools and small infusion of working capital to start their on businesses.
3. Making credit accessible to the I/SSFs sector much easier by amending the collateral requirements, encouraging aid donors to provide funds lending institutions for the sector's firms and encouraging the formation of co-operatives and associations to represent the sectors entrepreneurs.

4. Re-organizing and rationalizing all technical training and vocational training to make it relevant to the sectors entrepreneurs.
5. The setting up of a special task force to review all policies, laws, by-laws and regulations governing I/SSFs sector activities with a view to protecting self employed people and hawkers.

The government seemed to be confident that by addressing the above aspects, a proper management of the sector could be achieved with no trouble. Technical training or vocational training do not impart managerial skills in the trainees. In order for an entrepreneur to become a good manager or for one to make use of the managerial functions, one has to possess conceptual skills. These skills are acquired through management training. The government has over the years not addressed this essential factor of entrepreneurial/managerial development in the sector. This has led to poor management in the sector and consequently poor performance.

In the sixth development plan (1989-1993), several measures towards the development of I/SSFs were to be taken (Kenya, 1993): both public and private sectors were to be encouraged to develop supportive efforts in training, advising, and counselling entrepreneurs in project formulation, implementation, operation, monitoring, and evaluation. The capital markets development authority was to design ways and means through which successful small scale and jua kali enterprises could expand their capital base. NGOs working in the area were to form an umbrella organization to facilitate the operational use of scarce resources in small enterprise

development activities. The government prepared and adopted the sessional paper No.2 of 1992 on small enterprise and jua kali development in Kenya.

Sessional paper No.2 of 1992 on Small Enterprise and Jua Kali Development in Kenya-This sessional paper provided a comprehensive framework for the promotion of small enterprise and jua kali development in Kenya (Ondiege, 1992). Its main concern is the improvement of existing policy and regulatory environment, gender specific issues, policy measures to improve access to credit facilities and measures to improve provision of non financial promotion programmes. The government role will be to provide an enabling environment for sustainable growth and development within the small scale and jua kali sector. The following measures were to be undertaken:

1. Structural adjustment policies of deregulation liberalization were to be pursued. This was to include:
 - a) Investment for new factories outside Nairobi and Mombasa.
 - b) Exemption from import duties on capital machineries for small scale enterprises located in rural areas, where cost of such machinery does not exceed Ksh.20 million.
 - c) Establishment of district development fund (DDF) charged with providing Infrastructure at the local level.
 - d) Establishment of rural enterprise fund to finance I/SSFs at district level.
 - e) Provide finance for the construction of Nyayo sheds to accommodate jua kali artisans in rural areas.
2. The government was to divest itself of its direct involvement in promoting the I/SSFs sector and it will be involved in providing the

physical infrastructure and information networks to enable efficient operation of I/SSFs sector.

3. Needs assessment and prioritized requirements of infrastructure, availing industrial land to I/SSFs and encouraging formation of associations was to be done through the district development committees.
4. Kenya industrial research development institute (KIRDI) together with public universities were mandated to research, modify and adapt foreign technologies for use by the I/SSFs. The result of the research were to be widely disseminated to the small scale and informal sector.
5. The exploitation of the export market opportunities through tax incentives, and encouragement of improved linkages and subcontracting relationship forms the strategy for expanding market outlets for the I/SSFs sector.
6. Women form a large and growing proportion of the entrepreneurs venturing into the I/SSFs sector. Consequently they need to know their rights, inheritance law, how to form women groups, companies, get into tendering and subcontracting. This awareness is expected to be brought about through the media, public law institute, women's bureau and private sector organization.
7. Non financial promotion programmes including managerial and technical training, counselling, consulting, marketing, extension, programme design, programme implementation and evaluation, use of technology and quality production was to be encouraged. This was to be attained by promotional organizations devoting more resources to staff training and

development, starting special training for women and giving priority to training programmes aimed at small scale enterprise development.

8. Credit officers were to be trained in appraisal and supervision of small term loans to the small scale entrepreneurs on the basis of cash flow lending as opposed to collateral lending.
9. Finally government organs were to collaborate with existing relevant institutions to facilitate improved mechanism for information sharing, research training and other promotional activities.

This measures together with a comprehensive review of all pertinent Acts, licensing arrangements and the building codes, with a view to removing adverse impacts hindering small scale sector development were to be implemented.

However the impact of these proposals is yet to be felt because most of the policies are yet to be implemented. If the government will commit it self to the implementation of these policies, then to some extend it will alleviate some of the managerial problems facing the sector. Managerial and technical training, counselling, consulting and marketing among others form the major factors that determine enterprise performance.

The seventh national development plan (1994-1996). Policies laid down in sessional paper No.2 of 1992 were being actively implemented (Kenya, 1996). The government aimed at divesting itself of direct control of I/SSEs sector activities and was to concentrate on providing an enabling environment. This was to be done through the provision of necessary institutional and economic infrastructure at local level, more private sector involvement was to be

encouraged through the provision of a wide range of measures and incentives to improve small scale enterprises operations such as access to credit and provision of appropriate technology and training.

A continuous review and assessment of programmes and policies outlined in Sessional paper No.2 of 1992 is being carried out by the national coordinating committee in the ministry of planning and national development whose results are incorporated in the implementation of programmes for realization of the goals of the sector.

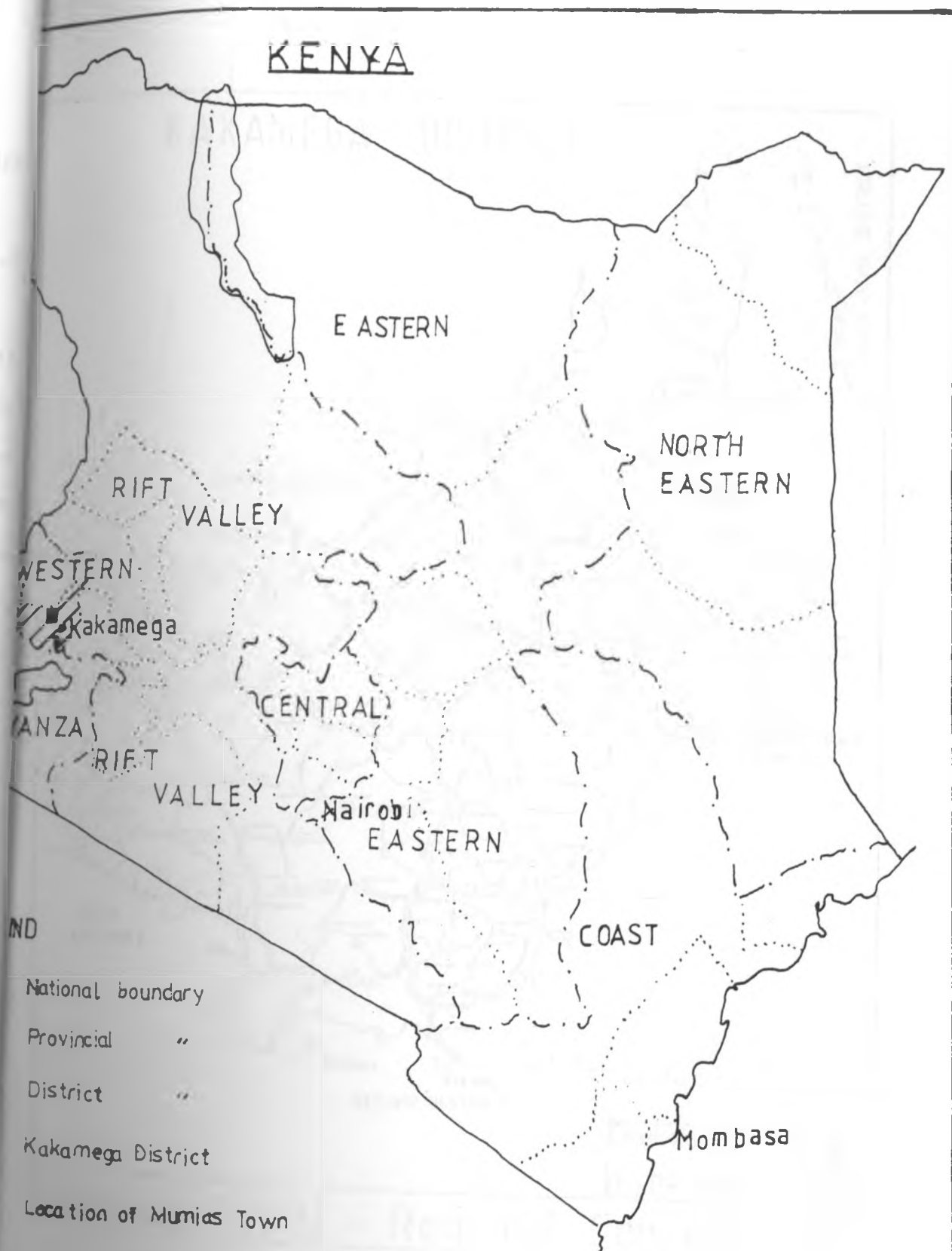
CHAPTER THREE: BACKGROUND TO STUDY AREA

3-1 Introduction

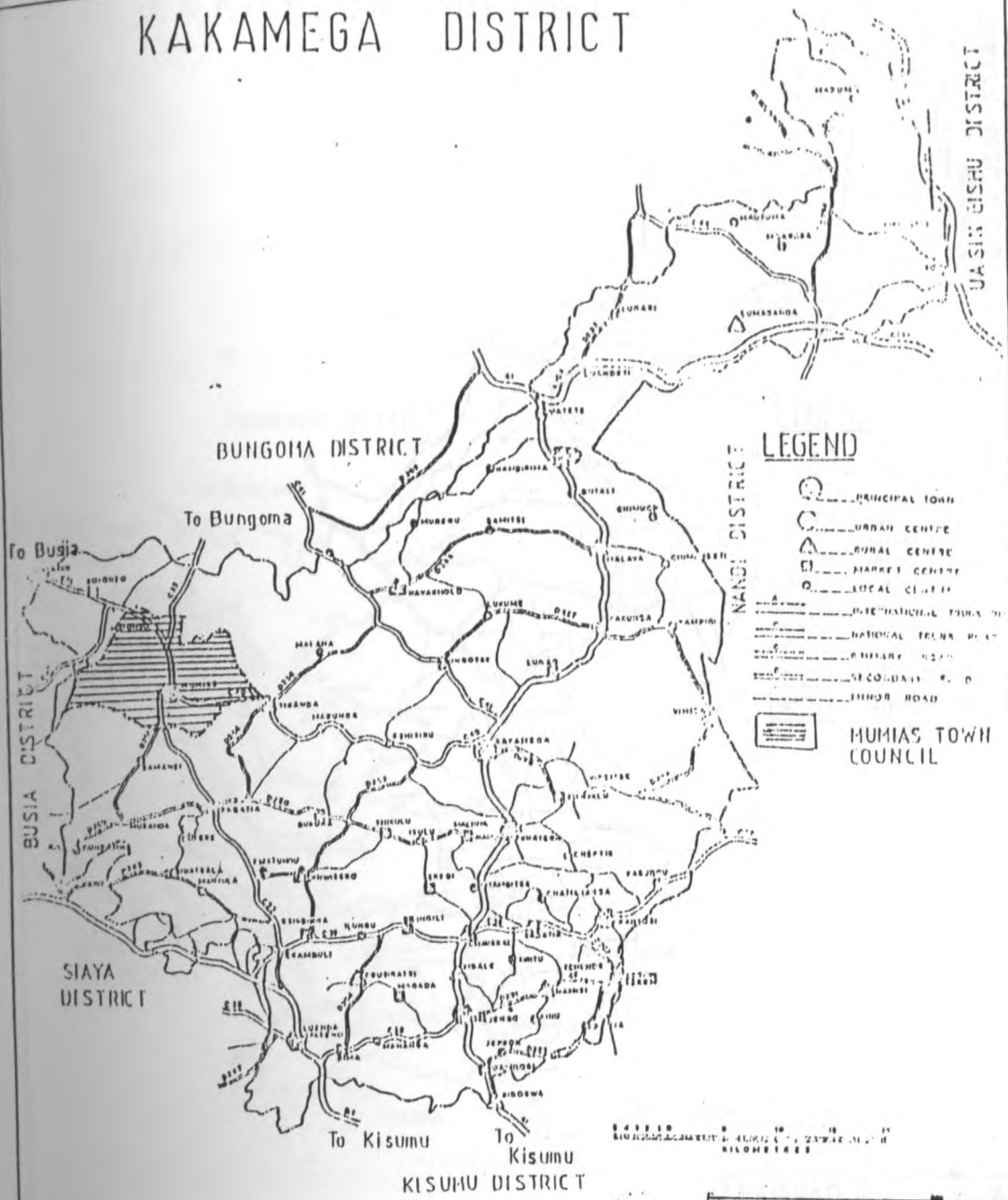
This chapter presents information about the study area in the following aspects: location and historical background, physical characteristics, land tenure system, urban structure, population, employment and incomes, employment structure, incomes, industry and commerce and lastly the summary of the chapter. These aspects are important here because they in one way or another influence the performance of I/SSFs sector in the area either positively or negatively.

3-2 Location and historical background

Mumias Town is located in Kakamega district in western province of Kenya. It is in Mumias division which lies on the western part of Kakamega district adjacent to Busia and Bungoma districts (Map 1). The town lies between longitude 34° and 35° East and latitude Zero (Equator) and 1° North. In the regional context the town is located within the sugar growing belt of western Kenya; which stretches over a radius of about 21 km from the town. Mumias sugar factory is located 3 km north of the main town centre.



KAKAMEGA DISTRICT



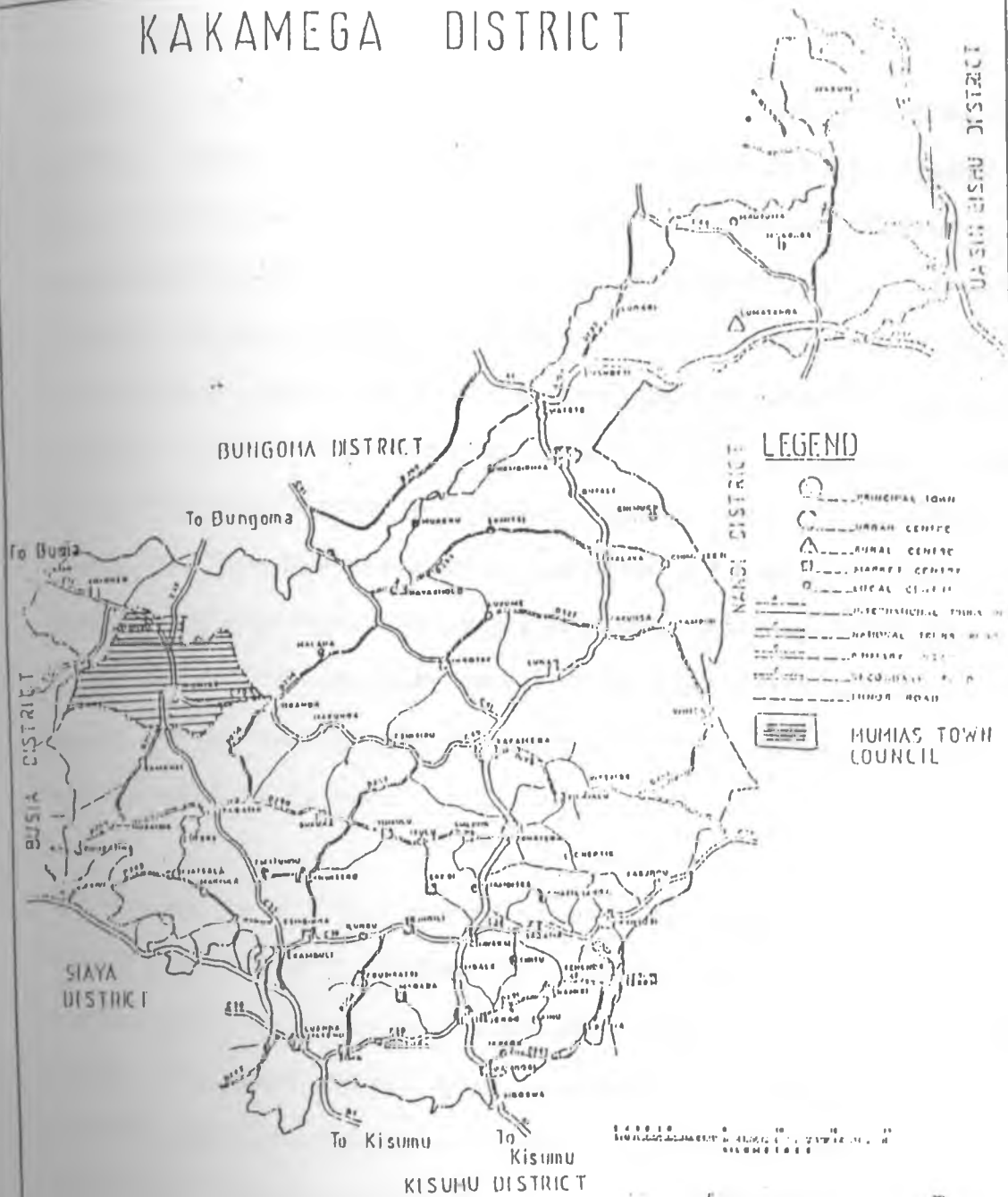
MUMIAS TOWN – Regional Context

Omukoko, A.J.
D.U.R.P. M.A.



Map
No 2

KAKAMEGA DISTRICT



Omukoko, A. J.

D.U.R.P. M.A.

MUMIAS TOWN – Regional Context

Map
No 2

Mumias is an old town with its history dating as far back as the 17th century. Before the Europeans reached Wanga kingdom, the present Mumias was known as Kwa-Shiundu. This was the traditional administration boma of Wanga Chieftainship. It had been named after Nabongo (ruler) Shiundu, the father of Nabongo Mumia, from whom the name Mumias came. From 1800 AD up to 1870 AD, Kwa-Shiundu was a very important administrative as well as commercial centre for the Kingdom. However in 1870 AD Nabongo Mumia moved his administrative centre to Flureko (Lureko). This was caused by the unhealth conditions that prevailed at Kwa-Shiundu by then. In 1883, Europeans visited the Wanga Empire and Nabongo Mumia gave them the deserted bomas at Kwa-Shiundu to be their camp. It is these Europeans who stayed or passed through Kwa Shiundu that gave it the name Mumias; a name which has been retained up to today.

The present Mumias town started as an administrative centre as well as a trading centre. Arab traders and merchants who were slave and Ivory traders arrived at Mumias in 1850 and made it their trading base and caravan station. The town did not grow as expected in terms of actual physical expansion due to the type of trade that was practised thus: slave trade and Ivory trade. Mumias remained as a small settlement centre up to 1883, only its major function being a traditional administrative centre.

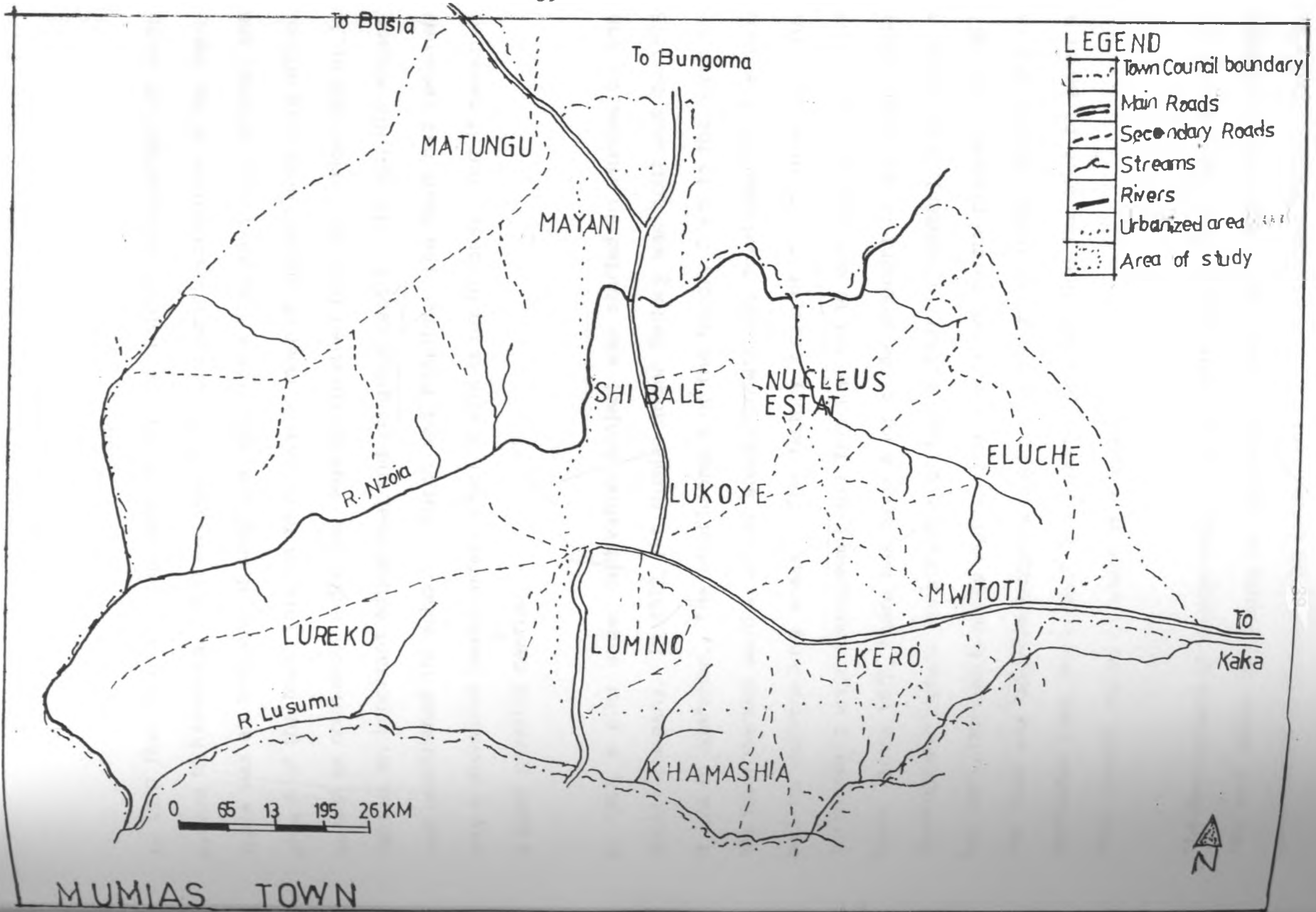
The establishment of colonial rule in East Africa in 1880s by the British revitalized the growth of Mumias. In 1883 the IBFA company on behalf of the British government chose Mumias to be the administrative headquarters for the eastern province of Uganda. During the time, Mumias developed in

terms of physical facilities. The company constructed four houses, a store room, an office and a dispensary which were to serve the administrative station.

The glory of Mumias started to dwindle in 1899 when the administrative offices of the eastern province of Uganda were moved from Mumias to Port Florence (Kisumu). Mumias remained an administrative centre of North Nyanza. Mumias was saved from complete collapse by the coming of the Indian Coolies (Banians) who were building the Kenya-Uganda railway and the colonial government's indirect rule policy that made Nabongo a paramount chief. The Indians opened retail shops which today form part of the commercial centre of the town.

Between 1901 and 1905 Mumias developed in commerce, education and religious institutions. In 1909 it was gazetted as a township. Its boundaries covered approximately 266 acres of alienated land. The native open air market started at this time and it is still flourishing today. This attracted other facilities and thus a post office was constructed in 1910; stone jail (1912) and dispensary (1913).

The first structural development plan was drawn in 1915. The plan was based on the colonial policy of segregative development, the town was divided into five parts; The administrative boma, The market place, The mission, The African quarters, The Asian trading area. These were separated both physically and functionally, a structure that exists up to today.



In 1920 the colonial government moved the district headquarters of North Nyanza to Kakamega. This was due to the unbearable conditions of the town, there was an outbreak of small pox, pneumonia. This negatively affected the growth of the town. This led to closure of most of the administrative offices as well as commercial activities. Mumias survived from the period 1920 up to 1960 as an important educational and religious centre. The Mill Hill Mission had established its schools, church and hospital. The town had remained only a divisional headquarters which it still is up to today. But it remained a small gazetted centre.

In 1967, a pilot sugar cultivation project was started in Mumias by the Booker company. In 1972, the Mumias sugar factory was built and by 1973 it was in operation. The establishment of the factory 3 km to the north of the town marked another era of steady growth and development of the town and its surrounding areas. The factory brought to the town and its surrounding wage employment and this has led to economic growth of the town. Since 1973, there has been a lot of development in the town; these developments include construction of banks (four in number), post office, a bus park, law court, police station, and several commercial premises. In 1987 the town was upgraded from a trading centre to an Urban council and in September 1988, the council presented a proposal that the town be given a town council status of which it is now.

The development of Mumias town since the 17th century has been marked by ups and downs depending on the factors which were underplay at any one given period in history. The establishment of Mumias sugar factory, however,

has led to relatively steady growth pattern. Population growth both from natural factors and Immigration has been steady and so is the physical developments; if this trends continue, then Mumias will be able to attain some of the glories it had within the region in the past.

3-3 Physical Characteristics

The town is 1300 metres above sea level in a well drained undulating terrain, sloping towards the Nzola river. The land is generally flat and there is no topographic constraints for development with the exception of the river Nzola. The geological formation of Mumias consists of sandy loams and black cotton soils overlaying a granitic rock which is occasionally interrupted by intrusions of grit.

Mumias has an equatorial upland type of climate. It has an average rainfall of 1800 mm per a year with a maximum of 267 mm occurring in the months of march and June. The short rains occur around October and records about 120 mm. Temperatures range from 31°C during the hottest month to 14°C during the coldest months. Most of the natural vegetation cover has been cleared for urban development. However, there still remains patches of markhamia species that are found around homesteads.

3-4 Land Tenure Systems

Land ownership in Mumias town falls under three categories viz: government land; leasehold, and freehold. The government acquired 208 hectares in the

town in 1971. This land is occupied by the commercial centre, site and service scheme, mjini and warabuni squatters, some institutions and government offices. About 80 hectares of this land is however, still undeveloped.

Lease-hold land covers a total of 4580 hectares. The Mumias sugar company owns 4500 hectares while the Mill Hill Mission has 80 hectares. Of the 4500 hectares leased by the sugar company, 3400 hectares are under sugarcane plantation and the remaining 1100 hectares are occupied by the industrial plant, residential units, recreational facilities and transportation. In the Mill Hill Mission 3/4 which is 60 hectares of the land is occupied by educational cum-religious institutions while the remainder is occupied by ST. Mary's hospital.

The rest of the land in the town is freehold and this accounts for 19220 hectares. The owners of this land have put it mainly under sugarcane cultivation and they have also built their residential houses. Of this freehold land about 14500 hectares are under sugarcane while 1900 hectares are under housing with the rest being undeveloped.

Land values within the town are relatively high compared to other surrounding areas. According to DURP survey in 1988, land values ranged between Ksh.10,000 to Ksh.50,000 per acre. Today the values range between Ksh. 50,000 to 100,000 per acre. These values are high along the main national trunk road passing through the town and they generally decrease as one moves further away from the main road. This has an effect on I/SSEs

operations because land values influence rent values. This makes I/SSEs operation in the town expensive.

3-5 Urban Structure

Mumias town has some peculiar features as an urban centre. The urbanized areas within the town council which are taken normally as "Mumias town" are physically disintegrated (DURP; 1988) and they stand out like satellite centres of the main town which is usually referred to as "Mumias proper". The town is not a continuous mosaic of build up environment as is the case for most urban centres in Kenya. As a disintegrated town, Mumias is comprised of the "Old town" this is the "proper Mumias", Ekeru, Lukoye, Shibale, Mayoni and Nucleus Estate. "The old town" has to the South-east Mission Village which was founded by the Mill Hill Missionaries. This zone has a complex of educational and religious institutions and a hospital. To the west is the present administrative centre where the District Office, Mumias town council offices are located. This is the former Boma of the Wanga Chieftainship. The CBD is at the centre of the old town with residential estates of Mjini, Lumino and Warabuni. The site and service scheme lies to the west adjacent to the CBD.

The second centre that makes up the town is Lukoye. This centre is about a kilometre from the town centre. This centre has both residential, commercial and religious activities. The third centre is Ekeru. This centre is to the south of the old town about four kilometres. It is located at the

junction of the road to Butere and the main Mumias-Kakamega road, it has its own commercial, residential and light industrial activities.

The fourth centre is Shibale which lies at the entrance to the sugar factory. This is residential, commercial as well as light industrial centre which has emerged as a response to demands for factory workers. This light industrial activities are directly related to the sugar industry such as Tractor yards. Further north of Shibale is Mayoni, it is mainly a residential suburb with most of the houses housing the Mumias sugar company workers.

Lastly, is the nucleus estate. This comprises of the industrial plant, educational institutions, recreational facilities and the housing estates, for the workers of the company. This estate operates as a self contained settlement with most of its own services and even infrastructural facilities such as a sewer system and water.

Although the present trends of development in the town indicate that the town is moving towards attaining a physical and functional integration,(DIURP: 1988) the existing urban structure poses problem in providing infrastructural facilities such as sewerage reticulation system, water and electricity. The disjointed nature of the town will make the per capita cost of providing such facilities high due to the distances to be covered. Knowledge of urban structure will assist/guide entrepreneurs in their endeavour to locate their activities in most productive centres as the demand for their services is concerned. This will direct investment in the town.

3-6 Population

The population of the town has recorded a substantial growth since the 1969 census. The table below displays this situation

Table 3-1: Population of Mumias 1969-1996

Year	Population size	% growth rate per annum	source
1969	696		1969 census
1979	8,305	28	1979 "
1980	9,700	14	Water design manual
1988	18,880	8.6	DDP
1989	20,655	9	1989 census
1996	29,299	6	DDP

Source: Kipera, T.A. (1988), Field survey 1996

In a ten year period, 1969-1979 the population increased at the rate of 28 percent per annum. This was because, the 1969 population census was based only on the old town as an enumeration unit, the 1979 incorporated a much wider boundary. The establishment of the sugar factory in early 1970's brought about a population influx to the town.

The town's population growth rate remained high between 1970-1980 because of employment and economic opportunities that the sugar factory provided. The sugar industry employed over 8,000 workers, there were also other activities such as the Tractor yards, Bank, Retail business, and Jua Kali activities. These made the population growth rate remain high at fourteen percent per annum which was double the national average for urban centres.

The population growth rate of the town declined in the period 1980- 1988 from 14 percent in the previous period to 8.6 percent. This could be explained by decline in the rush for jobs in the factory since the factory had acquired its required workforce and also that Nzoia sugar company had just been started in 1978 and most of the workers preferred to seek employment there.

It is estimated that the population growth rate of the town will be 6 percent by the year 2008. This is because the house hold size has been decreasing and if no other factory or industrial activity is set up within this period. In 1969, the average house hold was 6.5, in 1979 it had reduced to 5.2 and in 1988 average house hold size was found to be 4.9 persons. Compared to the national growth rate of 3.8 percent per annum, however, the population of the town was still to be very high. In the town this phenomenon had direct impact on the commercial activities due to demand of various goods by the population, various types of I/SSFs have been set up to provide these services and goods.

3-7 Employment and Incomes

Mumias has for along time been termed as "a poor town" (Khaguli :1981) This term has been carried for the town because of its low levels of income earnings, lack of employment opportunities and low levels of commercial activities. However, with the establishment of the sugar factory, whose impact has now been noticed, the town is gradually changing to a wealthy town; this is reflected in the employment pattern and income levels of the

people. Employment pattern and income levels provide important information in relation to I/SSEs performance because it is through employment and income that people are able to purchase I/SSEs goods and services and also save to invest in the sector.

3-8 Employment Structure

There are two major sources of employment in the town: the Public and the Private sector. The public sector employs over 750 people. These civil servants are employed in the government ministries and their departments. The private sector is the largest employer in the town. Most of those who are engaged in this sector are either in the commercial or industrial sub-sectors. Mumias sugar company is the largest employer with a labour force of more than 9,000 workers half of whom are casual employees. The industrial establishment that provide substantial employment are the Tractor yards. These yards employ more than 400 workers. A number of small scale industrial activities have also been established. These range from Bakery, Carpentry and Joinery workshops to bicycle repairs. There were a total of 160 small scale enterprises with each employing between two and ten people. There total employment is over 1000 workers.

The commercial enterprises with the largest number of wage earners were the banks and the Mumias outgrowers company which employed 56 and 72 workers respectively. The rest of the workers in the commercial sub-sector are engaged in a wide range of business like whole sale shop, retail trade, petrol

service stations and even hawking. In total the commercial sub-sector employs approximately 3,500 most of whom are self employed.

Table 3-2: Sources and Levels of Employment

SOURCE OF EMPLOYMENT	NO. OF PERSONS EMPLOYED	PERCENTAGE OF TOTAL
Public sector	758	4.8
Private sector		
Mumias sugar	9116	58.3
Tractor yards	400	2.6
Small scale industries	1000	6.4
Agriculture	500	3.2
Commerce	3500	22.4
Others (e.g. transportation)	350	2.2
Totals	15624	100

Source: Field survey 1996

In total Mumias town provides employment for approximately 15,624 people. The relationship between employment and the development of I/SSEs is that, as more people secure employment in the town, the higher will be the demand for goods and services provided by the sector. Also increased employment opportunities lead to increased incomes which lead to increased saving that eventually could facilitate more investment in the sector.

3-8 Incomes

Income levels in the town are relatively low, with its distribution highly skewed. The dependence on agricultural activities has made the incomes to be variable especially for those in non wage employment. Traders receive higher incomes while farmers are paid there cane proceeds once in about three years. Most of the farmers money is spent in the town as they purchase what they need after withdrawing their payments from the banks which are in the town centre.

3-10 Industry and Commerce

Industry and commerce form the main part of the main economic activities that contributes to the growth of Mumias since 1970s and more specifically between 1979 to the present, the industrial and commercial activities have increased drastically. The industrial activities fall both under formal and informal activities. The largest single industrial establishment in the formal sector is Mumias sugar company. Within this sector there are also six tractor yards which deal with sugarcane transportation.

In the Informal sector category the activities range from bicycle repairs to motor vehicle garages and transport businesses. These enterprises are mainly small establishments. In this category there are also carpentry and joinery, welding, tailoring and other repair and servicing enterprises. The table below show the number of industrial establishment in the town and their rate of growth between 1979-1996.

Table 3-3: Type and number of Industrial enterprises and rate of increase between 1979-1996

Type of industrial enterprise	No. of enterprises			Percentage increase 1988-1996
	1979	1988	1996	
Sugar Industry	1	1	1	0
Tractor yards	2	4	6	50
Carpentry	2	16	26	37.5
Bicycle repair	4	19	27	42.1
Welding	0	8	16	100
Motor vehicle garages	0	6	9	50
Bakeries	2	1	2	100
Posho mills	3	5	8	60
Radio repair	4	3	4	33.3
Shoe repair	4	3	8	166.6
Tailoring	9	24	47	95.8
Total	30	93	160	43.8

Source: Khaguli (1978), Kipera (1988), Field Survey 1996

In the ten year period, as the table above indicates, the Industrial enterprises increased by 43.8 percent.

The largest number of commercial activities in the town are concentrated in Shibale and Mumias old town. Although majority of the commercial enterprises are retail shops selling house hold provisions, their numbers and diversity have significantly increased over the years. The table below gives the details

Table 3-4: Types and growth trends of commercial activities 1979-1996

Type of commercial enterprise	No. of enterprises			Percentage increase	
	1979	1988	1996	1979-1988	1989-1997
Retail shops	75	105	214	40	103.8
Wholesale shops	7	10	25	43	150
Hotels and restaurants	9	15	20	67	25
Bars and lodges	9	11	18	57	63.6
Studios	5	3	6	-40	100
Petro stations	3	4	4	33	0
Banks	1	1	4	0	300
Kiosks	16	25	49	50	96
Barbers	1	3	10	200	233.3
Bookshops	1	3	7	300	133.3
Dairies	0	1	3	100	200
Music store	0	1	6	100	500
Butcheries	9	20	24	122	20
Shoe dealers	1	6	8	500	33
Totals	149	246	404	65	64.2

Source: Khaguli (1979), Kipera (1988) and Field survey 1996

The town indicates potentials for further growth of the commercial activities although it has been found that the existing enterprises are operating at low levels in terms of the range of goods and services offered (DURP, 1988). It was however expected that in the twenty year period as from 1988 the commercial sector had the ability to increase to 320 establishments, (Kipera 1988).

The increased establishment of the commercial and industrial activities from 170 in 1979 to 315 establishments in 1988 indicates the importance of these

activities to the town's development (Kipera, 1988). These activities have over the years attracted more people into the town due to their pull factor in terms of the employment opportunities they offer.

The doubling of these activities from 315 in 1988 to 620 in 2008 will create more employment opportunities in the town and by so doing attract more people. These sectors will not only offer employment but create demand of other goods, services and facilities at the same time increasing the supply of their goods and services, thus providing an impetus to rapid urban growth.

3-11 Summary

This chapter has introduced and discussed the major physical, historical and socio-economic characteristics of the study area which have a bearing on the performance of I/SSEs in the town.

It has been shown that Mumias town is located in a rich agricultural area which provides the town with potential for further growth and development. The area does not have serious physical constraints to its development.

It is probably high land values that may hinder the development of the I/SSEs in terms of high premise rents. The urban structure which is characterized by dispersed centres will also have an adverse effect on agglomeration of the I/SSEs activities. It will also affect the provision of infrastructural facilities such as water, sewerage and electricity to business premises.

Historically, Mumias has been characterized by unsteady growth, of up and downs, up to 1972 when Mumias sugar company was established. Since then, steady growth has been experienced which has brought about increased I/SSFs activities in the town. The impact of Sugar company on the development of I/SSFs has been its attraction of people to look for employment and their related demand for I/SSFs products and services.

CHAPTER FOUR: THE DATA, CHARACTERISTICS OF INFORMAL/SMALL SCALE ENTERPRISES SECTOR ACTIVITIES IN MUMIAS TOWN

4-1 Introduction

This chapter seeks to identify the existing characteristics of the Informal sector in Mumias town. It highlights among other issues the spatial distribution of the enterprises, their general characteristics and the characteristics of the entrepreneur engaged in them.

4-2 The Data

The 1996 Informal sector activities surveyed were in the manufacturing sub sector. These included enterprises engaged in metal work which constituted 40% of all the studied enterprises, wood work accounting for 26.7% and tailoring representing 33.3%.

Enterprises categorized under metal work included metal furniture, structural metal production and fabrication and tinsmithing. The wood work enterprises included furniture making, joinery and other wood work related activities. The tailoring enterprises comprised knitting, dress making and general tailoring.

4-3 Distribution of Informal Sector Activities in Mumias Town

As indicated in chapter three, Mumias town is composed of satellite centres: Mumias old town, Shlbale, Mayoni and Fkero.

Informal sector activities are located in these satellite centres in relation to the intensity of activities in the centres and the level of provision of relevant infrastructure. Services such as availability of electricity, telephone, post office services, water, have a bearing on the location of these activities in the town.

Most of the enterprises which require electricity for their operation are located in the centres which have electricity supply. Mumias old town accounts for 57.2% of this type of enterprises which fall mostly in the metal work and wood work activities. Shibale constituted 42.8%, Ekero which has no electricity supply had no metal work activities that are electricity oriented. Wood work activities that use electricity utilizing machinery like wood lathe were not found in Ekero. Moyani is specifically a residential satellite centre and therefore it does not have a lot of the Informal sector activities except those which are mainly domestic oriented like tailoring, dressmaking, knitting and furniture making mostly wood furniture.

4-4 ENTERPRISE CHARACTERISTICS

4-4.1 Location

Enterprises in the sector tend to locate where there is demand for their products and services. Metal work activities displayed a tendency of locating mostly in the CBD of these satellite centres. They in addition to their locating in the CBD's also concentrated along the main road and major roads that lead to the residential sites.

In Mumias old town centre 77.2% of all the metal work activities surveyed were located along the main road that dissects the centre. This is the main tarmac road from Fkero through the centre towards Samanzi. 22.8% of the metal work activities were located in strategic points on minor roads that lead to residential areas such as that which leads to site and service scheme estate, Lumino road and around the bus park. In Mumias old town 46.4% of wood work activities surveyed were located in the CBD while 30.6% were located along minor roads leading to the estates. 23% of these activities were located in the residential areas.

In Shibale 64.4% of this activities were located along the main road corridor. This is the Mumias Bungoma, Busia road. The minor roads within the centre accounted for 36.6%. In Shibale 80% of the wood work activities surveyed were located in the CBD while 20% were located within the residential area. Tailoring activities surveyed appeared to be scattered throughout the centres with their strategic locations being close to where market activities take place. 56.1% of the surveyed activities were located close and around the Friday market, 33.5% were located within the CBD while 10.4% were located in the residential estates. Spatial distribution of enterprises thus varies with activities.

For example tailoring, knitting and furniture making can comfortably locate their activities in the residential areas while most of the metal work activities have to locate in commercialised centres. This is partly due to the availability of markets and also the services required for the operation of

these activities. Most of the residential estates in the town do not have electricity supply and this affects metal work operation in the residential estates since this is electricity oriented activity.

Being located in the commercial areas suggests that the sector's goods and services could compete favourably with formal sector businesses especially when their quality is relatively high.

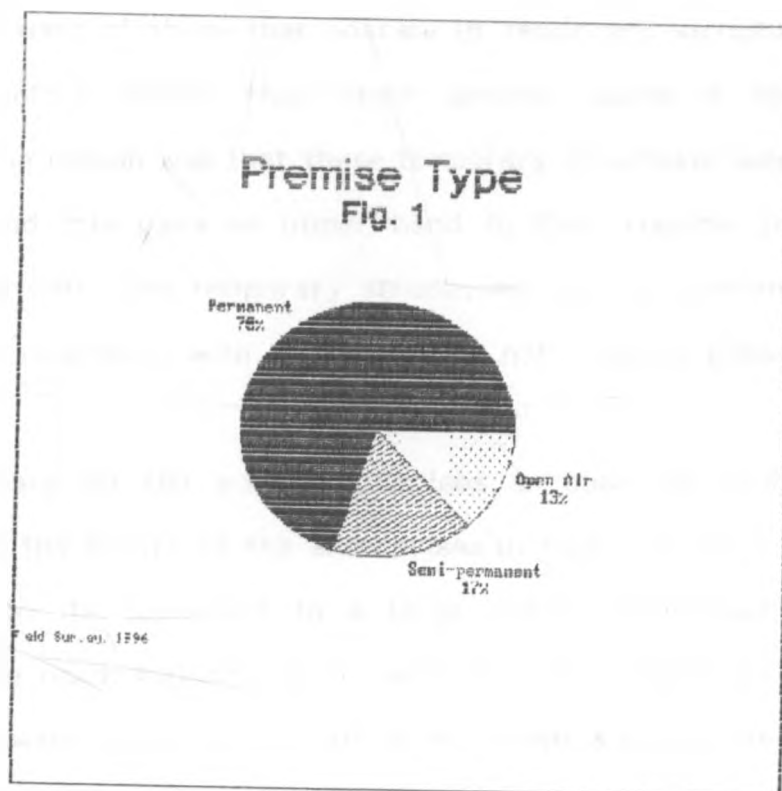
Availability of space was also another strong factor that influence the location of some of these activities. It was observed that some of the entrepreneurs were located where they were because that was the only space available. There was little they could do because they required at least to operate their activities.

This issue of operating at a last resort location was also cited by these entrepreneurs as a major cause of poor performance of their enterprises. It was established that some enterprises lost customer because they were located in remote sites a way from the CBD. These enterprises could not compete favourably for customers with their counter parts located in the CBD.

This problem affected most the wood work sub-sector as compared to the other sectors. This location factor worked hand in hand with other factors- enterprises located in the CBD had easy access to customers, raw materials, infrastructural facilities like water, good roads, electricity among others. These facilities were observed to be playing a contributive role towards enterprise performance. Enterprises that are located in the remote sites lack most of these facilities.

4-4.2 Business premise type

Business premise types and sites of operation depend on the activity of the enterprise. Results from the survey show that 13.3% of the enterprises operate from the open air. 75% of these are in the wood work activities while 25% are metal work activities. The latter tap power from the nearest building at their site of operation or they purely deal with tinsmithing which do not require power operations.



Those enterprises that operate in semi permanent structures accounted for 16.2%. These were mostly structures that are roofed with corrugated iron sheets but the walls are made of mud. In most cases the floors of these

premises were earth. 60% of these premises had earth floors while 40% had cemented floors. Of the surveyed enterprises 70.0% operated in permanent premises. These were premises that had cemented floors, wall made of stone and cement and roofed with corrugated iron sheets.

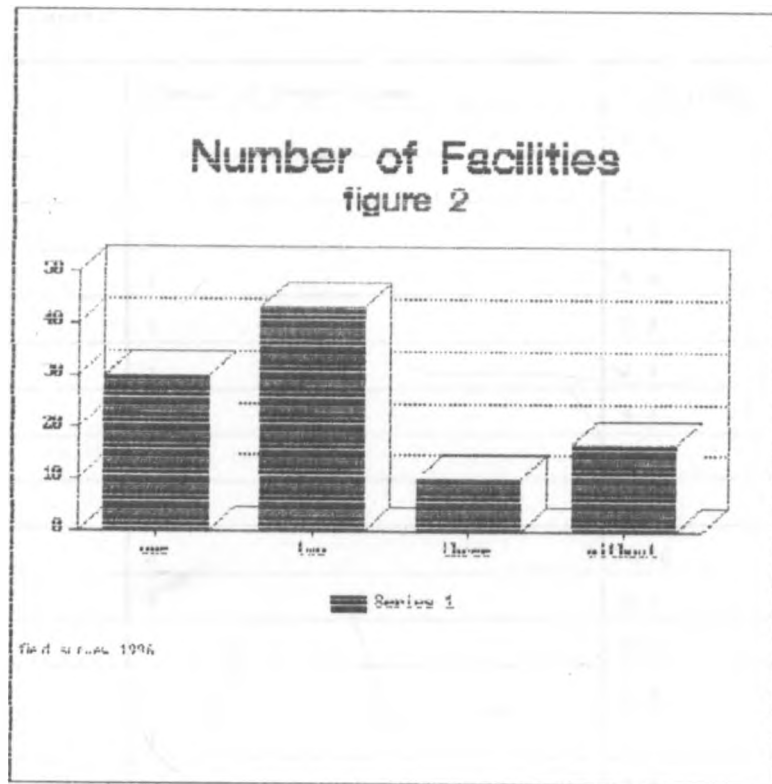
These observations imply that most of the manufacturing Informal sector activities in the town carry out their activities under conducive environment that is permanent structures. However, only 13.3% of the enterprises carry out their activities in the open air. Those enterprises which operate in the open air and some of those that operate in temporary structures observed that they perform poorly than their counter parts in the permanent structures. The reason was that these temporary structures were located out of the CBD and this gave an upper hand to their counter parts who are located in the CBD. This temporary structures have no guaranteed security and therefore customers with big orders do not contract these enterprises.

A brief summary on the working premises as observed from the survey indicated that the nature of the enterprises in terms of space required and accessibility to its customers to a large extent determined the kind of premises to be used. Majority of the activities for example in tailoring and dress making were being carried out in the veranda not because they lacked a better place but because these were strategic points for attracting customers.

4-4.3 Facilities

These facilities include water, telephone, postal address and electricity . Of the surveyed enterprises 89.3% had at least access to a facility or facilities while 10.7% did not have access to any facility at all. Those enterprises that had access to at least one type of the above facilities (ie if water, water alone) constituted 36.0%. Those that had access to two facilities (ie water and electricity only) accounted for 52.0% while those that had access to three and more facilities (ie water, electricity and postal address) composed 12.0%.

Enterprises that have access to these facilities are mostly located in the CBD. Those enterprises that are located in permanent business premises also had a high chance of accessing these facilities than those in temporary premises and those located far away from the CBD. Accessibility to these facilities had a bearing on enterprise performance. For instance a metal fabricator that requires electricity for his production activities would not produce quality products in the absence of electricity.



4-4.4 Initial Capital

The average amount of nominal Initial capital for all the enterprises surveyed was Ksh. 24,841. The mean initial capital varied according to the activities. Metal work activities had a mean of Ksh. 25,910 while the wood work had a mean of Ksh. 25,150 and the tailoring activities had a mean of Ksh. 20,480. The minimum Initial capital in the three activities also varied according to the activity. Metal work had a minimum Initial capital of Ksh. 800 while the wood work had a minimum initial capital of Ksh. 5,000. The tailoring activities had a minimum initial capital 10,000.

Table 4-1: Initial Capital

Amount: Ksh. '00	Number of Enterprises	% of Total
8	1	3.3
50	1	3.3
80	1	3.3
100	1	3.3
105	1	3.3
130	1	3.3
150	1	3.3
160	1	3.3
170	3	10.0
180	3	10.0
210	1	3.3
220	1	3.3
228	1	3.3
250	1	3.3
300	1	3.3
320	1	3.3
340	2	6.7
350	1	3.3
400	1	3.3
420	1	3.3
460	1	3.3
470	1	3.3
500	1	3.3
563	1	3.3
Total	30	100

Source: Field Survey 1996

The maximum initial capital in the metal work activities was Ksh. 51,300 while the wood work activities had a maximum initial capital of Ksh. 46,000. The tailoring activities had a maximum initial capital of Ksh. 28,000. This observation indicates that the metal work activity has the minimum initial

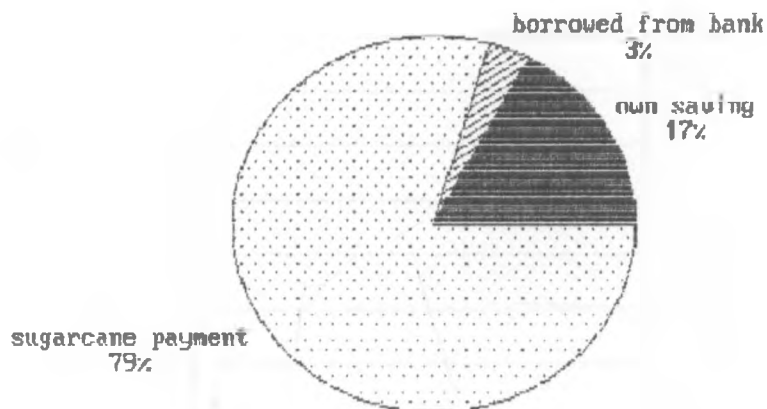
capital investment since an entrepreneur with only Ksh. 800 has managed to start up a business and yet in the other sectors the minimum to enter the enterprises is Ksh. 5000 and Ksh. 10,000 for wood work and tailoring respectively.

Most of these entrepreneurs stated that the initial capital came from their own savings especially earnings from sugarcane proceeds. Of the surveyed entrepreneurs, 79.3% raised their initial capital from sugarcane proceeds while 17.2% raised their initial capital from their own savings, 3.4% raised their initial capital by borrowing from financial institutions - in this case Kenya Commercial Bank.

The level of these entrepreneurs use of financial lending institutions for their business financial needs is very low. This is because banks require collateral and in most cases the entrepreneurs in the sector do not have them. All the same entrepreneurs need to be educated about the importance of using financial lending institutions for financing their business investment and operations.

source of capital

figure 5



Field Survey 1996

4-4.5 Business Age

The oldest business surveyed started operation in 1980 and this was only one business. This indicates that the oldest business surveyed was 17 years old while the youngest was less than one year old. The average age of the businesses in the town was 5.3 years. The metal work activities had an average age of 3.7 years, the wood work activities had an average age of 8.2 years while the tailoring activities had an average of 2.9 years. Business that started operating between 1980-1984 accounted for 9.9% while 20.4%

started between 1985-1989, 46.7% between 1990-1994 and 23% had started operation between 1995 and 1996.

Table 4-2: Business Age

Year started	Number of Enterprises	% of total
1980	1	3.3
1982	1	3.3
1984	1	3.3
1986	2	6.7
1987	2	6.7
1989	3	10.0
1990	3	10.0
1991	3	10.0
1992	2	6.7
1993	3	10.0
1994	3	10.0
1995	4	13.3
1996	2	6.7
Total	30	100

Source: Field Survey 1996

From the sample survey there is an indication that most of the activities in the town are quite young. From this observation it is clear that from the first period of five years(1984-1989) to the second period (1985-1989) the sector grew at rate of 106.1% and in the following period that is (1985-1989) and (1990-1994) the sector grew at a rate of 128.9%. This indicates a high growth rate of the sector in the town. There is a high potential for the sector in the town. Growth of the sector in the town will depend on the provision of services that enhance their performance.

4-4.6 Enterprise Ownership Status.

Enterprises surveyed showed a high level of individual ownership. Most of the tailoring activities surveyed were individually owned with an exception of only two enterprises surveyed. In the wood work activities 78.3% were individually owned. 21.7% were owned by partners. Of these 64.5% were owned by two partners while 35.5% were owned by more than two partners. In the metal work activities the level of partnership was high accounting for 55.2%. 44.8% were individual owned. Of the 55.2% which were partnership owned 38.6% were owned by two partners while 61.4% were owned by more than two partners.

This observation indicates that the amount of initial capital required to start an enterprise has an influence on the level of partnership practices. Activities that require large amount of initial capital investment have more percentage of partnership participation than those that require small initial capital investment.

Initial capital required to start up an enterprise and the various skills needed to run it make the metal work sub-sector more partnership operated than the other sectors. The initial capital and skills required in a metal fabrication workshop are varied and they call for diversity leading to partnerships. These variety of skills influence enterprise performance compared to sole owners. Partnership enterprises displayed more vibrant activities than sole owner enterprises. This was demonstrated by the initial

capital invested and the monthly incomes of the partnership enterprises which was high than that earned by sole proprietors.

4-4.7 Premises Ownership/Land Lord

Premise ownership in the activities surveyed is mainly private. These enterprises operate in premises that have been erected by private developers. Private developer premises accounted for 56.7% While those who operates in semi permanent structures that have been erected on town council and owner occupier land constituted 43.3%. Of the surveyed business 16.7% Operated on their sites(land) while 83.3% Rented the sites on which they operated. The average amount of rent paid for those enterprises surveyed was ksh.1710 while the minimum amount was ksh. 850 And the highest amount was ksh. 2500.

This observation indicates how it is expensive for business to operate in the town. There are no jua kali sheds in the town and this makes the private premise owners even charge high rent for their premises than they are worth. These high rental fees was observed to be a factor militating against improved enterprise performance. Entrepreneurs argued that they were unable to save and reinvest due to servicing high rents.

4-4.8 Labour Force

Employment in the sector ranged from one employee to seven employees. Majority of those enterprises that required some form of additional labour

force relied heavily on casual workers or apprenticeship. The number of workers employed in a given enterprise was found also to vary from one stage of enterprise development to the other. In the initial stage of investment, majority of the enterprises hardly required additional labour force. This fact was observed to be caused by lack of customers in the initial stages of enterprise operation. At this stage operation activities are low and in certain instances the enterprises are unable to break even. This phenomenon was common to the activities surveyed.

On the other hand, some enterprises due to their nature of operations did not require many workers both at the initial stage and at an advanced stage. For example a knitting machine by nature of its operation required only one person. Under such circumstances, the level of employment in such activity could not exceed one person on one machine unless the operators work on shifts. In relation to employment opportunities in the sector a number of conditions were observed. Those enterprises that perform well had a high number of employees compared to poor performers. Nature of the enterprises activities also influence employment in the sector. Activities which required specialized skills such as metal work (welder, tinsmith, turner) had a high number of employees than tailoring activities that in some cases required only one employee.

4-4.9 Equipments/Tools of Production

The equipment or tools used in the production or rendering of services varied from one sub-sector to the other. It was observed that for a

carpenter to produce either a door, table, bed among others the following tools were required: a claw hammer, chipping hammer, mallet hammer, surface planner, ribbet planner, tri-square, chisel, bench clamp, cross cut saw, hack saw, tenon among others. These tools were among the basic tools required for any artisan operating in the wood work sub-sector. From the survey it was observed that not all the entrepreneurs were fully equipped with these tools. Leasing of tools among the entrepreneurs was evidenced.

In the metal work activities, some of the tools observed to be crucial were as follows: welding machine, welding gas, surface grinder, bench grinder, a pair of pliers, callipers, tape measure, tri-square, drilling machine, sets of screw drivers and a hack saw. Like was the case in the wood work, not all artisans were fully equipped with the above machinery and tools.

In tailoring, some of the equipments identified were: a sewing machine, ironing table, pair of scissors, tape measure, tailor's chalk, iron box, hangers, needles, thread, stool and a cutting table. Unlike in the case with the metal work and wood work, the application of these tools depended on the nature of the work engaged in by the tailor. If the work was of repair then what was required was the sewing machine, needles, and a stool. If it involved making new dress, then the above tools were necessary. In terms of availability of the above tools in tailoring, it was also established that not every entrepreneur was self sufficient.

One common aspect that was identified among the tools used in the metal work and wood work was that electricity was needed for the operation of

major machines (welding machine, grooving machine). These machines although quite significant in the production of quality products, they were pretty expensive. The high cost of these machines led to high levels of hiring and or sub contracting of work that required their services. It was observed that a welding machine for example could cost Ksh. 16,500. This amount of money made it hard for the entrepreneurs to purchase these machines.

Lack of the essential machines and tools required for the activities in the sector affect its performance in the town. It was evident that some enterprises could with hold their work until some other time due to lack of the appropriate tools and or machine. This problem of scarcity of essential machines and or tools was a cute in the metal work sub-sector although common in the other sub-sectors.

4-4.10 Raw Materials Required and their Source

The raw materials needed in the activities varied from one enterprise to the other. In the metal work, raw materials identified were mainly metals while in wood work timber was an important raw material in making their products. Unlike for the tools, these raw materials were easily accessible for they could be obtained within the town in the hard wares which were well stocked with these materials.

In the event of shortages of these raw materials within the town they could be easily accessed in the neighbouring towns of Kakamega, Bungoma, Busia and even Kisumu, Eldoret and Nairobi.

In terms of availability, at least all the required raw materials could be found within the town and those not available could be brought from else where. The only observed problem was that in an event of shortages they become very expensive because of transport costs. These high costs hindered the entrepreneurs to order raw materials and this affected the enterprise performance. At times enterprises were forced to stay without work due to lack of materials in the town.

4-4.11 Marketing of Products

Various channels were observed. Most of these channels however, varied from one enterprise to the other. Most of the products it was observed were sold in the open air market in the town or sold in the neighbouring urban markets: Bungoma, Kakamega, Busia, Butere among others. Most of the products in the metal work and wood work were made on orders. These orders either came from schools within the town-school desks or construction activities.

The tailoring activities got their markets from schools in form of making school uniforms. To get these orders entrepreneurs have to be experienced and registered with registrar of businesses. This requires that the enterprise should have a certificate of operation. The marketing of the products was observed to be a major problem for the entrepreneurs in the sector.

It was observed that the market response to the products of the sector was poor. It was found out that customers in most cases chose the specifications

of the goods they preferred and therefore rejected ready made products. Under such situation entrepreneurs are forced to wait for orders from customers instead of producing and then market. However not all enterprises operate this way some of the enterprises produce and market their ready made products.

4-4.12 Earnings In Enterprises

Investments in the sector was found to be motivated by the earnings in the sector. Earnings in these enterprises varied from one activity to the other. In some enterprises, maximum net earnings of Ksh. 20,000 per a month was observed. It was also established that this happens during good business season. Further analyses carried out for each type of enterprise in terms of earnings revealed the following: in the metal work 50% of entrepreneurs earned above Ksh. 10,000 per month (not salary but income from the business activities). 25% earned between Ksh. 5,000-10,000. It was however observed that most of these earnings varied from one month to the other and also depended on the availability of customers.

In the wood work, it was observed that the majority of the enterprises in this sub-sector earned between Ksh. 6,000-10,000 per month especially when customers are available in large numbers. In this sector it was observed that 30% and 20% of the enterprises earned respectively Kenya shillings over 10,000 and 5,000 per month. In the tailoring sub-sector on the other hand, majority of the enterprises earned less than Ksh. 7,000 as indicated by 60%

of the enterprises in this category. From the survey 20% of the enterprises earned more than Ksh. 15,000.

From the above observation while holding other factors such as availability of market, raw material among others constant, the amount of the earnings are encouraging. Data on expenditure was not available in most enterprises and this have affected the analysis of profits accruing to the entrepreneurs in the sector.

4-5 ENTREPRENEUR CHARACTERISTICS

This part discusses in detail the characteristics of the entrepreneurs as was observed from the study. It highlights the socio-economic aspects of the entrepreneurs with a focus on ascertaining their contributions to the management and performance of these enterprises in the town. Among the issues covered in this analysis include among others: entrepreneurs age, level of education, marital status, and sex. The majority of the 1996 surveyed entrepreneurs in the sector were male 73.3% while females accounted for 26.7%. Those business that were jointly owned by male and female accounted for 10.3% of those surveyed, 75.2% were owner managers while 24.8% employee managers.

4-5.1 Enterprise Ownership

Enterprise ownership varied with sub-sectors and gender, male dominated the metal work activities constituting 85.2% While females accounted for 14.8%. In

the tailoring activities the females accounted for 78.3% while the male had 21.7%. Male were the majority in the wood work activities with 72.5% while the female constituted 27.5%. This observation indicates that females have started taking up responsibilities in activities which were thought to be of male domination. If women can invest in metal work and wood work, it is clear that they are capable of making an impact on economic development of the country.

In their traditional activities like knitting, dress making and tailoring, they still demonstrate their superiority by dominating. These enterprise ownership categories displayed varied management practices. In most cases where owner managers operated the business, there was a high level of practice of business management activities such as record keeping for all transactions of the business especially financial transactions.

Product inventories were kept in certain instances where the owner manager had an idea of how it could be done. In a number of enterprises managed by their owners there were special employees in some cases whose duties were to market the enterprise and its goods or to keep the records of the business's transactions and activities. Those enterprises that had employee managers in most cases lacked records of their activities where they were available they were scanty.

It was observed from the study that owner managed enterprises had management practices that were geared towards prosperity and hence boosted the enterprises performance. Those that were employee managed lacked any

focused business management practices and this affected their performance negatively.

4-5.2 Entrepreneurs Age

The mean age of the entrepreneurs surveyed was 33.2 years. The entrepreneurs in the tailoring activities had the lowest mean age 29.5 years while the wood work activities had the highest mean 35.4. The metal work activities had a mean age of 31.5 years. Female entrepreneurs had a mean age of 28.6 years while the male owners had a mean age of 37.8 years.

Majority of the entrepreneurs surveyed fall within the age group 26-29 years which constituted 27.4%, 30-33 years accounted for 25.2%. Age groups 34-37 years, 38-41 years and 42-46 years constituted 14%, 11.9%, 21.5% respectively. The youngest entrepreneur surveyed had 26 years while the oldest entrepreneur surveyed had 46 years. This observation indicates that the majority of Jua Kali operators in the town are below the age of 35 years. The youthful entrepreneurs constitute 52.5%.

On the whole it was observed that majority of these entrepreneurs were still in their innovative stage. These findings concurs with Kiteme's findings in west Iakipla (1992), Njeri's findings in central kenya of 33 years and Mulongo's findings in Rungoma town (1993). It was observed also that entrepreneurs in the age group 38-46 years are very kin on managing their businesses than those in the age group 26- 37 years. Most of the

entrepreneurs in the age group 38-46 years practised some form of business management.

Most of these entrepreneurs fall in the group of owner manager categories. These entrepreneurs keep inventory records, book keeping, marketing records among others. However, these management practices varied from one sector to the other. In the metal work sub-sector, record keeping regarding the activities under taken was high than in the tailoring and the wood work. The observation was that metal work activities deals with much more complicated activities than the other sub-sectors.

Table 4-3: Age Distribution of Entrepreneurs

Age in Years	Number of Entrepreneurs	% of Total
26	3	10.0
27	2	6.7
28	2	6.7
29	3	10.0
30	6	20.0
32	2	6.7
34	1	3.3
35	2	6.7
37	1	3.3
39	1	3.3
40	1	3.3
41	1	3.3
42	2	6.7
43	2	6.7
46	1	3.3

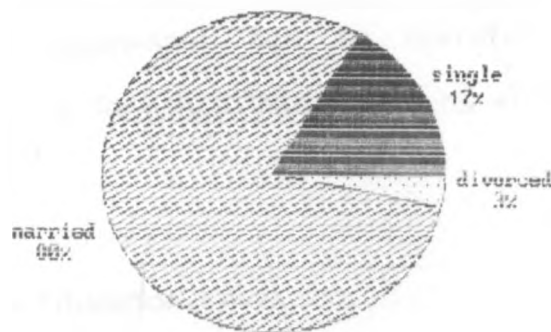
Source: Field Survey 1996

Business management practices were observed to be low in the tailoring sub-sector. Most of the entrepreneurs in this sub-sector kept the records of their businesses of head. This affected the performance of these enterprises in instances where important experience was needed to be referred to. The only records these enterprises kept was receipts they issued to the customers.

4-5.3 Marital Status.

Majority of the surveyed entrepreneurs were married. Entrepreneurs who were married constituted 80% while single accounted for 16.7%. Entrepreneurs who were divorced accounted for 3.3% of the divorced entrepreneurs females constituted 82.8% while male constituted 27.2%. 95.6% of the entrepreneurs had dependants. This indicates that most of the sector operators are family people. This could have repercussion on the use and allocation of resources in their activities.

Marital status figure 4



Field Survey 1996

Out of those entrepreneurs who were married, majority of them as it was established had a family. On average majority had at least a family size of five persons. It was also established that whether married, single or divorced each entrepreneur had at least a dependant to take care of. From the analysis 83.2% had dependants.

Marital status could some how explain some of the entrepreneurs commitment to the success of an enterprise. If an entrepreneur is a family man or woman, the demands exerted on him/her are quite enormous and this calls for

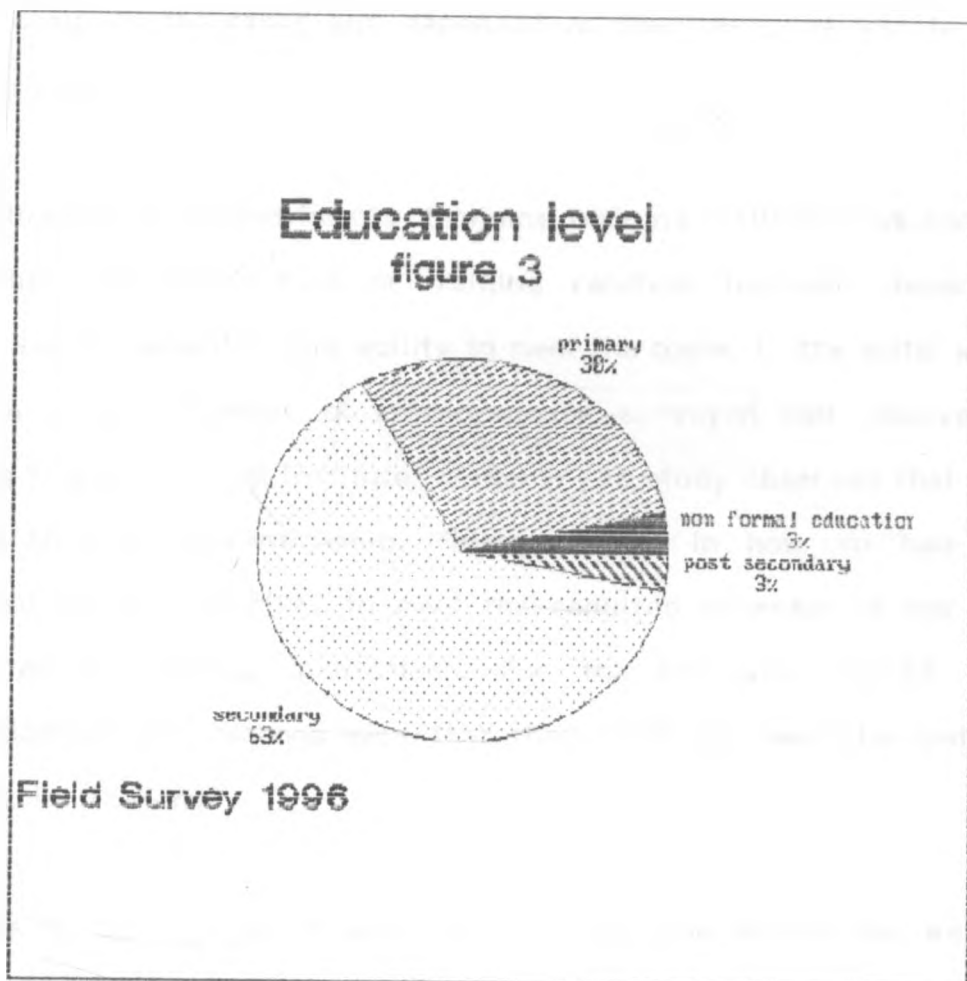
his/her devotion to succeed in business in order to maintain the family. Most of these entrepreneurs practised some form of business management and some of the reasons were that they dreaded failure of their enterprises. This drove them to follow up keenly all that took place within the enterprise in order to enable them to detect progress and problems that the enterprise experienced. This seriousness in business management practices could be observed by their businesses age in operation. These businesses demonstrated a better performance than the young enterprises that had just started.

4-5.4 Entrepreneurs Education Level.

The results of the survey indicate that 63.3% of the entrepreneurs surveyed had attained secondary school education. 30.0% had at least acquired primary education while 3.3% had gone further beyond secondary school education (mainly in form of training). 3.3% reported no formal education. 56.5% of the investors in the metal work activities had at least acquired secondary school education while for wood work it was 33.0% and in the tailoring activities they were 10.5%. Female operators who had acquired at least secondary school education were 43.2% while the male who had acquired secondary school education constituted 56.8%.

The levels of formal education together with post school training may affect the overall performance of the activities especially in terms of management, productivity and sustainable development of the enterprises. This is because relatively lower incomes/revenues may not allow the entrepreneurs to hire the

services of good managers and technical staff. Majority of these entrepreneurs are owner-managers who constitute 75.2% while only 24.8% had employee managers.



4-5.5 Post School Training

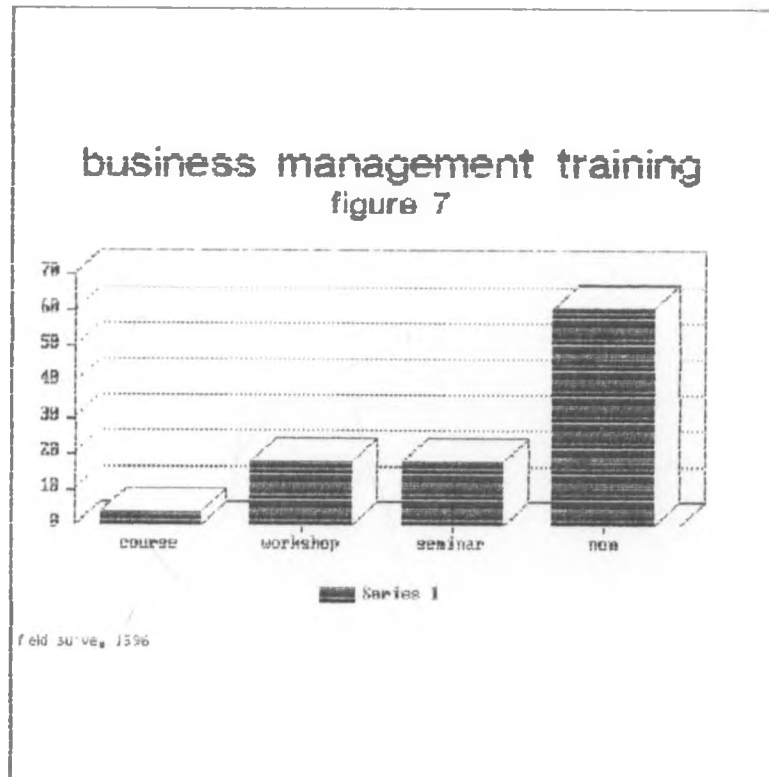
A part from the level of education attained by the entrepreneurs, post school training is essential in relation to business management and performance. Very few entrepreneurs had training in business management to supplement

their technical and school attainments. The survey revealed that most of the entrepreneurs had just gone through apprenticeship where only technical skills were provided. 65% of the entrepreneurs had taken training after completing their formal education. The type of training varied from one entrepreneur to the other and depended on the trade one was to operate after graduation.

Apprenticeship accounted for 60%, technical training institutes 26% and village polytechnic 14% the nature of training received however, depended on entrepreneurs capability and ability to meet the costs. In the metal work for instance quite a number of entrepreneurs surveyed had received their training from a technical institute. However the study observed that 60% had trained through apprenticeship. This variations in how one had trained depended on the capability to meet the required expenses in the various categories of training institutions. For the 60% who trained through apprenticeship, the reasons were that they could not meet the cost of the training institutions.

In terms of the activities it was observed that some enterprises were more technical oriented such that on job training appeared to be more meaningful to the trainees than the training offered in the institutions. This was common in the wood work and tailoring activities. The survey revealed that most of the entrepreneurs in the sector lack management skills. Most of them do not have any form of business management training. Although technical skills enhance enterprise performance by enabling the artisans to produce high quality products, lack of managerial skills affect enterprise performance

because activities are carried out by chance not by purpose from a managerial point of view.



4-5.6 Problems Encountered

During the initial stages of the investments in the enterprises identified, entrepreneurs encountered a lot of problems. Among those observed from the field included: limited markets, hardships in accessing appropriate technology, limited funds in buying raw materials and equipments, business management problems since most of the entrepreneurs had never managed an enterprise before and neither had they been trained in business managerial

skills, lack of working space and harassment from the town council officials- these problems however varied from one enterprise to the other.

CHAPTER FIVE: EFFECTS OF BUSINESS MANAGEMENT ON ENTERPRISE
PERFORMANCE: PLANNING, ORGANIZING, STAFFING, LEADING AND
CONTROLLING

5-1 Introduction:

For any business organization to realise the goal and objectives for which it was set, there have to be clear definitions on how it carries out its activities directed to the achievement of the goal and objectives of its existence. This is facilitated by the managers/operators/entrepreneurs applying the management functions of planning, organizing, staffing, leading and controlling.

5.2 Planning

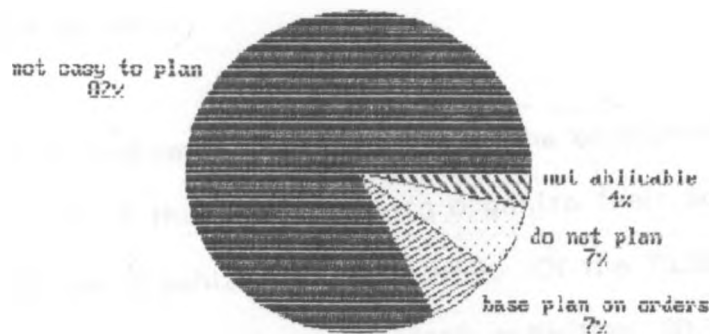
Planning of enterprise activities tend to determine its performance. Planning will guide the enterprise activities in the required direction and facilitate the achievement of the enterprise goal and objectives. Planning generally influences the operation of the enterprise. Majority of the entrepreneurs surveyed in Mumias town in 1996 confessed that it is not easy to plan the activities in the I/SSFs. Of the 82.1% who stated that it is not easy to plan in the I/SSFs 65.4% however claimed that they plan when a need arises but not always while 44.6% confirmed that they never plan for their activities at all. 7.1% of the entrepreneurs surveyed stated that they plan their activities according to the orders made to them. They observed that planning is only relevant when there is work and it is not easy to plan unknowing where

work will come from and when and also the type of work. 7.2% of the investors just stated that they do not plan without elaboration whether it is not easy to plan or if it is their conviction that planning is unnecessary for their activities.. 3.6% of the entrepreneurs stated that planning is not applicable in the I/SSEs.

For those who plan their activities 46.3% are in the wood work activities. 11.4% are in the tailoring activities. Female entrepreneurs who respondent that they planned accounted for 40.6% while the male who plan constituted 59.4%. This observations indicates that this crucial management function is rarely applied in the I/SSEs and this explains why most activities in the sector are not consistent because there exist no set plan for the operations of the sector and this ultimately affects the performance of the sector.

Further analysis revealed that those who plan their activities permanently operate in their various location sites and premises. Those who operate in permanent premises and have enough space for their operations and have most of the tools require for their activities plan their work. These are the enterprises that have work all the time. These entrepreneurs also responded to have been trained in one form or another in business management. From this observation its clear that those who practice some form of planning have work at all times, operate in permanent premises and have ample space for their operations.

Planning Figure 6



Field Survey 1996

5-3 Organizing

Organising is one of the management functions which is specifically, concerned with the blending of enterprises resources directed at the achievement of enterprise goal and objectives. The essentials of organizing is to make sure that the enterprise resources are economically utilized to enable the enterprises achieve its goal and objectives at a minimum cost. Organizing is mainly concerned with the deployment of labour to perform various activities and the assignment of the enterprise machinery and tools, raw materials to various tasks.

This management function of organizing is very crucial for the performance of an enterprise. An enterprise poorly organized whether having the best qualified and skilled labour and the best technology will perform poorly. Organizing determines who does what, how it is to be done and by which equipment (Machine or tool).

Results of the survey indicated that majority of the entrepreneurs organize their activities. 73.9% of the entrepreneurs organize their activities. 26.1% stated that they do not organize their activities. Of the 73.9% who organize their activities 57.3% were in the metal work activities, 30.7% were in the wood work activities while 13% in the tailoring activities. Majority of those who do not organize their activities (26.1%) 50.1% were in the tailoring activities while 40.9% were in the wood work activities and 9% in the metal work activities. Male entrepreneurs constituted 52.3% of those who organize their activities and the female accounted for 47.7% of those who do not organise the females accounted for 55.3% while the male constituted 44.2%.

This observation indicate that entrepreneurs in the metal work activities apply this management function of organizing in their dally operation than the other sub-sectors of wood work and tailoring. This is partly explained with the complexity of tasks inherent in this activities of metal work in comparison to the others. Also the level of education of entrepreneurs in this activities is higher than the rest.

5-4 Staffing

Staffing is a management function which is responsible for acquiring personnel for an enterprise to enable it achieve its goal and objectives. Staffing of an enterprise determine how the enterprises goal and objective is achieved. The number, skills, experience and general knowledge of staff about their enterprise contributes to their attainment of the enterprises goal and objectives.

Staffing an enterprise with the correct employees (with the relevant skills, education, general knowledge, experience and in the right number) will influence its performance. Correctly staffed enterprise is more efficient than incorrectly staffed one. People have to be recruited whose skills are appropriate to the job specification.

The enterprises surveyed in 1996 had a minimum employment of one(1) worker and a maximum of seven (7) workers. The mean number of workers in the enterprises surveyed was 2.9. The mode of the number of workers was 2. 35.7% of the enterprises surveyed employed 2 workers while 20.0% employed 3 workers. Those that employed 1 and 4 workers accounted for 13%, 13% respectively. 13% and 4.3% of the surveyed enterprises employed 6 and 7 workers respectively.

Table 5-1: Staffing in the Surveyed Enterprises

Number of Employees	Number of Enterprises	% of Total
1	4	13.3
2	11	36.7
3	6	20
4	4	13.3
5	3	10.0
6	1	3.3
7	1	3.3
Total	30	100

Source: Field Survey 1996

In terms of skills, most of the employees in these activities are appropriately deployed only that their skills were lower in relation to duties they are assigned to perform. Most of these employees have not attended formal training. 78.4% of the employees have just gone through informal training (on job training in form of apprenticeship but they have not been tested formally) While 21.6% have undertaken formal training through polytechnic and other training institutions and they have formal government trade test certificates.

Employment by activity indicate that in the metal work activities 22.3% of employees have not gone through formal training but they have gained their skills through apprenticeship in the I/SSFs work shops. In the wood work activities the percentage of those who went through apprenticeship accounted for 87.2%, only 12.8% have formal training.

The tailoring activities are the worst affected in relation to training. 92.3% in these activities have not undertaken formal training and only 7.7% have gone through the formal training and have government trade test certificates of various trades. In relation to gender male dominated the trained category. Male accounted for 64.2% of formal trained workers with government trade tests and certificates of various categories while the female constituted 35.8%

Of the entrepreneurs surveyed 56.7% stated that they do not have formal qualification in the trades they practice because they lack access to the facilities that provide such training. They cited high costs as major hindrance to accessing those facilities 31.1% of the entrepreneurs have never thought of going for/embarking on any type of training while 12.2% of the entrepreneurs stated that they did not see the necessity of going for training and yet they were doing well without the training. This group stated that going for training will lead to unwarranted waste of resources mostly finance.

The observation here indicate that there is little recognition of the usefulness of training and therefore the acquisition of skills. This attitude appears to be exerting negative consequences on the performance of the activities in the town. If proprietors are contented with what they are doing, then it means that they are not competitive and innovative enough and this can stagnate the performance of the activities in the town.

5-4 Leading

This is the management function that is responsible of achieving enterprise goal and objectives through other people. This function of management is mainly concerned with motivation of the staff to enable them achieve the enterprise goal and objectives. Addition to proper staffing, the staff have to be correctly led . Correctly led enterprises perform better than those that are poorly and incorrectly led. Motivating employees to perform their activities in the right way and to the required quality and quantity is one of the major determinants of enterprise performance.

Majority of the entrepreneurs surveyed stated that they at least practice some type of leadership in their enterprises. This was practised in the enterprises that employ at least 2 workers and above. 76% of the entrepreneurs observed that they have a form of hierarchical organization structure within the enterprise to provide leadership levels. Responsibility is assigned according to seniority on the hierarchy and this also explains the leadership and decision making capability expected of an individual in the hierarchy. 24% of the entrepreneurs surveyed stated that they do not have such arrangement in their enterprises which employed 2 workers and less.

The metal work investors had a higher percentage for hierarchical organizational structure 68.6% while the wood work activities had 24.4%. The tailoring activities constituted 7% of the surveyed enterprises. Along gender, the male investors constituted 78.1% of those who provide leadership in their

businesses by having their employees organized hierarchically in the enterprise. The female entrepreneurs accounted for 21.9%.

Of the entrepreneurs who practice some form of hierarchical organizational leadership in their enterprises (79.2%) explained that it is important to enable smooth running of the business. Task allocation and assignment of duties is easier in a hierarchically organized business because responsibility and accountability is clearly defined. 20.8% could not explain the reason for having clearly defined leadership levels but they thought that it is necessary. The observation indicate how essential leading is on the performance of businesses. The entrepreneurs in the I/SSFs need to be trained and provided with current and appropriate information that will enhance their leadership potentials and capabilities.

5-6 Controlling

Controlling as a management function comes last after the already explained ones because it is implemented to assess the performance of the proceeding functions of management. As a management function, controlling is mainly concerned with assessment and evaluation of the business's activity to find out if they conform to the plans that were set. If the activities of the business are going astray of what was laid down as the road to be followed for the achievement of a business's goal and objectives during planning, then all the activities of the business are reviewed. Controlling as a management function can simply be stated as the watchdog of business activities.

Most of the entrepreneurs surveyed indicated that they at least control the activities in one way or another. 53.3% stated that they control the work of their businesses when they have big orders especially for making quite a number of items and when the items require a lot of expertise. 46.7% of the surveyed entrepreneurs did not even understand the meaning of controlling as an activity. They did not even understand its relevance to business activities.

In the metal work activities 62.2% of the entrepreneurs control the activities of their business especially when they have a lot of work, which is brought about occasionally by big orders for items such as making steel windows and steel doors for buildings that are constructed in the town. 20% of the entrepreneurs in wood work industry control their business activities and the explanation is like the metal work above. This is usually when they have a lot of work which is occasionally prompted by big orders. 17.8% of the entrepreneurs in the tailoring activities control their activities that are mostly engaged in producing goods for sell. This include activities like knitting and those that are engaged in making school uniforms and then selling them ready made. Male investors constituted 74.1% of those entrepreneurs who control the activities of their businesses while female investors accounted for 25.9%.

This observation indicates that one of the most important function of management is least applied in the management of I/SSEs in the town. Low utilization of this function of management influences negatively the performance of I/SSEs activities in the town. Low utilization of controlling

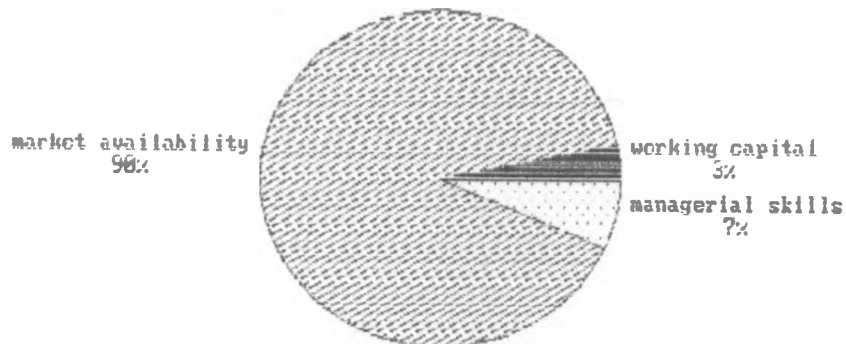
as a function of management lead to wastage of resources both human, material, finance and even time.

5-7 Factors Influencing Management of I/SSFs

Various factors were cited by the entrepreneurs as militating against business management practices in the sector. Majority of the entrepreneurs surveyed observed that lack of adequate markets for their products affected their endeavours for business management practices. 90% of the surveyed entrepreneurs observed that lack of sufficient and consistent demand for the products of the sector affected business management practices.

Low levels of managerial skills of the entrepreneurs in the sector was also observed to be affecting business management and it constituted for 6.7% of the responses. Another factor that featured to be affecting business management was lack of operating capital. This factor accounted for 3.3% of the field survey responses. These factors ultimately influence business performance.

Factors of management figure 9



Field Survey 1996

5.8 Summary

This chapter have analytically presented the five functions of management: Planning, organizing, staffing, leading and controlling. In each stage of the presentation observations were made to confirm or otherwise of how effective these functions of management have been put to use. It is clear from this analysis of the entrepreneurs responses us to how they utilize these five management functions that a lot has to be done to correct the situation.

Entrepreneurs have to grasp fully the importance of applying management functions to their businesses. This will assist them overcome most of the Problems they face in their daily operations. Enterprise performance is

highly pegged to its management competency. Properly management enterprises will perform well and prosper while improperly managed enterprises will fail and vanish from the business world.

CHAPTER SIX : POLICY IMPLICATION AND RECOMMENDATIONS

6-1 Findings

This study examined the factors that determine the management and performance of informal sector in Mumias town. In examining these factors the study addressed its self to four specific objectives and three hypotheses. Several findings were observed. The base line survey conducted in the field revealed that there were a number of manufacturing informal activities in the town. Activities under this sector ranged from metal work, wood work, tailoring, leather work among others.

These activities are spatially distributed through out the town. There are no special designated areas in the town for these enterprises. The enterprises are found mainly in the CBD of the satellite centres. These are centres of thriving business. Location of the enterprises varied with activities. For instance some enterprises in tailoring and furniture making activities were located in the residential areas while most of the metal work activities were located in the CBD.

Premises where these activities were carried out varied from one enterprise to the other. The most prevalent working environment was under shelter only that some of these premises were in bad conditions that they either needed renovation or demolition to allow the construction of new buildings in their place. Some of the semi-permanent premises had completely rugged floors. Open air operation was also observed. There is uneven distribution of

Infrastructure such as water, electricity, roads among others. Mumias old town and Shibale have electricity while Ekeru does not. There is only one post office in Mumias located in Mumias old town. Other centres such as Ekeru which is about four kilometres from Mumias old town find it hard to access this facility.

Location factors featured prominently as major factors determining enterprise management and performance. Lack of space both in terms of availability and room affected negatively the management and performance of the sector in the town. The years an enterprise has been in operation was also a factor that determined its management practises and performance. Entrepreneurs in old enterprises had gained experience in the operation of the informal sector compared to the new entrants. The old enterprises had build their customer loyalties and it was hard for the new enterprises to capture these customers from their old trusted suppliers.

Premises from which informal sector activities operate in the town are mostly private owned. Rent in the town was found to be high and this was explained by the fact that there is no Nyayo Jua Kali sheds in the town. Even the town council has not put up premises that could be used by the entrepreneurs in the informal sector.

From the survey it was observed that business ownership status was determined by the amount of initial capital required to start an enterprise. Ventures that required large amount of initial capital such as starting up a metal workshop that required machines like welding machine, were done in

partnership. Investment in activities such as tinsmithing could be initiated by an individual. Initial capital required determined the business ownership status and enterprise management practice and performance.

Employment in the sector was found to vary with both the age of the enterprise and the activities engaged in. Those enterprises that have operated for quite some time and thus have established themselves happened to have a high number of employees than those that had just started. Engagement of workers also varied with activities.

The enterprises surveyed required various tools and machinery for their operation. The availability of these tools and machinery to the various enterprises varied both in terms of requirement and affordability. In activities especially metal work, it was observed from the survey that there was an acute shortage of appropriate machines and tools to most of the operators. Many of the operators in the metal work activity relied on hiring what they referred to as special tools and machines whenever they required to perform tasks that required these tools.

Investment in these enterprises varied from sub-sector to the other. The overall mean initial capital observed from the survey was Ksh. 18,000. Metal work activities had a mean of Ksh. 23,500 while the wood work had a mean of Ksh. 18,200 and the tailoring activities had a mean of Ksh. 15,500. The source of initial capital was observed to be mainly from sugarcane proceeds. There was little use of financial institutions as sources of finance.

Raw materials required in the enterprises are locally available only that some times shortages were experienced. The survey observed that during the times of shortages, the entrepreneurs suffered from extra transport costs that they faced by buying the materials from the neighbouring towns. Marketing of products of these activities is done through various distribution channels as observed from the survey. Marketing of the products was faced with the problem of a limited market for the most of the metal work and wood work activities. These enterprises produce bulky products that are not easy to transport to far markets.

The survey observed two major categories of enterprise operation. These were owner managers and employee managers. It was observed from the field that owner manager enterprises practised at least a form of business management while employee managers were in most cases less concerned with keeping records for the enterprises. Most of the enterprises surveyed were male owned. Although the male dominated the enterprises in the town it was clear that females were reasonably represented and especially in their traditional activities such as dress making and knitting. The male dominated activities in the metal work and wood work while the females dominated the tailoring activities.

The entrepreneurs engaged in the business were young. The survey observed that most of the entrepreneurs were still in their late twenties and this is an age where people are quite innovative in terms of risk taking. In most cases it was observed from the base line survey that these young entrepreneurs rarely practised any form of business management. From the

base line survey it was observed that most of the entrepreneurs were married. However it was also found out that most of them at least had dependants. Those who were married had families.

Majority of the entrepreneurs had acquired primary school level of education. It was observed that educational level had a bearing on how entrepreneurs managed their businesses. There were differences in management practises as there were differences in educational attainments. Apart from the level of education, the base line survey revealed that very few entrepreneurs had acquired formal training. Most of the entrepreneurs had received their training through apprenticeship. Low levels of training of the entrepreneurs was attributed to high costs that are charged by training institutions in the area.

Various functions of management were examined to find out their influences on enterprise performance. Among those management functions that were examined in the field is planning. From the base line survey it was observed that very few entrepreneurs in the sector plan their activities. It was observed that lack of planning in various enterprises affected their performance. Organizing was another management function that was examined in the field. The observation indicated that the entrepreneurs in the metal work activities apply this management function in their daily operation than the other sub-sectors of wood work and tailoring. This was explained by the complexity of tasks inherent in the metal work activities compared to the others.

Staffing was another management function that was examined in the field. The observation was that in terms of deployment, labour was correctly employed. The problem in staffing was observed that there was little recognition of the usefulness of training and therefore the acquisition of skills. This attitude among the entrepreneurs and workers appeared to exert negative consequences on the performance of the enterprises in the town.

Leading was also examined in the field. From the survey it was observed that practice of this management function varied from sub-sector to the other and also from one enterprise to the other in the same sub-sector. The number of employees and the tasks involved in the production process influenced the levels of leadership in the enterprises. Enterprises that employed one or two people could not effectively apply this management function. However, in those that employ between three and seven people leading was practiced.

Controlling as a management function was also examined it was observed that there was low practice of controlling enterprise activities. The explanation was that it was only necessary to control enterprise activities whenever there was a lot of work. Low utilization of this management function influences how resources are used. This may lead to wastage of resources both human, material, finance and time.

The study also observed that constant withdrawal of money from the enterprise, inaccessibility to financial institutions, lack of markets, inaccessibility to working tools and some times harassment from town council authorities and poor working environment were some of the factors that

affect the performance of the sector. It was observed from the base line survey that some of the enterprises collapsed because of the constant money withdrawal from the enterprises for family use.

6-2 Planning Implications

From the findings, it can be noted that Mumias town, given its location between the three major district headquarters in western province: Kakamega, Bungoma and Busia, has great potential in development of Small Scale Enterprises/Informal sector. Especially the development of the metal work sector. Mumias sugar company has generated activities that rely so much on metal work activities and services. These activities are mainly in the provision of services to the tractor yards and other associated services.

The study concentrated on examining the operation practices in the tailoring, wood work and metal work activities. The role played by these enterprises is important to the growth of the town. They provide revenue to the town council through licences and other charges, provision of employment to the residents of the town, provision of goods and services to the people of the town, and that the availability of these enterprises in the town can lay the basis for industrialization in the town. These activities need to be given a reasonable recognition in the town. Planning policies should recognize their existence and the role they play and hence assist them in all aspects of development.

As noted earlier these enterprises have varying characteristics from one sub-sector to the other in terms of operation. The implication here is that when addressing their requirements, the planning policies need to examine the sub-sectors individually. This will address individual sub-sector specific needs. Policies which address these activities collectively will end up curtailing the growth of others. The characteristics of these enterprises that differentiate their needs include: machine and tool requirements, space, infrastructural services, investments in terms of initial capital and operating capital among others. Most of the problems that affect enterprise management and performance revolve around these factors.

There was variations of working premises from workshops to open air operations. For those working in the open sun the situation was bad during the rain season where most of the time these artisans could not work due to rains or pool of water at their working place. The enterprises that operate in the open sun need to be provided with premises from which they can operate without a lot of trouble. This will involve construction of low cost sheds.

The study also noted that majority of the enterprises were poorly managed and performed poorly as a result of lack of working tools and machines, inaccessibility to financial institutions, lack of skills among others. In order to facilitate management practices that will enhance performance of these enterprises, a lot of attention need to be given to the various factors affecting their operations. For instance as noted earlier, lack of elaborate equipment and tools. An entrepreneur relying on his own savings might take

several years to purchase a sewing machine or welding machine or a grooving machine. If people can access various financial institutions in the town, they can be able to acquire the necessary machines and tools.

Concerning the problem of harassment which was explained as being experienced due to lack of licences, it was observed that either there is something wrong in regulations concerning the informal sector in the town or still the role played by this sector is not recognized. Some times it was noted that it took a long time for the town council to process the licences for the entrepreneurs. This problem calls for a policy frame work to remedy the situation.

Concerning the factors that determine performance of the various enterprises, the study noted in the findings that availability of raw materials, markets, accessibility to working capital, basic skills, and managerial skills required, infrastructural facilities such as electricity and water among others are very significant.

These findings indicate that there is still a lot to be addressed to help in facilitating and creating a conducive working environment for the various enterprises observed. Basing on the significant role played by this sector and the various problems faced at both the initial stage and after formation, action need to be taken which can help in facilitating their management and performance. It is based on this need of creating a conducive environment that the following recommendations are suggested.

6-3 Recommendations

Basing on the above planning implications, the study suggests the following measures which can help in creating a conducive working environment significant for both management and performance of the activities cited in the manufacturing sector observed in the town.

1. The study recommends that special sites should be provided in appropriate areas for the economic operations of these enterprises. This need to be done by the town council. These sites should be appropriate to each sub-sector's operation characteristics and needs. Following this recommendation will help the planners assist the entrepreneurs overcome problems that affect enterprise management and performance. For instance in the case of the tailoring enterprises, since they require a high degree of accessibility to customers, they can be located close to the public bus and Matatu park, and around the market areas: the Friday and Sunday markets within Mumias Old town. They can also be located close to other markets in the other satellite centres of the town. This will enable the enterprises to be easily accessed by potential customers without incurring operation costs. In the case of metal work and wood work activities, the study suggests that the appropriate sites for these enterprises can be along the corridors of major transport routes. For instance the road from Ekeru centre to Mumias old town, within Mumias old town has conducive location for the enterprises. These sites will help the enterprises in marketing their products and in the transportation of both raw materials and finished goods.

2. The study suggests that the town council should take an initiative of providing proper working premises for the enterprises. After locating sites for the activities it is the proposal of the study that the town council should go ahead and construct sheds in these sites for the enterprises. The council will gain by getting income in form of rent from these activities and the sector will prosper as a result of working under good conditions. For instance for the tailoring activities, sheds that are of affordable cost in terms of rent should be provided within the planned sites. In the case of wood work and metal work enterprises, proper sheds with ample room for the storage of goods and display in some cases should be provided. Basic infrastructural facilities should also be provided: electricity, water and access roads.

3. The study suggests that in instances where the council officials harass the artisans this should be stopped because by so doing they affected the operations of the enterprises. Instead the council should put mechanism in place that will facilitate faster processing of the council licences for the entrepreneurs. Also the council should provide all the necessary facilities right from the basic ones like organizing for all disposal and sanitary facilities within the town as well as the sectors sites, through this the council can generate some revenue to assist it develop the town.

4. The entrepreneurs in the town should be advised and encouraged to form a co-operative or through their association they should establish a department that will carry out co-operative functions. This will provide saving facilities for the entrepreneurs and it should also organize for loans,

marketing the products of its members and facilitate channels through which members can assist one another to acquire machines and tools required for their enterprises operation. This co-operative should be able to assist the members solve some of the financial and marketing problems. In terms of acquisition of tools and machines, the co-operative can buy and maintain tools and machines which can be hired to the member entrepreneurs at an agreed rate and the money paid can still be given to the members in form of loans.

5. The entrepreneurs in the town need to be educated of the usefulness of using the existing financial institutions to acquire loans for their operational needs. This can be organized through public baraza and it can be appropriately and effectively done by the Jua Kali association, Kenya small traders, and kenya industrial estates and the Government.

6. The Juakali association inconjunction with the government and the town council can assist the entrepreneurs acquire managerial skills through organizing short courses on managerial skills. This can be achieved through seminars and workshops.

7. The entrepreneurs should be encouraged and educated on the usefulness of being trained in managerial skills. This can be achieved through financing institutions, the jua kali association, the government and the town council by holding baraza~~as~~ with the entrepreneurs and the employees in the sector.

6-4 Future Research

This study could not exhaust everything concerning the operation of the informal sector in the town. It is here suggested that further researches could be carried out in the following areas:

1. Future research should try to find out the contribution of the town's hinterland to the growth and development of the sector in the town. This should be in relation to the scale of demand of this sectors products in the hinter land and the level to which this demand generates growth and development of the sector. R.T.P.
2. Future research should also be directed in finding out how possible the sector could be able to manufacture some of the tools it require for operation. This will specifically address the issue of appropriate and effective production of indigenous technology in the sector.

BIBLIOGRAPHY

- Anthony, D. (1982) Japan. In D.J. Story (eds), *The Small Firm: An International Survey*. Croom Helm, London
- Appleby, R.C. (1994) *Modern Business Administration*. Pitman Publishing.
- Bannock, G (1981). *The Economics of Small Firms*. Basil Blackwell, Oxford.
- Boone, L.F. and Kurtz, D.L. (1987) *Management*. Random House, Inc.
- Brockington, R. (1993) *Financial Management*. 6th. ed. DP Publication Ltd, London. Bwisa, "the role of jua kali in the process of economic and technological development in kenya". Paper on technological solutions for economic development held in Juja, Nairobi, 1991.
- Byars, L. et al. (1991). *Human Resource Management*. Irwin. U.S.A.
- Drucker, P.F. (1974) *Management: Tasks Responsibilities, Practices*. Harper and Row Publishers.
- Fischer, M. et al (1988). *The Role of Small Firms for Regional Revitalization*. *The Annals of regional Sciences*, 22,SPED.
- Freund, J. et al. (1979). *Modern Business Statistics*. Pitman. Great Britain.
- George jr.,c.s (1968), *The history of management thought*. Prentice hall inc.
- Glueck, w.f (1977), *Management*. The dryden press.
- Guiltinan, J. et al (1988). *Marketing Management: strategies and Programmes*. 3rd. McGraw-Hill Publishing Company. New York. U.S.A.
- ILO (1972) *Employment, incomes and equity: a strategy for increasing productive employment in Kenya*. Geneva, International Labour Organization.
- Kenya, Republic of (1995) *Economic Survey*. Office of The Vice President, Ministry of Planning and National Development ,
- (1986) *Sessional Paper No. 1 on Economic Management For Renewed Growth*, Government Printers.
- (1992) *Sessional paper no. 2 of 1992 on small enterprise development in Kenya*. Government printer.
- (1994) *Kakamega District Development Plan*. Kenya, Ministry of Planning and National Development (1994-1996),

- (1964) National Development Plan 1964-1970. Government Printer.
- (1970) National Development Plan 1970-1974. Government Printers.
- (1974) National Development Plan 1974-1978. Government Printer.
- (1979) National Development Plan 1979-1983. Government Printer.
- (1983) National Development Plan 1983-1989. Government Printer.
- (1989) National Development Plan 1989-1993. Government Printer.
- (1994) National Development (1994-1996), Government Printer.
- Khaguli, H. (1981) The Impact of Mumias Sugar Factory on the Growth of Mumias Town. Unpublished M.A. Thesis. Nairobi.
- Kibera, F. et al. (1988) Fundamentals of Marketing, An African Perspective, Kenya Literature Bureau, Nairobi.
- Klpera, A. (1989) An Assessment of Future Housing Needs in Small Urban Centres-A Case Study of Mumias Town, Unpublished M.A. Thesis. Nairobi.
- Little, I.M.D. (1987) "Small Manufacturing Enterprises in Developing countries", The World Bank Economic Review, Vol.1 No.2. January
- Meyer-Krahmer F.(1985) Innovative Behaviour and Regional Indigenous Potential. Regional Studies.
- Mulongu, I.S.(1993) Factors that Determine Entry and Performance of entrepreneurs in small scale activities in Bungoma Town. unpublished m.a. thesis.durp.uon.
- QDA Study (1981) Six Towns in Kenya: Mumias Report. Lybrand Associated, Nairobi.
- Ondiege,P.O.(1995) Informal sector development models and assistance programs in kenya. HABRI University of Nairobi.
- Osogo, J. (1966) Mumia of the Abaluyia of Western Kenya. E.A. Publishing House, Nairobi.

Pearce II, J. et al (1991) **Strategic Mangement: Strategy Formulation and Implementation**. 3rd eds. Richard D. Irwin, Inc. U.S.A.

Rothwell, R. et al (1982) **Innovation and the Small and Medium Size Firm**. Franch Printer, London.

Stranford, M.J. (1986) **Management Policy**. 2nd. Eds. Prentice Hall of India. New Delhi

Terry T. et.al (1991) **Principles of management**. Nice printing press.

X Kagama (ed) (1996) **East Africans explore common ground for SMEs cooperation**. In "Enterprise" Development Forum Feb. '96.

----- IT revolution: What's in it for MSFs?. "Enterprise" Development Forum Feb. '96.

----- SMEs jobs increased by 10% in '95. "Enterprise" Development Forum Feb. '96

----- Tax incentives: Lessons from Uganda's experience. "Enterprise" Development Forum Feb. '96

----- Marketing SMEs' goods. How to organise a successful exhibition. "Enterprise" Development Forum Feb. '96

----- Little-Known KIRDI has big plans for SMEs. "Enterprise" Development Forum Feb. '96

----- SEPSO and the SMEs. "Enterprise" Development Forum Feb. '96

----- Entrepreneurship: It's time policies were made to nurture it. "Enterprise" Development Forum Feb. '96"

----- Jua Kali: Putting too many eggs in the wrong basket?. "Enterprise" Development Forum August '96

----- Needed: A clear Jua Kali Policy. "Enterprise" Development Forum August '96

----- Informal Sector and the 1996/7 Budget outlook. "Enterprise" Development Forum August '96

----- Training entrepreneurs for an open economy. "Enterprise" Development Forum August '96

----- Market economy a challenge to business schools. "Enterprise" Development Forum August '96

Providing from change: The challenges, traps to
avoid."Enterprise" Development Forum August '96

Appendix 1: Questionnaire:

ENTERPRISE CHARACTERISTICS

1. Name of enterprise.....

2. LOCATION	3. SUB-SECTOR	4. PREMISE	5. FACILITIES

LOCATION

1. Commercial area
2. Residential area
3. Other (Specify)

SUB-SECTOR

1. Trade
2. Service
3. Manufacturing

PREMISE

1. Permanent
2. Semi-permanent
3. Open air
4. Other (Specify)

FACILITIES

1. Water
2. Electricity
3. Telephone
4. Postal Address
5. Other (Specify)

6. For those who do not have these facilities do you need them? 1) Yes.....2) No.....3) Why.....

7. Type of machinery and tools used

- 1.....2.....
- 3.....4.....
- 5.....

ENTREPRENEUR CHARACTERISTICS

8. SEX	9. AGE	10. EDUCATION LEVEL	11. M/ STATUS	12. NO. OF CHILDREN	13. NO. OF DEPENDENTS	14. CATEG. OF WORKER

SEX

1. Male
2. Female

EDUCATION LEVEL

1. No formal schooling
2. Primary education
3. Secondary education
4. Post secondary education

MARITAL STATUS

1. Single
2. Married
3. Divorced

CATEGORY OF WORKER

1. Owner
2. Employee
3. Unpaid family assistance

15. When did you start operating this business?.....

- 1) Month.....
- 2) Year.....

16. What were the major problems faced by the enterprise at the start of the business? (Rank three major ones)

1. Lack of skills
2. Obtaining premises
3. Obtaining licences
4. Lack of enough operating capital
5. No difficulty
6. Other (Specify)

17. Do you own or you rent this site/premise?

- 1) Own..... 2) Rent.....
How much per month?.....

18. Do you operate from here always?

- 1) Yes..... 2).....
3) Why.....

19. What was your starting capital? Ksh.....

20. How did you raise your initial capital? From:

1. Own saving
2. Borrowed from relative and friends
3. Borrowed from commercial banks
4. Payment from cane proceeds
5. Other financial institutions
6. Other (Specify)

MANAGEMENT

21. How many workers do employ including yourself?.....

22. Type and number of workers and number of days worked per a week and hours per day. Fill the following table

TYPE OF WORKER	FULL TIME WORKER	PART TIME WORKER	TRAINEES	UNPAID FAMILY MEMBER
TIME PERIOD				
WHEN THE BUSINESS BEGAN				
CURRENTLY				
WORKING DAYS/WEEK				
WORKING HOURS/DAY				

22. Labour force characteristics (Fill the table below)

W/NO	T/WRK	SEX	AGE	WAGE	F/LEV	B/AGE	TRAIN

23. How do you plan your activities?.....

.....

24. Is it easy for you to deploy your employees to perform various tasks of the business? 1) Yes..... 2) NO.....

3) Why

25. Do you have a hierarchial arrangement of your employees?...

1) Yes..... 2) No.....

3) Why.....

26. How do you control the activities of the business?

When is it necessary to control these activities?

27. Have you attended any business management; (1) course (2) seminar (3) workshop?

If nothing reasons

28. On what factors do you base your management techniques?

1) Working capital 2) Market 3) Managerial skills possessed.

Reasons

PROBLEMS OF BUSINESS AND SOLUTIONS.

29. What are the problems that you are currently facing?(Rank the five)

- 1) Lack of market/client.
- 2) Management problems.
- 3) Lack of training facilities.
- 4) Expensive licenses.
- 5) High premise rent.
- 6) Expensive raw materials.
- 7) Planning problems.
- 8) Lack of credit facilities.
- 9) Non at all.
- 10) Other(specify).

30(a).What do you think should be the solutions to these problems?

30(b).How do you think these suggestions will provide a conducive environment to facilitate ease in your business management practice?

.

31. Any other observation/comments?

THANK YOU