AN INVESTIGATION OF THE IMPACT OF THE COST OF CRIME ON SMALL BUSINESSES IN THE EASTLEIGH URBAN AREA OF NAIROBI

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(D53/11502/04)

A Research Project submitted in the partial fulfillment of the requirements for the award of the degree of Master of Science (Entrepreneurship)

KENYATTA UNIVERSITY

March 2009
Kibandi Sammy Samso
An investigation of the impact of the
DECLARATION

This Research Project report is my original work and has not been presented for examination in any other University.

Signature: ................................ Date: 05/5/2009

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

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Signature: ................................ Date: 06/05/09

DOMINIC NGABA
CHAIRMAN, DEPARTMENT OF BUSINESS ADMINISTRATION
KENYATTA UNIVERSITY
DEDICATION

To the memory of my late mother, Milka Wangui:

You showed me the way.

To my wife, Wanjiku, and daughters Wangui and Wacheke:

You bring me joy.
ABSTRACT

In this study, I examined the need for information on Micro and Small Enterprises that could assist in identifying solutions to the many problems that affect the sector. Business crime was identified as one critical information gap that could be filled by undertaking a study to investigate the cost of crime and its other impacts on small businesses. The study was undertaken by administering a questionnaire on small business owners in the Eastleigh business district of Nairobi. The evidence derived from this study has shown that business crime has manifested itself in the study area with an overwhelming 99.5% of respondents reporting to have experienced at least one criminal incident; the direct and indirect costs of crime are high; the businesses do not rely on the existing law-enforcement crime-prevention measures; the investment in additional preventive measures are a serious drain to scarce business resources; and failure to respond to small business crime will compound an already serious problem. The reported high rate of victimization is a call for action if the MSE sector is to meet the expectations of driving the country’s economic growth and provide employment.
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OPERATIONAL DEFINITION OF TERMS

Micro and Small-Scale Enterprises (MSEs)

Applying the criterion used in the National MSE Baseline Survey (GOK: 1999), a micro enterprise is a business that employs up to 10 workers, while a small-scale enterprise is defined as one employing between ten and fifty workers, whether or not they are paid salaries or wages.

Crime

A crime is any act that is perceived by the society to be wrong and injurious to the affected victims (in this context, MSEs).

Business Crime

This is any crime perpetrated against a business, either internally by persons employed in the business, externally by other parties, or through the collusion of internal and external parties. Such crimes may include burglary, malicious damage to property, motor vehicle theft, fraud, theft of goods, robbery, extortion and workplace violence, among others.

Cost of Crime

This is the direct financial costs that are imposed on a business as a consequence of crime and have an impact on business operations.
Impact of Crime

Impact(s) of crime are the negative consequences or repercussions arising from crimes that are committed against businesses. These include impacts that have direct financial implications on the business as well as other impacts like loss of reputation, loss of employees or low morale that may not be quantified readily in financial terms.

Increased cost of crime

These are all the impacts of crime that MSEs have experienced over the past three-year period, using the first year as the base.

Small Arms and Light Weapons

Small arms are guns that can be used by a single person and light weapons are those that require two or more individuals to operate.

Illegal Arms

Illegal arms are small arms and light weapons that are in the hands of persons not authorized or licensed by the Government to be in possession of such arms.
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<td>Australian Institute of Criminology</td>
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<td>BCC</td>
<td>British Chambers of Commerce</td>
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<td>CCTV</td>
<td>Closed Circuit Television</td>
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<td>CID</td>
<td>Criminal Investigation Department</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GOK</td>
<td>Government of Kenya</td>
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<td>ICPC</td>
<td>International Centre for the Prevention of Crime</td>
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<td>Integrated Regional Information Network</td>
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<td>UK</td>
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<td>UN</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNICRI</td>
<td>UN Integrated Crime and Justice Research Institute</td>
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<tr>
<td>UNODC</td>
<td>United Nations Office on Drugs and Crime</td>
</tr>
<tr>
<td>UNRC</td>
<td>UN Resident Coordinator</td>
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CHAPTER 1

1.0 INTRODUCTION

1.1 Background to the Study

Crime is a worldwide phenomenon that appears to have defied efforts to contain it across the globe. Crime and violence cause damage and fear that affects the life and well being of people. Crime is more prevalent in urban areas and urbanization has been on rapid increase due to emigration to cities from rural areas. UNHABITAT and ICPC (2001) estimate that this demographic trend will continue to rise and that by 2020, close to 57% of the world population will live in urban areas (Africa 53%). For all categories of crimes combined, “more than three-quarters of these crimes are committed in urban areas, with robbery and assault being the principal causes of victimization in industrialized countries” (UNHABITAT and ICPC, 2001).

One of the key sectors affected by crime is the business sector where crimes such as robbery, fraud, extortion, burglary, vandalism, theft, cyber crimes and others impact negatively on the sector. Most of businesses are located and concentrated in urban areas. In most countries, the impact of crime on businesses is not known, mainly because of lack of data. While large businesses have resources to invest in crime control and prevention, small businesses in both developed and developing countries are easier targets and are victimized because they mostly do not invest in preventive measures against crime (SBP, 2008). Yet in both the developed and developing countries, medium and small enterprises have grown to become a significant contributor to economic and social development. Due to the negative impact of crime on the small business sector, some countries have taken proactive policy measures to protect this sector
from crime. One way of meeting this challenge has been to invest in research on crimes against small businesses and use the research findings to inform policy (BCC, 2004).

This study draws on previous research studies undertaken both in Australia and in the United Kingdom on the impact of crime on small businesses. These studies have been driven by the realization that on the one hand, small businesses constitute a major contributor to the economies of the two countries while at the same time crime exerts a heavy cost to the small business sector. Since 1999, the Australian Government has taken the issue of crime on small businesses seriously. The Government considers the small business sector as a major contributor to the economy and employment. The government commissioned a small business crime survey in 1999 which showed that small businesses were highly vulnerable to crime: 49% of the small businesses that responded had been victims of crime, and 6% of them had been victims of an armed robbery. Other institutions in Australia like the Australian Institute of Criminology undertake research on crimes affecting small businesses. Such research is widely shared and also published in their journal “Trends and Issues in Crime and Criminal Justice”.

Similarly, the United Kingdom government and business organizations like the British Chambers of Commerce have initiated many research initiatives and collaborative efforts with the police and business communities for the purpose of reducing crimes targeting businesses. For example, the BCC (2004) survey found that crime had impacted on nearly three-quarters of the firms, 10% had lost business as a consequence of crime, one in ten companies believed that their image had been damaged, and 7% of businesses had to postpone investment due to crime. As a result of such research findings, substantial resources are made available to businesses in the U.K. to help them prevent crimes. Some of these are in the form of simple and straightforward advice, for example, a series of “top tips” on security under the title “Putting Crime out of Business”.

KENYATTA UNIVERSITY LIBRARY
Businesses are provided with booklets containing detailed tips and checklists of security procedures necessary for a secure business environment. The Government also invests in crime-prevention activities and in a series of research studies on crime against small businesses.

In Kenya, small businesses, mainly the Micro and Small-scale Enterprises (MSEs) are important features of Kenya’s economic landscape. The National MSE Baseline Survey (GOK, 1999) shows that the number of MSEs grew from 910,000 in 1993 to 1.3 million in 1999, and employed approximately 2.3 million people. In addition, by 1998, the MSE sector contribution to GDP was 18.9%. Another important revelation of the survey was the gender distribution in the ownership of businesses at the national level, with men accounting for 52% and women 48%.

Mullei and Bokea (1999) point out that for most of the period since Kenya’s independence this sector had not been recognized at high political decision-making levels. But since 1985 political interest in the development of the so-called “informal and Jua Kali” sector began. Since then, a number of policy initiatives directed at promoting this sector have been developed and supported by the Government, culminating in the 2005 Sessional Paper “Development of Micro and Small Enterprises for Wealth Creation and Employment Generation” (GOK, 2005). However, the expected success of these initiatives did not materialize mainly because, apart from the lack of coordination of the policies, “... the regulatory environment remained largely hostile to many small business operators”.

Apart from the hostile regulatory environment, the state of insecurity is considered to contribute significantly to crime. The growth and survival of small businesses is closely linked to the environment in which they operate. The risk of failure “...can be thrust upon an entrepreneur through external conditions or fabricated by the entrepreneur through personal shortcomings.
Small business owners are particularly vulnerable to both situations because they are usually preoccupied with the immediate needs of survival” (Holt, 1992). One of the major challenges that face businesses, and MSEs in particular because of their heightened level of vulnerability, is crime.

Security in Kenya has been of concern particularly over the past decade. The deteriorating security situation as a result of criminal activities is more serious in urban areas, especially Nairobi, leading to loss of life and property. Businesses have, over time, been the target of criminal activities, and this has grown steadily mainly due to the increase and availability of small arms in the country (Institute of Security Studies, 2002; Human Rights Watch, 2002). One indicator of the impact of crime on small businesses is the massive and rapidly growing investment in security measures take to prevent crime: security fences, guards, alarm systems, CCTV, burglar-proof metal bars and doors.

The UNHABITAT undertook a study in 2002 to address these concerns (UNHABITAT, 2002). The survey had three components: personal crimes, property crimes, and commercial crimes. On commercial crimes, a total of 300 enterprises were involved in the study, 100 of which were from the central business district, 40 from the industrial area, and 20 from each of 8 other selected areas of the city. The findings of this study point to as high as 30% of enterprises having fallen victim to burglary, and that the locality of the business, size and number of years in business, were significant factors in determining the likelihood of a business to become a victim of crime. The report further revealed that the types of crimes found most commonly were shoplifting, theft of goods on delivery, theft by staff, and assaults on employees. One of the recommendations of the survey was that a specific study dedicated to commercial enterprises be undertaken in order to develop a better understanding of crimes committed against businesses in
Nairobi. In addition, the survey methodology did not indicate how many of the enterprises surveyed fell within the definition of MSEs. Moreover, the different areas of the city face different types, incidence and impacts of crime since some areas like the Eastlands may be more vulnerable than other parts of the city.

A case study of Nairobi undertaken by the University of Bradford (2005) justifies the selection of Nairobi for research on the perception that the city has high levels of crime that are mostly violent, crime was said to be “organized” and that this resulted in “a widespread climate of fear”. Among other findings, the study concludes that in some business sectors like that of matatu public transport, a “bandit economy” has developed that benefits the gangs that infiltrate the sector at the expense of the vehicle owners and the travelling public that has not only to pay more in fares, but are also prone to violent robbery and loss of property or life when these vehicles are high-jacked. Small businesses similarly fall victim of organized gangs which through extortion exert a heavy cost on the operations of the affected businesses.

1.2 Statement of the Problem

Studies undertaken in the U.K. and in Australia have been able to demonstrate that crime impacts significantly on businesses. A study by the British Chambers of Commerce (2004) found that crime had impacted on 70% of respondents’ businesses. Negative impacts included disruption of activities, loss of business, lower staff morale, increased insurance costs, damaged business image, postponement of planned investment and increased costs of changing building layout as a way of combating crime. It has been estimated that business crime costs the U.K. economy pound sterling 91 million each year and pointed out statistics that showed that in 2000, the cost of crime to retailers amounted to 1.4 billion pounds, with an additional expenditure of 642
million pounds on crime prevention measures (Crime Concern, 2002). In a survey conducted in Australia on small businesses in the retail food, retail liquor, newsagent, pharmacy and service station sectors, it was estimated that crime costs small businesses $3.2 billion a year, and that these financial costs as well as the accompanying psychological impacts of violent crimes can lead business owners to the decision to close shop (AIC, 2000).

Studies (AIC, 2002; SBP, 2008) indicate that large commercial enterprises invest heavily in crime prevention and are generally able to absorb these costs without the risk of failure, while small businesses do not and as a result are more vulnerable to crime. Furthermore, studies have “tended to focus on the large corporate sector” thereby creating a gap in the study of small and emerging businesses and how they are impacted by crime (SBP, 2008). The study also notes that there are proportionately few small enterprises that take insurance cover against potential criminal activities as compared to large corporations. In the local context, Kenya Police crime statistics provide aggregate figures based on the types of crime committed with no information on the victims.

It is against this background that the study was carried out to investigate the extent to which MSEs are victims of crime, the types of crimes they face, the financial costs and other consequences that impact on them as a result of victimization, and the crime-protection measures used by the businesses.

1.3 Objectives of the Study

1.3.1 General Objective

The overall objective of this study was to investigate the cost of crime on small businesses in the Eastleigh urban area of Nairobi.
### 1.3.2 Specific Objectives

The specific objectives of the study were:

(a) To determine the types of criminal incidents that small businesses experience;
(b) To examine the frequency of these incidents;
(c) To establish the direct financial and non-financial costs of these incidents on the operations of enterprises; and
(e) To establish the crime-protection measures undertaken by these businesses.

### 1.4 Research Questions

a) What types of criminal incidents have the businesses experienced?

b) What is the frequency of the criminal incidents?

c) What are the direct financial and non-financial costs of these criminal incidents on the small businesses?

d) What steps are taken by business owners to protect their businesses from crime?
2.1 Literature Review

2.1.1 Introduction

This chapter reviews literature on small business crime from a variety of sources. The review also attempts to place emphasis on search for available literature on small business crime from two selected developed countries that have made progress in research in this field, namely Australia and the United Kingdom.

The focus of the literature review is not limited to the cost of crime on small businesses. It draws information from the wider business crime environment by attempting to answer the following questions: What are the causes or motivating factors for crimes committed against small businesses? What are the major types of small business crimes? What are the cost and other potential impacts of these crimes on small businesses? What preventive measures or strategies are employed to mitigate against these crimes? What can be done to improve on prevention measures? What policy intervention can be adopted in Kenya?

To assess the existing gaps in research in this area, the literature review is divided into the following broad areas: types and causes of small business crimes, impacts of crime on small businesses, crime prevention strategies, the conceptual framework, and the gaps to be filled.

2.1.2 Types and Causes of Small Business Crimes

Crimes committed against businesses are many, and studies have come up with a comprehensive listing (AIC, 2002; Crime Concern, 2002) that includes the following broad
categories: Burglary; malicious damage; motor vehicle theft; theft; fraud; robbery; burglary; workplace violence; shoplifting; and extortion, blackmail or corruption. In view of the expanding use of computer technology in business transactions, computer-related crime has over time grown in importance. For example, fraud is now more easily perpetrated through the use of computers. Increased reliance on computerization is a major cause of fraud in Australia (KPMG, 1998). Other than the theft of computer hardware, Rees (1998) has argued that even if the business did not lose the computer through theft but its data was destroyed through virus attacks or there was unauthorized copying of business data, then such crimes have a devastating effect on businesses.

The extent and the types of crimes committed against businesses in Kenya are not well documented through research. One of the reasons that may explain why business crimes are not captured in crime statistics is the failure of the victim businesses to report crimes. Although considerable progress has been made in some countries like the United Kingdom and Australia, the BCC (2004) crime-against-business survey found that many businesses did not report a crime to the police because either they had no confidence in police responses; it was too time-consuming; reporting the case would lead to higher insurance costs; they were fearful of reprisals and negative publicity to the business; or were not convinced that the police would manage to result with a conviction.

UNODC (2005) has confirmed most of these concerns as the reasons why people fail to report crime, but provides the wider context of why this is the case, especially in African countries, Kenya included. These include the failure to trust the criminal justice system due to corruption or the ineffective systems in place. Access to justice is also identified as an important factor which is relevant particularly to small business owners, whom because of
their responsibilities do not have the time “to be taken off to participate in the criminal justice process.”

Entrepreneurs are by nature constrained by time. Involvement in the pursuit of justice is extremely time-consuming, and most business people will avoid litigation as far as possible if the cost exceeds the benefits likely to be derived from it. In Kenya, there is a general perception and anecdotal evidence that suggests that the average member of the public, including persons who run businesses, consider investigating police officers as corrupt and that there is generally a remote chance for recovery of stolen property. Victim businesses find that pursuing the matter would only add to their overhead costs, on top of the time they will spend at the police station recording statements and in the courts (assuming the matter reaches that stage). This study is expected to provide some insights on the reasons why Nairobi-based businesses affected by crimes fail to report.

Acknowledging that reporting crimes is a statistical limitation in many countries globally as the UNODC (2005) report shows, exploration of the literature provides a variety of factors that contribute to business crime. The first category of motivational factors to business crime has been cited to include the absence of security as a result of such factors as the lack of “rule of law” (UNODC, 2005) which makes the level of crime in the country an important factor to investors. Other factors include poor policing, which is normally linked to lack of facilities, and corruption associated with law enforcement.

The term “police corruption” has a range of meanings, sometimes depending on the circumstances: “.... It has been used to describe many activities: bribery; violence and brutality; fabrication and destruction of evidence; racism; and, favouritism or nepotism” (UK Government,
The UNODC 2005 report, "Crime and Development in Africa", quoting research undertaken by The Economist Intelligence Unit that evaluates safety and security issues which affect businesses across selected countries worldwide, concludes that crime was a very serious concern for businesses in South Africa, Nigeria and Kenya, and that the police in these countries had been "... ineffective in stemming the crime wave ..." and "... cannot be relied upon to enforce the law adequately and to protect the public ..." (UNODC, 2005). Poor training, corruption, and lack of facilities to combat crime are factors that contribute to increase in violent crime targeting businesses and the public at large. Under such circumstances, criminals become aware of the limitations of the security forces and become motivated to engage in crime since they were unlikely to be apprehended.

Workplace factors are another important element in crime against businesses by the employees. For example, studies have shown that fraud is perpetrated by staff, is very costly to businesses and usually difficult to detect. A KPMG fraud awareness survey undertaken in Australia in 1997 showed that 25% of fraud was perpetrated by staff holding management positions, while 52% was by employees. Only 23% was perpetrated by people external to the organization. However, frauds also result from collusion between staff and persons outside the organization (U.K. Government, 1988) as happens when procurement officers collude to over-price contracts or arrange payment to fictitious creditors for non-existent services in exchange for a bribe. While such frauds are usually perpetrated by persons who may have acquired some expensive lifestyle, involved in gambling, or associated with bad company-activities that cannot be supported by their income level-it may also arise from some form of resentment with the employer.

Longstaff (1988) argues that workers who steal in their workplace are more likely to be those who do not feel to be part of the business and viewed themselves as being used as mere tools by
the owners. Staff that work for a business that demonstrates its value for its staff, keeps them fully informed about its performance and the future plans have a sense of belonging and "...this sense of belonging is reciprocated ..." by the staff; they become the firm's advocates to the larger community and are less likely to harm the interests of the business.

Crimes may also be caused by "opportunities" presenting themselves to the offender. Felson and Clarke (1998) contend that "opportunity makes the thief" and have developed ten principles in support of their "crime opportunity theory". Two of these principles that are relevant to this study contend that "...opportunities play a role in causing all crime" and that "...social and technological changes produce new crime opportunities" (Felson and Clarke, 1998). In their discussion on why a particular target risks a criminal attack, Felson and Clarke demonstrate that an offender will consider four factors: the targeted item is valuable, is not heavy, is exposed, and is accessible. Under these circumstances, if there is no "capable guardian" to prevent the offender from committing the crime, he will seize the opportunity and translate it into a crime.

The above is further supported by research on "hot products". The asset to which crime is directed is important in determining if the opportunity exists. For example, U.K. Government (1999.b) argues that items or products that offer the greatest attraction to thieves constitute a major determinant of crime. The study refers to these as "hot products" that meet the six attributes summarized under the acronym CRAVED: concealable, removable, available, valuable, enjoyable and disposable. Cash meets all these criteria and is therefore determined as the "hottest" product. In Kenya, mobile phone shops, foreign exchange bureaus, clothes stores, offices, jewellery shops, corporate organizations and those NGOs that are perceived to own valuable equipment in their offices like lap-top computers and cameras, are all frequent targets of crimes. In the years past, businesses selling gas cylinders or electric cookers were targets because
of the ease of disposal of these items. Businesses should therefore attach risk levels to each of their products according to the above criteria. In this way, they will decide on appropriate preventive measures that reduce the opportunities for theft.

In addressing the physical environment as a potential motivation for crime, Taylor & Harrell (1996) based their research on physical features: housing design or block layout, land use and circulation patterns, resident-generated territorial features, and physical deterioration. The physical environment is a determinant in the decision to commit a crime where it reduces the risks of detection and of being caught, while offering higher chances of exiting the area safely after the offence. In support of this view, Willison (2002) in his dissertation discusses a criminological school of thought known as “Situational Crime Prevention” whose focus is to understand the environment in which a crime occurs in order to reduce the opportunities for crime.

In April 2005, the Office of the UN Resident Coordinator in Kenya issued a report on behalf of the UN family that linked income inequality to the other social problems facing the country, chief among them being insecurity and crime (UNRC, 2005). These, according to the report, posed a significant threat to both local and foreign investment. Elsewhere in Africa, South Africa is usually quoted as one of the best examples of a rich country which has a spiraling crime rate which is said to be caused by wide income disparities and lack of access to basic social services. This appears to be a view that is commonplace in most “development” literature, linking the level of growth and income distribution to social ills and threats facing the country, especially crime (UNODC, 2005).
UNODC (2005) attempts to move away from the notion that crime has a direct statistical correlation to the level of a country's development, indicating that apart from the lack of dependable data, it cannot be argued that “…under-development or poverty cause crime, or that development alone can resolve crime problems in Africa”. The report further argues that those who are the poorest in society “…are often the most law-abiding, and those who have suffered most are perhaps most reluctant to visit suffering on others” adding that “…the symptoms of social malaise tend to travel in a pack…unemployment, low household incomes, poor nutrition, high education drop-out rates, unplanned pregnancies, single-parented households, substance abuse and other forms of crime…” This scenario is indeed painted in most of the informal settlements areas of Nairobi, including those bordering the study area of Eastleigh. Whether these demographic characteristics can be said to have a positive correlation to the crime levels targeting small businesses in the area can only be better explained by research.

The “development” model that suggests that the volume of crime will decline with the rise in the rate of economic and social development is further challenged in the publication by UNODC and UNICRI (2005). It suggests that this relationship has not only been disapproved through statistical evidence derived from developed countries over the past fifty years, but that “Crime trends tend to be strongly and positively related to levels of affluence. Almost everywhere, crime rates start rising as soon as the economy starts to grow” (UNODC & UNICRI, 2005). The report cites the cases of all the developed countries that experienced “economic miracles” after the Second World War where in all cases the rise in economic growth was accompanied by very high rising crime rates.

Another dimension of crime is the proliferation of illegal arms. Over the past two decades, Kenya has witnessed the deterioration of security in neighbouring countries, especially Somalia,
causing an influx of refugees as well as illegal arms into the country. Human Rights Watch (2002) highlights the dilemma facing the country in view of the expansive borders with countries in turmoil, and faced by a situation where control of cross-border transport of illegal guns is an impossible task for the security forces. The challenge facing the Government in the control of small arms is clearly demonstrated in a statement (GOK, 2006) by the Minister in charge of Internal Security which identifies “...their easy availability, relative cheapness, technical simplicity and concealability” as the factors that make them the “...arms of choice to all categories of criminals”.

These factors, coupled with corruption in the law enforcement agencies, has made criminals more daring in their raids of business premises, including raids in daylight and in highly populated areas of Nairobi. The issue of small arms is closely linked to that of organized crime, gangs and vigilante groups. Sokolov (2004) in his aptly-titled research- “From Guns to Briefcases- The Evolution of Russian Organized Crime” -discusses the defining moments in Russia’s recent history after the collapse of communism, in which the country fell under “the grip of criminal enterprises, ... brutalizing helpless business owners”. Sokolov goes on to show that due to failure of the state to offer security to businesses, criminal gangs enforced costly protection contracts. However, the high demand in turn created a vacuum that resulted in new entrants into the private security market. Ultimately, the criminal groups had to compete with state-run agencies and private security companies to offer services to businesses.

Gangs are a major source of crime that target small businesses, especially in highly populated areas and in slums. Nott, Shapiro & Healey (1990), show that gangsterism in some social settings becomes the only alternative to livelihood for many youth who lack “...employment opportunities, a social support system and personal security.” As a collective group, they are
therefore prone to inflicting violence on others who appear better off in society. In the Kenyan context, gangs—formal or informal—have been known to terrorize businesses whenever there are major demonstrations in Nairobi, especially those that stock “hot products”.

Healey (2000) supports the above view about the social environment in which youth particularly are faced with what make them succumb to gang life. In addition, she accuses media influence in its role of contributing to “…maintaining gangs in South Africa” by depicting “…gangs and their members as powerful and influential” and outside the control of the law enforcing agencies. This perception is said to be responsible for explaining why youth are attracted to this dangerous lifestyle. This may probably explain the way some gangs in Nairobi have been popularized by the media, and the Mungiki is a case in point. The criminal activities perpetrated by such groups particularly in extortion and blackmail of Matatu transport businesses, and the success of its recruitment of new membership—may be attributed partly to the media stories that portray the “movement” as intractable and difficult to eliminate (University of Bradford, 2005). Such gangs, including vigilante groups, are consequences of the gross failure in security and the rule of law, and are able to operate with impunity in various areas of the city. The bottom-line is that in such areas, business does not thrive, and means of livelihood diminish as gangs take control of the lives of the people.

Drugs and alcohol abuse are an important motivating factor in the commission of crimes. Crime Concern (2002) argues that business crime should not be treated in isolation, but should be linked to the wider crime picture in various communities, in order to understand and appreciate the underlying causes. There are certain risk factors that on their own tend to be a contributory factor to crime affecting businesses, other things being equal. Crime Concern (2002) identifies
location, size and age of business, the hours of trade, and type of business as some of the factors that increase the chances of U.K. businesses being targeted by criminals.

As can be seen from the discussion above, causes or motivations to crimes against businesses are mostly interlinked and reinforce each other. Thus, the presence of some of the risk factors, coupled with the physical environment conducive to crime and absence of adequate policing, enhance the motivation and opportunity to commit a crime as such a business is already highly vulnerable.

2.1.3 Impacts of Crime on Small Businesses

From the literature, impacts of crime on businesses may be grouped under three major categories: losses to the businesses themselves, losses impacting on government, and losses impacting on the public. These losses may also be said to reinforce each other. For example, losses to businesses and to the public reduce potential tax revenues to the government, and this in turn undermines the government’s capacity to provide the necessary security to the businesses and the public (AIC, 2002). The impacts of crime on businesses, the government and the general public have been well documented through research. The first major impact is the use of scarce business resources to provide own security for protection and self-insurance (UNODC, 2005) through recruitment of private sector security guards and equipment, installation of fences, security doors and grilles, alarm systems, and so on. Challinger (1995) has identified the loss in tax revenue and the cost of maintaining the criminal justice system as the impacts of business crime to governments. Mullei (2003) has also attributed the loss of Kenya’s “competitiveness in attracting investment” and of “retaining the stock of investment” to a number of factors, chief among them being crime, corruption, insecurity and theft. In these instances, impacts of crime
have a multiplier effect of reducing income to the government that would otherwise be used in the provision of services required by the business sector, including security.

Additionally, Challinger (1995) stipulates that the public is also impacted upon through “…higher prices, and possibly less employment because of business failures and lack of investment in future business”. This may also involve relocation of businesses outside the community to safer environments or may simply lead to closure, because “Fear of crime isolates businesses, much like fear isolates individuals- and this isolation increases vulnerability to crime” (NCPC, 2007). Crime Concern (2002) also identifies the loss of investments, employment opportunities and services as a result of business crime as direct and indirect impacts of crime on the public.

The direct and indirect costs to businesses are addressed in detail in a technical paper prepared by the AIC (2002). The paper identifies the direct financial costs to businesses as “the most visible”, but sometimes may remain unreported because the businesses may be unaware that crimes have been committed- for example, shoplifting. In addition, crimes may only be unearthed after an audit has been undertaken, usually long after the crimes were committed. Indirect costs include revenue losses due to operating at sub-optimal levels, loss of reputation for inconveniencing customers due to disruptions, higher operational costs, and costs of preventive efforts aimed at avoidance of potential crimes in future. Another important dimension discussed in the paper is the psychological impact on victims whose experience causes damaging stress and trauma. This is relevant in the Kenyan context since some of the crimes against businesses may be accompanied by physical and sexual assault on the business owners as well as their family members or staff, and in many instances murder.
Crime Concern (2002) has quoted a number of statistics from the U.K. to show the impact of crime on the economy: business crime costs the U.K. economy £91 million each year; cost of crime to retailers amounted to £1.4 billion in 2000, while an additional £642 million represented expenditure on prevention; and estimates put the annual direct cost of workplace violence to society at £62 million, including medical costs and time off work. These are in addition to other costs such as disrupted and reduced trade, increased insurance costs and workplace violence.

The study by the British Chambers of Commerce (2004) confirms these impacts on businesses. On the question regarding the impact crime had on their members' businesses, the survey found that crime had impacted on over 70% of the firms that responded, with a third suffering disruption of their activities as a result. Other impacts of crime reported include loss of business, lower staff morale, increased insurance cost, and damaged image of the business. In addition, 7% of the firms had to postpone planned investment while 11% changed their layout of the building as a way of combating crime. These figures are indicative of the seriousness of crime, not only on the continuing business operations, but also to the potential for growth and plans for new investment.

Draper (1995) has also identified the “direct costs” of the loss to include money, negotiable instruments, property, or information, while the “indirect costs” include reputation, goodwill, loss of employees, and employee morale. According to Draper, organizations that ignore these costs do so at their own peril. The costs need to be assessed and weighted according to their level of “criticality.” Depending on how serious the impact is to the business, it could result in the business being closed permanently or for a long period of time, require a significant new investment, or require attention of the owner due to the impact on earnings. Other less critical impacts may be covered by normal business “contingency reserves.”
Another important consideration not widely covered in the literature is the impact of litigation on small businesses. A study sponsored by the USA Small Business Administration (2005) concluded that litigation is normally very costly to small businesses both in terms of resources, time and normally considerable stress. In Kenya this situation is normally worsened by the corrupt justice system.

2.1.4 Crime Prevention Strategies

This section reviews the prevention strategies suggested in the literature as having the potential to reduce crime against businesses. Business crimes are caused by different factors and have different impacts in different places and time. No one strategy can effectively prevent crime and a combination of strategies may be required to be used to successfully impact on crime.

Policy-oriented research, coupled with professionally conducted crime analysis, appear in the literature as important elements for lasting and effective crime prevention strategies. Crime Concern (2002) refers to “a range of measures” that, when used together, are likely to produce positive results in prevention. Such measures—for example those that focus on businesses at higher risk or those who have been candidates of repeat victimization—can only be implemented with the benefit of research. The report emphasizes the “availability and analysis of high quality data” as the most important strategies for “intelligence-led policing” and effective crime reduction. For this to succeed, the crime records prepared by the police should, on the one hand, disaggregate business crimes from other types of crime while on the other promote the undertaking of business crime surveys on periodic basis.

The Australian Bureau of Statistics (1998) concedes that “…the national collections do not allow ready identification of businesses as victims of crime”. It further identifies the limitations of the
policedatabases from which the statistics are obtained, as well as the complexity of the “concept of crime against business.” Furthermore, for some types of business crimes such as fraud or computer crime, statistics would be more useful on a few selected serious offences than by the “volume” of the reported cases. In summary, the report recommends serious thought before embarking on implementing a programme for collecting data on business crime and concludes by stating that such a process should “…be governed by the requirements of research, crime prevention, legislative and policy development and operational management directed at business crime.”

UNODC (2005) recommends development planning agencies to conduct research and given the population dynamics prevailing in many African countries “…in terms of income inequality, youth unemployment, population instability, and access to justice issues…”, such research should take account of these issues, because the presence of them in combination “…make it more probable that crime will occur, other things being equal.”

Similarly, Taylor and Harrell (1996) in their study on physical environment and its influence on crime concluded that offenders were rational human beings who considered the potential risks and benefits, and would usually engage in a crime that required the least effort. For example, the design and layout of buildings and the surrounding area may determine whether a thief will decide to commit a crime and if so, whether there was any chance of escaping without detection. Irrespective of the maximum benefits likely to be achieved from the crime, if the effort and the risks are considerably higher, then the target may be abandoned.

Croucher (2005) identifies the following contributory factors for the low-rate of reporting business crimes in the U.K.: business crime is not a performance indicator for the police, low
funding for policing activities, and the fact that business crimes are viewed as "victimless" crimes. These are policy issues that require to be addressed by firstly, providing the police with the necessary funding to enable them take up crime statistics on businesses as part of their regular work, and positioning business crime as an important political and economic agenda.

Felson and Clarke (1998) support the use of crime theory as a tool for researching effective crime prevention strategies. They emphasize use of approaches that draw from the opportunity-based theories of crime prevention which offer a more realistic framework that builds on the old saying that "opportunity makes the thief." This implies that prevention strategies that are derived from other criminological theories (for example the biological and psychological) are unlikely to result with effective policy outcomes compared to those derived from the opportunity-based theories. Another study, U.K. Government (1999.b), emphasizes the need for on-going research because the pace of technological advancement will result with introduction of new "hot products" and that technology itself can in turn assist in new methods of preventing theft. A number of strategies of preventing crimes are suggested in a book on situational crime prevention (Clarke, 1997) that identifies four key strategies, namely, to firstly increase the perceived effort of crime; secondly, to increase the perceived risk of crime; thirdly, to reduce the anticipated rewards of crime; and fourthly, to remove excuses for crime.

To increase the perceived effort of the crime, businesses should, for example, install locks that are not easy to manipulate and control access to the premises by use of electronic entry gadgets. To increase the perceived risks of crime, businesses should, for example, arrange to screen all entrances and exits, install surveillance cameras and use security guards, and ensure the area is well-lighted at night. Reducing the anticipated rewards of crime could be achieved by means
such as identifying or marking property and removing targeted property like removable radios from vehicles.

Crime prevention can also be achieved over time by small businesses adopting a business plan that incorporates strategic actions that must be taken in the event of a crisis. This pro-active management decision would ensure that a crime against the business is anticipated, along with other potential crises that may occur in the life of the business. Spillan and Crandal (2001) in their study “Crisis Management among Guatemalan Small Businesses: The Assessment of Worst-Case Scenarios” argue that unfortunately, small businesses generally do not consider crisis management in their planning, often adopt an “it can’t happen to us” mentality, or depend on the insurance to cover any potential losses. They note that even where insurance may indeed cover the tangible losses it usually does not cover the “intangible items such as company reputation and customer goodwill”.

The Government and its law-enforcement agencies are mandated to provide security to the general population, by protecting life and property. In her study, Berg (1998) quotes five levels of how the state can respond to the threat of organized crime. Depending on the level of state involvement, any crime prevention strategies that are not in harmony with what the key and influential figures in the government are desirous in pursuing will not succeed. These levels range from “direct confrontation” aimed at destroying criminal gangs to “reluctant acquiescence”, “tacit connivance”, “active encouragement” of crime to the highest level where the state actively colludes with criminal gangs.

In the Kenyan context, it is important to ask why crime is so rampant, pervasive and permeating almost every sector of the country. The resources normally voted for security in Kenya are
significant in comparison to those of other sectors. In this connection, it may be realistic to suspect that at times the state has connived with criminals for political expediency. *Mungiki, Jeshi la Mzee* and other criminal gangs matured probably because they were given the opportunity to do so, mainly because they serve political interests of the ruling class from time to time. When they overstep their “mandate” crackdowns on the movement become an immediate priority and the groups apparently disappear from the public scene, only to reappear at other opportune political moments.

The strategy of building partnerships between the business community and other sectors and organizations has been considered as another effort towards crime prevention. Under the Safer Cities Initiative by UNHABITAT, for example, a project funded by the UNDP has been ongoing in Nairobi since 2001. This initiative brought together the UN, Nairobi City Council, resident associations (Kenya Association of Resident Associations), business (Kenya Association of Manufacturers), community (Nairobi Central Business District Association), slum dwellers (Shelter Forum), Police stations (Kenya Police), women groups and youth (Youth for Habitat). The initiative is aimed at developing a citywide crime prevention strategy, working with the key stakeholders. Crime Concern (2002) has also supported this strategy in the U.K.

The other important strategy regards the need for management to establish organizational structures, systems and controls that are aimed at prevention as well as detection of crimes whenever they occur. Sarre (1995) points out that businesses have a responsibility to ensure that they put in place basic systems and controls, and not to expect the police to deal with every small crime that occurs, thereby taking up a lot of police time on matters that are preventable. Small businesses should “act diligently and proactively” to make sure that the business practices they use on a day to day basis do not “make them vulnerable” to crimes by both internal and external
perpetrators. He quotes a police estimate that indicated that in an Adelaide (Australia) small business zone in January 1994, 70% of police day time hours were spent processing shoplifting apprehension reports from departmental stores and other retail shops. Sarre is of the view that this cost could easily be avoided if businesses adopted simple crime prevention measures. The point raised above is significant for countries like Kenya where policing is already a problem, and resources available should be directed more at prevention.

Organizational policies, rules and regulations and the structure of the organization are important features in firms that endeavour to control and prevent crime, including those that are more likely to be perpetrated from within the organization. The example of such crime is fraud by staff members, including those holding managerial responsibilities. Stretton (1995) concludes his paper on eradication of workplace fraud by emphasizing the need for efficient business and management structures that “…prescribe the rules and the outcomes desired, enforce them, and provide a clear structure of vertical responsibilities and accountabilities. It must plainly reward good behaviour and penalize bad behaviour” (Stretton, 1995). He recommends staff training and the adoption of “…an organizational culture of integrity and honesty” as other ways of fraud prevention.

Strategies for crime prevention should factor in the role of the media as an important tool in advocating against crime but also in investigating crimes and making the information reach the wider public. Crimes against businesses have mainly come to the public domain through the efforts of the media. Many businesses do not report crimes committed against them, for some of the reasons raised elsewhere above. However, Lloyd & Walton (1999) have raised a number of critical concerns about the role of the media and its effectiveness in fighting crime. They argue that due to the “growth in market-driven journalism”, financial issues are not given prominence,
meaning that "...financial crime in the press is seen as a downer in the market and therefore not encouraged." In addition, "U.K. investigative journalists also face tough defamation laws and cannot be expected to act as early warning systems when the crime is undetected by the company involved." They also conclude that the public has very high expectations of the media to unearth business crimes, and "...its resources and expertise is best used in developing news coverage once the financial scandal has been uncovered."

In conclusion, it is noted that no one strategy or organization can succeed in crime prevention, and there is need for application of multiple strategies in combination depending on the area of focus, as well as by partnering with various stakeholders. Importantly, however, the Government must have the political will that ensures that security is a priority consideration, and that adequate resources are budgeted for this purpose. Government interventions should have these overriding factors as the cornerstones for policy formulation.
CHAPTER 3

3.0 METHODOLOGY

3.1 Introduction

The objective of this study was to investigate the cost of crime on small businesses operating in the Eastleigh area of Nairobi, Kenya. The study adopted a systematic random sampling design and aimed at gathering evidence on the extent to which small businesses had been victims of crime, the types and frequency of the crimes they had experienced, the financial costs and other impacts that resulted as a consequence of criminal incidents, and measures of protecting business from crime.

The key independent variables represented the presence of potential causes of business crime. These included such factors as an insecure business environment (insecurity, corruption, poor conditions of law enforcement); opportunities for committing crime (illegal arms, drugs and alcohol abuse, organized crime groups, poor physical infrastructure); workplace factors (poor owner-worker relationships, weak structures, systems and controls, poor business practices); and deprivation factors (income inequality). The primary dependent variable was the cost of crime, which could take the form of direct financial cost or other impacts on the businesses that had experienced crime. The existence of the potential causes of business crime in the study area could be further escalated by intervening variables such as weak policing mechanisms or rewards of crime (high rewards, low risk, ready market for stolen property) to potentially lead to higher costs of crime.
3.2 Population and Sampling

3.2.1 Target Population

The study area has a high concentration of small businesses and has witnessed a rapid growth in new enterprises over the past few years as indicated by the mushrooming of large shopping malls. Eastleigh has an active business association that has a membership of over 10,000 small business owners. However, most of these are small outfits without permanent structures, while approximately 1,000 fall within the larger Eastleigh but outside the boundary of the study area. The business association estimated that about 3,000 fell within the definition of micro and small enterprises as defined in this study. The owners of the 3,000 businesses constituted the target population for the study and were treated as a homogeneous group.

3.2.2 Sample selection

To determine the sample size for the study, Israel G.D. (1992) provides a formula that computes sample size given the precision and confidence levels required. Thus, for a size of population (N) of 3,000 MSEs, to compute the sample size (n) required for ±7% Precision Level (e) where the Confidence Level is 95%:

\[
n = \frac{N}{1+N(e)^2}
\]

\[
n = \frac{3,000}{1+3,000(.07)^2}
\]

\[
n = 3,000/15.7
\]

\[
n = 191
\]

Therefore, a sample size of 191 businesses was required for the study.

A systematic sampling design was used. Cooper & Schindler (2003) consider this methodology as “versatile” and has the major advantage of “…simplicity and flexibility”, among other
advantages. In this approach, "...every k\textsuperscript{th} element in the population is sampled, beginning with a random start of an element in the range of 1 to k. The k\textsuperscript{th} element is determined by dividing the sample size into the population size to obtain the skip pattern applied to the sampling frame." In this study, by dividing the population size (N=3,000) by the sample size (n=191), it was determined that the sampling ratio is 15.7 or approximately 16. In order to draw a systematic sample, the researcher identified a random start and then drew a sample by choosing every 16\textsuperscript{th} business until all the 191 sample businesses covered. At the end of the study, the survey team had covered the whole area and then retraced the area already covered by following the same skipping pattern, finally reaching and interviewing a total of 204 against the targeted sample of 191 businesses.

3.3 Data Collection Procedures

To administer the questionnaire, two research assistants with previous survey experience were recruited and an extensive review of the questionnaire undertaken, aimed at reaching common agreement on terminologies and drawing a plan for both the pilot and the main study phases of the survey. A third assistant from the local Somali community was recruited through the help of the provincial administration and the Eastleigh Business Community leadership, to introduce the researchers to the business owners and assist in translations.

The questionnaire was structured in such a way as to specifically address the research questions as well as gather basic demographic information as background on the businesses. Background information included: the name, type (service, light manufacturing, commercial or other), age of business, total number of staff employed, and whether or not the business had been a victim of crime over the previous three years. The substantive data to respond to the research questions
included questions on types of criminal incidents experienced and their frequency, the financial and other impacts of crime, and crime-protection measures (those that were used and proposals on other appropriate measures that could be employed to insure protection).

### 3.3.1 Pilot Study

The survey design incorporated a pilot phase to “pre-test” the questionnaire before the main study was undertaken. Mugenda and Mugenda (1999) recommend that a pre-test sample be not very large and that this should be between 1% and 10% depending on the sample size. Using this criterion, 5% of 191 businesses (approximate 10 businesses), was used in the pilot study. Lessons learnt from the pilot were used in improving the questionnaire and in the efficient administration of the main survey.

In planning for the site to undertake the pilot study, the researcher relied on the census cartographic maps for the area under study, which show divisions of the Eastleigh zone by streets (i.e., 1st Street through 12th Street Eastleigh) and by blocks where businesses are located. The 12 streets are in turn bordered by Junja Road, General Mathenge Street, Kenya Air Force Base fence and Muratina Street. For this research undertaking, 12 zones were identified in the map and simple random sampling was applied to select one zone for the pilot study. The area between Junja Road and 1st Street Eastleigh was randomly selected and this geographical area was not included in the main study. This zone had 9 building blocks as identified in the map (Appendix D) which in turn held individual business premises. Random sampling was again applied to identify both the block and the business to be the starting point in the systematic random
sampling of the businesses. When this process was concluded, Block 0012(A) was selected and from there, Avenue Glass Hardware was selected as the starting point. Using the skipping pattern, every 16\textsuperscript{th} business was surveyed until the desired sample of 10 businesses was covered. At the end, 11 businesses were surveyed over a two-day period between 13 and 14 November 2008, thereby achieving the desired coverage for the pilot study.

The lessons learnt from the pilot and incorporated into the main study include the following:

i. The planned “Drop & Pick” technique to distribute and collect completed questionnaires was found inappropriate and face-to-face interviews would be applied to complete the interviews with respondents. It took an average of 30 minutes to complete each questionnaire.

ii. Respondents were keen to have a specific question to provide their own proposals on how business crime should be addressed in the area. This would expand their contribution beyond the responses required from the original questionnaire and add value to the study. The questionnaire was revised to incorporate an additional open-ended question to accommodate additional views. The results’ chapter of this study includes a comprehensive analysis of the views expressed by the respondents.

iii. A local resident was identified to act as the liaison between the research assistants and the business owners as he was well known to them, and also act as a translator since he was proficient in the Somali, Oromo and Arabic languages. Some respondents were neither literate in English or Kiswahili.
iv. The pilot study helped identify the best times of the day to plan for the interviews, taking account of the periods when business was busiest and the times of prayers for the dominantly Muslim business community.

3.3.2 Main study

Field work took place between 24 November and 9 December 2008. The study covered the Eastleigh North and Air-Base sub-locations and detailed results were obtained following completion of 204 questionnaires against the planned sample of 191 small businesses. Interviews took place face-to-face with business owners at their business premises. The interviews were conducted in English and Kiswahili. Translations were made from other languages like Somali, Oromo or Arabic where need arose. All answers were recorded in English.

3.4 Data Analysis

Data from the questionnaires was processed and analyzed in order to produce the expected output of the project, namely, provide answers to the research questions. “Technically speaking, processing implies editing, coding, classification and tabulation of collected data so that they are amenable to analysis. The term analysis refers to the computation of certain measures along with the searching for patterns of relationship that exist among data groups” (Kothari: 2004). Each of the collected questionnaires was examined to ensure that the data was accurate and complete to the extent possible.

The data capturing and analysis was performed using SPSS 12.0 computer statistical programme. Frequency tables, graphs, and cross-tabulations were generated to facilitate the descriptive
analysis and interpretation of the data. Data analysis for the pilot study was completed first which informed on the analysis of data for the main study. Arising from the over-whelming response from respondents on types of criminal incidents experienced and their views on crime prevention, the responses were further re-grouped by major categories of crimes and proposed prevention measures respectively. Cross-tabulations were performed to show the distribution of some of the key variables, for example: type of business in relation to cost of crime, years in business in relation to cost of crime, and years in business in relation to the frequency of crime.
4.0 FINDINGS

4.1 The Survey

This chapter presents the results of an analysis of the cost and other impacts of crime perpetrated on small businesses in Eastleigh area of Nairobi from information provided by the respondents surveyed. Analysis includes the types of crime, the trend of crime, extent of repeat victimization, the cost of crime, and crime protection measures. The analysis starts with introductory sections covering the demographic characteristics of the businesses: the location of the businesses, types of businesses surveyed, number of years in business, number of employees, and previous experience of crime.

4.1.1 Location of businesses

The study covered two administrative sub-locations of Eastleigh area of Nairobi’s Pumwani Division where there is a concentration of small businesses, namely, Eastleigh North and Air Base. The area is bordered by Junja Road in the north, General Waruingi Street in the south, the Kenya Air Force Base fence barrier in the east, and Muratina Street in the west.

4.1.2 Types of businesses surveyed

A total of 204 businesses were surveyed. The survey specifically targeted businesses located in permanent structures in the two administrative sub-locations of the study area and excluded small outfits undertaking subsistence-level trading, including hawkers. Commercial enterprises comprised 62% of the total, while service and light manufacturing represented 32% and 6% respectively as represented by Figure 1 below.
4.1.3 Number of years in business

Table 1 below shows the distribution of the 204 businesses surveyed by the number of years in business at the time of the study. Of the total, 25 businesses (14.2%) were less than one year in existence, while the majority (107 businesses representing 41% of the total) were aged between 3-10 years. Only 12 or approximately 5% of all businesses surveyed were over 10 years old.
4.1.4 Number of employees

Out of the 204 businesses in the study, 179 (87.7%) employed between 1-5 staff, 24 (11.8%) had between 6-10 staff, while only 1 business (0.5%) employed more than 10 staff members.

4.1.5 Experience of crime

Out of 204 business owners interviewed, 203 (99.5%) reported having been a victim of crime during the three years preceding the study, compared to only 1 business owner (0.5%) who had not experienced any crime during the period.
4.2 Actual experience of crime

4.2.1 Types of crimes prevalent in Eastleigh

The businesses surveyed identified approximately 23 different types of crimes that they had experienced over the previous three years (Appendix A). The most frequently experienced crimes included violent robbery at gun-point or using other crude weapons, counterfeit currency in payment for goods or services, shoplifting and break-ins, usually at night. For ease of analysis, these crimes and their frequencies were grouped under six broad categories discussed in the following sections.

4.2.1.1 Major crime categories

The six crime categories shown in Table 2 below indicate that commercial burglary (35%) and

Table 2: Major business crime categories

<table>
<thead>
<tr>
<th>CRIMINAL INCIDENTS BY BROAD CATEGORY</th>
<th>FREQUENCY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraudulent payments for goods and services</td>
<td>64</td>
<td>17</td>
</tr>
<tr>
<td>Corruption</td>
<td>36</td>
<td>10</td>
</tr>
<tr>
<td>Armed robbery and violence in or in vicinity of business premises</td>
<td>109</td>
<td>30</td>
</tr>
<tr>
<td>Commercial burglary and theft</td>
<td>127</td>
<td>35</td>
</tr>
<tr>
<td>Theft through deception</td>
<td>26</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>367</td>
<td>100</td>
</tr>
</tbody>
</table>
armed robbery (30%) were the most prevalent crimes experienced, followed by fraudulent payments (17%).

4.2.1.2 Fraudulent Payment for Goods or Services

There were 64 cases of fraudulent payment for goods and services that were reported by the respondents. The most prevalent was the use of counterfeit currency (58 reported instances) usually randomly mixed with legal tender at the time of payment, which occurred mostly in the evenings when business was busy and lighting poor. Defrauding businesses using cheques and credit cards (5 cases) was the other form of crime used. One instance was reported of fraud using the new Safaricom MPesa money transfer system via the mobile phones. The trick involved issuing instructions for the transfer of money to the business owner’s mobile number; receipt of goods; then immediately thereafter alerting the MPesa service providers that a transfer to a wrong telephone number had been concluded and the transfer subsequently blocked before the seller had retrieved the funds.

4.2.1.3 Corruption

For the purposes of this study, this group of criminal incidents was given the title “corruption”, referring to persons who interacted with business owners in a dishonest or illegal manner with the aim of personal gain, usually in return for money. Three main types of these activities fell under this group and are shown in the Table 3 below, including the number of incidents reported by respondents.
Table 3: Types of corruption cases reported

<table>
<thead>
<tr>
<th>Bribery</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harassment by Police and City Council staff</td>
<td>15</td>
</tr>
<tr>
<td>Harassment and threats by Government officials and/or persons impersonating license inspectors from the Kenya Pharmacy &amp; Poisons Board, Ministry of Health</td>
<td>15</td>
</tr>
</tbody>
</table>

These cases involve persons purporting to be enforcing various council by-laws, taxation and business licensing requirements and do not follow the accepted procedures in the application of these requirements. Criminals were reported to have impersonated City Council staff or the police and harassed business owners, especially those with refugee status who were more vulnerable because they risked being deported or taken to refugee camps. Pharmacies and chemist businesses were particularly targeted by persons claiming to be license inspectors from the Kenya Pharmacy and Poisons Board. Corruption incidents comprised 10% of all the criminal cases reported by respondents.

4.2.1.4 Armed robbery and violence directed at business owners, staff or customers

A total of 109 cases were reported under the category of crimes involving armed robbery and other types of violence directed at business owners, staff and customers. Cases of violent robbery at gun-point and use of other crude weapons was highest with a frequency of 80 incidences (73% of total incidents). This was more frequent in the evenings and usually just around end-of-day
closure of the business. Violence was also meted on employees for a variety of reasons. For example, some customers alleged poor service in restaurants and left without making payment for what they had consumed, threatening violence if payment was demanded. In other cases, gangs posed as customers and escaped with goods without payment. When reported to the police, local gang members threatened business owners and staff with violent retaliation. In one case, a business owner was threatened with violence when he tried to follow up on payment for goods sold on credit. Customers were frequently victims of mugging outside or in the vicinity of businesses, and before, during or after shopping.

Table 4 below shows the incidences reported and their frequencies.

<table>
<thead>
<tr>
<th>Type of Criminal Incident</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violence directed at staff, owners, and customers</td>
<td>20</td>
<td>18.35</td>
</tr>
<tr>
<td>Violent robbery at gun-point or other crude weapons</td>
<td>80</td>
<td>73.39</td>
</tr>
<tr>
<td>Mugging of customers</td>
<td>8</td>
<td>7.34</td>
</tr>
<tr>
<td>Attempted rape after armed robbery</td>
<td>1</td>
<td>0.92</td>
</tr>
<tr>
<td>TOTAL</td>
<td>109</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Street boys also violently demanded to be given food or other edible commodities. In one case, there was attempted rape after an armed robbery had been perpetrated.
4.2.1.5 Commercial Burglary and Theft

Under the group of crimes classified as commercial burglary and theft, there are nine sub-groups which in total represent 127 criminal incidents experienced by respondents over the previous three years of the time of the study. These include break-ins at night and during Muslim prayer-times, theft of goods in transit, shoplifting, theft during times of civil unrest, attempted burglary, mugging, snatching by street children, theft by employees, and vandalism of motor vehicles.

Shoplifting was the most prevalent of the crimes under this category, representing 30% (38 respondents) of all incidents. It was reported that there were incidents where staff of competing neighbouring businesses stole goods placed on display outside the shops. Cases of break-ins also involved the use of master keys to gain entry into business premises. The five (5) cases of theft
during a political unrest took place during the riots following the disputed December 2007 presidential elections. Figure 3 above shows the crimes and their respective frequencies. This category of crimes constituted 35% of all incidents reported by the respondents.

4.2.1.6 Theft through deception

The crimes under theft through deception covered two areas. Firstly, where businesses suffered from the supply of products that ended up as counterfeit (5 cases) and secondly, instances where the businesses were led into sham “deals” by shady and crafty impostors promising to supply goods (21 cases). In most instances, payments were made in advance for goods that were never delivered, relying on “trust”. In all cases, it was impossible to recover losses incurred. This category of crimes represented 7% of all crimes committed against businesses (see Table 5 below).

<table>
<thead>
<tr>
<th>Cases of Theft Through Deception</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Counterfeit products for resale</td>
<td>5</td>
<td>19%</td>
</tr>
<tr>
<td>Businesses conned by crafty “suppliers”</td>
<td>21</td>
<td>81%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.1.7 Other types of crimes

Two types of crimes are reported under “other” crimes. Two reported incidents involved allegations of police collaborated with criminals in committing crimes against businesses. In addition, in three incidents, it was reported that vigilante groups extorted money from businesses.
4.2.2 Experience of crime in relation to age of business

Table 6 below shows a cross-tabulation of two variables, *age of business* and *cost of crime*. A total of 99 out of 204 businesses (48.3%) estimated the cost of crime to be under Kenya shillings 20,000 over the previous three years irrespective of the age of the business. Similarly, businesses aged between 1 and 5 years represented 136 out of the 204 businesses for the entire range of cost of crime from under Sh. 20,000 to over Sh. 500,000. Overall, 8 businesses recorded a cost of over Sh. 500,000 over the same period, 6 of which were over 6 years old.

<table>
<thead>
<tr>
<th>Years of business</th>
<th>Cost of crime</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;20,000</td>
<td>20,001-50,000</td>
</tr>
<tr>
<td>&lt;1 year</td>
<td>17</td>
<td>5</td>
</tr>
<tr>
<td>1-2 years</td>
<td>34</td>
<td>15</td>
</tr>
<tr>
<td>3-5 years</td>
<td>33</td>
<td>13</td>
</tr>
<tr>
<td>6-10 years</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>&gt;10 years</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>99</td>
<td>41</td>
</tr>
</tbody>
</table>

4.2.3 Cost of crime in relation to type of business

The distribution of the businesses by cost of crime show that while approximately half of all businesses suffered a cost of under shillings 20,000 over the past three years, there is a fairly equal proportionate distribution across the commercial, service and light manufacturing sectors for the entire range of the costs of crime.
Table 7 above shows how the cost of crime was distributed among the three types of businesses in the study area.

### 4.3 Perceived trends in crime levels

#### 4.3.1 Trends in crime levels

Business owners provided striking differences on their perception of the trend of crime over the three-year period. While 40.5% were of the view that the levels of crime had gone down, 39% said it had stayed the same. Only 19% said that crime levels had gone up, while 1.5% provided a “don’t know” response.
4.3.2 Frequency of crime and repeat victimization

Among the respondents, the frequency of crimes was reported as follows:

- 166 had experienced 1 to 5 incidents;
- 23 had experienced 6 to 10 incidents;
- 11 had experienced 11 to 15 incidents;
- 1 had experienced 15 to 20 incidents; and
- 3 businesses had experienced over 20 incidents.
Figure 4 below highlights this scenario.

Figure 4: Frequency of crime and repeat victimization

The table shows that there was a high rate of repeat victimization.
4.4 Cost of crime

Sections 4.2 and 4.3 above looked at the actual experience of crime as well as the perceived trends in crime levels. This section addresses the cost of crime in financial terms and other impacts on small businesses based on the respondents’ experiences.

4.4.1 Financial costs of crime

Based on the sample of 204 businesses, 99 (48.3%) indicated that the crimes they encountered cost under Sh. 20,000 while another 41 or 20% of the total said that the cost ranged between 20,000 and 50,000 shillings. Figure 5 below shows how much crime costs the other 64 businesses.

**Figure 5: Financial cost of crime reported by businesses**
The figure also shows that eight businesses (3.9%) suffered losses in excess of Shillings 500,000 each.

### 4.4.2 Impact of crime on businesses

The assessment of the level of impact of crime on businesses was based on a sample of 10 potential areas that would probably impact on businesses in the occurrence of crime. These include loss of customers, increased operational costs, costly business decisions like relocation or postponement of investment, impact on staff, and damage to business image, among others. The level of impact of each cost variable on businesses is assessed by a scale of 1-5 as shown in Table 8 below.

**Table 8: Perceived significance of the different impacts of crime**

<table>
<thead>
<tr>
<th>Impact of crime</th>
<th>Level of impact on business (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No impact</td>
<td>Little impact</td>
</tr>
<tr>
<td>Loss of customers</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>Increased security costs</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Postponement of investment</td>
<td>34</td>
<td>42</td>
</tr>
<tr>
<td>Relocation of business</td>
<td>32</td>
<td>30</td>
</tr>
<tr>
<td>Low staff morale</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Difficulties in recruiting staff</td>
<td>49</td>
<td>14</td>
</tr>
<tr>
<td>Difficulties in obtaining insurance</td>
<td>88</td>
<td>4</td>
</tr>
<tr>
<td>Higher insurance costs</td>
<td>88</td>
<td>3</td>
</tr>
</tbody>
</table>
From the above table, it is noted that 88% of all respondents said that there was no impact at all in terms of either obtaining insurance or incurring higher insurance costs as a consequence of crime. Similarly, approximately 50% said that they faced no difficulties in recruiting staff because of crime levels in the area. However, 22% said it had very significant impact. Additionally, approximately 33% said that there was no need to postpone investment, relocate business or make physical changes to the layout of business premises in response to crime. Low staff morale was a major factor as it impacted on businesses: approximately 47% said morale impacted moderately, 32% said it impacted significantly, while 6% said it had a very significant impact. Increased security costs impacted significantly on businesses (66%). Respondents were of the view that damage to business image was a major impact on businesses: moderate impact (25%); significant impact (44%); and very significant impact (11%). While 58% were of the opinion that crime led to loss of customers with a rating from moderate to very significant, the other 42% were of the view that it had little or no impact.

4.5 Crime protection measures

On crime protection measures, the respondents were asked to provide information at two levels. At the first level, they were asked to state which, out of 8 listed protection measures, which they had used or relied upon and how frequently. At the second level, they were asked to propose
measures that in their opinion would be most effective in protecting their own businesses from crime. Sub-sections 4.5.1 and 4.5.2 show the results of the responses to these two questions.

4.5.1 Protection measures used or relied upon by businesses

The response to the level of use or reliance of a type of protection measure was scaled from the lowest (not at all) to the highest (all the time) as shown in Table 9 below. The results show that:

- Only 9% relied upon police patrols for protection all the time, and 39% relied upon police patrols sometimes. The balance of 54% either did not rely on this measure or did only rarely.

**Table 9: Protection measures relied upon by businesses**

<table>
<thead>
<tr>
<th>Crime protection measure used or relied upon</th>
<th>Level of use or reliance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not all</td>
</tr>
<tr>
<td>1. Police patrols</td>
<td>26</td>
</tr>
<tr>
<td>2. Private security</td>
<td>27</td>
</tr>
<tr>
<td>3. Organized vigilante groups</td>
<td>88</td>
</tr>
<tr>
<td>4. Jointly-organized security</td>
<td>70</td>
</tr>
<tr>
<td>5. Burglar-proof installations</td>
<td>4</td>
</tr>
<tr>
<td>6. Protection payments</td>
<td>89</td>
</tr>
<tr>
<td>7. Close business early</td>
<td>6</td>
</tr>
<tr>
<td>8. No protection measures</td>
<td>96</td>
</tr>
</tbody>
</table>

- An overwhelming majority all the time relied upon private security (65%); burglar-proof installations (92%); and closing business early (60%) for protection.
• An overwhelming majority never used or relied upon organized vigilante groups (88%), jointly-organized security (70%) or protection payments (89%).
• Only 1 business claimed not to have any protection measure against crime; majority relied on one protection measure or another.

4.5.2 Protection measures proposed by business owners

Respondents were asked to suggest the range of protection measures they considered appropriate in combating business crime in Eastleigh area. A total of 400 responses were received (see Appendix B for the full list). For ease of analysis, these responses were grouped in 8 different categories with percentage share as follows: awareness creation (11%), police and policing (43%), access to firearms (3%), youth empowerment (7%), infrastructural improvements (30%), personal identification (1%), Government intervention (4%), and other measures (1%). These categories and their respective frequencies are depicted graphically in Figure 6 below.
Each of the major categories of the proposals is discussed in more detail in the following sections.

4.5.2.1 Awareness creation about crime and its impact

A total of 49 suggestions were received on the creation of awareness among the business community about crime and the associated impacts. The majority (46) were on awareness about crime prevalence and impact on businesses; that businesses should consider the installation of a security system for the area (2); and 1 proposal for businesses to consider taking insurance cover for crime-related risks.
4.5.2.2 Police and policing

Of the 184 proposals recorded under this category, most respondents (97) suggested that there should be increased and intensified night- and-day police patrols of the area. Up to 24 respondents wanted frequent transfers of police officers; 16 said that police performance and conduct should be subject to regular monitoring and investigation. Additional proposals and their frequencies included the following: establish a police station and additional police posts in the area (19); provide additional CID officers to investigate crime (7); station a “flying squad” in the area (1); ensure crimes are fully investigated (3); improve relationship between the police and public (2); establish community policing (5); better remuneration for the police (2); investigate alleged police collaboration with criminals (6); and investigate cases of criminals impersonating police officers (1).

4.5.2.3 Infrastructural improvements

Respondents suggested infrastructural improvements relating to installation of security lights (77); installation of CCTV cameras (25); and improvement of road network (27) to facilitate access to all areas. Respondents were of the view that the ruined infrastructure, particularly road, drainage and street lighting, was a major cause of the insecurity facing the area. The situation was particularly bad during heavy rains. This aggravated law enforcement because access was generally impossible.

4.5.2.4 Actions for Government

The respondents’ opinion was that the Government had a critical role in the security of the area. Suggestions included the removal of street children from the area as they were considered a
security menace (7); tackling the sale and use of drugs in the area (2); undertaking a comprehensive security review of Eastleigh (3) and limiting the night operating hours of bars and pubs (alleged criminal hide-outs).

4.5.2.5 Empowerment

Respondents considered the idle youth in the area a security concern and suggested two areas of empowering the youth: creating employment opportunities (25) and empowering the youth to start their own businesses (3). Respondents’ focus on empowerment was on the youth section of the population, and they held the view that without attention being given to the youth in terms of opportunities, crime prevention would not succeed.

4.5.2.6 Personal identification

The issue of identification cards or papers was raised by respondents at two levels. On the one hand, nonnationals who were in business were targeted for harassment by police, city council security or even criminals. This was primarily because they did not possess or could take long to obtain such papers from the Government authorities. On the other hand, respondents were of the opinion that in view of frequency of criminals impersonating Government officers, it was important that all Government officers should possess and display their official personal identification documents when on duty.

4.5.2.7 Access and use of firearms

Legal and illegal possession of firearms was considered a critical security concern in the area. On the one hand, respondents said that action should be taken to disarm people in possession of illegal arms. At the same time, proposals were made to legalize use of firearms by business
owners for self-protection and at the same time legalize use of firearms by private security guards to secure the businesses they worked for.

4.5.2.8 Other proposed prevention measures

Under this category, respondents suggested application of capital punishment (1), administration of “mob justice” (1) and the introduction of the Islamic “Sharia law” (1) to deal with criminals. In addition, they suggested that a private company should be established to handle the security needs of the area (2 cases).
CHAPTER 5

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary and discussion of the findings

This study set out to investigate the types and the frequency of crimes in the Eastleigh urban area of Nairobi, the impacts of these crimes to the business community, and the measures that are in place or could be put in place to protect businesses from crime. The study adopted a systematic random sampling design in the face-to-face administration of a questionnaire that was administered to 204 respondents. In analyzing the data, the researcher set to seek answers to the key research questions and to establish how the case of Eastleigh compares with the results from studies carried out in other countries, in particular the United Kingdom, Australia and South Africa. Previous studies in the area of small business crime point to the following common themes:

a. While the situation has improved over time, there is still limited research focusing on small business crime;

b. The scale of the problem is large enough to warrant serious concern by the governments and key stakeholders in these countries;

c. The MSE sector is very critical to the economies of these countries as a driver for economic growth and employment creation to allow crime to suffocate the sector;

d. Beyond the monetary costs, the opportunity and emotional costs of crime are extremely high; and

e. Business crime, unlike crime affecting individuals, continues to be treated as “victimless” crime because businesses are expected to be profitable and cover losses
through insurance, thus attracting less attention from both the Government and the police (AIC, 2002; BCC, 2008; SBP, 2008).

These themes, with the exception of the psychological impacts of business crime (which were determined at the conception stage of the study to be more a sociological rather than a business research problem) are central to the discussion of the results of this study that follows below.

The following are the major findings from the study:

a. The victimization rate, an indicator of the number of businesses that experienced at least one crime incident over the previous three years before the study, was very high at 99.5%. The findings further reveal a high rate of repeat victimization, where previously affected businesses continue to be victimized.

AIC (2002) among other studies has shown that after the initial successful crime incident, the degree of vulnerability rises further fuelled by the perpetrators acquired knowledge of the business premises, weaknesses in the security system or other factors known by the perpetrators. While older enterprises are affected by the phenomenon, most are under the age of five and the impact of crime at early infancy impacts negatively on their survival.

South Africa, Australia and the UK report a victimization rate averaging 54% for each of these countries, although the period covered in each case was one year (SBP: 2008) compared to three years covered in this study. It is worth noting that the previous study on crime in selected sites in Nairobi (UNHABITAT, 2002) revealed that the of the respondents interviewed, the victimization rate for burglary, for example was 30%, robbery (37%) and theft (22%). The question that needs
to be addressed is whether the victimization rate of 99.5% in Eastleigh, as evidenced by the data collected, represents a realistic picture of the crime situation in the area. In attempting to answer this question, there is need to reflect on the dramatic transformation of Eastleigh (see box below) from the early 1990s to the time of the study, and how this transformation may have impacted on the area to the extent of giving rise to a higher crime prevalence rate.

FIGURE 7: THE TRANSFORMATION OF EASTLEIGH

The collapse of the Somali Government and the protracted conflict in the country since 1991 led to an influx of Somali refugees into Kenya that continued to early 2009. According to the UNHCR’s appeal for humanitarian assistance, over 260,000 Somali refugees are accommodated in the Daddab refugee camps located close to the Kenya-Somalia border as of March 2009 (UNHCR, 2009). The Kenyan Somalis living in Eastleigh served as a “pool factor” for attracting Somali refugees escaping the violence in their country (Campell, 2005). The conflict in Somalia was still ongoing in early 2009 with no end in sight. It is estimated that there are around 25,000 Somalis living in and around Eastleigh that have established complex networks of family kinships and businesses communities linked to Dubai and the Bakaara market in Mogadishu, (Farah, 2009). According to Lindley, the Somalis have had a significant social-economic impact and Eastleigh has flourished as the global hub for the displaced Somali population’s “information, trade, finance and family networks” (Lindley, 2007). Throughout the past 18 years, Eastleigh has been transformed from a lowly residential area to a major commercial center of Nairobi, where the Somali and increasingly Ethiopian refugees bought up residential buildings and converted them into large retail malls, kicking out most of the local entrepreneurs in the process (Campell, 2005; Farah, 2009; Lindley, 2007). Most of the new property owners were wealthy Somalis who had established themselves in their home country with local and international trading links and simply transferred their expertise and wealth to Eastleigh. Additionally, the remittances from the large Somali Diaspora in the Gulf, Europe, the U.S.A. and Canada to the family and kin in Kenya contributed to the creation of new small enterprises, including investing in the transport and other businesses. The purchase of the Kenya Bus Services Garage in Eastleigh and the construction of a shopping plaza on the site is an indication of the extent to which the refugee population has taken over and dominated the area. It is for this extensive domination and its threat to other businesses in the wider Nairobi that the area has been referred to as
“Little Mogadishu”. During the researcher’s visits to the area during the study, it was noted that most old buildings were being brought down and replaced with shopping malls or potential business-cum-residential structures.

It should be noted that particularly in 2008, Eastleigh businesses were booming even as the country was undergoing economic decline due to the effects of the civil unrest following the disputed 2007 Presidential elections as well as the impacts of the global financial crisis. UNODC & UNICRI (2005) higher economic growth does not necessarily lead to lower crime rates, and that indeed, economies that have demonstrated economic booms have been accompanied by a rise in the crime rate. Could this explain the Eastleigh case?

In contrast, the infrastructure of the area has in time steadily deteriorated as the population and number of businesses rose geometrically. Anecdotal evidence suggests that Somali-owned businesses in Eastleigh transact business in millions of shillings every day. In the context of this high expansion and growth of new businesses of the Somali population is the existence of dire poverty and lack of opportunities for the neighbourhood populations of Mathare, Kariobangi, and Huruma informal settlements as well as parts of Pumwani.

FIGURE 8: MAP OF A SECTION OF THE MATHARE INFORMAL SETTLEMENT (SLUM) THAT BORDERS EASTLEIGH
Figure 8 above shows a section of the Mathare slum that borders Eastleigh. The area is a potential source of criminals who target Eastleigh.

In the above context, Eastleigh is a unique area representing unique characteristics from other parts of Nairobi. In investigating the crime victimization rate for this area, it is the view of the researcher that businesses in Eastleigh faced very high victimization due to the special circumstances and characteristics of the area, which shows evidence of growing wealth that is difficult to ignore.

Finally, there has been a parallel thriving trade where which businesses premises in the City Centre were converted into small stalls selling products imported mostly from Dubai and China. The renowned business acumen of Somalis, coupled with their financial resources and contacts in Dubai and Somalia, has threatened the survival of their Kenyan counterparts. This was bound to create a sense of disillusionment as Eastleigh increasingly became the centre for selling imported products at much cheaper prices than those offered by their competitors. Anecdotal evidence suggests a link between arson and other crimes perpetrated on the Eastleigh businesses to the underlying rivalry.

b) While twenty three (23) different crime types were identified by the respondents, vulnerability is highest in the following specific crimes: violent robbery at gun-point or other crude weapons, procurement of goods or services using counterfeit currency, shoplifting, break-ins, theft through deception, and corruption.

AIC (2002) provides a detailed catalogue of crimes against businesses that includes the following major categories: burglary, malicious damage, theft (including of motor vehicles), employee theft, fraud (including employee fraud), robbery, workplace violence and blackmail/extortion/corruption. Studies in the U.K., Australia and South Africa have shown these crimes to be the most prevalent. However, e-crime has become increasing important particularly in the U.K. in the recent years with the latest survey showing that 7% of businesses experienced
computer related incidents (BCC, 2008). Hijacking is also perceived to be most problematic in South Africa (SBP, 2008) and is not reported in the studies undertaken in the other two countries. How unique are the experiences of Eastleigh businesses in contrast to those of Australia, the U.K. and South Africa? The study demonstrates that Eastleigh has experienced all the crimes listed under the categories above but with varying impact. However, one of the unexpected finding is that with the high record of hijackings that had been reported in Nairobi and country-wide over the past decade, not a single incident was reported by the survey respondents to have taken place. One probable explanation is that most of the business owners being refugees did not own vehicles (these needed registration using official national identity cards and Kenya Revenue Authority approval) and therefore depended on public transport and taxis for travel. The other is that business owners reside in the same building or very close to their businesses unlike Kenyan entrepreneurs who traditionally commute to and from the city suburbs to run their businesses in other areas, including the City Centre. Related to this is the social need of the Somali community to remain close to its membership in an area where Kenyan Somalis have resided for decades, creating a close affinity between the refugees and the locals.

The survey also established that a number of crimes were a product of the Eastleigh business environment which is not comparable to that of the other countries. For example, incidences of corruption, amounting to 10% of all crimes experienced, were perpetrated by persons in authority (regular police, city authority officers and health inspection staff) who were at the same time expected to provide businesses protection from crime if they performed their duties within the law. In these instances, the businesses were harassed with the ultimate aim of paying bribes to the extent that bribes became a permanent and regular expenditure to these businesses. Police collaboration with criminals was also perceived to be a major threat. Respondents feared
reporting to the police about known criminals after such culprits had been released by the police after arrests without prosecution. Similarly, the use of counterfeit currency in transacting business was prevalent in the area as compared to the fraudulent use of cheque and credit card facilities to obtain goods, services or cash which was reported as the greater concern for businesses in the U.K., Australia and South Africa. There are four plausible explanations for the high frequency of counterfeit transactions: high sales turnover across the entire spectrum of businesses; cash-dominated transactions; poor and sporadic lighting, usually in the evenings; and timing when business owners were extremely busy on the cash counter. Under these circumstances, the alertness of the cashier was compromised as counterfeit notes were normally mixed with legal currency. The crime was noticed much later.

It is probably also a manifestation of greed by business owners in the study area as the survey demonstrates that in 21 instances, losses through purchase of counterfeit products were incurred through sham short-cut “deals” initiated by crafty “suppliers”. The expectation of easy-earned profits at the expense of business ethics contributed to losses that could easily have been avoided. However, losses were also incurred in instances where goods were stolen in transit.

c) In order of importance, the proposed protection measures point at issues surrounding ‘police and policing’ as the most critical, followed by improvements in the infrastructure and thirdly, in awareness creation about crime prevalence and its attendant impacts on businesses and other area residents.

Respondents' stand appears to emphasize the fact that it is only the state that can and has responsibility and capacity for national security and that if proposed actions were implemented,
then their reliance on the police would be enhanced. Most of the proposals regarding the police touch on important reforms in the police force, some of which were already being implemented under the on-going police reforms (GOK, 2003), for example: better remuneration and working conditions for police officers, community policing, improving the relationship between the police and the public, and regular transfers from one area to the other.

The state of the area’s infrastructure, particularly access roads and drainage, was in a total state of chaos and appears a total nightmare for residents. *Figures 10 and 11* below show sections of dilapidated roads in Eastleigh, depicting the level of the collapse of the infrastructure in the area.

*FIGURE 9: EASTLEIGH’S RUINED INFRASTRUCTURE (1)*
d) The results validate the findings of previous research that show that crime impacts negatively on businesses in terms of loss of customers, damage to business image, low staff morale and increased security costs.

However, the finding on the impact on loss of customers was largely but not entirely in agreement with the previous research. While 58% of the respondents said that loss of customers had “moderate” to “significant” impact, still a sizeable 42% considered it to be of “little” or “no” impact. Similarly, this mixed finding from the results is probably a further pointer to the
uniqueness of the study area. Most of the customers are either (a) residents of the area who were unlikely to relocate because of crime usually because opportunities for relocation are non-existent or (b) they are customers who visit irregularly to buy stocks for re-sale in other parts of Nairobi or elsewhere in the country. Both categories of customers are likely to maintain their relationship with Eastleigh businesses.

e) Contrary to previous research that shows that crime impacts on small businesses’ ability to obtain insurance and at reasonable cost, 88% of survey respondents felt that this was not a problem at all.

Anecdotal evidence obtained through further probing on the issue revealed that insurance to cover potential business losses from crime or other calamities was not factored in the manner in which businesses were conducted. Other possible factors were that the Somali refugees, including those who had obtained citizenship from the Kenyan Government and were now bona fide citizens, either did not know about the insurance cover because most of the insurance companies consider the Nairobi Eastlands as highly risky and therefore uninsurable, or opted for self-protection through community-initiated measures that they could place more trust in.

Other results that are contrary to previous research findings indicate that the respondents did not consider that crime created difficulties in the recruitment of staff, or that crime would lead them to make major decisions about postponing their investment or relocating to other areas. Regarding staff recruitment, the plausible explanation is that the Somalis mainly rely on owner-run businesses supported by close family members or their kin in the larger Somali fraternity and few offer employment to local Kenyans. On postponement of investment or relocation as a
consequence of crime, the discussion above on the recent transformation of Eastleigh support the view that the zone has been fully dominated by the Somalis in terms of both the population of the people and of the enterprises. Consequently, the business owners are more likely to remain in this area notwithstanding the level of crime and apply their substantial wealth and increasing influence to enhance crime protection.

f) The outcomes of the study shed more light on the crime protection measures relied upon by businesses, with an overwhelming indictment of the police force: only 9% relied on police protection all the time, while businesses significantly relied upon private security (65%), closing business early (60%), and burglar-proof installations (92%).

As shown by SBP (2008) and UNODC (2005), use of scarce business resources for protection is a clear waste of potential investment capital and adds no value to the business. In a situation where small businesses bring income to the Government through taxation and are also pivotal to the growth of the economy, business owners should correctly presume and expect police protection from crime.

Early closure of businesses or changing opening hours because of the fear of crime are some of the business practices considered as options to protect businesses from crime. If consistently applied on a large scale, these measures have dramatic negative consequences on the economy and in people’s livelihoods. For example, the 24-hour economy is envisaged as one way of raising national production and creating employment as part of the implementation of the Kenya
Government’s Vision 2030. However, security is a critical hindrance to this endeavour since the fear of crime in itself has an impact on the way people make business and other decisions.

5.2 Implications of the Research Findings

The evidence from the study results points to a realization that crime on small businesses is a problem that is prevalent and has a host of negative implications to the SME sector. The discussion above illustrates that the Eastleigh situation is probably unique and the crime rate may not be generalized to other areas of Nairobi or other towns. However, this may only mean that other areas experienced lower rates of crime compared to the study area, not a complete absence of business crime. (In the course of the study, the researcher had the opportunity to visit a small rural shopping centre approximately 20 kilometers from Nairobi where all the shops had been closed down evidently because of the repeat victimization). The analysis further points to the response to crime by entrepreneurs in the form of a wide range of costly protective measures.

Literature has also supported the view that as long as business crime continue to treated as “victimless” by receiving scanty policy attention, the investment in, and the expected dependency of SMEs to drive economic growth and create employment opportunities particularly for young people will continue to be under serious threat.

The first obvious implication points to the development of policy to address crime as a critical concern for small businesses, including necessary reforms particularly in the police force. The second is the capacity implications of law enforcement agencies to play their role in implementing the policy: training, provision of equipment to facilitate mobility, monitor crime, generate statistics on business crime, community policing, and so on. Thirdly, there are research
implications: the need to purposely plan and undertake localized and national level business crime surveys in line with efforts already made by the U.K, Australia, South Africa, the U.S.A, and other countries.

5.3 Limitations of the Study

The study focused on the financial cost and other direct impacts of criminal incidents to small businesses as experienced by business owners over a three-year period prior to the time of the study. The study did not cover criminal incidents that had no direct cost implications to the businesses (for example, psychological impacts of crime on owners and staff). This study was primarily limited by its geographical coverage: a larger coverage of the City of Nairobi would have added benefits to the results. Similarly, due to geographical limitation and some factors of history, respondents represented a narrow range of ethnic background, as the business community in the study area, while highly dynamic, was primarily of Somali origin. A more diverse ethnic background of respondents would probably have enriched the results of the study. Finally, the study noted that business owners across the board did not consider providing information on their past experiences of crime as a major priority to them given other competing priorities and demands on their time. They needed re-assurance that this and similar studies had potential short or long-term benefits to the businesses in the area through the implementation of security programmes by the Government.

5.4 Recommendations

Without attempting to re-invent the wheel, Kenya should follow the efforts made in other countries to place small business crime as an important policy agenda. Implementation of such policy will need to be informed by research, the needs of which could be determined from time
to time. Additionally, the policy agenda would need involvement of key stakeholders in Government, business, law enforcement agencies, affected communities, academia, research institutions, and others. Key to the success of policy implementation is the reforms needed in law enforcement organs aimed at addressing issues of “police and policing” specifically raised by the study respondents.

5.5 Recommendations for further research

This study points at areas of research that would broaden understanding of small business crime. Counterfeit currency is a crime the study identified as one that could lead to massive losses, especially because small businesses in Kenya generally do not possess the equipment to examine and identify forged currency. Kenya Police statistics show that reported cases of currency forgery were 119 (2005), 297 (2006) and 195 (2007). The sums involved and circulating as legal tender were not reported, and it can be assumed that many more cases were not reported. There is need to examine the extent of this problem and the impacts it has on small businesses. Secondly, computer-related crime is likely to rise as businesses increasingly engage in a world where e-commerce is dominating business transactions. Identity crime, a sub-set of e-crime, is similarly an important research subject due to the growing reliance of use of electronic devices such as mobile telephones in banking and financial transactions.

5.6 Conclusion

The evidence derived from this study clearly assists in arriving at a the conclusion that business crime has manifested itself in the study area, that the direct costs of crime are high, that the additional preventive measures are a drain to scarce resources, and that failure to respond will compound an already serious problem. There are many lessons the country and particularly the
public and private institutions that support entrepreneurial development and growth can learn from existing research. Crime, including business crime, particularly with the growing globalization and use of technology in business, has gone global. Challenges are expected to rise and not decrease, with criminals attempting to be ever ahead of new preventive measures. The researcher has therefore tempted to conjecture that the cost of crime is also high in some parts of the country, particularly those that in addition to “normal crime” have been invaded by extortion gangs as reported in the local press, leading to business closure and relocation.
REFERENCES


http://www.kenyapolicke.go.ke/community_policing.asp


http://web.uct.ac.za/depts/sjrp/finding.htm


IRINnews: “Guns out of Control: The Continuing Threat of Small Arms”.


### APPENDICES

Appendix A: Crime Incidents Experienced by Business Owners by Category and Frequency

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraudulent Payments For Goods And Services</td>
<td></td>
</tr>
<tr>
<td>Counterfeit Currency</td>
<td>58</td>
</tr>
<tr>
<td>Cheques and credit cards</td>
<td>5</td>
</tr>
<tr>
<td><em>Mpesa</em> mobile phone cash transfer</td>
<td>1</td>
</tr>
<tr>
<td><strong>SUB-TOTAL 1</strong></td>
<td>64</td>
</tr>
<tr>
<td>Corruption</td>
<td></td>
</tr>
<tr>
<td>Bribery</td>
<td>6</td>
</tr>
<tr>
<td>Harassment by Police and NCC Staff</td>
<td>15</td>
</tr>
<tr>
<td>Impersonation of Government Officials: Harassment and financial demands</td>
<td>15</td>
</tr>
<tr>
<td><strong>SUB-TOTAL 2</strong></td>
<td>36</td>
</tr>
<tr>
<td>Armed Robbery And Violence In Or In Vicinity Of Business Premises</td>
<td></td>
</tr>
<tr>
<td>Violence directed at staff: allegations of poor service; non-payment for goods &amp; services</td>
<td>18</td>
</tr>
<tr>
<td>Violent Robbery at gun-point or other crude weapons</td>
<td>80</td>
</tr>
<tr>
<td>Mugging of Customers</td>
<td>8</td>
</tr>
<tr>
<td>Attempted rape following armed robbery</td>
<td>1</td>
</tr>
<tr>
<td><strong>SUB-TOTAL 3</strong></td>
<td>107</td>
</tr>
<tr>
<td>Commercial Burglary And Robberies</td>
<td></td>
</tr>
<tr>
<td>Break-ins</td>
<td>31</td>
</tr>
<tr>
<td>Theft of goods in transit</td>
<td>2</td>
</tr>
<tr>
<td>Attempted burglary</td>
<td>19</td>
</tr>
<tr>
<td>Shoplifting</td>
<td>38</td>
</tr>
<tr>
<td>Theft during situations of civil unrest</td>
<td>5</td>
</tr>
<tr>
<td>Mugging of self and staff</td>
<td>14</td>
</tr>
<tr>
<td>Snatching by street children</td>
<td>5</td>
</tr>
<tr>
<td>Theft by employees</td>
<td>11</td>
</tr>
<tr>
<td>Vehicles vandalized</td>
<td>1</td>
</tr>
<tr>
<td><strong>SUB-TOTAL 4</strong></td>
<td>126</td>
</tr>
<tr>
<td>Theft Through Deception</td>
<td></td>
</tr>
<tr>
<td>Supplied with counterfeit products</td>
<td>5</td>
</tr>
<tr>
<td>Shady deals - Conned by &quot;Suppliers&quot;</td>
<td>21</td>
</tr>
<tr>
<td><strong>SUB-TOTAL 5</strong></td>
<td>26</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Police officers collaboration with criminals</td>
<td>2</td>
</tr>
<tr>
<td>Demands of protection fee by vigilante groups</td>
<td>3</td>
</tr>
<tr>
<td><strong>SUB-TOTAL 6</strong></td>
<td>5</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>364</strong></td>
</tr>
</tbody>
</table>
## Appendix B: Proposed Crime Prevention Measures by Category and Frequency

### PROPOSAL

**1. AWARENESS CREATION (Total: 49)**

- Create awareness about crime prevalence and impact on businesses: 6
- Businesses should install security systems: 2
- Businesses should take insurance to cover crime risks: 1

**2. POLICE AND POLICING (Total: 184)**

- Frequent transfers of police officers: 2
- Ensure crimes are fully investigated: 3
- Establish police posts in various sections of the area: 6
- Establish police station in the area: 1
- Establish a security team to patrol area: 1
- Provide additional CID Officers to investigate crime: 7
- Increase day and night patrols of the area: 9
- Station the Flying Squad in the area: 6
- Improve relationship between police and public: 1
- Investigate police collaboration with criminals: 2
- Establish community policing: 5
- Provide police hotline numbers to the public: 1
- Better remuneration for the police: 2
- Investigate cases of criminals impersonating the police: 1

- Monitor and investigate the performance and conduct of the police: 6

**3. USE OF FIRE ARMS (Total:11)**

- Legalize use of firearms by private security guards: 1
- Legalize use of fire arms by business owners for self-protection: 3
- Disarm people with illegal arms in the area: 7

**4. EMPOWERMENT (Total:28)**

- Create employment opportunities for youth in area: 5
- Empower the youth to start their own businesses: 3
5. IMPROVE THE INFRASTRUCTURE (Total: 130)

Install security lights in the area 7
Install CCTV Cameras 7
Introduce alarm system in the area 2
Improve road network to facilitate police patrols 5

6. PERSONAL IDENTIFICATION (Total: 6)

Provide identification cards to refugees 3
Issue GOK and NCC officials with official I/D cards for identification when on inspection duty 3

7. PROPOSED ACTIONS FOR GOVERNMENT (Total: 15)

Involv local administration in law enforcement 1
Review the security situation in the area 3
Close bars/pubs (alleged criminal hide-outs) from 9.00 pm 1
Remove vigilante groups operating in the area 1
Eliminate sale and consumption of drugs 2
Remove street children from the streets 7

8. OTHER PROPOSALS (Total: 5)

Capital punishment for criminals 1
Mob Justice should be administered on offenders 1
Introduce Sharia Law to deal with criminals 1
Establish a private company to handle the security needs of the area 2

GRAND TOTAL: 400
Dear Eastleigh Business Owner,

Ref.: An Investigation of the Impact of the Cost of Crime on Small Businesses in Eastleigh, Nairobi

I have a keen interest in studying the impact that crime has on the operations of small businesses in Kenya, and Nairobi in particular. I have chosen to undertake this study in the Eastleigh urban area of Nairobi. Similar studies have been carried out in many countries, including the United Kingdom, Australia and South Africa, to name just a few. These studies have helped the respective Governments, business owners and other stakeholders to take the issue of crime that targets small businesses very seriously. Small business owners have worked with the other stakeholders to reduce the impact of crime on them.

It is in this spirit that I am undertaking this study, so that it can contribute to the awareness that crime has significant financial and non-financial costs, as well as serious psychological effects, particularly where violent crime is involved. Your view and contribution is very important. Your business was selected in a sample of Eastleigh business owners to know their views on crime.

I am, therefore, appealing to you to help me carry out this study by kindly completing the attached questionnaire that asks you a few questions regarding your own experience on the subject of crime and small business. Assistance will be provided to help you complete the questionnaire where necessary. The interview will take approximately fifteen minutes of your time.

The information obtained from the survey will in no way reflect the identities of the people participating in the study and will be treated in strict confidence.

Let me thank you in advance for kindly agreeing to participate in the study. I deeply appreciate your cooperation in taking part in my study.

Yours sincerely,

Kibandi Sammy Samson
(MSc. Student in Entrepreneurship)
Kenyatta University
QUESTIONNAIRE

AN INVESTIGATION OF THE COST OF CRIME ON SMALL BUSINESSES IN EASTLEIGH, NAIROBI, KENYA

Businesses are affected by crime in many ways. This survey aims at gathering evidence on the extent to which micro and small enterprises in the Eastleigh urban area of Nairobi have been victims of crime, the types of crimes they have experienced, their frequency, the cost of crime and other impacts, and types of measures employed to protect businesses from crime. Experiences of the respondents will contribute to informing policy-makers and other stakeholders on this important issue.

(Information provided will be used in strict confidentiality)
1. Respondent’s name: ........................................

2. Name of the business: ........................................

3. Type of Business (Please tick the one that best applies):
   i. Commercial
      □
   ii. Service
      □
   iii. Light manufacturing
      □
   iv. Other
      □

4. Number of Years in Business (Tick one that applies):
   i. Under 1 Year
      □
   ii. 1-2 yrs
      □
   iii. 3-5 yrs
      □
   iv. 6-10 yrs
      □
   v. More than 10 yrs
      □

5. What is the total number of staff working in the business, including the owner?
   i. 1-5
      □
   ii. 6-10
      □
   iii. 11-15
      □
   iv. 16-20
      □
   v. Over 20
      □

6. Has your business been a victim of crime in the last 3 years?
   i. Yes □
   ii. No □
7. If yes, about how many instances of crime have you experienced in the last 3 years?

   i. 1-5  □
   ii. 6-10 □
   iii. 11-15 □
   iv. 15-20 □
   v. More than 20 □

8. Describe what happened exactly in each instance:

   a. .................................................................................................................................

   b. .................................................................................................................................

   c. .................................................................................................................................

9. Using a scale of 1-5, where 1 represents Not at all, 2 Least frequent, 3 Frequent, 4 Very Frequent and 5 Extremely frequent, what are the most common crimes committed to business victims in Eastleigh? (Tick all that apply):

<table>
<thead>
<tr>
<th>Not at all</th>
<th>Least Frequent</th>
<th>Frequent</th>
<th>Very Frequent</th>
<th>Extremely Frequent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

   a) Physical damage to vehicles* □ □ □ □ □
b) Vehicle theft*  

c) Burglary  

d) Attempted Burglary  

e) Vandalism (damage to structure or property)  

f) Employee theft  

g) Workplace violence/Assault against staff  

h) Robbery, involving weapons or violence  

i) Arson  

j) Personal injury/violence  

k) Fraud (cheque, card, cash, fake money)  

l) Impersonation/Trickery  

m) Other (Please specify):  

* NOTE: Vehicle or other transport means like Motor Cycle or Bicycle

10. In your opinion, over the last three years have levels of crime against small businesses gone up, stayed the same or gone down?

   i. Gone up  
   ii. Stayed the same  
   iii. Gone down  
   iv. Don’t know

11. If you have suffered any theft or damage to your property over the past three years, how much do you estimate to be the total cost of the incidents to your business? (Please tick one that applies):

   i. Less than Sh.20,000/=  
   ii. Sh.20,001-50,000/=
iii. Sh.50,001-100,000/=  □
iv. Sh.100,001-250,000/= □
v. Sh. 250,001-500,000/= □
vi. Over 500,000  □

12. Using a scale of 1-5 (where 1 represents No Impact, 2 Little impact, 3 Moderate impact, 4 Significant impact and 5 Very Significant Impact), what impact has crime in your area had on your business? (Tick all that apply).

<table>
<thead>
<tr>
<th>No impact</th>
<th>Little impact</th>
<th>Moderate impact</th>
<th>Significant impact</th>
<th>Very significant impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

i. Loss of customers  □ □ □ □ □
ii. Increased security costs □ □ □ □ □
iii. Postponement of investment □ □ □ □ □
iv. Relocation of business □ □ □ □ □
v. Low staff morale □ □ □ □ □
vi. Difficulties in recruiting/training staff □ □ □ □ □
vii. Difficulties in obtaining insurance □ □ □ □ □
viii. Higher insurance costs □ □ □ □ □
ix. Physical changes in building layout □ □ □ □ □
x. Damage to business image □ □ □ □ □

xi. Other (Please specify): ...........

□ □ □ □ □
13. Which crime protection measures do you use to help reduce potential crime against your business? Using a scale of 1-4, indicate whether you use any of the protection measures below All the time (4), Sometimes (3), Rarely (2) or Not at all (1). (Please tick those that apply)

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>All the time</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Rely on regular police patrols in the area</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>b) Recruit private security</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>c) Rely on organized vigilante group</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>d) Rely on security organized by local business association leadership</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>e) Rely on protective burglar-proofing installations</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>f) Pay fees to an organized group for protection</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>g) Close business premises early/Reduce hours of business</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>h) No security measures in place</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>i) Other (Please specify below)</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

i. .................................................................
ii. .................................................................
iii. .................................................................
iv. .................................................................
14. What suggestions do you have about prevention of crime that targets small businesses?

i. ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................

ii. ........................................................................................................................................
    ........................................................................................................................................
    ........................................................................................................................................

iii. .........................................................................................................................................
     .........................................................................................................................................
     .........................................................................................................................................

iv. ...........................................................................................................................................
    ...........................................................................................................................................
    ...........................................................................................................................................

(END OF QUESTIONNAIRE)