THE ROLE OF SMALL – SCALE ENTERPRISES ON POVERTY REDUCTION; A CASE STUDY OF SMALL – SCALE RETAILERS IN RONGO DIVISION.

BY

ODONDO MAURICE OTIENO

D53/OL/1817/02

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (ENTREPRENEURSHIP) OF KENYATTA UNIVERSITY

Oondo Maurice Otieno
The role of small - scale enterprises on

KENYATTA UNIVERSITY LIBRARY

NOVEMBER 2005
DECLARATION

This research work is my original work and has not been presented for award of degree elsewhere.

Signature ........................................ Date: 25-11-2005

ODONDO MAURICE OTIENO
D53/OL/1817/02

This research project has been submitted for examination with my approval as the University Supervisor.

Signature: ........................................ Date: 1/12/05

AMBROSE OUMA JAGONGO
LECTURER
DEPARTMENT OF ACCOUNTING AND FINANCE
KENYATTA UNIVERSITY

Signature: ........................................ Date: 20/12/05

DR. G. GONGERA
CHAIRMAN
DEPARTMENT OF BUSINESS ADMINISTRATION
KENYATTA UNIVERSITY
DEDICATION

To my father, Gilbert Odondo and mother Elizabeth Obonyo, who have always encouraged me to work harder in my academic pursuits.

Also in memory of my late maternal Grandfather, Wenslaus Gumbo who educated me on how to love God and fit in the society.
ACKNOWLEDGMENTS

My acknowledgement goes to all the people who assisted me towards the production of this work. Dr. Mark Ogutu of Kenyatta University, Alphonce Juma Odondo of Maseno University and George Nyagwa for their immense support. I further extend my gratitude to my friends specifically Jennifer Weerts of U.S.A, Jack Anyumba, and Salome Luanga Principal Oriang’ Girl’s for their moral support and encouragement throughout the work.

I am greatly indebted to my supervisor Ambrose Ouma Jagongo for the kind of advice and instructions he rendered to towards this work. THANK YOU ALL.
This research focuses on the Role of Small-Scale Enterprises on Poverty Reduction: A case study of Small-Scale Retailers in Rongo Division.

The study is based on a conceptual framework which examines the contributions of SSEs towards poverty reduction in Rongo division, and the constraints to the performance of SSEs in the same with a view to establishing viable solutions to enable SSEs in Rongo Division experience high returns.

This research work has established the contributions which small-scale retailers including; Food kiosk, single shops, cereal shops and tailoring shops in Rongo Division have made towards poverty reduction since their inception.

This research was based on descriptive research design while the sampling techniques applied included stratified sampling, proportionate sampling and simple random sampling.

Data collection procedure involved acquisition of primary data through self administered questionnaires while data analysis was conducted through frequencies and central tendencies such as mean and mode. The analysed information was presented using tables, pie charts and graphs.

The study revealed that SSEs participated in poverty reduction although not doing enough due to many challenges and constraints they face in Rongo Division.

From the findings obtained, the researcher provided a report and recommendations to poverty reduction in Rongo Division which focussed on adoption of mechanisms to overcome constraints to the performance of SSEs in Rongo Division.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declaration</td>
<td>i</td>
</tr>
<tr>
<td>Declaration</td>
<td>ii</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>iii</td>
</tr>
<tr>
<td>Abstract</td>
<td>iv</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>v</td>
</tr>
<tr>
<td>List of Tables</td>
<td>vi</td>
</tr>
<tr>
<td>List of Figures</td>
<td>vii</td>
</tr>
<tr>
<td>List of Abbreviations</td>
<td>viii</td>
</tr>
<tr>
<td>Operational Definition of Terms</td>
<td>ix</td>
</tr>
<tr>
<td><strong>CHAPTER ONE</strong></td>
<td>x</td>
</tr>
<tr>
<td>Introduction</td>
<td>xi</td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Statement of the Problem</td>
<td>4</td>
</tr>
<tr>
<td>1.3 Objectives of the Study</td>
<td>5</td>
</tr>
<tr>
<td>1.4 Research Questions</td>
<td>5</td>
</tr>
<tr>
<td>1.5 Significance of the Study</td>
<td>5</td>
</tr>
<tr>
<td>1.6 Scope and Limitations of Study</td>
<td>6</td>
</tr>
<tr>
<td><strong>CHAPTER TWO</strong></td>
<td>7</td>
</tr>
<tr>
<td>Literature Review</td>
<td>7</td>
</tr>
<tr>
<td>2.1 Introduction to Literature Review</td>
<td>7</td>
</tr>
<tr>
<td>2.2 Features of Micro and Small Enterprises</td>
<td>7</td>
</tr>
<tr>
<td>2.3 Contributions of MSEs to LDCs and DCs</td>
<td>9</td>
</tr>
<tr>
<td>2.4 Micro and Small Enterprises in the Kenyan Economy</td>
<td>11</td>
</tr>
<tr>
<td>2.5 Growth and Constraints of MSEs in DCs and LDCs</td>
<td>14</td>
</tr>
<tr>
<td>2.6 Services Provided to Micro and Small Enterprises in Kenya</td>
<td>19</td>
</tr>
<tr>
<td>2.7 Policy Issues on MSEs and Informal Sector in Kenya</td>
<td>21</td>
</tr>
</tbody>
</table>
2.8 Causes of Poverty ........................................................................................................ 23
2.9 Impacts of Poverty on the Society ............................................................................ 23
2.10 Empirical Studies .................................................................................................. 24
2.11 Conceptual Framework ......................................................................................... 26

CHAPTER THREE
Research Methodology ................................................................................................. 30
3.1 Research Design .................................................................................................... 30
3.2 Target Population .................................................................................................. 30
3.3 Sample and Sample Design .................................................................................. 30
3.4 Data Collection Procedures .................................................................................. 31
3.5 Data Analysis and Presentation .............................................................................. 32

CHAPTER FOUR
Findings and Interpretations ......................................................................................... 33
4.1 Introduction ............................................................................................................. 33
4.2 Demographic Characteristics of Respondents ..................................................... 33
4.3 Start-up of SSEs in Rongo Division ..................................................................... 37
4.4 SSEs Participation in Poverty Alleviation .............................................................. 42
4.5 Constraints to the Performance of SSEs ............................................................... 48
4.6 Needs for SSEs Towards Continued Poverty Alleviation .................................... 50
4.7 Expenditure Levels Before and After Start-Up of SSEs ...................................... 52

CHAPTER FIVE
Conclusions and Recommendations ........................................................................... 54
5.1 Conclusions ............................................................................................................ 54
5.2 Recommendations ................................................................................................ 54
5.3 Recommendations for Further Research ............................................................. 55

REFERENCES .................................................................................................................. 56
APPENDICES

Appendix I: Questionnaires ................................................................. 65
Appendix II Population % Below Poverty Line in Kenya .................. 71
Appendix III Migori District Population Census Report of 1999 ........... 72
Appendix IV Distribution of Households members by Absolute Poverty in Selected Nyanza Districts ................................................. 73
Appendix V Total Population on Study ............................................... 74
Appendix VI Work Plan ..................................................................... 75
Appendix VII Financial Budget .......................................................... 76
Appendix VIII A Sketch Map of Rongo Division ................................. 77
LIST OF TABLES

Table 1: Total Number of MSEs and their Employment ........................................ 12
Table 2: Average Monthly Income of MSE Entrepreneurs .................................. 13
Table 3: Sample Size ....................................................................................... 31
Table 4: Gender of the Sample Population ...................................................... 33
Table 5: Age Group of Respondents ................................................................ 33
Table 6: Marital Status .................................................................................... 34
Table 7: Educational Background ..................................................................... 35
Table 8: Length of Period in Business ............................................................... 36
Table 9: Sources of Start-Up Capital ................................................................. 37
Table 10: Amount of Starting Capital ................................................................. 39
Table 11: Source of Business Idea .................................................................... 40
Table 12: Source of Business Skills .................................................................. 41
Table 13: Expenditure of SSEs Income in order of Preference ..................... 42
Table 14: Employment Creation ...................................................................... 43
Table 15: Development of New Goods and Services ...................................... 44
Table 16: Development of New Markets ........................................................... 45
Table 17: Reasons for Growth of New Markets .............................................. 46
Table 18: Benefits of Technology in SSEs ....................................................... 47
Table 19: SSEs Affected by Constraints ........................................................... 48
Table 20: Constraints on SSEs ......................................................................... 49
Table 21: Full Households’ Support from SSEs Income .................................. 50
Table 22: Support Services for SSEs ................................................................. 51
Table 23: Households’ Expenditure Levels ....................................................... 52
LIST OF FIGURES

Figure 1: Competitive Forces on SSEs .................................. 15
Figure 2: Conceptual Framework ........................................ 27
Figure 3: Bar Graph for Age group of Respondents ............... 34
Figure 4: Bar Graph for Educational Background ................... 35
Figure 5: Bar Graph for Length of Period in Business ............. 36
Figure 6: Bar Graph for Source of Start-Up Capital ............... 38
Figure 7: Bar Graph for Starting Capital .............................. 39
Figure 8: Bar Graph for Employment Creation ...................... 43
Figure 9: Pie Chart for Development of New Goods and Services .. 45
Figure 10: Pie Chart for Development of New Market ............ 46
Figure 11: Bar Graph for Benefits of Technology in SSEs .......... 47
Figure 12a: Line Graph for Households' Expenditure Levels ....... 52
Figure 12b: Bar Graph for Households' Expenditure Levels ....... 53
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DDF</td>
<td>District Development Funds</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>KIRDI</td>
<td>Kenya Industrial Research Development Institute</td>
</tr>
<tr>
<td>LDCs</td>
<td>Less Developed Countries</td>
</tr>
<tr>
<td>DCs</td>
<td>Developed Countries</td>
</tr>
<tr>
<td>SSEs</td>
<td>Small-Scale Enterprises</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>CBS</td>
<td>Central Bureau of Statistics</td>
</tr>
<tr>
<td>K-REP</td>
<td>Kenya Rural Enterprise Programme</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>KIE</td>
<td>Kenya Industrial Estates</td>
</tr>
<tr>
<td>ICDC</td>
<td>Industrial Commercial Development Corporation</td>
</tr>
<tr>
<td>VTIs</td>
<td>Vocational Training Institutions</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Governmental Organizations</td>
</tr>
<tr>
<td>PPAs</td>
<td>Participatory Poverty Assessments</td>
</tr>
<tr>
<td>BSSEs</td>
<td>Before Start-Up of SSEs</td>
</tr>
<tr>
<td>ASSEs</td>
<td>After Start-Up of SSEs</td>
</tr>
<tr>
<td>HEL</td>
<td>Households’ Expenditure Levels</td>
</tr>
</tbody>
</table>
OPERATIONAL DEFINITION OF TERMS

Small-Scale Retail Enterprises – Enterprises which buy products in bulk and sell the same in small units to consumers for final consumption.

Poverty – Is the condition of being without adequate food, money among others.

Poverty Line – Is a line below which the income of a population is insufficient to meet the daily needs i.e. food, shelter, clothing and transport among others.

Poverty Gap – Is the gap between mean actual household income and the poverty line.

Poverty Reduction and Poverty Alleviation – Both refer to lifting the poor out of poverty.

Absolute Poverty – Is a state of affairs where a population or part of it fails to receive resources to support minimum health requirements like nutrition and calories intake, (Omari, 1994).

Per Capita Income – Is income per person. Used as a measure of the standard of living of the people in a country.

Gross Domestic Product (GDP) – Measures the total value for the final use of output produced by an economy.

Small-Scale Enterprises – Are the enterprises in the informal sector which employ less than ten persons, (Mwamadzingo, 1996).

Formal Enterprises – Refer to enterprises in the formal sector employing upto 50 persons, (GOK, 1999).

Informal Enterprises – Employ one or more workers on a continuous basis and comply with one or several criteria such as legal status, type of accounts and number of workers, (GOK, 1999).
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

All over the world, Governments are turning their attention to small-scale enterprises because endeavours to promote economic progress by establishing large industries have usually failed to contribute to economic development of various economies and therefore small businesses are now viewed as important in even and equitable economic development. This shows that the concept of ‘big is beautiful’ of the 1950s and 1960s in which European economic policies favoured large firms, relatively lowered their rates of economic growth and development, (Rothwell, 1986).

Contrary to the above viewpoint is one of the strong proponents of small-scale industries, Schumacher (1974) who argued convincingly that ‘small is beautiful’ and focusing on the roles of small firms, some of the contenders in favour of small firms maintain that: Small firms are an important countervailing force to the ‘evil of monopoly’; they are a buffer to sharp fluctuations in employment; the quality of work life in small firms also has certain advantages over that in large firms; and the diversified products of small firms are able to cater for the individual tastes of consumers, (Rothwell and Zegveld, 1982).

In as much as the debate among world’s economists over small businesses has brought mixed reactions, in the United States of America for example, the argument in favour of and assistance for small business has been very strong from the early 1950s. The United States Small Business Act of 1953 summed the Government policy as follows; “It is declared policy of congress that the Government should aid, counsel, assist and protect as far as possible the interests of small business concerns in order to preserve free and competitive enterprises”, (Rothwell, 1986).

It is also observed that, full development and lower levels of poverty in the developed countries has been ascribed to long-term support for small-scale enterprises. However, the scenario is the opposite in the African context because development policies, in
Africa have mostly been central Governments’ responsibility, and small enterprises have only rarely had input into policy formulation. This further shows the extent to which many Government organizations have established small enterprise development, but their success has been limited because overall policies and resources allocation mechanism oppose their development. It is therefore observed that, many African Governments have established development organizations more to satisfy donors than because they saw their value in economic development and poverty reduction, (McCormick, 1993).

In Kenya, the development and roles of small-scale enterprise have been registered in various academic discourses. In a detailed analysis, the benefits of SSEs to the Kenya’s economy have been presented by ILO (1972); Sessional paper No.1 of 1986 (GOK 1986) and National Development plan 1989 – 1993 (GOK 1989) where, SSEs are considered to be beneficial in creating employment and attaining equal distribution of wealth. It was further indicated that over the five year period, 1989 – 1993, out of the targeted 109 million jobs, approximately 31 percent or 587,000 jobs were expected to be created in the small-scale and Jua Kali enterprise sector in Kenya.

Apart from generation of employment opportunities and attainment of equal distribution of income, Small-Scale Enterprises (SSEs) play other vital roles in the Kenya’s economy as depicted in the Sessional Paper No. 2 of 1992. These include contribution to the economy in terms of output of goods & services; development of a pool of skilled and semi-skilled workers who are the base for future industrial expansion; strengthening forward and backward linkage among socially, economically and geographically diverse sectors of economy and creating demand as well as supply of goods and services, as it has been established that 90% of rural enterprise products are marketed directly to rural households, (GOK, 1992).

Small scale enterprises also enable many indigenous Kenyans to participate in economic activities; increase economic development by providing excellent opportunities for the entrepreneurial and managerial talent to mature the critical shortage of which is often a great handicap to economic development; support industrialization policies that promote
rural-urban balance; increase savings and investments by local Kenyans and encouraging use of local resources, thus leading to more effective use of capital and, adopt quickly to market changes, (GOK, 1992).

In recognizing the roles of Small-Scale Enterprises (SSEs) in Kenya, the Government in her National Development plan of 1994 – 1996 encouraged the involvement of more private sector to help provide a wide range of measures and incentives to improve the SSEs operations, such as access to credit and provision of appropriate technology and training, (GOK, 1994).

Due to the intense concern for the creation of high quantity and quality jobs and attaining poverty reduction, the Government of Kenya developed the National Development plan of 1997 – 2001 and National Poverty Eradication plan of 1999. In these documents, the Government recognised the roles of SSEs in job creation and poverty reduction and therefore emphasized the need to overcome the constraints to the performance of SSEs, (GOK, 1997; 1999).

According to Economic Recovery Strategy for Wealth and Employment creation, 2003 – 2007 the Government of Kenya identified many constraints facing small-scale enterprises in the country and emphasized the need to focus on the rural-based enterprises which account for 65.6 percent of the total micro and small-scale enterprises because they tend to reduce rural-urban migration which causes stress on urban environment and infrastructure. In addition to reducing rural-urban migration through the growth of rural SSEs, the policy also focused on the need to provide an enabling environment for the growth of SSEs to medium scale enterprise with capacity to create quality jobs and high quality goods and services to attain poverty reduction, (GOK, 2003).

All these concerted efforts are geared towards achieving the Millennium Development Goals of 2015 within which all households will be able to get food, access to clean water, have a roof over their heads, education, health services, a sound environment in which to live and combat the HIV / AIDS scourge, (East African Standard, January, 19 2005).

Thus, as Kenyans strive to reduce poverty and build an industrialised Nation by the year 2020 they also need to focus on the roles of SSEs.

1.2 Statement of the Problem
According to National poverty Eradication plan of 1999, poverty reduction has remained a national challenge to date. Initially, the Government of Kenya hoped to eradicate it through economic growth and it was seen at this time as a short-term hardship, which would disappear as the nation developed and grew in economic terms. But today, poverty is recognised as a major threat to a very significant section of Kenya's households, it leads to shortage of food, increased illiteracy, poor medical care, lack of shelter and shortened lives, (GOK, 1999)

By early 2005, 56% of the Kenya's population lived below the poverty line and it was also estimated that the cost of health care puts 1.5 % of households below the poverty mark every year, (Daily Nation, January, 14 2005).

In particular, according to a CBS Survey on Geographic Dimensions of Well-being in Kenya, (2005) Nyanza Province recorded the highest poverty level of 65%. While North Eastern Province was second with 64%. Western 61%, Eastern 58%, Coast 57.6%, Rift valley 48%, and Nairobi 44%, and Central Province had a prevalence of 31% as depicted in Appendix II.

The foregoing background literature indicates that involvement in small-scale enterprises has been identified as one of the ways through which economic situation of the people can be improved.
This study therefore, sought to ascertain the Role of Small-Scale Retail Enterprises in poverty reduction with particular reference to Rongo Division in Migori District, Nyanza Province.

1.3 Objectives of the study
The overall objective of the study was to establish the Role of Small-Scale Retail Enterprises on poverty reduction in Rongo Division.

Specific objectives
These include the following;

i.) to establish how SSEs, start up in Rongo Division.

ii.) to find out the extent in which SSEs have participated in poverty reduction in Rongo Division.

iii.) to identify the constraints to the performance of Small-Scale Retail Enterprises in Rongo Division.

iv.) to establish what SSEs need towards continued poverty alleviation.

1.4 Research Questions
These include the following;

i.) How do SSEs start up in Rongo Division?

ii.) In what extent have the SSEs participated in poverty Alleviation?

iii.) Are there constraints experienced by Small-Scale Retail Enterprises?

iv.) What do SSEs need towards poverty Alleviation?

1.5 Significance of the Study
The study recognized the fact that poverty is a cause and a consequence of underdevelopment in the developing countries and therefore returns accruing to small-scale retail enterprises are perceived to be useful in reducing poverty.

Findings obtained from the study will be used by the Government as a basis for planning and improving the informal sector particularly the small-scale retail enterprises. In
addition to the above, the findings of the research will help the Government to formulate and implement pro-poor policies such as provision of credit facilities, improved health care among others and to donors, the findings of the study will be helpful to those interested in funding activities aimed at reducing poverty in Rongo Division.

Findings from the study will enable entrepreneurs to identify their role in poverty reduction and therefore strengthen their activities and finally, the findings will also provide literature for future researchers in poverty alleviation.

1.6 The Scope and Limitations of the Study

The study focused on the role of small-scale retail enterprises in poverty reduction in Rongo Division of Migori District. Rongo Division is the third densely populated Division with a population density of 376 after Suba East with a population density 451 and Muhuru Division with a population density of 386 (National Population Census 1999) as shown in Appendix III. In terms of the levels of poverty in Nyanza province, Migori District shows the highest levels of individuals below poverty line and it is also one of the districts whose percentage of individuals below poverty line to total population of the individuals is lowest as shown in Appendix IV. This justified the study of small-scale retail enterprises on poverty reduction in Rongo Division.

In this study, the researcher encountered two limitations in the course of the research. These included inadequate finances on the part of the researcher and time constraints. In overcoming these constraints the researcher sourced for more funds from relatives and friends and also worked for long hours in the whole process of research
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter focuses on the review of related literature on the subject of this study. It therefore covers the features of micro and small enterprises (MSEs), contributions of MSEs to an economy, constraints to the growth of MSEs, services provided to MSEs and the levels of poverty and its reduction in various countries of the world. Through this, the researcher acknowledged the existing knowledge and identified the gap that justified this study.

2.2 Features of Micro and Small Enterprises
There are no straight forward definitions of small and medium-scale enterprises, thus their definitions vary widely. Most definitions appear to be governed by the interest of the perceiver, the size of the economy and the type of criteria used. It also depends on the purpose of classifying a business into categories of small, medium or large. Thus lack of reliable information on the nature and extent of small business further complicates the problem of definition, however, business sizes have been defined variously using the criteria of number of employees, investment base (value of capital), sales turn over among others, (Mwamadzingo, 1996).

The definition of a small-scale enterprise will also depend on the stage and level of a country’s economic development. Thus the United States of America’s Government defines a ‘small’ business as one with less than 500 employees, while by Kenya Industrial Estates (K.I.E) 1963, small business was defined as one employing between 5-10 employees with a capital base of KShs 1.5 million, (GOK, 1963). By 1985, according to Industrial Commercial Development Corporation, (ICDC) the definition of SSEs had changed, and small business was seen as one employing between 5-50 employees with a capital base of KShs 3-10 million, (GOK, 1985). By 1990’s according to K.I.E small business was again seen as one employing less than 100 employees with a capital base between KShs 10-50 million, (GOK, 1990).
In the informal sector, small-scale enterprises normally employ less than 10 people, while small-scale enterprises in the formal sector employ between 10 and 50 people and the medium scale enterprises employ between 51 and 150 employees, (Mwamadzingo, 1996).

According to the National Micro and Small Enterprises Baseline Survey of 1999, Micro enterprises are those which employ up to ten workers and including the working owner and small enterprises are those employ more than ten and up to 50 workers, while formal sector refers to enterprises in the sector employing up to 50 persons and informal enterprises are those employing one or more workers on a continuous basis and comply with one or several criteria such as legal status, type of accounts, and number of workers or registration, (GOK, 1999).

Focussing on the features of small business enterprises, they are regarded to have a small market, do not engage in formal market research, though limited level of advertising, started with little capital, carry out innovation to increase physical output and quality of products and obtain information on markets and innovations through suppliers, trade shows, customers and trade journals, (Gavin, 1993).

The ILO mission to Kenya (ILO 1972) in emphasising the role and characteristics of informal sector to the economy noted that those in the informal sector were actually working very hard, with resources they had saved themselves, with labour-intensive and adopted technologies, with skills acquired outside the formal system, and most important of all, it seemed relatively easy to enter this sector, even though it was clearly unregulated and highly competitive.

A survey carried out by Uganda Bank Ltd on the role and characteristics of small-scale enterprises in 1988 showed that the majority of small-scale manufacturing enterprises had machinery, equipment and tools of value around US$ 4,000 equivalent to Ushs. 4.8 million, and a turnover ranging between US$ 400 and US$ 23,000. They were generally
managed, operated and owned by one or two people with an employment level of 2 to 30 people, (Wabwire, 1996).

Emerging from more than two decades of surveys, the main features of MSEs and informal sector economic units are: ease of entry, small-scale of activity, self employment, with a high proportion of family workers and apprentices, little capital equipment, labour intensive technologies, low skills, low levels of organization with little access to organized markets, formal credit, education and training or services and amenities, cheap provision of goods and services, or provision of goods and services otherwise unavailable, low productivity and low incomes according to some analysts, or on the contrary incomes that are notably higher than in the public sector, especially during the recent period and in the context of structural policies, for other observers, (Charmes, 1997).

Small-scale retail enterprises are further depicted as those that, require small amount of capital to start, often one-man business, form the majority of retail traders, deal mainly in non-durable consumer goods such as food stuffs and mainly deal in fast selling or moving goods, (Kenya Institute of Education, 2003).

Other discourses have also reinforced that small firms require small starting and working capital unlike the larger modern sector enterprises and majority of these small firms use relatively cheap tools and equipment, (Ondiege, 1996).

2.3 Contributions of MSEs to Economy

All over the world, small firms have manifested great contributions in economic growth and development and this has made it one of the main focus for economic development policy in various economies and this further justifies why the western world, Europe and Japan are advanced in economic development. These events are however traceable from the early 1950s when the United States Government strongly favoured the small firms and the US Small Business Act, was summed up. While from the early 1970s to mid-1970s to present times, European Governments’ attitudes shifted sharply in favour of
small firms and many policy measures were introduced in their support. Indeed, 1983 was designated by the European commission as the European year of small firm, (Rothwell, 1986).

The shift to small enterprises was based on various beliefs; that small firms were more efficient employment creators than their large counterparts; that small firms were potentially a more suitable vehicle for the economic renewal of the less favoured regions than were the branch plants of larger firms, and that small firms had higher inherent potential for innovation than larger firms. This contributed towards the recent strong European base for industrial development, (Rothwell, 1986).

The contributions of small-scale enterprises have received more attention in countries with market economies as well as those that are centrally planned. Because small businesses are labour intensive, more people are needed to conduct their operations than the more capital intensive large scale businesses for example at the end of 1989 there were about 3 million small firms in the United Kingdom. It is further estimated that over 95% of all UK businesses employ fewer than 20 people and despite their small size, their sheer volume is important for employment, as was first pointed out in a United States context. Thus as a result of job creation ability, small enterprises can make a major contribution to a nation's economic well-being, (Gavin et. al, 1993).

The contributions of small enterprises on economic growth are depicted in the creation of employment. It is therefore realized that the importance of the small enterprise sector has dominated the debate on employment generation in much of the developing world, (Schmitz, 1990). In Philippines, 1991 Survey found that enterprise heads counted for 52% of all employment in the informal sector, other family members for 27% and hired labour for just 21%. The role of hired labour rose, however to 30% in manufacturing firms, reflecting the greater role of skills in those activities, (Steward and Ranis, 1995).

In regard to capacity utilization and resource use, small enterprises continue to offer large firms an alternative form of capacity increase without a commensurate increase in
investment, through sub contracting. Thus when faced with fluctuating demand patterns, large firms turn to smaller firms to increase supply in order to smoothen over the supply discrepancy. And small firms are also seen to ensure proper utilization of resources to eliminate wastages, (Masinde; 1996). In technological development (Gavin 1993); (Rothwell 1986) emphasize that because of freedom in innovation, small business enterprises increase in physical output of products and quality of products.

Small businesses are also instrumental in developing a pool of skilled and semi-skilled workers who become a basis for future industrial expansion. These workers develop skills through apprenticeship in the process of their participation in production. MSEs also provide a vehicle for introducing a more equitable income distribution, (ILO, 1972). In focusing on the role of MSEs (Masinde 1996) emphasizes that MSEs overcome the negative effects of monopoly in an economy as they are numerous in number and occasionally deal in related products thus encouraging stiff competition amongst them.

2.4 Micro and Small Enterprises in the Kenyan Economy
The vital contributions of the micro and small enterprises toward the development of the economy of Kenya have been recognized and recorded in a number of academic discourses, (ILO, 1972; King, 1996; parker and Torres, 1994; Daniels et. al, 1995).

The National MSEs Baseline Survey of 1999 found that there are about 1.3 million MSEs country - wide, employing some 2.3 million people. The study shows that about 26% of the total households in the country are involved in some kind of non - primary (for example non - farm) business activity, (GOK, 1999).

The total number of enterprises per 1,000 residents of the population works out to about 43 MSEs. This compares with the following totals for other African countries; 37 for Botswana, (Daniels and Fesseha, 1992); 64 for Lesotho, (Daniel and Fesseha, 1991); 66 for Zambia, (Milimo and Fesseha, 1985); 84 for Niger, (Daniels and Fesseha, 1990); and 78 for Zimbabwe, (Mc Pherson, 1991). Kenya’s total is somewhat low except when compared with Eritrea’s total of 20.
Parker and Torres (1994), gave an estimate that out of 13,000,000 Kenyan’s of working age in 1993, MSEs provided employment for 2,080,000 of the workforce. Daniels et al. (1995) further estimated that MSEs created jobs for 100,000 people in 1994 and 130,000 in the first half of 1995. MSEs are therefore seen as providing direct and indirect employment to Kenyans.

According to the National MSEs Baseline Survey (1999) MSEs are observed to have created employment in Kenya as shown in the table below:

Table 1: Total number of MSEs and their employment.

<table>
<thead>
<tr>
<th>Stratum</th>
<th>% of National Population</th>
<th>MSEs</th>
<th>Workers</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Nairobi and Mombasa</td>
<td>9.7</td>
<td>204,280</td>
<td>15.8</td>
<td>394,838</td>
</tr>
<tr>
<td>Other major towns</td>
<td>6.2</td>
<td>157,533</td>
<td>12.2</td>
<td>279,133</td>
</tr>
<tr>
<td>Rural towns</td>
<td>2.1</td>
<td>81,320</td>
<td>6.2</td>
<td>135,349</td>
</tr>
<tr>
<td>Rural areas</td>
<td>82.0</td>
<td>845,875</td>
<td>65.6</td>
<td>1,551,930</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>1,289,012</td>
<td>100.0</td>
<td>2,361,250</td>
</tr>
</tbody>
</table>

Source: National MSEs Baseline Survey 1999 (GOK)

As is the case with many LDCs which have a relatively larger proportion of their population in the rural areas, almost two-thirds (66%) of the Kenyan MSEs are in the urban strata (Consisting of the first three strata of the table). The corresponding percentages of other African countries are as follows: 69 for Botswana, (Daniels and Fesseha, 1992); 73 for Zimbabwe, (Mc Pherson, 1991); 80 for Lesotho, (Daniels and Fesseha, 1991.) and one exception in Eritrea where about 60% of the MSEs are found in the urban area, (Fesseha, 1996).
In terms of income generation, it is generally assumed that incomes from MSEs and especially from micro-enterprises (70% of which are one person enterprises) are very low and that the potential for earning a living, from investment and for growth is weak. The results of the 1999 National MSEs Baseline Survey give a more balanced view: On average, the micro and small entrepreneur generates a gross income (which includes own remunerations) of KShs 6,008 per month. The legal monthly minimum salary for a general labourer amounted to KShs 2,363 in 1999. Hence in the table below entrepreneur’s income is 2.5 times higher than minimum wage, and compared to GDP per capita (K£ 1,003 in 1998, equivalent to KShs 1,672 per month), it is 3.6 times higher. The lowest average income is observed in trade and the highest in services. The average woman’s income is less than man’s, the ratio being only 57%, (GOK, 1999).

Table 2: Average Monthly Income of MSEs Entrepreneurs (KShs)

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing</th>
<th>Trade</th>
<th>Services</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>3, 634</td>
<td>3, 455</td>
<td>12, 872</td>
<td>4, 344</td>
</tr>
<tr>
<td>Men</td>
<td>5, 507</td>
<td>5, 519</td>
<td>17, 523</td>
<td>7, 627</td>
</tr>
<tr>
<td>Both</td>
<td>4, 869</td>
<td>4, 370</td>
<td>15, 730</td>
<td>6, 008</td>
</tr>
</tbody>
</table>

In the multiples of the minimum salary

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Trade</th>
<th>Services</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>1.5</td>
<td>1.5</td>
<td>5.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Men</td>
<td>2.3</td>
<td>2.3</td>
<td>7.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Both</td>
<td>2.0</td>
<td>1.8</td>
<td>6.7</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Source: National MSEs Baseline Survey 1999, (GOK)

In addition to employment creation and income generation, MSEs play other important roles in the economy such as production of goods and services and development of skills, (ILO, 1972; Masinde, 1996).

In technological development, MSEs and Jua kali activities are avenues for technological innovation and rapid acquisition of business management skills. This is achieved through the active involvement of entrepreneurs in MSEs and Jua kali sector, (ILO, 1972; Rothwell, 1986; Gavin, 1993, and King, 1996). Small enterprises are also instrumental in changing and rejuvenating market competition because of their large numbers in a given
market, and also by the intensity of their activity. Thus contributing to entrepreneurial activity in an economy, (Porter, 1980; Gavin, 1993; GOK, 1992).

From the Sessional Paper No.2 of 1992 (GOK 1992) on Small Enterprise and Jua Kali development in Kenya, small enterprises contribute to the economy in terms of output of goods and services; helpful in creation of jobs at relatively low capital cost, especially in the fast growing service sector; leads to development of a pool of skilled and semi-skilled workers who are the base for future industrial expansion, and they are also known to be instrumental in strengthening forward and backward linkage among socially, economically and geographically diverse sectors of economy.

Small scale enterprises help the economy by creating demand and supply of goods and services as it has been established that 90% of rural enterprise products are marketed directly to the rural households, they also enable many indigenous Kenyans to participate in economic development by providing excellent opportunities for the entrepreneurial and managerial talent to mature the critical shortage of which is often a great handicap to economic development. SSEs are further seen to support industrialization policies that promote rural–urban balance, increasing savings and investments by local Kenyans and encouraging the use of local resources, thus leading to more effective use of capital, and adopt quickly to market changes, (GOK, 1992).

2.5 Growth and Constraints of MSEs in DCs and LDCs
Although Small-Scale Enterprises play immense roles in the society by enhancing social mobility, reducing the poverty levels, reducing crime rate and enabling integration and interaction of communities among others, there are bottlenecks which have hindered the full-fledged development of small-scale enterprises and therefore remain reflected in the perpetuation of poverty in Kenya, (Ongile and McCormick, 1996).
Throughout the world, small-scale enterprises have met numerous constraints to their growth. In Britain, urban agglomeration diseconomies has certainly been suggested as a possible cause of above-average rate of firm deaths and below-average rates of small business growth in the country’s major urban centers during the 1980s. Focusing on the
rural small businesses, the greater dynamism and the better employment growth of the same might possibly cause them to experience greater constraints than their counterparts as growth brings them up against ceilings on further expansion in the form, for example, of difficulties in labour recruitment because of small rural labour markets, (Keeble, 1993).

Increased competition reduces the firms’ ability to earn more profit, as the market size is reduced, (Keeble, 1993). Porter (1980) further presents five forces of competition consisting of existing rivals, potential entrants, substitute products, suppliers and customers. The forces are displayed in the figure below:

*Figure 1: Competitive Forces on SSEs*

![Diagram showing the five forces of competition](source: Porter 1980: Page 4)

In the above figure; Incumbent firms are the most obvious and compelling competitive forces that the owner - manager of the small-scale enterprises might consider, (Gavin et al, 1993).

Potential Entrants are the prospects of new rivals within an industry which are directly related to, and determined by barriers to entry and reaction of existing-rivals as anticipated by the potential entrants. In addition, substitutes are products from other industries which may serve the same need while customers are a group of buyers who
exerts competitive pressure on a small firm by bargaining over dimensions like price, quality and services as well as by playing off this firm against competitors, and finally suppliers exert pressure on firms through manipulating price, quality, delivery and follow-up services of purchased inputs, (Gavin et.al, 1993).

All the above competitive forces work against the small-scale enterprises progress and many eventually limit the operational capacity of the SSEs. This is because suppliers to the SSEs demand higher prices and immediate payments on delivery. They also compromise on quality of the supplied inputs thus limiting the performance of SSEs. Customers also demand low prices and high quality product while the incumbent SSEs and potential entrants are ready to offer lower prices against those offered by the SSEs. And products of substitutes will also adopt unfavourable mode of operations to outcompete the SSEs in the market, these may include cutting down prizes, increasing quality among others, (Gavin et.al, 1993; Townroe and Mallalieu, 1993).

According to the National MSEs Baseline Survey of 1999, the promotion of MSEs products through facilities such as the electronic media, print media, trade exhibitions, posters / fliers / brochures, and private or public marketing bodies was found to be minimal. Almost half (49.2%) said that they had not done anything to promote their products and customer satisfaction was the main method of promotion of their goods and services. This shows that poor planning and marketing skills and promotion practices reduce the growth of MSEs, (GOK, 1999; Townroe and Mallalieu, 1993).

Small firms are constrained by difficulties in recruiting suitable employees' in particular jobs or skills. And the recruitment problem is focused on skilled workers. It is emphasized that skilled labour constraints hampers the level of innovativeness and acquisition of technology, (Keeble, 1993).

In the Smallbone (1990) survey of SSEs in the rural Britain, only 7 out of 33 respondents received pre-business training. The proportion of those attending pre-business training in the rural SSEs survey was slightly higher, at around 25%. This showed that lack of business training limits the growth of MSEs. Barkham (1987) in his study of regional
growth of SSEs concluded that people often start up SSEs in the same sector in which they were previously employed. Thus, emphasizing the weight of previous skills in business.

A study on the poor performance of the informal sector in Philippines was marked by relatively low educational attainments, i.e. 48% of its entrepreneurs and 54% workers had not completed high school and only 3% of the entrepreneurs had any relevant training, (Steward and Ranis, 1995). Provision of formal education and entrepreneurial training improves the performance of MSEs, (King, 1996; Shimooka, 1996; GOK, 1999).

In the view of financial constraints, traditional locational analysts have regarded financial capital as being in Weberian terms, ubiquitous factor. Thus Small businesses were therefore assumed to have equal access to finance regardless of location, (Mason and Harrison 1993). Estall (1972) dissented from the above view arguing that ‘capital is not equally available at all locations given identical risks and opportunities’. He further suggests that the constraints that operate to impede its availability must, by extension; act as a constraint upon regional economic development. Interest rates are only one aspect of the cost of finance, and an equally important factor is the collateral required for a loan. Collateral requirements are, of course, especially important to small businesses. Hutchinson and Mckillop (1992) note that, the higher the collateral required at a given interest rate the higher the cost of finance, on a risk adjusted basis, to the firm. Thus limited access to credit and the high cost of credit are two major factors which the MSEs must contend, (Wilde et.al, 1991; Gavin, 1993; King, 1996; GOK, 1999). Liedholm and Mead (1987) in an extensive study of more than 21,000 small enterprises in more than twenty countries found out that in general, the cost of capital is the most distorted factor of production, on average MSEs pay 40% to 60% more for capital than do large firms.

In an attempt to build up small-scale enterprises in Africa, development policies in the African countries have featured as the major set back since independence because they have been predominantly unfavourable to the small-scale firms while favourable to the large-scale firms. In Uganda for example, public and commercial policies have favoured
large industrial units, but not the development of small-scale enterprises. Thus industrial incentives policies comprising tax levies, customs tariffs exemptions on imported equipment and raw materials, and accelerated depreciation rules have favoured the creation of large capital intensive units, (Wabwire, 1996).

In Kenya, the Government was urged to abandon shanty demolition and harassment policies and substitute by site – and – service schemes and greater security of tenure, (ILO, 1972). There is also lack of space or land for location of MSEs in Nairobi, (GOK, 1999; King, 1996). In Kibera Division in Nairobi, more than 7,000 micro-enterprises are found along paths and inside people’s residences with only one fifth located in market areas, (Parker and Dondo, 1991). And according to 1999 National MSEs Base Survey, only 11.7% of the small businesses were registered and 39.4% were operating with a license, mainly from local authorities. This means that 88.3% and 60.6% of the businesses were operating without registration or any licence, respectively. This is the source of many problems they experience with local authorities, (GOK, 1999). Because of unsupportive policies, Kenya's industrial output is dominated by large firms which contribute an average of 70% manufacturing value added, and have a higher recorded contribution to GDP than small enterprises, (GOK, 1992).

Poorly done research and development has limited the advancement of technology in the LDCs, (Wilde et.al, 1991). And small enterprises use simple technology to produce basic, often low quality goods for the domestic market, (Abuodha and King, 1993; McCormick, 1993). Thus, most firms begin small and stay that way, (McCormick, 1998; 1993). Government documents also emphasise technological development as the challenge and impetus for economic development and suggest that the logical first route for Kenya is the transfer of technology from foreign to local investors and from large to small enterprises through subcontracting relationships, partnership and joint ventures. This has not been fully implemented and little technology has been transferred, (Masinde, 1996).
Weaknesses in entrepreneurial or managerial functions, is another constraint: In this scenario, expanding a business requires alertness to opportunity, practical creativeness and willingness to take some risks. Most business owners either lack these qualities or they don’t really want to expand because they are satisfied with a steady income, (Ongile and McCormick, 1996; GOK, 1992).

Most MSEs have poor access to information on formal credit schemes. They rarely know what credit schemes exist and how to approach them and obtain a formal credit, (Karanja, 1996). Turning to market information, 1999 Survey conducted by Central Bureau of Statistics showed that 62.7% had no specific source of market information while 32.-% said they relied on clientele satisfaction and quality of products. This shows that lack of information limits the growth of MSEs, (GOK, 1999). Mc Pherson (1991, 1998) cited that marketing problems, finance, transport and security problems were the main constraints faced by MSE entrepreneurs in Swaziland and Zimbabwe.

2.6 Services provided to Micro and Small Enterprises in Kenya
Several studies on the MSE sector in Kenya have identified access to credit as a major problem affecting the growth of MSEs. Other studies concluded that while credit in the banking sector grew steadily in the past, little of this credit reached the MSEs Sector, (Kiuru, 1991; Tomecko and Dondo, 1992; Parker and Torres, 1993; Daniels et.al, 1995; Oketch et.al, 1995).

By 1999, Kenya had about 150 organisations with credit programs for MSEs; of these 130 were NGOs. These organizations serve all regions of the country although they are more in the urban areas. Evidence on the supply of credit by these organisations is increasing, but it is difficult to determine precise figures on credit extended to MSEs, (GOK, 1999). These notwithstanding various attempts have been made to estimate the volume of credit to MSEs. In 1991 it was estimated that between 1983 and 1990, organisations offering credits to MSEs had provided loans worth KShs 2 billion, (Dondo, 1991).
More recent estimates of the volume of credit provided to 24 MSEs, Dondo, and Ongile (1994) indicate that the amounts in 1990, 1991 and 1992 were KShs 115 million, KShs 211 million and KShs 241 million, respectively. Tomecko and Dondo (1992) estimated that the outstanding portfolio of organizations providing credit to MSEs in July 1992 was KShs 1.05 billion. Oketch et.al (1995) estimated the supply of credit from 50 organisations in 1995 to be KShs 487 million. Although not indicating all organizations providing credit to MSEs, these estimates reveal that the credit volume to MSEs sector has been increasing overtime, (GOK, 1999). And a survey conducted in 1999, reflected that the number of NGOs focusing their support on provision of credit to MSEs had increased from 46 in 1995 to 130 in 1999, (Oketch, 1999).

In providing management and technical training to the MSEs entrepreneurs, Technical (vocational) training, emphasise on equipping workers with practical skills such as carpentry, masonry, tailoring or weaving. Other MSEs support includes technical assistance or business extension, marketing outlets, pre-constructed sheds among others. Technical assistance involves equipping MSEs operators with skills such as book-keeping and inventory costing and more specialized techniques of marketing, production, and appropriate technology choice. In providing technical training, Polytechnics, Institutes, Youth Polytechnics, National Youth Service and Christian Industrial Training Centres have been established, (GOK, 1989; World Bank, 1991; GOK, 1992; Mburugu, 1993; King, 1996; GOK, 1999).

Infrastructure relates to adequate electrical power, access roads, water and sewerage and telecommunications. From 1968, the Government of Kenya through the Kenya Industrial Estates put up hundred of sheds for MSEs throughout the country, and these were complete with all required utilities. The National Council of Churches of Kenya made contribution to the infrastructure issue by developing an “industrial area” for small-scale enterprises in Nairobi. Other recent attempts include the Nyayo Sheds and more recently the Government put up 600 sheds in five urban areas, (GOK, 1992; GOK, 1999).
2.7 Policy Issues on MSEs and Informal Sector in Kenya

In view of mitigating the constraints to the performance of small-scale enterprises, the Government of Kenya, according to Sessional Paper No.1 of 1986 (GOK 1986) included the following suggested policies; increased farm productivity and income to stimulate the demand for goods and services provided by the small-scale sector; reducing tariffs on raw materials, semi-processed goods and intermediate inputs, particularly those used by small-scale manufacturers, and constructing investments incentive structure to encourage the substitution of labour for capital, intended to assist small-scale activities that are characteristically labour intensive.

More specific strategies and programmes for small firms were expanded by the Development plan of 1989 to 1993. These included; developing an award scheme to promote innovation and invention through small and medium-scale enterprises; availing information and knowledge; examining the legal machinery governing small firms, reviewing by-laws and regulations inhibiting the development of the enterprises, and improving accessibility of suitable financial and marketing infrastructure, and restructuring of supportive public and private-sector efforts in training, advising and counseling, (GOK, 1989).

The Sessional Paper No.2 of 1992 (GOK, 1992) shows the measures the Kenya Government has also taken to provide an enabling environment for the small-scale enterprises. The Government observed that a tightly regulated economy traps small enterprises and are frequently excluded from the main stream of economic activity. In order to overcome it, the Government is said to be encouraging rapid development of the small enterprise sector by providing a number of investment incentives as follows: Providing investment allowances for establishing new factories outside Nairobi and Mombasa; relieving importers import duties on capital machinery for small enterprises located in rural areas, where the cost of machinery does not exceed KShs. 20 million; establishing of a District Development Funds (DDF) in June 1987, with the objective of providing and enabling infrastructure through the development of rural trade and production centers in selected towns; forming of rural enterprises funds in December
1989 which have already been located to various districts to finance Jua kali enterprises, and providing finance through the Jua kali funds in the Ministry of Technical Training and Applied Technology for the construction of Nyayo sheds to accommodate “Jua kali” artisan workshops located in rural centres.

Further, the Sessional Paper No. 2 of 1992 stresses that, the Government will divest itself of its present direct involvement in promoting the small enterprise sector and be more involved in providing the physical infrastructure and information network in which small enterprises can operate efficiently. The Sessional paper also focuses on the Government’s concern on SSEs whereby: The Government through Kenya Industrial Research and Development Institute will modify and adapt foreign technologies; develop production-related technologies; find a market for small-scale enterprises and Jua kali enterprises; and Universities and appropriate Ministries will identify research needs of the small enterprise, conduct the necessary research, adopt and develop appropriate technology and widely disseminate the results to the small enterprise sector, (GOK, 1992).

To overcome the conservative trends of the banking system, The Sessional Paper No. 2 of 1992 Provides the Government’s efforts as; re-orientation workshop for bank officials with special emphasis towards the potential in lending to the small-scale enterprises and special target groups; and training of credit officers in appraisal and supervision of term-loans to small-scale enterprises the basis of cash flow lending as opposed to collateral based lending, (GOK, 1992).

To expand the market through improved linkages between large and small enterprises, exploit the export market opportunities into the services sector according to Sessional Paper No 2 of 1992. The following supportive services will be necessary; encourage inter-industrial linkages through tax incentives and other measures as a means to stimulating demand for and supply of SSEs products and services; undertake detailed analysis of private and Government institutions involved in SSEs development with a view to enhancing their potential capacity and inter-linkages for promotion of marketing
of SSEs products; formulate a national export policy for SSEs products; and carry out studies of overseas consumer markets, (GOK, 1992; Wabwire, 1996).

2.8 Causes of Poverty

The causes of poverty in Africa, as elsewhere, are complex and the consequences of poverty often serve to reinforce the causes, leading to further impoverishment (Pellekaan & Hartnett, 1997). According to the duo poverty is caused by: Inadequate access to employment opportunities resulting from low savings rate, and low domestic savings; inadequate access to physical assets, such as land and capital and credit on small-scale; inadequate access to the means of supporting rural development in poor regions results from the tendency of development programs to be designed for high potential and urban areas; inadequate access to markets for goods and services due to poor rural roads, ineffective communication and the small volume and seasonality of the poor’s labour services and production; low endowment of human capital due to the inadequate and inequitable delivery of education, health, sanitation and domestic water services; destruction of natural resources, and inadequate access to assistance for those living at the margin and in transitory poverty caused by drought, floods, pests and diseases.

In Kenya, the Government endeavours to reduce poverty by half come the year 2015 and a series of consultative meetings with various stakeholders had been held to identify various causes of poverty says Planning Minister Professor Anyang’ Nyong’o. The following were identified as causes of poverty:- Low agricultural production and poor marketing, insecurity, unemployment and low wages, bad governance, land issue, inadequate and poor roads, high cost of social services, high cost of education, pandemic HIV / AIDS and gender imbalances as major causes of poverty in Kenya, (Daily Nation, October 14, 2004).

2.9 Impact of Poverty on the Society

According to the National Poverty Eradication Plan in Kenya of 1999, the Participatory Poverty Assessments (PPAS) shows that ‘the poor’ are not a single group with only
single problem of lack of money. Instead people view and experience poverty in different ways. Thus poverty manifests; shortened lives, illiteracy and social exclusion, and the lack of material means to improve family circumstances, (GOK, 1999).

According to Economic Recovery Strategy for Wealth and Employment Creation of 2003 – 2007, Poverty dimensions reveals that the main health challenge facing the poor is affordability. And according to the Second Report on poverty in Kenya volume 1 (2000) it is also revealed that 40% of the poor (39.5% of the urban poor and 43.8% of the rural poor) did not seek medical care when they were sick due to inability to cover the cost, (GOK, 2000; 2003).

According to International Forum on Population and Development held in China 2004, it was indicated that every six Kenyans in ten were living below poverty line in the year 2003. This was an increase from five out of ten who were said to be living below the poverty line five years earlier (1999), (Daily Nation, October 14th 2004).

Presenting the Report on poverty Alleviation in September 2004 Wutan, China during the International Forum, Planning and Development Minister professor Anyang’ Nyong’o said that in the Kenya’s rural areas, poverty levels were highest, at 58.1% and 57.7% among the households headed by those aged 45-55 and 56 and above years respectively. In urban areas, poverty levels decreases with the increasing age of the households head from 53.6% for those aged 15-29 years to 37.8% for those aged over 56 years. The percentage of poverty levels is higher for households headed by women (54.4%) in rural and 63% in urban areas. Among the male-headed households, poverty levels are 52.5% in rural, 45.9% in urban areas, (Daily Nation, October 14th 2004).

2.10 Empirical Studies on Micro and Small-scale Enterprises
The fields of micro and small enterprises and the informal sectors have not been well researched on. However, a number of researches have been done on the field and it is still being researched heavily because of its contributions to economic growth and development. According to a research carried out by Kilonzo (2004) on the Relationship
between Financial Structure and Performance of Micro and Small enterprises in Nairobi, it is documented that MSEs in Nairobi were found to be of small size with a majority of them employing between 1 and 5 employees. The study further found the MSEs in Nairobi to be very young with an average of 7 years. The study established that MSEs use more internal funds than external funds. The study found an average financial structure for MSEs of 94.3% to 5.7%; owners equity to debt respectively. MSEs were generally found to be under performing and in most cases; superior performance was portrayed by MSEs financed internally. Of particular note is the fact that MSEs, which ploughed back a better part of their profit, posted a superior performance.

Waweru (2002) carried out a survey on Enterprises Growth patterns in Micro and Small Manufacturing firms in Nairobi. In this research, it is indicated that on the types of manufacturing enterprises in Nairobi, about 65% of enterprises were in tailoring, 9% shoe making, 11% leather work, 10% carpentry, 5% metal work. Further analysis indicated that 93% of women were in tailoring enterprises while the other sectors were dominated by men on business location and structure type, 91% of enterprises were located in markets managed by City Council of Nairobi, while 9% were located in road reserves and parking areas. On employment creation, enterprise on average had created one job while they were in existence for an average of seven years while on start-up capital, the average starting capital was from their own savings while in employment, 23% from family members, 5% from merry - go - round groups and 1% from micro finance institutions like Kenya women finance trust. In this study, 93% of entrepreneurs cited source of business credit as a major constrain limiting their enterprise vertical growth.

According to a research carried out by Yankson (1996) on Small-Scale Aluminium Industry in Ghana; Employment, Profitability, and Development Strategies; out of 200 sample firms, it is empirically recorded that 79% of the firms had a total workforce (excluding the operators) of fewer than 5 employees, most of whom are non-wage employees. The apprenticeship system is the major means for self-employment in this industry. The system is both a source of cheap labour for the operators and a mechanism for the acquisition of skills for those intending to set up their own firms. Almost all the
apprentices in this industry are males. They are young – the bulk of them in the 15 to 24 years age group - and most of them are elementary school leavers or dropouts. The industry is dominated by male operators and 73% of the operators are in the 25 to 44 years of age. The industry was therefore considered one of the major sources of employment in Ghana.

Another research carried out by Mwega (1990) on slum enterprises in Nairobi, recorded that out of 286 enterprises operators interviewed, 80.25% of the operators indicated that the enterprises are their major source of income. The remaining 19.75% indicated that they had some other alternative sources of income. And focusing on the number of employed persons engaged in the enterprises in the last one year, 3% registered a decrease and 16.75% an increase of 1 – 2 persons.

According to a research by Central Bureau of statistics, (1988) on job creation by small enterprises in Nairobi, Mombasa and Kisumu, Small enterprises mainly in the informal sector had a 9.6% increase in new jobs compared to the formal sectors 5.7%. The study of Nairobi, Mombasa and Kisumu in Manufacturing and garage services showed that overall employment has been increasing. The average number of full-time employment in Nairobi, Mombasa and Kisumu increased by about 2 employees since the start of the enterprises. It was further documented that the amount of capital required to create one job in the informal sector and small enterprises average KShs. 13,500 to KShs. 14,270 in Nairobi, KShs. 17,160 to KShs. 17,960 in Mombasa and KShs 19,300 to KShs 19,700 in Kisumu.

These studies formed the basis of this project research though none of them addressed the issues investigated by this research since this research sought to ascertain the Role of Small-Scale Enterprises on Poverty Reduction. A case Study of Small-Scale Retailers in Rongo Division.

2.11 Conceptual Framework

In this research, poverty reduction was conceptualized to depend on the contributions of small-scale enterprises to an economy. Thus overcoming poverty requires an in-depth
focus on the roles of SSEs as depicted diagrammatically below and also keeping a keen attention to the intervening obstacles to the realization of the contributions from small-scale enterprises.

In this study, poverty reduction is dependant on the contributions from SSEs whose failure or success in an economy is subject to the effects of intervening variables.

Figure 2: Conceptual Framework

Dependent Variable (A)  
SSEs Reduce poverty by ability to create:
- Employment opportunities.
- New and cheap technology.
- New products.
- A pool of skilled and semi-skilled workers.
- New markets.

Independent Variables (B)

Intervening Variables (C)

Financial Limitations

Competition/small market size

Poor Technological development

Unsupportive Government policies and regulations

Weaknesses in entrepreneurial or managerial functions

In accessibility to information

Source: Researcher, 2005
Dependent variables (A):

**Poverty reduction** is lifting the poor out of poverty. This is measured by ascertaining the disparity between expenditure levels of small-scale retailers before and after start-up of SSEs.

Independent variables (B):

**Employment opportunities**; income generated from SSEs reduce the unequal income distribution and increase the level of national income in an economy, thereby reduces poverty.

**Cheap and new technology**; produce high quality and quantity of products which reduce poverty.

**New products**; satisfy the varied needs of consumers.

A **pool of skilled and semi-skilled workers**; produce a variety of high quality products which improve the standard of living.

**New market**; SSEs create new market segments by providing new products. This generates more income for SSEs.

Intervening variables (C):

**Stiff competition or small market size**; SSEs serve small markets with limited opportunities for expansion. Thus limits the SSEs contribution on poverty reduction.

**Financial limitations**; shortage of finances reduce the performance of SSEs

**Poor technology**; poor production techniques results into poor quality and small quantity of products.

**Unsupportive government policies and regulations**; are the unfavourable economic, political, and social policies and regulations to the SSEs.
Weaknesses in entrepreneurial or managerial functions; This is insensitivity to new opportunities, lack of practical creativeness and lack of willingness to take some risks on the part of SSEs.

Inaccessibility to information; inability to access information on the market, technology, sources of finances among others by the SSEs reduce their performance.

According to the above diagram, the contents in box B reflect the contributions of SSEs to an economy. When these contributions are realized from SSEs, poverty reduction in box A, in an economy is realized. Due to the influence of the intervening variables in box C, poverty levels become higher. Therefore an effort to realize full reduction of poverty through the contributions of SSEs requires that the intervening variables to the performances of SSEs be mitigated.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the research methodology which was used to carry out the research. It covers, research design, target population, sample design, data collection and analysis methods.

3.2 Research Design
The researcher used mainly descriptive design, where the researcher collected and analysed data on small-scale retail enterprises and poverty reduction. It was used because most of information on SSEs and poverty reduction were known, but the researcher collected and analysed data, (Sekaran, 2004).

3.3 Target Population
The target population comprised all small-scale retailers in Rongo Division who number 1,128 as in Appendix V, (Rongo County Council, 2005).

This target population was focused because small-scale retail enterprises in Rongo Division contribute to economic growth and development in the Division.

3.4 Sample and Sample Design
Stratified sampling method was used to select categories of small scale retail enterprises for research based on those with over 100 retail enterprises in Rongo Division. Stratified sampling was used because the total population was heterogeneous, (Sekaran, 2004). These included: Food kiosks (228), Single shops (260), cereal shops (123) and tailoring shops (206) (See table 3). It was from these categories that a sample of 82 small-scale retail enterprises was obtained using proportionate sampling on the basis of 10% on each stratum of the small-scale retailers because the number of small-scale retailers was too large, (Sekaran, 2004).
Then simple random sampling was applied because every element had a known and equal chance of being selected as a subject, (Cooper and Schindler, 2003). The sample for study was chosen because of financial and time constraints.

**Table 3: Sample Size**

<table>
<thead>
<tr>
<th>Categories</th>
<th>Selected SSEs</th>
<th>Population of SSEs</th>
<th>Proportionate Sampling (10% of the SSEs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food kiosks</td>
<td>228</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Single shops</td>
<td>260</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Cereal shops</td>
<td>123</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Tailoring shops</td>
<td>206</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>817</strong></td>
<td><strong>82</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Researcher, 2005*

### 3.5 Data Collection Procedures

The researcher collected primary data through questionnaires. Primary data was sought for their proximity to the truth and control over error, (Copper and Schindler, 2003). In this scenario, the researcher used closed-ended questions because this guided the respondents in giving relevant responses to the researcher for easy analysis, (Bell, 1998). The researcher therefore gave the questionnaires in person to the respondents.

The whole process of data collection was sequential. It therefore began by selection of all the small-scale retail enterprises in Rongo Division based on those with over 100 retail enterprises. This identified four categories of SSEs namely: Food kiosks (228), single shops (260), cereal shops (123), and tailoring shops (206).

In efforts to make the sample size manageable, the researcher applied proportionate sampling on the basis of 10% on each category of small-scale retailers, (Serakan, 2004). This presented a total of 82 respondents namely: Food kiosks (23), Single shops (26), cereal shops (12), and tailoring shops (21) (See table 3).
The researcher presented questionnaires to small-scale retailers in each category of SSEs and the respondents in each category were picked using simple random sampling method.

In administering questionnaire, the researcher first presented (23) copies of questionnaires to food kiosks retailers. The second batch of questionnaires was presented to (26) single shops' retailers. The third batch of questionnaires was presented to (12) cereal shops' retailers. Lastly, tailoring shops' retailers were given (21) questionnaires. These summed up to a total of 82 respondents. The response from respondents was 100% as all small-scale retailers responded, although there was delayance on the part of the respondents as they could not fill-in questionnaires immediately as the researcher expected. This scenario compelled the researcher to make follow-up on each and every respondent.

The questionnaires administered on all categories of the SSEs had a uniform content. The researcher further interpreted the questionnaires to the respondents who could not comprehend the questions because they were wholly presented in English.

Finally, the researcher received a total of 82 (100%) filled-in questionnaires which were subjected to analysis.

3.6 Data Analysis and Presentation

The researcher used descriptive statistics as it helped the researcher to discover miscoded values, missing data and other problems in the data set, (Cooper and Schindler, 2003). It also made it easier for the researcher to understand and interpret implications of the findings of the study, (Sekaran, 2004).

In the data analysis, the researcher undertook data entry and analysis using Excel tools. Initial screening of data was done using the sort function. After screening, summarized frequencies were produced to give measures of central tendencies namely simple means and modal class. Frequency distributions and percentage (%) formed the basis for techniques employed. The analysed data were presented in tables, charts and graphs.
CHAPTER FOUR

FINDINGS AND INTERPRETATIONS

4.1 Introduction
The chapter presents the main results obtained by analyzing the questionnaire data. Data generated from this research was coded, computer formatted and analyzed using Excel tools. The result is presented in tables, charts and graphical forms covering the following variables:

4.2 Demographic Characteristics of Respondents

Table 4: Gender of the Sample Population

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>48</td>
<td>48</td>
<td>58.5</td>
<td>58.5</td>
</tr>
<tr>
<td>Male</td>
<td>34</td>
<td>82</td>
<td>41.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

Table 4 shows the demographic characteristics of respondents. From the table, a total of 82 respondents filled in questionnaires, out of which the majority were females (58.5%) while males formed 41.5%. This implies that females operate most of the small-scale retail enterprises in Rongo Division.

Table 5: Age group of Respondents

<table>
<thead>
<tr>
<th>Age-group</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 - 25</td>
<td>12</td>
<td>12</td>
<td>14.6</td>
<td>14.6</td>
</tr>
<tr>
<td>26 - 35</td>
<td>29</td>
<td>41</td>
<td>35.4</td>
<td>50.0</td>
</tr>
<tr>
<td>36 - 45</td>
<td>34</td>
<td>75</td>
<td>41.5</td>
<td>91.5</td>
</tr>
<tr>
<td>Over 45</td>
<td>7</td>
<td>82</td>
<td>8.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings
In Table 5 and Figure 3., the majority of the small-scale retailers (41.5%) were found to be in the 36 – 45 age bracket, as 26 – 35 age bracket scored 35.4% and 18 – 25 age bracket scored 14.6% while those above 45 age groups formed 8.5%. The majority of the retailers (41.5%) were in 36 – 45 age bracket. Which implies that retailers of 36 – 45 age bracket dominate retail enterprises in Rongo Division while retailers over 45 age group (8.5%) formed the minority.

**Table 6: Marital Status**

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>2</td>
<td>2</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Married</td>
<td>78</td>
<td>80</td>
<td>95.2</td>
<td>97.6</td>
</tr>
<tr>
<td>Divorced</td>
<td>2</td>
<td>82</td>
<td>2.4</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82</strong></td>
<td></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research Findings*
The table above shows that 95.2% of small-scale retailers were married while the single and divorced categories of small-scale retailers formed 2.4% each. This implies that the married category of the sample on study dominate the operation of SSEs in Rongo Division as opposed to the single and divorced categories which form 2.4% of retailers each.

**Table 7: Educational Background**

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>50</td>
<td>50</td>
<td>61.0</td>
<td>61.0</td>
</tr>
<tr>
<td>Secondary</td>
<td>14</td>
<td>64</td>
<td>17.1</td>
<td>78.1</td>
</tr>
<tr>
<td>A-Level</td>
<td>12</td>
<td>76</td>
<td>14.6</td>
<td>92.7</td>
</tr>
<tr>
<td>University</td>
<td>6</td>
<td>82</td>
<td>7.3</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82</strong></td>
<td></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research Findings*

![Educational Background](image)

*Figure 4: Educational Background*

*Source: Research Findings*
Figure 4 reveals that the majority of the small-scale retailers in Rongo Division had undergone primary education (61%) while up to 17.1% and 14.6% had a maximum of secondary and Advanced-Level of education respectively. Those who had university education formed a staggering 7.3%. This implies that the majority (61%) of SSEs operators went through primary education.

Table 8: Length of Period in Business

<table>
<thead>
<tr>
<th>Period in Business</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5 years</td>
<td>7</td>
<td>7</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>12</td>
<td>19</td>
<td>14.6</td>
<td>23.1</td>
</tr>
<tr>
<td>11 - 15 years</td>
<td>29</td>
<td>48</td>
<td>31.4</td>
<td>54.5</td>
</tr>
<tr>
<td>Over 15 years</td>
<td>34</td>
<td>82</td>
<td>45.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

Figure 5: Length of Period in Business

Source: Research Findings
From Figure 5, the majority (45.5%) of the small-scale retailers had stayed in their SSEs for over 15 years while 31.4% of the small-scale retailers had been in SSEs for between 11-15 years, 14.6% had been in SSEs for between 6-10 years and the rest (8.5%) had been in SSEs for between 1-5 years. The fact that up to 45.5% of small-scale retailers had remained in SSEs for over 15 years, is an important indicator that small-scale retailers obtain benefits from their SSEs. This points to the indispensable attributes of SSEs to the small-scale retailers.

4.3 Start-up of SSEs in Rongo Division.

Table 9: Sources of Start-Up Capital

<table>
<thead>
<tr>
<th>Source of Start-Up Capital</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>39</td>
<td>39</td>
<td>47.6</td>
<td>47.6</td>
</tr>
<tr>
<td>Donations and aid</td>
<td>28</td>
<td>67</td>
<td>34.2</td>
<td>81.8</td>
</tr>
<tr>
<td>Loans</td>
<td>2</td>
<td>69</td>
<td>2.4</td>
<td>84.2</td>
</tr>
<tr>
<td>Sale of fixed assets</td>
<td>13</td>
<td>82</td>
<td>15.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Others (specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82</strong></td>
<td></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings
According to the above figure, 47.6% of the respondents indicated personal savings as the main source of start up capital for SSEs. Donations and aid registered 34.2% being the second source of start up capital used by the small-scale retailers for starting up SSEs. Sales of fixed assets accounted for 15.8% being the third source of start up capital for starting up SSEs while loans registered only a small 2.4% being the fourth source of start up capital. This implies that 47.6% of the retailers reduced consumption and increased savings before the start up of their SSEs to accumulate start-up capital in form of personal savings.

Another 34.2% of small-scale retailers obtained their capital from donations and aid. This implies that retailers had no personal sources of start-up capital but had to depend on other parties for start-up capital in form of donations and aid.

It is indicated that 15.8% of small-scale retailers sourced their start-up capital from the sale of fixed assets. This implies that 15.8% of the retailers had no other alternatives but to convert their already acquired assets into cash to obtain start-up capital for SSEs.
It was only a staggering 2.4% of small-scale retailers who acquired loans to start-up SSEs. This implies that either there were no loaning firms in Rongo Division or the loans are expensive to obtain in terms of the legal procedures followed. This urgently calls for the need to establish loaning firms at the reach of small-scale retailers and also making the loans affordable in terms of interests charged and legal procedures followed.

Table 10: Amount of Starting Capital

<table>
<thead>
<tr>
<th>Amount in KShs.</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 - 5,000</td>
<td>43</td>
<td>43</td>
<td>52.4</td>
<td>52.4</td>
</tr>
<tr>
<td>5,001 - 6,000</td>
<td>7</td>
<td>50</td>
<td>8.5</td>
<td>60.9</td>
</tr>
<tr>
<td>6,001 - 8,000</td>
<td>5</td>
<td>55</td>
<td>6.1</td>
<td>67.0</td>
</tr>
<tr>
<td>8,001 - 10,000</td>
<td>3</td>
<td>58</td>
<td>3.7</td>
<td>70.7</td>
</tr>
<tr>
<td>Above 10,000</td>
<td>24</td>
<td>82</td>
<td>29.3</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82</strong></td>
<td></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

Figure 7: Amount of Starting Capital

Source: Research Findings
From the above figure, 52.4% of the small-scale retailers registered KShs between 1,000 - 5,000 as the most common amount of starting capital for SSEs. Above KShs 10,000 accounted for 29.3% among small-scale retailers. 8.5% of small-scale retailers started their SSEs with a capital range of between KShs 5,001 - 6,000 while 6.1% of small-scale retailers started their SSEs with a capital range of between KShs 6,001 - 8,000. Only 3.7% of small-scale retailers trailed with a starting capital range of between KShs 8,001 - 10,000.

A larger percentage of SSEs (52.4%) started with a small amount of capital of between KShs 1,000 - 5,000. This implies that the majority of the small-scale retailers were either low income earners or low income savers and therefore accumulated small start-up capital for SSEs.

Table 11: Source of Business Idea

<table>
<thead>
<tr>
<th>Source of Business Idea</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>58</td>
<td>58</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Others' influence</td>
<td>24</td>
<td>82</td>
<td>29</td>
<td>100</td>
</tr>
<tr>
<td>Others (specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

The above table, shows that 71% of small-scale retailers revealed that their business ideas were personal while 29% of small-scale retailers started SSEs due to others' influence. The findings imply that the majority (71%) of small-scale retailers commenced their SSEs due to personal need to support their households on income generated from SSEs while the other 29% of small-scale retailers either sought for advice or copied the trends of other small-scale retailers in starting their SSEs.
Table 12: Source of Business Skills

<table>
<thead>
<tr>
<th>Sources</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training College</td>
<td>17</td>
<td>17</td>
<td>20.73</td>
<td>20.73</td>
</tr>
<tr>
<td>Employment</td>
<td>48</td>
<td>65</td>
<td>58.53</td>
<td>79.26</td>
</tr>
<tr>
<td>Training college &amp;</td>
<td>15</td>
<td>80</td>
<td>18.30</td>
<td>97.56</td>
</tr>
<tr>
<td>employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (specify)</td>
<td>2</td>
<td>82</td>
<td>2.44</td>
<td>100.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82</strong></td>
<td></td>
<td><strong>100.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research Findings*

It is indicated on Table 12 that, 58.53% of small-scale retailers acquired business skills from their employment. While 20.7% small-scale retailers obtained business skills from training college, 18.3% retailers received business skills from both training college and employment. And a staggering 2.44% of SSEs acquired business skills through workshops and seminars.

This implies that 58.53% of small-scale retailers acquired skills from their previous occupations and were therefore able to apply the same in their newly started SSEs.

It is further daunting to observe that only a small 20.7% of small-scale retailers acquired their business skills through vocational training colleges which implies that either the training is expensive for prospective retailers in Rongo Division or there are no training centres within their reach.
4.4 SSEs Participation in Poverty Alleviation

Table 13: Expenditure of SSEs Income in Order of Preference

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>Total</th>
<th>Rank</th>
<th>Highest frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family subsistence</td>
<td>66</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>82</td>
<td>1st</td>
<td>66 (80.5%)</td>
</tr>
<tr>
<td>Children education</td>
<td>2</td>
<td>35</td>
<td>16</td>
<td>29</td>
<td>82</td>
<td>2nd</td>
<td>35 (42.7%)</td>
</tr>
<tr>
<td>Rent payment</td>
<td>-</td>
<td>12</td>
<td>50</td>
<td>20</td>
<td>82</td>
<td>3rd</td>
<td>50 (60.9%)</td>
</tr>
<tr>
<td>Business expansion</td>
<td>14</td>
<td>25</td>
<td>12</td>
<td>31</td>
<td>82</td>
<td>4th</td>
<td>31 (37.8%)</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

Table 13 indicates that a total of 66 (80.5%) small-scale retailers ranked family subsistence first. In considering the second rank, children’s education recorded 35 (42.7%) of small-scale retailers. Allocation of SSEs income for rent payment was registered third rank with a total of 50 (60.9%) of small-scale retailers. Expenditure of SSEs income in expansion of SSEs was ranked fourth by 31 (37.8%) of small-scale retailers.

From the ranking Table 13 above, 66 (80.5%) of small-scale retailers spent their SSEs income on family subsistence which is an implication that the majority (80.5%) were poor and had to depend on income from their SSEs to support their households.

Children education was ranked the second by 35 (42.7%) of small-scale retailers which further implies that the income from their SSEs were geared towards supporting education as they depended on income from SSEs.

Rent payment was considered third rank by a total of 50 (60.9%) small-scale retailers. As allocating SSEs income for business expansion was ranked fourth and the last by 31 (37.8%) of small-scale retailers. This implies that any service related to the support of SSEs was not prioritized because the retailers had no alternative sources of income and
therefore relied on their income from SSEs to support their basic needs first before assessing the survival of the SSEs. Thus, limiting the growth and development of SSEs in Rongo Division.

Table 14: Employment Creation

<table>
<thead>
<tr>
<th>No. of Employment Opportunities</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 2</td>
<td>58</td>
<td>58</td>
<td>70.7</td>
<td>70.7</td>
</tr>
<tr>
<td>3 - 4</td>
<td>9</td>
<td>67</td>
<td>11.0</td>
<td>81.7</td>
</tr>
<tr>
<td>5 - 6</td>
<td>7</td>
<td>74</td>
<td>8.6</td>
<td>90.3</td>
</tr>
<tr>
<td>7 - 8</td>
<td>6</td>
<td>80</td>
<td>7.3</td>
<td>97.6</td>
</tr>
<tr>
<td>9 - 10</td>
<td>2</td>
<td>82</td>
<td>2.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

As in the above figure, 70.7% of SSEs created employment opportunities of between 1 – 2 each since their inception. On the same note, 11% of SSEs were recorded having
created between 3 – 4 employment opportunities since their start. While 8.5% and 7.3% of SSEs registered 5 – 6 and 7 – 8 employment opportunities respectively, 2.4% of SSEs became the lowest having opened up between 9 – 10 employment opportunities.

In this scenario, 70.7% of SSEs were only able to create 1 – 2 jobs each since their start while 2.4% of SSEs were able to create between 9 – 10 jobs. This implies that most (70.7%) of the SSEs operate on small capital bases and small-scale retailers consume most of their profits thus unable to create many jobs.

Whatever the number of jobs created by the SSEs, small-scale retailers have been able to reduce poverty by creating jobs in their SSEs. Thus SSEs play a role in poverty alleviation through job creation in Rongo Division.

Table 15: Development of New Goods and Services.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>53</td>
<td>53</td>
<td>64.60</td>
<td>64.60</td>
</tr>
<tr>
<td>No</td>
<td>29</td>
<td>82</td>
<td>35.40</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings
In Figure 9, a total of 64.60% SSEs had been able to produce new products in the course of their stay in business while 35.40% of SSEs had not been able to produce new products in Rongo Division.

This implies that the SSEs had been able to improve the standard of living for consumers by providing a variety of new products in Rongo Division.

Table 16: Development of New Market

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>41</td>
<td>41</td>
<td>50.00</td>
<td>50.00</td>
</tr>
<tr>
<td>No</td>
<td>36</td>
<td>77</td>
<td>43.90</td>
<td>93.90</td>
</tr>
<tr>
<td>Abstained</td>
<td>5</td>
<td>82</td>
<td>6.10</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings
Figure 10: Development of New Market

Figure 10 shows that, 50.0% of small-scale retailers registered 'Yes' as 43.9% recorded 'No' while the remaining 6.1% of small-scale retailers abstained.

This implies that 50% of small-scale retailers had developed new markets which increased their sales and income altogether. The other 43.9% did not develop new markets due to either limited resources amongst the small-scale retailers or lack of initiative amongst the same. The remaining 6.1% of SSEs ignored the question.

Table 17: Reasons for Growth of New markets

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Rank</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>Total</th>
<th>Rank</th>
<th>Highest frequency (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product differentiation</td>
<td></td>
<td>24</td>
<td>17</td>
<td></td>
<td>41</td>
<td>1st</td>
<td>24 (58.5%)</td>
</tr>
<tr>
<td>High quality products</td>
<td>14</td>
<td>22</td>
<td>5</td>
<td></td>
<td>41</td>
<td>2nd</td>
<td>22 (53.6%)</td>
</tr>
<tr>
<td>Cheap products</td>
<td>3</td>
<td>2</td>
<td></td>
<td>36</td>
<td>41</td>
<td>3rd</td>
<td>36 (87.8%)</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings
In considering the reasons for the growth of new markets for SSEs, only 41 (50%) of SSEs responded out of the 82 respondents (see Figure 10), thus in response to the reasons for growth of new markets, 24 (58.5%) of SSEs ranked products differentiation first. High quality product was ranked second by 22 (53.6%) of SSEs while cheap products was ranked third by 36 (87.8%) of SSEs. This implies that 58.5% small-scale retailers were able to develop new markets through producing a variety of products to the consumers. This indeed enabled them to receive more income from their SSEs.

Table 18: Benefits of Technology in SSEs

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very unuseful</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Unuseful</td>
<td>2</td>
<td>2</td>
<td>2.40</td>
<td>2.40</td>
</tr>
<tr>
<td>Useful</td>
<td>56</td>
<td>58</td>
<td>68.30</td>
<td>70.70</td>
</tr>
<tr>
<td>Very useful</td>
<td>24</td>
<td>82</td>
<td>29.30</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td></td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

Figure 11: Benefits of Technology in SSEs

Source: Research Findings
Figure 11 shows that, 68.30% of SSEs recognized technology to be useful in their businesses while 29.30% SSEs regarded technology as very useful. And a small 2.40% of SSEs perceived technology to be unuseful for their businesses.

Technology is instrumental in high performance of SSEs as responded by 97.60% (i.e. 68.30% + 29.30%) of small-scale retailers. This implies that improved technology enables SSEs to experience high income due to high output levels.

Only a staggering 2.40% of SSEs regarded technology to be unuseful to their businesses which implies that technology was inappropriate to the growth of their SSEs.

SSEs are quite essential in the development of technology therefore establishment and continuity of SSEs should be encouraged to provide an enabling environment for applying new technology and testing the same in such an environment as this would speed up the development of refined technology, (ILO, 1972; Gavin, 1993; King, 1996).

### 4.5 Constraints to the Performance of SSEs

Table 19: SSEs Affected by Constraints

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>82</td>
<td>82</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research Findings*

Table 19 shows that 100% of SSEs were affected by prevailing constraints in their business environments. This implies that SSEs were poorly performing due to the negative effects imposed by constraints.
Financial limitations, was ranked as the first constraint in reducing the performance of SSEs by 71 (86.6%) of small-scale retailers. On the same note, stiff competition was ranked second by 61 (74.4%) of small-scale retailers. 48 (58.5%) of small-scale retailers ranked unsupportive Government policies and regulations as the third constraint while 41 (50%) of the retailers registered inaccessibility to information as the fourth constraint. Poor technological development was ranked as the fifth constraint by 36 (43.9%) of small-scale retailers and lack of security became sixth in rank by 40 (48.8%) of small-scale retailers. 42 (51.2%) of small-scale retailers ranked weaknesses in entrepreneurial or managerial functions seventh, as 53 (64.6%) of small-scale retailers ranked poor infrastructure eighth.

71 (86.6%) of small-scale retailers ranked financial limitations as the first constraint. This implies that the SSEs in Rongo Division remained small for longer periods of time mainly due to limited sources of finances.
Stiff market competition was regarded as the second constraint by 61 (74.4%) of small-scale retailers. This also implies that most of the SSEs could not grow steadily because of stiff market competition amongst themselves. This reduced the market size for each SSEs.

Poor infrastructure was ranked eighth by 53 (64.6%) small-scale retailers implying that it was not a serious constraint among the listed and therefore imposed limited negative impacts on SSEs in Rongo Division.

4.6 Needs for SSEs towards Continued Poverty Alleviation

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Cumulative Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>No</td>
<td>82</td>
<td>82</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research Findings*

From Table 21, 100% of small-scale retailers were unable to survive entirely on SSEs income while none of the small-scale retailers received full household support from their SSEs income. This implies that SSEs were not able to provide full households’ support because of limited income obtained from the same.
Table 22: Support Services for SSEs

<table>
<thead>
<tr>
<th>Support Services</th>
<th>Rank</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
<th>6th</th>
<th>7th</th>
<th>Total</th>
<th>Rank</th>
<th>Highest frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td></td>
<td>82</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>82</td>
<td>1st</td>
<td></td>
</tr>
<tr>
<td>Business Training</td>
<td></td>
<td></td>
<td>56</td>
<td>14</td>
<td>5</td>
<td>7</td>
<td></td>
<td></td>
<td>82</td>
<td>2nd</td>
<td>56</td>
</tr>
<tr>
<td>Favourable Government Policies</td>
<td></td>
<td></td>
<td>19</td>
<td>32</td>
<td>19</td>
<td>12</td>
<td></td>
<td></td>
<td>82</td>
<td>3rd</td>
<td>32</td>
</tr>
<tr>
<td>Accessibility to Information</td>
<td></td>
<td></td>
<td></td>
<td>17</td>
<td>26</td>
<td>15</td>
<td>19</td>
<td>5</td>
<td>82</td>
<td>4th</td>
<td>26</td>
</tr>
<tr>
<td>Technological Development</td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td>20</td>
<td>21</td>
<td>15</td>
<td>19</td>
<td>82</td>
<td>5th</td>
<td>21</td>
</tr>
<tr>
<td>Improved Security</td>
<td></td>
<td>5</td>
<td>12</td>
<td>7</td>
<td>15</td>
<td>43</td>
<td></td>
<td></td>
<td>82</td>
<td>6th</td>
<td>43</td>
</tr>
<tr>
<td>Improved Infrastructure</td>
<td></td>
<td>2</td>
<td></td>
<td>5</td>
<td>12</td>
<td>5</td>
<td></td>
<td></td>
<td>58</td>
<td>7th</td>
<td>58</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings

Table 22 shows that on ranking the support services for improving the performance of SSEs, 82 (100%) of small-scale retailers ranked financial support first. This implies that financial limitation was the major obstacle hindering the growth of SSEs. Thus in the step to improving SSEs performance to reduce poverty, there is need to provide financial support to the SSEs to enable them improve their performance.

Secondly, 56 (68.3%) of small-scale retailers ranked Business training second. This implies that business training was lacking amongst the small-scale retailers and there was a genuine need to provide it to the small-scale retailers in Rongo Division.

Supportive Government policies was ranked third by 32 (39%) of small-scale retailers as 26 (31.7%) of small-scale retailers ranked accessibility to information as the fourth. Advanced technology was registered fifth by 21 (25.6%) retailers while 43 (52.4%) of small-scale retailers ranked improved security sixth.
Improved infrastructure was ranked the seventh support service by 58 (70.7%) of small-scale retailers. This implies that it was the least pressing support service the SSEs operators in Rongo Division needed.

### 4.7 Expenditure Levels Before and After Start-Up of SSEs

#### Table 23: Households' Expenditure Levels (HEL)

<table>
<thead>
<tr>
<th>HEL</th>
<th>BSSEs</th>
<th>ASSEs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Mean % score</td>
</tr>
<tr>
<td>Very Low</td>
<td>68</td>
<td>0.829 83.00</td>
</tr>
<tr>
<td>Low</td>
<td>12</td>
<td>0.146 14.60</td>
</tr>
<tr>
<td>High</td>
<td>2</td>
<td>0.024 2.40</td>
</tr>
<tr>
<td>Very High</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>82</td>
<td>0.999 100</td>
</tr>
</tbody>
</table>

*Source: Research Findings*

#### Figure 12a: Trends of Households' Expenditure Levels

*Source: Research Findings*
The analysis of poverty reduction is measured by recording and ascertaining the disparity between households' expenditure levels before and after start-up of SSEs.

Before the start-up of SSEs in Rongo Division households' expenditure incurred recorded a declining trend of expenditure with a high percentage mean score of 83.00 for very low expenditure incurred and a low percentage mean score of 2.40 for high expenditure incurred. However, with inception of SSEs in Rongo Division, households' expenditure levels registered an ascending trend with a high percentage mean score of 91.60 for high expenditure incurred and a low percentage mean score of 2.40 for very low expenditure incurred.

Overall, this implies that the expenditure levels of SSEs operators in Rongo Division increased from low to high levels due to income realized from the SSEs. Thus, poverty among SSEs operators in Rongo Division has been reduced as depicted from a high percentage mean score of 83.00 for very low expenditure incurred before start-up of SSEs to a high percentage mean score of 91.60 for high expenditure incurred by small-scale retailers after the start-up of SSEs.
CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions
On start-up of SSEs in Rongo Division, it is concluded that most of the SSEs started businesses on small capital bases. It is further noted that personal savings form the predominant source of start-up capital as loans manifested the poorest established source of start-up capital for SSEs in Rongo Division.

It is concluded that SSEs in Rongo Division have participated in poverty alleviation. This has been achieved through spending SSEs income on family subsistence and children education. It is also noted that SSEs have created employment opportunities thus improving the standard of living for the employees as they consume income earned from the SSEs. And most of the SSEs in Rongo Division have been able to develop new goods and services thereby improving the supply of products to consumers.

Focusing on the constraints to the performance of SSEs and the support services SSEs need towards poverty alleviation, it is concluded that all the SSEs in Rongo Division faced constraints in their business environments and therefore urgently needed the provision of support services to enable them (SSEs) fully contribute towards poverty alleviation in Rongo Division.

Finally, SSEs in Rongo Division have been able to reduce poverty in the same by transforming the expenditure levels of small-scale retailers from a high percentage mean score of 83.00 for very low expenditure incurred to a high percentage mean score of 91.60 for high expenditure incurred due to the additional income generated from the SSEs.

5.2 Recommendations
The study revealed that SSEs are participating in poverty reduction although not doing enough. This scenario has been attributed to many challenges and constraints that inhibit
the realization of their full potential, (GOK, 2004). In the light of these empirical findings the study makes the following recommendations:

First, SSEs need access to financial services to enhance efficient operations. This would enable SSEs to realize stable establishment coupled with steady profit generation.

Secondly, in improving the performance of SSEs, there is need to access existing and relevant marketing information. This would broaden the market for SSEs thereby increasing income for the same.

Other constraints inhibiting the growth and development of SSEs such as poor skills and technology, insecurity, weak entrepreneurial and managerial functions, inhibitive legal and regulatory environment and poor infrastructural development require overhauling to establish an enabling environment for the operations of SSEs.

5.3 Recommendations for Further Research
These include the following:

(i.) Effects of improvements in management skills, technology, workers skills, marketing and quality of products on enterprise performance.
(ii.) Relationship between credit and enterprise development.
(iii.) Assessment of the effects of constraints on enterprise performance.
REFERENCES


Daniels, L. and Fesseha, Y., (1990), Small–Scale Enterprises in Niger; Survey Results from Dosso and Maradi, East Lansing, MI; Department of Agricultural Economic, Michigan State University.


Liedholm, C. and Mead, D., (1987), “*Small-Scale Enterprises in Developing Countries; Empirical Evidence and Policy Implications*”. International Development working paper No. 9. East Lansing, Michigan State University, USA.


Rongo County Council, (2005), A sketch Map of Rongo Division. Rongo County Council.


Schmitz, H., (1990), Small Firms and Flexible Specialization in Developing Countries, Labour and Society volume, 15(3).


NEWS PAPERS

Daily Nation, (January 14, 2005), Nation Media Group, Nairobi.

Daily Nation, (October 14, 2004), Nation Media Group, Nairobi.


UNPUBLISHED WORKS


APPENDIX I

QUESTIONNAIRE

Dear Respondent,

My name is Odondo Maurice, a student from Kenyatta University carrying out a research on the role of small-scale enterprises. I would be very thankful if you sacrifice your time to provide information relating to the questions provided below. Note that the information you give will be treated with strict confidentiality and for the purpose of this research only.

Kindly respond to all questions, tick (✓) in the bracket where possible.

Your co-operation is highly appreciated.

Thanks in Advance.

Yours faithfully,

MAURICE ODONDO
A. General Information

Respondent Number

1. Gender: Tick (✓) as appropriate. Male ( ), Female ( )

2. How old are you?

3. Marital status: Tick (✓) as appropriate. Single ( ) Married ( ) Divorced ( )

4. How many children do you have?

5. What is the level of your education? Tick (✓) as appropriate.
   - Primary ( )
   - Secondary ( )
   - A-Level ( )
   - University ( )

6. What type of small-scale retail enterprise do you operate?

7. Where is your business located? Tick (✓) as appropriate.
   - Town ( )
   - Rural ( )

8. For how long have you been in business? Tick (✓) as appropriate.
   - 1 - 5 years ( )
   - 6 - 10 years ( )
   - 11 - 15 years ( )
   - Over 15 years ( )

B. How SSEs start up in Rongo

9. What was the source of your idea to start a small-scale enterprise? Tick (✓) as appropriate.
   - Personal ( )
   - Others’ influence ( )
   - Others specify ( )
10. What were the sources of your start-up capital? *Tick (✓) as appropriate.*

- Personal savings ( )
- Donation and Aid ( )
- Loans ( )
- Sales of fixed Assets ( )
- Others specify ( )

11. What amount was the starting capital for your business? *Tick (✓) as appropriate.*

- Kshs 1,000 - 5,000 ( )
- 5,001 - 6,000 ( )
- 6,001 - 8,000 ( )
- 8,001 - 10,000 ( )
- Above 10,000 ( )

12. What was the source of your business skills? *Tick (✓) as appropriate.*

- Vocational training college ( )
- Employment ( )
- Training and employment ( )
- Others specify ( )

C. The extent to which SSEs participate in poverty alleviation.

13. How do you spend the income from your business. *Rank as (1 - 4) the choices below in order of your preferences of expenditure.*

- Expand the business ( )
- Family subsistence ( )
- Children education ( )
- Shelter/ rent payment ( )
14. What was the nature of your family expenditure before you started your business? 

Tick (✓) as appropriate

- Very low expenditure ( )
- Low expenditure ( )
- High expenditure ( )
- Very high expenditure ( )

15. How has your family expenditure responded with the inception of your business? 

Tick (✓) as appropriate.

- Very low expenditure ( )
- Low expenditure ( )
- High expenditure ( )
- Very high expenditure ( )

16. How many employment opportunities have you been able to create since the start of your business? (including family members employed). Tick (✓) as appropriate.

1 - 2 ( )
3 - 4 ( )
5 - 6 ( )
7 - 8 ( )
9 - 10 ( )

17. From the start of your business to date, have you been able to develop new goods or services?

Yes ( )
No ( )

18. What effects have new products caused on the market demand for your products? 

Tick (✓) as appropriate

- Very low demand ( )
- Low demand ( )
- High demand ( )
- Very high demand ( )

19. Has your business been able to develop a new market for its products?

Yes ( )
No ( )
20. If yes, rank below reasons (1 - 3) in order of their magnitude of contributions to your new market.

- Product differentiation ( )
- High quality of products ( )
- Cheap products ( )

21. Have you attended a business workshop or seminar for entrepreneurial and management skills?
   Yes ( ) No ( )

22. If yes, what experience do you have from the skills? *Tick (✓) as appropriate.*

- Very unuseful ( )
- Unuseful ( )
- Useful ( )
- Very useful ( )

23. If No, have you acquired entrepreneurial and management skills through apprenticeship?
   Yes ( ) No ( )

24. What experience does your business have with technological improvement in the country? *Tick (✓) as appropriate.*

- Very unuseful ( )
- Unuseful ( )
- Useful ( )
- Very useful ( )

D. Constraints to the performance of SSEs.

25. Do you experience constraints in operating your business?
   Yes ( ) No ( )
26. If yes, rank the constraints below 1 – 8 in order of their magnitude of negative effect.

1 (Highest magnitude of negative effect) – 8 (Lowest magnitude of negative effects).

- Stiff market competition
- Poor technological development
- Financial limitations
- Inaccessibility to information
- Poor infrastructure
- Weakness in entrepreneurial or managerial functions
- Government policies and regulations
- Insecurity

E. What SSEs need towards continued poverty alleviation?

27. Have you been able to fully obtain your basic needs from your business income?
   Yes ( ) No ( )

28. Kindly, rank the below support services you need to help improve your business performance in order of your preference (1 – 7)

- Financial Support
- Good Infrastructure
- Improved Security
- Supportive Government policies
- Business Training
- Accessibility to Information
- Advance Technological Development
APPENDIX II

POPULATION % BELOW POVERTY LINE IN KENYA

PROVINCES IN KENYA

<table>
<thead>
<tr>
<th>Provinces</th>
<th>CT</th>
<th>RV</th>
<th>ET</th>
<th>WT</th>
<th>CS</th>
<th>NY</th>
<th>NB</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Below Poverty Line</td>
<td>31</td>
<td>48</td>
<td>58</td>
<td>61</td>
<td>57.6</td>
<td>65</td>
<td>44</td>
<td>64</td>
</tr>
</tbody>
</table>

KEY:
CT – CENTRAL
RV – RIFT VALLEY
ET – EASTERN
WT – WESTERN
CS – COAST
NY – NYANZA
NE – NORTH EASTERN
NB – NAIROBI

Source: Central Bureau of Statistics, November, 2005
### APPENDIX III

#### MIGORI DISTRICT POPULATION CENSUS REPORT OF 1999

<table>
<thead>
<tr>
<th>DIVISION</th>
<th>MALE</th>
<th>FEMALE</th>
<th>TOTAL</th>
<th>AREA IN SQ. KMS</th>
<th>DENSITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUBA EAST</td>
<td>44,056</td>
<td>47,492</td>
<td>91,548</td>
<td>203.2</td>
<td>451</td>
</tr>
<tr>
<td>SUBA WEST</td>
<td>25,006</td>
<td>27,870</td>
<td>52,876</td>
<td>277.4</td>
<td>191</td>
</tr>
<tr>
<td>RONGO</td>
<td>38,279</td>
<td>41,538</td>
<td>79,817</td>
<td>212.1</td>
<td>376</td>
</tr>
<tr>
<td>AWENDO</td>
<td>43,722</td>
<td>46,431</td>
<td>90,153</td>
<td>256.2</td>
<td>352</td>
</tr>
<tr>
<td>NYATIKE</td>
<td>31,201</td>
<td>34,301</td>
<td>65,502</td>
<td>493.0</td>
<td>133</td>
</tr>
<tr>
<td>KARUNGU</td>
<td>13,344</td>
<td>14,557</td>
<td>27,901</td>
<td>138.8</td>
<td>201</td>
</tr>
<tr>
<td>MUHURU</td>
<td>8,080</td>
<td>8,802</td>
<td>16,882</td>
<td>43.7</td>
<td>386</td>
</tr>
<tr>
<td>URIRI</td>
<td>43,443</td>
<td>46,775</td>
<td>90,218</td>
<td>38.4</td>
<td>237</td>
</tr>
</tbody>
</table>

*Source: Central Bureau of Statistics 1999*
<table>
<thead>
<tr>
<th>SELECTED NYANZA DISTRICTS</th>
<th>All Adults Equivalents</th>
<th>All households</th>
<th>All individuals</th>
<th>% of all individuals in Districts to Total population</th>
<th>Adult equivalent below poverty line</th>
<th>The poor household below poverty line</th>
<th>Individuals below poverty Line</th>
<th>% of all individuals below poverty line</th>
</tr>
</thead>
<tbody>
<tr>
<td>KISUMU</td>
<td>415,157</td>
<td>120,658</td>
<td>536,599</td>
<td>17</td>
<td>271,690</td>
<td>73,699</td>
<td>349,636</td>
<td>65.2</td>
</tr>
<tr>
<td>SIAYA</td>
<td>555,462</td>
<td>187,258</td>
<td>687,822</td>
<td>21</td>
<td>322,301</td>
<td>94,391</td>
<td>398,421</td>
<td>58</td>
</tr>
<tr>
<td>MIGORI</td>
<td>658,149</td>
<td>157,626</td>
<td>874,754</td>
<td>27</td>
<td>379,268</td>
<td>75,961</td>
<td>502,213</td>
<td>57</td>
</tr>
<tr>
<td>HOMABAY</td>
<td>406,880</td>
<td>114,701</td>
<td>504,481</td>
<td>16</td>
<td>315,309</td>
<td>82,764</td>
<td>389,734</td>
<td>77</td>
</tr>
<tr>
<td>KISII</td>
<td>559,851</td>
<td>125,726</td>
<td>717,120</td>
<td>22</td>
<td>320,369</td>
<td>66,222</td>
<td>407,860</td>
<td>57</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>3,320,776</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### APPENDIX V

#### TOTAL POPULATION ON STUDY

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>TARGET POPULATION</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food kiosks</td>
<td>228</td>
<td>20.20</td>
</tr>
<tr>
<td>Single shops</td>
<td>260</td>
<td>23.00</td>
</tr>
<tr>
<td>Butcheries</td>
<td>36</td>
<td>3.20</td>
</tr>
<tr>
<td>Barbers and salons</td>
<td>86</td>
<td>7.60</td>
</tr>
<tr>
<td>Bookshops</td>
<td>14</td>
<td>1.24</td>
</tr>
<tr>
<td>Hard wares</td>
<td>11</td>
<td>0.98</td>
</tr>
<tr>
<td>Restaurants and bars</td>
<td>14</td>
<td>1.24</td>
</tr>
<tr>
<td>Metal works</td>
<td>17</td>
<td>1.50</td>
</tr>
<tr>
<td>Tailoring shops</td>
<td>206</td>
<td>18.30</td>
</tr>
<tr>
<td>Cereal shops</td>
<td>123</td>
<td>10.90</td>
</tr>
<tr>
<td>Woodwork shops</td>
<td>90</td>
<td>7.98</td>
</tr>
<tr>
<td>Communication and computer services</td>
<td>6</td>
<td>0.53</td>
</tr>
<tr>
<td>Dispensaries and chemists</td>
<td>37</td>
<td>3.28</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,128</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

*Source: Rongo County Council Data 2005*
## APPENDIX VI
### WORK PLAN

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>MAY</th>
<th>JUNE</th>
<th>JULY</th>
<th>AUGUST</th>
<th>SEPT.</th>
<th>OCT.</th>
<th>NOV</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEEKS</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>PRELIMINARY SURVEY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAMPLING</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DATA ANALYSIS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REPORT WRITING</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>REPORT SUBMISSION</td>
<td>19</td>
<td>20</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>24</td>
<td>25</td>
</tr>
</tbody>
</table>

*Note: The shaded cells indicate the weeks during which each activity is scheduled.*
## APPENDIX VII

### FINANCIAL BUDGET

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION</th>
<th>COST (KSHS.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>Materials:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ruled papers (1 ream) @ 240.00</td>
<td>240.00</td>
</tr>
<tr>
<td></td>
<td>Typing papers (2 reams) @ 250.00</td>
<td>500.00</td>
</tr>
<tr>
<td></td>
<td>Folders (5 pieces) @ 40.00</td>
<td>200.00</td>
</tr>
<tr>
<td></td>
<td>Pens (1 dozen) @ 120.00</td>
<td>120.00</td>
</tr>
<tr>
<td></td>
<td>Field note book (3 pieces) @ 70.00</td>
<td>210.00</td>
</tr>
<tr>
<td></td>
<td><strong>Sub total</strong></td>
<td><strong>1,270.00</strong></td>
</tr>
<tr>
<td>2.</td>
<td><strong>Services:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Typesetting</td>
<td>8,000.00</td>
</tr>
<tr>
<td></td>
<td>Binding</td>
<td>5,000.00</td>
</tr>
<tr>
<td></td>
<td>Photocopying</td>
<td>6,000.00</td>
</tr>
<tr>
<td></td>
<td><strong>Sub total</strong></td>
<td><strong>19,000.00</strong></td>
</tr>
<tr>
<td>3</td>
<td>Commuting Cost</td>
<td>20,000.00</td>
</tr>
<tr>
<td>4.</td>
<td>Accommodation</td>
<td>13,000.00</td>
</tr>
<tr>
<td>5.</td>
<td>Subsistence</td>
<td>12,000.00</td>
</tr>
<tr>
<td>6.</td>
<td>Miscellaneous</td>
<td>18,000.00</td>
</tr>
<tr>
<td></td>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>83,270.00</strong></td>
</tr>
</tbody>
</table>
APPENDIX VIII

A SKETCH MAP OF RONGO DIVISION

Source: Rongo County Council, 2005
April 4, 2005

TO WHOM IT MAY CONCERN

This is to certify that Mr. Odondo Maurice Otieno, Reg. D53/OL/1817/02 is a student at Kenyatta University, Institute of Open Learning pursuing MBA (Entrepreneurship) studies.

A research project is one of the requirements students must fulfill before the award of the MBA (Entrepreneurship) degree.

Mr. Otieno plans to conduct research on a project entitled "Role of Small Enterprises on Poverty Reduction: A case Study of Small-scale Retailers in Rongo Division."

The purpose of this letter is, therefore, to kindly request that you authorize Mr. Otieno to conduct research on the above project in Rongo Division.

Thanks.

DR. J.K.A. ROSKE
For: DIRECTOR, INSTITUTE OF OPEN LEARNING

SWW/ng