

DECLARATION.

(This Management Project is My Original Work and has not been
AN INVESTIGATION INTO THE PROBLEM FACED BY SMALL SCALE INDIGENOUS
BUSINESSES AS PERCEIVED BY THE OWNERS.

THE CASE OF KITUI TOWN

Signed: _____

Date: 30/11/93

JOHN MUSYIMI KILONZI

JOHN MUSYIMI KILONZI

This Management Project has been submitted for examination
with my approval as University Supervisor.

Signed: _____

Date: 30/11/93

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS OF THE DEGREE, MASTER OF BUSINESS ADMINISTRATION,
FACULTY OF COMMERCE, UNIVERSITY OF NAIROBI.

Department of Business Administration

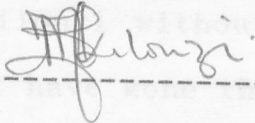
JULY 1992.

DECLARATION.

This Management Project is My Original Work and has not been presented for a degree in any other University.

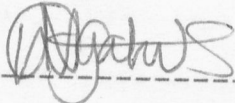
DEDICATION

To my Parents, Mr. Gabriel Kilonzi Maluki and Mrs Patricia

Signed:  Date: 30/11/93.

JOHN MUSYIMI KILONZI

This Management Project has been submitted for examination with my approval as University Supervisor.

Signed:  Date: 30/11/93

Catherine W. Ngahu

Lecturer

Department of Business Administration

ACKNOWLEDGEMENT

In the complex task of undertaking this study and producing the findings within the context of a single project, I have been given indispensable co-operation and encouragement by several people. It is my heartfelt pleasure to extend my sincere

DEDICATION

To my Parents, Mr. Gabriel Kilonzi Maluki and Mrs Patricia Mwathi Kilonzi without whose love, efforts and encouragement I could not have gone this far, my Supervisor, who gave me advice, guidance and valuable reading materials. Without her dedication and active interest in my work, this project would not have been successful.

I wish to register my appreciation to all my classmates for the good comment we had for the marketing M.B.A programme. To each of them I say thank you for your comradeship and God bless you.

My thanks also go to the small scale entrepreneurs who participated in this study. I sincerely thank them for their co-operation and the speed with which they responded.

I am also grateful to lecturers in the Faculty of Commerce whose comments and suggestions during the entire class and the proposal presentation stages reshaped the face of this project.

My most sincere gratitude goes to my mother Patricia Mwathi, my uncle Patrick Kilundi and his wife Ruth, my cousin Carlton Mureki and his wife Paula, my brother Sam and his wife Martha and brother-in-law David and his wife May for their support, encouragement and dedication to my well-being. I find no fitting words to

ACKNOWLEDGEMENT

In the complex task of undertaking this study and producing the findings within the context of a single project, I have been given indispensable co-operation, assistance and encouragement by several people. It is my heartfelt pleasure to extend my sincere gratitude to all of them.

My first gratitude goes to Miss C.W. Ngahu, Lecturer, Business Administration Department and my Supervisor, who gave me advice guidance and valuable reading materials. Without her dedication and active interest in my work, this project would not have been successful.

I wish to register my appreciation to all my classmates for the good company we had for the gruelling M.B.A programme. To each of them I say thank you for your comradeship and God bless you.

My thanks also go to the small scale entrepreneurs who participated in this study. I sincerely thank them for their co-operation and the speed with which they responded.

I am also grateful to lecturers in the Faculty of Commerce whose comments and suggestions during the entire stage and the proposal presentation stages reshaped the face of this project.

My most sincere gratitude go to my mother Patricia Mwathi, my uncle Patrick Kilvungi and his wife Ruth, my cousin Caxton Munvoki and his wife Paula, my brother Sammy and his wife Martha and brother in - law David and his wife May for their support, encouragement and dedication to my well - being. I find no fitting words to

thank them for their valuable support.

I appreciate also the efforts of my dad, Gabriel Kilonzi and grand mother Kilo Muthina and late grand father Maluki Mwaniki for their encouragement in my studies.

To you all (many to mention) who participated in one way or the other I say THANK YOU.

Indigenous businesses have not always performed as expected. This is despite the fact that government and other non-government agencies have made deliberate efforts to help the uncompe African businesses and especially in the rural areas.

To achieve the objective, primary data was collected from 45 businesses in Kitui town. The method of data collection was through interviews with the owners of the businesses.

The problems that have confronted businesses in the area of study were analyzed and were found to be of two types basically. They are internal problems that are considered as directly associated with the businessmen themselves and within their control. And second were external problems that originate from the environment and as such the owners do not have direct control on them. The first category includes problems like improper business records and lack of formal education. The second category includes, drought/famine, high loan interest rates, lack of customer/market and short credit periods for loans.

The conclusion reached after the investigation and analysis was that the assistance meant to help the small scale indigenous businessmen will only succeed if it is carried by a highly

ABSTRACT

This study sought to find out the problems faced by small scale indigenous businesses as perceived by the owners. It also sought to document the measures considered important in solving these problems. The need for this study arose from the fact that many of the small scale indigenous businesses have not always performed as expected. This is despite the fact that government and other non-government agencies have made deliberate efforts to help the upcoming African businesses and especially in the rural areas.

To achieve the objective, primary data was collected from 45 businesses in Kitui town. The method of data collection was through interviews with the owners of the businesses.

The problems that have confronted businesses in the area of study were analyzed and were found to be of two types basically. They are internal problems that are considered as directly associated with the businessmen themselves and within their control. And second were external problems that originate from the environment and as such the owners do not have direct control on them. The first category includes problems like improper business records and lack of formal education. The second category problems include, drought\ famine, high loan interest rates, lack of customers\ market and short credit periods for loans.

The conclusion reached after the investigation and analysis was that any assistance meant to help the small scale indigenous businessmen will only succeed if it is carried by a highly

motivated and disciplined workforce that will not only give advice and help to each businessman according to his unique situation and needs, but also ensure a follow - up constantly, so that problems can be detected and corrected in time. (iii)

CHAPTER ONE : INTRODUCTION

1.1. Background of the Study.....	1
1.2. Statement of the problems.....	4
1.3. Objectives of the Study.....	5
1.4. Definitions.....	5
1.4.1. A Business.....	6
1.4.2. A Small Scale Business.....	7
1.5. Importance of the Study.....	10
1.6. Overview of the Study.....	11

CHAPTER TWO: LITERATURE REVIEW

2.1. Problems as Perceived by the Businessmen.....	12
--	----

CHAPTER THREE: RESEARCH DESIGN

3.1. The Population.....	30
3.2. The Sampling Plan.....	35
3.3. Data Collection Method.....	36
3.4. Data Analysis Techniques.....	37

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1. Survey of the Businesses.....	38
4.2. Factorial Analysis.....	47

TABLE OF CONTENTS

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS	PAGE
ACKNOWLEDGEMENTS.....	(i).....57
ABSTRACT.....	Conclusions on the survey of the Business (iii).....57
CHAPTER ONE : INTRODUCTION.....	Factor Analysis.....58
1.1. Background of the Study.....	1.....60
1.2. Statement of the problems.....	4.....61
1.3. Objectives of the Study.....	5.....62
1.4. Definitions.....	5.....63
1.4.1. A Business.....	6.....64
1.4.2. A Small Scale Business.....	7.....64
1.5. Importance of the Study.....	10.....70
1.6. Overview of the Study.....	11.....71
CHAPTER TWO: LITERATURE REVIEW	
2.1. Problems as Perceived by the Businessmen.....	12.....72
CHAPTER THREE: RESEARCH DESIGN	
3.1. The Population.....	35.....75
3.2. The Sampling Plan.....	35.....76
3.3. Data Collection Method.....	36.....77
3.4. Data Analysis Techniques.....	37.....78
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS	
4.1. Survey of the Businesses.....	38.....80
4.2. Factors Analysis.....	47.....85

4.3. Selected Solutions to the Problems.....	55
--	----

LIST OF TABLES

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS	PAGE
5.1. Conclusions.....	57
5.1.1. Conclusions on the survey of the Businesses.....	57
5.1.2. Conclusions of the Factor Analysis.....	58
5.1.3. Conclusions on Selected Measures.....	60
5.2. Recommendations.....	61
5.3. Limitations of the Study.....	62
5.4. Suggestions for Further Research.....	63
4:18 Cross-tabulation of nature of Business ownership with number of employees.....	44
APPENDIX.....	64
BIBLIOGRAPHY.....	70
4:20 Cross-tabulation of type of Business activity with years in Business.....	45
4:21 Problems in the Questionnaire.....	47
4:22 The summary statistics of section B of the Questionnaire.....	49
4:23 Problems selected.....	50
4:24 Factor analysis of variable (Problem) and Communality.....	51
4:25 Eigen Values.....	53
4:26 Initial Factor Matrix.....	53
4:27 Final Varimax Rotated Matrix.....	54
4:28 Solutions by Order of Importance.....	55

LIST OF TABLES

	PAGE
4:11 Type of business.....	38
4:12 Type of Business Activities.....	39
4:13 Owner's Level of Education.....	39
4:14 Number of Assistants\Employees.....	40
4:15 Number of Years in Business.....	41
4:16 Size of the Family.....	42
4:17 Cross-tabulation of type of Businesses with nature of Business ownership.....	43
4:18 Cross - tabulation of nature of Business ownership with number of employees.....	44
4:19 Cross - tabulation of type of Business activity size of the Family.....	45
4:20 Cross - tabulation of type of Business activity with years in Business.....	46
4:21 Problems in the Questionnaire.....	47
4:22 The summary statistics of section B of the Questionnaire.....	48
4:23 Problems selected.....	50
4:24 Factor analysis of variable (Problem) and Communalities..	51
4:25 Eigen Values.....	52
4:26 Initial Factor Matrix.....	53
4:27 Final Varimax Rotated Matrix.....	54
4:28 Solutions by Order of Importance.....	56

CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Governments throughout the world are turning their attention to small scale enterprises. Attempts to promote economic progress by establishing large industries have usually failed to improve the lot of the majority of the population, and small businesses are now viewed as an important element in even and equitable economic development (Harper and Soon, 1979).

The importance of developing small scale African Businessmen so that they can play their full role in the economic development of Kenya has in recent years begin to receive due recognition particularly since independence in 1963. The small scale enterprise as a primary means of strengthening Kenya's economy was highlighted in sessional paper No.1 of 1986 and the sixth National Development Plan (1989 - 1993). Therefore one wants to ask why this sector is receiving such importance in recent years. One of the leading researchers in this area has correctly observed that.....

Social productivity of small scale enterprise in Kenya compares favourably with that of the modern sector. Wages are at least as high as in commercial agriculture and stand up tolerably well in comparison with those of modern urban industry. The private return on invested capital exceeds that of most modern sector enterprise, money profits of the owners place most of them in a higher than average bracket for Kenya (Child, 1973).

Kenya like many other developing countries faces an acute shortage of employment opportunities and unemployment has even affected the university graduates to a large extent, let alone the

thousands of primary and secondary school leavers. The government

Kenya's population is projected to be approximately 35 million by the year 2000. therefore developing of the small scale businesses will definitely be a wise move to open more job opportunities for the young of this nation in addition to affecting economic development. The sector, therefore has a major role of expanding the present labor force of 8 million (ILO, 1989) to 14 million by the year 2000. This will no doubt contribute towards national growth of aggregate output and capital formation - all of which are necessary for the overall economic development and experience has also shown that small scale businesses are the most fruitful and the only significant training ground for future industrialists in Turkey and Greece (Flexander, 1960) and the Phillippines (Mover and Hollander, 1968, P.3).

The small scale indigenous businesses are a big majority and are therefore potentially very important to the general development of the national economy. This fact has been realized by the government, which has gone a long way in helping and encouraging this sector of our economy to develop. A number of governmental agencies have been set up to provide financial and educational support to small scale businesses. These agencies include:- Development Finance Company of Kenya (DFCK), Industrial and Commercial Development Corporation (ICDC), Kenya Industrial Estates (KIE), Kenya Industrial Training Institute (KITI) among others.

It should be noted however, that with all the government efforts and the large number of the small scale indigenous businesses, their economic impact is yet to be felt, not only at the national level, but also in the rural areas.

Majority of the Kenya population live in the rural areas (over 80%) where the economic is relatively underdeveloped when compared with the urban areas like Nairobi, Mombasa, Kisumu and Nakuru.

The kenya rural population is engaged in some cases in subsistence farming, while in other cases some of the small scale farmers are making reasonable contribution to the national economy by producing cash crops like Coffee, Pyrethrum, Wheat, Cotton Rice and Sugarcanes. Some of these crops earn the economy the much needed foreign exchange. On the other hand, there are those small scale African businessmen who are also playing vital role in "opening up" those relatively backward rural areas to modern economic system by introducing businesses in the rural areas. These businessmen are found in such trades as shonkeeping small scale industrialists, while others still have taken to transport business - the "Matatus" are well known in Kenya.

1.2. STATEMENT OF THE PROBLEM

In the area of economic development it would seem that "the days of small things" (The Holy Bible, Zacharich 4:10) is with us. The small scale indigenous businesses have a vital role to play in Kenya to assist the nation to develop.

The Small Scale Enterprise (SSE's) play a key role in the

Kenyan economy. In addition to generating employment, they promote individual business culture. According to Government statistics, SSE's account for 40% of the National wage employment and about 20% of the Gross Domestic Product (Daily Nation, May 21, 1992).

These figures underline the importance of SSE's to the National economy and are also a pointer to the urgent need to support the sector and enable it to realize its full potential.

If it is true that small businesses can play a vital role in a country's development, then every attempt should be made to assist them as far as their needs are concerned. Nevertheless, although many small scale African businessmen have expressed a desire to improve and expand, the overwhelming majority of them have remained relatively stagnant. This is most likely due to the many problems they face - deficiency in education and experience among other problems that hinder their success in business.

It seems reasonable to suggest that the efforts of the government of Kenya, International aid agencies and others to assist and encourage Kenyan small scale businesses will be more productive if they identify and at the same time try to solve some of the problems facing these individuals and concentrate on small groups of entrepreneurs who have the desire and capacity of innovate, improve and expand their businesses. To scatter funds and technical assistance personnel among comparatively large number of entrepreneurs who have shown little or no capacity to meet business standards is in large part a waste of these very scarce development resources.

There has been a number of studies now carried out by scholars and some even sponsored by the government in this very important area (see Kessio, 1981, Mwangi, 1975, Harper 1974, Mbuvi 1983, De Wilde, 1971, Child 1972), all these scholars have made an effort to investigate reasons behind the poor performance of the small scale indigenous businesses. 1978. P.101.

Most of these studies were carried out in the earlier years of independence, therefore there is a need to carry out further study in this area and for this study to be useful to government and practising businessmen, it will be necessary to interview these businessmen to find out the major problems they face while running their businesses.

1.3. OBJECTIVES OF THE STUDY

The main objective of this study was to identify the problems faced by small scale indigenous businesses as perceived by the owners and then to recommend more effective and efficient ways of minimising these problems.

1.4. DEFINITIONS

This paper concerns the small scale Indigenous businessmen or businesses and as such there is a need to define what we mean by the terms "business" and "small scale business".

1.4.1. A BUSINESS

The terms business can be defined as "An enterprise which provides goods or services that people need and at the same time gives the suppliers of material or labor, and the owner sufficient payment for the supplies, hours of work or investment that they have provided" (Harper, 1973, P.10).

A business can also simply be defined as "An economic activity more or less intended to make a profit" (Hailes and Hubbard, 1983, P. 370).

The following is a list of terms that can be used to describe a business. Each term tells something about the size of a business.

- total assets - all that a business owns.
- net worth - business assets less what is owed.
- gross profit - money left from sales after all expenses (except taxes) have been paid.
- net profit - what is left from gross profit after business income taxes are paid.
- employees - total number of workers and managers listed on the payroll.
- income - net receipts, the total sales less returns allowances and discounts (Hailes and Hubbard, 1983).

It is important to note that some businesses fail because they are improperly expanded and others are unsuccessful because they expand too quickly and cannot handle the problem that come with rapid growth.

1.4.2. A SMALL SCALE BUSINESS

It is difficult to define a small scale business because different definitions are given in different countries depending on the size of the economy and type of criteria used. It also depends on the purpose of classifying a business into categories of small, medium, or large.

The point below which an enterprise is deemed to be small and the way in which its size is measured has been a subject of debate (Harper, 1984).

Overall, however, "small business" is a general term which refers to firm whose size is in some way limited (Low, 1980, P.32).

Belandress, L. defines small scale enterprise as the manufacturing\industrial or non-manufacturing service enterprise in which the owner - manager is not necessarily actively engaged in production but performs the varied task involved in guidance and leadership without the help of a specialised staff (Belandress, 1987).

"An SSE is a small, profit oriented firm between one and 50 employees and whose total assets do not exceed Kshs. 5 million in value" (Daily Nation, May 21, 1992). The SSE's are further divided into:

- (i) Formal Sector Firms - These firms usually have between 10 and 50 employees.
- (ii) Informal Sector Firms - These are commonly known in Kenya as Jua Kali businesses or Micro Enterprises and have between one

and nine employees.

According to the statement by the United States Committee for Economic Development, a small business has two or more of the following characteristics:-

- (a) Management Independence: Usually in a small business, the managers are also the owners.
- (b) Capital supply and ownership: Usually in small business firm capital is supplied and ownership is held by an individual or a small group of individuals.
- (c) Area of operations is mainly local : Workers and owners are in one home community. Markets need not be local.
- (d) Size within industry is relative: Usually the business is small when compared to the biggest in its field (Committee for Economic Development, 1978, PP. 6 - 7).

The small enterprise sector covers many different types of productive activities that respond to a wide range of market opportunities. Analysing the problems of the small scale enterprise sector in Kenya is even complicated further by differences and ambiguities in the terminologies used. Some writers define the sector for regulatory or statistical purposes in terms of the volume of labor or amount of capital employed. A different definition may be used for establishing eligibility for government assistance. At present, there is no explicit legal definition in Kenya of the term "small enterprise".

From the foregoing, it can be seen that there is no standard definition of a "small business", therefore in studying the small

business sector one is forced first to define what one wants to study.

For the purposes of this paper, the definition of small scale enterprise as given by GOK \ ILO \ UNDP center project will be adopted that is "as an enterprise consisting of 0 - 50 employees (GOK \ ILO \ UNDP center project, P. 6). This definition according to Farbman and Lessik 1989 (cited, Henk T, 1990, P. 27) includes all small - scale sector which comprises three subsectors:-

A survival subsector comprising the 'poorest of the poor' engaged in economic activities of the last resort, whose returns are extremely low.

A microenterprise subsector made up of firms with up to ten workers. Using traditional technology and serving local markets, these firms are said to correspond to the ILO version of the informal sector, and to be found in rural areas and in urban areas. The account for the major part of employment in retailing, services and transportation.

A small scale enterprise subsector comprising larger firms having between ten and fifty workers. The share in employment of this subsector is smaller than that of microenterprise though the firms in it are more efficient.

The small enterprise sector in Kenya is comprised of a range of enterprise, including self - employed artisans, (i.e. Jua Kali enterprise having a few employees), cottage industries, sole proprietors, and small enterprise in the formal business sector having some 10 or more employees (GOK \ ILO \ UNDP center project,

These small scale enterprises may engage in trade, commerce distribution, transport, agro-business, manufacturing and maintenance or repair services.

1.5. IMPORTANCE OF THE STUDY

This paper is expected to be of importance of the ministries of Finance, Commerce, Industry, the government in general and voluntary organizations - like foreign companies and international aid agencies - all of which have had interests in helping the small scale African businesses.

It will also be of help to those government agents that have been set up with the aim of helping the development of the small scale African businesses and the intermediate industrial sector. These are government corporations like the ICDC, KIE, Rural Industrial Development Centres (RIDC), the District Joint Loan Boards, Kenya National Trading Corporation among others.

The paper will also be of assistance to the financial institutions and the small scale indigenous businesses alike.

The findings of the study could be useful for personal development in one who is interested in furthering his \ her knowledge in small businesses.

Finally the paper will be of importance to the scholars who may have interest in the studies of small scale African traders in the future.

1.6. OVERVIEW OF THE PROJECT

This project is organized in five chapters. Chapter one gives an introduction on the small scale businesses and more specifically their importance in the economy. The chapter also gives a brief outline of the problem studied, objectives of the study, definitions of working concepts and the importance of the study.

The second chapter reviews literature pertinent to the objectives of the study. This is literature on the problems said to face small scale businesses.

The third chapter deals at length on the research design. A discussion of the population, the sampling plan, data collection method and data analysis technique is given in details.

The fourth chapter gives a summary of the data analysis and a discussion of the findings. It gives an analysis based on the objectives stated above.

The fifth and last chapter gives the conclusions, the recommendations, the limitations of the study and suggestions for further research.

CHAPTER TWO : LITERATURE REVIEW

2.1. THE PROBLEMS AS PERCEIVED BY THE BUSINESSMEN

As noted earlier in the introduction, the small scale indigenous businesses have been receiving attention from both the scholars and the government alike. The reasons for this attention were stated in the introduction, and in this chapter, there is the need to look at the problems these scholars have raised in connection with the small scale African Businessmen, and finally look at their conclusions.

The Institute for Development Studies (IDS) of the University of Nairobi which engages in research especially in social sciences has contributed alot in this area of small scale African businesses. In addition many scholars have research in this very important area.

In his Ph.D thesis, Harper took a study with the objective to examine the hypothesis that:

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

And he formulated his hypothesis from his belief that:

Small scale retailers have traditionally been disregarded or even dispersed. It is suggested that they can nevertheless play a vital role in Kenya and elsewhere, by satisfying the needs of their customers, making available a wide variety of inputs which are necessary for development, mobilising otherwise idle capital and other resources, and providing employment opportunities and a source of entrepreneurial talent (Harper, 1974 P.75).

In order to verify his hypothesis Harper carried out his study in Nyeri and Machakos districts. He interviewed the retailers.

Harper in his study was able to conclude that capital was not really a constraint as most of the businessmen believed but rather the biggest problem was the effective employment of the capital which existed. Thus he says "shortage was to some extent illusory, and detailed examination of the financial position of a sample of 169 traders substantiated this view. Their main problem was their failure to make the most efficient use of the existing capital rather than a need for more from outside" (Harper, 1974, P. 243).

Thus Harper recommends an extension service to the small scale businesses that will be on the traders premises and this should be more effective and will be able to use the fourth form school leavers with a short period of training. He further argues that the dual purpose of the government agency as advisors and sources of capital should be discouraged for these two roles would be conflicting if carried out by the same government agent. Relations would be cordial at first when the traders attend a business training course or get advice from the government agent for he will see this as a way of establishing a relationship that will lead to a successful application for a loan. Once a loan is received relations are likely to be strained when the agent now wants the loan repayment.

Mwangi (1975) in his study, to evaluate the role and performance of the shopkeepers in central province, conducted two surveys, the first one, "consumer opinion on small scale African

shopkeepers" and a second entitled "Salesmen's opinion on small scale African shopkeepers". The first one was aimed at assessing the performance of these shopkeepers from the eyes of the consumer while the second assessed them as they were seen by the salesmen. In addition to these two Mwangi also established a "standard of efficiency" (Mwangi, 1975, P.13), that cultural constraints have. This included (a) monthly sales turnover of goods, (b) accurate records of business transactions, (c) method and practice of purchasing which reduced amount of dead stocks, (d) the shop's appearance and use of displays as a selling tool. By using these four criteria it was possible to evaluate the performance of these businessmen and find out the problems afflicting them.

Mwangi concluded that these businessmen played a vital role by creating increasing job opportunities and acting as training grounds for future entrepreneurs in addition to the utilization of personal savings and other resources and putting them to productive use.

Like other researchers in this area Mwangi found that "lack of capital was repeatedly mentioned more than any other problem. Some of the small scale shopkeepers even disregarded any other problems." Further probing and analysis indicates that the root cause of problems facing these traders is to be found in their cultural background and the inadequacy of business training (Mwangi, 1975, P. 182). Thus Mwangi recommends extension service to small scale African shopkeepers, and the development of an organization for small scale business development, preferably under

ICDC with two arms focusing on the development of small scale industries, and small scale shops.

This shows that Mwangi like Harper, feels the problem that faces the African businesses is not capital but the inefficient use thereof and suggests an individual extension service to these small scale retailers. He further argues that cultural constraints have militated against the performance of African businessmen and this problem would also be overcome by the extension service.

Marris and Sommerset (1971) found that two thirds of all the Kenya businessmen they interviewed believed that their most important problem is shortage of capital and "few of the country shopkeepers thought of any other problem worth noticing".

Garlick says that in some parts of Ghana children who are born on the day a loan is granted are specially named for the event (Garlick, 1959, P. 33). Garlick appears to take at face value the belief of traders in Kumasi when he suggests that more loans, low interest rates, more guarantees and more lenient security requirements would be the best remedies that could be provided for the problems as he saw them (Garlick, 1959, P. 97).

McCrory concludes from his detailing survey of small businesses in one town in northern India that the need for capital was the principle reason for the lack of success of this sector (McCrory, 1956, P.3).

Bosa (1966) observed that, among the many problems which confront small scale enterprise in underdeveloped - as in developed - countries, few have proven to be as difficult to solve as those

of financing. And where African small businesses are concerned, these problems are even many, many times fold more intractable. He found that small business in Uganda - as in other parts of the world - depended very heavily on self finance. In other words, family finance was the largest source of the highly successful businesses in Uganda. However, Bosa, established that where African businesses are concerned, this fundamental source of finance for small businesses would seem to be a closed avenue.

Kessio (1981) found that the most recurring problem mentioned by the businessmen interviewed as the most important in hampering the success of their businesses was the lack of finance.

De Wilde, in a sample of seventeen countries in African confirms that a majority of African businesses consider financing their principle problem. He contends, however, that financing difficulties "reflect more basic problems of inadequate business skills and training" (De Wilde, 1971, P. 17). He therefore, advocates that financing of African businessmen should be accompanied by effective measures to access the capacity for entrepreneurship (De Wilde, 1971, P.18).

Otieno (1988) observed that the major business problems on initiation included lack of adequate capital, finding suitable working premise, finding customers, getting tools and implements, getting raw materials, getting skilled workers, high license fee, and lack of trustworthy employees. He concluded that small businesses suffer from inadequate institutional financing because of the aforesaid reasons, therefore making capital funds destined

for such enterprises lie idle. Institute for Development Studies

The above researchers views were correctly summarised by Parris when he stated that "ask any small African businessman what his principle problem is, and he will invariably say "money" or lack therefore" (Parris, 1968, P. 56). One such

The belief that the most pressing problem of small scale businessmen is shortage of capital is not confined to Kenya. It is more widespread. In New Guinea the small scale shopkeepers cannot understand why agencies set up to promote small business want to discuss profits, market, and such things when all they believe to be necessary is a loan (Harper, 1974, P.76). Even in a developed country like in the United States, lack of capital is still considered by small businessmen to be their major difficulty (Harper, 1974, P.77). promoting the development of small business

It is important to note that in order to assist small Indigenous businessmen to use their resources efficiently and to meet increasing challenges, the financial assistance institutions, whether government or private, will have to expand and improve facilities for providing technical assistance, training and education (Geiger and Armstrong, 1964, P. 106).

During research on the development of private businessmen in Africa both Geigner and Armstrong observed that "virtually all African Governments have been better organized and more successful in training and education than in financial assistance programmes" (Geiger & Armstrong, 1964, P.91). out of successful businessmen.

As mentioned earlier on, the Institute for Development Studies (IDS), University of Nairobi undertakes research on the social sciences, and on small African businesses in particular. In addition the International Bank of Reconstruction and Development (IBRD) has also done some good work in this area. One such research and unpublished report deals with "Small Business Development in Kenya" (Republic of Kenya, 1972).

This report is one of the interesting works by I.B.R.D. which is relevant to this Paper. The report focuses on the problems that confront African small scale businessmen, describes and evaluates those institutions set up to promote and help African traders and makes specific recommendations. One such recommendation is the suggestion that there is a need for individual extension service which are necessary for promoting the development of small business as advocated by Harper in a paper entitled "An approach to staffing a small business extension service" (Harper, 1973).

The Institution for Development Studies in their paper, "The Social Barriers to African Entrepreneurship" (Marris 1968), tackles the social cultural problems that confront small scale African businesses.

It is often contended, especially by Non-African researchers that the obligations inherent in a traditional society where extended family system prevails seriously inhibit the success and growth of African businessmen. Although these kinship ties might on the surface impede the development of successful businessmen, they could be turned to great advantage. Such kinship ties could

play an important role in contributing to other members of the family when starting a business. "Virtually all the surveys on African business enterprises that have been made testify to the importance of family contribution to initial financing (Geiger & Armstrong, 1964, P. 34). Bauer (1963), in his book, discusses in detail the specific factors which influenced the development of West African trade, with an emphasis in Nigeria. In this book he also looked at the major constraints confronting the development of small scale African retailers and assets that cultural problem especially obligations of a traditional family could either be a deterrent or an advantage to the African trader.

Nypan, writing on a sample of businessmen in Accra concludes "they regard their businesses as a sort of receptance from which money should be withdrawn when it is needed for education, funeral expenses or other family requirements (Nypan, 1959, P. 37).

With these activities will it be unrealistic to expect these businessmen not to withdraw their profits for these and pressing needs for their families and, at time, the society in which they live. It will be rewarding to borrow what Harper says:-

Efforts to improve the performance of small scale retailers should avoid criticising such behavior, but should equip businessmen with the necessary techniques so that they know what they are withdrawing, and control it, and so that they know what they are withdrawing, and control it, and so that they are able to evaluate the specific reinvestment alternatives that may offer them (Harper, 1974, P.47).

De Wilde in his study observed that many small scale African businessmen experienced a major conflict regarding objective and impersonal considerations, which were considered prerequisites in

extending credit facilities (De Wilde, 1971, P.16).

Mwangi (1975), in his research to evaluate the role and performance of the shopkeepers in Central province, found that shopkeepers attributed the failure of their emerging colleagues to indulgence in traditional relationship - for instance, conceding to numerous demands by the extended family members, sometimes marrying more than one wife, and excessive credit to customers.

Bosa (1969) in his book looks at the Asian's joint family system which permits the generation and conservation of capital then he contrasts it with the African open system of extended family which diffuses resources. He argues that those affluent members of the African society can comfortably live apart from their extended family and the rest of the other members of her society. This, however, is not possible for the rural area shopkeeper with his relatives next door. He will therefore experience a lot of pressure from the relatives, most of these pressures will not be to the benefit of the business but rather detrimental to it - either through prestigious investments or uncontrolled credits to the rest of the members of the extended family.

This point of excessive credit to customers was realized by Marris and Sommerset when they remarked:-

There was ample evidence to show that excessive credit to customers was the commonest reason for failure. Forty - seven of their respondents attributed the failure of shopkeepers to giving excess credit to customers (Marris & Sommerset, 1971, P. 237).

Harper (1974), observed that the amount granted by the 76 percent of the sample of 169 who offered credit to their customers amounted on the average to 20 percent of one month's sales. This excessive credit to customers is a heavy strain on working capital, which if not corrected in time, might hamper improvement and expansion of their businesses. Mbuvi (1983), established that size of the family was cited as one cause of business failure in Machakos district. He found that the bigger the family the bigger will be the expenditure. Thus the big family will eventually make heavy demands not only on school fees but also on the food budget, clothing, health, bigger living house, and so on.

From the foregoing, it is true that the Africa entrepreneur is torn between his traditional way of life and the demanding and risk business environment. Any measure either evaluative or assistance will have to be taken with caution bearing in mind that any violent and too sudden measures that appear too harsh and foreign to the African ways of life may be resisted and prove negative to the business development instead of helping the developing of these businesses.

De Wilde in his report on major problems faced by African businessmen in seventeen countries of Africa confirms that "virtually all surveys on African businessmen have concluded that inadequate management is the crucial factor" (De Wilde, 1971, P. 12).

Geinger and Armstrong in their book, *The Development of African Private Enterprise*, attempted to examine the major problems confronting African private businessmen, especially in West and East African and the assistance programme that were meant to overcome the problems that were in existence. They concluded that,.... "Inadequate skills constitute a more serious - though less intractable - problem than capital, for skill can be often substitute for and in itself is a major source of increased productivity and growth". These two authors go further and contend that:-

Shrewdness, common sense, and a "good head for business" can more often make up for the lack of formal instruction or training in management techniques and business methods. Africans possess these qualities as much as do members of other human societies: and those with no aptitude for entrepreneurship are eventually eliminated by competition and the disciplines of the market economy (Geiger & Armstrong, 1964, 49 - 50).

Hawkins (1965) studied wholesale and retail trade in Tanganyika and found out that there are three prime reasons why African traders have not progressed beyond their present stage in wholesale and retail trade. He mentions lack of commercial experience and basic knowledge of trading techniques as some of these reasons. He concludes that for both the large and small African traders, the most important requirements seem to be advice and instruction, though the most frequently heard request is for loans. He suggests that priority should be given to increased commercial education and instruction as there are hundreds of small shopkeepers who are just managing to make a living out of their

shops and will never make a real success of them, unless they are shown the elementary techniques of running a shop efficiently. He emphasized above everything else training and follow - up service in the form of commercial extension service comparable to Agricultural extension service (Hawkins, 1965, PP. 153 - 155).

Hirsch (1961, P. 256), found that the Northern India small retailers did not know how to use funds for expansion because of their low managerial ability that limits the size of their businesses. The lack of capital is apparently not the main problem in Indonesia (Geertz, 1974, P. 74), so much as the lack of ability to organize into one enterprise the diverse range of economic activities that make up a small retail business.

It is true that capital may be scarce in most of these cases of the small scale enterprises but as Geiger and Armstrong (1964, P. 49) point out skills may be what is needed most for skills may even increase actual productivity and prosperity may increase. But of course the reverse is most unlikely - thus with more of capital and less of skills, the capital is likely to be wasted and eventually the business collapses.

Dun and Bradstreet (1974) in their study in West Africa showed that lack of experience and management skills was a contributing factor in nine out of ten business failures. They also found that small scale businesses compete for labor with larger organizations that pay more and offer greater benefits.

Inadequate business management skills was cited as a cause of business failure in Machakos district (Mbuvi, 1983). This point

was recognized by Machakos District Trade Development officer when he put it:-

the traders have engaged themselves in diversification unnecessarily on purely prestigious investments with little profit motive, and no proper records of withdrawals by themselves or even credits given to customers (Mbuvi, 1983).

Obviously this is not the best way to run a profit making organization and failure is the most likely result in such a situation. Therefore the small scale African businessman has to realize or be made (through education) to realize that he or she has to be a serious business manager.

Okelo and Inukia (1972) in their study entitled "Rural Enterprise Survey in Nyeri District" concluded that African small scale businessmen are affected by lack of experience, ambitions, higher education, social contacts and that they give business less than their full - time attention.

Another factor contributing to the inadequate business skills relates to the businessmen's level of education.

Aluko (1989), in a study of small scale entrepreneurs in West Africa revealed that most of the managers / owners do not have basic education. In Nigeria for example, studies showed that 90% of the rural small scale entrepreneurs had less than primary 6 education while 44% were virtually illiterate. In Sierra Leone, over 75% of small scale proprietors did not have any formal schooling.

There is hope in the near future that small scale African businesses stand to gain because of the increased work of scholars

in this area, as more and more authors write on this subject. These will add to the already existing works not forgetting the work of Kilby (1962, P. 259) which identifies the deficiency of managerial and technical skills as the greatest impediment to indigenous entrepreneurs in Nigeria. He then goes further and asserts that until this impediment has been removed "loaning activities will bear little fruit".

Staley and Morse also seem unhappy about this idea of loans and hold the new view that "loans must be denied until proper records are kept" (Kilby, 1962), and Sir W.A. Lewis state that in Ghana: "African enterprises cannot be built up simply by lending Africans money. To lend money to entrepreneurs who lack managerial capacity is merely to throw it down the drain" (Lewis, 1971, P.120) and Hawkins (1965) recommends that loans should be given to a selected "few" after instruction on effective use. Mwangi (1975, P.95) carried out his study in Central Province and found that shopkeepers did not keep adequate books of accounts or business - records - that would provide useful information or running the business from day to day. The few who kept these records did not even make use of them. They rather wanted to show them to the financial institutions to secure loans. This is a problem that has to be overcome by showing these traders that proper record keeping is an aid to proper running of the business rather than an aid in getting loans.

This point was realized by Ross et.al when they remarked: "Business success and good record keeping go hand in hand. Poor

record - keeping may not cause a business to fail, but many failures result from causes that good records could have prevented" (Ross, Joe and Gores, 1970, P. 25).

Maalu (1990, P.70), found the prominent record keeping problems to be:

- Little or no control over stock
- Incomplete or non existent records
- Poor understanding of the significance of cashflows and working capital analysis.
- Failure in the use of accounting statements to plan for the future and
- Failure to understand simple accounting language.

A study by Robert Gichira and Dickson (1987) on problems facing entrepreneurs in Kenya revealed that the major contributing factor to the lack of growth (success) in the small enterprises is the failure to manage their businesses efficiently. This inefficiency they observed is caused by lack of proper records of their business activities. This study which was based on the 52 enterprises under ILO project of "Improve Your Business", found that most of the businesses exhibited lack of accounting records even after they had received training on record keeping. Wangai, studied the relationship between the practicing accountant and his small business client. He found that 81 percent of the small businesses he studied prepared financial records only for tax returns. He recommended that the accountant should be prepared to scrutinise the services they offer their small business clients

with a view of making them appreciate the importance of records as a means of planning and control (Wangai, 1982).

The above literature reviews that the record keeping in the small enterprise sector is deficient and that the small enterprise do not keep sufficient books of accounts.

It should be noted, however, that despite lack of proper keeping of books of accounts, small scale Indigenous businessmen on the whole have a high propensity to save. This stresses the importance of ploughing back all the profits. Traditional societies are well known for their ability in accumulating savings from their meagre resources as Geiger and Armstrong noted in many part of Africa (Geiger & Armstrong, 1964, P. 46).

It is good before we leave this point on savings to make an observation by Mwangi (1975) and Harper (1974).

Mwangi (1975) in his study to evaluate the role and performance of the shopkeepers in central province, found that among the shopkeepers interviewed only 40 percent had bank accounts of saving accounts. In a similar study by Harper amongst 169 shopkeepers only 36 percent had bank or saving account (Harper, 1974, P.100). Many of these shopkeepers were more familiar with keeping money themselves, sometimes under a bed mattress or some such hidden place, then in banks. However, currently the traditional practice of hoarding money is dying out because of increase in the network of commercial banks and risk of theft.

Inukai (1973, PP. 88-89) study of licensing Practices for Small Scale Firms has shown that the law discriminants against those

firms (Small scale businesses) which are unable to meet production standards or working conditions prescribed by laws designed by former colonial government to exclude native Kenyans from manufacturing enterprise. Further the business license fees charged seem quite arbitrary if not discriminatory, bearing no obvious relationship to the income earning capacity of firms. He further observed that the building codes established to meet aesthetic, architectural, and engineering standard's imposed by the former colonial government and based on British condition, are excessive in comparison to the technical needs of enterprises and create an impediment to entry and growth. This point of too many restrictions on the activities of small scale businesses was realized by Harper when he observed that:-

the restrictions that apply to large scale business were also applied to all businesses and tended to hamper the small ones (Harper, 1973).

He noticed that there were multiple licenses given by the central as well as the local authorities. This tended to complicate licensing as professor Elkan noted in his paper on "System of Trade Licenses" (Elkan, 1973, P. 28).

Mbuvi (1983) in his study on the cause of business failure in Machakos district, found the licensing of businesses to be defective because it allowed the wholesaler a retailer's license. This does not only permit the wholesaler to compete with small scale businessmen but also enables the wholesaler to hoard the goods and sell them at times at a premium to the retailers or refuse to sell them especially fast moving items.

The small indigenous businesses are also faced by a variety of marketing related problems as observed by the following scholars.

Mbuvi (1983) in his study observed that hawkers were seen as a cause of business failure by some businessmen. These businessmen argued that these hawkers were being unfair to them for they paid minimal fees and were free to move to all the market centres in the district thus posing unfair competition to the "stationary" businesses. In addition they argued, hawkers get trade credits from the rich Asians in Nairobi and in this way Asians have managed to carry out businesses in both the urban and rural areas to the detriment of the unexperienced and relatively poorer Africans.

In a survey conducted by Ngotho wa Kariuki in River Road area of Nairobi.... "out of 45 traders questioned about this competition from hawkers, 40 were of the opinion that the hawkers should be banned. The other 5 did not mind them. These five had big businesses and they argued that some hawkers bought their stock from them. Banning them would harm businesses of these five". The other traders obviously do not see the same issue as such and to them "Hawkers and street traders sell the same things we keep in the shops. Therefore they compete against us. They pay no tax for their trade and also they pay no rent. It is a bad competition" (Kariuki, 1975, PP. 98-99).

But of course the hawkers hold a different view and see no reason of the small scale trader's complaints.

Child (1973) in a study entitled "An Empirical Study of Small Scale Rural Industry in Kenya", found that among the firms studied, the most frequently mentioned complaint was with respect to transport, lack of good roads or access to services of common carriers. He recommended that more and better roads, together with availability of electricity, would cut costs and raise the productivity of the workers of the firms studied.

Hugh in his report on the problems of the African Trader also realized this problem of transport when he remarked:-

One of the major problems of African trading, whether of a wholesale organization or of the small petty trader, is the costliness of transport (Hugh, 1955).

This point of defective distribution system was also recognized in Mbuvi's study by the District Development Officer when he Noted:-

"Wholesalers have retail licenses and these will unfairly compete with small sale Africa traders who may not even get supplies when they want them" (Mbuvi, 1983).

It is true if there is shortage of supplies the wholesalers will not sell to the retailers and this hurt the later's goodwill with their customers leading to possible losses because of lost patronage. The distribution system was not helping the small scale traders because agents were either not enough or if they were did not carry the whole range of supplies.

Closely related to the above is the wholesale problem as described by Hugh in his paper, "The problems of the African Trader". He argues that there appears to be three components and interrelated parts to the wholesale problem as it affects the

African trader. He says they all stem from the limited source of supply, the inevitable Asian Channel. They are:-

- (i) the price at which he can purchase goods,
- (ii) the range of goods which he can purchase and
- (iii) the cost of transporting goods.

Hugh argues the remedy to these problems is in the introduction of an African wholesaling facilities.

A study by Kessio (1981), on the problems facing the small businesses and the effects of management training on the performance (in Nandi district) found that, among the businessmen interviewed, some gave market saturation of traders as one reason hindering their growth the businessmen argued that due to the above, there is insufficient number of customers to sustain a business.

Mwangi (1975), in study to evaluate the role and performance of the shopkeepers, found that inability to determine the right sizes, quantities, and assortments to stock to satisfy client of a given shop was found to pose a real difficulty with many small and large African shopkeepers. Customers often expressed dissatisfaction because certain common commodities were often out of stock, especially in small sized shops. Harper made the same observation that many shopkeepers were more interested in impressing their colleagues and customers with large stocks of goods, both fast and very slow moving, than with profit margin and stock turnover (Harper, 1974, P.105).

As pertains display by these businesses Harper noted that one - third of 169 shopkeepers interviewed appeared to be filthy and totally without order in their display. This a reflection of the feeling that display was not considered an important tool of selling, especially to new customers.

The products offered by rural small scale industry in Kenya are not the sort that would sell readily in the markets of London or New York nor to high income consumers in Kenya (Inukia 1973). But it should be noted that similar firms produce and sell similar products for the benefit of lower income consumers in Nairobi or other urban centers of Kenya.

Inukai, says these products using the economists jargon are "inferior goods". This unfortunate term does not necessarily mean that the quality of the good is inferior. Although it might be: the technical definition of an inferior good is "one purchased by consumers in lower income brackets for which there is a higher price substitute purchased by higher income consumer." The implication is that demand for an inferior good declines as income rise. He further argued that as Kenyan economic growth proceeds, one may expect that simple hand made furniture, currently selling in a growing market, will be replaced by factory - made articles finished to a high gloss after construction by specialised skilled craftsmen using modern and efficient wood working machines. Similarly, the hand made clothing and shoes will be replaced by factory and machine made articles, while the charcoal stoves of the blacksmiths will disappear in favor of modern cookers. But all of

this will surely be a long time coming. Economic growth and the achievement of affluence is a slow process and will take literally generations. The market for "Inferior goods" will be with us in the meantime. Indeed it may be expected to grow. As the economy develops and the presently poor achieve higher incomes, they will be replaced on the income scale by the presently very poor who will become less so.

Cooper (1966), observed that there are five problem areas often said to face small companies when they attempt to develop technically advanced new products. They are:

- (i) Creative development requires people of considerable education and unusual abilities. Small companies have tremendous difficulty in recruiting and keeping such people.
- (ii) Even if a small company attracts a good engineer to its staff, it is unlikely to have such success in developing advanced new products. Such an engineer will lack the benefits of "team research" and will often have to interrupt his long - range development plans in order to solve short - range problems.
- (iii) Even if a small organization is able to develop a significantly advanced new product, it is unlikely to have the resources needed to exploit it.
- (iv) A small company may be lucky in that some of its early efforts to develop advanced new products may be fruitful.

However, it can seldom afford to support very many such projects, and it can almost always lack the resources to support a "run of bad luck". The risks in this kind of activity are enormous for the small company.

(v) Even if a small company is successful in developing and exploiting a new product, it is likely to face formidable competition from large companies which enter the field.

Thus Cooper was able to conclude that the development of advanced new products is an activity which every small manufacturer could and should undertake. There are three attributes which are probably essential for this strategy:

- (i) The presence of at least one highly creative technical person in the organization.
- (ii) An attitude - primarily, an enthusiasm for emphasizing product development as a major element of strategy - among the chief decision makers in the company.
- (iii) A willingness to take risks.

3.2. THE SAMPLING PLAN

It was not possible to draw up a sampling frame due to difficulties in getting a good enough estimate of the number of these businesses in Kitul town. This was partly due to the informal nature of some of the businesses.

CHAPTER THREE

RESEARCH DESIGN

3.1. THE POPULATION

The population of interest in this study consisted of all small scale indigenous businesses operating in Kitui town and the respondents were the owners of these businesses.

The businesses were grouped into three categories as follows:

- (i) Manufacturing
- (ii) Service
- (iii) Merchandising

Kitui town is the district headquarters for Kitui district. Kitui town was selected because of the following reasons:

- (i) It is convenient to the researcher.
- (ii) Due to time and money constraints, it was not possible to carry out the study in the whole district and
- (iii) Since Kitui town is smaller compared to other towns like Nairobi, Mombasa and Nakuru, it was appropriate to carry out the study in the whole of Kitui town.

3.2. THE SAMPLING PLAN

It was not possible to draw up a sampling frame due to difficulties in getting a good enough estimate of the number of these businesses in Kitui town. This was partly due to the informal nature of some of the businesses.

conducted by the researcher and his assistant over a period of three week. It was suspected that some of the respondents did not know how to read and write. It was therefore, necessary for the researcher and his assistant to read and where necessary translate the questions to the respondents and fill in the blanks on their behalf.

3.4. DATA ANALYSIS TECHNIQUES

Section A and C of the questionnaire was analyzed through the use of percentages and proportions to facilitate interpretation and discussion of the findings.

Section B was analyzed by the use of principle component analysis (Factor analysis) for the purpose of identifying and naming the underlying problems faced by the businessmen.

The general objective of factor analysis is to summarise a (large) set of the variables by creating a smaller number of variates or factors that are defined in terms of the original variables. This small number of variates is derived such that the maximum amount of information available in the original variables is retained in the smaller number of factors.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1. SURVEY OF THE BUSINESSES

The main objective of this study was to identify the problems faced by small scale indigenous businesses as perceived by the owners. This part of the chapter presents the empirical findings based on questions in section A of the questionnaire. Data for this part is summarised and presented in terms of proportions and percentages.

Out of the 82 businesses who were approached and responded, only 45 responses were considered usable. These were owner managed businesses.

Table 4. 1.

TYPE OF BUSINESS OWNERSHIP

	Frequency	Percentage(%)
Individually owned	16	35.6
Family Partnership	20	44.6
Non-Family Partnership	9	20.0
Total	45	100

Source Research Findings

From the above table, it can be deduced that most of the businesses were individually owned or fall under family partnership (80%).

From the above table, Table 4:12 deduced that over 60% (61.3%)

of the owners had TYPE OF BUSINESS ACTIVITIES on, while over 20%

	Frequency	Percentage(%)
Manufacturing	6	13.3
Service	16	35.6
Merchandising	23	51.1
Total	45	100

Source Research Findings

Most businesses fall under merchandising category (over 50%). Next was service based businesses (36%); This is true given that such businesses require little initial capital to start.

Table 4: 13

OWNER'S LEVEL OF EDUCATION

	Frequency	Percentage %
No Schooling	10	22.2
Std 1 - 5	7	15.6
Std 6 - 8	12	26.7
Form 1 - 2	3	6.7
Form 3 - 4	8	17.8
Above Form 4	5	11.0
Total	45	100

Source Research Findings

From the above table, it can be deduced that over 60% (64.5%) of the owners had less than secondary education, while over 20% (22.2%) were virtually illiterate. This finding support Aluko's (1989) study of small scale entrepreneurs in West Africa, which revealed that most of the owners (business owners) did not have any basic education. In Nigeria, for example, Aluko found that 90% of the rural small scale entrepreneurs had less than primary 6 education while 44% were virtually illiterate.

Table 4:14,
NUMBER OF ASSISTANTS / EMPLOYERS.

	Frequency	Percentage (%)
Less than 2	18	47.4
More than 2 but less than 10	12	31.4
Above 10	8	21.0
Total	38	100.0

Source. research Findings.

Most of the businessmen interviewed had assistants (84%). Majority of the businesses fall under the survival and micro enterprise subsectors (79%) according to Farman and Lessik (1989) classification. Thus majority were informal in nature.

Table 4:15
NUMBER OF YEARS IN BUSINESS.

	Frequency	Percentage (%)
Less or equal to 5	26	57.7
More than 5 but less than 10	10	22.3
Above 10	9	20
Total	45	100

Source. Research Findings

Most of the businessmen had less than 5 years of business experience (Over 50%). By all standard's one is obliged to say they lack business experience and possibly went into business due to lack of employment in the formal sector. From observation this category comprised of young and retired businessmen. Lack of business experience was clearly emphasized as one of major problems faced by small scale businessmen in chapter two. For instance Dun and Bradstreet (1974) in their study in West Africa showed that lack of business experience and management skills was a contributing factor in nine out of ten business failures. Mbuvi (1983) in his study of causes of business failure in Machakos district cited inadequate business experience and skills as a cause of business failure in the district.

Table 4:16
SIZE OF THE FAMILY

	Frequency	Percentage (%)
Less or equal to 5	9	25
More than 5 but less than or equal to 10	15	41.7
Above 10	12	33.3
Total	36	100

Source. Research Findings.

80% of the businessmen interviewed had a family. From the table above, it can be deduced that 75% of the businessmen with families had a family of more than 5. It should be noted that size of the family in this study is measured by the total number of children and wives. A big family size was cited as one of the problems faced by small scale businessmen.

Harper (1974) had this to say as concerns the size of the family:

"A big family size is a heavy strain on working capital". Mbuvi (1983) established that size of the family was cited as one cause of business failure in machakos district. He found that the bigger the family the bigger will be the expenditure, thus the big family will eventually make heavy demands not only on school fees but also on the food budget, clothing, health, bigger living house, and so on.

Over 70% (71.1) of the businessmen interviewed had no bank or savings account. This supports what Mwangi and Harper found in their studies. Mwangi (1975) in his study to evaluate the role

and performance of the shopkeepers in Central province found that among the shopkeepers interviewed only 40% had bank accounts or savings accounts. In a similar study by Harper amongst 169 shopkeepers only 36% had bank or savings accounts (Harper, 1974 p. 100).

Table 4:17
CROSS - TABULATION OF TYPE OF BUSINESS WITH NATURE OF BUSINESS OWNERSHIP.

	Individual owned Freq. %		Family Part- nership Freq. %		Non-Fami- lily parter Freq. %		Total Freq. %	
Manufacturing	2	4.4.	2	4.4	2	4.4	6	13.2
Service	7	15.6	9	20	1	2.2	17	37.8
Merchandising	7	15.6	9	20	6	13.2	22	49
Total	16	35.6	20	44.4	9	20	45	100

Source. Research Findings.

From the above table the following can be observed:

Among the businesses which fall under manufacturing, they were evenly distributed among the three types of business ownership.

Majority of the service oriented businesses were family partnerships. Again under merchandising majority were family partnerships with individual ownership taking the second position.

Table 4:18.

CROSS - TABULATION OF NATURE OF BUSINESS OWNERSHIP WITH NUMBER OF EMPLOYEES.

	X ≤ 2 Freq. %		2 > X ≤ 10 Freq. %		X > 10 Freq. %		Total Freq. %	
Individually owned	7	18.4	4	10.5	3	7.9	14	36.8
Family Partnership	9	23.7	3	7.9	3	7.9	15	39.5
Non-Family Partnership	2	5.3	5	13.2	2	5.3	9	23.3
Total	18	47.4	12	31.6	8	21	38	100

X: Number of employees

Source. Research Findings.

Among the individually owned businesses, majority had less than or equal to two employees. Thus majority fall under the survival subsector. Again among the family partnerships majority had less than or equal to two employees.

Among the non - family partnerships, majority had between 2 and 10 employees. Thus majority fall under micro - enterprise subsector.

Table 4:19.

CROSS - TABULATION OF TYPE OF BUSINESS WITH SIZE OF THE FAMILY.

	x < = 5		5 > x < = 10		x > 10		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq	%
Service	4	11.1	5	13.9	2	5.6	11	30.6
Merchandising	3	8.3	9	25	7	19.4	19	52.7
Manufacturing	3	8.3	2	5.6	1	2.8	6	16.7
Total	10	27.7	16	44.5	10	27.8	36	100

X: Size of the family.

Source. Research Findings.

From the above table, the following can be deduced:

Among the service oriented businesses, majority had a family size of less or equal to 10

Under the merchandising category, majority had a family size of more than 5 and among the manufacturing businesses half of them had a family size of less than or equal to 5, with only one with a family size of above 10.

4.2 FACTOR ANALYSIS.

Factor analysis was done on section 2 of the questionnaire.

The results are presented below.

Table 4:20

CROSS - TABULATION OF TYPE OF BUSINESS WITH YEARS IN BUSINESS.

	X≤2		2 > X ≤5		5 > X ≤10		X > 10		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq. %
Manufacturing	5	11.1					1	2.2	6 13.3
Service	2	4.4	11	24.4	2	4.4	1	2.2	16 35.4
Merchandising	6	13.3	10	22.2	5	11.1	2	4.4	23 51.1
Total	8	17.7	26	37.7	7	15.5	4	8.8	45 100

X: Number of years in business.

Source. Research Findings.

Most of the owners of the manufacturing oriented businesses had businesses experience ranging from 2 years but less than 5 years. Majority of owners of service based businesses also had an experience falling under greater than 2 but less than or equal to 5 category.

4.2 FACTOR ANALYSIS.

Factor analysis was done on section B of the questionnaire. The results are presented below.

Table 4:21

PROBLEMS IN THE QUESTIONNAIRE.

1.	Lack of adequate funds to start a business.	1
2.	Shortage of working capital	2
3.	Unlienient security requirements for loans.	3
4.	High loan interest rates.	4
5.	short loan credit periods.	5
6.	Complicated paperwork by lenders.	6
7.	Management of loan funds.	7
8.	Management of working capital.	8
9.	Big family size.	9
10.	Excessive credit to customers.	10
11.	High private withdrawals from the business.	11
12.	Lack of trusted assistants.	12
13.	Prior business experience.	13
14.	Formal education.	14
15.	Formal business training.	15
16.	Proper business records.	16
17.	Lack of skilled workers.	17
18.	Unfair competition from hawkers.	18
19.	Competition form others in the same business.	19
20.	High transport costs.	20
21.	Poor distribution system.	21
22.	Lack of credit from suppliers.	22
23.	Lack of customers/market.	23
24.	Suppliers not carrying all the assortments required.	24
25.	Quality products.	25
26.	High rents.	26
27.	High license fees.	27
28.	Disturbance by Kitui county council Askaris.	28
29.	Too many business restrictions.	29
30.	Drought / Famine.	30

Table 4:22 below shows the summary statistics relating to the variables (problems) of the second part of the questionnaire. It gives the average, mode and standard deviation.

Table 4:22.
THE SUMMARY STATISTIC OF SECTION B OF THE QUESTIONNAIRE.

Problem	Sample Average	Standard Deviation	Mode	Variable Number
1	4.2	.60	4	1
2	4.2	.70	4	2
3	3.4	.70	3	3
4	4.0	.74	4	4
5	4.0	.80	4	5
6	3.0	.86	3	6
7	3.1	.80	3	7
8	3.7	1.19	5	
9	3.6	.98	4	
10	3.7	.94	4	8
11	3.8	.86	4	9
12	3.2	.95	4	
13	3.3	.86	4	10
14	3.1	1.00	4	
15	3.3	.94	4	11
16	3.7	.84	4	12
17	3.4	1.00	4	
18	2.9	.92	4	13
19	3.4	1.03	4	
20	3.5	.99	4	
21	3.6	.94	4	14
22	3.6	.94	4	15
23	3.6	.68	4	16
24	3.2	1.05	2	
25	2.9	.98	3	
26	3.4	1.09	4	
27	3.8	1.08	4	
28	3.0	1.04	2	
29	3.6	.75	4	17
30	3.5	.87	4	18

From the above the following problems, 1,2,4,5,8,9,10,11,16,21,22,23,27,29, and 30 on average were indicated as important by the businessmen. Thus, on average, lack of adequate funds to start a business, shortage of working capital, high loan interest rates, short loan credit periods, big family size, mismanagement of working capital, excessive credit to

customers, high private withdrawals from the business, improper business records, poor distribution system, lack of credit from suppliers, lack of market \ customers, high license fees, too many business restrictions and drought \ famine were considered as either very important or important.

However, the businessmen on average indicated the following problems 3, 6, 7, 12, 13, 14, 15, 17, 18, 19, 20, 24, 25 and 26 as either unimportant or somewhat or somewhat important. Thus on average, unlienient security requirements for loans, complicated paperwork by lenders, mismanagement of loan funds, lack of trusted assistants, prior business experience, formal education, formal business training, lack of skilled workers, unfair competition from hawkers, competition from others in the same business, high transport costs, suppliers not carrying all the assortments required, quality products, high rents, and disturbance by Kitui county council Askaris as either unimportant or somewhat important.

A study of the mode of each problem (variable) indicates that the businessmen considered mismanagement of working capital as very important. The businessmen, too considered the other problems (variables) as important except problems 3,6,7 and 27 which they considered as somewhat important. Where the mode is 2 it means that they indicated those problems as unimportant.

The statistical package used for analysis was limited to a 18 X 18 matrix. To eliminate the other 12 problems, the standard deviation was used. A lower standard deviation indicates that the

businessmen were consistent in their choice of response to that variable (problem).

The selected problem are in table 4:23

Table 4:23

PROBLEMS SELECTED	
Variable	Problem
1.	Lack of funds to start a business
2.	Shortage of working capital
3.	Unlienient security requirements for loans
4.	High loan interest rates
5.	Short loan credit periods
6.	Complicated paperwork by lenders
7.	Management of loan funds
8.	Excessive credit to customers
9.	High private withdrawals form the business
10.	Prior business experience
11.	Formal business training
12.	Proper business records
13.	Unfair competition from hawkers
14.	Poor distribution system
15.	Lack of credit from suppliers
16.	Lack of customers/market
17.	Too many business restrictions
18.	Drought/Famine

CORRELATION MATRIX (See Appendix 111)

From the correlation matrix in Appendix 111 which is the basis of generating the factors, variables (Problems) 6 and 10, and 9 and 13 were found to be highly positively correlated. The next variables (problems) to have a high correlation were 3 and 6 and 5 and 9. Variables (problem 2 and 4 and 12 and 17 are also correlated.

Variables (problems) 1,7,8,11,14, and 15 were weakly correlated with the rest of the variables (problems).

Table 4:24.

FACTOR ANALYSIS OF VARIABLE (PROBLEM) AND COMMUNALITY

Variable	Communality
1	.55
2	.51
3	.51
4	.55
5	.49
6	.59
7	.41
8	.42
9	.66
10	.55
11	.36
12	.76
13	.43
14	.36
15	.23
16	.46
17	.49
18	.58

The communality is the proportion of the variable's variation to the total variation that is involved in the factors. For example 76% of variable 12 is involved in the factors. It can be deduced that variable (problem) 7, 8, 11, 14 and 15 rank low in terms of their contribution to the factors. Thus it supports the correlation results.

Table 4:25

Factors	EIGEN		VALUES.		Cumulative %
	Eigen	Values	%	Variable	
1	2.85		15.9		19.9
2	2.23		12.6		28.4
3	2.08		11.6		40.0
4	1.54		8.6		48.6
5	1.47		8.2		56.8
6	1.23		6.9		63.6
7	1.17		6.5		70.1
8	1.04		5.8		75.9
9	.83		4.6		80.5
10	.72		4.0		84.5
11	.61		3.4		87.9
12	.52		2.9		90.8
13	.43		2.4		93.2
14	.36		2.0		95.2
15	.34		1.9		97.1
16	.21		1.2		98.3
17	.20		1.1		99.4
18	.11		.6		100.0

The measures in table 4:26 indicate how well each of the identified factors fit the data from all the respondents on all variables (Problems). This output measure consists of the eigen values, which is the sum of the squares of its factor loadings. Because the responses to the statements (problems) are standardized, the variable associated with responses to any problem (statement) equals 1. For example Factor 1 explains 15.9% of the total variation, Factor 2 explains 12.6% of the factor variation and so on. (problem 5).

Factor 4 is loaded heavily by variable 1 (problem 1) and variable 14 (problem 2) and factor 5 by variable 3.

Table 4:26.

INITIAL FACTOR MATRIX

	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5
1	.47	.12	.45	-.50	.12
2	.56	.39	-.02	.21	.18
3	-.43	.37	.54	.05	.08
4	.31	.66	-.25	.26	.28
5	-.06	.25	-.18	-.22	.74
6	-.22	.30	.65	-.16	.29
7	.20	.46	.27	-.34	-.24
8	.34	-.19	.37	.47	-.16
9	.07	-.63	.17	-.45	.24
10	.41	-.26	.39	-.05	-.24
11	.12	-.27	.38	.07	.27
12	.81	.21	-.18	.07	-.23
13	.41	.52	.53	.20	-.06
14	.09	-.41	.28	.50	.19
15	.23	-.02	.06	.30	.46
16	.32	-.52	-.27	.05	.36
17	.48	.18	-.20	-.12	.01
18	.64	-.22	-.15	-.39	.01

Table 4:27 shows the correlations between the factors and the variables. Variable 2 (problem 2), variable 12 (problem 16) and variable 18 (problem 30) load heavily on principal factor 1, while variable 4 (problem 4), variable 9 (problem 11) and variable 16 (problem 23) load heavily on the second factor.

Factor 3 is loaded heavily by variable 3 (problem 3), and variable 6 (problem 6).

Factor 4 is loaded heavily by variable 1 (problem 1) and variable 14 (problem 21) and factor 5 by variable 5.

Table 4:27

The following FINAL VARIMAX ROTATED FACTOR MATRIX

	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5
1	.12	.14	.82	.08	.01
2	.70	-.05	.15	.09	.13
3	-.05	.79	-.03	.00	-.03
4	.83	.06	-.10	-.21	.00
5	.24	.12	.15	-.72	.28
6	-.03	.75	.31	.07	.13
7	.24	.26	.42	.10	-.43
8	.13	.01	-.02	.65	.31
9	-.54	-.22	.49	-.09	.33
10	-.08	-.09	.39	.53	.08
11	-.11	.12	.22	.15	.46
12	.62	-.44	.27	.33	-.14
13	.24	.20	.29	.53	.20
14	-.08	.01	-.16	.36	.61
15	.29	.02	.00	-.04	.51
16	-.07	-.55	.09	-.10	.53
17	.40	-.30	.26	-.02	-.09
18	.11	-.55	.57	.03	.01

Rotated matrix gives the revised initial factor matrix after it had been orthogonal rotated using varimax. It attempts to simplify the columns of factor matrix by making all values close to either 0 or 1. This matrix represents the terminal solution of the factors.

In the final varimax rotated matrix (Table 4:28), variable 4 (problem 4), variable 2 (problem 2), variable 16 (problem 23) and variable 12 (problem 16) load heavily on factor 1. Variable 3 (problem 3) and variable 6 (problem 6) load heavily on factor 2; variable 1 (problem 1) and variable 18 (problem 30) load on factor 3; variable 5 (problem 5) and variable 8 (problem 10) load on factor 4 while factor 5 is loaded by variable 14 (problem 21).

The implications of this are as follows.

The following problems will constitute Factor 1:

- . Shortage of working capital
- . High loan interest rates
- . Improper business records
- . Lack of customer/market

The following problems constitute Factor 2:

- . Unlienient security requirements for loans
- . Complicated paperwork by lenders

Factor 3 arises out of the following problems:

- . Lack of adequate funds to start a business
- . Drought/Famine

Factor 4 arises out the following problems:

- . Short loan credit periods
- . Excessive credit to customers

The following problem constitute Factor 5:

- . Lack of formal education

4.3 SELECTED SOLUTIONS TO THE PROBLEMS

Data for section C of the questionnaire was analyzved by use of averages and presented in form of tables. The results are presented below.

SOLUTIONS SUGGESTED IN THE QUESTIONNAIRE

1. More loans.
2. Low interest rates.
3. Long credit periods.
4. Lenient security requirements
5. Proper management of loans and working capital
6. Low license fees.
7. Low rents/other rental payments.
8. Trustworthy employees.
9. Improved facilities for providing technical assistance, training and education.
10. Proper business records.
11. Minimal credit to customers.

12. Banning of Hawkers/Street sellers.
13. Good roads/Availability of electricity.
14. More credit form suppliers.
15. Improved distribution system
16. Distributors carrying all assortments.
17. Quality products.

Table 4:28.

SOLUTIONS BY ORDER OF IMPORTANCE.

Solution No. In The Questionnaire	Average Rank	Overall Rank
1	2.5	1
2	3.3	2
3	4.5	3
5	6.2	4
6	6.5	5
9	7.8	6
10	8.5	7
4	8.7	8
7	9.2	9
15	9.8	10
8	10.7	11
11	11.1	12
14	12.0	13
17	12.1	14
12	12.5	15
16	12.8	16
13	13.5	17

From the above table, it can be deduced that more loans was ranked as the most important solution to their problems overall. This is not by mistake because other scholars have come up with a similar finding as discussed in chapter two.

This finding supports the view by most businessmen that the most recurring problem hampering their success is the lack of capital

The other measures in order of importance are, low interest rates, long credit periods, low license fees, improved facilities for providing technical assistance, training and education, proper business records, Lenient security requirements and so on.

CONCLUSIONS AND RECOMMENDATIONS.

The main objective of this study was to identify the problems faced by small scale indigenous businesses as perceived by the owners. Among other things, this study was to come up with problems considered important or significant by the owners.

5.1 CONCLUSIONS

From the research findings presented in chapter 4 of this study, several conclusions may be drawn. These are discussed in light of the objectives of the study.

5.1.1 CONCLUSIONS ON THE SURVEY OF THE BUSINESSES.

From this section, it can be deduced that a greater proportion of the businesses visited were either individually owned or family partnerships and majority were trade oriented.

Most of the businessmen interviewed had less than secondary level education (over 60%) and that over 20% were virtually illiterate.

Majority of the businessmen interviewed, had assistants (over 80%) and a further classification of the businesses by number of employees revealed that most of the businesses (over 70%) fall under survival and micro enterprise subsectors according Farman and Lessik (1989) classification.

A greater proportion of the businessmen were new starters in business since over 50% of the businessmen had been in business for less than 5 years. This group comprised of youngsters whom did not get formal employment and retired old men and women.

Among the businessmen with families, a greater proportion had a big family. Over 70% of the businessmen had a family size of more than 5. As observed by Mbuvi (1983) the bigger the family the bigger will be the expenditure.

A greater proportion of the businessmen had no bank account or a savings account. Many of these businessmen were more familiar with keeping money themselves, sometimes under a bed mattress or some such hidden place, than in banks.

5.1.2 CONCLUSIONS OF THE FACTOR ANALYSIS.

According to the summary statistics, on average, most businessmen considered lack of adequate funds to start a business shortage of working capital, high loan interest rates, short loan credit periods, big family size to mention but a few as either very important or important as they affect them. They indicated suppliers not carrying all the assortments required and disturbance by the Kitui county council Askaris as unimportant.

The correlation matrix, indicates a strong correlation between complicated paperwork by lenders and high private withdrawals from the business, while prior business experience and proper business records were also highly correlated.

The correlation matrix formed the basis of the next stage of analysis, that is the initial factor matrix. This is where the factors are generated. In the initial stage, shortage of working capital, lack of customers / market and drought / famine loaded on factor 1, high loan interest rates and high private withdrawals

from the business loaded on factor 2, unlienient security requirements for loans and complicated paperwork by lenders loaded on factor 3. Factor 4 had lack of adequate funds to start a business and poor distribution system as significant while factor 5 was concerned with short loan credit periods.

After the final varimax rotation, the factors were generated, the most important factor was lack of working capital. The following problems contributed to this problem: high loan interest rates first restricted the owners from borrowing and secondly for those who had borrowed, it meant that more was spent for servicing of their debt. Improper business records meant that some money was channeled into other uses rather than for the expansion of the business and lack of customers / market meant that due to lack of sales the businesses were not generating enough working capital.

The next important factor is strict loaning program. This is due to unlienient security requirements for loans combined with complicated paperwork by lenders.

The third factor is lack of initial capital to start a business. To start any business requires initial capital. The lack of capital arose directly due to lack of adequate funds to start a business and indirectly as a result of drought / famine which in essence drains all available capital.

The fourth factor is management of credit, this results from the following problems, short loan credit period and excessive credit to customers.

The final factor is inadequate business skills due to lack of formal education.

Therefore the businessmen considered the following problems (factors) as important:

- . Shortage of working capital
- . Strict loaning programme.
- . Lack of initial capital.
- . Management of credit.
- . Inadequate business skills.

5.1.3 CONCLUSIONS ON SELECTED SOLUTION MEASURES.

From this section, it can be deduced that more loans was considered overall as the most important solution to the problems faced. This supports parris (1968) finding where he remarked:-

"Ask any small scale African businessman what his principal problem is, and he will invariably say "money" or lack thereof" (Parris, 1968,p.56).

But a word of caution will suffice here as observed by the following scholars:

Staley and Morse seem unhappy about this idea of more loans and hold the view that "loans must be denied until proper records are kept" (Kilby, 1962), and Sir W.A Lewis states that in Ghana: "African enterprises cannot be built up simply by lending Africans money. To lend money to entrepreneurs who lack managerial capacity is merely to throw it down the drain" (Lewis, 1971,p. 120) and Hawkins (1965) recommends the loans should be given to a selected "few" after instruction on effective use.

As pertains this issue of loans, my findings don't seem to differ from findings of earlier scholars in this area.

The other measures in order of importance were, low interest rates, long credit periods, low license fees, improved facilities for providing technical assistance, training and education to mention but a few.

5.2 RECOMMENDATIONS

From the conclusions above, the following recommendations can be made:

First the Family Planning Association of Kenya has a part to play in reducing the size of the Kenyan rural families. Government efforts in family planning through family planning field educators and material and Child Health units should be strengthened to control the high birth rates in the rural areas.

Recommended also, is a national development program aimed at reducing the effects of drought / famine, for instance, through Irrigation Schemes. These will reduce drought / famine so that the persistent drought / famine can be done away with, so that the seasonal fluctuations in business activity can be checked and a more stable and permanent business pattern achieved.

The fact that these men interviewed saw a loan as an important solution measure to their problems did not mean they necessary wanted a loan for the sake of it. Further probing showed that a loan was seen as the only assistance government would give. it never occurred to the businessmen that business management was necessary and could be offered by the government. Therefore an extension service is recommended whereby more business seminars should be offered to the businessmen, such will

ensure that what is learned in the seminar is internalized and used in the real business situation. The extension service needs a highly motivated and disciplined workforce who are ready to work on their own without being pushed. the extension service personnel will have to rededicate themselves and adapt a more positive approach to the service of their clients, as could be examined.

It is contended in this study that any viable technique for solving the problems faced by these businessmen will need a dedicated and disciplined personnel that will ensure not only the actual implementation of the extension service but also a constant follow up, to find out whether the results are similar.

5.3 LIMITATIONS OF THE STUDY, carried out on those businesses

This section discusses the limitations of the study, on owner. The nature of the respondents required that some of the questions or in some cases all, had to be explained in Kiswahili or in Kikamba. In this process, some of the original meanings could have been distorted. Further, the means of the questionnaire administration, that is, through interviews, meant that the interviewer had to give explanations to some of the questions which could complicate this problem, problems they consider important.

Due to limited time, only the owners of the businesses were interviewed. The findings could have been different if other personalities say the District Trade Development Officer were incorporated.

Not withstanding the above problems, the problems of finance was also to be contended with. It was soon realized the money

allocated by the sponsor for research was hardly enough especially for food and accommodation.

I am postgraduate student in the faculty of commerce of the

5.2 SUGGESTIONS FOR FURTHER RESEARCH.

From the findings of this research, it is clear that further research is necessary. The following areas could be examined.

The current study was conducted on businessmen in Kitui town. The findings as concerns the solutions to the problems they face might be unique to this particular town. Similar studies should be conducted in other parts of the country both in the rural and urban areas to find out whether the results are similar.

A similar study could be carried out on those businesses which are not owner - managed because this study centered on owner - managed businesses.

Finally, due to limitations encountered in this study (like time factor), it was not possible to incorporate other personalities apart from the owners of the businesses. A similar study should be conducted that can incorporated these other personalities who have direct interest in this sector in order to get their views as pertains the problems they consider important.

APPENDIX 1

Letter to the respondent.

I am postgraduate student in the faculty of commerce of the University of Nairobi. I am carrying out a study to find out the problems you face when carrying out your day to day operations of your business. ~~as provided for the most appropriate response~~

1. You have been selected to form part of the study. I kindly request you to assist by filling the attached questionnaire. The information you give is purely for academic purpose and will be treated with strict confidence.

2. What is the nature of ownership of your business?

Individually Your cooperation will be highly appreciated.

Family Partner Thank you in advance.

Non-Family Partnership Yours faithfully,

Other (specified) _____

John M. Kilonzi

Ngahu C.W.

MBA Student, have you been in this business? --- Supervisor, years.

4. What class did you reach in formal education?

No schooling ()

Std. 1 - 5 ()

Std. 6 - 8 ()

Form 1 - 2 ()

Form 3 - 4 ()

Above Form 4 ()

5. Do you have employees or assistants? Yes () No ()

APPENDIX 11

QUESTIONNAIRE

SECTION A.

7. Do you have a family? Yes () No ()

Tick in the box provided for the most appropriate response

1. What is the main type of business you are engaged in?

Manufacturing ()

Service ()

Merchandising ()

2. What is the nature of ownership of your business?

Individually owned ()

Family Partership ()

Non-Family Partership ()

Other (specify) _____ of the following problems

_____ according to the degree in which they affect you in operating your

3. How long have you been in this business? ----- months/years.

Very _____ Some- _____ What _____ Very _____

4. What class did you reach in formal education?

No schooling ()

Std. 1 - 5 ()

Std. 6 - 8 ()

Form 1 - 2 ()

Form 3 - 4 ()

Above form 4 ()

5. Do you have employees or assistants? Yes () No ()

6. If yes how many are they?

1 -2 ()

3 - 10 ()

11 - 50 ()

7. Do you have a family? Yes () No ()

8. If your answer to no. 12 is yes, how big is your family?

Wives -----

Children -----

9. Does the business have a bank account?

Yes () No ()

10. Are you the owner of this business?

Yes () No ()

SECTION B

11. Please indicate the importance of the following problems according to the degree in which they affect you in operating your Business.

	Very import- ant	Import- ant	Some- What import- ant	unim- port- ant	unim- port- ant
i. Lack of adequate funds to start a business	[]	[]	[]	[]	[]
ii. Shortage of working capital	[]	[]	[]	[]	[]
iii. Unlinient security requirements for loans	[]	[]	[]	[]	[]

iv. High loan interest rates	[]	[]	[]	[]	[]
v. Short loan credit periods	[]	[]	[]	[]	[]
vi. Complicated paper work by lenders	[]	[]	[]	[]	[]
vii. Management of loan funds	[]	[]	[]	[]	[]
viii. Management of working capital	[]	[]	[]	[]	[]
ix. Big family size	[]	[]	[]	[]	[]
x. Excessive credit to customers	[]	[]	[]	[]	[]
xi. High private with drawals from the business	[]	[]	[]	[]	[]
xii. Lack of trusted assistants	[]	[]	[]	[]	[]
Others (specify) _____					
xiii. Prior business experience	[]	[]	[]	[]	[]
xiv. Formal education	[]	[]	[]	[]	[]
xv. Formal business training	[]	[]	[]	[]	[]
xvi. Proper business records	[]	[]	[]	[]	[]
xvii. Lack of skilled workers	[]	[]	[]	[]	[]
xviii. Unfair competition from hawkers	[]	[]	[]	[]	[]
xix. Competition from others in the same business	[]	[]	[]	[]	[]
xx. High transport costs	[]	[]	[]	[]	[]

xxi. Poor distribution system	[]	[]	[]	[]	[]
xxii. Lack of customers / market	[]	[]	[]	[]	[]
xxiv. Suppliers not carrying all the assortments required	[]	[]	[]	[]	[]
xxv. Quality products	[]	[]	[]	[]	[]
xxvi. High rents	[]	[]	[]	[]	[]
xxvii. High license fees	[]	[]	[]	[]	[]
xxviii. Disturbance by the Kitui county council Askaris	[]	[]	[]	[]	[]
xxix. Too many business restrictions	[]	[]	[]	[]	[]
xxx. Drought/Famine	[]	[]	[]	[]	[]
Others (specify) -----					

SECTION C

12. Rank the following measures to solve the above problems according to their degree of importance to you (Use, 1,2,3 etc.)

1. More loans	[]
2. Low interest rates	[]
3. Long credit periods	[]
4. Lenient security requirements	[]
5. Proper management of loans and working capital	[]
6. Low license fees	[]

CORRELATION MATRIX

7. Low rents / other rental payments	[]
8. Trustworthy employees	[]
9. Improved facilities for providing technical assistance, training and education	[]
10. Proper business records	[]
11. Minimal credit to customers	[]
12. Banning of Hawkers / Street sellers	[]
13. Good roads / Availability of electricity	[]
14. More credit from suppliers	[]
15. Improved distribution system	[]
16. Distributors carrying all assortments	[]
17. Quality products	[]

Others (specify) -----

APPENDIX III
CORRELATION MATRIX

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	1	.24	.05	.00	.15	.25	.40	.08	.23	.14	.20	.27	.23	-.14	.07	-.03	.10	.38
2		1	-.05	.48	-.02	.01	.05	.19	.12	.10	.14	.41	.17	-.04	.13	-.02	.26	.24
3			1	.04	-.01	.51	.01	-.09	.15	.01	.10	-.30	.08	-.05	-.07	-.37	-.11	-.40
4				1	.31	-.04	.08	.00	-.39	.14	-.07	.33	.07	-.16	.16	-.14	.20	.07
5					1	.23	-.30	.26	.55	-.21	-.07	-.09	-.01	-.11	.13	.14	.12	-.04
6						1	.22	.05	-.09	.72	.07	-.30	.16	.06	-.06	-.15	-.11	-.14
7							1	-.03	-.21	.07	-.16	.17	.17	-.17	.08	-.24	.10	.04
8								1	.02	.18	.14	.17	.44	.22	.04	.13	-.13	.10
9									1	.19	.29	-.26	.65	.03	-.01	.20	.02	.27
10										1	.21	.35	.31	.18	.08	.05	.25	.19
11											1	.04	-.02	.15	.13	.02	-.11	-.03
12												1	.20	-.07	.09	.11	.47	.39
13													1	.20	.09	-.05	.08	.11
14														1	.22	.28	.03	.11
15															1	.16	-.05	-.02
16																1	.14	.36
17																	1	.10
18																		1

BIBLIOGRAPHY

- Baur P.T. West African Trade (London Routledge and Kegan Paul Ltd., 1973).
- Belandress L.T., Alternative Credit Sources for Small Scale and Microenterprises. RVB Research papers. Vol. VII. 1987.
- Bosa G.R. The financing of Small Scale Enterprises in Uganda (Nairobi: Oxford University Press, 1969).
- Child F.C. "An Empirical Study of Small Scale Rural Industry in Kenya". Working Paper (WP) No. 127. Institute for Development Studies (IDS), University of Nairobi (UON). NOV. 1973.)
- Entrepreneurship, Management, and labour in Society in Transition (W.P. NO. 128. IDS, UON, NOV. 1973.
- Cooper C.A., "Small Companies Can Pioneer New Products" Harvard Business Review, Sept. - Oct. 1966. pp 162 - 173.
- Daniel W.W., & Terrell J.C. Business Statistics. Houghton Mifflin Company, Boston, 1975.
- David, C. Some Exploratory Models for Assessing Small Firms Marketing performance (A Qualitative Approach) European Journal of Marketing, Vol. 24 No. 11, 1990.
- De Wilde D.C. "The Development of African Private Enterprise Vol 11. (Washington D.C. I.B.R.D International Development, Annex VI, 1971).
- Elezander A.P., "Industrial Enterprise in Turkey, Origins and Growth" in Economic Development and cultural change, July, 1960.
- Elkan W., "Trade Licenses" (Nairobi Sunday Nation 9, Sept, 1973).
- Garlick P.C., African Traders in Kumasi (Accra: University College of Ghana, 1959).
- Geertz O.; Peddlars and princes: A Study of Change and Economic Development in Two Indonesian Towns (Chicago: University of Chicago, 1974).
- Geiger T. and Armstrong W., The Development of African Private Enterprise (Washington D.C. National Planning Association, 1964).

- Geiger T., "Why Private Enterprise Is, not More Effective in Transitional Societies" (Report from Colombia, Journal of World Trade, Vol.V, No.2 March - April 1970).
- Gichira & Dickson, "Problems Facing Entrepreneurs in Kenya". A Paper Presented to the Kenya Economic Association at KICC, Sept. 1987.
- Government of Kenya (G.O.K): Development Plan 1989 - 1993 (Government Printer, Nairobi).
- Sessional Paper No. 1, 1986, (Government Printer, Nairobi).
- GOK\ILO\UNDP. Center Project. A Strategy for Small Enterprise. Development in Kenya: Towards the Year 2000 Part 1. A. Government of Kenya, Nairobi, May 1989.
- Harper M.H" The Development of a Cost Effective Extension service for Small Business : A Kenyan Experiment. (Unpublished Ph.D Thesis, UON, 1974)
- The African Trader (Nairobi:East African Publishing House, 1973).
- Small Business in the Third World, John Wiley and Sons, 1984.
- A Prototype Experiment to test the Possibility of a Cost Effective Service for Small Scale General Trader (W.P., NO. 138, IDS, UON, 1974).
- "An Approach to the Problem of Staffing a Small Business Extension"Nairobi, Conference on Small Scale Industry, 1973.
- Harper M. & Soon T.T., Small Enterprises in Developing Countries Case Studies and Conclusions, (1979).
- Hawkins H.C.G. Wholesale and Retail Trade in Tanganyika. A Study of Distribution in East African (New York, Praeger, 1965).
- Hirsch L. Marketing in an Undeveloped Economy: The North Indian Sugar Cane Industry (New York, Prentice Hall, 1961)
- Hugh F., The Problems of the African Trader (East African Institute of social Research, 1955)
- Inukia I. Legal Framework for Small Scale Enterprises in Uganda (IDS, Occasional Paper No. 6, 1973)

- Kamau G.N., "The Force Behind a Stronger Economy", Daily Nation, May 21, 1992.
- Kariuki N., Africanization of Commerce in Kenya (unpublished MBA Thesis, UON, 1975).
- Kilby P., "Measures to Promote the Development of Indigenous Industry" (Lagos, University of Lagos, 1962).
- Kipngetich K.J., Management With The Performance Of Computer Mediated Information Systems: The Case of Clients of Selected Vendors. (Unpublished MBA Project, UON) June 1991.
- Lewis A.W "Some Aspects of Economic Development (Quoted from : African Traders and Economic Development in Ghana, by Garlick P.C)
- Low B., "Bankers briefing ... Small Business "The Banker, July 1980.
- Maalu J.K., "Factors Influencing Record Keeping In The Small Scale Enterprises : A Case of the Microenterprises in the Eastlands of Nairobi (Unpublished M.B.A Project, University of Nairobi, 1990).
- Marris P. "Social Barriers to African Entrepreneurship" (The Journal of Development Studies, October, 1968).
- Marris P. and Sommerset A; African Businessmen (Nairobi: East African publishing House, 1971).
- Mbuvi A.K.N., "A Study of the Causes of Failure of Small Scale African Businesses: A Case Study in Machakos District (Unpublished MBA Project, 1983).
- McRory A., Small Industry in a North Indian Town (Bombay: Asian Publishing House, 1956).
- Meyer D. & Hollander E. (ed.), Markets and Marketing in Developing Economies (Homewood:American Marketing Association, 1968).
- Mwangi J.N.A., " The Development of Small Scale African Retailers in Kenya (Unpublished MBA Thesis, UON, 1975).
- Okelo J. and Inukia I. "Rural Enterprise Survey in Nyeri District (W.P No. 46, IDS, UON, 1972).
- Omboko M.A., "Factors That Determine Entrepreneurial Behavior: A Case Study of Small Scale Enterprises in Kisumu Town". (Unpublished MBA Project, UON, 1990).

- Kessio A.J.K. "Problems facing the Small Businesses and the Effects of Management Training on Performance: A Case Study of the Nandi District" (Unpublished M.B.A Project University of Nairobi, 1981).
- Parris A.W. The Small Business Administration (New York: Praeger, 1968).
- Republic of Kenya. "Economic Progress and Prospects in Kenya", Vol. 11. The Annexes, Annex A: Small Scale African Business (Washington D.C. I.B.R.D. International Association, March, 1972).
- "Report of Working Party on Small Business Development" (Nairobi: Ministry of Commerce & Industry, 1972).
- Wangai J.W. "The Relationship Existing Between The Practicing Accountant and His Small Business Client" (Unpublished M.B.A Project, University of Nairobi, 1982).