

// THE DEVELOPMENT OF SMALL-SCALE
AFRICAN RETAILERS IN KENYA //

by

JACOB NGUCIE ASAPH / MWANGI

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1975

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DECLARATION

I, the undersigned, do hereby declare that this thesis is my original work and has not been presented for a degree in any other university. 1x

This thesis is my original work and has not been presented for a degree in any other university.

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Signed J. N. A. Mwangi 28

4. The Role of Retailers in Kenya 44

This thesis has been submitted for examination with my approval as university supervisor. 28

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This study consists of eleven chapters, divided into three parts. The first part contains the three major aspects of retail trade in Kenya. First, the major characteristics of

ABSTRACT

The purpose of this study is to identify the major problems inherent in the Africanization of distributive trade in general, and small-scale retail trade in particular and to assess measures formulated by the government and the manufacturers to alleviate these problems. It is based on the assumption that the government will continue to ensure that non-citizen traders are replaced by African and that this exercise will go on for at least another three years.

This study is based on the hypothesis that:

1. Without government restrictive measures on the business of non-citizen traders and complementary assistance programmes designed to help small-scale African businessmen to establish themselves in distributive trade, it would have taken over twenty years to reduce the dominance of non-citizen traders.
2. That these two government measures have not been sufficiently sensitive to cultural problems inhibiting the growth and success of small-scale African shopkeepers.
3. That the assistance programmes, finance and extension services, tailored to the needs of small-scale African shopkeepers are the only effective solution to alleviating their economic and cultural problems and promoting their development.

This study consists of eleven chapters, divided into three parts. The first part examines the three major aspects of retail trade in Kenya. First, the major characteristics of

small-scale African shopkeepers, including size, ownership, and general education of the African shopkeepers drawn from three different areas of Kenya--metropolitan, urban, and rural--are summarized. Secondly, three important and related features of the transitional stage of development which African traders are experiencing are discussed: 1) the transition from traditional relationships characterized by dependence on family ties, low social mobility, slowness of change, and a rigid value structure to impersonal business relationships and modern practice of management is examined; 2) the transition from the colonial administration which imposed rigid restriction on African businesses to an independent Kenya nation, where African businessmen are vigorously promoted into business, is considered; 3) the transition from dominance of non-citizens in the retail trade to rapidly increasing African participation is discussed. These three features of the transitional stage of development of the retail trade in Kenya provide a valuable background and perception to understanding both the role and functions of African shopkeepers in the economic development as well as the major problems they confront. Thirdly, the performance of the role and functions of African shopkeepers is examined in terms of how effectively they satisfy the needs of their customers, how adequately they distribute goods of their suppliers, what inputs they contribute towards economic development, and whether they realize their goals.

The second part focuses on the major problems confronting African shopkeepers. This study identified and described three major problems. The first is lack of capital and credit

facilities, which was believed by most African shopkeepers and also by those who attempted to assist them to be their major problem. The second problem which was considered in some African details is lack of business skills and training which was found to be a more critical problem as reflected by a high default rate in payment of loans and low turnover in their businesses. The third problem was identified as cultural constraints which often inhibit growth and success of many African shopkeepers. After identifying and examining these problems in the context of a transitional society, practical solutions were presented in the third part.

The third part evaluates the assistance programmes provided to African shopkeepers by suppliers of goods and services and by the government, in an attempt to alleviate their economic and cultural problems. The role of suppliers is assessed from the point of view of the needs of African shopkeepers. Their role includes willingness to assist African shopkeepers to improve their knowledge and capacity to meet the modern business management, often impaired by cultural constraints. It is evident in this study that the government provides the major shares of the assistance to African shopkeepers. The usefulness and effectiveness of the government restrictive measures aimed at diminishing non-citizen traders on one hand, and promotional programmes geared to helping African shopkeepers to establish themselves in business are analysed in some details. It is shown that the emphasis of the government efforts is aimed at stimulating, guiding, and supporting the

development of African businessmen. The effectiveness and success of all the assistance programmes is shown to depend to a great extent on the combined effort and cooperation among African shopkeepers, suppliers, and the government and close coordination by those responsible.

The last chapter presents the summary of conclusions and describes how the hypotheses set out at the beginning have been sufficiently proven. The government restrictive measure through the Trade Licensing Act has gotten rid of over three thousand non-citizen traders. These have been replaced mainly by African shopkeepers often with financial assistance of the government. However, their performance often is impaired by lack of training. It was shown that extension service on the business premises was the most practical way of helping African shopkeepers to overcome their problems.

ACKNOWLEDGEMENT

This study on The Development of Small-Scale African Retailers in Kenya is dependent on information and data gathered from widespread sources. The main sources include a sample of African businessmen drawn from different areas of Kenya, provincial and district trade development officers, and market specialists particularly interested in the development of African entrepreneurs. For the analysis and interpretation contained in this study I alone can be held responsible.

I would like to thank the Ford Foundation for providing me with a grant to undertake this study. To Messrs Colgate Palmolive East Africa (E.A.) Limited, my employer, thanks for support and encouragement. I extend special thanks to the provincial and district trade officers who provided me with useful information and data. I am particularly grateful to Mr. Malcolm Harper, my former research supervisor, and my current supervisor, Mr. J. K. Matumo, for their guidance. To Mr. Andrew Craig I acknowledge his inspiration and patient reminder to complete this study. Special appreciation goes to my beloved wife Rose for her understanding and patience while I worked late hours.

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CHAPTER ONE

INTRODUCTION

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 begun to receive due recognition, particularly since independence in 1963. This is evident in the measures taken by the government to promote small-scale African businessmen and also in the institutions which have been established for that purpose. In implementing these measures the government has created, and is continuing to establish, a situation in which African businessmen will eventually play a major part in the control of trade, commensurate with their numerical strength in the population.

In this study the term "small-scale African business" describes the one-man or family enterprise, small in size and with an annual turnover of less than ten thousand shillings, as well as the medium-sized businesses that are beginning to emerge. Other people, including Christie, generally use the term to refer to small business concerns "owned usually by one person and found mainly in service industries such as trading, personal services, transport and construction."¹ As single businesses, small African businesses are very small by the standard of developed countries, but taken as a sector they are important. They perform a variety of vital functions. They satisfy the needs of their customers, mobilize otherwise idle capital and resources, make available a wide variety of inputs necessary for development, and also provide many employment opportunities. The "Working Committee on Small Business Development" estimated that in 1969 total employment provided by small-scale African businesses was close to 480,000 people or over 60 percent of the total non-agricultural employment.² It has been observed that, in addition to employment, small-scale African businesses provide important avenues for urban migrants to learn new

skills. They also supply a wide range of inexpensive goods and services, especially to lower income groups in rather inaccessible areas.³ Experience has also shown that small-scale businesses are the most fruitful and the only significant training ground for future entrepreneurial industrialists in Turkey and Greece,⁴ Pakistan and the Philippines.⁵ This experience of small-scale businesses as a training ground is particularly relevant in the process of Africanization of commerce and industry in Kenya.

According to the survey on non-agricultural enterprises, it was estimated that there were nearly 40,000 small-scale African businesses in the rural areas in 1969, and 32,000 in the main urban areas in the same year.⁶ Of these, retail trading was, and still is, the most important, comprising over 50 percent (about 37,000) of all small-scale African businesses.⁷ The next in importance was food service (small restaurants, bars, food kiosks) which constituted only about 10 percent. These figures indicate that small businesses have been, and still are, dominated by small-scale retail trade. It should be noted that, according to the above survey, the broad title of retail trade encompassed a large variety of retail shops ranging from market stalls, hawkers, kiosks, to large permanent self-service stores. According to this study, general retailers, principally provision and grocery shops, were estimated in 1969 to represent about 60 percent of total retail outlets in Kenya--that is, about 22,000 shops. It is interesting to note that the estimated total number of general retail shops in Kenya in 1969 compares favourably with a more recent survey of 1973. The difference in total number of shops is attributed to growth in the past four years.

According to this survey carried out in 1973, there were 24,585 general retailers; 3,820 of them were located in the four major urban centres of Nairobi, Mombasa, Kisumu, and Nakuru. The balance of the general retail shops, 20,765, were found in

the small urban and rural centres around the country.⁸ In this latter survey a general retailer was described as "a retail shopkeeper established within a permanent structure." He was generally found to stock and sell staple goods such as sugar, tea, rice, cigarettes, and other consumer items. These shops are found everywhere in the country and as briefly mentioned earlier are the main core of this study. Such a shop was found usually under private ownership or management by individual or family, offering counter service and with less than five hundred square feet of shop space. This is our definition.

Since Kenya achieved her independence, retail trading, the most important small-scale African business, has been undergoing some major changes. The most significant change was brought about by the introduction of "The Trade Licensing Act, 1967,"⁹ whose main purpose was to restrict trade handled by non-citizen traders, especially wholesale and retail trade. Through this legislation the government issued quit notices to selected non-citizen traders, directing them to wind up their businesses or to sell them to African businessmen. Subsequently, the number of Asian shopkeepers, long entrenched in retail trade, has been rapidly diminishing, particularly in rural trading centres and small towns. As by the end of 1973 about 4,000 quit notices had been served to non-citizen traders,¹⁰ it has been observed that since the implementation of this act in 1967 the majority of the non-citizen traders have vacated their businesses or sold them out. The gap caused by the departure of non-citizen traders has been filled mainly by African retailers and wholesalers, who have been financed principally by the government. At the same time African retailers have been opening new shops when new opportunities for business open up. For instance, when a new housing estate is established, a new African-operated shopping centre usually springs up to cater for the surrounding community.

In addition, it will evaluate the extent to which existing assistance programmes

As population grows at an estimated rate of 3.0 percent per year and new housing estates and rural trading centres spring up, and as the total economy grows at 7.4 percent (at constant prices) as projected in the third Development Plan,¹¹ it is reasonable to expect the number of African retailers to increase steadily in the future. They will be expected by consumers, suppliers, and the government to respond positively to various challenges--growing opportunities of business, increasing competition, market forces of demand and supply, and the effective performance of their new functions. These functions include capacity to develop, maintain, and surpass the level of business performance established by non-citizen predecessors, to improve efficiency in distribution by making available a wide variety of goods and services at economical prices, thereby increasing the real income of consumers, and also to develop themselves ultimately to industrial entrepreneurs.¹²

If African retailers are to respond vigorously to these challenges and achieve their aspirations of growth and success in their business, sustained assistance and constant encouragement by suppliers and the government are necessary. However, in order to provide assistance effectively and meaningfully, the major obstacles confronting African retailers have to be fully identified and analysed in the context of traditional society. On this basis practical solutions for alleviating these problems should be prescribed and evaluated constantly.

The foregoing discussion has stressed the crucial importance of assisting African retailers so that they can play their role in economic and social development of Kenya. This is the writer's primary purpose in choosing to study the development of "small scale retailing in Kenya." In order to adequately achieve this objective, the study has narrowed its scope to analysis of small-scale African shopkeepers. In addition, it will evaluate the extent to which existing assistance programmes

and services have alleviated these major problems. On the basis of this analysis, practical suggestions will be presented in an effort to remedy present deficiencies. It should be pointed out that references to large self-service stores will be made where applicable in an effort to gain more insight into problems of retail trade and their practical solutions. This approach has been used after discovering that most self-service stores in Kenya started as small retail shops and eventually developed to their present size.

It was found that the size of retail shops differed from one location to another. It was, therefore, thought important to define it clearly. According to this study, the sample of shops studied was made up of three sizes--large, medium, and small--which were classified on the basis of three-fold criteria. These criteria are (see Table 1): shop space which was determined by square feet of shelf space; amount and value of stock on shelves, excluding warehouses; and predetermined monthly sales turnover based on factual records of a dozen shops comprising the three different sizes of shops under discussion. Based on the three criteria, self-service stores were excluded, though not completely, mainly because of their large shop space, which is normally over 500 square feet, amount and value of stock, and above average monthly sales turnover. The detailed classification of the retail shops surveyed will be examined in greater details in the following chapter. The other class of shop which was excluded was kiosks, because of their temporary nature, bookshops, and all other retail shops which do not fall into the category of grocery and provision shops, mentioned earlier. Therefore, the limits set by this study exclude self-service stores on one hand and kiosks on the other. It is interesting to note that the category of shops studied not only represents the most common type of African enterprise, but it is also the chief springboard for future African wholesalers and industrialists.

Review of Related Studies

The primary objective of this section is to examine briefly the relevant studies and publications on the development of small-scale African businessmen in general and shopkeepers in particular. In addition it seeks to show how this study can make a contribution to the existing studies, in terms of purpose, contents, and findings as well as stimulating interest for follow-up studies. The first striking feature revealed by the survey of the existing literature on this subject is the insufficient quantity of books and publications, despite growing interest in the development of African businessmen by many African governments.¹³ The shortage of books and publications on this subject can be attributed partly to the late entry by Africans into commerce which has for a long time been dominated by non-citizen traders, and partly to the fact that only a few persons have done any detailed and meaningful research.

In an effort to present a reasonably well-rounded, systematic, and precise survey of the relevant studies, books and publications have been grouped into three broad categories. In the first category are books dealing with general aspects of African trade. One such book is The Development of African Private Enterprise.¹⁴ The co-writers of this report, Geiger and Armstrong, attempted to examine the major problems confronting African private businessmen, principally in West and East Africa, and also assessed the assistance programmes for mitigating these obstacles, which were in existence before 1964.¹⁵ Another similar book is the Markets in Africa, in which Bohannan stresses the historical development of a number of selected ethnic groups--for instance, Gusii in Kenya.¹⁶ In addition he highlights the salient factors which contributed significantly to growth of trade in some of the selected areas.

The emphasis of the second broad category of books and publications is on different aspects of wholesale in general

and retail trade in particular in the West African countries, which were under the same colonial administration as Kenya before gaining independence. A few representative books will suffice to illustrate the major areas and emphasis of the studies already accomplished. For instance, Bauer in his book West African Trade¹⁷ discusses elaborately specific factors which influenced the development of West African trade, particularly in Nigeria. He also examines some of the major constraints which impede the development of small-scale African retailers. He contends that cultural problems, especially obligations of a traditional family system, can be either a deterrent or an advantage to an African retailer. These and similar cultural constraints are considered in detail in the sixth chapter of this study. He suggests that such obligations of an extended family could often impair capital formation, inhibit economic development, and retard initiative and enterprise and also discourage productive use of accumulated savings. Bauer also examines the other side of the same coin. He presents the redeeming features of obligations of a traditional family system, which include providing capital to start a shop and also patronizing the business.

Another elaborate study on various aspects of retail trade is presented by Garlick in the book entitled African Traders and Economic Development in Ghana.¹⁸ He considers the main ingredients attributed to expansion and growth of retail traders, after a detailed study on African traders in Accra and Kumasi in Ghana. Most of the ingredients for success of a retail shop are similar to those discovered during this study. In closing, Garlick discusses the measures taken by Ghanaian government to promote Ghanaians. One such effective measure includes the "Ghanaian Business Promotion Act 1970,"¹⁹ whose purpose was to transfer trade to indigenous people. This act parallels the Kenya Trade Licensing Act, 1967 which was enacted to achieve a similar objective.

In the third broad category of books and publications are studies on the East African countries in general and Kenya in particular. For a number of years the only book available was Wholesale and Retail Trade in Tanganyika.²⁰ As the title suggests, the survey concentrates on wholesale and retail trade in Tanganyika, currently Tanzania, with particular emphasis on distribution in pre-independence days. There are two aspects of trade discussed by its author, Hawkins, that have particular bearing on this study. The first aspect is concerned with the prime reasons why African traders had not progressed in trade as fast as their Asian counterparts.²¹ The basic reasons advanced by Hawkins were found to apply to Kenya as discussed in this study under chapter three. The second aspect of trade which he represents is the kind of assistance programmes needed to help African traders to overcome their teething problems. He emphasized above everything else training and follow-up service in the form of commercial extension service comparable to agricultural extension service.²² This idea of extension service and how it could apply to Kenya context has been discussed in details by Harper in his recent thesis entitled "The Development of a Cost-Effective Extension Service for Small Business."²³

A more recent and relevant book to this study is African Businessmen which is a study of entrepreneurship development in Kenya. The co-writers, Marris and Sommerset, discuss in some details "a history of the development of trade and business in one African community from pre-colonial times."²⁴ In addition they explore some of the fundamental issues of social change and economic development and also examine the crucial problems of African businessmen. In the last chapters Marris and Sommerset justify their contribution by expressing the belief that the approach used in their book, which is the sociology of African businessmen, could be applied more widely than to Kenya African business.

After presenting a brief summary on books and publications related to this study, it would be worthwhile to comment briefly on a few unpublished reports. There are three unpublished reports which make a valuable contribution to this study on small-scale African retailers in Kenya. The first unpublished report by John D. Wilde in two parts has the general title "Development of African Private Enterprise." The purpose of the first part was to provide a brief summary of the constraints in development of African enterprises, evaluate assistance programmes, and make recommendations for further actions. The second part, covering seventeen countries including Kenya, presents detailed illustrative materials and analysis of the findings which are outlined in the first part.

The second report which was prepared by the same organization, International Bank for Reconstruction and Development, is entitled "Economic Progress and Prospects in Kenya."²⁵ This study narrows its focus and examines problems confronting the small-scale African businesses in Kenya and suggests some possible answers to these problems.²⁶ Although the types of businesses discussed range from building construction to shoe shining, on the whole, retail trade, which represents by far the largest single sector of small-scale African businesses, is given prominence in the analysis.

The third unpublished report deals with "Small Business Development in Kenya."²⁷ This brief report was produced jointly by different government ministries and the University of Nairobi. It discusses the crucial problems confronting African small-scale businessmen, describes and evaluates institutions set up to promote African traders, and makes specific recommendations. One such recommendation which is relevant to this study is the need for individual extension services which are necessary for promoting the development of small business as advocated by Harper in his paper entitled "An Approach of Staffing a Small Business Extension Service."²⁸

Another useful source of information is the Institute for Development Studies of the University of Nairobi, which undertakes research, especially in the social sciences. Among their many discussion papers, two papers would suffice to illustrate the kind of studies undertaken. One such paper is "Problems of African Business Enterprise,"²⁹ and the other is entitled "The Social Barriers to African Entrepreneurship."³⁰ The former concentrates on the economic problems while the latter deals with social and cultural problems faced by small-scale African businessmen. These and other pressing problems are discussed in great details in this study under Chapters Five, Six, and Seven.

A particularly valuable source of information for this study were the annual reports prepared by the District Trade Officers and Industrial Commercial Development Corporation Officers. They not only provided vital information on financing and training of African businessmen but also gave insight into problems confronting a new generation of African traders. Being the officials directly concerned with implementing government policies on Africanization of commerce, they were in strategic positions for evaluating the performance of restrictive and promotional measures formulated to promote development of African businessmen.

It is evident from the foregoing summary that there are some gaps in the current literature in Kenya on the development of small-scale African businessmen in general and shopkeepers in particular. In respect to this study, three main gaps have been identified in the current studies and literature. The first gap is inadequate analysis and description of the pertinent features of a transitional society such as we have in Kenya, where the large majority of shopkeepers belong, and of the unique problems and constraints arising from such a background. This subject has been discussed in some detail in four chapters, especially Chapter Seven.

The second gap in the current studies is the lack of detailed description and assessment of the different restrictive measures imposed by the Kenya government in an effort to diminish the dominance of non-citizen traders and progressively promote African businessmen. In this study it is contended that complementary promotional assistance programmes are essential if restrictive measures are to achieve their objectives. The restrictive measures imposed by the government since Kenya attained her independence and complementary promotional assistance programmes are examined and evaluated in the three chapters in this study. All these measures are discussed in the light of a transitional society.

The third gap, as identified by this study, in the current literature, is lack of intimate knowledge and understanding of African retailers and especially shopkeepers by expatriate writers. As a result, most of the current studies often lack insight and appreciation of African thought forms and reactions to new concepts and modern methods of business practice. An additional advantage of this study is access to factual records and information of African retailers by the author, a privilege rarely accorded to non-African researchers.

This study has, as explained, narrowed some of the gaps in the current studies and made some positive contribution to knowledge and understanding of the development of small-scale African businessmen. It is therefore hoped that the government policy-makers and suppliers of consumer goods and those of financial assistance will seriously consider implementing where applicable some of the recommendations made in this study. The greatest desire of the author is to see more cooperation and coordination in all activities and efforts by the government and suppliers in fostering the development of small-scale African businessmen.

General provision and grocery shops, locally known as "dukas" were selected. This type of shop represents over 90 percent of all retail enterprises. The sample of the

Research Methodology

This study would be incomplete without describing briefly the procedure used in collecting information and data. A baseline study composed of a sample of one hundred shopkeepers drawn from different locations of the country was undertaken in order to learn how small-scale African retailers think about their role and performance, the problems confronting them, and the existing promotional measures and assistance programmes for assisting them. A questionnaire was then designed to collect the relevant information and data according to the set objectives. It was found useful to structure the questionnaire along the lines of thought most natural to African shopkeepers in order to get accurate and actionable information.

A sample of a hundred retail shops was randomly selected from three different locations in Kenya--metropolitan, urban, and rural areas--in order to have a cross-section of shopkeepers in Kenya. Nairobi represented a metropolitan city. A sample of forty shops was selected in Eastleigh area of Nairobi, the largest single residential and shopping centre, formerly dominated by non-citizen Asians. In Nyahururu, formerly known as Thomson's Falls, a sample of forty shops was selected. From a rural location twenty shops from three trading centres--Ndaragwa, Joroko, and Ng'arua--were selected. For the purpose of this study a random sampling method was used. All the shops in the areas selected for this research were assigned numbers. From the table of random numbers shops to be finally interviewed were selected. This procedure was used in order to ensure that the sample of shopkeepers interviewed was representative of the whole population of African shopkeepers in Kenya despite a small sample size.

In order to examine the operations of African retailers in some detail general provision and grocery shops, locally known as "dukas," were selected. This type of shop represents over 60 percent of all retail enterprises. The sample of the

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randomly selected shops was classified into three broad categories--large, medium, and small--according to the predetermined criteria discussed on page 5 and also depicted in Table 1.

In an effort to evaluate the role and performance of these shopkeepers two surveys were conducted. The first one, "Consumer Opinion on Small-scale African Shopkeepers," was aimed at assessing how effectively they satisfy the needs of consumers. The objective of the second survey entitled "Salesmen's Opinions on Small-scale African Shopkeepers" was to evaluate the performance of small-scale African shopkeepers from the point of view of salesmen who in the survey represent manufacturers.

Another tool used to evaluate performance of these shopkeepers was establishment of a standard of efficiency which included a) monthly sales and turnover of goods, b) accurate record 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. The first three standards were developed beforehand from factual records and data of certain shopkeepers who gave full access to this information. All shops were rated against this standard of efficiency. By using the four sets of criteria for evaluating small-scale African shopkeepers it was possible to indicate how effectively they perform their functions and the areas where they needed improvement. This evaluation also facilitated identifying the major problems of these shopkeepers.

The skills and experience used in conducting interviews and probes were gained through frequent marketing research projects conducted by the author amongst the same type of shopkeepers on behalf of his employer.

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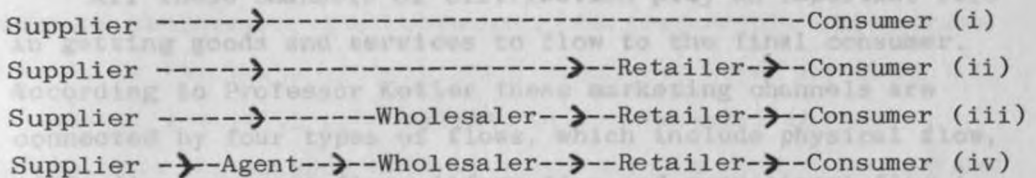
CHAPTER TWO

CHARACTERISTICS OF RETAIL TRADE IN KENYA

In Kenya today, as in many other developing countries, most producers do not sell directly to the final user. Between them and final users are a number of marketing intermediaries performing a variety of functions. The two most important intermediaries or distribution channels are wholesalers and retailers. The following figure lists some of the common intermediaries in Kenya, who participate in the flow of goods from producers to consumers.

FIGURE 1

INTERMEDIARIES FROM SUPPLIERS TO CONSUMER



In the first type a producer supplies his goods and services directly to consumers. In Kenya there are hardly any suppliers of manufactured consumer items who reach the consumer as directly as indicated in this first stage. Farm produce, which is sometimes sold directly to consumers by producers, is an exceptional case. A good example of the second type with only one intermediary are Bata Stockists or retailers. These retailers, specialists in selling shoes, are supplied with stocks from the Bata Company, and then they sell to consumers. With respect to Kenya it should be noted that the common distribution system has two main intermediaries, a wholesaler and a retailer. A wholesaler buys in bulk from a supplier in order to qualify for wholesale prices. For instance, both Messrs. East African Industries and Colgate Palmolive require a

customer to buy at least ten assorted cases to qualify for a "list price," that is, the price given by the supplier to a wholesaler. A wholesaler then breaks the bulk into small assortments for his retailers who buy from him at a wholesale price and then sell to consumers. As mentioned in the preceding chapter, the current distribution channels are undergoing certain significant changes, particularly changes in ownership. This subject will be discussed at length in the fourth chapter. With respect to imported goods, there is usually a local agent to represent the principal, that is, a supplier who in turn supplies the goods to wholesalers. In this system there are three marketing intermediaries--agents, wholesalers, and retailers--before reaching the final consumer.

All these channels of distribution play an important role in getting goods and services to flow to the final consumer. According to Professor Kotler these marketing channels are connected by four types of flows, which include physical flow, title flow, payment flow, information and promotional flow.¹ This elaborate description of different kinds of flows underlines the complexity of distribution even where one or two channels are deployed. It can be observed that in all these methods of distribution shown in Table 1 a retailer is the last marketing intermediary next to consumers. Accepting that all selling efforts are aimed ultimately at consumers, retailers are strategic marketing intermediaries for distributing goods and services to the final consumers. It would, therefore, be worthwhile to examine the main characteristics of retail trade in Kenya in order to understand more fully the role of retailers in our economy and also the basic problems confronting them.

The first major characteristic is multiplicity of retail shops. There is a large variety of small and large business classified under the general term of retailers. Let us look briefly at this variety of retail business. On one extreme there is a large number of small shops or kiosks which sell sweets,

cigarettes, newspapers--to mention but part of their stock in trade. These are by and large itinerant retail traders. On the other extreme there is a relatively small number of large retail shops--for instance, self-service stores or supermarkets. In between these two extremes there are a host of retail shops, specializing in different commodities like hardware, dressmaking, furniture, books, and prescribed medicines. These types of shops, like the large ones, are characterized by their permanent business premises, relatively large shop space, and some specialization.

In order to examine in some detail other important characteristics of retail trade, it is necessary to narrow the focus to the commonest type of retailer--that is, a grocer. Since the thrust of this study is concerned with small-scale African shopkeeper, the subsequent discussion will concentrate mainly on the small grocery shop, popularly known as "duka." A typical grocer is here defined as a shopkeeper who sells goods like tea, sugar, butter, soap, washing powder, tinned and bottled food, and household requirements. As discussed in the introductory chapter, a grocery shop represents over 50 percent of all retail shops in Kenya.² Because of the existing strict local government regulations stipulating that business premises must be of stone or permanent structure, most retail shops are permanent.³ It is not an uncommon feature even at small trading centres with less than ten shops to find that their shelves are almost empty; yet they are stone buildings. For the purpose of this study itinerant retail traders will be excluded, because of their semi-permanent nature. It should be noted, however, that where itinerant traders exist, they provide a valuable service to consumers by supplying from door to door a variety of products, mainly foodstuffs, thereby helping to keep prices lower.

The second characteristic of small-scale retail shops in general and grocery shops in particular relates to size. In

order to avoid being deceived by shop appearance in terms of size in different locations, a classification of shops based on factual information and data was used because it was considered more objective and meaningful. As mentioned earlier, owners of a dozen shops included in the sample size provided factual information and data which was used as criteria to classify all the shops studied into three broad sizes--small, medium, and large. The criteria which determined the size of a shop included approximate square footage of total shelf space excluding storage or warehouse, amount and estimated value of stock, and approximate monthly sales turnover. The following Table 1 shows this classification.

TABLE 1
CLASSIFICATION OF SMALL-SCALE SHOPS ✓

Size	Space Sq. ft.	Value of Stock Shs	Monthly Turnover Shs
Small	25-100 ✓	2,000-10,000/-	1,000- 2,000/-
Medium	101-250	10,001-40,000/-	2,001-12,000/-
Large	251-500	40,001-80,000/-	12,001-20,000/-

It is recognized that this arbitrary classification has certain limitations, mainly estimation which could lead to some inaccuracies. This shortcoming was overcome by applying the three-fold criteria to a dozen shops of different sizes. Fortunately for the author, a number of African retailers gave access to their shops to be studied in detail--for instance, by measuring them in order to establish a standard shelf space in terms of square footage for each of the three broad sizes--small, medium, and large. Similarly these friendly African retailers gave access to their records of value of stock and estimated monthly turnover. On the basis of knowledge gained from studying these different shops in detail, it was not difficult to estimate others. Two particular advantages facilitated access to

confidential records--firstly, personal knowledge of these African retailers. Secondly, the writer's job in sales management had helped him to establish good contacts with these retailers.

In addition to classifying small-scale retailers into meaningful and convenient sizes, this approach has helped to examine in detail the most pressing problems perceived by retailers of each size. For instance, it was found that the small size retailers considered lack of capital as their only problem worth considering, whereas the large retailers, according to this classification, identified lack of adequate business skills and training as their more crucial problems.

The third characteristic of small-scale retail shops relates to business ownership. According to the results of this study, the shops classified as small and medium were found to be characterized by single ownership. This is what would be generally expected of small outlets, excluding specialty shops, because starting such a shop requires not only little capital outlay but also relatively little formal education. For the shops classified here as large, ownership was predominantly family, possibly because a relatively large capital outlay was needed and several shop assistants were also required to man such a shop. For this size of shop most of the shop assistants are relatives or partners of the business owner. It should be noted, however, that it was not always easy to establish the owner, especially of small and medium sized shops. Some of the respondents interviewed tended to claim the ownership where it was not the case. This problem was overcome somewhat through probing into the question of ownership. Experience in marketing consumer goods had shown that a buyer was usually the owner of business. So when the question of buying was raised, some of the respondents who had initially claimed to be owners admitted that they were not. Another way of checking the true owner was

disparity of education between age groups was largely attributed

through the records of salesmen, which give the name of the owner.⁴

The fourth feature which characterized small-scale African retailers interviewed is the relatively little formal education which, however, was and still is above the average educational standard of the adult male population in Kenya.⁵ According to a similar survey conducted by Peter Marris and Anthony Sommerset in 1966, out of 832 African businessmen operating in market centres only 23 percent did not have formal education.⁶ In the same survey out of 87 businessmen supported by the Industrial Commercial Development Corporation, who would according to this study be classified as large, only 7 percent did not have formal education. These two surveys highlight the difference in education between large and small African businessmen. The results of this survey on 90 retailers indicate that only 15 percent did not have formal education.

It was observed during the survey that in general large shops were manned by people with relatively higher formal education than small shops. There seems to be some correlation between size of a shop and education of the owner. This is because starting a small shop requires not only a small capital outlay but also relatively little formal education or few business skills. However, the steady growth and success of a small shop to a large one depends to a large degree on entrepreneurship.

Another feature closely related to formal education is the age of small-scale African shopkeepers interviewed in the survey. The results of the study indicated that of all African shopkeepers interviewed those who were 35 and over had relatively less formal education than those below the age of 35 years. According to a similar survey by Okelo, over 50 percent of 647 respondents in Kakamega who were between 26 and 40 years had relatively higher formal education than older respondents.⁷ The disparity of education between age groups was largely attributed

to the rising standard of formal education in the whole country. It was observed that many relatively young people under 35 years generally have better education, more business skills, and more experience gained from their former employment, whereas the older shopkeepers had not enjoyed such opportunities because they were non-existent.

During the survey small-scale African shopkeepers were asked whether they owned the business premises they occupied or rented. The larger number, 65 percent, confirmed that they rented their business premises. They did seem to complain about the amount of rent, although this question was not seriously dealt with. Okello claims that 62 percent of the businesses he interviewed rented their business premises.⁸ Because of availability of loans from I.C.D.C. to buy business premises and also other financial institutions willing to lend money for such purposes, businessmen renting business premises will probably decline steadily in the near future.

The fifth and most dominant feature today which characterizes wholesale and retail trade is the increasing direct participation by the government through the Kenya National Trading Corporation, popularly known as K.N.T.C. This is the chief government instrument for encouraging and speeding up African trade. K.N.T.C. is responsible for buying and selling of a wide range of imported as well as local mass-consumer goods, and only Africans are appointed distributors for these goods. This is in keeping with the declared government policy to transfer control and management of trade from foreign to indigenous traders. The restrictive measures on non-citizen traders which have compelled them to vacate their businesses and be replaced by African businessmen have facilitated the appointment of K.N.T.C. African distributors all over the country. There were over 1,000 K.N.T.C. distributors scattered all over Kenya in 1974.⁹

The rest of the time, which is slightly over two weeks, these shopkeepers made

As already noted the effect of government participation through K.N.T.C. has been to assist gradual transfer of the ownership of the distribution channels, wholesale, and retail trade from foreigners to African businessmen. Before K.N.T.C. came into operation, Asian merchants had established "bazaar" shopping areas for wholesale which distributed goods almost exclusively through large Asian wholesalers. It is estimated that these Asian wholesalers in Nairobi and Mombasa handled over 80 percent of imported consumer goods to Kenya. Today these bazaars in Nairobi and Mombasa no longer control such trade, but now the bazaars act under the directive of K.N.T.C., particularly in distribution of many imported consumer goods and also for staple foods--for instance, sugar, rice, etc. Another important factor which has reduced considerably the amount of business going through Indian bazaars is the steadily increasing number of local manufacturerers who make and distribute their goods throughout Kenya. The pressure by the government to appoint local traders to handle distribution is also progressively reducing the amount of business going through Asian non-citizens.

So far we have examined the major aspects that characterize small-scale retail trade in Kenya. It would be interesting to briefly comment on certain minor characteristics which are more prevalent in one size of retailer than in another. We shall look at three characteristics. First, retail shops classified as small in this survey are characterized by great seasonal variation in their monthly sales. According to interviews with these types of shopkeepers and also from salesmen serving them, the large majority of them make about three-quarters of their total monthly sales within about 14 days--12 days at the end and beginning of the month and also four days in the middle of the month and the 14th, 15th, 16th, and 17th of each month, when manual workers received their advance payment. The rest of the time, which is slightly over two weeks, these shopkeepers made

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sales which represent about 30 percent of their total monthly sales.¹⁰

The other two characteristics which were observed amongst small shopkeepers were closely related. These were lack of specialization, leading to duplication of the same kind of shops and stiff competition. In both urban and rural areas, especially the latter, it is common to see a row of small retail shops, some of which are almost half empty and stocking the same kind of goods. This situation gave way to cut-throat competition amongst such retailers, and the mortality rate was and still is often high. Those who could not withstand the keen competition are edged out, and subsequently they must sell their goods before they lose all their money. Even where a little specialization in certain lines might have saved a shopkeeper from being edged out, it was not done. Through some probing it was found that small shopkeepers thought that specialization was too risky a proposition and only reserved for large retailers.

On the whole it was observed that the larger retail shops were found not to be affected by sharp seasonal variation in sales or severe competition. This did not imply that they did not face stiff competition, as they certainly did, but it was not so severe as amongst small shopkeepers. Field experience showed that large retail shops tended to specialize in certain lines to attract certain manufacturers and suppliers to appoint them distributors or stockists of their products. Such appointments carried the responsibility of distribution of products as well as expansion of market. Suppliers of goods therefore paid attractive compensation to the large shopkeepers either in cash or free products.

Because of substantial capital outlay required to start a large shop and the requisite business skills needed to make it a success, such retail shops were found to be few, particularly in rural areas. According to this study and other market surveys, large retail shops represent about 15 percent of all

retail shops. For instance, in a rural trading centre of about twenty to thirty shops only one or two would be considered large according to the classification of this study as shown in Table 1. These large retail shops are characterized by a wide diversity of stock. Some of them do both wholesale and retail but rarely give any credit except to few selected customers. It should be noted that unlike large retailers, small ones provide credit to their customers. This is possibly why many small shops are scantily stocked in the middle of the month. When money owed is paid at the end of the month, stocks are replenished. From the foregoing observation it would appear that the problem of credit giving was more prevalent with small than large shopkeepers.

A number of authorities on small-scale traders in developing countries are generally agreed that many small retailers do not regard their business as a full-time job. For instance, Harper in his study argues that some of them regard business as a sideline activity, entered into with the hope of profits but not a full-time occupation.¹¹ Geertz describes bazaar trading in Indonesia as a series of discreet transactions which have neither pattern nor goal.¹² This general attitude of not regarding trade as a full-time occupation but "rather as a part of existence," as Bauer puts it,¹³ is a prevalent characteristic not only in West Africa but also in Kenya. As observed in this study, the attitude of taking small business as a sideline is also reflected by untidy appearance, poor displays, dusty shelves, incompetent selling, and long closure of certain shops. It is rather unfortunate that the view that small-scale retail trading should be taken as unconscious activity needing little deliberate effort seems to be widespread, particularly in rural areas. However, many oncoming young retailers with above average education are taking their businesses seriously and wish to make them full-time occupations so that they can make them a success.

All these characteristics of small-scale shopkeepers-- namely, size, type, ownership, education, competition, specialization or lack of it, and general attitude to business-- help us to understand and appreciate more fully the inadequate performance of some of these shopkeepers and the success of others. In addition such analysis provides a helpful background to identify the major problems faced by these shopkeepers. On the basis of such information it is possible to prescribe measures which could be undertaken to solve adequately these problems.

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12. Ibid., p. 311.

13. J. M. M., Rural Enterprise Survey in Kakamega (Nairobi: Institute of Development Studies, University of Nairobi, November, 1973), p. 2.

14. Ibid., p. 78.

15. Annual Report of Kenya Trading Corporation, 1974, unpublished.

16. Interview with the sales force doing door-to-door selling to small retailers (Nairobi: Colgate Palmolive, S.A. Ltd, 1974).

17. H. H. H., "The Development of Cost-Effective Extension Service for Small Business: A Kenya Experiment" (Nairobi: University of Nairobi, 1974) unpublished Ph.D. thesis, p. 43.

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- ⁵P. Marris and A. Sommerset, African Businessmen (Nairobi: East African Publishing House, 1971), p. 120.
- ⁶Ibid., p. 211.
- ⁷J. Okello, Rural Enterprise Survey in Kakamega (Nairobi: Institute of Development Studies, University of Nairobi, November, 1973), p. 9.
- ⁸Ibid., p. 24.
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- ¹⁰Interview with the sales force doing ex-van selling to small retailers (Nairobi: Colgate Palmolive, E.A. Ltd, 1974).
- ¹¹M. H. Harper, "The Development of Cost-Effective Extension Service for Small Business, A Kenya Experiment" (Nairobi: University of Nairobi, 1974) unpublished Ph.D. thesis, p. 43.
- ¹²C. Geertz, Peddlers and Princes: A Study of Change and Economic Development in Two Indonesian Towns (Chicago: University of Chicago Press, 1963), p. 36.
- ¹³P. T. Bauer, West African Trade (London: Routledge and Kegan Paul, 1963), p. 11.

CHAPTER THREERETAILING IN A TRANSITIONAL SOCIETY

This chapter seeks to present a synopsis of the significant features in the development of retail trade in Kenya in a context of a transitional society. In addition it will highlight the major problems and constraints arising from a transitional society and suggest ways of mitigating them. It is expected that this approach will also provide sufficient background to understanding the reasons behind concerted government effort to put control of retail trade into the hands of Africans.

The wholesale and retail trade in Kenya has gone through various transitional phases of development in the past eighty years or so. It can be traced back to simple barter used as a means of exchanging surplus food and domestic animals amongst clan and occasionally between neighbouring tribes. It was difficult if not impossible for a family to meet all its needs. In such circumstances one family had to take the surplus food it had produced over its own needs and enter into bartering relationship with another. Essentially barter thrived because of production of surplus of different commodities. This stage of simple barter necessitated what Kotler has referred to as "a marketing process of search and negotiation."¹ As families, clans, and tribes specialized, though in a limited scale, in production of certain foodstuffs or in raising cattle they had to exchange them and bartering thrived. Eventually specialization increased the importance of barter and encouraged emergence of local markets in which goods could be brought together in the same locality. This marked the rudimentary beginning of retailing, but further growth was restricted by lack of a suitable medium of exchange.

There are two innovations which contributed greatly to the formation of barter and stimulated development of local markets to towns and trading centers. These are the construction of the

"Uganda railway" and the introduction of money as a medium of exchange. The construction of the so-called "Uganda railway" began in Mombasa in 1895 and rolled past Nairobi to reach Kisumu in 1901.² Another railway line branching off just after Nakuru towards Uganda reached Jinja in 1906. This new mode of transport established the future foundation of both agriculture and trade. Along the Kenya railway grew small towns which became trading centres and eventually large towns. Between 1910 and 1930 other railway branches had been opened--for instance, from Nairobi to Nanyuki and Gilgil to Thomson's Falls. These railway branches helped to transport agricultural produce grown by European farmers who had settled in the "white highlands" and along the railway line.

Newlyn in his book, Money in an African Context, argues that barter economy restricted the development of specialization. He goes on to suggest that "there are few societies which have not developed a medium of exchange, in other words money, at their primary level of civilization."³ Money is the second innovation which had great impact on bartering but was not introduced as a medium of exchange until early 1910s. It met the three requirements of a good medium of exchange--namely, it was limited in supply, it was durable (hence a store for value) and its unit value was sufficiently high not to require vast quantities for settlement of normal transactions. To begin with, rupees similar to those of India were introduced and later on replaced by a common currency for all the three East African countries--Kenya, Uganda, and Tanganyika (modern Tanzania). It should be noted that a few years after independence the common East African currency was dissolved, and each of the three countries introduced her own currency.

Having looked briefly at the development of barter and the two innovations which transformed it into initial retail trade, it will be worthwhile to examine the reasons for slow development of African shopkeepers. By the colonial law Africans could

neither own land in the European settlement nor grow any valuable export crops, like coffee or tea, on their own farms in the reserves. This policy was justified on the ground of a self-seeking principle, that European agriculture was adequate to sustain the economy and develop the existing resources for eventual civilization of African society.⁴ To this end, the African population had to contribute the necessary labour on the farms. In order to maintain status quo, this policy was strictly enforced. Africans who were looking for employment in order to pay compulsory "hut tax" were recruited to work in European farms. They worked at a very low wage and lived on the farms and made their homes there as squatter-labourers. Along with the land and labour policies the colonial government imposed upon Kenya a deliberately segregated society typified by a pyramid. On the top of a pyramid were Europeans with their commercial agriculture, dairies, mills, and their own urban centres, banks, and commercial agencies. On the bottom of the pyramid were Africans who were considered only as a prime source of labour, particularly for the European farms. In between these two layers of society were the Indians who concentrated on distributive trade to cater principally for the needs of European farmers and administrators.

After the completion of the Uganda railway some of the Indians employed in building the railway started small shops along the railway line. Eventually they penetrated the hinterland, establishing a chain of shops--that is, from wholesalers in Mombasa to a string of retailers in the remotest areas of the countryside. By 1908 isolated Indian shops were selling cloth and utensils to the African farmers around Lake Victoria. They also supplied the colonial administrators and missionaries with imported provisions and wines, in addition to buying local produce for resale.

The major functions of the Indians have been aptly summarized by Lord Cranworth's book, A Colony in the Making.

This large body of men set themselves to the task of money making. To this end, they have applied

themselves, not as the British habit by developing the natural resources of the country but rather, by the draining dry of the resources already in existence.⁵

The few Indians that were not engaged in trade were used by the colonial administration as clerks in offices, artisans, and technicians to service the railway, cars, and machinery. The Indians in trade were denied the right to own farmland in both the European settlements and the African reserves. So they concentrated their energies and money into building trading centres and townships.

In the course of time the small trading centres grew into large administrative and commercial centres. Nairobi, which was originally a servicing station of the locomotives before descending the Great Rift Valley, grew to an important commercial town even as early as 1900. The prominent shops were owned and run by Europeans, especially British --for instance, the Mackinnon Brothers, a wholesale and retail shop established in 1903, the Dempesters Studio, the Colonial Meat Company, and the Machine Metal Works of 1904.⁶ In course of time Nairobi grew to a large town while many other trading centres sprang up, particularly in the farming area or around missionary centres. Such towns that became centres for European farmers include Nakuru, Eldoret, Kitale, and Thomson's Falls.

Let us briefly examine the different phases which the development of retail trade in Kenya has undergone. These different phases will help to highlight the different transitional stages in development of retail trade. During the first phase which falls between 1900 and 1950s, European interest dominated in everything--farming, administration, and business. Both Europeans and some privileged Asians set up large retail shops, especially grocery and provision stores, to cater almost exclusively for Europeans. Almost every European town like Nairobi and Nakuru had these types of shops. Asian traders were dominant in the import trade, especially textiles, wholesale in

in the bazaars, and large and medium-sized retail shops in both small and large towns and also in the remotest trading centres of Kenya. During this period only a few African traders were found in the market stalls. The most progressive African businessmen were engaged in shops found dominantly in African locations, the characterized by shanties.

The beginning of a state of emergency in 1952 marked the end of the first and the beginning of the second phase of development of retail trade. During the second phase European traders started to sell their enterprises to Asians, especially in the predominantly European towns like Nairobi, Nakuru, and Eldoret. They felt threatened by the political unrest and subsequent guerilla warfare. This strengthened further the hold of Asians in the trade. Between 1950 and 1960 it is estimated that Asian traders controlled virtually all of wholesale trade and about 80 to 85 percent of the retail trade. Therefore, this period can appropriately be referred to as the height of Asian trade in Kenya.

The third phase of the transition of wholesale and retail trade started at the advent of independence in the early 1960s. The change on the commercial scene was slow and almost unnoticeable during the first three years after independence. Early in 1967 significant changes started to take place through the introduction of the Trade Licensing Act, 1967.⁷ The purpose of this act was to diminish the dominance of non-citizens in trade and promote Africans in business. It should be noted that this was the first major government instrument of Africanizing trade through the issue of quit notices to non-citizen traders. The initial impact of this legislation was small. But more effective amendments were introduced which further restricted trade of non-citizens and subsequently made way for African traders. The detail of full impact of this act in trade will be covered in Chapter Nine.

In order to have an efficient change-over from dominantly Asian to African traders, particularly in retailing, the District Development Joint Boards gave loans to African traders to a maximum of 10,000 shillings. Where more capital was required to buy out stocks and business premises of non-citizen traders, the Industrial Commercial and Development Corporation gave both the commercial and property loans. Commercial banks supplemented these loans which helped aspiring African businessmen to buy out an increasing number of non-citizen traders. Through the supplementary licensing acts and other government regulatory measures on trade, directed at removing non-citizen traders, especially in smaller towns, most of these retail businesses were transferred into the hands of Africans by the end of 1973. It has been observed that in large towns like Nairobi, Mombasa, Kisumu, and Nakuru the phasing out of non-citizen Asian traders as at the beginning of 1973 was less dramatic, but it is progressing steadily. The most significant transfer of business from non-citizen Asians was observed in the rural trading areas.

It should be noted that until 1950 the majority of the African population in the Rift Valley Province were employed in the European settlements as labourers. The minority worked in the offices and factories in the lower cadres. This partly explains why before 1960 only a few Africans owned shops of more than 30,000 shillings worth of stock at prices of that time. Many restrictions were imposed on aspiring African businessmen. Let us consider three important factors which largely contributed to slow progress of African businessmen. First, an African could not own land in the European settlements, and in the African reserves he was not allowed to grow any viable cash crops which would have earned him some income to start or to be invested in trade in a large scale. Secondly, both the banks and commercial agencies catered mainly if not exclusively to European interests and deliberately discriminated against African traders, particularly in getting loans for business. The policy of upholding the

*Private conversation with the chairman of the National Chamber of Commerce, Kenya, January, 1973.

supremacy of European interests first and Asian traders secondly was invariably reflected in almost all commercial and administrative institutions. It is shocking to note that before 1955 a special approval from administrative authorities had to be sought before an African was allowed to borrow 2,000 shillings from a commercial bank or an individual.* The third factor which precluded Africans from participating actively in the wholesale and retail trade was the narrow community-mindedness of Asian traders. Being the major wholesalers and the suppliers of goods to African traders, they charged prices close to the retail selling cost, leaving very little margin of profit. On the other hand, they offered their fellow Asian retailers genuine wholesale prices and credit facilities. Therefore, an African retailer could not effectively compete with his Asian counterpart.

These three significant factors provide a background to understanding problems and conflicts inherent in the process of establishing an African in the retail trade. Another facet of the same problem is closely associated with the conflict between traditional society and values and modern ways of business and life style which we shall consider briefly.

Traditional Values and Conflicts

African businessmen are said to be living "between two worlds," the traditional world in which many have been brought up and the modern world in which they are increasingly participating.⁸ The transition from the traditional to the modern form of economic activity is naturally slow but has been taking place, as noted by Guy Hunter when he said that "an African will shed the older customary values when once economic opportunities and values grip him."⁹ The fast changing social and economic environment and the impact of scientific knowledge have been increasingly affecting and conditioning the transition.

It was observed during the personal interviews with African businessmen that many of them were still participating in the relationships and values of the traditional society. As noted

*Private conversation with the chairman of the National Chamber of Commerce, Kenya, January, 1973.

by Dr. Busia, each culture emphasizes certain values which determine the way of life of people.¹⁰ The bonds of the family, of lineage groups, and sometimes the tribe were still strong, and denial or evasion of their claims often resulted in rejection by the community. Regardless of the particular type of traditional society an African businessman belonged to, his extended family expected him to share his income in certain customary ways, as a fortunate member of a clan. He was expected to contribute to their functions and in general to regard their claims on him as of the same priority as his own self interests. A more subtle effect of traditional attitudes was that they perpetuated African reluctance to enter into business partnerships with non-members of the family or clan--unlike their Asian counterparts. It was often repeated during the interview that most African businessmen found it difficult to entrust outsiders with important responsibilities, unless there were no substitutes from the family.

Some of these traditional practices and values were seen to constitute obstacles to successful entrepreneurship. For instance, the extended family with its many obligations imposes severe strain on capital needed for investment. Others, while not directly blocking progress of African retailers, impaired the effectiveness with which African businessmen could operate in a competitive market. Despite the fact that only a few traditional institutions and values of African society prepared them in a positive way for the motivations and attitudes required in efficient performance of modern enterprises, there have been an increasing number of successful businessmen who are able to overcome the limitations of a traditional society. The transition from traditional to modern business practice has not been easy, partly due to the colonial administration and partly due to the social setup of African life.

It has been argued that certain aspects of African experience during the colonial rule have also had a negative effect on African capacity to meet the requirements of successful

entrepreneurship. As pointed out earlier, needed capital to start or improve a medium-sized retail shop was extremely difficult to raise. Banks and other commercial institutions catered principally to Europeans and Asians. Neither the subsistence farming undertaken by African farmers nor the manual or clerical jobs could be sufficient sources of capital. In addition the prevailing wages for a farm labourer between 1930 and 1950, around thirty to sixty shillings per month, were so insufficient that savings were almost impossible. Worse still, no African could own land in the European settlement area or grow cash crops on his farm in the reserve because the colonial administration would not allow it.

There is yet another heritage closely linked to the attitude of colonial administrators which also affected African businessmen. They tended to regard businessmen, even of their own nationality, with condescension and appeared to attach great importance to social and sectional activities. Education available to Africans at home and abroad during the colonial era and persisting in a large measure today tended to reflect the British preference for the learned professions rather than business. This problem has been counteracted by a strong sense of commitment to political and economic activities generated by independence. This commitment became even more pronounced and because of increasing knowledge, the desire for self improvement, and personal aspiration to own and operate modern economic enterprises and not to be content with a white collar job.

We have so far looked at the adverse effects of the colonial role on trade in Kenya. It is only fair to briefly mention many positive contributions of the colonial administration. It is important to say that the British administration (in Kenya for about sixty years) brought about radical transformation of political, economic, and cultural life in the traditional society.

Let us briefly consider the impact of British rule on the three areas of traditional life and resultant effects. The

history of Kenya shows that traditional forms of government existed within different tribes. For instance, before the British administration the Masai tribe had its own leaders who led the whole tribe. However, the leadership was based on tribal or sectional boundaries and therefore limited in scope and authority. The hierarchy of authority rarely extended beyond a chief who administered a limited area of his clan or tribe.

When the British administrators came to Kenya, they imposed on the traditional society a more developed and organized political structure but more impersonal and pervasive than any region had experienced before. They adopted the so-called method of "indirect rule,"¹¹ that is, administration through the traditional political authorities. It turned out, however, to be a distinction without a difference. The most important colonial heritage is the parliament, the civil service, the judicial structure, and other institutions which have superseded traditional types of political authority. Today the Kenya Parliament is the supreme legislative body as in any democratic country of the world.

At the economic level, parallel changes also took place as a result of British rule. Modern forms of taxes were imposed by the colonial government in order to get revenue for development purposes. These taxes ranged from the hut tax to poll tax and had to be paid in money. In order to meet this obligation, Africans had to sell portions of their produce for cash or work for wages. The introduction and use of money provided a major stimulus to the establishment of a market economy side by side with the subsistence economy.

To supplement the small revenue from taxes, import duties and export taxes were imposed on agricultural products and other raw materials. The export trade of agricultural products was encouraged in order to earn some foreign exchange. This provided a stimulus for developing commercial agriculture. Today agriculture has become independent Kenya's greatest heritage from the colonial government. The same government created climate and

incentives for foreign investors especially in farming, mining, and extractive activities. Thus the major economic effect of the colonial rule was the decisive establishment of the beginning of a modern market within the traditional subsistence economy. It is therefore logical to say that the rate at which indigenous entrepreneurship is developing and the form it is taking are dependent upon the characteristics of modern market economies now evolving in Africa which were developed during the colonial rule.

With respect to culture the colonial rule exposed Africans to a wide range and variety of new ideas, education, health services, new products, and possibilities of individual and social advancement. As days went by, Africans became aware of the Western living standards, religion, science and technology, mass media, and forms of entertainment. This exposure has been transforming the attitude and expectation of a large number of Africans. Indeed the development of modern forms of private economic activities among Africans is one of the major aspects of this process of transformation and adoption inherent in the colonial rule. It has been observed, however, that while many of the attitudes and institutions of the traditional society still persist in modern forms of economic and political activity, the effect of the impact of the Western culture may live for a long time.

The net effect of the colonial rule on retail trade was to bring about changes which had much positive influence. As the Africans became exposed to monetary economy and an increasing range of opportunities in trade, a small but rising number of Africans started getting entrenched in trade. In the late 1950s they began to get into different areas of distributive trade which was dominated by Asian traders. As noted earlier, European pioneers in trade had started to sell their businesses to Asian businessmen, especially in large towns during the 1950s, when Africans were actively fighting for their independence.

One of the most significant contributions of the colonial administration was its positive support given to European farmers to develop commercial agriculture to an enviable level. Large-scale farming of cash crops was developed which facilitated the establishment of an export market of agricultural products. A variety of crops were also experimented with --for instance, coffee, tea, pyrethrum, and cattle, to mention but a few. Today agriculture is the mainstay of Kenya's economy and will continue to be for a long time. This heritage from the colonial rule has been a sound base for retail trade. Indeed, without steady growth in the agricultural sector the distributive sector would experience great setbacks, because the two are interrelated.

In the preceding pages we have examined both the advantages and disadvantages of the British rule as it affected trade. Everything considered, the advantages by far outweigh the disadvantages. It is reasonable to suggest that the foundations of the steady economic and social development Kenya is currently enjoying were laid during the colonial era.

In order to get a fuller perspective of the transitional stages of the development of retail trade, a typical town, Nyahururu, was selected for further examination. This is the same town which was selected in this study to represent urban towns in Kenya. As the history of this town will readily show, it sprang up as a result of white settlement which found this area fertile for wheat, maize, and cattle raising. Due to the lack of a written history of development of this particular area, three Asian and three African trading pioneers in this town were interviewed. Four of these pioneers have retired from business. It might be interesting to note that one of the pioneers is the father of the author, who provided some insight into the development of retail business in Nyahururu.

The general information gathered from these personal interviews was found to be fairly consistent with the general literature of economic development of Kenya. What were sometimes different

different were the details which were blurred by passage of time. The following is a synopsis of the trade development in Nyahururu area, highlighting the transitional stages of trade development.

Nyahururu

Thomson's Falls town was named after Thomson, the first European to see the falls in 1885.¹² In 1972 the name was changed to Nyahururu, a Masai name for a falls. Prior to the boundary changes in 1970 it was the headquarters of Laikipia, one of the districts of the Rift Valley. Today it is the headquarters of Nyandarua, the newly created district of the Central Province. To many people Nyandarua is known as the home of the largest settlement scheme, over 2,000,000 acres, on the former large-scale European farms.

The beginning of Nyahururu, like many other towns in this former "White Highlands," was closely associated with the European settlement. After the death of Lenana, the leading Masai chief, the second Masai Agreement was signed.¹³ The major contents of the agreement were that the Masai occupying the Laikipia plateau would move to the enlarged southern reserves and make way for European settlement. It should be noted that these reserves south of the railway had been enlarged by the British colonial government in an effort to bring all Masai together. After some time there arose disagreement between the successor of Lenana and the colonial administration. The case was therefore referred to the Protectorate High Court, but it was finally dismissed in 1913.¹⁴ Subsequently, Laikipia was thrown open to white settlement. From this date Europeans started moving northwards from Naivasha and Gilgil, the nearest towns along the Uganda railway.

After the First World War more European farmers started to settle along the western slopes of the Aberdares, around Ol'Kalou and Ndaragwa area. They took large stretches of land for raising cattle and growing maize and wheat. Both the climate and the soil proved most suitable for extensive farming, and this

encouraged many more European settlers to move to the slopes of the Aberdares. As years went by, commercial farming prospered, and the area under cultivation was extended northwards. Harvests of these cash crops increased steadily. In order to transport these cash crops to Gilgil, the nearest railway station, an earth road was dug in the early 1920s. Gradually Nyahururu grew in importance because of its flourishing agricultural produce and cattle. To facilitate the transportation of these cash crops at an economical rate, a railway branch from Gilgil was completed in 1928. This new mode of transport provided a stimulus for commercial large-scale farming all around Laikipia and Maralal districts and adjoining districts.

Just as Asian traders had established shops around the European settlements along the Uganda railway, so did they on the Laikipia plateau. They started one or two shops to supply farmers with daily provisions, most of which were imported tinned foods and wines. One of the prominent Asian pioneers in trade is Unia, who first settled at Ol'Kalou from Gilgil and eventually moved to Nyahururu in an area which subsequently became exclusively Asian location. As the European settlements increased in number and in customers, more Asian shops were set up. The largest self-service stores catered exclusively to European settlers, while the medium and small shops catered to their employees.

According to the law of the land, no African was allowed to set up a shop outside the scheduled trading centres. This meant that both the European farmers and their workers had to travel to Nyahururu town to purchase their weekly or monthly provisions. Frequently the farmers bought large quantities of provisions such as sugar, salt, and maize for their workers. It was a common practice to buy such provisions for workers and then deduct the cost from their wages. Because of government restrictions on setting up shops in "settled areas," development of African shopkeepers was impaired, except in small urban towns.

About 1933 two Africans ventured into the trade. They put up temporary mud houses on rather marshy ground. After a year two more Africans joined them. By 1940 there were ten families, and this area grew as an exclusive African location. These African traders, formerly employed in the European farms, catered to the few customers living around the town and farm labourers from surrounding areas who came to sell their produce and buy their provisions once or twice a week.

In order to highlight the transitional stage of Nyahururu town, its growth will be divided into three phases of development. The first phase is characterized by a slow start, followed by a period of depression during the 1930s. However, it is during this difficult time that the future foundations of transportation networks were laid. Between 1929 and 1939 desert locusts ravaged the land. Coffee prices fell by more than half. These adverse effects on trade and the declining prices of agricultural products were reflected significantly in the general business in Kenya. Nyahururu was no exception.

The second phase between 1940 and 1952 is considered a time of prosperity and business building. The prices of agricultural products improved significantly, and there were bumper crops. Four self-service stores were erected to cater to European interests. Oil companies like Shell, Caltex, and Mobil Oil established depots in order to supply the farming community with petroleum products. The few African retailers started to reap the benefits of increased disposable income from the agricultural community but not so much as their Asian counterparts. During this period more European farmers and administrators settled in Nyahururu. However, Africans continued to provide the necessary labour on the European farms. At this time most of the African traders were confined to market stalls. Only a few owned sizable shops. Nevertheless they worked their way up to small and medium-sized retail shops. In the late 1940s there were three successful African retailers who owned shops comparable to

medium-sized Asian retail shops. These few successful African retailers bought their supplies from either Nakuru or Nairobi, where they obtained goods at a favourable price which gave them a reasonable profit margin to enable them to expand their business. One of these three is the father of the author of this study.

During the third phase, between 1953 and 1970, many significant events took place which had a great effect on trade. The state of emergency was declared, and subsequently movement of Africans especially was restricted. Most of the Kikuyu squatters were repatriated to their places of origin--that is, their native reserves in the Central Province. The effect of this move resulted in a decline of business for both Asian and African retailers. The situation was aggravated by the "famous exodus of the Dutch farmers," who were the major customers of the large self-selection stores. This situation snowballed, and many European farmers permanently left their settlements.

After the state of emergency was officially lifted in 1959 the preparation for independence started. This period ushered in more changes directed at non-citizen traders and foreign farmers. It started slowly but gained momentum afterwards. The government introduced the Trade Licensing Act in 1967. Through this major government restrictive measure many Asian traders were forced to leave the country and make way for African retailers. The effect of this measure was most noticeable in the rural towns where non-citizen Asians were rapidly replaced by African businessmen. Today the former exclusively Asian shopping area is dominated by Africans. Similarly the remaining European farmers were urged by the government to sell their farms to Africans from around 1967. Today the few European farmers are very large-scale ranches which are increasingly being bought by cooperatives.

From the foregoing account Nyahururu can be seen to have developed from a small trading centre to a sizable town. In the process of development, African trade and agriculture went through transitional stages--that is, from barter trade to money economy

and from shifting cultivation to mixture of subsistence and commercial farming. However, subsistence farming has been rapidly declining. With all these changes African thinking and outlook were broadened. It is also true to say that communal living and trading, common in Nyahururu just like other areas, has been rapidly giving way to an individual and impersonal way of doing business. At the time of undertaking this study most wholesale and retail trade had been successfully transferred into the hands of African businessmen. By the beginning of 1974 there were three Asian shopkeepers who were Kenya citizens in what was formerly an Asian-dominated location. The effect of the Trade Licensing Act 1967, the subsequent amendments, and complementary promotional measures have brought a dramatic transfer of trade into the hands of African traders.

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CHAPTER FOURTHE ROLE OF RETAILERS IN KENYA

The purpose of this chapter is to examine the actual and potential role of small-scale African retailers in Kenya and how it can be fostered in order for them to make a greater contribution to social and economic development. Harper argues that it is generally accepted that retailers have the potential to perform a valuable role in any society.¹ For our purpose we shall focus on small-scale retailers, especially African shopkeepers. They are expected to benefit customers, suppliers, government, and themselves. It is, therefore, reasonable to say that attempts to promote the development of small retail business or any such group should be presented as benefiting the small businessmen themselves and should be based on research of their needs.

In Chapter Two it was clearly pointed out that a retailer is an important and strategic distribution channel. However, his role and total effectiveness is largely dependent on supply of goods and services either directly or through wholesalers. But this is only way way through which goods and services flow. There is the important reverse flow of information from customers through retailers to suppliers. These two flows of goods and information complete two-way communication needed in planning effective ways of generating profit through customer satisfaction. This concept of customer satisfaction is an integral part of the new marketing channels; suppliers, wholesalers, and retailers must coordinate their efforts and harmonize their interests in order to create more customer satisfaction. For instance, a manufacturer who is wholly motivated by profit is bound to fail unless he considers the needs of customers, other channels of distribution, and his employees. It is similarly necessary to examine the importance of small-scale shops in satisfying the needs of their customers and the suppliers of goods they distribute.

Customers

The most important group both in terms of numbers and their critical role in determining the success of small-scale shops, are the customers. Before trying to discover the extent to which customers of small-scale shops are satisfied, it is necessary to briefly examine the services rendered to them. For a retailer to meet the requirements of his customers he has to break up the bulk of his products in order to make small assortments of goods in the right sizes and quantities at a price they can afford. A retailer has, therefore, to stock a wide variety of products and sizes and invest some of his money in slow-moving goods and those with a low profit margin. However, some of the low profit margin products are staple commodities like sugar, salt, maize meal, which are required by most customers. In essence it means that a retailer has to stock not only a large assortment of goods but also in the right sizes to meet the needs of all his customers.

In addition to breaking bulk and stocking a wide variety of products and in varied sizes, a retailer has to make them available always. When certain essential commodities are not available, certainly both customer and sales are lost. Without stocks there can be no sale.

It has been observed that the category of retailers classified as small in this study is notorious for being out of stock in many items, particularly in the middle of the month. Such shops lose their sales to medium and large shops who normally have a sizable number of customers. Many customers too demand credit facilities as a service to them. But the large category of small-scale shops does not usually provide credit. When fifteen salesmen of a certain company were asked which retail shops gave the most credit, they were unanimous that it was small shops.² That is the reason why these retailers have no money to replenish their stocks in the middle of the month. Although credit is a valuable service to customers, it was

sometimes given at the risk of losing future sales due to lack of working capital to replenish stocks already sold out. Fortunately,

Because of the large number of small retail shops scattered all over the country, they are able to reach customers at close quarters. Customers are saved from traveling long distances to buy household products. In addition many shop owners open their shops early and close them late. This provides customers with long shopping hours. Salesmen are particularly happy because they find many shops open early in the morning, often before 8 a.m. When customers buy bulky things, it is not uncommon for a shopkeeper to provide transport or politely suggest an equally good alternative. There are many such services provided by small retailers, and that is probably why many customers who are not well off prefer to shop in small local shops in spite of lower prices available in self-service shops. This was also found by Harper to be the case with poorer customers in Northeast Brazil who preferred small local shops to large self-service stores.³

Another function rendered by small retailers to their customers is dissemination of product knowledge. In the process of buying and selling products small retailers acquire knowledge of the benefits and uses of different products. This is particularly so when new products are launched and small retailers buy them to sell to the customers. Because of their unique position and their experience in business, retailers are in a position to educate their customers on product usage and benefits, and even to influence their preferences. The education of customers by retailers is not confined to specialty stores like chemist or photographic shops but also extends to general shops selling mass consumer goods. For instance, small retailers have been found extremely useful in promoting new products like Clear Tone for skin lightening or Cold Power, a washing powder.

Having examined the important role played by small-scale retailers and valuable services they render to their customers, it would be reasonable to evaluate their success--that is, find

out the extent to which the customers of Kenyan small general shops are satisfied by the services they receive. Unfortunately, there are very few studies done on this subject. One such study was conducted by Malcolm Harper in two different locations, Kenya and Wolverhampton in England.⁴ The findings of these surveys suggest that customers in Kenya's small general shops in Machakos, Nyeri, and around Nairobi where the survey was done are more dissatisfied than in Wolverhampton in England.

The following are the results of this survey consisting of 140 customers, half of whom were female.

TABLE 2
RESULT OF SURVEY INTO CONSUMER OPINION
OF SMALL-SCALE RETAIL SHOPS IN KENYA

Features	Very Good %	Adequate %	Very Poor %
Polite service	40	51	9
Opening hours	31	55	14
Goods in stock	21	50	29
Credit	15	41	44
Cleanliness	12	55	33

From the above results the respondents interviewed were dissatisfied with credit and cleanliness of small shopkeepers. The results of the Harper survey done in Wolverhampton were not provided, because criticism and appreciations covered a very wide range of features which were not easily categorized under any meaningful headings.⁵

After studying the above results it was felt that some comparative data from expert salesmen who are also customers would show whether these indicators were of some validity. Seven salesmen were each assigned to one of the following towns: Mombasa, Malindi, Machakos, Nakuru, Nyeri, Kisumu, and Eldoret. Two others were assigned to Nairobi to conduct a survey on small retail shops. Each salesman was asked to randomly select fifty shops in his territory. The following are the results on the

different aspects of service covered by the interviewers (the aspect of "polite service" was omitted because of its subjective nature).

TABLE 3

RESULTS OF SURVEY INTO SALESMEN'S OPINION
ON SMALL-SCALE RETAIL SHOPS

Aspects of Service	Very Good %	Adequate %	Very Poor %
Opening hours ✓	45	45	10
Closing hours ✓	55	42	8
Adequate stocks ✓	25	30	45
Credit	35	27	43
Displays	30	22	38
Cleanliness	25	30	45

Source: Internal company survey.

The above results indicate that inadequate stocks in general, displays (which include price tags), and cleanliness were considered by the salesmen to be the major area of complaint. It should be emphasized that this survey did not try to rank the importance of the various aspects, nor was it a measure of the reasons why particular shops were selected in preference to others. It shows, however, that salesmen both as trained merchandisers and customers of the shops visited were dissatisfied with certain aspects of service rendered by small-scale retail shops. The results of this survey are closely related to that of the study discussed before.

It should be pointed out that small-scale African retailers have not acquired the necessary business experience and skill, as they themselves would readily acknowledge. As they gain experience and business skill, they are bound to improve their services to customers, expand their business, and play a more important role in nation building.

Manufacturers *Information from customers is necessary in formulating*

The manufacturers or distributors of goods which finally reach consumers through small-scale retailers might themselves be expected to be most interested in promoting the development of their channels of distribution, particularly retailers. The more a manufacturer appreciates the actual and potential role and functions of small-scale retailers in helping him to achieve his goals of consumer satisfaction at a profit, the more time and effort he will put into developing his channels of distribution. It would be worthwhile to briefly examine the major functions rendered by small-scale retailers to manufacturers and suppliers. It might be helpful also to try to discover what manufacturers expect from small-scale retailers.

It is estimated that there were in 1973 about 24,600 general retail shops in Kenya.⁶ Over 80 percent of these shops were and still are located in the rural areas. As a group they constitute an important marketing channel for reaching customers all over the country with goods and services. This is a prime objective of manufacturers. Small-scale retailers buy a wide variety of products in different sizes and in dozens or cases and then break the bulk for the convenience of their customers. These retailers have also to stock both fast and slow-moving items, high margin as well as low margin goods, in an effort to meet the needs of their customers at prices they are willing to pay. Besides, the network of small-scale retailers is such that they are scattered widely all over the country, in difficult terrain, in distant places, and in remote areas, which manufacturers would find either inaccessible or uneconomical to travel to and sell. In effect this means saving manufacturers some of their distribution costs, especially where one larger retailer buys in bulk and then distributes to his network of small retail outlets.

In addition to getting his goods and services distributed through a network of small-scale retail shops, a manufacturer is expected to get feedback from customers via retailers. This

feedback information from customers is necessary in formulating effective marketing plans and strategies for satisfying customers. According to Philip Kotler, the new marketing concept calls for a basic reorientation of the manufacturer from looking inward towards his products to looking outwards towards the customer's needs.⁷ On this basis, consumer research can measure, evaluate, and interpret the wants, attitudes, and behaviour of various target groups and meaningfully improve the quality and quantity of his products, increase his product range, build a strong franchise of his products, and appraise the effectiveness of his selling and marketing strategy.

In the past few years manufacturers in Kenya have increasingly been developing and testing new products. On the whole, small-scale retailers have proved a very valuable source of information on taste and preferences of local consumers. Many manufacturers, especially of mass consumer products, have found that retailers as a group provide useful indications of potential sales because of their intimate knowledge of the local market. Retailers too play an important role in actual launching or relaunching of new products. For instance, if a launch for a new product or a sales promotional campaign is to create the intended impact on consumers, retailers have to supplement the media promotional efforts. They do this in a number of ways. They not only purchase an above average amount of goods but also provide their shelves and windows for displays as well as assist in personal selling and educating consumers about the new products. In other words, they represent manufacturers' interests while in their shops.

It can be observed that small-scale retailers do not only render service to manufacturers for which they are sometimes well rewarded through reasonable profit margin, but they also buy products from farmers. Some of the retailers who are located in the farming community act as buying agents of farm produce like vegetables and in turn supply their customers. This trade,

though not fully developed, indicates the vital role retailers can play as middlemen between suppliers and consumers.

Many manufacturers are well aware of the sales volume from small-scale retailers. According to the survey conducted by Malcolm Harper in 1973 on fifty-five manufacturers of products which occurred frequently in the stocks of the small-scale retailers, it is interesting to note two points. (1) These manufacturers realized the importance of actual and potential sales from small-scale retailers. For instance, eleven manufacturers out of twenty-four claimed to get sales in excess of 2,000,000 shillings per year from shops in rural areas.⁸ The cost of advertising, media, promotion through sales vans with loud speakers, demonstrations and point-of-sale materials--all indicate the importance attached to retail outlets by manufacturers. (2) It is also interesting to note the heavy investment made by manufacturers in employing salesmen, some specifically for small-scale retail shops. For instance, a survey on ten companies selling mass consumer products shows that seven of them had employed about 60 percent of their sales force specifically for small-scale retailers,⁹ that is, salesmen whose responsibility is to buy from wholesalers and sell to small-scale retailers. Taken as a total sales force it is clear that there are several hundreds of men whose employers are vitally interested in improving the operations and performance of small general retailers. Some are employed to increase sales of the products they promote, but others are used more indirectly, to render valuable service in educating and training retailers in improving their businesses and performance.

Some of the manufacturers talked to during the study expressed their dissatisfaction with the performance of retailers. Subsequently they made little or no effort to promote their products or extend the market for their goods. These manufacturers believe the deficiencies of the available channels of distribution will make their operations uneconomical. As a result, their

Of small-scale businesses, retail trading is by far the

efforts to develop small-scale retailers are almost non-existent. It is hoped that this shortcoming will be alleviated as time goes by. It is encouraging to note that many manufacturers do invest resources in reaching their customers through small-scale retailers. It should be pointed out that in performing all the functions mentioned above, small-scale retailers have personal goals of adequate level of profit, growth, and expansion. These personal goals act as the driving force in rendering service either to customers or manufacturers.

Government

In many developing African countries and Kenya in particular the thrust of the government national plans is towards economic independence and control of the economy by indigenous people.¹⁰ In order to achieve this important and rewarding national goal the two leading sectors, agriculture with commerce and industry, have to increasingly contribute to the growth and expansion of the economy of Kenya. In the agricultural sector small-scale farmers, especially of tea, pyrethrum, and dairy cattle, are making a greater contribution in the development of the economy than ever before. Similarly small-scale retailers can and have played an important role in nation building. In the following pages we shall briefly examine how small-scale retailers have contributed to the government effort of developing the economy.

Outside agriculture the largest number of African enterprises are in what could be referred to as small-scale business. The total employment provided by these businesses in 1970 was in the order of 480,000 or over 60 percent of the total non-agricultural employment.¹¹ To put these numbers into perspective, it should be pointed out that these estimates of employment in small businesses do not essentially find their way into official employment statistics. This is because many are illegal in a sense that they do not satisfy statutory operating regulations laid down by the local government,--for instance, brewing of alcoholic beverages or selling from a kiosk without a licence is illegal. Of small-scale businesses, retail trading is by far the

most important, comprising over 50 percent.¹² It is estimated that small general retail shops comprise about two-thirds of all retail trading, and they offer employment to about 75,000 people. To put these figures into perspective, total modern private sector employment in registered enterprises was nearly 213,000 persons in 1970 and about 462,400 persons in 1974.¹³ Public sector employment was officially reported at 243,000 persons in 1970 and 299,300 in the same year. What these figures indicate is that small African enterprises probably employ more workers than the rest of the non-agricultural private and public sectors combined.¹⁴ This emphasizes the importance of small-scale retail trading, the most important small-scale businesses, as an important job creator.

Retail trading is not only providing increasing job opportunities but also is a significant source of government revenue from licences, personal and sales taxes. Every year small-scale retailers like all other enterprises are required by law to renew their trading licences. Assuming that each retailer pays a minimum of 100 shillings, a total of at least 24,000,000 shillings is collected annually by the government from these retailers. In addition the government collects excise tax for certain locally made products--soaps, cigarettes, beer, soft drinks, etc. The more these products are sold through retailers, the more revenue is received by the government. It is evident, therefore, that small-scale retailers influence directly the rate at which excisable commodities move into the market to the final consumer.

Looking at the contribution of different sectors of the economy to the gross domestic product, it is worth noting that wholesale and retail trade contributed in 1973 slightly over 9 percent and became the third highest sector after agriculture and manufacturing. However, if we take total enterprises as a sector in the same year, wholesale and retail trade contributed nearly 15 percent of all enterprises. Total enterprises

contributed nearly 62 percent at constant 1964 prices in the same year.¹⁵ The available figures do not provide a breakdown of how much retail trading contributed towards G.D.P. in 1963, but it is estimated at about 4 percent and 7 percent of total enterprises. For the economy to develop and grow at a steady rate, all sectors, particularly agriculture, commerce, and industry, have to increase significantly their contribution towards G.D.P.

Another area where trade could assist is in mobilizing scarce resources, capital, and skills. The savings made by retailers could be mobilized and channelled to investment projects with maximum return on investment. A retailer usually accumulates small savings, but when such funds of all retailers are put together, the amount would be sizable. In Kenya as in other developing countries which heavily depend on borrowed capital for investment and development projects, the possibility of mobilizing savings would appear not only viable but an urgent proposition. Such saving when mobilized could minimize dependence on foreign funds and facilitate utilization of indigenous resources.

With respect to Africanization of commerce which is being vigorously promoted, development of small-scale retailers becomes crucially important. Small-scale businesses are not only a crucial training ground for tomorrow's medium and large-scale enterprises but also provide the basis for the expansion of auxiliary trading activities and a threshold to entry into processing and manufacturing activities. A competent small-scale retailer, given encouragement and support, eventually graduates to a wholesaler or an importer. If he is still capable, he works towards starting a small factory and finally crowns his career by becoming a manufacturer. According to Professor Alexander, traders like small-scale retailers are more likely than others to become industrial entrepreneurs for several reasons. First, they have entrepreneurial experience and have acquired skills in negotiating, buying, and selling. Secondly, they are close to the

market; hence they are aware of profit-making opportunities in commerce and industry. Thirdly, they are used to uncertainty and feel capable of coping with it. In addition their experience provides the security for the necessary capital to reinvest in industrial ventures.¹⁶ The government, therefore, needs to promote such emerging businesses to become tomorrow's entrepreneurs so they can play their crucial role in social and economic development.

From the foregoing comments it is evident that the government needs to develop and foster small-scale retailers in order for them to play an increasing and important role in the economic development of Kenya. The institutions set up to promote African businessmen, restrictive measures aimed at curtailing trading activities of non-citizen traders, and vigorous policy measures--all indicate the government's readiness and willingness to shoulder this heavy responsibility. These and other measures will be covered under Chapter Nine. However, retailers should be made to feel that their role is important especially in taking over trading from non-citizen traders without disrupting provision of goods and services. As Marris and Sommerset have said, the government has to stimulate African entrepreneurship so that the industrial and commercial development is not dependent on immigrant communities or on overseas initiative.¹⁷

¹⁶ *Kenya Survey 1975* (Nairobi: Central Bureau of Statistics, Ministry of Finance and Planning), p. 32.

¹⁷ *Ibid.*, p. 22.

¹⁸ *Ibid.*, p. 10.

¹⁹ V. Alexander, *Markets and Marketing Development in Developing Countries* (American Marketing Association, 1970, Black, Kegan and J. C. Hollister).

²⁰ Marris and Sommerset, *op. cit.*

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CHAPTER FIVELACK OF CAPITAL AND CREDIT FACILITIES

Since Kenya achieved her independence in 1963 it has become increasingly easy for African businessmen, particularly small-scale shopkeepers, to establish businesses. This is attributed to the government restrictive measures aimed at getting rid of non-citizen traders and promotional measures designed to encourage African businessmen to replace these foreigners. These measures have resulted in the increase in numbers of Africans in the trade. Before most of these African traders can establish, improve, and expand their businesses and therefore make the substantial contribution towards development of the country of which they are capable, they have to overcome their teething problems and the constraints which impede their success and growth.

The following three chapters, five, six, and seven, seek to identify the three basic problems confronting small-scale African retailers. It has been noted that some of these problems and constraints are characteristics of early stages of development while others are inherent in the transitional stages of the development of trade in Kenya examined in the previous chapter. Some of the major aspects of the transitional stages include transition from traditional ways and attitudes to modern business methods and transition from predominant non-citizen traders to steadily increasing African participation and subsequent control of trade.

What are these major problems facing small-scale African shopkeepers? In many developed and developing countries, business groups and government agencies interested in distributive trade (wholesale and retail) have conducted numerous studies with the purpose of determining the factors which contribute to the success or failure of retail trade. The major causes of failure and requisites for success have been delineated and lists drawn

up. Although there are differences in details on causes of failure and reasons for success of different types and sizes of retail shops, they all stress the importance of adequate capital, business skills, and experience. The corollary would apply that, from this analysis, lack of these requisites for success would constitute some of the basic problems and the constraints of small-scale African shopkeepers.

According to the results of this survey on a sample of 100 shops of varying sizes in three different locations--metropolitan, urban, and rural areas--in addition to probes conducted amongst 400 shopkeepers scattered all over Kenya, it is interesting to note that the first two problems approximate those found in the studies referred to above. The first problem as identified in this study is lack of capital and credit facilities, while the second is inadequate business skills and, therefore, need for training. The third problem is not readily recognized because of its subtle nature, but in-depth study showed that many small-scale shopkeepers experienced a conflict between traditional attitudes and values, and modern business methods and practices. Each of these three problems will be discussed under a separate chapter. This approach will help to highlight the nature, magnitude, and prevalence of each type of problem as well as show their interrelationship. It is fully recognized that there will be overlapping in examining each problem separately, but the advantages of doing so outweigh the alternative of tackling them together.

Capital Constraint

The Economic Survey of East African States in 1951 by the colonial office stated that "one of the chief difficulties for indigenous businesses is lack of sufficient capital."¹ According to a detailed survey by McCrory on small industries in one town of Northern India, the need for capital was considered the principal reason for the lack of success.² The clients of a much admired voluntary work for small business consultancy for

minority groups operated by the New York Association of Harvard Business School Graduates consider consultant expertise and contact in solicitation of loans as the major benefit of this scheme.³ These three situations indicate that lack of capital is considered one of the major problems confronting small-scale business in different parts of the world.

The small-scale shopkeepers are generally agreed that their most important problem is shortage of capital. Marris and Sommerset found that two-thirds of all Kenya businessmen interviewed whether in commerce, industry, or a country market believed this to be the case, and few of the country shopkeepers thought any other problem was worth noticing.⁴ These shopkeepers may be failing their suppliers, their customers, or even themselves in more than one way, but the cure for all their problems was believed to be money. The belief that the most pressing problem of small-scale shopkeepers is shortage of capital is not confined to Africa. 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, markets, and such things when all they believe to be necessary is a loan.⁵ Even in a developed country like the United States, lack of capital is still considered by small businessmen to be their major difficulty.⁶

Of all shopkeepers interviewed in this survey, whether in the country or in the city, the majority of them claimed lack of capital as one of their most important problems. Over 65 percent mentioned it directly. The result of this survey indicates that this problem was more prevalent amongst the category classified in this study as "small sized retailers" in which over 70 percent of these small retailers mentioned it specifically. However, after further probing it was clear that the pressing problem was mainly lack of access to capital because of a number of understandable reasons. When they were asked why they were not able to get loans from commercial banks or from government lending

institutions, they attributed this failure mainly to their small size, lack of business skills and training, and lack of collateral security. For lack of these important requisites for getting loans, small shopkeepers claimed that money lending institutions were not willing either to listen to their proposals or even to attend to their needs.

Before examining the various facets of this problem let us briefly look at the main source of initial capital. According to the result of a survey completed by the author, Table 4 shows the main sources of initial and sometimes working capital include: personal savings, sale of land or property, contributions from partners, and loans from commercial banks or government lending institutions (I.C.D.C. or District Development Joint Boards).

TABLE 4
SOURCES OF INITIAL CAPITAL BY LOCATION OF SHOPS

Sources	City %	Urban %	Rural %
Savings	60	65	70
Sale of land	20	25	20
Partners	10	10	10
Bank loan	10	5	-
<u>Government loan</u>	-	-	-
	100.0	100.0	100.0

NB: There were a few multiple choices. Source: Own research.

This table indicates that at least 60 percent of the shopkeepers interviewed from various locations--city, urban, and rural trading centres--claimed that their initial capital was from savings. These include savings from salary or wages, family savings, and proceeds from agricultural produce. The vast amount of money contributed towards the self-help "harambee" projects found all over the country is indicative that many people have some savings. It should be noted that personal savings included loans from members of the retailer's family who were sometimes

not partners in business. Such loans were not considered to be of the same type as commercial loans, because no interest was involved, but sometimes they included a certain percentage which was given gratuitously. This practice has been prevalent amongst the Asian community, and the Kikuyu traders appear to be following suit.

The second major source of initial capital as indicated by the results of this survey is the sale of land, property, or cattle. The rest of the sources of capital did not seem that important. They constituted less than 20 percent. It is interesting to note that the largest majority of the small retailers did not expect to get loans for starting a shop. Rather, they expected financial assistance whether in form of loans or credit facilities to be forthcoming after they had established their shops. In other words, their financial problem was mainly working capital--that is, funds required to replenish stocks, introduce new product lines, or buy new equipment, or expand their businesses.

Apart from the views of small-scale shopkeepers and others interested in their problems, there are other good reasons for believing that shortage of capital is a crucial problem and lending money is the obvious solution.

The Kenya Industrial Development Corporation in 1956 set aside a sum of 600,000 shillings as a revolving fund to assist small African enterprises.⁷ This initial revolving loan expanded into three different schemes--industrial, commercial, and purchase of property--involving increasingly large sums of money each year. This financial institution, popularly known as I.C.D.C., has been catering for natural needs. The other financial institution set up to cater for financial needs at district level was the District Development Joint Loan Boards (popularly known as D.D.J.L.B.) in over thirty districts of Kenya, charged with the responsibility of administering loans to small-scale retailers, with turnover less than 10,000 shillings per month. Between 1965

and 1973 a total of £1,727,722 had been advanced to about 11,000 traders by the Trade Development Joint Boards at district levels.⁸ Similarly, between 1969 and 1974 the I.C.D.C. advanced commercial loans to 3,329 traders for an approximate total of 109,099,000 shillings.⁹ The total amount of funds and the total number of recipients of these loans is impressive indeed. To put the figures into perspective, they should be related to the total number of small-scale African businesses which were estimated at 72,000 in 1969.¹⁰ It becomes clear that a major portion of small enterprises have not received financial assistance which they believe to be essential. This fact does not imply that the loans advanced by the two government institutions have not assisted small-scale African businessmen, but it emphasizes that demand for loans by far outstrips supply. It also underlines the need to allocate efficiently this scarce resource, capital, to those who really deserve it. It has been observed that some of the shopkeepers have demonstrated their capability but have not been fortunate enough to receive any loans.

What are the basic requirements for getting a loan, whether it is from a commercial bank or a government lending institution? In an effort to answer this question adequately we shall also examine which factors have inhibited financial institutions in lending to African shopkeepers. There are four main considerations for a loan. The first basic requirement is a collateral security which can only be waived in exceptional cases where an applicant has strong proof of business skills and experience and has established confidence with financial institutions through previous dealings. The second important consideration is the use for which the loan is requested. This requirement raises the question of a simple feasibility study and documentary proof like a balance sheet or a bank statement. In essence this is a test for business skill and experience on the part of a borrower and an effort to minimize the risk on the part of a lender. Sometimes a guarantor is required or an endorsement

from a District Trade Officer in the case of District Joint Loan Boards. The third factor is lack of other means of covering risks involved with respect to shopkeepers, while the fourth is the cost of administering small loans. All these considerations are beyond average small-scale shopkeepers who might not even have a bank account. The effect of stressing these considerations and requirements is that more capital becomes available to those who already have some. These lucky few who meet the stipulated conditions of lenders benefit from both the commercial and also government loans.

It should be noted, however, that District Joint Loan Boards are supposed to cater primarily to small shopkeepers who need more than shs 2,000/= and less than shs 10,000/= to improve and expand their business. On the other hand, the small revolving commercial loans of I.C.D.C. are meant for small-scale businesses which require at least shs 10,000/=. It is worth noting that the minimum amount of loan from I.C.D.C. is in the process of being increased to shs 30,000/=. This will mean that District Joint Loan Boards will stretch their ceiling from shs 2,000/= to shs 30,000/=.¹¹ In contrast, loans from commercial banks have no minimum or maximum amount as such, and they are speedily processed. As pointed out earlier, the government loan schemes do not, in essence, cater to very small shopkeepers who cannot meet the required conditions, although this is their primary purpose. There is a parallel between small shopkeepers and agricultural extension services. Extension services in the agricultural sector are mainly directed to the more progressive farmers, and the laggards fall further behind. Their farms may eventually be absorbed into those of the more progressive individuals.¹² Garlick has observed that this kind of situation might potentially affect any loan programme. He goes on to refer to governments' natural reluctance to face the obvious conclusion--namely, that loans made to the few must eventually damage the businesses of the majority who are not so fortunate.¹³

According to the figures provided earlier, government loan programmes do not seem to be reaching effectively those whom they are designed to assist. In addition, in spite of demand for security and some business experience, the loan programmes from the institutions which provide funds are far from trouble free. Except commercial loans, the rate of default for the government loans is usually high, sometimes more than 20 percent in a bad year. Even if the cost of delay, total default, the administrative expenses associated with the slow repayment, and cost of chasing defaulters were accepted as reasonable, sometimes these loans do not achieve the other goals for which they are provided--to assist small-scale African businessmen in improving their businesses.

It is worthwhile at this point to examine how small retailers deploy their capital. In our consideration, capital will include loans and profits ploughed back into business. Loans are needed by these retailers for a variety of reasons. The commonest need for obtaining loans according to the small-scale shopkeepers interviewed was invariably to buy more stocks. Over 8 percent mentioned this reason without indicating what kind of specific stocks they wanted to invest in. Although most of them knew the profit margin of different products and sizes, not many of these shopkeepers related it to stock turnover, as will be discussed later. Other uses to which available capital was put according to the shopkeepers interviewed included buying equipment and fixtures like a scale glass, displaying cabinets, moving to a better location, or buying out stock from non-citizens who were issued quit notices.

Most of the reasons mentioned by the small shopkeepers for obtaining loans were sound and merit further consideration. However, many of these shopkeepers interviewed did not know or appreciate that effective allocation of their funds might in many cases help them to reduce the amount of loans they required. Admittedly there were exceptional cases, such as buying stocks of an outgoing non-citizen trader, where loans were required to serve

a specific need for one time, and efficient reallocation of funds might have helped marginally. But in the majority of everyday cases, business skills and experience would help in efficient allocation of available funds. Let us briefly examine some of the common but unrewarding ways of utilizing capital.

During the interviews it was learned that there was a common practice amongst small shopkeepers to give credit to their customers without knowing either the total amount given or appreciating fully its implications. Sometimes credit was given for good reasons--for instance, to help reliable customers who had no surplus money during the month but were prepared to pay promptly after receiving their salaries. In many cases, however, it was not readily realized that the little credit given here and there amounted to comparatively large amounts of money which imposed a strain on ability to replenish stock immediately.

According to a survey conducted by Marris and Sommerset on market traders in which they describe shops similar to those of this study, there was ample evidence to show that excessive credit to consumers was the commonest reason for failure. Forty-seven percent of their respondents attributed the failure of shopkeepers to giving excess credit to customers.¹⁴ It was not uncommon for shopkeepers to obtain loans and continue to give credit to customers. They did not realize that by controlling the amount of money given away in credit they could often reduce the amount of loan required. It is interesting to note that both Marris and Sommerset found that the more successful shopkeepers, in terms of profits, were less likely to give credit. According to another survey by Harper on a similar type of shopkeepers 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. These two independent surveys indicate clearly that excessive credit to customers was and still is a heavy strain on working capital which, if not corrected in time, might hamper improvement and expansion of their businesses. In addition these surveys suggest that the total amount given in

credit could be deployed in more effective ways and, therefore, alleviate the necessity of obtaining a large amount of loan.

It is a known fact that shopkeepers everywhere are anxious, and rightly so, to make best use of their capital to try to buy the correct assortment of stocks and turn them over as many times as possible in any one year, since high rate of stock turnover is consistent with good service to customers. This objective calls, among other things, for efficient allocation of funds. It is a reasonable goal to borrow to buy more stocks, but the crux of the problem is to buy the correct assortment which would give a reasonably good return on invested funds. One of the dangers in purchasing stocks is the acquisition of slow-moving or dead stocks which tie up otherwise productive capital. Kamau, in his survey of Kenyan shopkeepers, contends that it is not surprising to find stocks which have been on the shelf for a year or more.¹⁵ Investing in stocks requires business skill and experience to ascertain relevant information like profit margin, shelf life, estimated turnover, and evidence of consumer acceptance. Salesmen are prone to exaggerate the estimated turnover, especially of new products, in an effort to sell more. In the case of a Kenyan small shopkeeper who stocks about thirty to a hundred lines of products, he needs to strike a balance between products with low profit margin and low turnover in order to realize the expected profits.

Let us briefly look at a few widespread problems that often impair the rate of stock turnover. Infrequent deliveries sometimes mean running out of stocks, seasonal variations are significant in rural areas, and poor communications may reduce the rate of stock turnover and, therefore, affect profitability. Hawkins in his survey on wholesale and retail trade in Tanganyika mentions the problem of infrequent deliveries combined with low sales in the rural areas as cause for the wide variation between the rate of stock turnover of twenty times per year reached in Dar es Salaam and that of ten times per year which is more usual

outside the cities.¹⁶ In such circumstances shopkeepers have found it necessary to adjust their purchases in order to operate their businesses profitably. Little study has been done on the amount of slow-moving and dead stock found in average retail shops. To this end a survey on forty shopkeepers was conducted to estimate the percentage of dead or slow-moving items and relate this to the total amount of stocks at a particular time. Sometimes the shopkeepers interviewed cooperated by giving information on slow-moving or dead stock. For the purpose of this survey two or more years of stock in shelves were counted as dead stocks. After computing the amount of dead stock as a percentage of total stocks, it was found to be an average of less than 5 percent. To put these figures into perspective, the total amount of dead stocks in fifteen shops was over shs 40,000. On the whole, small shops were found to carry a relatively higher proportion of dead stock than large shops.

It was not readily recognized by shopkeepers that the amount of money tied in dead stocks could sometimes offset the need for a loan. This emphasizes the fact that the nature and amount of stocks are critical elements in allocation of funds and should be considered carefully. According to Harper, stocks on the average constitute 73 percent of total assets of shops which rent premises.¹⁷ From the foregoing comments it is clear that with efficient purchasing and average stockturn the money tied up in dead or very slow-moving products would be reduced.

Another area which, if carefully controlled, might have made more capital available, was unrecorded personal withdrawals, often for good causes. It was discovered that shopkeepers who did not allocate a certain sum each month as their remuneration tended to withdraw more than was actually justified. About 45 percent of the retailers interviewed acknowledged that they sometimes withdrew money from their shops to get some work done in their farms. It was invariably observed that those engaged in this practice did not keep a different set of books of accounts for

their shops and farms, since both businesses belonged to them. Sometimes donations which were given to charitable organizations or for harambee projects were not recorded or accounted for. In addition when members of the family or relatives of a shopkeeper visited him, a certain amount of money was used in entertainment or helping in time of difficulty without being recorded. The total amounts given here and there may appear small, but taken in total they sometimes prove substantial. It is therefore contended that if all these unrecorded amounts were stopped, more working capital would be available to be invested profitably in replenishing a wider variety of goods.

On the whole, purchase of equipment, commonly a set of weighing scales, or rent for shop premises did not use a lot of capital. Most of the shopkeepers interviewed seemed to realize that expensive equipment and fixtures did not necessarily guarantee successful business. A visit to small shopkeepers will amply confirm that the range of equipment just to impress customers is very meagre, and in the course of time they realized even that was not worth the expense.

After considering briefly the various uses of loans and likely misuse of such assistance, it would be worthwhile to examine briefly the current forms of financial assistance. The most popular form of financial assistance is a loan--that is, a lump sum of money advanced to a loanee to be paid off within a given time limit by agreed instalments. This becomes a commitment that must be met every month or at whatever time is agreed for repayments of instalments. The other type of financial assistance available to small retailers is overdraft facility. Interest rate is charged monthly based on the outstanding balance. Trade credit from suppliers is perhaps an even more obvious source of capital since it relates directly to the purchase of stocks for which additional finance is believed to be necessary. The subject of trade credit will be covered in greater detail later.

We have noted that the majority of shopkeepers believe that their greatest problem is shortage or lack of capital. Assuming that in most cases, if capital was available, the majority of African shopkeepers would increase their stocks, then an overdraft would be preferable to a loan for a number of sound reasons. The flexibility of an overdraft with the interest calculated monthly, usually, according to the outstanding balance makes it most suitable for financing retailers' needs for more stocks which vary with customers requirements and also with seasons. On the whole, an overdraft would help to overcome the problem of seasonal demand which was observed to be particularly pronounced in rural areas. Experience has shown that during and after the harvest season, demand by shopkeepers for consumer goods shoots up. On the other hand, during the planting and cultivating period, demand for the same goods declines noticeably. In such circumstances an overdraft would prove more useful than a fixed loan in meeting such marked seasonal variations.

Another important consideration is that a long-term loan is clearly not suitable for this kind of financing but rather for the purchase of equipment or building materials. It should be noted that by a large, overdraft facilities are exclusively advanced by commercial banks, while both short and long-term fixed loans are advanced by both the government lending institution and commercial banks.

It is interesting to remember that almost all government loans are payable through commercial banks. That is, when a loanee is given a loan, a cheque is issued to him and is drawn through a commercial bank. Authorities on development of small-scale businessmen in developing countries argue, therefore, that commercial banks are in a better position to finance small shopkeepers than government lending institutions. They contend that small retailers could be encouraged to develop the food banking relationships that are often necessary conditions for obtaining loans, and receive the practical benefit of operating

bank accounts. Although the number of small traders operating bank accounts including savings accounts is relatively small, 36 percent according to Harper¹⁸ and 42 percent according to this study, banking facilities are growing rapidly, especially with more commercial branches being opened in the rural areas. For instance, Kenya Commercial Bank has over ninety-four branches all over Kenya while Barclays Bank International has over seventy branches. Such a network of commercial banks provides an important facility of receiving deposits as well as borrowing loans and overdrafts. The above view expressed by certain lending authorities on development of small-scale businessmen is also advocated by Heyer, Ireri, and Morris¹⁹ who also point out that commercial banks are already serving farmers better than the government financial institutions in some areas, as noted in their study, Rural Development in Kenya. Similarly, Cooperative Societies in Kenya are developing their own commercial banks as well as assuming the role of suppliers of credit and extension services. This arises from the fact that they are well situated as suppliers of inputs and purchasers of outputs so that they can be sure of recovering loans they have made.

So far we have considered the problem of shortage of capital in isolation from other inputs. Government and other institutions interested have embarked on small-scale business promotion with loans or credit as the main emphasis. Experience elsewhere in Africa has shown that results have often been unsatisfactory and another input is needed as well. Judging by the high rate of default and the small number of loan recipients compared to the total number of traders, we can tentatively conclude that loans are often misused; subsequently they neither result in development of the business nor are they repaid on schedule. Sometimes the misuse of loans is not deliberate but due to lack of knowledge and skill on the part of shopkeepers in organizing their finances to meet payment schedules. As a result of a rather high proportion of money being tied into default, this imposes a

severe constraint on both the amount available and number of recipients of such a loan, which is usually revolving. That is, the amount advanced to loanees in any one year is expected to be redeemed within a given time, and this amount is added to a grant given annually.

For instance, if a grant for one year is shs 300,000 and the amount due for that year from loanees is shs 75,000 but it is not available because of default, then the revolving fund is only 300,000 instead of shs 375,000. This in effect reduces the number of recipients, since most government loans are "revolving." As pointed out earlier, the rate of default with various D.D.J.L.Bs deserves urgent action. The obvious solution is for the financiers to teach the borrowers how to use the loan advanced to them effectively.

A well organized extension service manned by trained field officers, preferably Trade Development officers, is likely to provide an effective "follow up" or "after care" service. Details of these important services will be discussed in the next chapter. It is interesting to note that the Nigerian government is obligated by law to provide free advice to loan recipients.²⁰ In developed countries too the Small Business Administration in the United States follows up loans in a similar way.²¹ Hawkins in his study on East Africa in general and Tanzania in particular recommended that loans should be given to a "selected few" after instruction on effective use. It has been said that I.C.D.C. should cease to be mainly a credit-granting institution. It should assume the wide role adopted by similar institutions-- that is, take an "integrated approach" to providing assistance to small African businesses, or make loans accompanied by sound business advice.

De Wilde in his report, The Development of African Private Enterprise, in a sample of seventeen countries in Africa confirms that a great majority of African businesses consider financing their principal problem. He contends, however, that financing

difficulties "reflect more basic problems of inadequate business skills and training."²² He, therefore, advocates that financing of African businessmen should be accompanied by effective measures to assess the capacity for entrepreneurship.²³ The author's own study and observations as well as related studies indicate that the government lending institutions are doing a splendid work of advancing loans to upcoming small-scale African businesses. However, these institutions often lack the capacity and adequate personnel to identify effectively those Africans, especially if they are small-scale shopkeepers, who have demonstrated their capacity for improving and expanding their trading activities--although they might not meet all the financial requirements which govern loaning of funds. Where such small-scale African businessmen have been identified, the financial assistance institutions should concentrate on aiding and encouraging these emerging entrepreneurs.

If this worthy effort of assisting African small-scale retailers is to succeed, the crucial deficiencies blocking such endeavor have to be identified and rectified. What improvements could be made? Processing of applications could be speedier, more efficient, and not influenced by political and other pressures. Provision of advice and guidance to borrowers should be stepped up, and follow-up on loans and collection of overdue interest and principal payments have to be consistent and efficient. This means that lending institutions have to continually appraise their performance and take corrective actions immediately. In order to assist small African 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.²⁴ During research on the development of private businessmen in Africa both Geiger and Armstrong observed that virtually all African governments have been better organized and more successful

in business training and education than in financial assistance programmes.²⁵

In the preceding pages it has been pointed out that there are two government lending institutions which have been created and strengthened for the purpose of financing African businesses. Experience has shown that although these financial institutions are doing a fine job, the results have been sometimes discouraging when looked at from the point of view of small-scale African traders who are potential applicants for loans. Bottlenecks have been aggravated by inadequate assessment of the quality of the borrowers, thus increasing chances of default and deficiencies in supervision on funds advanced. Despite these deficiencies, these government lending institutions could be justified on the ground that other existing financing institutions were reluctant to finance African business, particularly small-scale. The increasing number of Africans establishing themselves in the trade as a result of financial assistance from these government financial institutions is clear evidence in support of this programme.

It is well known that until recently commercial banks have not for the most part been very active in financing African businessmen. There is ample evidence, as de Wilde suggests in his and other similar studies, to confirm this observation.²⁶ Generally the main factors that have inhibited commercial banks in lending money to small-scale African businessmen, particularly shopkeepers, have been the cost of loan administration, the difficulties encountered in identifying qualified businessmen, the problem of obtaining adequate security, and lack of other means of covering the risks involved. These conditions often disqualify would-be borrowers who are potentially good businessmen. Such businessmen find it virtually impossible to get financial assistance for improving and expanding their business even though they have in a small-scale the requisite entrepreneurial capacity.

It is, therefore, proposed that an adequate extension service capable of identifying good entrepreneurs and assisting them in planning and implementing their allocation of investment funds would be an important innovation benefitting many. This approach would allow the capacity and experience of the businessmen, need for funds, and soundness for such a need to be the paramount criteria in the extension of loans and overdrafts. There are, however, two other types of arrangements which could also help small-scale shopkeepers considerably. These are trade credit and guaranty of loans. The essence of these facilities is to increase the prospects of the borrower's success in business. Trade credit has been considerably reduced by suppliers of goods in recent months, mainly because of increased cost of raw materials and the rate of borrowing. Almost all suppliers and wholesalers have resorted to cash with order (C.W.O.) or cash on delivery (C.O.D.). Only a very few large businesses still enjoy credit facility, which rarely exceeds thirty days. With rising inflationary trends that have affected both manufacturers and retailers, trade credit can only be exercised selectively. It is commonly argued by suppliers of goods that trade credit is expensive because of likely bad debts and the cost of tying down otherwise productive capital. Nevertheless, this facility, if provided to shopkeepers who have demonstrated entrepreneurial capacity, would be a great assistance. As noted earlier, stocks are by far the most important single use of working funds. Therefore, provision of credit trade would even be more suitable than loans--of course, within certain limits.

Although the amount of goods bought by small shopkeepers from individual manufacturers is small, the total amount added together from all small shopkeepers is substantial. However, if a number of selected African retailers are vigorously promoted, they would eventually increase their purchases and become, when large enough, distributors. Another way that manufacturers could help small African businessmen is to provide them with business training, which would eventually benefit both parties. Geiger

and Armstrong advocate that as the growth of the markets makes production economical, manufacturers should seek existing or potential African businessmen who have the greatest promise of becoming either reliable suppliers of goods and services required by the companies or customers and should work with such entrepreneurs in appropriate ways to help them improve their capacity to meet the standard of modern business performance.²⁷ There are already manufacturers who have seriously assumed their role of training African businessmen, and the available evidence shows that the results are encouraging. Such a training would in many ways improve performance of small-scale African shopkeepers and make trade credit worthwhile.

It must be pointed out, however, that the selection of potentially capable African businessmen who would justify investment by manufacturers in terms of training is not always easy. A lot of assessment and discretion is needed, particularly where records do not clearly reflect improvement and expansion of business. This is a new phenomenon, because the Asian predecessors in retail trade did not need any training and, therefore, it was not provided. But training is now needed because most small-scale shopkeepers are relatively new, due to the late entry into business formerly dominated by Asians. Judging by the amount of sales which come from small shopkeepers all over the country and the potential they promise in the future, training by manufacturers is a worthwhile investment if granting of trade credit is to be administered effectively and efficiently.

Credit Guaranty Facilities

It has been noted that the major reason given by banking institutions why they are very cautious in financing African businessmen is the residual risk involved. These institutions are legitimately concerned about protecting their profitability and the assets that have been entrusted to them. They have argued that, on the whole, African businessmen are for the most part relatively inexperienced in business, and the risk of failure will remain, even if definite efforts are made to improve their

managerial skills. From the foregoing this study advocates establishment of special funds that insure financing institutions against at least part of the risks of lending. This scheme has been found a practical solution in other developing countries in Africa. Such arrangements are generally known as "guaranty schemes" or "credit guaranty." They are already in operation in the Ivory Coast, Senegal, Ghana, and Nigeria. Some of these countries have made agreements to guaranty loans by some of the commercial banks.²⁸ The interesting operation of this scheme merits some consideration.

The necessary funds for guaranty schemes must largely come from the government and be physically on deposit elsewhere in order to inspire sufficient confidence on the part of the credit institution. It is generally advocated that government should bear the burden, since guaranties are a way of socializing risks. In Ghana, Ivory Coast, and Senegal this principle is applied.²⁹ A government can borrow at home or abroad part of the resources for the guaranty funds, but they cannot escape the risks involved in the extension of these funds and repayments that fall due. It is conceivable that commercial banks could be persuaded to make some contribution to this fund, but it is unlikely to be a substantial amount since the aim of such a fund is to diminish rather than increase risks to which these institutions are exposed. Practices regarding an appropriate ratio of outstanding guaranties to the resources of guaranty funds vary widely. They range from the ratio of 10:1 in Senegal, depending on the probable percentage of defaults on loans. It has also been noted that the percentage of any loan to that of guaranty funds also varies considerably. In Senegal the maximum is 50 percent while in Zaire guaranties go up to 80 percent.³⁰

In respect to maturity of insured credits, limitations have sometimes been imposed on the type and on the duration of credit for which guaranties are made available. Some of these schemes are restricted while others are liberal. Some offer guaranties

for equipment only, others for a variety of productive uses. On the average a maximum of seven years of maturity of guaranty credit seems to apply with most schemes. It is also important to fix limits on individual guaranties which will vary from country to country, depending on the availability of funds and the number of applications. Commission charged on guaranty funds is generally one percent either on short-term credit or for all guaranties, but there are other requirements too, rather too lengthy to examine here.

The African businessmen benefiting from guaranty credits are expected to meet certain requirements in order to qualify for guaranties. They must usually show their financial position through the accounts they keep with both a banker or a guaranty institution. For those small businessmen without bank accounts and yet who deserve guaranty funds, accounts could be opened on their behalf. One further point which merits clarification is the conditions governing invocation of the guaranty. Banks expect to obtain from the borrower, in case of guaranteed loans, the same security they would demand from unguaranteed loans. In any case, where banks have experienced a relatively high rate of default and have gone through the lengthy and costly process of exhausting all other remedies against the borrower before claiming payment from the guaranty fund, they would hardly be expected or encouraged to expand their lending in response to guaranty facilities. The process of invocation and recovering money varies in difficulty from country to country. In Ghana, for instance, banks can obtain payment thirty days after a default and upon certification that the amount in default cannot be recovered without realizing the security of the loan and resorting to legal remedies.³¹ In other countries it takes much longer.

In essence what are the benefits of credit guaranty? The available studies on this subject show that experience with credit guaranty institutions is too short to permit a definite

assessment of their effectiveness. In certain cases it may prove difficult to estimate the impact on the volume of lending due to lack of comprehensive statistics on total credit made to African businessmen. The major consideration, however, is whether businessmen who are enabled to obtain access to this type of credit succeed in improving and expanding their businesses. There are other equally important benefits. While such schemes do not obviate the need for other collateral security, however, the importance of the role of tangible security diminishes, and the amount of security demanded by commercial banks may be reduced significantly. This would allow many potentially good small shopkeepers who are otherwise curtailed from obtaining additional funds from banks to get access to guaranty credit. Banks too would be relieved from time-consuming and costly processes of exhausting all their remedies against the defaulting debtor before recovering their money. There is also the probability that provision of guaranty funds will bring the normal banking institutions and small-scale African businessmen into closer working relationship. This may be a significant incentive to motivate upcoming small African businessmen in general and shopkeepers in particular to open up and run bank accounts. This is in itself desirable. Small-scale African businessmen must be assisted to deal with the same or similar financial institutions which cater to their more experienced counterparts or the suppliers of goods which fill in their shops.

The credit guaranty scheme has been examined at some length because of its benefits and relevance if established in Kenya. Recommendations on this subject will be made in Chapter Eleven dealing with the main conclusions of this study and the practical recommendations necessary in development of small-scale African businessmen in general and shopkeepers in particular. It is expected that if this scheme is started in Kenya, the institutions concerned would direct their credit mainly to "small borrowers" who show greatest promise and potential for success and growth.

These are the potential entrepreneurs for tomorrow, and yet they are not adequately assisted, mainly because of their size.

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¹⁶H. C. G. Hawkins, Wholesale and Retail Trade in Tanganyika: A Study of Distribution in East Africa (New York: Praeger, 1965), pp. 128-131.

¹⁷Harper, loc. cit., p. 101.

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²⁰J. C. de Wilde, "The Development of African Private Enterprise, Vol. I" (Washington, D. C., I.B.R.D., International Development, 1971), p. 72.

²¹A. W. Parris, The Small Business Administration (New York: Praeger, 1968), p. 147.

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²⁴T. Geiger and W. Armstrong, The Development of African Private Enterprise (Washington, D. C., National Planning Association, 1964), pp. 90, 106.

²⁵Ibid., p. 91.

²⁶de Wilde, loc. cit., p. 65.

²⁷Geiger and Armstrong, loc. cit., p. 80.

²⁸de Wilde, loc. cit., p. 67.

²⁹Ibid., p. 67.

³⁰Ibid., pp. 68-69.

³¹Ibid., p. 70.

About all small-scale African shopkeepers will mention as an requisite the provision of capital. Many of them feel that provision of capital is readily immediately identifiable deficiencies. They do not often realize that provision of capital alone does not guarantee effective employment unless a shopkeeper has acquired requisite business skills and experience. It should be noted too that in order to achieve the objectives for institutions established to promote

CHAPTER SIXINADEQUATE BUSINESS SKILLS AND TRAINING

It was noted in the previous chapter that many small-scale shopkeepers believe that capital constraint is their major problem. They do not readily accept that the inefficient deployment of capital they presently have or loans advanced to them are more crucial problems. Wasteful or inefficient deployment of capital has been attributed by this and other studies to inadequate business skills and lack of training.

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 most crucial factor."¹ Both Geiger and Armstrong in their second chapter entitled "Characteristics and Problems of African Entrepreneurs" of their report, The Development of African Private Enterprise, have stressed that "inadequate business skills constituted a more serious though less intractable problem than inadequate capital."² It is, therefore, important to consider at some length the problem of inadequate business skills and lack of training. This problem has been compounded partly by the late entry into business areas largely dominated by Asian traders and also by the fact that the large majority of small-scale African shopkeepers are essentially "one man operations." The owner-manager is himself responsible for purchasing of stocks, keeping records and books of accounts, as well as selling. Without training these tasks are difficult.

Almost all small-scale African shopkeepers will mention to an enquirer the problem of capital. Many of them feel that provision of capital can remedy immediately identifiable deficiencies. They do not often realize that provision of capital alone does not guarantee effective deployment unless a shopkeeper has acquired requisite business skills and experience. It should be noted too that in order to achieve the objectives for institutions established to promote

the development of small-scale African businessmen in Kenya, they have to gain adequate business skills and experience. This is a slow and painstaking process, but it is the only sure way to success and growth.

After putting the problem of inadequate business skills and training into perspective, it would be worthwhile to examine why the measures designed to tackle this difficulty are crucially important. It has already been noted that the amount of funds loaned to African traders by the government lending institutions increases steadily year by year. However, the number of recipients compared to the total number of applicants is small. Furthermore, the high number of defaulters and the large amount involved limit the availability of funds to more borrowers. It is contended in this study that one of the most effective ways of reducing the incidence of default and the large amount involved is to train African businessmen in business skills. There is sufficient evidence in this and other studies to suggest that as more Africans gain business skills and experience, the number of loan defaulters and the amount involved would be reduced significantly.

As mentioned in the preceding chapters, one of the most important goals for small-scale African shopkeepers, like any other businessmen, is growth and success. This goal is dependent largely on business skills and experience, assuming capital is also available. Recognizing that inadequate business skills and experience are the principal bottlenecks of many small-scale shopkeepers, a lot of effort is needed in order to remedy this rather serious situation. It was observed during the research that the number of African shopkeepers who either close down or are bought out was steadily increasing. Some manufacturers who have a lot of business contacts with these kinds of shopkeepers estimate the rate of closing down to be in the region of 10 to 15 percent per year. The relatively high rate of small-scale African shopkeepers who either close down or are bought out on the brink of failure points out the seriousness of this problem and the

necessary action required to correct it. It is expected that as African shopkeepers gain experience in trade and learn how to cope with competition and other demands of a monetary economy, either through training or their own initiative, the "casualty rate" of African shopkeepers will be greatly reduced.

In the past eight years or so many non-citizen Asian traders have been replaced by African businessmen. Most of the remaining non-citizen businessmen are fairly large and conduct specialized business. To be able to take over such businesses effectively and maintain the same level of service and the volume of business, it is imperative that African traders acquire more business skills and experience.

On the whole, the rate of Africanization of trade has been satisfactory, but there are certain failures that deserve some comments. For instance, the officials of the Ministry of Commerce and Industry have repeatedly expressed disappointment on a number of issues, and understandably so. Some of the African shopkeepers who have taken over from non-citizen traders have turned their shops into drinking bars. Others have failed miserably to maintain the same level of service, or volume of stock, thus inconveniencing customers. This can be attributed mainly to inadequate business skills and experience. As more small-scale African shopkeepers acquire requisite business skills and experience, both the incidence of failure and mismanagement of their shops are expected to decline and the level of service to definitely improve.

Closely connected with Africanization of commerce is the desire for many African businessmen to have their businesses grow and expand to their maximum. The government promotional measures for enabling indigenous people to take over from non-citizen Asians have facilitated expansion of many African businesses. But when this momentum declines in its importance, African businessmen, especially small-scale shopkeepers, will be expected to grow and expand their undertaking under their own steam.

Ability to achieve this goal will depend largely on the extent to which African traders will have acquired business skills and experience, assuming access to capital as has been the case. It is also true to say that specialized businesses require more business skills and experience. As the country develops there will be greater need for specialized business. There is already some evidence of this in the city of Nairobi, where we have many specialized retail shops.

It has also been observed that inadequate knowledge of the African businessmen by the commercial banks has been a serious handicap in lending loans. The reason advanced by these commercial banks in answer to this challenge is that they do not have and cannot afford the staff that would enable them to identify small businessmen with business skills and experience or a record of accomplishment and potentialities for development. In the past ten years, at any rate, a considerable "cultural gap" between expatriate bank managers and African businessmen often impeded mutual understanding. As commercial banks continue to Africanize senior positions, this gap is expected to narrow. De Wilde is of the opinion that as African businessmen acquire more business skills and experience they will become gradually accustomed to dealing with the same financing institutions as those catering for their suppliers or more experienced counterparts.³ When this is done, it will provide banks with a better basis for assessing the African businessman's creditworthiness.

From the foregoing it is evident that there is great need for African businessmen, particularly small-scale shopkeepers, to acquire more business skills and experience. In this study as well as others it is contended that the most feasible and practical way of imparting business skills is by providing training and advice to existing and potential small-scale African businessmen. In order for such an extension service to succeed, it should be tailored to the needs of individual participants,

which depend to a large extent on the capacity of businessmen and their type of business. The existing studies on the development of small-scale African businessmen advocate that the principles that apply to the provision of extension service to African farmers to improve the crops and animals could also apply to African businessmen, because they are as much pioneers of new systems of production and exchange as emergent cash crop farmers.⁴

Let us examine briefly the type of training required by the small-scale African shopkeepers, taking into consideration their level of education. The type of training currently available is either organized at specified training centres or at clinics which are instituted to impart a generalized knowledge of business. However, the emphasis in this study will be on provision of business training and advice on the thesis that both the content and approach of the training programmes should be tailored to the individual needs of small-scale shopkeepers in order to correct the existing deficiency.

Need for Training

During personal interviews with a sample of 100 small-scale African shopkeepers drawn from different locations, metropolitan, urban, and rural towns, various aspects of the problem of inadequate business skills and experience or lack of training were repeatedly brought up. This inadequacy was also confirmed by a large number of traders interviewed in course of doing business for a company marketing consumer products. It would be worthwhile to examine briefly two important aspects of the problem of lack of business skills and training.

The first aspect of this problem was found to be the retailer's own lack of business skills and experience for the functions he must carry out, if he aspires to improve and expand his business profitably. The second aspect was the difficulty of finding an employee, where one was needed, with requisite training and experience for the jobs he must perform. The first

problem is obviously more crucial since the largest majority of small-scale African retailers are characterized by sole ownership. The general lack of the requisite skills is often reflected in purchasing a wrong assortment of goods resulting in accumulation of dead stock, inability to keep proper business records, looking for additional capital when existing funds could be deployed effectively, failure to meet customer expectations of food service. All these and related tasks are done and are to be performed by the owner of the shop.

In order to understand this problem fully it would be worthwhile to provide some important background information. There is sufficient evidence to show that an average Asian shopkeeper has relatively more business skills and experience than his African counterpart. The rapid growth and expansion of Asian shops within a relatively short time is a credit to their personal aptitude and business skills. In contrast, small-scale African shopkeepers have had relatively less business experience mainly because of late entry into business. As mentioned in Chapter Four this disparity has resulted from the development of retail trade in Kenya during the colonial era when Africans were deliberately kept out of trade. This background helps to explain why most small-scale African retailers have been late in acquiring the requisite business skills and experience they so desperately need. In the past ten years or so the government and other agencies have instituted some extension service in the form of training and advice in both urban and rural areas in an effort to correct the inadequacies of African businessmen and to stimulate growth and expansion of their business.

Before we examine briefly the types of training programmes which are currently organized for African shopkeepers by different institutions and what improvements are desirable, it would be helpful to comment on the level of education of African shopkeepers. In this and other studies it has been found that African businessmen have relatively more education than the

average person in Kenya. According to the 1962 census over two-thirds of the men in Kenya had never been to school, but some of them could read and write. Even in the Central Province in Kenya about half of the men had not gone to school. This points out that the level of education in the country, particularly with the older generation, is fairly low. However, significant strides in education have been made. In the past thirteen years more primary and secondary schools have been established than ever before.

According to the survey of African businessmen conducted by Marris and Sommerset, only 23 percent were completely uneducated. Of the businessmen supported by the I.C.D.C. only 7 percent had not gone to school.⁵ This in itself suggests that businessmen supported by I.C.D.C. had relatively more education than their counterparts in the trading centres.

Let us look briefly at the level of education of the sample of shopkeepers interviewed and try to relate this to their age.

TABLE 5

AGE AND EDUCATION PROFILE OF AFRICAN SHOPKEEPERS

Age	None %	Primary 1-8 years %	Secondary over 9 years %
18-30	-	26	15
31-40	6	19	7
41-50	8	8	3
Over 51	<u>5</u>	<u>3</u>	-
Total	19	56	25

Source: Own research.

This table highlights the relationship between age and level of education of the shopkeepers interviewed. These figures suggest that younger shopkeepers are generally more educated than the older businessmen of 40 years and over. This is in keeping with the advancement of education in the country which has made

remarkable progress in the past ten years or so. Consequently, younger people have had more opportunities for education.

It was observed that African shopkeepers in urban towns had more formal education than those in rural trading centres. This did not suggest any measure of success either way. However, it was true to say shopkeepers in urban towns handle a much bigger volume of business than their counterparts in the rural areas. Another observation brought out in this and similar studies was that the level of education tended to rise with the size and kind of business. The relatively large shops were generally owned by shopkeepers with above average education.

Secondly, retailers with five to seven years or more of formal education were found more knowledgeable about business operations and adaptable to changes than those with less education. This remark should be qualified a little. Shopkeepers who had long business experience, despite their little formal education, were found to have ability to recognize the existing problems when they arose and find reasonable solutions. This was an important reflection of ability to cope with business problems and challenges that confronted them every day. It should be noted that these general findings differ, of course, from province to province. For instance, the average education of shopkeepers in the Central Province is much higher than in other provinces with the exception of Nairobi. As the level of general education rises in the country, it is expected that the level of the businessmen's education will rise too, and younger people with requisite training will go into more specialized retail businesses where they are needed most.

Since the level of education and experience for African shopkeepers is relatively lower than in, let us say, West Africa, more emphasis on comprehensive training and follow-up services is vitally needed for both the existing and potential shopkeepers. The potential shopkeepers include peddlers and hawkers who show some promising talents but are rarely catered to and in some

cases authorities attempt to eliminate them. As noted earlier, assistance is generally given much more to established shopkeepers who do not need it so much as the emerging traders.

Training Institutions

It is encouraging to note that various institutions interested in development of businessmen have recognized that owners as well as workers in businesses need training as an important asset to their improvement process. However, the content and level of sophistication of the training will differ radically between a large modern business and the small African business.⁶ The focal point of the subsequent discussion will be on the latter kind of training geared to small African retailers, particularly shopkeepers. There are broadly two types of training schemes provided to small African businessmen. The first type is a short course or seminar for existing small businessmen and lasting up to a fortnight. The second is intended for potential businessmen and lasts for one to two years. The longer courses will not feature in our analysis since none of the retailers interviewed had either attended or had plans to.

Amongst the major providers of training for small businessmen are the Trade Division of the Ministry of Commerce and Industry, Management Training and Advisory Centre, Institute of Adult Studies, University of Nairobi, and the Kenya National Chamber of Commerce. Each of the eight provinces has a Provincial Trade Officer and a number of District Trade officers reporting to him. Part of their many duties is to organize training courses and advise local businessmen. In each district an average of two courses lasting either one or two weeks is organized each year. The one-week course is elementary and meant for small businessmen with limited training and experience. For more established businessmen a course lasting two weeks is organized.

One of the most active provinces in providing such courses is the Central Province. In 1972 ten one-week training courses were held in six districts. No fees were charged. The average

attendance was forty-two African businessmen. In the same year three two-week courses were held in three districts, and average attendance was fifty-eight businessmen.⁷ Unfortunately, "very little follow-up was done in 1972 due to the shortage of funds and transport."⁸ This remark typifies the existing lack of follow-up services in almost all districts in Kenya.

The Management Training and Advisory Centre was established in 1966 as part of assistance to Kenya by the International Labour Organization and the United Nations Development Programme. In recent years it has begun to cater to short training courses for small businessmen. During 1972 it conducted nine courses in five important towns. The average attendance was twenty-seven businessmen. A fee of shs 50/= was charged. In 1973 it planned that twenty-eight courses would be offered in almost all important large and small towns. Looking back on planned courses the expenditure in the three years on such programmes is estimated at shs 12 million.⁹

Except for the annual courses for the trade officers at the Adult Studies Centre, Kikuyu, the Institute of Adults Studies does not have national training courses for small businessmen. However, two extramural resident tutors in Nairobi and Nyeri organized well over twenty-five courses for traders in 1971-72. The attendance averaged sixty traders. No fees were charged. A number of lecturers from the faculties of commerce and economics of the University of Nairobi gave lectures on different aspects of trade.¹⁰ These courses were well attended. The Kenya National Chamber of Commerce has recently started to conduct three-day seminars for traders. The chamber is expected to be more active in this endeavour in the future.

Most of these short training courses have three common features. The first relates to their contents which include: simple bookkeeping, lectures on good management techniques, and information on the role of different public officers connected with the trade--for instance, an officer from Kenya National

Trading Corporation or a trade officer. The second characteristic is the type of student who attends such training courses. It is predominantly small-scale shopkeepers of general and provision stores with relatively low formal education, rarely beyond six years of primary education. Almost every trader who attends such courses feels entitled to a "Certificate of Attendance," which is presumed to be a requisite for a recommendation for a loan. Most traders view the courses as stepping stones to loans as well as a source of valuable information.

The third characteristic relates to what happens after these courses. In the majority of cases, very little follow-up has been possible, mainly because of shortage of staff and transport. This third common feature, lack of follow-up, renders the otherwise useful courses in development of traders less effective. Furthermore, the generalized business knowledge learned in a classroom remains rather theoretical, because there is no follow-up service to ensure that a trader is able to apply it to his individual needs. This situation is often made worse because the syllabus sometimes includes a number of unrelated topics given by various lecturers who have had no opportunity to meet and coordinate the contents of the course in advance in order to ensure sufficient continuity from one lecture to another. It is, therefore, imperative that follow-up services be improved in order to maximize the benefits of these courses.

Training on the Premises

It was observed during the course of this study that traders differed in their background, and invariably their business operations reflected these backgrounds. It was imperative that training should be tailored to the needs of individual traders. This demanding but practical solution implies that it is possible to tailor training to the needs and aspirations of African traders only by visiting and advising them on their premises. It is contended in this study that this approach is the most effective way of reinforcing what has been learned, ensuring

transfer of classroom knowledge into practical day-to-day business operation and also helping these traders to recognize existing and potential problems and thus develop ability to find practical solutions to them.

If an extension officer is to render his services effectively, he needs to acquaint himself with the common difficulties experienced by small retailers. He has to bear in mind that a shopkeeper, like any sole trader, has to perform all the tasks of his shop. He is too small to hire a qualified bookkeeper to carry out all the accounting and other business functions. Despite his lack of knowledge, he has to perform all these jobs himself. Some of these functions are more difficult or require more business skills than others. For instance, keeping of accounting records requires that all payments, purchases, and receipts of goods and services be recorded immediately and systematically. Such records should be checked frequently by a knowledgeable person in keeping accounts.

From the results of the survey it was interesting to note that amongst shopkeepers, 52 percent did not keep adequate books of accounts or business records--adequate in the sense that the records so kept would give an intelligent picture of progress of a business. For instance, books properly kept will yield financial statements that can highlight possible problems as well as reflect progress made. As noted before, the great majority of traders interviewed kept only a cash book and often omitted to record purchases, operating expenses, or money drawn by the shopkeeper himself for personal use. Probes showed that only a few shopkeepers could accurately give readily the amount or percentage of profit margin or rate of stock turnover in any given product line. Consequently many shopkeepers tend to carry fairly large amounts of slow-moving or dead stock without disposing of them quickly enough.

Inability to determine the right quantities, sizes, and assortments of stock to satisfy clientele 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. When the problem of dead stock was raised with shopkeepers, it dawned on them that they were tying down a fairly large amount of capital. Some of them were reluctant to dispose of dead stock at cost price in expectation of possible future buyers. After probing into this problem further there seemed to be a conflict of interest in the minds of some African shopkeepers, which was expressed in different ways and could be summarized as follows. Well-stocked shelves with goods and also a full store was a conspicuous sign of business status but more importantly to his friend that his business was prosperous. The amount of stock became a measure of success instead of stock turnover in a given period of time. 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.¹¹

The other aspect of the same problem relates to disregard of and lack of knowledge on the use of accounting records, as revealed by the results from the shopkeepers interviewed. When asked how they intended to use the accounting and business records they kept, over 45 percent of the retailers were not quite sure how to use the simple records they kept. They mentioned that such records gave general information about their shops. Only 27 percent pointed out that such records helped them in evaluating their progress and more importantly to plan future expansion.

The second major difficulty which an extension officer would find prevalent is lack of knowledge as to which financial institutions, especially commercial banks, to apply to for capital. This could be explained fairly easily and quickly. A more fundamental problem, however, would be to find out whether the use for which capital would be borrowed was viable,

considered by the bankers as the most important requirement to be met before a loan or an overdraft was given. He would need to analyse the business need in order to determine how much was needed, if any, and the ability to pay back the capital borrowed. Often a lot of money was found to be tied up in dead stocks or in personal drawing and credit to customers who often failed to pay their debts. After doing all these analyses, where there is genuine need for capital or credit facilities, an extension officer would then try to speed up the processing of an application and also give his recommendation. Some shopkeepers complained that loans requested from government lending institutions were received late or when the need was greater than the loan originally applied for. It is contended in this study that through use of extension services such difficulties would be minimized. To make these services even more effective and rewarding, they have to be coordinated with financial institutions. Details of this proposal are covered in Chapter Ten.

The lack of legal knowledge related to small businesses and unavailability of such advice was not found to be too big an obstacle. But sometimes too many restrictions on the activities of self-employed and small-scale businessmen were imposed by local authorities, as observed by the report prepared by Christie on contacts of small-scale African business.¹² It was observed that the regulations that should apply to large-scale business were also applied to all businesses and tended to hamper the small ones. There were multiple licences given by the central as well as local authorities. This tended to complicate licensing, as Professor Elkan noted in his paper on "System of Trade Licences."¹³ An extension service officer would be ideal in negotiating with local authorities and in turn advising traders what operations and standards are mutually acceptable and practicable. A more difficult concept to communicate, yet very valuable, especially to medium and large retailers, is the importance of establishing a good reputation and working relationship with bankers and

manufacturers, as well as customers. Where a retailer has demonstrated his ability and efficiency in meeting his obligations or commitments on schedule, manufacturers and bankers are willing to assist him in many ways--for instance, increasing his credit where needed. Often such a retailer is appointed a distributor or an agent of a manufacturer, and if he proves capable, he gets more allied agencies. The appointment of general manufacturer's agent is known to be profitable. This is an ambition of many retailers, but they do not make a concerted effort or take practicable steps to prove that a package of extension services would go a long way in preparing small-scale African shopkeepers for ever-widening opportunities in business.

There is general agreement amongst the authorities that extension services are an effective way of training small-scale businessmen whether in conjunction with classroom sessions or on their own. Although the importance of such a service is widely acknowledged, there are few concrete proposals on how it should be implemented and by whom, as found by the Working Committee on development of African small-scale businesses.¹⁴ It is agreed, however, that extension services should be provided as a package in order to cater for wide areas of assistance needed by such small-scale businessmen as discussed earlier. In implementing such a proposal, one major obstacle is sometimes explicitly recognized--that is, the shortage of the type of staff who are equipped for such service, as amply shown in Harper's paper, "The Problems of Staffing a Small Business Extension Service."¹⁵ It is recognized that they should have good academic qualifications and some business experience. Some authorities advocate a university degree in business management. If high-level manpower is employed to cover the estimated 30,000 to 40,000 small businessmen in Kenya, the cost could be exorbitant. It is even doubtful if people of such calibre would voluntarily work in the small-scale environment. A compromise solution which is more plausible is to get staff of slightly lower qualification but with some business

experience. They would find it easier to identify themselves with both small-scale rural and urban businessmen. After all, the average educational level of the businessmen we have in mind is that of primary school. Employing university graduates, therefore, invites a rather more sophisticated approach for rendering extension service. The role such a qualified person could play is for co-ordinating and directing less qualified business advisers. That is, he would serve as a provincial business adviser or analyst with an economic number of district and locational business advisers working under him.

There are a few experiments which have been undertaken to determine whether a less qualified person, for instance, a holder of a top East African Certificate of Education, would equally render effective service to small-scale retailers. Harper reports that the results of the experiments are encouraging.¹⁶ What needs to be worked out in detail is a systematic approach to common problems of small retailers. From studies already conducted on the crucial problems and needs of small-scale African businesses, there is general agreement on common ones and possible alternative solutions. What seems to complicate any programme for solving them is that details differ with individual retailers. Nevertheless, if certain objective business records and case studies are kept, the problem of diverse needs of retailers would be minimized.

Both the benefits and effectiveness of extension service seem to depend largely on the co-operation of a shopkeeper himself and the enthusiasm of the adviser. Judging from responsiveness shown by shopkeepers when representatives of manufacturers train and advise them, there is every reason to be optimistic for its success. Certain weaknesses on the part of a shopkeeper would have to be remedied. Training should be viewed as a means to getting a loan but not as a guarantee of success. It should be reiterated to retailers that there are far more tangible benefits accruing from extension service than just a loan. It should be emphasized that knowledge so learned could be utilized in many

ways, especially in developing a small shop to a large retail or wholesale shop. This is one of many examples which could be demonstrated by an extension officer.

From the foregoing discussion it is evident that the most pressing problem of small-scale African shopkeepers is lack of business skills and experience. The problem of capital constraint exists, but its effective utilization depends largely on a shopkeeper's business skill and experience, without which growth and expansion are severely constrained. It is advocated in this and other similar studies that more vigorous training efforts be directed towards assisting small-scale African shopkeepers on the premises to translate the knowledge they learn in seminars into practical tools of solving daily problems. This would be one of the most effective ways of fostering the development of small-scale African shopkeepers so that they can contribute more significantly in the economic development of Kenya.

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15M. Harper, "An Approach to the Problem of Staffing a Small Business Extension" (Nairobi: Conference on Small Scale Industry, 1973), p. 6.

16Ibid., pp. 9-12.

Small retailers in Kenya are generally agreed that lack of capital is their most important problem. They are not alone in this; in the majority of cases lack of capital is also the most important problem of inadequate business skills and lack of training. Furthermore, it has been clearly demonstrated in the previous two chapters that without sufficient business training and experience, provision of capital could be wasteful. It has also been stated that efforts to provide loans to small-scale African shopkeepers should also be accompanied by training to enable those who have demonstrated their qualifications as entrepreneurs, despite their lack of security, to obtain credit facilities, which are inter-related in many ways. The facilities created under the two preceding chapters.

This chapter will examine the sociological and cultural factors which inhibit the success and growth of small-scale African retailers in general and shopkeepers in particular. Some of the extent of this problem, very few authorities on the development of small-scale African shopkeepers have examined in detail. It is also interesting to note that a large number of small-scale shopkeepers do not seem to readily identify the effect of these obstacles on their business, because they are part and parcel of the traditional society where the obstacles originate.

It is to understand and get the right perspective on this problem, it would be useful to provide some background information. It was found during the probes on small-scale African shopkeepers that they were experiencing two types of cultural conflicts. The first conflict was between traditional society, in which many of their values were brought up, and modern forms of economic activity in which they are increasingly participating. This

CHAPTER SEVENCULTURAL OBSTACLES

Small-scale African retailers in Kenya are generally agreed that lack of capital is their most important problem. They are not likely to admit that in the majority of cases lack of capital reflects the more basic problem of inadequate business skills and lack of training. For instance, it has been clearly demonstrated in the previous two chapters that without sufficient business training and experience, provision of capital could be wasteful. It has, therefore, been advocated that efforts to provide loans to small-scale African shopkeepers should also be accompanied by measures to identify those who have demonstrated their potentialities as entrepreneurs, despite their lack of security. These two principal problems, which are inter-related in many respects, are adequately covered under the two preceding chapters.

This chapter will examine the sociological and cultural obstacles which inhibit the success and growth of small-scale African retailers in general and shopkeepers in particular. Because of the nature of this problem, very few authorities on the development of small-scale African businessmen have examined it in detail. It is also interesting to note that a large majority of small-scale shopkeepers do not seem to readily perceive the effect of these obstacles on their business, because they are part and parcel of the traditional society where the problems originate.

In order to understand and get the right perspective on this problem, it would be useful to provide some background information. It was found during the probes on small-scale African shopkeepers that they were experiencing two types of cultural conflicts. The first conflict was between traditional society, in which many African retailers were brought up, and modern form of economic activity in which they are increasingly participating. This

conflict was caused by the fact that most of the shopkeepers interviewed were in the transitional stages between these two-- that is, the transition from traditional society, characterized by emphasis on family and group interests, communal relationship and subsistence farming, to modern economic life. This transition is slow, but is evidently taking place. The second conflict was between cultural and modern business values and practices. The former emphasizes the interest of society as a whole, while the latter involves impersonal rationalized relationship with colleagues, suppliers, customers, and competitors, in contrast to the personalized, effective relationships of traditional society.¹ These two conflicts are in many ways interrelated, but they have been put down separately in order to highlight the salient features of each type of conflict.

After brief background information on cultural problems, we will consider the major social and cultural characteristics and examine how they inhibit the development of small-scale African shopkeepers. This approach will facilitate considerations of ways and means of alleviating this cultural obstacle.

It is often contended, especially by non-African research writers, that the obligations inherent in a traditional society where extended family system prevails seriously inhibit the success and growth of African businessmen. These family obligations include financial support of a relatively large number of kinsmen of an African retailer, in addition to his own family. Where an African businessman has shown a measure of success, his kinsmen may create pressure to employ relatives, contribute to the cost of education of the youthful family members, and also assist the extended family in all sorts of emergencies such as sickness. Although these kinship ties might on the surface impede the development of successful businessmen, they could be turned to great advantage. Such kinsmen 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."² It should be noted that such social and economic factors as urbanization, rural development, and the rising cost of living are rapidly weakening ties of the extended family.

According to this survey the largest majority of the African shopkeepers interviewed admitted that they were subject to the influences of their traditional society and its demands. These influences were expressed differently and with varying intensities in different individuals. Through some probing it became clear that certain small-scale shopkeepers found it difficult to build an impersonal, rationalized relationship with suppliers because of cultural influences. They tended to think that their affluent suppliers should be open handed and liberal in extending credit without references to objective impersonal considerations of creditworthiness or business skills and experience. 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.³ In contrast these shopkeepers were often inclined to extend excessive credit to their customers even when it was absolutely necessary to rigorously control it as a measure to ensure reasonable cash flow.

When the same African shopkeepers were asked what they considered the principal problem which led to the failure of their emerging colleagues, they were almost unanimous in their answers. They attributed the failure to indulgence in traditional relationships--for instance, conceding to numerous demands by the extended family members, sometimes marrying more than one wife, and excessive credit to customers, as also found by Harper in a similar study.⁴ Having been brought up in a homogeneous traditional society, they found modern business practices, which require efficient allocation of funds in order

to obtain maximum return, strange and rather impersonal. But as days went by they became accustomed to these modern ways of business.

Another aspect of the conflict between traditional values and practices and modern business was connected with accumulation of stock. During this survey it was found that there was a general belief, more prevalent in rural trading centres than other areas, that the amount of stock in a shop reflected the wealth of the owner. Whereas there may be an element of truth in this, it was observed that a high proportion of dead stocks was deliberately kept by some of the shopkeepers to create an image of impressive stocks. It was also observed that there were few attractive displays aimed at catching the eyes of customers. According to a similar survey conducted by Harper, one-third of the sample appeared to be filthy and totally without order in their display.⁵ This was a reflection of the feeling that display was not considered an important tool of selling, especially to new customers.

In an effort to discover why a large number of small-scale African shopkeepers did not take keen interest in erecting eye-catching displays or were not even concerned about the high proportion of dead stocks or the general appearance of their shops, it was interesting to discover through probing that the influence of traditional society was a strong factor. Ideas of attractive displays and good return of money invested were fairly new. According to Geiger, a homogeneous, traditional, stable, and static society, the social structure and relationships, the cultural values and conventions--all tend to foster identification of social interests and inhibit individualization.⁶ In the Kenyan context the older generation of shopkeepers was found to be more inclined to a communal way of life, particularly where subsistence economy was widespread. However, this was found to be rapidly changing. The same generations did not know the effectiveness of using eye-catching displays as a tool of attracting customers.

Judging from long personal experience in selling consumer products, it will take some time for new small-scale African shopkeepers, who have had little exposure to business methods and practices, to be completely accustomed to them. This means, in essence, accepting and practising new ways of dealing with business and developing attitudes and values which are different and sometimes conflicting with cultural values and conventions. This transition is slow and difficult. On the whole, this situation may be attributed to what Geiger observed during his study, that in many African countries in general and Kenya in particular there were few traditional institutions which "prepared Africans in a manner and with motivations and attitudes required in a successful performance of modern business."⁷ For instance, traditional institutions of communal living concentrated more on character building for the good of society than preparation for personal ventures. Social needs always took priority over personal needs and aspirations. The positive side of traditional institutions was their insistence on hard work and honesty, which have proved important personal attributes in successful performance of business.

The other interesting aspect of cultural constraints in development of African shopkeepers relates to entrepreneurship. Some of the writers on the developing countries contend that the spirit of entrepreneurship is less of a driving force in traditional and less developed societies than in developed countries. On the surface this may appear to be a fair generalization, but studies done in Kenya give more insight into the question of entrepreneurship than mere generalizations. If we take into account that in traditional societies social needs are emphasized more than individual aspiration, then the above statement would appear to be in this context. However, as noted throughout this and other similar studies, Kenya is in a transition from traditional to modern business methods. The traditional values and conventions which inhibit growth and success of an African trader are rapidly dying out, while those

that facilitate his development are being cultivated and preserved. A good number of small-scale African businessmen, despite their relatively little formal education, many frustrations, and little business training, have ventured into larger and specialized areas of business formerly owned by more experienced non-citizens. This is indicative of the fact that the spirit of entrepreneurship is much alive. These few successful African businessmen have demonstrated that given requisite training, constant encouragement, and financial support, they are capable of venturing into much bigger business and eventually into industries. As pointed out in the preceding chapters, the government has established institutions and enacted legislation to vigorously promote Africanization of trade and also accelerate the transition from traditional society to modern economy. African businessmen with entrepreneurial talents will, in course of time, show themselves.

Despite the government promotional measures referred to in the preceding chapters, there are still some aspects of the cultural problem which inhibit rapid growth of trade. Amongst the older generation of African shopkeepers there is some reluctance to employ workers from another tribe or locality or to go into partnership with them. This practice can be attributed mainly to the influence of traditional attitude and practices reflected in lack of mutual trust among unrelated African shopkeepers. It is encouraging to note, however, that amongst the educated, professional African businessmen the lack of mutual trust among unrelated businessmen has been declining considerably, although it is not completely dead. The emerging generation of relatively young and more educated African businessmen have realized the value of pooling different skills, backgrounds, and resources for a common enterprise. This same practice has prevailed amongst Asian businessmen and contributed to their success. They, of course, also suffer from mutual mistrust of members of a different caste. Normally they invite

another member of the same caste to go into business partnership together. Rarely would you see an Indian from one caste going into partnership with an Indian from another caste.

In Chapter Five, four main factors inhibiting commercial banks from lending to small-scale African shopkeepers were examined in some detail. It was pointed out that one of these factors had to do with the considerable "cultural gap" between expatriate bank managers and the African businessmen.⁸ This serious impediment was partly a result of the banks' inability to acquire an adequate knowledge of African businessmen. The cultural gap between bank managers and African managers impedes mutual understanding trust. However, it is encouraging to note that this cultural gap is rapidly narrowing as more Africans are promoted into positions of bank managers.

Such social barriers are not confined to commercial banks alone. Small-scale African shopkeepers experience the same social barrier with suppliers dominated by expatriate managers. However, these social barriers are being broken down as African businessmen demonstrate their competence and capability in dealing with foreign owned companies and commercial banks and also as more Africans are given higher positions of responsibility. It is suggested that doing business together will inevitably bring closer relations with each other.

It is strongly advocated in this study that cultural barriers should be broken down at all costs. Another way of breaking these barriers is by encouraging African businessmen to open and maintain accounts with regular commercial banks, as far as possible channelling their receipts and expenditures through such accounts. This will in turn provide banks as well as suppliers with an acceptable basis of shopkeepers' creditworthiness. The concept of opening and maintaining a bank account or borrowing money is new and outside the traditional society. For instance, of all shopkeepers interviewed in this survey only 40 percent had bank accounts or savings accounts. In a similar survey conducted by Harper amongst 169 shopkeepers only 36 percent had bank

or savings accounts.⁹ Many of these shopkeepers were more familiar with keeping their money themselves, sometimes under a bed mattress or some such hidden place, than in banks. However, the traditional practice of hoarding money is rapidly dying out because of increase in the network of commercial banks and risk of theft. For instance, in 1973 Barclays Bank had about 35 branches and 27 agencies through the Republic of Kenya.¹⁰ Similarly, other commercial banks like Kenya Commercial Bank and the Standard Bank have a large network of branches and agencies.

Closely related to the novelty of opening and maintaining a bank account is the keeping of business records and books of accounts. Over 55 percent of small-scale African shopkeepers admitted they did not keep proper books of accounts. Most of them mentioned they did not know how to keep any books of account except a cash book and simple record of credit customers. They were, however, willing to learn. What was more interesting to note was that even those who kept books of accounts, even a cash book, did not frequently use the information collected for planning their business or for controlling two of the most important causes of failure--excessive credit to customers and unrecorded personal withdrawals. From the answers of these shopkeepers it was reasonable to suppose that unrecorded withdrawals (assumed to be part of their salaries) and excessive credit to customers are prevalent and serious problems. Unchecked withdrawals of cash in order to develop another emerging business posed an accounting problem. For instance, where an African shopkeeper had several businesses, often separate accounts were not kept. In such cases losing businesses were subsidized by enterprises making reasonable profits. This sometimes led to misallocation of resources. Although offering subsidy to emerging business itself is not a bad practice, it was open to abuse, fraud, and misallocation of funds. In such cases proper records are necessary. It should be noted, however, that despite lack of proper keeping of books of accounts, small-scale African shopkeepers on

the whole have a high propensity to save. A shop may start small, but within a short time, through constant savings, it is built to a big concern. 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 have observed in many parts of Africa.¹¹ If such savings were mobilized, they could then be turned to profitable uses geared to developing and expanding existing or related businesses.

Often visitors from developed countries comment on the slow pace of life. They are impressed by lack of hustle and bustle on the trading scene. In a transitional society like Kenya, small-scale African retailers do not experience the same pressure and urgency of time as their counterparts in developed countries. It is not unusual to see a shop closed for several days while the owner is attending to domestic or cultural needs. The speed at which customers are serviced is slow and sometimes involves too much conversation. The apparent lack of promptness and sense of time has a lot to do with the cultural background which tends to influence the older generation of small-scale African retailers particularly. As business develops, the sheer pressure of work prompts the owners to seek for new modern business methods of providing prompt service in an effort not to lose trade.

Another observation related to cultural influence on small-scale African retailers is an apparent lack of adventure into frontiers beyond one's tribe. Until recently most small-scale African retailers traded within their tribal boundaries, except in towns where a conglomeration of tribes was found. There are notable exceptions to this observation. One of the tribes known to be found even in the remotest areas of Kenya is the Kikuyu.¹² They are known to be enterprising and ready to risk moving into strange areas, where they start business and become entrenched. This spirit is even more pronounced in the Asian trading community, who were found all over East Africa before government

¹²the Ibo
tribe of
Kenya

legislation restricted their business. Whenever Asian traders moved to a different part of Kenya, they learned the local dialect of the dominant tribe. This way they reflected their identification with the local people in an effort to sell effectively.¹³ Among traditionally oriented African traders this measure of identification and interest to learn local dialects to facilitate trade is minimal.

It is encouraging to note that the younger generation of African retailers are able to overcome most of the cultural barriers discussed in this chapter. It is contended in this study that in course of time most of the cultural constraints will diminish. Time is the best cure.

¹G. Geiger, Why Private Enterprises Isn't More Effective in Transitional Societies (Report from Columbia Journal of World Trade, Vol. 9, No. 2, March-April, 1973), p. 1.

²Ibid., p. 2.

³de Wilde, loc. cit., p. 46.

⁴Republic of Kenya, Kenya Barclays International Profile (Barclays Bank International Ltd, London, 1973), pp. 47-48.

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CHAPTER EIGHTHOW SUPPLIERS CAN HELP RETAILERS

Before describing how suppliers are helping and could continue to provide assistance to African retailers, it is necessary to consider first the obstacles which inhibit them from developing mutually beneficial business with African shopkeepers. For the purpose of this study the term supplier will include principally manufacturers, commercial banks, and also companies which render legal and accounting services. This approach will help us to appreciate the seriousness and prevalence of these problems and possible remedies.

As noted in Chapters Five, Six, and Seven, these obstacles arise to a large extent from the side of African retailers. They reflect one side of the coin, the economic inadequacies of small-scale African shopkeepers. Economic inadequacies are here taken to mean two things--insufficient capital and credit and lack of business skills and training. On the other side of the same coin they reflect the sociological encumbrances of conflict between traditional values and modern business methods, inherent problems found in transition from a subsistence to a money economy. It is contended by some suppliers that these economic and cultural obstacles have been until recently the major factors causing the reluctance of companies to use African retailers as distributors or local agents. A few of the companies who took the risk involved in appointing African distributors in late 1950s report that they had some disappointing experiences, and subsequently they discontinued their assistance programmes. Possibly they expected more than African distributors could perform then. However, the greater majority of suppliers have been encouraged by their business relationship with African retailers in general and shopkeepers in particular.

It is necessary to point out that the negative reaction to the use of African businessmen as their important channels of

distribution is not surprising or strange. The historical development in Kenya provides some insights into this problem. For a long time a large number of foreign companies in collaboration with the former colonial government discouraged Africans in the establishment of an indigenous retail trade, particularly on "bazaars" of the major towns. It is not alleged that there were legislations to this effect, but the general political trend impeded emergence of African shopkeepers. Only after independence was imminent, but much more so when it was achieved, were a large number of foreign companies in East Africa accepting and eventually entering reluctantly into continuing business relationships with African businessmen. Both the strangeness and "cultural gap" brought about some mental resistance, which was overcome in course of time.

On the whole, the picture of these developments is not so gloomy as it might first appear. A few foreign companies, particularly manufacturers of consumer products, took some positive measures in the early 1960s and instituted positive assistance programmes for African retailers to improve their performance and cultivate mutually acceptable standards in their business relationships. Since such desirable and practicable efforts started, many more companies, principally British and American, have followed suit. In contrast, only a few French companies in French-speaking Africa have been engaged in such promotional activities, as noted by Geiger and Armstrong in their study.¹ It can be said that despite many apparent problems, some significant progress has been made in recent years in promoting African shopkeepers, details of which will be examined shortly.

So far we have identified and described briefly the constraints of African shopkeepers which constitute major hurdles to development. But more importantly analyses of the specific ways in which companies could help to speed up the process of developing the emerging small-scale African shopkeepers have been made. In other words, there exists a reciprocal relationship which, when fully understood, would

result in mutual benefit. When foreign companies show reluctance to train and use the services of African shopkeepers, the effect of this has two important implications. The opportunities for the latter to acquire requisite business attitudes and skills through business transactions are impaired. Secondly, the opportunity for a manufacturer to build a strong franchise for his products is severely constrained. As a result, efforts to develop mutually beneficial business relationships are also impaired. But the converse is also true; where there is willingness of foreign and local companies to take the risks involved in trading with African shopkeepers and also to provide assistance which would enhance their business relationship, the end results are most rewarding. It is contended in this study that a major way to stimulate the changes in attitudes and resultant improvement in business skills which are pre-requisite for the success and growth of small-scale African retailers will only come about through cooperation between them and manufacturers.²

After briefly examining the kind of business relationship which should exist between a manufacturer and a retailer and why it does not, it is important to highlight major constraints of the latter. Before the introduction of the Trade Licensing Act of 1967,³ most African retailers, especially shopkeepers, complained of unfair competition waged by more experienced foreign companies and non-citizen Asians. The complaints were understandable insofar as they reflected the disparities in resources and business skills between foreign companies and African retailers. It has been noted, however, that such disparities have not significantly impaired efforts of African retailers in establishing themselves in the trade, particularly in the rural areas. In fact through such stiff competition African shopkeepers have worked harder and accumulated a wealth of business techniques. However, there have been cases of what could be termed as unfair competition waged by foreign companies or by long-established non-citizen Asians in rural areas, but

such activities are rapidly declining through the regulatory measures aimed at restricting non-citizen concerns on one hand and also through promotional measures introduced to assist emerging small-scale African shopkeepers.

It is fair to say that sometimes such complaint about competition from foreign companies and non-citizen Asians arises from dislike of any form of competition. This attitude and aspiration is understandable when viewed in the light of African traditional society. As discussed in Chapter Seven, economic competition played little or no part in African traditional societies, which stressed more of communal and social responsibilities.⁴ Therefore, an African shopkeeper from such a background and not familiar with economic competition would not readily appreciate advantages derived from competition which are beneficial to himself, to consumers, and to the country as a whole. In such circumstances foreign companies would be of great service to African shopkeepers by exercising some restraint in choosing the methods they use to compete so that unfair competition which would hurt African shopkeepers does not result, for example, in selling their products directly to consumers.

We have so far discussed in general terms the need for commercial organizations to assist in the process of developing African shopkeepers. Let us now examine the major ways by which such companies have and can accelerate this process. In addition, current ways and means of developing small-scale African businessmen in general and shopkeepers in particular will be evaluated and existing gaps highlighted. For the purpose of this discussion we shall start with manufacturers, followed by commercial banks, and, lastly but not least, service organizations like commercial lawyers and auditors. As noted earlier, for lack of a more descriptive name all these commercial and manufacturing organizations have been classified under the umbrella of suppliers.

A supplier usually uses an African shopkeeper as a channel of distribution of goods and services to consumers. For a

supplier to render such valuable services as well as be able to develop African shopkeepers effectively, he will have to assume that there is a reasonably secure and prosperous future. In addition he has to believe that the Kenya government will continue to encourage and assist private investments. He must also remember that as a foreign supplier he has certain obligations to fulfil. He has to be a good citizen and identify himself with the aspirations of his workers and government policies. For instance, he has to plan for eventual Kenyanization of key jobs in his organization. Any defiance of the government policies of either Africanization or training local personnel will not be conducive to the future interest and welfare of foreign companies or to a dynamic form of economic independence. The only acceptable approach, therefore, is to accelerate the rate of Africanization in commerce and industry creating a balance among public and private, indigenous and foreign forms of investments.

Therefore, for foreign companies who wish to make a fruitful future for themselves in Kenya and indeed in Africa, there could not be a more important long-term interest than to stimulate development of African enterprise. Halfhearted or token efforts will yield little or no results. It is contended in this study that it is only recognition and acceptance of the important responsibility of developing African entrepreneurs within the framework already described that will yield the desired results by the shopkeepers as well as the government. Within this framework we will consider a number of specific ways of stimulating the development of small-scale African shopkeepers and evaluate how effective and successful they have been.

African Distributors

One of the major areas where manufacturers have positively stimulated the development of African shopkeepers is by offering them distributorships or warehouse agencies for their products. The term distributor is taken to mean one or a few shopkeepers selected to represent one or more manufacturers in a defined area

in respect to distributing their products, without the same suppliers of goods going in the same area to undertake the same functions. A warehouse agency is self-explanatory; instead of a manufacturer letting his own warehouse, he appoints a shopkeeper to not only warehouse his goods but also to deliver them at an agreed rate. It has been noted that whereas distributorship is relatively easy to give to Africans, a warehouse agency is difficult to come by. A warehouse agent usually is a depot supplying a vast area, while distributors are appointed to service a town or trading centre. Some manufacturers started this commendable exercise before independence, when most distributorships were almost exclusively in the hands of non-citizen Asians. Because of their insight in seeking competent African distributors early, they selected the most promising and established mutually beneficial business relationships. Subsequently, these suppliers were not affected by the enforcement of the Trade Licensing Act, like many others who had used only non-citizen traders. Others were forced to close their businesses after being served with quit notices. It has been observed that the companies that were reluctant to risk appointing African distributors before are increasingly under pressure to do so now. There are government measures as stipulated in the Ministerial Order of 1973 which are aimed ultimately at Africanizing the distributive trade and have all distributorships and warehouse agencies handled exclusively by Africans.⁵

During the field interviews with shopkeepers and subsequent visits to the trade, a number of interesting points were brought up in connection with appointment of distributors and warehouse agents. Looking for an experienced and competent African distributor who was not already appointed by another company was found to be a frustrating experience, even by the author whose responsibilities include such a function. Before a prospective African distributor was willingly accepted by a manufacturer without reservation, he had to demonstrate his capability in

business and willingness to stock sufficient stocks all the time. Perhaps the most crucial factor was that he had to prove his creditworthiness backed up by bank references showing a good record of past performance and demonstrating his business ability in meeting obligations as they fell due. When African wholesalers and retailers were evaluated against these criteria, only a few African businessmen qualified as distributors or warehouse agents. Subsequently, emerging African shopkeepers were discounted because of their inadequate business experience and insufficient resources, capital, and manpower. They were considered too big a risk.

There have been a growing number of manufacturers who took a different viewpoint. They realized early enough that in a developing country like Kenya there were relatively few experienced and reputable African wholesalers. With this in mind they embarked on ambitious plans to spot the local talent from the promising small wholesalers or large retailers, encourage and build them up, and eventually appoint them as distributors. Among the most notable examples in East Africa are British American Tobacco, East African Breweries, Brooke Bond, and several of the large international oil companies. With more insistence on African distributors by the government many more manufacturers have intensified their efforts of encouraging African retailers to become their distributors or agents. Today suppliers, particularly of locally manufactured consumer goods, have to use local distributors because there is not much choice in the matter. It is a declared policy of the Kenya government. As noted earlier, the government after a few years of independence realized that more promotional measures were necessary in order to ensure that increasing numbers of African distributors were appointed to distribute diverse range of commodities. One such major instrument used by the government is the Kenya National Trading Corporation, whose purpose is to facilitate Africanization of distributive trade. Today over fifty commodities are distributed solely through African distributors.⁶ It should be

noted that some of the commodities which are classified as "specified goods," to be distributed almost exclusively by African wholesalers and retailers, constitute a small list of local and imported goods, most of which are price controlled, such as sugar, rice, bicycles, and cement. There are, however, a long list of both local and imported goods not handled by the Kenya National Trading Corporation, popularly known as K.N.T.C., but should be in that category. As K.N.T.C. handles more goods, more Africans will have opportunities of distributors, providing the idea of specialization is enforced. It would, therefore, not be an unreasonable prediction to say that in a few years all goods will be distributed exclusively through African distributors. It should be noted that certain manufacturers have been granted concession to distribute their products, providing they pay levy of at least one percent of their sales. Such manufacturers include makers of soaps, detergents, and soft drinks.

A few manufacturers view Africanization of the distributive trade as a factor contributing to inefficient distribution, mainly because of possible added costs and a fairly high proportion of bad debts. However, the majority of them seem to have allayed their fears and recognized the importance of putting distributorship in the hands of indigenous traders as the most logical long-term plan. As a result they have co-operated in accelerating this process. It must be noted that this is not an easy process, especially where there is an apparent loss of sales volume and an increase in bad debts in the short run. In the long run, however, as African distributors gain more business experience, both the sales volume increases significantly and bad debts fall a tolerable level. But this is dependent to a large measure on the extent to which suppliers wholeheartedly support this move. It is reasonable to say that where there is mutual understanding between a manufacturer and his distributors, business invariably prospers and both parties benefit.

distributors are selling the goods to the wholesalers. Examples of a number of manufacturers who have agreed to such selling

Training

In order to improve performance of African distributors, certain manufacturers (for instance, B.A.T.) have generally found it desirable to request their distributors or stockists to take training or advisory courses. Such courses have been organized by international companies like United African Company of Nigeria, a subsidiary of Lever Brothers, and British American Tobacco of Kenya, who have both the personnel and resources to do so.⁷ The courses expose distributors to many methods of operating a successful wholesale or retail business. In addition, through such courses the participants widen their circle of business contacts so essential for effective distributing. The main aspects of business taught include keeping books of accounts and business records, stock taking, economic ordering of quantities, sales promotion --to mention but a few. After the first stage of theoretical training, further follow-up courses are arranged. That is a follow-up or extension service conducted on the business premises. Its purpose is to help a distributor to translate theoretical business knowledge into practical everyday business operations. This latter part of the training course reinforces the ideas of the first section, and often errors can be corrected on the spot. The cost of such training courses for Africans is sometimes substantial, but in the long run they pay handsomely. It is encouraging to see an increasing number of manufacturers in Kenya investing their resources in different kinds of training courses for their African distributors or agents.

There are suppliers who, in addition to offering courses to their distributors, pay for the cost of delivering goods to the premises of their agent. That is, they transport goods from their factories to the premises of retailers or distributors at no extra cost, and show them how to make future orders and erect eye-catching displays. Another way of promoting African distributors was uplifting from selected wholesalers. Examples of a number of manufacturers already engaged in such selling

activities include Colgate-Palmolive (E.A.) Ltd. and Kenya Overseas Trading Company. They arrange for their salesmen to buy goods for cash from their distributors and in turn sell to smaller retailers. The cost of selling in such cases is borne by manufacturers. The objective of this exercise is to help distributors to sell more goods of a particular manufacturer who provides a salesvan to uplift goods on a regular basis. To a manufacturer two benefits accrue: repeat orders are made possible and wide distribution of his products is also ensured.

Credit

Unlike Asian distributors who had adequate resources to stock a high volume of goods, the majority of African distributors have little working capital. Therefore, they need assistance in the form of credit to help them to hold sufficient stocks, especially if they are distant from suppliers. Only a few suppliers are prepared to extend credit to new African distributors because of the risk of late payment or non-payment which eventually turn into bad debts. Subsequently these suppliers have to impose a stringent policy of payment for goods either on cash or cheque with order. Where a cheque for a substantial amount is given, it is first cleared with the banker before delivery is effected. From extensive enquiries with a large number of local manufacturers only a small number of African distributors or wholesalers are given credit facility, partly because of fear of losing money and partly because of lack of adequate information about African traders. The suppliers usually expect their distributors to prove themselves through prompt payment before they can seriously consider extending a credit facility to them. When they are convinced that their distributors are capable of meeting obligations as they fall due, they extend to them a small amount of credit.

It has been noted that suppliers extend such credit to only a few selected distributors, and rarely does credit exceed more than thirty days. This selective and restrictive credit facility to African distributors compares unfavourably to that

extended to non-citizen traders which averages from sixty to ninety days. It could be contended that the latter category of distributor purchase a relatively high volume of goods, but this view does not take into consideration the changing pattern of distribution under the direction of the Kenya government. However, taking into consideration the credit squeeze imposed by commercial banks, particularly during 1974, and that inflationary trends usually put a strain on cash flow, provision of trade credit has been obviously very much restricted for everyone.

Occasionally manufacturers are able to provide some incentive to emerging African distributors through trade offers such as trade discounts and generous agency commissions. Where such trade incentives are properly planned, they result in being instrumental in increasing a supplier's volume sales and expanding the market for selling his other product lines. These promotional tools have to be used selectively and regularly. When they are deployed too frequently, they lose their impact, and the goals for which they were designed are not achieved. It has been observed that in launching new products or relaunching old ones, promotional tools like free samples to consumers are often important catalysts in influencing acceptance of customers. A good number of manufacturers who have used these and other complimentary promotional tools in addition to effective media advertising have successfully launched their products, and repeat orders are received within a relatively short time.

Technical Assistance

The preceding discussion has centred around the role of manufacturers in assisting the development of small-scale African businessmen. There are other useful enterprises classified under the umbrella of suppliers, which could equally assist African businessmen. These enterprises include offices of lawyers and accountants as well as commercial banks. The role of the latter has been sufficiently covered under Chapters Five and Six. What is therefore left for consideration is the first two types of organizations.

The view has been expressed that the lack of legal knowledge on the part of small businessmen and the unavailability of legal advice do not seem to be a major obstacle to the starting and expansion of small businesses.⁸ The view advocated in this and similar surveys is that legal aid does not have to be provided as a separate service from general advice but as part and parcel of an extension service. In other words, a package of extension services should be provided. It is admittedly important to train and advise small-scale African businessmen about the legal environment in which they operate--for instance, business contracts and their implications, registration of names. In addition it was found during the field interviews that it was necessary for shopkeepers to understand the legal form of business organizations in terms of available capital, legal consequences which are most appropriate for a given kind of business. However, this type of assistance, although it is being considered separately, can be provided most effectively as a part of a general as opposed to a specialized extension service.⁹ Consultancy experiments run along the suggested lines have proved beneficial to many small-scale African shopkeepers.

It has been noted that the cost of business incorporation, transfer, and the legal requirements which are required to incorporate an enterprise can serve as a deterrent to the adaptation of suitable legal forms of organization.¹⁰ It would appear that most of the existing legal requirements were designed for large-scale businesses. As such, they are not necessarily suitable for small-scale African businessmen who have little business experience. There is therefore a growing need for a set of legal procedures specifically designed to assist the formation and growth of small-scale African business in Kenya.

There was yet another legal problem which was found in the field research to adversely affect small-scale African retailers. That is the battery of legislations which regulate the operation and standard of business throughout the country without taking into consideration the size and financial constraints of

different businesses. These regulations included business licensing and local authority by-laws which are intended to ensure an adequate standard of hygiene, safety, and good appearance. For instance, a shopkeeper has to pay for one licence from central government and another from the local authority. Sometimes local authorities are stringent and demand a stone building before granting a retail licence. This may partly help to explain why in almost every town and even trading centre the business premises are stone, although sometimes they are either half empty or closed for a considerable time because of lack of suitable tenants. These regulations appear to be primarily designed not for small-scale but middle and large business, which can afford to pay for all the legal requirements. That is why within the existing institutional framework the financial cost of establishing oneself in business is fairly high, and some of these costs are inevitably passed on to the customers, some of whom are too poor to afford the added prices. It is interesting to note in this connection that according to one survey in the outskirts of Nairobi poor people pay 13 percent more than consumers who shop in self-service stores in town. It cannot be denied that there is a definite need to ensure compliance with certain minimum regulations, but it is not at all necessary to impose standards and requirements which most small-scale African businessmen cannot afford. It is therefore important for the government as well as legal firms to review the existing regulations to work out more suitable legal requirements which would facilitate the growth of small-scale African businessmen.¹¹

The same concept would apply to the auditing firms, which need to design a more suitable and simple accounting system for small-scale African business. As in the case of legal aid, such assistance would be provided together with other extension services and advice. This means that extension services would be provided as a package. The supplier would have a valuable role to play and in the final analysis would benefit. As

pointed out, therefore, suppliers play a vital role in developing small-scale African shopkeepers. As suppliers are willing to provide more services to African shopkeepers, without any pressure, the greater the possibility of creating mutual understanding and interest between manufacturers and African shopkeepers. Suppliers have already done a magnificent job in assisting development of African shopkeepers, but there is room for improvement.

⁵W. G. Harris and A. Sommerlat, African Businessmen (Nairobi: East African Publishing House, 1971), p. 417.

⁶Republic of Kenya, The Development Plans 1970-74, Ministry of Finance and Planning (Nairobi: Government Printer, 1969), p. 417.

⁷East African Standard, 2 October 1974.

⁸Daiger, pp. 404.

⁹Republic of Kenya, Report of Working Party on Small Business Development (Nairobi: Ministry of Commerce and Industry, June, 1972), p. 10.

¹⁰Ibid., p. 12.

¹¹Republic of Kenya, "Economic Progress and Prospects in Kenya," Vol. II The Economy, Annex A: Small-Scale African Business (Washington, D. C.: I.B.A.D., International Development Association, March, 1972), p. 14.

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- ¹¹Ibid., p. 17.

The second type of activity undertaken by the government involves regulatory and restrictive legislations and policies. These include administrative and legal measures whose objective is to discriminate in foreign trade in favour of African enterprises. There is ample evidence to show that without such

CHAPTER NINEGOVERNMENT ASSISTANCE TO RETAILERS

Since Kenya attained her independence in 1963 the government has undertaken a variety of activities and measures to foster progressive Africanization of the economy. Africanization of trade in particular has been promoted through both regulatory and promotional measures and policies. These government tools have been instrumental in diminishing dominance of non-citizens in commerce and increasing African participation.

The purpose of this chapter is to examine the current assistance programme and services given to small-scale African retailers, in order to alleviate their economic and sociological problems. In the process of evaluation of these assistance programmes the existing gaps which are not effectively catered to will be indicated. Additionally, practical ways and means of bridging these gaps with effective government assistance programmes and services will be proposed.

From the result of this study the government has given assistance and rendered service to small-scale African business in three significant ways. First, the government has to a large extent brought about a favourable climate of business through its general attitude towards commerce and industry. With a favourable climate for business and a stable government, a large number of foreign and international companies have been attracted to invest in this country, especially in manufacturing of products which are ultimately distributed by small-scale African retailers. For instance, there were in 1974, 125 American investments in Kenya valued at approximately 170 million dollars.¹

The second type of activity undertaken by the government involves regulatory and restrictive legislations and policies. These include administrative and legal measures whose objective is to discriminate in foreign trade in favour of African enterprises. There is ample evidence to show that without such

regulatory and sometimes restrictive measures, the non-citizen traders, who for a long time have been entrenched in the wholesale and retail business, would have continued to dominate such businesses in both small and major towns. Many of these non-citizen traders have over the years accumulated capital, acquired business skills, and established invaluable business contacts and relationships. These are important ingredients to success in business and decisive advantages over their African counterparts. If, therefore, African shopkeepers were left to compete in a free market without these restrictive measures in their favour, they would be doing so from a position of weakness and great disadvantage.

From the foregoing remarks it is logical to suggest that if participation of African commerce is to continue to increase steadily, restrictive measures used to reduce dominance of non-citizen traders have to be stepped up and heavily backed by promotional measures. A variety of such promotional measures constitute the third form of government assistance programmes and services rendered to small-scale African traders in general and shopkeepers in particular. These include provision of financial assistance in form of loans and an extension service with emphasis on sound practical education and business advice. In respect to business education there is evidence of an increase of facilities and availability of specialized education-- technical managerial and financial training at secondary levels for full-time and part-time students. In addition the government has directed local manufacturers to appoint African businessmen as sole distributors or warehouse agents to handle almost all locally produced consumer goods. It is important to note that although these regulatory and promotional measures will be discussed separately, in practice they are complementary and in many ways inseparable. Generally, regulatory measures are introduced first. Then promotional programmes are formulated in order to facilitate regulatory measures to achieve the purpose for which they are designed. For instance, when a legislative

measure to regulate or restrict trade of non-citizens was introduced, a variety of financial assistance programmes were devised in order to facilitate Africans to replace them and make the exercise more effective and meaningful.

Favourable Climate of Business

The government has in its policy statements and its comprehensive development plans indicated its determination to accelerate growth of commerce and industry. There are three things which reflect government determination and deliberate action to promote business. Through the wise and able leadership of President Jomo Kenyatta this country has enjoyed a relative measure of peace and stability. Because of the stable government and constitutional safeguards to protect the interests of all citizens, many foreign concerns have been attracted to invest in Kenya.

Another government effort which reflects determination and deliberate measures to promote business is significant improvement of transportation, the communication network, social services, and expansion of towns and trading centres. With these improvements, particularly communication, many multinational organizations operating in Africa have selected Nairobi as their headquarters. As a result of the increase in foreign and local investments in this country, especially in capital, goods are being produced locally--hence, expansion of the market for these goods. In other words, because of improvements in transportation and the communications network, a wide range of goods and services is being distributed to many parts of Kenya by African shopkeepers. It is also logical to suggest that through local and foreign investments and steady expansion of the economy, many jobs have become available to local people while disposable income and the standard of living have risen significantly. As more jobs become available and the standard of living rises, the volume of business handled by shopkeepers also expands. All these and other deliberate government efforts and policies which affect the whole economy have helped to create a favourable

climate for business. There are a number of specific measures which have been deliberately formulated to promote Africans in trade. These will be considered under regulatory measures.

Regulatory Measures

At the time of attaining independence in 1963, wholesale and retail trade were dominated by non-citizen Asians. Shortly after independence the government felt obliged to encourage and promote African traders in wholesale and retail trade, through selective restrictive and regulatory measures, which were deemed desirable as well as necessary at that particular transitional stage of development. Bauer claims that such restrictive measures are usually introduced in many developing countries at a comparatively early stage of their commercial development.²

The principal instrument used in regulating trade and subsequent Africanization of wholesale and retail trade in Kenya, beginning with small-scale shops, was the Trade Licensing Act of 1967 and subsequent amendments.³ It should be noted that the Trade Licensing Act is not a new type of government measure. Such acts have been implemented in other African countries--for instance, the Ghanaian Business (Promotion) Act of 1970 and the Trade Licensing Act of 1970 in Zambia.

The purpose of the Trade Licensing Act of 1967 and subsequent amendments in 1968 and 1969 was considered to be three-fold. As the principal instrument of Africanization of trade, it made all trading subject to licensing. Under this Act the Minister for Commerce and Industry was empowered to issue trade licences selectively. He could also designate certain areas "non-general business area"--that is, all areas outside main shopping centres of large towns were reserved for citizen traders.

Secondly, the minister was empowered under Section 4 of the Act to make an order relating to "specified goods." Under this order certain commodities were designated "specified goods" to be sold only by citizen traders in both general and non-general trading areas. The order imposed a penalty on a trader who sold

specified goods if he was not a citizen or licensed to do so. It should be noted that most of the specified goods are currently distributed by Africans only.

The third purpose, closely related to the first objective, was to issue quit notices to non-citizen traders in non-general trading areas first and subsequently in general trading areas as well, in order to create a vacuum to be filled by African traders. This has been the most effective government tool of discriminating against non-citizen retail traders in favour of African traders. However, there are a number of bottlenecks which have impaired its dramatic effect in paving the way for African wholesalers and retailers. It would be worthwhile to consider briefly a number of these bottlenecks and in course of so doing also appraise the success of this important Act.

Judging by the increasing number of African traders in the major streets of all large towns in Kenya and the virtual non-existence of non-citizens in rural areas and small towns, it is evident that this Act has been effective and widely implemented. From 1970 onwards, non-general trading areas reserved for citizen traders were progressively extended and general areas considerably reduced. In the following two years more trading areas were designated non-general. The net result of all these legislative instruments was that many more Africans established business in areas formerly dominated by Asian traders. To date there are hardly any business streets without African shopkeepers. On the basis of the foregoing comments it is reasonable to say that the first objective has been largely achieved, but still there are bottlenecks to be dealt with mainly through supplementary amendments, as will be indicated shortly.

The second purpose of the Act relates to specified goods. Since 1967 the schedule for specified goods has been expanded. For instance, in 1969 there were three amendments to the Trade Licensing (specified goods).⁴ The first amended the Order of 1968 by adding to the then existing schedule three items--cotton

drill, cement, and all types of beans. This order came into effect on 23 August, 1969. On the same date a new order was made. It added twenty-nine items to the list of specified goods, effective 1 January 1970. A third order added two more items expanding the schedule to thirty-one specified goods.⁵

Although the schedule has been expanded since 1970, many specified goods are still sold by non-citizen traders. Enforcement of orders declaring a progressively large list of items as specified goods has not been strictly carried out. However, certain commodities like sugar, rice, maize meal are distributed exclusively by African wholesalers.

This exclusive right to distribute certain goods has given African wholesalers some advantage over their Asian counterparts. However, it should be pointed out that most of these goods have little profit margin. There is some evidence to suggest that if the ministerial order dealing with specified goods were more fervently supported by other tools of regulating trade, African wholesalers and shopkeepers would have even a greater control and a larger share of trade.

The third purpose of the Trade Licensing Act was to regulate trade. As noted earlier this has been the most effective tool of reducing the number of non-citizen traders through the issue of quit notices. When non-general trading areas were progressively extended, non-citizens were compelled to renew their trading licence as stipulated by this Act. In this process many of them were served with quit notices. Exceptions were made only for highly specialized businesses--for instance, selling and repairing electrical goods or for non-citizens who had African partners holding majority shares. It would be interesting to examine briefly the effect of this Act.

Looking at one of the amendments of the Trade Licensing Act 1967 (that is, the Trade Licensing (General Business Areas) Order, 1969), we can observe two things. First, the general business areas were drastically reduced compared to those of 1968. Second, virtually all rural trading centres and small urban towns were

declared non-general business areas. This meant that non-citizens had to either vacate their businesses and leave their former shops for good or move to general business areas which were found mainly in large towns. In effect, since 1969 the scheduled non-general areas have been progressively extended, thus reducing the areas where non-citizens could safely trade. In addition non-citizen traders in the scheduled areas were required to renew their trading licences annually, and this gave opportunity for the Minister of Commerce and Industry to issue more quit notices. At the beginning of 1973 every shopping area was declared non-general area, which meant that non-citizen traders could be issued with quit notices more effectively without recourse to legal action. Since then quit notices have been directed to the remaining large and specialized businesses. This is evidenced by the last quit notice issued to many large and specialized businesses during April, 1975.⁵

The conspicuous effect of quit notices is visibly seen by the increasing number of Africans in the main streets of small and large towns formerly dominated by non-citizens. Quit notices started to be served on a small scale in 1968. It is estimated that by November, 1972 a total of 2,800 quit notices had been served. In the following year, in February, 1973, a total of 418 quit notices were served to non-citizen traders throughout the country, of which 51 percent were served in Nairobi alone.⁶ By the end of the same year, which coincided with the tenth independence anniversary, conspicuous numbers of African traders were occupying shops in all major streets, particularly in Nairobi and Mombasa. It is reported that by the tenth anniversary of Kenyan independence in December, 1973 a total of nearly 4,000 quit notices had been served to non-citizen traders.⁷ However, not all of them were effectively implemented.

Although the Trade Licensing Act has been an effective instrument in Africanizing commerce, there have been frustrating loopholes needing amendments. Let us cite a few common cases. When certain non-citizen wholesalers or retailers were issued

quit notices, a number of them deliberately decided to close their premises and reside at the back, thus frustrating prospective African traders to whom the businesses were allocated. At the time of writing, this Act did not, unfortunately, impose a penalty or empower the minister to enforce such a transfer of business. However, there are indications that an appropriate legislative action is in the process of being formulated to rectify this kind of loophole. It is expected that such legislation would empower the minister to order such a stubborn trader to sell his business to a citizen, and a penalty for failing to do so would be imposed. It has also been observed that occasionally such malicious non-citizens have succeeded in blocking the transfer of their business premises either by raising the cost of the property too high or by inflating the cost of stock.

A more frustrating experience which has been repeatedly raised by the Chamber of Commerce is that certain non-citizens issued quit notices acquire citizenship "miraculously" within a few days or weeks. Others opened a new shop in a different location and registered it under a new name. Worse still, others invited African directors or partners without requiring them to subscribe anything, even the initial capital. All these and other devious means have been deployed in an effort to impair the implementation of the Act. On the whole, in spite of these few encumbrances the Trade Licensing Act 1967 and subsequent amendments have facilitated an effective transfer of trade from non-citizens to African traders, especially in the small-scale retailing.

Subsidiary Regulatory Measures

In addition to the Trade Licensing Act 1967 and subsequent amendments there are other three subsidiary regulatory measures. The first two measures are meant to protect both the consumer and the retailer as well as increase efficiency in the trade. The third one is aimed at promoting African importers and exporters. The first of the subsidiary regulatory measures is the Price

Control Act which empowers the Minister of Finance and Economic Planning to regulate prices of consumer items like sugar, rice, soaps, fats, maize meal, to mention but a few. Under the Act the Price Control Advisory Committee which was established in 1971 has a duty to advise the Minister on all matters pertaining to the pricing of commodities. The members of this committee are drawn from important institutions and associations in order to present varied points of view of the community.

Before the price of a manufactured consumer item can be increased, the manufacturer has to seek the approval of the Minister. Prior to granting a manufacturer an approval, he has to present a substantial case of price increases, particularly of raw materials. A schedule is then worked out showing the new prices, ex-factory or imported price, ex-wholesale or van price, and consumer price. When such prices are fixed, overcharging a retailer by a wholesaler or a consumer by a retailer is an offence. It is reasonable, therefore, to say that this Act protects both retailers and consumers from overcharging. The same Act demands that all goods displayed in shops be labelled with a selling price and that a receipt be issued for every sale made. This measure will in the long run help small-scale retailers to price goods accurately and in the process keep a proper record of purchases. However, at the initial stages it has been found rather cumbersome. Some of the small-scale African shopkeepers cannot afford to issue receipts for every purchase made, although this is required by law.

It has also been observed that the profit margins of the wholesalers and retailers are often reduced through the process of price increase. This is mainly because both wholesalers and retailers are not represented in the negotiations of price increases or price adjustments between manufacturers and the Price Controller. For instance, the retailers profit margin of one size of dental cream and one size of soap was reduced from 8 percent to 5 percent and from 10 percent to 1.4 percent respectively, during 1974.⁸ It is not often appreciated that

overheads of retailers have also gone up, and any reduction in their profit margin erodes their profits. When this happens, small-scale retailers stop stocking such low-profit commodities and subsequently inconvenience their customers. Probably this explains why a fairly large number of small African traders are taken to court for overcharging--reduced profit margin.

In addition to adjusting and controlling prices, the Act imposes other regulatory measures. Under the same Act in Section 27 the hoarding of commodities is an offence. In practice it is difficult to track down hoarding, as has been the case regarding rice, sugar, and other essential commodities which have been missing in the shops but are hidden in the stores. However, this Act has the intention of protecting small-scale shopkeepers from hoarding by wholesalers and also consumers from retailers. It has been alleged that more vigorous amendments would be required to be able to enforce this Act effectively.

The second regulatory measure is the Weights and Measures Act, which requires annual inspection of scales. At the beginning of each year all weights and measures are inspected, in order to check and rectify any default. The purpose of this exercise is to protect both retailers and consumers and to ensure that each gets his money's worth. Another similar measure which was introduced in July, 1974 is the Bureau of Standards. It is charged with the responsibility of ensuring that all locally manufactured goods conform to the required standards of quality, safety, weight, and health specifications.

The third regulatory measure focuses on import control. The Import Export and Essential Supplies Act empowers the Minister of Commerce and Industry to prohibit or restrict the importation of any given commodities. However, in the implementation of this policy African importers are increasingly being given preference in order to ensure that they eventually control the import trade. Through this and related measures Africans are becoming interested in the import and export business.

It is, however, concluded that some of the existing provisional measures should

Finally we need to examine briefly the effects of some of these regulatory measures on the development of small-scale African retailers. One of the adverse effects of the Price Control Act, besides reducing wholesalers' and retailers' profit margin, is the possibility of inhibiting competition. One of the views expressed by authorities on this subject, including a top officer in the Price Control Department, is that it is not necessary to impose price control on a hundred commodities.⁹ They, however, unanimously advocate that price control should be restricted to staple commodities like sugar, maize meal, and rice. They feel that the rest of the commodities should be left to find their own levels through the market forces of demand and supply. It has been alleged that certain firms can sell their commodities at more competitive prices than the Price Controller allows. Assuming that a large number of different firms is able to compete effectively in the open market, as was the case before 1971, this evidence would suggest that the Price Control Act should only be restricted to a few commodities. This in effect would allow a large measure of competition. Market forces of supply and demand would settle the maximum price, providing there are no monopolies. In such circumstances, competition would then force manufacturers to absorb more of their overhead costs than they are prepared to when negotiating for a price increase at present.

Promotional Measures

In the preceding pages it has been shown how the government regulatory measures continued, among other purposes, to facilitate the transfer of trade from non-citizen to African traders, particularly small-scale shopkeepers in the smaller towns. It also highlighted the major obstacles experienced in the process of implementing regulatory measures and policies. All factors considered, it is reasonable to conclude that the government regulatory measures have largely achieved most of the objectives for which they were designed. It is, however, contended that some of the existing promotional measures should

be intensified, while others have to be modified in order to assist more effectively the replacement of non-citizen traders by promising Africans, as well as help them to maintain a high level of business performance. It is advocated in this study that promotional measures and programmes will have to more vigorously supplement regulatory measures, if small-scale African shopkeepers are to succeed in replacing their predecessors as well as entrenching themselves in the trade.

The main purpose of this section is two-fold: first, to examine the current promotional programmes and services formulated by the government to assist small-scale African businessmen in general and shopkeepers in particular, and second, to assess how effectively they alleviate both economic and cultural problems. In the course of this examination both the existing gaps which are not sufficiently bridged and problems which are not quite sensitive to promotional measures will be highlighted. In addition, appropriate ways and means of making promotional measures more effective and sensitive will be proposed.

The current promotional measures, which from now on will be referred to as promotional schemes and services, could be categorized and analysed under two headings, financial and training. Under the first heading two financial schemes for providing loans to African businessmen will be considered. The first scheme is administered by District Development Joint Loan Boards, abbreviated as D.D.J.L.B. The second scheme, which is much larger and more comprehensive, is administered by the Industrial and Commercial Development Corporation, popularly known as I.C.D.C. The second promotional service, which is training, will be examined in greater detail in the next pages.

District Loan Boards

District Development Joint Boards generally abbreviated as D.D.J.L.B. were established in the 1950s largely to finance small-scale African traders to buy more stocks for their shops. As the name implies, each district in Kenya is supposed to have

a District Development Joint Loan Board. Due to some of the administrative difficulties and lack of adequate personnel, there are a few exceptions, especially in the Northeastern region, where one D.D.J.L.B. serves two or more districts. There are currently thirty-seven D.D.J.L.B.s out of forty-two districts in the republic. Although D.D.J.L.B.s were established about twenty years ago, they assisted only a handful of African traders. After independence, however, the government strengthened D.D.J.L.B.s by providing 50 percent of the loan money. The other 50 percent of the loan fund was to be provided by the local government, county councils, or urban councils in their respective districts. Where a county council is unable to provide loan funds, the government is not obliged to contribute its share.

During the first development plan, 1964-1969, the central government allocated a total of £150,000 to D.D.J.L.B.s.¹⁰ In the second development plan, 1970-1974, the government increased substantially its contribution to the loans administered by D.D.J.L.B.s to a level of £1 million.¹¹ This substantial increase of loans to district loan boards is striking evidence of the government's continued interest and support to this financial scheme. This is further evidenced by the increased amount of contribution by the Kenya government during the third development plan, 1974-1978. A total of £2.7 million has been earmarked for the lending activities of District Development Joint Loan Boards, which have changed their name to District Joint Loan Boards (D.J.L.B.s), now numbering thirty-seven.¹²

It should be noted that the basic purpose of D.D.J.L.B.s when they were initially established was "to provide credit to small Kenya businessmen in rural areas, but also in small and large urban towns including Nairobi." The amount of loan varies from a minimum of shs 2,000 to a maximum of shs 10,000, which is required to be paid within two to three years. In many cases the successful loan recipients are traders with monthly turnovers of less than shs 10,000.

The board which administers loans is usually composed of the District Commissioner, Chairman of County or Urban Councils, District Trade Officer (who is always the secretary), and a few prominent local traders. An enquiry to a large number of D.J.L.B.s shows that most of them meet once or twice a year to allocate loans. During interviews with District Trade Officers, important advantages of D.J.L.B.s over commercial banks were noted. First was a relatively low interest rate--6½ percent charged by D.J.L.B.s compared to 10 to 12 percent currently being charged by the commercial banks. The second advantage is that D.J.L.B.s on the whole do not take as stern measures to recover money in default as do commercial banks. For instance, if a shopkeeper failed to pay up his loan owed to a commercial bank, the bank would, after several notices, sell his security including his property, in order to recover the amount in debt. The D.J.L.B. rarely does this.

It would be both worthwhile and interesting to examine the operations of District Joint Loan Boards in some detail. To be able to do so meaningfully, the author selected one D.J.L.B., after studying over a dozen of them scattered all over the republic. The Nyahururu District Joint Loan Board was found typical of other D.J.L.B.s in Kenya in terms of its operations and was selected for more detailed study. It is one of the three D.J.L.B.s administered by the District Trade Officer of Nyandarua. The first grant of shs 10,000 from the central government was given to Nyandarua D.J.L.B. in 1965. However, the first allocation of about shs 80,000 was administered two years later to thirty-four traders.¹³ The available figures of Nyandarua D.J.L.B. in the past five years indicate that both the number of recipients and the total amount allocated year after year has been increasing rapidly.

For instance, in 1966-67 only thirty-four traders in Nyandarua managed to get a loan from D.J.L.B., at an average of shs 2,000 compared to sixty-eight recipients in 1974 with an average of shs 3,676.¹⁴ This significant increase in the amount

of individual loans can be attributed to two main factors: rising demand for loans and increasing annual grants from the central government to local authorities. For instance, the central government made a grant of shs 40,000 to Nyandarua D.J.L.B. in 1966 compared to shs 150,000 in 1974.

It might be worthwhile to analyse the loans given to traders each year through Nyandarua D.J.L.B. But it is undoubtedly more worthwhile and meaningful to examine the past two years, 1973 and 1974, in order to note any marked differences in the distribution of recipients by area and also the amount of loan to individuals.

TABLE 6

ANALYSIS OF NYANDARUA D.J.L.B. 1973

Main Towns	Amount of Loan			No. of Recipients
	4,000/=	3,000/=	2,000/=	
Nyahururu	3	11	2	= 16
Olkalou	1	7	-	= 8
Wanjohi	1	7	1	= 9
Mibarati	-	1	3	= 4
Mukeu	1	2	-	= 3
Kangui	1	1	2	= 4
Ngano	-	1	1	= 2
Others (7)	2	3	5	= 10
Total recipients	9	33	14	= 56
Total amount shs	36,000/=	99,000/=	28,000/=	= 163,000/=

Source: Annual Reports 1973, Nyandarua District Trade Officer

It should be pointed out that in 1973 there were a total of ninety-four applicants, and thirty-eight of them were rejected. In the following year the total number of applicants increased to 100, out of which sixty-eight were successful and thirty-two rejected. Let us briefly examine Tables 6 and 7 and try to highlight the important features. The first significant factor is the increase in the amount of loans given to individual

TABLE 7
ANALYSIS OF NYANDARUA D.J.L.B. 1974

Town	Amount of Loan				No. of Recipients
	6,000/=	5,000/=	4,000/=	3,000/=	
Nyahururu	-	1	5	2	= 8
Olkalou	-	2	3	1	= 6
Wanjohi	-	-	2	3	= 5
Mukeu	-	1	5	-	= 5
Ndunyu Njeru	1	2	5	-	= 8
Geta	-	1	2	1	= 4
Others (16)	-	8	21	3	= 32
Total recipients	1	15	42	10	= 67
Total amount shs6,000/=	75,000/=	168,000/=	30,000/=	= 250,000/=	

Source: Minutes of Meeting for Nyandarua D.J.L.B. 1974

traders between 1973 and 1974. Out of sixty-eight recipients of the loan fifty-eight traders, who represent about 84 percent, received more than shs 4,000 compared to nine recipients who represent only 16 percent in 1973. The second feature worth noting is the total amount given out in form of loans in 1974 was shs 87,000 more than in 1973, which represents an increase of 53 percent. The third feature relates to the wide distribution of recipients of loans. In 1973 thirty-six recipients of loans were drawn from fourteen towns and trading centres, as compared to sixty-eight recipients from twenty-two trading centres in 1974. The wide distribution of loan recipients in Table 7 indicates the emphasis on giving an increasing amount of loans to individual traders and also drawing recipients from a wider number of towns and trading centres than in the previous year. In effect this means that the lucky traders were granted more funds than they needed to either increase their stocks or replenish them.

In the course of finding out who was the person responsible for drawing recipients from a wider area and also increasing the amount of individual loans in 1974, it became increasingly clear

that the District Trade Officer for Nyandarua played a major role. He was responsible for collecting and processing the applications before submitting his recommendations to his District Joint Loan Board for approval. Judging from the above results he seems to have been successful in his recommendations. On the basis of the foregoing comments it would be helpful to examine the amount given out and the number of recipients in the past four years in Nyandarua, in order to highlight the trend.

TABLE 8
RECIPIENTS OF NYANDARUA D.J.L.B. 1971-1974

Amount (Shs)	1971	1972	1973	1974
2,000/=	1	-	14	-
3,000/=	8	28	33	10
4,000/=	14	12	9	42
5,000/=	7	9	-	15
6,000/=	2	4	-	1
7,000/=	2	1	-	-
Total	34	55	56	68
Total applicants	96	121	94	100
Loan shs (000)	143	216	163	250
Average amount	4,500/=	3,927/=	2,910/=	3,676/=

Source: Nyandarua District Trade Officer.

The above Table 8 indicates clearly that the trend is to increase both the amount loaned to individual traders as well as to the whole trade, except for 1973 when the total loans dropped to shs 163,000. This is a healthy sign and realization of the need for more funds for up-coming African shopkeepers. From similar surveys of over a dozen other D.J.L.B.s there is a general upward trend as shown above. However, their most important constraint is availability of more funds. As mentioned earlier, D.J.L.B.s give out revolving funds, which must be paid back on schedule to enable more traders to borrow. Therefore,

any amount in default from any of the D.J.L.B.s reduces the number of possible recipients of such loans.

Unfortunately, the record of defaulters in almost every D.J.L.B. warrants urgent and serious remedial action. There is adequate evidence to suggest that a fairly high proportion of funds is tied up by defaulters. If the amount in default is all paid up in every district, many more applicants would benefit from this loan scheme.

Let us look briefly at the incidence of default. The latest two years, 1973 and 1974, provided an up-to-date status report of both the number and amount in default.

TABLE 9
ANALYSIS OF DEFAULTERS IN 1973-1974

Length of time	November, 1973		May, 1974	
	Number	Amount	Number	Amount
2-3 months	5	1,874/=	47	41,534/=
Over 3 months	106	190,350/=	128	339,623/=
Total loan	56	163,000/=	68	250,000/=

Source: Minutes of D.J.L.B. Nyandarua 1973, 1974.

The above Table 9 indicates glaringly that the number of defaulters and the amounts involved are proportionately high. It should be pointed out, however, that both the number of defaulters and the amount involved are cumulative. Taking into account the cumulative effect of the above figures, the number of defaulters over three months is way out of line. If we assume that in 1973 there were no recipients of D.J.L.B. loans who were in default for a period exceeding three months, the number of defaulters in 1974 increased by twenty-two traders. However, the corresponding amount in default is shs 53,311, which represents 21 percent of the total loans allocated in the same year.

These alarming rates of default highlight the great urgency of improving the situation if more traders are to benefit from this loan scheme. It is also disheartening to notice that the

development in Kenya. By the Industrial Development
 incidence of default in the previous years in Nyandarua D.J.L.B.
 has not shown any marked improvement. In 1970 about 57 percent
 of traders who received between shs 2,000 and 4,000 were in
 default for an average of ten months. In the same year the total
 number of traders in default from three to ten months
 represented 30 percent of all recipients of loans in 1970.
 Similarly, in 1973 twenty-eight traders were in default for over
 twelve months, and the outstanding amount is estimated at
 shs 60,000. This again is a cumulative figure.

The results of this survey show that the rate of default
 varies from district to district. The computed rate of default
 exceeding six months, based on the analysis of twenty D.J.L.B.s,
 shows that on the average it is over 25 percent of the loan
 amount given out in one year. What can be the explanation for
 this serious rate of default? There are two factors which are
 largely responsible for the high default rate. The first is
 lack of adequate business training and experience coupled with
 lack of appreciation and commitment to meet all obligations owed
 to suppliers, bankers, or the government on schedule. The
 second factor has to do with the lengthy and costly procedure in
 prosecuting defaulters. Only written or verbal warnings are
 given to defaulters, but no legal action is taken. A number of
 trade officers feel that the cost of lawyers' fees, court costs,
 and administrative expenses far exceed the amount of default owed
 by the majority of traders. From the foregoing it is vividly
 clear that if all recipients of loans from D.J.L.B.s paid up all
 their instalments on time, more money would be available. Many
 more traders would benefit than the current number in one
 D.J.L.B. in Kenya.

I.C.D.C.

The Industrial and Commercial Development Corporation was
 established as a statutory body in 1954, under the Industrial
 Development Act. As stated in the Act, the primary objective of
 the corporation was "for facilitating the industrial and economic

development in Kenya."¹⁵ By the Industrial Development (Amendment) Act 1967 this organization was changed to Industrial and Commercial Development Corporation, popularly known as I.C.D.C. Subsequently it broadened its scope of operations to include commercial activities. It comes under general supervision of the Ministry of Commerce and Industry, although it has its own board of directors. It has no capital. Its resources consist in part of grants, principally from the government, and an accumulated reserve. The other part consists of loans from a consortium of commercial banks, the East African Development Bank, the West German government, and the Eldoret Municipal Council. During the year 1972-73 the following sources were utilized to provide the necessary funds to finance the corporations: various investments, and the Kenya government gave loans and grants of £2,174,177, or 58 percent of all external sources.¹⁶ Normally I.C.D.C. commitment considerably exceeds the resources at hand to meet them, and it therefore relies heavily on internal sources--for instance, retained annual earnings, government grants, and loan repayments--in order to keep abreast of disbursement requirements. By the 30th June, 1974 the total funds employed by the corporation including investments amounted to slightly over £17.5 million.

Until 1961 I.C.D.C. was primarily concerned with promotion and development of medium and large-scale industry. But beginning in 1962, and especially after independence in 1963, it began to concentrate more heavily on the promotion and development of small-scale African enterprise. At the same time it continues to promote industrial development through investment in the form of both equity and loan in medium and large companies. As of mid-1973 such investments amounted to £9,563,370¹⁷ which represents 72 percent of total funds employed by the corporation. The principal government financial assistance to African trade is channelled through the I.C.D.C. Under the Commercial Loans Revolving Fund Scheme, I.C.D.C. lends two main types of loans--commercial and property. Commercial loans are given for

expanding a business or buying stocks. Property loans are given for the acquisition of commercial properties, especially from non-citizen traders issued quit notices. Both these types of loans have more attractive repayment terms than loans from commercial banks, although they take much longer to process.

Until 1972 the procedure of processing loan applications was fairly lengthy. Loan application forms were completed by the applicants and submitted to the District Trade Officer. Thereafter the District Commissioner endorsed the application after verifying that all conditions stipulated were met by an applicant. Applications were then sent to I.C.D.C. headquarters in Nairobi through a Provincial Trade Officer. A short-cut to this procedure was introduced through the appointment of Provincial I.C.D.C. Officers in 1971 charged with the responsibility of processing loans speedily. This means that applications are received by I.C.D.C. officers through District Trade Officers and, after being checked thoroughly for all the stipulated requirements, they are submitted for approval to I.C.D.C. Management Committee, which approves loans from shs 10,000 to 30,000. Any amount over and above shs 35,000 is approved by a full board of directors session, at which at least four directors must be present, including the Executive Directors.

As noted earlier, the terms of borrowing are more generous than similar commercial bank loans. For instance, $8\frac{1}{2}$ percent interest rate is charged on a commercial loan, which is advanced for an average of five years; three months of grace is allowed before monthly repayments commence. Similar loans are normally advanced by commercial banks on a short-term period not exceeding two years, and the rate of interest currently exceeds 10 percent. It has been reported from banking circles that from July, 1974 short-term loans will be advanced for two years only, except in special cases. As of July, 1972 property purchase loans were granted for a maximum period of ten years, at 9 percent and without a period of grace. Although these interest rates are

There are three main types of loans: currently shown as small commercial revolving loan fund, small property revolving fund,

reasonable, it is possible that they might go up as a result of inflationary trends in Kenya, as in the rest of the world. It should be noted that I.C.D.C. extends other types of loans--for instance, industrial and loans for acquisitions of equipment and tenancy in the industrial estates. Terms of borrowing and repayment differ from those discussed before. Since the focus of this thesis is on small-scale shopkeepers, these types of loans are not considered relevant for our consideration.

We have examined the types of loans extended by I.C.D.C. to small-scale African traders in general and shopkeepers in particular, and the repayment of each type. In the following pages it will be worthwhile to appraise the effectiveness of I.C.D.C. loans in helping to alleviate some of the economic problems examined under Chapters Five and Six, which include lack of capital and credit facilities and need of business training.

There is sufficient evidence in this and other similar studies to suggest that I.C.D.C. loans are advanced usually to those who would be classified according to this survey as large shopkeepers and who, in fact, could obtain loans more easily from commercial banks than small shopkeepers, who desperately need capital. In a similar study conducted by Marris and Sommerset on I.C.D.C.-supported African businessmen, it was found that money did not seem to be the deepest concern, especially of large African businessmen.¹⁸ This is because these fairly large businesses had access to loans from different sources. The fact that they are large is evidenced by their monthly turnover, which is in excess of shs 10,000.

In an effort to appraise the performance of I.C.D.C. in respect to loan giving, let us now survey the financial assistance it provided to African businessmen. It would be more appropriate and meaningful to consider latter years when many more African businesses have looked upon I.C.D.C. as an important government lending institution. Under the small loans scheme there are three main types of loans, currently known as small commercial revolving loan fund, small property revolving fund,

businessmen received commercial loans, compared to 624 recipients for property loans in the same period.

Judging from the results of about 200 enquiries amongst African shopkeepers from all parts of the republic regarding which type of loan they needed most, the largest majority of them claimed that they were more interested in commercial loans. This is because the majority of African businessmen, particularly small-scale, need loans to expand their shops and not to buy business premises. In addition only a small number compared to the population of shopkeepers would have the required down payment to buy business premises. This study shows that the largest majority of small-scale shopkeepers, 64 percent, rent their shops. A similar study shows that 65 percent and 61 percent of the shopkeepers in Nyeri and Kakamega, respectively, rent their premises.²⁰ As pointed out earlier, both the local and central government regulations require permanent business premises before a licence can be granted. Because only a few persons can afford to build such premises, most others have to rent their shops.

Let us briefly examine the trend of the most popular type of I.C.D.C. loan--commercial loan. The available figures show the amount and recipient of commercial loans between 1969 and 1974, and help to highlight a number of points.

TABLE 11
COMMERCIAL LOANS 1969-1974

	1969-70	1970-71	1971-72	1972-73	1972-74
Amount	15,453	18,687	20,825	24,344	29,790
No. of Recipients	500	651	806	878	994
Average (shs '000)	31	29	26	28	30

Source: I.C.D.C. Annual Reports, 1969 - 1974.

There are two interesting points to note from Table 11. The above figures show an apparent decline of the average amount of

loans given to African traders from shs 31,000 in 1969 to shs 28,000 in 1973. It would appear that in the late 1960s the emphasis was to advance relatively more loans to fewer traders, whereas in 1970s the emphasis changed to giving relatively less money to more African businessmen.

It should be noted that the average amount advanced to individual recipients declined to shs 26,000 in 1971-72 and therefore was less than either in the preceding year or the year after. But the number of recipients went up about 24 percent over the previous year. After examining the trend and the total amount of commercial loans advanced in the past four years, it would be worthwhile to analyse the geographical distribution of these loans during the same period, as shown on Table 12. This table highlights the total amount of loans advanced by I.C.D.C. to each province.

TABLE 12

DISTRIBUTION OF COMMERCIAL LOANS 1969-1974

BY PROVINCE (Shs '000)

	1969-70	1970-71	1971-72	1972-73	1973-74
Nairobi	4,655	3,542	3,490	4,553	5,960
Central	2,969	2,285	2,375	2,005	1,915
Eastern	1,960	4,875	6,025	5,075	6,710
N/Eastern	920	1,940	1,250	1,675	1,950
Western	735	1,000	1,510	2,725	2,460
Nyanza	1,465	2,585	4,230	6,111	6,165
R/Valley	2,149	1,905	1,505	1,420	3,335
Coast	600	555	440	670	1,295
Total	15,453	18,687	20,325	24,344	29,790

Source: I.C.D.C. Annual Reports 1969-1974.

Between June, 1969 and June, 1974 the Eastern Province received the highest amount of loans, which amounted to shs 24.6 million and represented 22.5 percent of the total commercial loans. It is interesting to observe that the demand

for commercial loans in Eastern Province from 1970 onwards surpasses those of Nairobi, despite the increased number of African traders and the substantially larger volume of business they handle in Nairobi. According to the I.C.D.C. loan officer, the substantial increase in demand for loans by the Eastern Province between 1969 and 1974 compared to Nairobi was attributed to a number of factors. In Nairobi there are far more substitutes for I.C.D.C. loans--that is, more commercial banks than in the Eastern Province. The fact of proximity to banks which Nairobi businessmen used in their transactions helped to create a working business relationship, which has been found to be an important consideration in giving out loans.

From a private conversation with the loan officer it was gathered that Nairobi had gone through a transient period of heavy borrowing from I.C.D.C. in the years between 1966 and 1970. During this period Nairobi alone received about shs 8.8 million of commercial loans, representing about 29 percent compared to the eastern region, which received shs 3.9 million, representing only about 12 percent of the total loans for 1966 to 1970.²¹ The second factor which was alluded to earlier relates to the distribution of lending institutions, especially commercial banks. Nairobi is so well endowed with lending institutions that many Africans who in normal circumstances would go to I.C.D.C. have had many more sources of finance, compared to the Eastern Province with only a handful of branches of commercial banks. In such circumstances African businessmen in the Eastern Province were more inclined to borrow from I.C.D.C.

It might be worthwhile to note in passing that an average of 50 percent of the total commercial loans to the Eastern Province went to Machakos District between 1966 and 1974. An exceptional year was 1970, when shs 1.6 million, representing 81.6 percent of commercial loans in that same province, was allocated to sixty traders in Machakos District. These figures suggest that there are far more traders in Machakos District who qualify for I.C.D.C. loans than elsewhere in the province.

Another area that helps us to appreciate the distribution of I.C.D.C. was Nyandarua District in general and Nyahururu in particular. Nyahururu is one of the three areas selected for this study. From 1966, the first time for Nyandarua to receive any I.C.D.C. loan, until November, 1974 a total of shs 855,000 of commercial loans was allocated to thirty-seven traders, of which over 40 percent were from Nyahururu.²² It was noted that none of the shopkeepers interviewed in the rural trading centres surrounding Nyahururu had received any loan from I.C.D.C. Their principal source of loans was from Nyandarua District Joint Loan Board.

We have so far examined how I.C.D.C. functions, particularly in processing and allocating loans. In addition we have considered the three loan schemes administered by I.C.D.C. with special emphasis on the commercial loan scheme, which is more relevant to this study. The next logical step is to evaluate the performance of I.C.D.C., highlighting its strength as well as weaknesses and where applicable suggest some improvements. As noted earlier, the basic functions of a financial institution like I.C.D.C. are processing of applications, provisions of advice to borrowers, follow-up on loans and investments, and collection of overdue interest and principal payments. Judging I.C.D.C. on the basis of these basic functions, there is ample evidence to show that it has accomplished most of them. One of the major weaknesses, however, is little or no provision of advice to borrowers and lack of systematic follow-up on loan recipients except through legal channels.

This deficiency of business advice to borrowers is attributed mainly to lack of personnel capable of carrying out such functions. Fortunately, the I.C.D.C. board of directors has been aware of this deficiency for sometime as noted through private conversation. This is evidenced by the appointment of Provincial I.C.D.C. Officers in every province since 1971. However, one officer in every province is only scratching the surface of the problem, but it is definitely a move in the right

direction. There is need for more and better trained and experienced staff in all-round management functions in order to provide effective follow-up service to the borrowers which in all probability would reduce the incidence of default.

Many authorities are agreed that lack of practical business advice and training for small-scale businessmen is a more serious problem than lack of financial assistance in many developing countries like Kenya. Such a conclusion stresses the need for more systematic training and follow-up services. In light of this, suggestions have been put forward in the next few pages on how I.C.D.C. could improve its services and effectiveness to small-scale African businessmen in general and shopkeepers in particular.

The other function on our list is collection of overdue interest and principal payments. In this respect I.C.D.C. has done a better job than most District Joint Loan Boards. This does not imply that the rate or the amount of default is not high, however. According to one survey, at the end of September, 1971 payment in default amounted to 8.7 percent of the total of industrial, commercial, and property loans for that year. Compared to total industrial and commercial loans for the same year, the total amount in default was close to 12 percent. It is estimated that the amount of money in default on commercial loans at the end of June, 1974 was close to 20 percent.²³ It should be noted that the amount of default at any time is a cumulative figure, which may be a result of two or three consecutive years. While these percentages appear modest in light of the risk involved, figures showing amounts overdue in relation to the total amounts owing or paid would be more significant because a large proportion of the outstanding loans may not have fallen due.

An interesting view has been expressed that, in the absence of more recent surveys, the extent of defaults on loans could be used as the only, though not very satisfactory, criterion of success. More surveys need to be conducted in order to make

available up-to-date information on the operations and performance of such financial institutions as I.C.D.C.

De Wilde suggested that a more accurate way of gauging the extent of defaults would be more payments which were due and not paid during a specific period compared with the total volume of payments due in that period. Other criteria which could be used as tools for measurement of success of I.C.D.C. operation are profitability and expansion, which are more objective than the extent and amount in default. However, accurate and comparable data are not always available to make meaningful and protracted assessments.

As a source of financial assistance, I.C.D.C. has enabled many African businessmen, especially shopkeepers, to buy stocks of non-citizen Asian traders. In addition, I.C.D.C. has provided loans for the acquisition of commercial properties as detailed in the previous pages. It has also speeded up the screening of loan schemes every year. As pointed out earlier, the recipients of I.C.D.C. loans are, as far as this study is concerned, large retailers who form only 15 percent of all the shopkeepers interviewed. Nevertheless, by helping these larger retailers who sometimes do wholesale business, the I.C.D.C. is giving certain direct and indirect advantage to the small ones.

These large retailers through I.C.D.C. loans are able to buy a wide range of stocks at competitive prices. In turn, they supply small-scale shopkeepers with a variety of goods broken into small quantities and sometimes extend credit to them. These large shopkeepers have facilitated Africanization of both wholesale and retail trade. On the whole, I.C.D.C. as the instrumentality for financing African businessmen has been effective. However, it has one obvious disadvantage. It has not left sufficient scope for the development of relations between African businessmen and the regular banks. In the long run it is desirable to bring African businessmen into progressively closer relations with normal banking institutions. The banks have admittedly been slow to get involved, but in recent years they

have become increasingly interested in financing African businessmen, and a number of officers have been appointed to look after African clients. They are handicapped, however, by inability to acquire sufficient knowledge of such businessmen and by reluctance to jeopardize their profit by taking apparently high risks. This problem could be overcome by partially establishing within I.C.D.C. an adequately staffed, autonomous, business promotion and advisory service, which could help banks identify potentially viable businessmen. For instance, the Partnership for Productivity programme, a Quaker organization in Kakamega District, has identified many potential businessmen who have been assisted by Barclays Bank without recourse to the organization in case of default by a borrower.²⁴

Another important scheme that I.C.D.C. could initiate is that of insuring banks against part of the lending risks. Such credit guaranty schemes have been instituted, as noted in Chapter Five, in a number of African countries, principally in Ghana. Such a scheme would permit the development of closer working relations between I.C.D.C. and the banks, under which the former would confine itself to longer terms financing while the latter would concentrate on the extension of working capital and shorter term loans. Such a relationship would also have an advantage arising from the fact that the banks can, in principle, be in closer contact with African businessmen through their network of branches in the country. This recommendation deserves serious consideration, and its advantages and applicability in Kenya have been covered in greater detail in Chapter Five.

After considering the role and usefulness of two important government financial lending institutions, I.C.D.C. and D.J.L.B.s, it is appropriate to mention the third one, K.N.T.C. It is not a lending institution but a trading concern incorporated by the government to facilitate Africanization of distributive trade.

The Role of K.N.T.C.

The principal instrument of promoting African wholesalers who also engage in retailing is the Kenya National Trading

Corporation, popularly known as K.N.T.C. K.N.T.C. was established in March, 1965 as a subsidiary of I.C.D.C. It has exclusive rights to distribute imported and locally produced articles, including most textiles, sugar, salt, soap, matches, and hardware, to mention but a few. Where it does not distribute certain goods like soap or edible oil, a one percent commission is charged. For instance, in the 1973-74 financial year net profit from normal sales represented about 24 percent, while profit from commission represented about 76 percent. K.N.T.C. has established depots or supply points to handle the distribution of goods under its control and has appointed a large number of Africans as wholesale distributors throughout the country. There are over 1,000 K.N.T.C. distributors in the country. The relative inexperience of its distributors and their failure to repay goods given on credit created many problems for K.N.T.C. in the initial stages. It is estimated that the amount of default from the establishment of K.N.T.C. to the end of 1973 was close to £1,000,000. Today this problem has been largely alleviated by the policy of cash payment or certified cheques against payments of goods purchased. Its sales turnover exceeded £2 million at the end of 1973.²⁵

Despite this initial obstacle, K.N.T.C. has helped to Africanize wholesale trade, particularly in the small towns and rural areas. Small-scale shopkeepers have benefited from a more extensive network of K.N.T.C. distributors who sometimes offer them credit facilities. There is a large scope for improvement and expansion of K.N.T.C. activities particularly in specializing in importation of goods.

Business Training and Education

During the discussion on the problems faced by small-scale African shopkeepers in Kenya, relative business inexperience and lack of adequate training were identified as the crucial obstacles. The gravity, prevalence, and magnitude of this problem have been considered under Chapter Six. Both the incidence and the large amount of default of loans from the

I.C.D.C. and the District Development Loan Boards considered in the preceding pages are indicative of the seriousness of this problem. However, the amount of default may decline as the government lending institutions screen applications more strictly and also demand substantial collateral. As years go by, small-scale shopkeepers, who a few years ago suffered from inadequate business skills, will have gained some experience which might help them to reduce the incidence of default. As already noted, there are encouraging signs of up-coming Africans who have in the course of a few years been successful in establishing themselves in the retail trade. Nevertheless, the number of failures could have been considerably reduced and the degree of success substantially enhanced if such traders had had access to practical business advice and training from government training officers as well as company representatives.

The government has been and still is aware of this problem and has taken certain corrective actions. Some of these corrective actions include substantial efforts to provide courses by the District Trade Development Officers, the Management Training and Advisory Centre, and the Institute for Adult Studies of the University of Nairobi, as outlined in Chapter Six. What is still seriously lacking is an extension service to ensure that credit and other services provided by the government are utilized as intended, providing assistance and service to small-scale shopkeepers.

All too often the concept of extension service or follow-up supervision has been associated with a police or control function. Some people view the function of extension officers as primarily to control and direct credit and other services provided by the government as intended. In this part of the world, extension service is closely associated with agricultural field officers. According to a number of studies, the term originates in the United States and was used to describe land grant colleges' efforts to "extend" their activities beyond the campus. In this context, there was more emphasis on demonstration

and other visual techniques and on sharing experience and new ideas. The same concept needs to be adopted in the extension work amongst shopkeepers.

As far as traders are concerned, it should be noted that they operate in a finite market, and any improvement which substantially increases the sales of one is likely to reduce those of his competitor. This is not exactly the case with farmers. It would be rather uneconomical to arrange any sort of demonstration or problem-solving activity for a group of non-competitive traders, since the area covered would have to be large, and fair selection of the participants might pose a formidable problem. This does not suggest that demonstrations and visual techniques cannot be used; it only emphasizes that they have to be used selectively.

The most effective and fruitful method of extension services would be where instruction and advice is generalized but related to individual problems. The other version of extension service is to create a private interaction between the "change agent and his client," that is, an extension officer and a shopkeeper. The former method seems to be extensively used, while the latter, though more effective, is almost inoperative.

It would be worthwhile, therefore, to examine briefly how the first method of conducting classroom courses has operated thus far. This is, in effect, a resume of certain sections of Chapter Six. There are approximately twenty-five District Trade Development Officers serving forty-one districts in Kenya. Each District Trade Officer is supposed to conduct at least two one-week traders courses and one two-week course in a year in each district. This means that at total of at least eighty-two one-week traders courses and forty-one two-week courses should be conducted throughout the republic. It is estimated that a maximum of sixty courses were conducted throughout the republic. This number is far below what is expected in the whole country. For instance, in Central Province, which has by far the most aggressive trade development activities, there were only thirteen

courses conducted in 1972--ten one-week courses and three two-week courses, as shown in Table 13.

TABLE 13
TRADERS COURSES IN CENTRAL PROVINCE, 1972

District	One-week Courses	Participants	Two-week Courses	Participants
Nyeri	2	100	1	75
Thika	1	54	1	58
Kiambu	2	92	-	-
Kirinyaga	2	76	-	-
Muranga	1	54	-	-
Nyandarua	<u>1</u>	<u>42</u>	<u>1</u>	<u>36</u>
Total	10	418	3	169

Source: Annual Report, Provincial Trade Officer, Central Province.

In 1973 the picture did not improve significantly; only fifteen were conducted in the whole province. Assuming that the average attendance of traders courses in the whole republic was forty, the total number of traders who benefited from them was approximately 2,200. In 1974 it is estimated the number of traders who attended these courses was about 2,300. It is interesting to note that the number of traders attending courses each year represents less than 10 percent of all shopkeepers in Kenya.

The second method focusses on individual interaction between the change agent and his client--that is, an extension officer visiting traders at their business premises where they operate. This approach of seek-and-find is likely to reach a large number of small-scale African businessmen and meet their needs more effectively. Most trade officers interviewed were strongly in favour of a traders course supplemented by a follow-up service at business premises. The most important advantage of combining the two approaches is to assist a small-scale trader to translate theoretical knowledge learned in

traders courses into practical and meaningful business skills and experience. The limited experiments conducted by Harper amongst 169 traders indicate a large measure of success. Whenever funds become available, it is recommended that extension officers be engaged to help small-scale African shopkeepers. It is expected that the effect of putting extension officers all over the republic would eventually reduce the high rate of default in respect to I.C.D.C. or D.J.L.B.s. This assumes that the high rate of defaults is in the majority of cases due to a lack of business training on the part of certain traders.

No. 12 of 1962 (Nairobi: Government Printer, 1962), p. 9.

⁶Republic of Kenya, The Standard, 18 April 1978, Nairobi.
Daily Nation, February, 1975, Nairobi.

⁷Daily Nation, 10th Anniversary Supplement 17 December 1972.

⁸Price List, Nairobi, Colgate Palmolive, N.A. Ltd, November, 1974.

⁹Private discussion, price controller, Nairobi, November, 1974.

¹⁰Republic of Kenya, The Development Plans 1964-67 (Nairobi: Government Printer, 1964), p. 41E.

¹¹Republic of Kenya, The Development Plans 1967-71 (Nairobi: Government Printer, 1969), p. 47E.

¹²Republic of Kenya, The Development Plans 1974-78 (Nairobi: Government Printer, 1974), pp. 41B-42E.

¹³Republic of Kenya, Annual Report 1966-67, Nyandarua District Trade Officer (Nyandarua, mimeographed report 1967), p. 7.

¹⁴Republic of Kenya, Annual Report 1974, Nyandarua District Trade Officer (Nyandarua, mimeographed report 1974), p. 3.

¹⁵Republic of Kenya, Industrial Development Act, Ch. 217 (Nairobi: Government Printer, 1968).

¹⁶Industrial and Commercial Development Corporation, Annual Report 1972-73 (Nairobi: 1973), p. 33.

¹⁷ibid., p. 37.

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ever-growing number of consumers. The second factor and probably the most important is the issue of quit notices to non-citizen traders, who have left gaps in the trade which have been rapidly filled by Kenyans, the majority of whom are African. These new opportunities for many more Africans to establish themselves in retail trade have come about primarily because of attaining political independence, whereby an African government is responsible for determining the destiny of its economy.

Through government restrictive measures against non-citizen traders and the willingness of Africans to replace their predecessors, the trade scene has rapidly changed. As small-scale African shopkeepers establish their businesses, they expect assistance from their suppliers of goods and commercial banks but largely from the government, in order to combat major problems which inhibit their success and growth. The two principal types of assistance sought after by African shopkeepers, as noted in Chapters Six and Seven, are capital and business training in a classroom as well as on the business premises.

CHAPTER TENHOW RETAILERS CAN MAKE ASSISTANCE PROGRAMMES SUCCESSFUL

In the past ten years or so Africans have, more than ever before, taken keen interest in going into business, especially small-scale retail trade. Subsequently the number of small-scale African retailers has increased significantly, particularly a few years after Kenya attained her independence in 1963. There are two major factors which have largely contributed to the keen interest and the significant increase in numbers of small-scale African retailers. First, the growth and expansion of towns and trading centres as a result of steady economic and social development since the early 1960s has created opportunities for more retail shops. Many Africans have perceived the opportunities and established more shops to provide service to an ever-growing number of consumers. The second factor and probably the most important is the issue of quit notices to non-citizen traders, who have left gaps in the trade which have been rapidly filled by Kenyans, the majority of whom are Africans. These new opportunities for many more Africans to establish themselves in retail trade have come about primarily because of attaining political independence, whereby an African government is responsible for determining the destiny of its economy.

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The thesis of this chapter is that the effectiveness and success of these assistance programmes depends to a large extent on response to, and efficient deployment of, assistance by small-scale African shopkeepers. The subsequent discussion will, therefore, centre on the role of a retailer in general and a shopkeeper in particular in making these assistance programmes successful.

In order for a small-scale African shopkeeper to deploy financial and training assistance efficiently, he has to understand more fully his responsibilities and the expectations of consumers, suppliers, and the government. At the same time he has to achieve his goal of making a reasonable profit to enable him to re-invest so his business can grow. Let us briefly examine the demands of consumers, suppliers, and the government and then discuss how a shopkeeper can meet them and harmonize some of the conflicting interests.

Consumers usually require a wide variety of goods at reasonable prices. They also expect good customer service, friendly treatment, and often some credit facilities. It has been observed that when a customer visits a shop, he expects to find all that he wants to buy under one roof. In many instances, a customer does not realize the amount of investment required to stock a wide variety of goods in different sizes to suit every pocket. The results of this study show that 65 percent of African retailers visited had less than shs 15,000 worth of stocks and on the average stocked less than thirty different items. Most of these items consisted of toilet articles, like soaps and household products, and staple food like maize meal and sugar. These kinds of shops are typical of retail outlets found all over the country that cater to consumers who normally buy a few articles at a time. However, those customers who require a wide variety of goods are often disappointed and have to move from shop to shop or go to a self-service store.

The second category which requires service from shopkeepers is suppliers. Most suppliers of manufactured goods, agricultural

produce, or funds invariably expect small-scale African retailers, like any other customer, to honour their commitments and to make payment or deliver goods within the agreed time. Failure to pay often has unpleasant consequences, especially in severing of future supplies. It is evident from this and other similar studies that many manufacturers, particularly of consumer goods, require these retailers to promote their products often by word of mouth, erect different kinds of displays, and also interest consumers in a contest when one is organized.¹ It is also true to say that each manufacturer expects his goods to be stocked in sufficient quantities even where a credit facility is not offered and with a hope that competitive products will not be purchased. In many instances, and sometimes unconsciously, manufacturers expect all these demands to be met by small-scale shopkeepers, sometimes without offering them the incentives they require, business training they desperately need, or sufficient profit margin to help them offset some of the overhead costs.

Numerous field trips to visit the trade and evaluate distribution of certain products and also observations made during this study lead to the conclusion that the majority of small-scale shopkeepers have responded to the demands of suppliers sufficiently well. However, there is room for a great deal of improvement, particularly in creating cordial working relationships and trust between suppliers of goods and services and the shopkeepers. When such a business relationship is initiated and developed, as mentioned in the preceding chapters and also emphasized later in this chapter, it facilitates flow of business, speeds up processing loan applications, increases volume of credit, and certainly improves chances of increased volume of trade. It is important to point out that for a business relationship to be initiated, to be consolidated, and to thrive, both parties (in this connection suppliers and shopkeepers) must perform their functions diligently and take their responsibilities seriously. This way mutual trust would be

created and sustained. The author has observed this as a typical way of creating good working business relations.

Let us cite an example. One of the commonest kinds of assistance sought by small-scale African businessmen, as already noted, is capital, in the form of loans. Such loans are sought for a number of uses, the principal ones being to increase the volume and variety of stocks, to start new product lines, to buy equipment like a display glass cabinet, or to move to a better location in a bigger shop. All these and other good uses for which loans are needed require forward planning in order to determine the most viable alternative with the available resources. In addition, steady sources of paying back have to be established. A case in point is where a small-scale African retailer approaches any one of the three main loan-givers discussed in this study--District Development Joint Boards, Industrial and Commercial Development Corporation, and the commercial banks. It has been observed many times that before a loan is given, especially by the latter group, a loan officer or manager invariably calculates the probability of paying back. If regular instalments are certainly doubtful, such applications are rejected or shelved. It would appear that loans are therefore given when the risk is relatively small. It has also been observed that these guidelines are not always adhered to, especially by the government financial institutions, as evidenced by the above average rate of default. Nevertheless, it is important to note that the government continues to assist small-scale African retailers. It would be logical at this point to examine briefly what the government expects of small-scale African retailers.

The government looks on the shopkeepers as a valuable source of future industrial entrepreneurs, who are needed in economic development. Deane in his book provides ample evidence to show how shopkeepers contributed greatly to the industrial revolution in the United Kingdom.² It is expected of retailers also to distribute goods and services to all areas of the country in

order to avoid shortages. In an effort to reduce the rate of employment in the country, the government has provided many opportunities to go into business, especially in retail trade. African shopkeepers have responded favourably by going into business in large numbers, scattered all over the country. Taken as a sector, small-scale African shops provide about 50,000 jobs.³ It is interesting to note that through the investments of small-scale shopkeepers many trading centres, especially in the rural areas, have expanded into small towns, as evidenced by the number of business buildings put up and the increased volume of trade. From the foregoing, it is evident that small-scale shopkeepers are playing, and could continue to play, a valuable role in the development of the country, and doing so also achieve the goals for which they go into business.

It should be pointed out too that if small-scale African retailers are to continually meet the demands and expectations of consumers, suppliers, and the government, they have to accept and take their responsibilities more seriously. This implies a new outlook and a change of attitude to business, as will be considered shortly. It also means willingness to accept strenuous work and sensitivity in response to signals of competition. In addition, they have to learn modern ways of doing business in order to overcome teething problems experienced in the early stages of development of retail trade.

It is reasonable now to try to evaluate the performance of small-scale African retailers in the context of their role in making assistance programmes effective and fruitful. From the results of this study and from the comments of a dozen or so marketing managers of consumer products, it is evident that there is a large number of small shops, particularly in the rural areas, each selling small quantities of the same goods. This may appear on the surface to be misallocation of resources, but judged by standards of a developing country, these small shops scattered over the country offer every consumer within reach of retail outlets a place where he can buy his requirements according to

cash available. Nevertheless, a multiplicity of small-scale retail shops clustered in the same locality selling the same type of goods and performing apparently identical functions seems to reveal lack of, or inadequate entrepreneurship, as also pointed out by Harper⁴ although these retailers are generally regarded as entrepreneurs. This is a more difficult term to define than to describe. An entrepreneur is normally conceived as a restless, discontent person who is anxious to improve himself even if he lacks knowledge to do so. In this description, lack of knowledge is not a major deterrent; what is vital is the drive to improve oneself. According to Harris, a common thread running throughout the various definitions is that "the entrepreneur is a decision maker."⁵ The other important concept to understand is what constitutes entrepreneurship. According to Marris and Sommerset, entrepreneurship purports "original adaptation, a restless adventurousness in search of opportunity which cannot be explained by the experience of exploitable resources."⁶ In another description of entrepreneurship Harris emphasizes that "it seems most useful to identify entrepreneurship with the function of making decisions with regard to the levels of production and productive technique . . . and finding new means of producing familiar goods, that is innovational activity."⁷

It is reasonable to suggest that according to these two descriptions, the majority of African small-scale retailers would qualify as traders and not entrepreneurs. This view is confirmed by Marris and Sommerset in their study of I.C.D.C.-sponsored businessmen and market traders, where they found only a limited number of them demonstrated entrepreneurial talents.⁸ There is a consensus of opinion which suggests that lack of entrepreneurial qualities on the part of retailers inhibits considerably the rate of growth and success. Acknowledging that the lack of entrepreneurship is one of the crucial bottlenecks in development of small-scale African retailers, it would be worthwhile to examine two important facets of this problem:

- 1) to examine the crucial elements of entrepreneurship and cite

examples which reflect lack of it; 2) to consider ways of remedying these shortcomings in order to help small-scale African traders to progressively graduate from traders to entrepreneurs and in so doing make the assistance programmes by government and suppliers more effective. It is contended in this study that by helping small-scale African retailers to improve their business performance through various ways already noted, the qualities which constitute entrepreneurship would be fostered as well. This does not mean that entrepreneurship can be taught; what is emphasized is that through conscious efforts coupled with training some of the crucial elements of entrepreneurship can be learned and applied.

One of the defining characteristics of an entrepreneur which will be illustrated shortly is the concept of innovation. This is essentially discovering new ways of doing things. The new thing or new way need not be spectacular or of historical importance but something different from the average. For instance, in a rural area where a line of shops stock and sell the same kind of goods a retailer with entrepreneurial talents would endeavour to innovate. He would possibly display his goods more attractively, increase the variety of stocks, or even start dressmaking, if there is none in the area. What is important is to differentiate one shop from another in the eyes of a customer. This is possible, and a small number of African shopkeepers are doing it.

Out of many indications which point to lack of entrepreneurial talents amongst many small-scale African shopkeepers, three have been selected to demonstrate this inadequacy. It is not uncommon to find a wife or a young person of possibly less than twelve years left all alone to shoulder responsibilities of selling, even though he or she may be unfamiliar with prices of goods or what would be considered reasonable customer service. Granted, there may be a good reason to make the owner of a shop leave somebody else in charge, but this should not happen frequently. If it does, the person left behind should be well

grounded in selling. A few shopkeepers were caught in the habit of closing a shop for a few days each month, or inconveniencing customers by opening only intermittently. The same type of shopkeepers often fail to replenish goods once they have all been sold out; this causes additional inconvenience. An efficient shopkeeper does not allow stocks to be depleted completely. He regulates his stocks by placing economical orders in good time to avoid out-of-stock position. He is well aware that where there are no stocks, a sale is lost and cannot be recovered immediately.

The second manifestation of lack of entrepreneurship relates to ignorance of the way the appearance of a shop attracts customers. From the comments made by marketers of consumer products who call on small-scale retailers all over the country, and observations made during the interviews in connection with this study, there is sufficient evidence to suggest that about a quarter of African traders neglect their shops. They do not seem to realize the importance of tidy appearance in efforts to attract customers. They do not seem to appreciate the value of arranging their stocks attractively. The marketers of consumer goods allege that it is not uncommon to find a heap of dust covering stocks, which as often have their facings upside down. In this state of affairs, stock taking is rarely done, if at all. The results of this survey indicate that only 20 percent of all small-scale shopkeepers interviewed took stocks twice a year.

A criticism related to the above and often levelled at small-scale African retailers by marketers, especially of consumer products, is that these shopkeepers do not seem to appreciate the use of displays as a merchandising tool. Only when commercial firms organize display contests with a monetary incentive do the retailers respond favourably. They do not seem to appreciate that when stocks are attractively displayed, it is easy not only to take stock but also to attract customers. Where

competition is stiff, good displays may be a decisive advantage, assuming all other things equal. The third example which has been selected to illustrate lack of or inadequacy of entrepreneurial talent on the part of small-scale African retailers is accumulation of a proportionately large amount of dead stock. According to this study, about 45 percent of small-scale African shopkeepers had dead stock at least two years old. The shopkeepers classified according to this study as "small sized" (others being medium and large) had a higher percentage of dead stock than the latter two put together. Efficient purchasing of a large assortment of goods is not always easy. It requires a great deal of forward planning and competence to buy the right product in the correct size mix at the right time. This view is echoed by Anmer when he argues that even "many company managements cannot distinguish between bad and good purchases."⁹ Although this may be overstating the case, yet this statement indicates how widespread the problem is.

This is only one side of the coin. The other side is seen in context of inflationary trend which is compounded of an unparalleled price increase and shortage of raw materials. In such circumstances, accumulation of dead stock may bring capital gain when there is a great demand for such goods and when they are in short supply. However, if we consider the money tied in a large amount of dead stocks in relation to the high cost of borrowing funds which would otherwise be available from these stocks, then knowledge of efficient purchasing becomes crucial. Therefore, when a small-scale African retailer alleges that his only major obstacle is lack of finance, he is not aware that a lot of money is tied in dead stocks. His problem is in essence lack of business knowledge and skills.

It is widely acknowledged that efficient purchasing has direct relation to amount of profit. Where a retailer buys the right assortment of goods in the correct size mix and at the right time, he gets a reasonable profit. But if he purchases

inefficiently--that is, he buys the wrong assortment of goods and sizes--his money which could be deployed more profitably is tied in slow-moving stocks. From a brief study of retailers profit margin of goods, two glaring factors were seen. Normally, the fast-moving goods known by retailers as "hot lines"--for instance, sugar, maize meal, cigarettes--had relatively low profit margin and a high turnover. Similarly, goods with high profit margin usually had a low turnover. To be able to maintain a reasonable return on funds invested, a shrewd retailer had therefore to maintain a balance between fast-moving goods with relatively low profit margin and relatively slow-moving commodities with a comparatively high profit margin. It was observed in every area visited that certain commodities like sugar, salt, and maize meal were stocked because they were staples required by almost every consumer, and lack of these might make a customer stop buying other goods.

During a conversation connected to this study with a sales director he suggested that purchasing of goods and services has a parallel to resource allocation of a country.¹⁰ He contended that where resources of a well endowed country were inefficiently allocated, certain sectors of the economy, if not all, suffered, and the rate of economic development was slowed down considerably. Similarly where a small scale shopkeeper allocated his funds inefficiently in wrong purchases of goods and services, the otherwise productive capital was tied down in stocks, and rate of growth and chances of success were impeded.

Lack of entrepreneurship results in failure to achieve two objectives of small-scale African shopkeepers--1) gaining the maximum rate of return on funds invested, and 2) earning a simple amount of profit within a given time. For instance, if a retailer, as a result of wrong purchases, is left a high proportion of dead stocks and does not dispose of them even at a very small profit margin and if his customer service is far from good, his profit will be greatly reduced. From the foregoing discussion, inadequate entrepreneurial talents can be seen as a

critical factor in making assistance programmes successful. Therefore, through cultivating entrepreneurial qualities considered briefly in the preceding pages the assistance programmes already examined in great detail could be enhanced.

So far we have discussed the role of small-scale African retailers in meeting expectation of consumers, suppliers, and the government. In addition, it has been suggested that in order to meet these demands effectively and also achieve basic goals of shopkeepers, he has to demonstrate entrepreneurial talents. Examples have been cited to show lack of these talents. It is only reasonable to suggest additional ways of helping small-scale African retailers to improve their performance. This makes the assistance programme meaningful and successful.

In order to evaluate performance of a retail shopkeeper, some relevant facts and figures were found necessary. Unfortunately, only about 40 percent of the African shopkeepers interviewed kept meaningful and proper records, beyond a cash book. For instance, only a few shopkeepers kept accurate records of how they deployed their funds, especially in purchases of goods. It was repeatedly found that without accurate and up-to-date records many African shopkeepers found it difficult to resist the temptation of drawing money for personal use or taking money to use in developing their farms. Whereas this may be a wise investment, such withdrawals need to be recorded as a part of one's salary or withdrawals. Furthermore, where records were not well kept, a proportionately large amount of slow-moving or dead stock often accumulated, and the possibility of disposing of it was sometimes rather remote. Without these records it was difficult to compute the lowest profitable price for selling such goods. Only a few retailers thought of bargain prices or special sale for dead or slow-moving stocks as a way of converting assets into liquid cash.

It is suggested in this study that most of these concepts can be learned either through training courses or by observing performances of more experienced shopkeepers. However, it should

be stressed that even where African traders are provided with training and occasional follow-up consultation programmes tailored to the needs of the individual, the greatest responsibility still rests squarely on him. He has to translate the theoretical knowledge into practical working experience and demonstrate his skill and experience in better performance. This is a slow and sometimes disheartening process, but it is highly rewarding in the long run. However, if a shopkeeper gives up this hard-going learning process, he loses the invaluable opportunity of assimilating and applying these business skills into everyday shop-keeping. The results of the process start to show eventually, and the shopkeeper progresses to a much bigger retailer.

Retail operations can be likened to a long road with many signs. For a retailer to reach his destination with success, he must observe and follow the road signs. Some of the road signs will indicate no entry to certain lines of business, other will indicate stop to evaluate past performance before going ahead. Whatever the sign, what is important is to follow the instructions given and take an appropriate action. Failure to do so often has far-reaching consequences which might cost a shopkeeper his whole business.

As in the example of road signs, a retailer should understand the relationship between his business and signs. In a similar manner a retailer should understand the demands and expectations imposed by business relationships, especially with bankers and manufacturers. Such relationships might be rather cold, especially where people of different cultural background are involved. However, through consistent performance in honouring agreements such relationships could grow cordial and eventually become well cemented. When this happens, assistance from bankers and manufacturers flows more smoothly to retailers.

From the foregoing presentation it is clear that a shopkeeper has a vital role to play in making all the available assistance programmes examined in the preceding chapter a

success. As observed during visits to the trade in almost all parts of Kenya, many African shopkeepers are responding positively to assistance programmes at the door steps. But more investigations are necessary to find ways of improving performance and fostering relationships between suppliers and government and small-scale African shopkeepers in order to achieve the objectives of all parties.

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- 7Harris, loc. cit., p. 2.
- 8Marris and Sommerset, loc. cit.

CHAPTER ELEVENCONCLUSION

This chapter aims at assessing the extent to which objectives set for this study have been satisfactorily achieved. At the same time, it makes an effort to summarize the succession of the main thoughts and, where applicable, to make recommendations to small-scale African shopkeepers themselves, suppliers, and the government.

There are three objectives set for this study right from the beginning: 1) to examine the role and performance of small-scale African shopkeepers in Kenya in the context of a transitional society; 2) to identify the major problems and constraints faced by small-scale African shopkeepers in course of performing their functions; and 3) to assess the current assistance programmes provided by suppliers of goods and services and the government, and then to suggest ways of improving and making them more sensitive to the economic and cultural problems facing small-scale African shopkeepers.

As already noted, the focus of this study is on the development of small-scale African shopkeepers in a transitional society. It was suggested in the initial chapters that small-scale shopkeepers in developing countries have a vital role to play and important functions to perform, particularly in many African countries where they dominate retail trade. In the Kenyan context, shopkeepers play their role by satisfying the needs of their consumers, by acting as a distribution channel for goods and services from manufacturers to consumers, and by providing important services and other inputs necessary for the development of the country. For instance, they mobilize otherwise idle capital and other resources by putting them into productive use, they provide increasing employment opportunities, and they provide a valuable source of future entrepreneurs required for both commercial and industrial development.

The role and performance of small-scale African shopkeepers in Kenyan context was examined from two perspectives: first, from the viewpoints of customers, suppliers of goods and services, and the government; and secondly from the perspective of a transitional society, characterized by rapidly increasing numbers of African traders replacing non-citizen retailers, who dominated the trade for over sixty years.

In examining the performance of small-scale African shopkeepers on the basis of how adequately and effectively they satisfy the needs of their customers, certain interesting observations were made. The results of two separate interviews conducted on consumer opinion on small-scale African shopkeepers suggest that on the whole they provide a satisfactory service, but they have wide scope for improvement. They provide a large variety of products in sizes that would suit every pocket in almost every location where there is a residential area. It was indicated in this and other researches that opening and closing hours of small-scale shopkeepers were convenient and suited even late shoppers. However, there were certain glaring failures worth summarizing. These include untidy appearance of most small shops, excessive credit which erodes away the needed cash to replenish their stocks, and lack of innovation in making displays and utilizing shop space most effectively.

In respect to suppliers of goods and services, this study observed that small-scale shopkeepers are a vital channel of distribution through which suppliers provide consumer satisfaction through their goods and services. The multitude of small-scale shopkeepers scattered throughout the country are not only distribution channels of goods and services but also provide important information from consumers to manufacturers, especially in development and promotion of new products. This flow of goods and information was viewed as a valuable two-way communication benefiting both parties.

The small-scale African interviewed expected manufacturers to provide him with sound advice on purchasing the most

economical quantity of goods in correct assortment and sizes which would yield the highest turnover and maximum profit. Such business advice was not always forthcoming. On the other hand, there was some evidence to suggest that manufacturers and the commercial banks were dissatisfied with the high incidence of default which they viewed largely as lack of knowledge and commitment to meet debts as they fall due. Subsequently, most manufacturers resorted to cash sales while commercial banks invariably demanded collateral before advancing a loan. Thus working capital formerly provided as credit was severely reduced.

The government viewed small-scale shopkeepers as a valuable means of replacing outgoing non-citizen traders and a source of future entrepreneurs. Small-scale shops are an invaluable source of employment relief and a useful training ground for future entrepreneurs. The presence of shopkeepers in the cash economy is evidence that they have mobilized large amounts of capital which would otherwise be idle, and in this respect they make a significant contribution to nation building.

In respect to the small-scale African shopkeepers themselves, they claimed to be fairly well satisfied with their performance, taking into account that most of them had been in business less than five years. They judged themselves on their personal goals of satisfying the needs of their customers and suppliers as well as making an adequate profit. The pace setters judged their satisfaction in terms of growth in volume of stocks and expansion of business.

When the problems and constraints inhibiting the progress of these shopkeepers were investigated, lack of capital was repeatedly mentioned more than any other. Some of the small-scale shopkeepers even disregarded any other problem. However, through probing, sufficient evidence was collected which suggested conclusively that lack of business experience and training were even a greater problem. The high level of dead and slow-moving stocks, purchase of unnecessary prestige equipment, uncontrolled withdrawal, and excessive credit--all pointed to the need of more

business skills and experience. The results of the high rate of default for I.C.D.C. and District Joint Loan Board loans (approximately 20 percent and 25 percent respectively) was further evidence of the need for business skills and training. Analysis of the type, contents, and effectiveness of the available training programmes indicated great need for more extension services to help the small-scale shopkeepers on their business premises.

A further problem inhibiting the success and growth of these small-scale African shopkeepers was cultural obstacles. There are two aspects of the cultural obstacles--the conflict between the traditional society, in which most of the African shopkeepers were brought up, and the modern economic activity in which they are increasingly participating, and the conflict between cultural and business values and practices. The former stresses the interest of society as a whole, while the latter involves impersonal rationalized relationships with customers and suppliers. Like the problem of capital, cultural obstacles were compounded by lack of business skills and training. It was, therefore, recommended that extension service to small-scale African shopkeepers was one of the most effective ways of solving their problems and improving their performance.

The other measures designed by both the suppliers and the government to assist small-scale retailers were found desirable and effective in the short run. In the long run, however, more effort needs to be focussed on assisting small-scale retailers to allocate effectively all their available resources. The current assistance to small-scale shopkeepers by suppliers of goods and services was found unsatisfactory in certain respects. However, during the post independence era, suppliers had to cultivate more meaningful business relationships for mutual benefits than ever before.

During and after independence the government felt pressure to Africanize trade. Subsequently, the government endeavoured to reduce the number and dominance of non-citizen traders by

withdrawal of their trading licences, forcing them to quit business. Since most Africans replacing Asians had no adequate capital either to buy stocks or to buy business premises, the government came to their aid through the Industrial and Commercial Development Corporation, which gives loans for buying business premises and stocks, while District Joint Loan Boards provide capital for replenishing stocks. The number of recipients of loans from the two government financing bodies from 1969 to 1974 was increasing steadily. However, the number of recipients compared to the whole population of shopkeepers was small. It was therefore recommended that commercial banks step up their efforts of advancing loans and overdrafts to small-scale African shopkeepers.

In addition, it was recommended that the credit guarantee scheme successfully used in other countries be considered in Kenya to facilitate commercial lending to small-scale African shopkeepers. In essence, this plan guarantees credit, and many more small-scale African shopkeepers who otherwise would be precluded from obtaining funds would be considered. This scheme would not obviate the need for other collateral, but the importance of tangible security demanded by the commercial banks would probably be reduced significantly. The decisive advantage of the scheme would be to allow the potentially good small-scale shopkeepers to obtain additional funds through the credit guarantee scheme.

It was seriously suggested that extension services be intensified in order to make assistance schemes, such as credit guarantee schemes, I.C.D.C., D.J.L.B.s, more effective and successful. This consideration was even more pertinent in light of diminishing numbers of non-citizen traders with capital and wealth of business skills who are rapidly being replaced by less experienced African shopkeepers with insufficient capital. The emphasis of extension service was based on the premise that the credit without training can be relatively ineffective; training without follow-up may be wasted; and either credit or training

without a market or business feasibility information may be wasteful. However, extension service tailored to the needs of individual shopkeepers is effective, convenient, and relevant to the day-to-day business problems. The results of the research conducted by Harper on extension service suggests that less qualified persons than university graduates could perform equally well, and the recommended service on a national scale would be within reasonable costs.

While various institutions and organizations render business advice to small-scale African shopkeepers, their effectiveness could be increased through greater co-ordination and integration of services. In light of the foregoing, it is recommended to the government that an organization for Small-scale Business Development be set up, preferably under the umbrella of I.C.D.C. This would require augmenting and revising the staff of I.C.D.C. It is further suggested that this body be divided into two arms focussing on the development of 1) small-scale industries and 2) small-scale shops. The objectives of the Small-scale Business Development Agency would be training field staff to be known as business analysts, who would be in the field to service and advise small businessmen. Secondly, the agency would assist and advise small-scale businessmen on the effective utilization of various sources of capital and would conduct on-going research into the problems of small-scale businessmen leading to further assistance. This agency would also be charged with the short- and long-term planning of small-scale businesses and close cooperation with the credit guarantee scheme. More on-going research would be needed in developing working knowledge and training of extension officers and also regular evaluation of the effectiveness of the proposed agency.

It is expected that when the two proposed recommendations--the credit guarantee scheme and the Small-scale Business Development Agency--are considered and implemented, their usefulness would go a long way in solving the problems of small-scale African shopkeepers. This would mean that this study

would make some contribution towards the development of small-scale African shopkeepers, which is one of the major objectives.

From the foregoing summary and recommendations it is evident that the three hypotheses set out at the beginning of this study have been examined sufficiently and proved satisfactorily. First, the government restrictive measures introduced since 1960s and the complementary assistance programmes have helped to reduce the dominance of non-citizen traders in less than eight years, and have made it easier for African businessmen to establish themselves in the distributive trade. The steadily increasing control of retail trade by Africans, especially in rural trading, is a further evidence that the first hypothesis has been clearly proved.

Secondly, from the foregoing analysis it has been clearly established that both the government restrictive measures and the complementary assistance programmes have alleviated some of the initial problems of small-scale African shopkeepers. It has also been shown that these measures and programmes have not been sufficiently sensitive to cultural problems which are faced by the majority of small-scale African shopkeepers in Kenya, who are in a transitional stage of development.

Thirdly, provision of finance and an extension service tailored to the individual needs of small-scale African shopkeepers have been shown in this study to be some of the most effective solutions in alleviating the economic and cultural problems. The evidence examined in Chapters Five, Six, and Ten and the actual cases cited demonstrate adequately that the third hypothesis has also been proved sufficiently.

Since this study has proved the three hypotheses and made recommendations of ways and means for improving and fostering the development of the small-scale African shopkeepers, it is reasonable to submit that the study has made some contribution to the current body of knowledge. It has indicated avenues that should be explored in the search for further improvement of the development of African businessmen.

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