ROLE OF PRODUCT RANGE, NETWORK ASSOCIATIONS AND MARKETING STRATEGIES IN BUSINESS PERFORMANCE OF TEXTILE HANDICRAFT TRADERS IN NAIROBI, KENYA

BY

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A RESEARCH THESIS SUBMITTED IN FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN THE SCHOOL OF APPLIED HUMAN SCIENCES OF KENYATTA UNIVERSITY

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DECLARATION

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

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In the loving memory of my brother Isaac Momanyi Oigo who inspired me.

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I give thanks and praise to my Heavenly Father for guiding me through this academic journey.

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ABBREVIATIONS AND ACRONYMS

AGOA	African Growth and Opportunity Act
AMO	Alternative Marketing Organizations
BDS	Business Development Services
BIAK	Business Incubation Association of Kenya
CBO	Community Based Organization
CBS	Central Bureau of Statistics
EPC	Export Promotion Council
FBO	Faith Based Organization
IFAT	International Federation for Alternative Trade
IMF	International Monetary Fund
ITC	International Trade Centre
KeKoBI	Kenya Kountry Business Incubator
MDGs	Millennium Development Goals
MFI	Micro Finance Institution
MSE	Micro and Small Enterprise(s)
NGO	Non Governmental Organization
ROSCA	Rotating Savings and Credit Association(s)
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
UNDP	United Nations Development Programme
WEF	Women's Enterprise Fund
WTO	World Trade Organization
YEDF	Youth Enterprise Development Fund

ABSTRACT

Micro and Small Enterprises (MSEs) are important for poverty reduction, employment creation and economic development of countries. Various government agencies and non government organizations offer training, microfinance and market facilitation services to help enhance the business performance of MSEs. This study focused on the textile handicraft sub-sector in Nairobi, Kenya to provide current data for use in policy making. The objectives of the study were as follows: to describe the socio-economic characteristics and product range of the handicraft traders. To determine the organizations and networks that the traders belonged to and what services they provided to the traders. To establish the customer base, market outlets and marketing strategies used by traders. To establish the business performance of textile handicraft traders then determine the differences in business performance of textile handicraft traders associated with selected variables. A cross sectional survey was done of 231 textile handicraft traders at four 'Maasai Markets' (weekly open-air markets where traders sell their wares). The instruments used were an interview guide and observation checklist. Further in-depth interviews of ten traders were done to complement and verify trends observed in the survey. Descriptive statistics were used to summarize the following independent variables: socio economic characteristics, marketing strategies, membership in BDS organizations or trader networks and the services that these organizations offered to traders. Chi- square test was used to analyze differences between proportions of men and women traders for each independent variable. Independent samples t-tests, one-way analysis of variance (ANOVA) and Pearson Product-Moment Correlation (r) were used to analyze the differences between selected variables and the dependent variable business performance. Hypotheses were tested at $p < 0.05$ alpha level of significance. This research established there were statistically significant differences between business performance and the following variables: level of education, product range, membership to trader networks and organizations; marketing strategies; and savings and loan services received from organization or trader networks. Analysis found statistically significant differences between men and women with regard to location of business ($X^2 = 11.87$, $p<0.001$). The study concluded that handicraft traders with post secondary education ($F(3,211) = 7.27$, $p<0.05$), membership ($t(210) = 3.122$, $p<0.05$) and services ($t(213) = 5.21$, $p<0.05$) from trader networks/organizations have higher business performance. Exporting products ($t(212) = 6.63$, $p<0.05$), advertising ($t(210) = 9.23$, $p<0.05$) and employing salespersons ($F(3,209) = 9.996$, $p<0.05$) are also associated with increased business performance. In addition, stocking unique products ($F(2,212) = 46.64$, $p<0.05$) and selling them in curio shops, hotels and trade fairs, as opposed to relying only on Maasai markets, increases business performance of traders ($t(201) = 6.97$, $p<0.05$). The recommendations based on these findings are that BDS organizations and government agencies need to provide services to the textile-based handicraft sub sector. The services include training in product innovation and building a handicraft market with full infrastructure to enhance the proximity of traders to customers and BDS providers. Facilitation of traders in export marketing and provision of specialized services targeting women will also enhance the business performance of textile handicraft traders.

CHAPTER ONE

INTRODUCTION

This section provides background information on textile handicraft traders. It highlights related research, the problem statement, research questions, objectives, hypotheses, scope and significance of the study. A conceptual model of the research based on two theoretical models is presented and finally, the limitations, assumptions of the study and the operational definition of terms are given.

1.1 Background to the Study

Handicrafts are products made mainly by hand, out of different materials. They may be decorative items such as wall hangings and souvenirs or utilitarian like toys and baskets. The products come in a wide variety and are not standardized in size and appearance.

There are cultural variations in the materials used, skills applied and the product range of textile handicrafts. The producers of traditional textile products apply their skills like weaving, knitting and sewing while utilizing relatively simple technologies. They use locally available materials like fabric, sisal, banana fibre, raffia, and other plant and animal fibres.

Many people in Kenya make basketry and other textile based handicrafts that are used in the home. The sale of handicrafts also provides income for subsistence and future investment. The traders sell the crafts locally and a number of them have established

export links (Dembitzer, 1985; Ogollah, Bolo & Muchemi, 2009). Some sell to people in their surroundings but others use middlemen to sell the products beyond their operational boundaries. There is great potential for income earning in both the local and export markets if the traders in textile based handicrafts can be supported in a systematic manner, to design and market their products appropriately (International Labour Organization (ILO), 2003; International Trade Centre (ITC), 2007; Mwangi, 1990; Ogollah, *et al.*, 2009; United Nations Industrial Development Organization (UNIDO), 2005).

The Government of Kenya recognizes the important role of the Micro and Small Enterprise (MSE) sector in the development of the economy and poverty reduction (GOK, 2000, ROK, 2005). Indeed the Kenya Economic Survey for 2011 credited the MSE sector with creating 80 percent of new jobs in 2010. (ROK, 2011). The government has over the years put in place a variety of policies to support local production in the small-scale sector. These have included export incentive schemes such as the Export Promotion Council (EPC) and the Women's Bureau. The latter was set up to organize trade missions and popularize Kenyan products abroad (Muraguri, 1990).

The 2003-2007 policy paper on Kenya's export strategy identifies the role of handicrafts in Kenya's economy and recommends that the handicraft sector can be supported by strengthening linkages between traders, marketing, infrastructure, access to credit and product development (ROK, 2003). Kenya's national tourism policy states that the promotion of handicrafts helps to spread the income from tourism to

local communities. The policy emphasizes that the handicraft producers need support in improving design, packaging and marketing of their products (ROK, 2006).

International trade policies have changed to encourage and support the export of products from third world countries. The Africa Growth and Opportunity Act (AGOA) for example, is a bilateral trade agreement between the United States of America and Kenya that provides for duty free and quota free access for Kenyan goods into the US market (USA Government, 2000). When the AGOA Act was passed in May 2000 Kenya was among the first 34 African and Caribbean countries eligible for the benefits. Ikiara and Ndirangu (2003) point out that the Kenyan textile industry took advantage of AGOA to increase the level of apparel exports to USA. The Micro and Small Enterprise (MSE) sector has, however not benefited as much as the large and medium scale textile industries (Ikiara & Ndirangu, 2003).

On the international front there are numerous individuals and non-profit organizations involved in the design, production and marketing of handicrafts as a means of providing income and employment for people all over the world (Hester, 2002). The internet has also opened opportunities for export and e-marketing of handicrafts to people all over the world by use of virtual catalogues placed on websites (ITC, 2007; UNIDO, 2005).

A lot of research has been done focusing on handicrafts in general (Dembitzer, 1985; Muraguri, 1990 Ogollah, *et al.*, 2009), small-scale manufacturers (King, 1996; McCormick, 1988) and the role of micro finance and NGOs in small enterprise development (Mwangi, 1990; Maina, 2007; Musyoki, 2010; Wandaka, 2009).

Literature identifies marketing as a common problem in the textile industry and MSEs in general because of competition, lack of support, and inadequate information among others (CBS, ICEG & K-REP, 1999; Ikiara & Ndirangu, 2003; McCormick, Kinyanjui & Ongile, 1997; Kinyanjui, 2006). Networks between fellow traders and between traders and NGOs are identified as having a role in information provision, marketing, increasing sales and ultimately business performance (Atieno, 2009; Billing & Downing, 2003; Stuart & Sorenson, 2005; Tesfom, Lutz & Ghauri, 2006; McVay, 1999; Street & Cameron, 2007).

Kapila and Mead (2001); and Mullei and Bokea (1999) indicate that approaches that support particular sub sectors rather than individual enterprises have a more sustainable impact on the income earning and success of micro enterprises. Similarly, McVay's (1999) case studies of Business Development Service (BDS) show the importance of developing institutions to help micro enterprises access markets permanently. BDS are non-financial support services such as training, mentoring, advice and information, facilitating networks and subcontracting offered to improve performance of businesses (Ndemo, 2006). Additionally, McCormick *et al.* (1997) recommend that there is need for further research on the role of social networks and inter-firm linkages on the business performance of small enterprises.

In light of the above background, this study sought to address gaps identified above by focusing on the textile handicraft sub-sector and assessing the socioeconomic, networking and marketing factors related to business performance of traders in Nairobi.

1.2 Statement of the Problem

The textile handicraft trade sub-sector in Kenya has not been documented extensively. There exist gaps in literature regarding the relationship between socio-economic profile, networks and marketing strategies of textile handicraft traders and their business performance. The research reviewed shows that marketing was a major challenge to MSEs in Kenya. In response to this various organizations (Government, Non-Governmental, Faith-Based, Self-help and Community Based) offered BDS, working directly or indirectly with MSEs. These organizations facilitated product development, training and marketing support to enhance the business performance of the MSEs.

Schulze (2007) and UNIDO (2005) noted that networks across sub sectors and clusters differed; so it was important to understand how they were started, operated and impacted on business success. This study was designed to investigate how BDS organizations, trader networks and marketing strategies of textile handicraft trader MSEs were related with their business performance.

1.3 Purpose of the Study

The purpose of this study was to identify factors affecting the business performance of textile handicrafts traders in Nairobi, Kenya. This was by examining the traders' socioeconomic characteristics, membership and assistance received from BDS organizations and trader networks and their marketing strategies. Finally, the study assessed the relationship between these variables and business performance.

1.4 Objectives

The specific objectives of this study were:

i) To describe the socio-economic characteristics of the textile-based handicrafts traders in Nairobi.

ii) To identify the range of products sold by the traders in textile-based handicrafts.

iii) To determine the organizations and trader networks that the traders belonged to and what services they provided to the traders.

iv) To establish the customer base, market outlets and marketing strategies used by traders.

v) To establish the business performance of textile handicraft traders.

vi) To determine the differences in business performance of textile handicraft traders associated with selected variables.

1.5 Hypotheses

Four main hypotheses were proposed then each was broken into sub-hypotheses for statistical testing.

$H_{1=}$ There is a significant difference in business performance between handicraft traders with different socio economic characteristics.

$H_{2\ =}$ There is a significant difference in business performance between handicraft traders with different product range.

H_3 = There is a significant difference in business performance between handicraft traders with membership to and services from trader networks/organizations and traders without membership and services.

H_4 = There is a significant difference in business performance of handicraft traders with different marketing strategies.

1.6 Significance of the Study

This study contributes to ongoing research in Africa on the handicraft trade. The key findings identify the variables associated with significant differences in business performance and recommend strategies to enhance the businesses of MSE traders in textile-based handicrafts. Interventions to strengthen links between textile handicraft traders, NGOs, CBOs and Government agencies with the potential to provide ways of increasing business performance are identified. The results can be utilized to develop a targeted training program and to provide solutions when advising various categories of handicraft traders. BDS organizations, consultants and policy makers can benefit from the research. The findings provide a better understanding of the factors influencing business performance of the textile handicraft sub-sector.

The study results contribute to the growing data base of MSE and business performance literature. The findings will stimulate further research and bridge information gaps related to textile handicraft trade in Kenya. The traders can benefit by adjusting their product range and marketing activities to enhance their business performance. The BDS organizations in the sub sector will be made aware of the ways in which they can target their services to handicraft traders and create

infrastructure that can enhance the business performance of the textile handicraft traders. Government departments can use the results to influence policies regarding export support to strengthen the businesses of traders in textile handicraft products.

1.7 Scope and Limitations of the Study

The study was carried out among textile handicraft traders selling in Maasai Markets in Nairobi. The results can therefore be generalized to textile handicraft traders in Maasai Markets in Nairobi. However, generalization to traders in other types of products and those in different geographical locations should be done with caution.

The study used self reported answers and an observation checklist to gather information on the dependent and independent variables of the study. Privacy considerations limited the researcher to these two methods that are commonly used in micro enterprise research. Due to time and resource constraints, a longitudinal study measuring changes in business performance over time was not within the scope of this study.

1.8 Assumptions

The study was based on the following assumptions:

1. The handicraft traders knew details about businesses characteristics, networks, marketing and performance and were willing to provide truthful information about the variables.
2. Handicraft traders had networks with other traders and BDS organizations.

1.9 Conceptual Framework and Theoretical Framework

Two theoretical models were used as guidelines in the research design. These were the Entrepreneurship Model (Burch, 1986) and the Network Model (Hollensen, 1998).

1.9.1 Entrepreneurship Model

Entrepreneurship is defined as "to undertake, pursue opportunities, fulfill needs and wants through innovation and starting business" (Robson, Haugh & Obeng, 2008). The Entrepreneurship Model as proposed by Burch (1986) identifies the main components for starting a new business and shows the returns of the business to government, society and individuals.

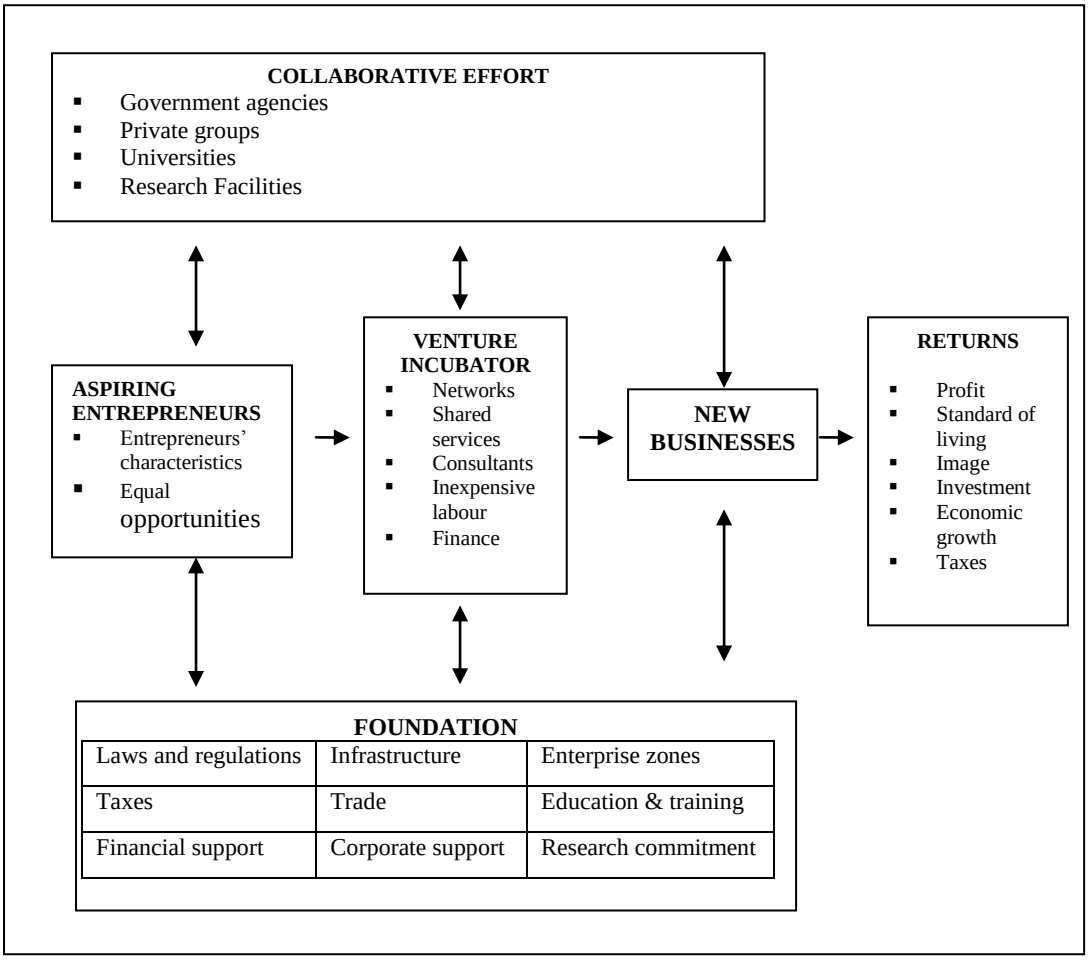

Figure 1. 1 Entrepreneurship Model
Source: Burch (1986)

As seen in figure 1.1, new businesses are created from a collaborative effort of several institutions with a base of economic and other factors that create an enabling environment. The government or other private sector players support aspiring entrepreneurs with different characteristics through "Venture Incubators". This model was relevant to the Kenyan experience since the government was developing a National Incubation Policy. According to the Ministry of Industrialization website, the government was also introducing County Industrial Development Centres (CIDCs) to incubate MSEs and offer BDS as means of enhancing entrepreneurship (www.industrialization.go.ke/index/php). Kenya Kountry Business Incubator (KeKoBI) and BIAK (Business Incubation Association of Kenya) are examples of private sector firms offering financial and BDS support to startup MSEs.

The entrepreneurship model was used as a research tool by drawing parallels between handicraft traders' business performance indicators and the returns from the business that benefit the entrepreneurs, their families, society and the government. The framework in Figure 1.2 further identifies entrepreneur and firm characteristics as some of the factors influencing business performance; within the context of the environment.

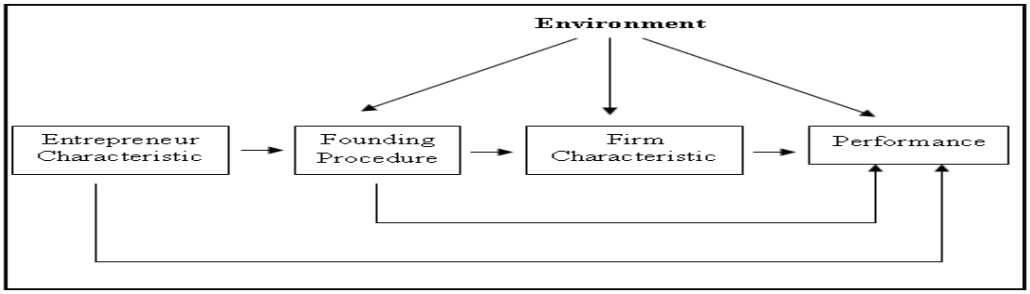

Figure 1. 2 Factors influencing business performance
Source: Bull *et al.* (1995)

The founding procedures encompass primary motivations for becoming an entrepreneur. These motivations vary and influence the entrepreneurs own rating of performance (Kessy, 2009, Okpara 2008). The measures of business performance need to take into account the various factors, conditions and intervening variables in the environment of the entrepreneur (Bull, Thomas, & Willard, 1995). An entrepreneur who was only interested in survival may rate himself successful if he can obtain food, clothing and shelter from the income from the business. This will be despite scoring lower on measures of business performance such as income, assets and employees. In this study, founding procedures are explored by examining handicraft traders' reasons for starting business. The association between motivation and their business performance is then analyzed.

1.9.2 Network Model

The Network Model as proposed by Hollensen (1998) assumes that the individual firm is dependent on resources controlled by other firms. Business networks are identified as a way of dealing with activity interdependence between business actors. Business networks are common in sub sectors where conditions are rapidly changing and cooperation between actors gives great gains (Hollensen, 1998). The handicraft sub sector and MSE firms in general depend on resources controlled by network organizations. MSEs need to meet specific requirements in order to access BDS and credit services controlled by organizations such as Rotating Savings and Credit Associations (ROSCAs), Cooperatives, NGOs and Government agencies such as the Women's Enterprise Fund (WEF), Youth Enterprise Development Fund (YEDF).

In the Network Model, the firms interact through exchange relationships which link their capabilities and needs. The firms decide which relationships to enter or break, and may be in more than one network group. Different bonds tie together those in the networks. These bonds may be technical, social, cognitive, administrative, legal, economic, religious and cultural. The bonds are not obvious to new entrants or observers of the sub-sectoral network (Hollensen, 1998, Ismalina, 2009). Personal communication by the researcher and MSEs identified traders in cosmetics, beauty products, clothes and fabrics imported from Dubai, Turkey and China as examples of such networks in Kenya. Investigating the types of networks that the handicraft traders belong to and the services they receive will shed light on the economic and social exchange relationships in the sub sector.

1.9.3 Conceptual Model

Based on the entrepreneurship and networking models, a conceptual model was synthesized for the proposed research. This model is shown in Figure1.3 and it has been used to illustrate the relationship between the variables studied in this research. The traders have networking relationships among themselves through which they exchange cash, products and information. The traders may or may not interact with various organizations that offer business development services for their products.

The traders use various marketing strategies (either through the BDS organizations or independent of them) and outlets for local marketing and/or export marketing of their product range. The strategies in turn make a difference in the traders' income and business performance.

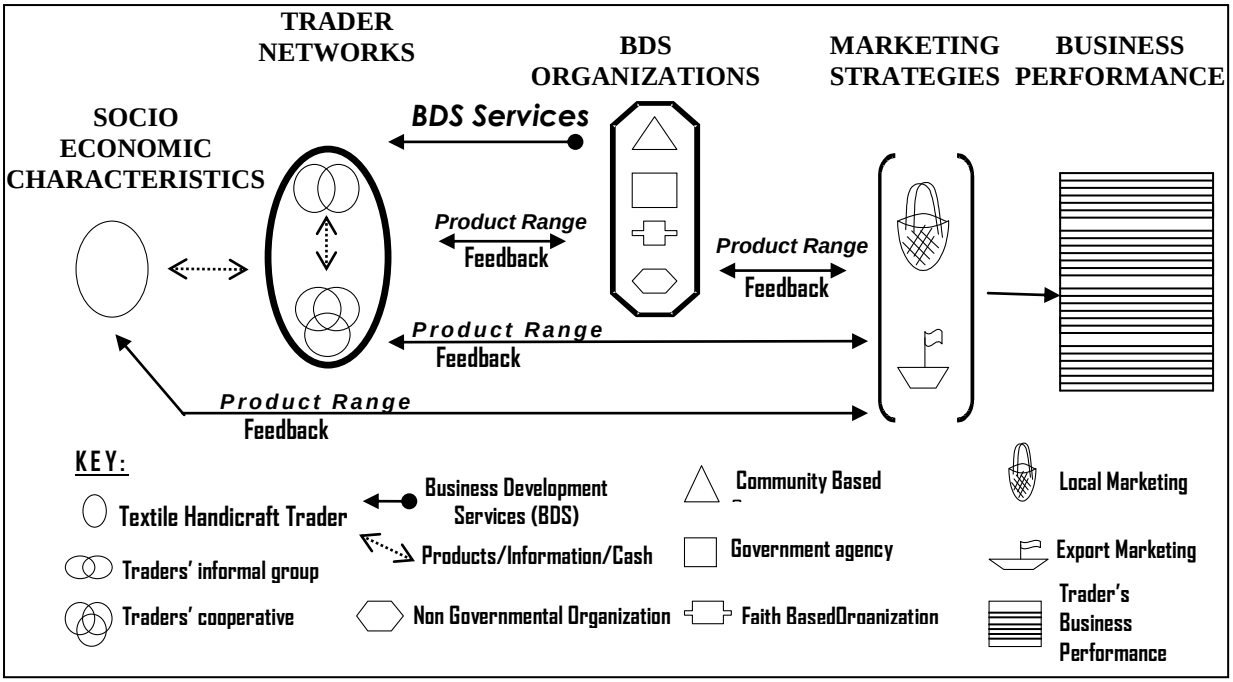

Figure 1. 3 Conceptual Model of Relationship between Trader Networks, BDS Organizations, Marketing Strategies and Business Performance
Source: Adapted from Bull *et al.* (1995), Burch (1986) and Hollensen (1998)

Several parallels can be drawn between the Entrepreneurship Model and the conceptual model for the research as shown in Figure1.3. While the Entrepreneurship Model focuses on aspiring entrepreneurs and new businesses, the conceptual model looks at textile handicraft traders who have been in business for different lengths of time. The trader networks and BDS Organizations in the conceptual model are similar to government and private sector programs supporting entrepreneurs which are identified in the Entrepreneurship Model, and the business networks in sub-sectors forming the basis of the Network Model. The exchange relationships and bonds linking firms in the Network Model are similar to the BDS offered to traders in the conceptual model. Finally, a direct parallel can be drawn between the returns from the entrepreneurs' businesses in the Entrepreneurship Model and the income and business performance of traders in the conceptual model for this research.

1.10 Operational Definition of Terms

The following are some of the key terms that relate to this study:

Socio economic characteristics

The profile of textile handicraft traders in terms of gender, age, formal education, relevant training, location of the business, years in business, motivation for starting business and other sources of income.

Business Development Services (BDS)

These are non- financial support services offered by individuals and organizations for the development of micro and small enterprises. BDS includes training, consultancy, advising, facilitating input purchase, marketing assistance, subcontracting, communicating, and maintaining networks and other services that enhance the ability of MSE to improve on their competitiveness.

Business performance

Business performance was measured using a composite score that combined financial measures of traders' earnings; purchases or investments they were able to afford and subjective rating of how well their business was doing.

Marketing strategies

Specified ways and means that a textile handicraft trader used to make handicraft products available for sale and meet the customers' needs. They included outlets like

curio shops, export marketing; middlemen and retailers; employee and family member salespersons; and promotional methods like advertising.

Textile based handicraft

Hand made items made from natural or man-made fibres or fabrics are generally classed as textile handicrafts. These included sewing machine-stitched garments and machine woven as well as small hand stitched, hand knitted, crocheted and hand loomed items. They were decorative items such as wall hangings, souvenirs or utilitarian clothing and baskets.

Trader networks

The formal and informal relationships through which traders exchange and share products, information, social support and cash for the benefit of their businesses are regarded as networks. These were merry-go-round (ROSCA), women's groups, cooperatives and "jua-kali" associations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Literature on MSEs, handicrafts and marketing has been reviewed under the following sections:

- Textile handicrafts
- Micro and Small Enterprises
- Business Performance
- Business Development Services
- Marketing

A critique of the related and similar research is done to show the main findings, and set the global context within which to establish whether handicraft traders have different issues compared to other MSEs dealing in manufacture and trade around the world.

2.1 Textile Handicrafts

Handicrafts are defined in Dembitzer (1985) as items that are made primarily by hand and generally slightly different from one another, but repeated over and over again. The method of production for textile handicrafts is such that items are made by hand out of different raw materials such as fabric, sisal, raffia, reeds, plant and animal fibres. These could be woven, plaited, hand sewn by embroidery, knitting crochet or macramé; hand decorated using batik, printing or painting and even stitched by a sewing machine.

The United Nations Industrial Development Organization identifies textile handicrafts as part of the Creative Industries (UNIDO, 2005). Producers and traders in textile based handicraft are a sub sector of the larger textile industry which consists of manufacturers and retailers of fibres, fabrics and textile products from these materials (Dickerson, 1991). The textile industry is labour intensive and provides employment to people of varied skills (Atieno, 2009; Chen, 2008; Kinyanjui, McCormick & Ligulu 2004). It is made up of large, medium, small and micro-scale enterprises that contribute to the economy through local and export sales.

Making handicrafts is a meaningful economic activity that preserve and passes cultural traditions, customs and art from generation to generation (Ondicho, 2010). Kenya's National export strategy (ROK, 2003) reported that in 1996 Kenya exported handicrafts worth KSh 240 million, and these earnings rose to KSh 388 million in year 2000. Ogollah *et al.* (2009), in a research on the factors determining the competition in Kenya's handicraft sector reported that 315 Kenyan companies exported handicrafts through Kenya's Export Promotion Council (EPC). They also found that the Kenyan handicraft industry was constrained by intense local and external competition due to the threat of low priced substitutes and delayed implementation of supportive government policies Ogollah *et al.*, (2009).

According to ITC (2007) and Ondicho (2010) handicraft production and trade needed to be treated as an important sector with the potential for creating employment and earning the country foreign exchange through export. In this regard, the USA, Europe, Asia and Pacific regions carried out studies in the handicraft sub sector in order to better understand how it worked and its potential contribution to national economic

growth. Such mapping of the sub sector is intended at providing rich data to facilitate policy making (UNIDO, 2005).

Girón, Hernández and Castañeda (2007) noted that handicrafts vary depending on their country of origin, raw materials from which they are made, the creativity and skills of the producer. The tourism policy (ROK, 2006) identified a wide range of Kenyan handicraft products. They included hand made ones like tie and dye items, hand-woven kikoi, batiks, jewelry, leather sandals, wallets and belts, sisal baskets and bags. In addition were mass produced textile products such as shawls, scarves, t-shirts and machine woven Afrocentric kitenge, kanga and kikoi fabrics. There were also a range of non textile crafts sold alongside the textile handicrafts; for example soapstone and wood carvings, drums and paintings among others.

Some handicrafts are functional items for everyday use such as baskets and rugs, while others are gift articles or souvenirs like greeting cards. On gift articles and souvenirs, ITC (2007) and Ondicho (2010) recognized tourists as important customers for handicraft producers. Wethey (2005) found that tourists varied, while some paid expensive for authentic crafts, others wanted cheap mass produced souvenirs. In response, handicraft producers had differing responses to the tourist market. Eversole (2006) also identified some of the categories handicrafts fall in such as mass produced, utilitarian, artistic, cultural and tourist oriented.

In contrast, UNIDO (2005) categorized crafts in four groups, namely: traditional fine crafts, artisan crafts, commercial crafts and manufactured crafts. The fine crafts are most unique and costly, mainly playing a decorative role. In contrast, the

manufactured crafts are least unique and cheapest in price, most of them being functional. The artisan and commercial crafts are intermediate in uniqueness, cost and function. The functional handicrafts tend to have a regular market because they wear out and need to be replaced. The decorative handicrafts are luxury items and are more challenging to sell because demand is seasonal and the target customers are those with extra disposable income.

2.2 Micro and Small Enterprises

The International Labour Organization (ILO) defines enterprise as micro if having a maximum of 10 employees; small if having a minimum of 11 employees and a maximum of 50 and medium as having at least 50 employees (ILO, 2008). Kenya's Micro and Small Enterprise sector was first highlighted by (ILO) in a 1972 report that pointed out the role of the sector in creating income and employment (Chen, Vanek, & Carr, 2004; Mullei & Bokea, 1999). To support the sector, the World Bank sponsored the Voucher Training program (World Bank, 2005). The government of Kenya in conjunction with the United Nations Development Programme (UNDP) and UNIDO and initiated the "Jua kali" women's Training project (Stevenson & St-Onge, 2005; Wandaka, 2009). As part of the Vision 2030 development plan the Government of Kenya established the YEDF and WEF to provide BDS and microfinance to MSEs (GOK, 2007).

2.2.1 MSE Characteristics

The 1999 MSE Survey identified low demand and access to market opportunities as the most severe problems facing the MSEs, especially trade, manufacture and

construction sector MSEs (CBS *et al.*, 1999). Mullei and Bokea (1999) also identified several challenges in reaching local and export markets. They included limited product range, poor quality, inadequate access to market information and market linkages with established marketing organizations. The MSE survey recommended that the low demand could be addressed by working to improve the quality so they compete locally and on international market (CBS *et al.*, 1999).

A similar national survey of MSEs in Zimbabwe by Daniels (2003) identified market demand and labour supply as two reasons for entering business. Labour intensive industries such as handicraft trade are easy to enter and people join because they are surplus labour and can not get jobs. Thus labour intensive MSE firms provide owners with income as an alternative to employment. In contrast, capital intensive MSEs are difficult to enter since technical and business skills are barriers to entry. Potential MSE owners need lowered barriers to entry through provision of training and capital to start and continue their work. The MSE survey recommended that government and donors should target assistance according to the type of MSE since the MSEs are heterogeneous and have varying needs.

Bradford (2007) investigated which MSE owner traits and BDS support influenced business success in South Africa; then developed criteria for selecting MSEs most likely to implement and benefit from BDS support by creating more jobs and succeeding financially. Bradford found that male owned businesses, those with formal premises, and those recording business transactions were more successful. The study concluded that women MSE owners and those with informal premises would benefit

from access to finances and training in business practices and marketing strategies (Bradford, 2007).

2.2.2 MSE in Kenya

The first national MSE survey in Kenya was conducted in 1993 and a second and third in 1995 and 1999 respectively. By 1999, Kenya's MSE sector had 1.3 million enterprises that employed approximately 2.4 million people in the manufacture, services and trade sub sectors (CBS *et al.*, 1999). According to the Kenya Economic Survey of 2008, the informal sector (which is part of the MSE sector) created 426,900 new jobs representing almost a quarter of the new jobs created that year (ROK, 2008). The 2010 Kenya Economic Survey documented the continued rise in importance of the MSE sector, crediting it with the creation of 80 percent of the new jobs in year 2010 (ROK, 2011).

Neshamba (2006) researched on how Kenyan MSEs evolved over time using in depth interviews of 25 MSE owner managers. Willingness to take risks, related industry experience, marshalling of resources, marketing, business plans, and reinvestment of profits into business were significant in achieving growth (Neshamba, 2006). Networking with family and business friends helped entrepreneurs at early stages to gain access to finance and markets. MSEs created employment in two ways; firstly by spreading horizontally through more businesses being started and secondly, by growing up into bigger medium and large firms. Concurring with Daniels (2003), Neshamba (2006) concluded that MSEs needed different types of support to sustain employment growth because bigger businesses are more lasting and sustainable.

A case study by Kinyanjui (2006) on twenty metalwork MSEs in Nairobi, Kenya noted that MSEs were characterized by having related businesses located near each other. The proximity between the metalwork MSEs facilitated linkages between traders, suppliers and customers, on-job training, technology transfer, imitation of imported products and networks that helped MSEs to grow (Kinyanjui, 2006). Komollo (2010) in contrast, highlighted the challenge of inadequate infrastructure that the jua kali cluster of MSEs along Jogoo Road in Nairobi faced and recommended policy implementation to create a better working environment.

A survey of 257 women's MSEs in Meru, Kenya by Naituli, Wegulo and Kaimenyi (2006) investigated how entrepreneurial characteristics were related to business performance. Age, education, attitudes and perception had a relationship with MSE growth. In addition capital, business environment and regulatory environment were critical to MSE growth. The study concluded that a clear policy targeted at gender issues in MSEs would help the sector to grow.

ILO conducted research in Kenya to test the hypothesis that business performance of men and women differed and was determined by socio cultural influences, networks, associations, BDS, credit, products, skills and family expectations (ILO,2008). The methodology consisted of interviews of 413 MSEs in Kakamega, Kisumu, Karatina and Mombasa. The study concluded that while NGO and donor support had negligible impact on MSEs Micro Finance Institutions (MFIs) had a positive impact on business performance. It recommended that organizations should identify the needs of women entrepreneurs and develop special BDS for them. Similar findings were reported by Neshamba (2006) and Daniels (2003).

Bowen, Morara and Mureithi (2009) investigated the challenges 198 MSEs surveyed in Nairobi's Central Business District faced and their coping strategies. The main constraints were competition from local and cheap imported products, insecurity and lack of access to credit. MSEs overcame these by diversifying the products and services that they offered; improving quality; and pricing products and services competitively. MSEs who had relevant training were found to perform better than those who did not. The successful MSEs attributed their good performance to financial management, availability of customers and accessible business location.

Lyons and Snoxell (2005) interviewed 124 MSE traders in two City Council of Nairobi markets to investigate the social networking strategies they adopted to run their businesses. The study revealed that informal networks between the traders tended to be gender-segregated; additionally men and women adopted different management strategies. Lyons and Snoxell (2005) concluded that merry–go rounds played an important role in accessing financial services for business survival and sustainable livelihoods among the Nairobi traders.

Musyoki (2010) surveyed 160 micro and small enterprise owner managers in four towns in Kenya. The study found significantly better business performance among MSEs that had received BDS, MFI services or both as compared to MSEs who received none of the services. Similarly, Wandaka (2009) found that fourteen years after training the participants of Jua Kali Women Textiles Project associated their positive business growth in terms of number of employees with their training. The tracer study of 40 entrepreneurs revealed that they had innovative products, did export

marketing and were managing their businesses proactively in response to changing business environment and emerging opportunities (Wandaka, 2009).

Maina (2007) investigated the impact of different interventions by BDS and MFI organizations on MSE growth in Kenya by surveying 472 MSEs who were members of three organizations. She concluded that business performance varied from sector to sector and recommended that assistance from organizations be diversified and focused on particular problems based on the MSE location and sub sector.

2.2.3 MSE in Africa

A UN report by Maleko (2008) on MSE trade in East Africa noted that 60 percent of women in MSE engaged in trade. The women's businesses had fewer employees, less capital and did less lucrative activities. They lacked business premises and access to networking and information to help them in marketing. The report identified trade fairs and associations as being helpful in improving MSE businesses. It recommended that governments need to facilitate women owned MSEs by addressing the constraints they faced. This would be by improving their marketing, business management, trade exhibition participation, and setting up women's groups and funds.

Kessy and Temu (2009) surveyed 255 Tanzanian MSEs to examine the differences in business performance between those that had received business and entrepreneurship training and those that had not. They concluded that training in business skills was significantly associated with higher sales revenue and assets among the MSEs. Kessy (2009) further found that women headed MSEs grew less than male headed ones. The

differences were attributed to the fact that the female MSE owners were risk averse. Additionally, motivations to start business varied among the genders since men stated that they were motivated to increase their business size of the while women were not.

Bekele and Worku (2008a) did a six-year longitudinal study of 500 MSEs in Ethiopia to identify factors influencing the survival and viability of women MSEs. Women's businesses were two and a half times more likely to fail than men's businesses. Further investigation revealed that women MSEs whose businesses failed did not use profits for business. They also had lower education, poor book keeping skills and lacked access to formal loan finance in comparison to their male counterparts. The researchers concluded that women's businesses would survive if the macroeconomic environment was improved and were supported to access finance and improve their skills. They recommended government intervention in finance, good laws, lower taxes and skill training to help the women owned MSEs do well.

Various researchers (Bekele & Worku, 2008a; ILO, 2008; Kessy, 2009; Maleko, 2008; and Naituli *et al.*, 2006) have pointed out the role that gender plays in business performance of MSES in Africa. They found that women's businesses tended to perform worse than men's and therefore recommended targeted assistance that addressed the disparity in incomes between the genders.

Sonobe, Akoten and Otsuka (2009) conducted a survey of a cluster of 92 small scale shoe manufacturers in Addis Ababa, Ethiopia to identify their characteristics and performance. Most shoe manufacturers with a high growth rate had parents who had started the businesses or worked in shoe manufacture industries and had higher

education compared to manufacturers with a lower growth rate. University education increased the likelihood of success, despite the labour intensive nature of shoe making. Sonobe *et al.* (2009) concluded that to support the development of the shoe cluster in Addis Ababa, the government, foreign aid agencies, and NGOs needed to assist in training the entrepreneurs so that they could upgrade management, marketing, and technology. The study highlighted the role of education and training in MSEs and emphasized the responsibility that policy makers and non governmental organizations had in provision of the services.

A longitudinal survey of over 42 months of 100 entrepreneurs in Western Cape, South Africa by Maas and Herrington (2006) sought to find ways of promoting entrepreneurship among the youth. The study found that new businesses were started either because of opportunity or out of necessity. This was similar to findings by Daniels (2003) on motivations for starting business. Maas and Herrington (2006) established that females and younger entrepreneurs were more likely to start a business out of necessity. Youth in South Africa had a positive attitude to starting businesses but faced some barriers in doing so. These included complexity of business, lack of self confidence and insufficient business management knowledge (Maas & Herrington, 2006).

Van Aardt and Kroon (1999) interviewed 30 South African businesses manufacturing clothing to find out the owner characteristics and operating environment issues in home based businesses. The results showed that capital, credit, family balance, financial management, advertising and cash flow were the most mentioned problems. The success factors were good service, high quality goods and self discipline. The

study concluded that home based businesses are a source of income and success can be enhanced by having appropriate training.

Interviews of a cluster of 30 informal clothing manufacturers in Johannesburg, South Africa identified the role of clothing businesses in economic development and the problems they encountered (Nobanda, 1998). The businesses subcontracted work to one another as a common form of networking activity. The problems included competition, access to capital, expensive inputs, and unreliable payment from customers. Clothing businesses did not receive business support from NGOs or government sources. She concluded that there were numerous opportunities for the businesses to grow and recommended the need for policy support from government and other organizations to make linkages and grow MSEs. The role of government and other organizations in supporting MSE was therefore further emphasized.

2.2.4 MSE in Middle East, Asia, Europe and USA

Hamdan (2006) evaluated census data of 2948 MSEs from Lebanon with the aim of improving knowledge on economic and social characteristics of MSEs and how they contributed to employment and growth of poor people. The results showed that size was related to performance, with sole proprietors having the lowest value addition.

A review by Mintoo (2004) of earlier research explored constraints that hampered MSE growth in Bangladesh. It found that MSE and manufacturing sector growth improved employment and growth of the economy by contributing 75 percent household income and 25 percent GDP in 2003. The most serious constraints were

electricity, roads and access to finances. Other constraints included capital, infrastructure, competition from imports-dumping, corruption, political instability, complicated export procedures, disharmony in policy and implementation and unfriendly socio-political environment. Findings identified fashion and handicrafts among sectors to be given priority in loans, export credit, subsidized air transport, technical assistance to improve quality, marketing assistance, help in securing foreign investment and create linkages between MSEs.

Mann and Thorpe (1998) interviewed 60 female business owners in garment retailing in Manchester, England to compare demographic profiles of clothing business owners of different races. The study found that Asian business owners had higher education than white business owners and also preferred self employment than the low paying jobs available to minority races. White entrepreneurs had previously been in employment unlike majority of Asian entrepreneurs who had been self-employed. In addition, family and informal networks influenced and gave ideas for starting business. Asians started businesses for money and to use skills and talents while whites did so for independence. Most had not received BDS but felt that it was too broad since it was not targeted to sector specific business needs. Among the problems mentioned were business management and attracting customers.

These studies showed that the issues affecting MSEs and their contribution to the economy were not restricted to developing nations; they were also common to MSEs in Europe. The research identified sector specific BDS offering product quality and management training as important factors for MSEs. They also documented

networking with organizations, finance, marketing, infrastructure and accessible business locations as critical factors necessary to MSE development.

2.3 Business Performance

Business performance refers to the extent to which a business is able to meet its expenses, financial needs of the owner and attain stability to enable it to expand. The factors associated with business performance may be broadly categorized as being related to socio economic, product portfolio, marketing, financial, and the organizational framework of the business.

2.3.1 Factors Related to Business Performance

Girón *et al.* (2007) identified several important factors in business performance among handicraft businesses in Mexico. According to Girón *et al.* (2007), success in the handicrafts business depended on the owner's educational level, marketing strategies (pricing, product diversification and personal recommendation to customers), productivity, and years in business. Bull *et al.*, (1995) posit that the primary motivations for becoming an entrepreneur influenced the future performance of a business.

Kimeme and Mbwambo (2006) surveyed 175 apparel making MSEs in Tanzania to identify personal attributes that affect firm performance. Working capital, growth momentum, spatial mobility and commitment to tailoring were found to enhance sales. Unger *et al.* (2007) interviewed 90 MSEs in South Africa and found that

entrepreneurs' self motivated activities improved business performance; concluding that constant learning was good for MSE performance.

Research on 496 entrepreneurs in Ghana to identify factors that influence MSE innovation measured firm growth by increased number of employees. The study concluded that education, networks and innovation increases business growth; and recommended that policies should encourage entrepreneurs to study (Robson *et al.*, 2008). Baldacchino, Cassar and Caruana (2008) also identified networking, quality, innovation and creativity as key factors to success among starting businesses in Malta.

Bekele and Worku, (2008b) found that MSEs in Ethiopia failed due to low finance, low education, poor management and low technical skills and failure to use profits for re-investment. On the other hand, social capital and networking enhanced the long-term survival of MSEs. In addition, informal financial institutions filled the gap by providing finance to the majority of small enterprises. Similarly, Cutura (2005) stated that social networks helped improve MSE performance. Rohra and Junejo (2009) identified external factors that affected MSE success in Pakistan as interest rates, competition, prices and market risk; while internal factors were skills and competencies of owner manager. They concluded that strategy improved SME success.

Halabi and Lussier (2008) used a self reported questionnaire to research on 145 business owners in six regions of Chile. The study confirmed that business success variables earlier categorized by Lussier were applicable in South America. The success variables were capital, record keeping, industry experience, professional

advice, education, product timing, age, marketing skills and having parents who owned businesses.

MSEs were found to be a source of sustainable livelihoods for the owners and employees. A survey of 175 small scale manufacturing enterprises in Ghana was done to establish which firm characteristics affected performance (Mensah, Tribe, & Weiss, 2007). The study concluded that training of apprentices was helpful to the economy but noted that firms tended to remain small because apprentices learnt skills then left to set up competing enterprises. Similarly, Inmyxai and Takahashi (2010) concluded that training, working experience and education were significant to firm performance. The study investigated gender disaggregated determinants of business performance among MSEs in Laos.

Purateera, Khamanarong, Phanarata, and Khamanarong (2009) carried out research on 400 small enterprises in Northeast Thailand and found seven factors that influence MSEs. They were knowledge, skills, performance, technology, owner attitude, motivation, finance and creativity. Potential MSE owners should consider these factors, since how a business is managed determines its survival. In addition to management challenges, handicraft businesses all over the world faced competition from mass produced goods (Eversole, 2006; Gadzala, 2009; Ghosh & Akter, 2005). Eversole (2006) concluded that challenges in competing with mass produced goods could be overcome by providing BDS to sensitize the craft producers on the importance of meeting customer needs to get maximum profit.

2.3.2 Measures and indicators of Business Performance

Business performance is measured using indicators such as income, profits, return on investment, purchases and future goals among others (Achtenhagen, Naldi, & Melin, 2010; Chi, Kilduff & Gargeya, 2009; Gaspari & Haghirian, 2009; Okpara, 2008). Carneiro, Silva, Rocha and Rocha (2007) reviewed MSE literature to clarify contradictions in operational concepts of and measurement scales for business performance. The study identified economic, market related and strategic measures of business performance. As a guide for researchers, the study further postulated that performance should be established by combining objective and subjective measures. Subjective criteria could be established by asking for the respondents' opinion about perceived success or satisfaction with achievement of objectives (Carneiro *et al*., 2007).

Rohra and Junejo (2009) investigated successful strategies for business growth among 100 SMEs in Pakistan using structured questionnaires. The study identified three categories of business. Some were likely to close; some survived but stayed small while others grew rapidly. Some SMEs did not consider growth to be necessary for success since motives for starting business determined perception of business success; some just wanted to survive. In acknowledgement of this, the recommendation was that researchers measure SME success using criteria other than growth (Rohra & Junejo, 2009).

Girón *et al.* (2007) measured business performance of handicraft businesses in Mexico using both tangible extrinsic factors like income and business, as well as

intrinsic factors like how much growth the artisan reported in the previous year, and the artisan's prestige.

Content analysis of qualitative interviews of ten MSEs each from Australia and Malaysia by Ahmad and Seet (2009) identified four broad criteria found for measuring success. These were financial, lifestyle, social responsibility and customer satisfaction. The criteria were further classified as external (government, BDS organization support) and some internal (owners' managerial and planning skills) success factors. The conclusion that success was not just financial was echoed by Mok, Man and Wafa (2008) who researched on strategic factors that influenced business performance of manufacturing SMEs in Malaysia. Yu (2009) also categorized non financial performance indicators among family businesses in the U.S. and Taiwan. These were market share and perceived growth or decline compared to competitors in the same industry.

Neshamba (2006), measured the growth of Kenyan MSEs quantitatively by comparing how much more cash or employees they had and qualitatively by documenting the managerial actions of owners. Maina (2007) measured business performance of Kenyan MSEs by using growth in profit, employment, assets and business management applications. Atieno (2009) employed a mixed measure of business performance that incorporated Kenyan MSE owners' perceptions and conventional financial indicators. In contrast, Bowen *et al*. (2009) used a single measure for business performance of MSEs in Nairobi Kenya; based on owners' self rating on a four-point scale from failing, deteriorating, successful to very successful.

On the international scene, Inmyxai and Takahashi (2010) measured business performance among MSEs in Lao using a five-point scale of a single variable, annual sales turnover. Girón *et al.* (2007) measured handicraft sale incomes in Mexico by a four-point scale from very low to very high and also measured business growth by a three-point scale signifying decrease, no change and growth. Yu's 2009 comparative study on family businesses in USA and Vietnam, on the other hand highlighted the importance of multiple measures of business performance, noting that family performance and business performance could compete; especially when family members worked in the business.

Chi *et al*. (2009) measured performance of US textile manufacturing firms using a 5-point scale for each of five variables, namely market share, sales growth, profit margin, return on assets and return on investments. These indicators were combined into a composite score which was the basis of categorizing the 202 firms as high or low performers for further statistical tests (Chi *et al*., 2009). Similarly, Ismalina (2009) created a composite score for the business performance of handicraft traders in Indonesia by using three indicators. These were preceding five year business trend, preceding one year net profit and preceding five years net profit.

Business performance may be difficult to predict because there are many environmental factors and intervening variables that can not be controlled between initial conditions and subsequent performance (Bull *et al*., 1995; Gaspari & Haghirian, 2009). To overcome such difficulties, some researchers recommend that business performance ought to be measured by combining various procedures, proposing that a combination of multiple measures is needed in order to describe

MSE performance more fully (Achtenhagen *et al*., 2010; Carneiro *et al*., 2007; Chi *et al*., 2009; Inmyxai & Takahashi, 2010; Ismalina, 2009; Jubb & Musyoki, 2010; Okpara, 2008; Tangkittipaporn, 2010).

2.4 Business Development Services

Business Development Services are non-financial support, advice and counseling services offered to start and improve performance of businesses (Kapila & Mead, 2001; McVay, 1999; Ndemo, 2006). They target MSE businesses at start-up, survival and growth stages and try to address the constraints MSEs faced in start up and experience that hinder their survival and growth. In addition to formal BDS from organizations, MSEs receive non-formal assistance from family and friends (Jubb & Musyoki, 2010).

McVay (1999) identified three models of BDS organizations. The first were agents who bought products from micro enterprises then sold them at a profit. The agents often offered other services such as market research, designing new or improved products, training, input supply, and access to technology to the producers. Secondly, market infrastructure developers who developed institutions aimed at helping MSEs access markets permanently. The third model of BDS organization termed as ancillary service providers helped MSEs reach markets through services such as provision of information, training, and links to buyers, without buying and selling the products for them, for example Kenya’s Export Promotion Council.

Billing and Downing (2003) identify several ways to deliver and pay for BDS. These include consultancy at a fee; free informal BDS by family/friends; barter payment; through transactions or mark-ups in the supply chain and as part of a package of services like loan interest. However, Billing and Downing (2003) also observe that small enterprises are usually unwilling to pay for BDS unless there is an obvious impact on their profit or sales level. They conclude that BDS for micro business can succeed if the growth potential of a sector (rather than individual) is improved. Individual businesses can then be provided with supporting services- market linkages, product development and finances to perform or compete in the growing markets.

An MSE survey (CBS *et al.*, 1999) identified 260 organizations in Kenya supporting MSE in enterprise development, management and technical training, business extension, marketing channels and sheds. The survey showed that only seven percent of MSEs had received non-financial support from organizations (CBS *et al.*, 1999). A NGO is an international organization founded to provide assistance in economic enterprises for the benefit of their members. According to Wethey (2005), the focus of these organizations is enhancing fair working and trading conditions for their members instead of maximizing profit.

ILO (2008) identified factors that affect women entrepreneurs in Kenya. The study looked at how effective BDS accessibility, finance and training were to the needs of women entrepreneurs and concluded that a favourable policy environment can help women. The MSEs could then spread out markets for their products, enhance production capacity, obtain finance and acquire training in business and technical skills.

Ndemo (2006) used case studies and qualitative interviews of eleven Faith Based Organizations (FBOs) in Kenya to identify types of BDS support. They were incubating MSE in groups; running training projects for groups; supporting individual members to use skills for income generation and providing local and export marketing support for MSE products. The FBOs offered micro finance support as well. The study concluded that BDS support to community business initiatives is more sustainable than relief and handouts to individuals.

Similarly, Amha and Ageba (2006) surveyed 974 MSEs in six towns in Ethiopia to establish the status of BDS offered and constraints encountered. BDS affected business performance; but the study showed that there were few BDS providers who reached few MSEs since only seven percent of MSEs had got BDS. The conclusion was that constraints in giving BDS could be solved if clear best practices were identified (Amha & Ageba, 2006). These would involve sustainable approaches with fewer subsidies so that BDS addressed market needs of MSEs. Halabi and Lussier (2008) concurred that business owners should use professional advisors since their use was correlated with MSE success.

O'Niell and Viljoen (2001) conducted a seventeen-month longitudinal qualitative research on fourteen women's MSEs in South Africa to find out the impact of BDS organizations on MSEs. They acknowledged the positive role of BDS organizations in training, and supportive government policies on their business performance. Similar research on the role of NGOs among producers of handicrafts in South America by Wethey (2005) found that NGOs provided product development, business training and created markets for weavers. Weavers who interacted with NGOs and weaver

cooperatives are less exploited by merchants and middlemen who tend to pay unfair prices to handicraft producers. Additionally, weavers associated with NGOs changed their production methods, product design and materials to attract tourists while still preserving cultural identity on personal use items targeted exclusively at local South American customers.

2.4.1 Trader Networks

McCormick and Schmitz (2002) define a network as an arrangement in which independent people or enterprises share information, contacts and experience for professional or social purposes. Traders use networks with other producers and organizations to expose their products to as many potential customers as possible. The networks may be informal, such as sending their fellow traders to sell some products at trade exhibitions or more formal trader cooperatives, Jua kali association, merry go round and women's groups (Lyons & Snoxell, 2005; Mutugi, 2006; Orwa. 2007).

Street and Cameron (2007) reviewed research on network relationships among small businesses and developed a theoretical framework for network relationship research. They found that there were antecedents (business owner characteristics and environment) and outcomes (risks and benefits) of the network relationships. They concluded that network relationships contribute to MSE business development and success. Schulze (2007) suggested that theoretical and conceptual frameworks about networks and entrepreneurship had not fully been applied in research. He recommended targeted sector-specific research to explore how networks differ across industries and enrich understanding of strategic networks.

Similarly, Pesamaa and Goel (2002) reviewed 213 articles on firm networks with the aim of clarifying paradoxes on theory relating to firm networks to enhance theory development and methodology. They found that various factors influenced firm networks including age, industry type, knowledge, geographic dispersion, interdependence of industry firms, trust between network members and cultural orientation. Spring (2009) singled out gender as a distinguishing factor, noting that women in MSE tended to join same gender networks with a social rather than business oriented focus.

These researchers concurred that further research was needed on the role of networks. They further suggested detailed research to include: strategies to gain maximum benefit; how entrepreneurs influenced starting of networks; how personal networks were used to make business succeed and the influence of entrepreneur's demographics on ability to make most advantage of the networks (Lyons & Snoxell, 2005; Pesamaa & Goel, 2002; Schulze, 2007; Spring, 2009; Street & Cameron, 2007).

Firms should develop the networking strategies between them and the government should develop networking policies to support the businesses (Tesfom *et al.*, 2006; Xie & Amine, 2009). Networks between traders and with organizations expose them to a wider range of outlets that may also provide information, advertisement, financing, and other functions to the MSEs. Stuart and Sorenson (2005), explained the Social Network Theory which looked into structure of relationships, attitudes, behaviour and outcomes for members of networks. Entrepreneurs starting businesses fit in the social network theory. Social networks provided a channel for information,

finance and knowledge on new products, processes and opportunities. Networks also helped in resource mobilization, employing staff and tacit knowledge.

Atieno (2009) interviewed garment making MSEs in Eldoret and Kisumu towns of Kenya to find out how networks and linkages among them affected business performance. The research established that network linkages helped MSEs to access services, information and support on social issues. It further recommended the need for policy interventions to strengthen the linkages among MSEs so that they could deal with the constraints that they faced.

A case study of several organizations to which UK based craft makers belonged was done by Comunian (2008). The study found that some networks were run by public, private and non-profit organizations.Others were spontaneous and initiated between craft makers themselves. The creative and craft industries' networks were helpful in accessing markets, knowledge exchange, funding, and social or informal business introductions. The networks also offered personal and moral support to members. Artists and craft makers in the UK relied on the network as a market building strategy. Comunian (2008) concluded that networks provided opportunities for individual and groups of craft makers. Similarly Carson, Gilmore and Rocks (2004) investigated how MSEs in Northern Ireland used strategic marketing networks when the business environment became more competitive. The study concluded that personality of the business owner influenced the network activities that MSEs engaged in.

Erogul and McCrohan (2008) investigated female entrepreneurs in United Arab Emirates to establish their motivations for starting businesses and the support they got

from social support networks. It emerged that they started businesses to have independence and control over their own lives besides contributing to the economy of the country. Family support and encouragement were important to the success of the start-ups.

According to Lechner, Dowling and Welpec (2006) network size was not a major influence of firm development. Research on the relationship between firm networks and firm development in 60 firms in Austria, Germany and Switzerland found that the type of network was important since they added value to individual MSEs in different ways. The reputation, social, cooperative, technology or marketing information networks were beneficial to firms. In contrast, Torres (2002) researched on activities, advantages and challenges of networks between craftspeople making pottery in Ireland. The networks provided tools, resources and cost savings to their members. The study concluded that the networks needed trust and cooperation to succeed and worked best if the objectives were clear to all members.

2.5 Marketing

Glock and Kunz (2005) define marketing as activities that accelerate the movement of goods from a producer to a consumer. According to Girón *et al.* (2007), marketing addresses aspects of product, price, place, and promotion. These aspects are described as the marketing mix and were publicized in 1964 by Niel H. Borden. E. Jerome McCarthy later grouped them into categories commonly known as the 4Ps of marketing (www.netmba.com/marketing/ mix accessed on 15th November, 2009). A business owner can control and manipulate these Ps according to the marketing

environment so that the potential customer has a good response to the products and sees value in them.

According to Glock and Kunz (2005) various combinations of the marketing mix are offered with the aim of reaching the optimum profitable number of customers within the market. The activities involved in seeking an optimum marketing mix can be described as the marketing strategy; a plan that identifies the means by which products reach existing and new customers according to the objectives set by the business owners. Wethey (2005) describes marketing strategies as the action or business of promoting and selling products or services.

Kotler (1997) described marketing channels as interdependent organizations involved in the process of making a product or service available for use or consumption. The channels constitute the "place" component of the marketing mix. The product moves directly from manufacturer to the consumer or through one or more intermediaries who may be fully autonomous or under the direct control of the manufacturer. These intermediaries are the "people" component of the marketing mix. According to Wethey (2005) a middleman is an intermediary between the producer and the consumer. Through this relationship, the middleman makes a profit by buying goods from producers and selling them to retailers or consumers.

According to Girón *et al.* (2007) "people" strategy is focused on what the middlemen do to improve the business. Middlemen played an important role in the handicraft business because the producers are often passive and do not make much effort to promote sales. Girón *et al.* (2007) observed that handicraft traders tended to wait for

consumers to come and buy their products. Many handicraft businesses in Mexico based their success in their relationships with government organizations, travel agencies, and wholesalers that act like middlemen. Travel agencies often gave advice to visitors, and so some handicraft traders targeting tourists made contracts to be recommended by the travel agencies.

Textile handicraft traders are an example of intermediaries selling products made by others. They deal in different forms of the products starting from raw materials, final products or both. A number of traders are also the producers of the handicrafts. Producers use intermediaries to sell their goods because they lack resources for direct marketing when investing in manufacturing is more profitable than direct involvement in marketing (Kotler, 1997).

Alternative Marketing Organizations (AMO) are marketing channels run by charitable organizations such as Traidcraft, International Federation for Alternative Trade (IFAT) and Fair Trade Federation (FTF-USA). Fair-trade gives customers all over the world the opportunity to purchase handicrafts and other items that are produced using traditional skills (Traidcraft, 2005). In Kenya the Kenya Gatsby Trust (KGT) is one NGO that provided marketing related BDS to handicraft traders. Ndemo (2006) identified FBOs and fair trade organizations as being well placed to expose MSEs including handicraft traders to niche markets and specialty stores that target high value customer groups). Other researchers who advocate the use of niche marketing are Flaherty & Salinger (1988); Hester (2002); Parrish (2003) and Salinger, Bhorat, Flaherty & Keswell (1999).

For Kenyan textile handicraft traders some available marketing outlets observed in Nairobi were Maasai markets, supermarkets and gift shops. Shops run by NGOs and FBOs tended to sell products delivered by their regular clients or traders registered with them for some BDS. Through personal communication the researcher identified two such shops. Spinners Web on Waiyaki Way was a private business selling products for many individual MSEs and on behalf of various FBOs, CBOs and NGOs. On the other hand, the Beacon of Hope shop located at Prestige Plaza on Ngong Road only sold handicrafts made by women in their Ongata Rongai project.

Cutura (2005) in a report on Kenyan women entrepreneurs found that some marketed their products through the Export Promotion Council which is a government agency. Kenya's Ministry of Trade and Industry also proactively interacted with women entrepreneurs. However, due to lack of funds the women had not effectively adopted trade fairs and exhibitions as a "place" or "promotion" marketing strategy. The MSEs revealed that instead they relied on word of mouth, websites and brochures as promotional means to reach new customers (Cutura, 2005).

Frimpong and Mmieh (2007) evaluated the marketing practices of 92 MSE exporters of textile and other products in Ghana. The study found that Ghana's export promotion council helped exporters by sponsoring business people on trade missions abroad and implementing policy to promote export orientation of SMEs with non traditional export range that were not gold, cocoa or diamond. Despite support, the MSEs experienced price and production hindrances to export. The research highlighted internal and external factors as determinants of why Ghanaian businesses

start export marketing. These included proactive or reactive managers' mindset and local market saturation.

2.5.1 Export Marketing

The decision by a trader or producer to export depends on the risk, competitive advantage and market attractiveness. The exporter also decides on how to adapt the products to meet the conditions (cultural, social, political, legal, technological and environmental) in the new export location (Kotler, 1997). Cateora (1987) identified three philosophies of export marketing that involve a range of changes in the product to meet market needs. The first philosophy involved selling existing products without changing them. The second focused on making minor changes to the products based on market information about the export location. The third philosophy recommended adapting the products extensively to meet the needs of the foreign consumers.

Mwangi (1990) and Ogollah, *et al.* (2009) found that Kenyan handicraft MSEs faced a number of constraints when targeting the export market. These included competition, inability to meet international quality standards and packaging requirements, inadequate market research and information and non-exposure to international trade fairs. It was recommended that the government place emphasis on exchange programs, training on export marketing, market research, the road transport network and communication infrastructure.

Cutura (2005) identified the Gender Unit and OWIT (Organization of Women in International Trade) as Kenyan organizations that assisted export-oriented women's

groups and MSEs. They linked members to international trade opportunities and lobbied on behalf of the women exporters. Research by Xie and Amine (2009) similarly highlighted the important role of social networks for MSEs planning to enter international market.

The International Trader Centre carried out secondary research and compiled case studies on successful handicraft exporters in Africa, Asia and South America (ITC, 2007). Results indicated that when intermediaries provided services in marketing, market access, product design, quality control and finance; the handicraft producers involved in export benefited by getting higher value customers.

Tesfom *et al.* (2006) investigated the role of networks in helping small and medium size manufacturers of textiles and footwear in Eritrea to export their products. Networks that were forward, backward and lateral helped the manufacturers in exporting clothing and footwear from Eritrea. The study identified some gaps that needed to be filled before a producer became a successful exporter. They were knowledge of procedures, human resource, finance, product quality and adaptation for customer orientation.

Success in the export market is usually arrived at after gaining a foothold in the local market, and literature shows that it is not always in the best interest of MSEs to export (Kotler, 1997; Dembitzer, 1985; Harper, 2003). Several reasons cited for poor export performance were the distance, complicated export procedures, poor communication systems and lack of information about the needs of the customers in export locations (Okpara, 2008). An eleven-year longitudinal study of 164 Japanese MSEs by Lu and

Beamish (2001) found that businesses that spent on foreign direct investment had higher firm performance. Knowledge of the foreign market and business partners in export location resulted in better firm performance.

According to Keegan and Green (2002), there is a difference between export selling and export marketing. Export selling does not involve tailoring the product, price, or the promotional material to suit a foreign market. The only marketing mix element that differs is the "place"—that is, the country where the product is sold. In contrast, export marketing requires an understanding of the target market environment, the use of marketing research, and identification of market potential and decisions concerning the marketing mix.

Hinson and Sorensen (2006) researched on 60 MSE in Ghana engaged in export regarding the benefit from using e-business. The results showed that MSEs who already export found e-business beneficial to their operations but availability of e-business alone would not necessarily make the MSEs start exporting. They concluded that there were internal and external barriers to e-business adoption and recommended more research on the business performance outcome (benefit/challenges) of e-business in MSE. Obokoh (2008) carried out a 10 year longitudinal study of 500 Nigerian manufacturing SMEs from 1986 to 2006. Most MSEs did not export, only fourteen percent did so. The study concluded that a favourable policy environment would enable MSEs to compete successfully in local and export markets.

Ng and Yeats (2005) perused secondary data from International Monetary Fund (IMF) and UN databases and of Kenya trade statistics to identify reasons why trade

policy in Kenya and Africa did not lead to expected economic growth. They found that Kenya had less competitive advantage than more than half of other African countries. Kenyan flower exports for example had supply constraints that limited their opportunities to export to USA and Europe. Kenyan clothes exporters, on the other hand, could not compete with their Asian counterparts. The study recommended that Kenyan exporters give priority to diversifying into new products, rather than depending on traditional export products. There was need to develop and maintain infrastructure to support manufacturing as well.

Rasheli and Mosha (2006) researched on Tanzanian traders making tie and dye textile crafts and found that experienced traders were more likely to export. They learnt to export by attending trade fairs and exhibitions in their country. Exporting traders were associated with having greater income since the trade fairs provided them with the opportunity to network with BDS organizations and individuals. The study concluded that NGOs and government agencies should help MSEs find export markets for their products.

2.6 Summary of Literature Reviewed

The literature reviewed was useful in clarifying the variables studied and in developing the research objectives, methodology, and instruments. Literature identified varied methodological approaches in researching MSE in both developing and developed economies and highlighted the challenges traders faced. The section on textile handicrafts provided information on the product range and the methods of

producing the handicrafts. This was applied in preparing the interview schedules to check product range, trader networks and marketing strategies.

Literature on business performance identified indicators of business performance and described issues associated with measuring business performance. These were utilized to develop the research instruments used to ascertain the business performance of textile handicraft traders in the Maasai markets. The approach used to measure the business performance of the handicraft traders was in keeping with indicators and measures of business performance employed by other researchers.

The sections on business development services and marketing described the networks between traders and various organizations then identified strategies suitable for local and export marketing of handicrafts. This section was used to prepare interview questions to find out the relationship between marketing activities and business performance. The existing gaps in literature were used as a basis for researching on the textile handicraft business, networks between traders, BDS organizations and marketing strategies in relation with business performance.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter details the methodology used to carry out the study. First it describes the research design and provides a justification for its use. The next section discusses the study location, target population and sampling of respondents. Then a detailed description of the data collection instruments and procedures is provided. This is followed by an explanation of the techniques used to measure the study variables and analyze the data. The final section explains the logistical and ethical considerations guiding the study.

3.1 Research Design

This study employed a cross-sectional survey of 231 textile handicraft traders, complemented by in depth interviews of ten traders at their workshops. There was no manipulation of the study respondents. The survey was chosen due to its ability to collect quantitative data from a large number of respondents in a short time. The in depth interviews providing qualitative data for greater understanding of the study variables. Combining the survey and in-depth interviews is an approach employed by other social science researchers investigating the clothing, handicraft and MSE sectors (Maina, 2007; McCormick, 1988; Musyoki, 2010; Ogollah et al, 2009; Parrish, 2003; Thandeka, 2008).

A cross sectional study was preferred due to constraints of financial and time resources. In addition, the assurance of anonymity it provided was vital to encourage traders to give truthful financial information on business performance without the fear of being sought by authorities. Such concerns should be addressed in designing in MSE research (CBS et al, 1999; Gomez, 2008; McCormick, 1988, Musyoki, 2010).

3.2 Location of Study

The study was done in Nairobi, the capital city of Kenya (see Appendix D). This location was selected because a large number of traders from all over the country converge in the capital city to buy and sell handicrafts in the five open-air markets; commonly referred to as Maasai Markets. They typically operate on a different day and at a different location each week. The Maasai markets are at Kijabe Street (formerly at Globe Cinema Roundabout), City Centre High Court Parking, Capital Centre, Village Market, and Yaya Centre. In addition to these markets, handicraft traders sell their products countrywide in shops, open-air market places and permanent stalls or workshops where their businesses are based.

This research drew its sample from four Maasai Markets in Nairobi which were purposively selected on the basis of location and the day of the week on which each operated. Globe Cinema Roundabout and City Centre Maasai markets are within city centre while Village Market, Yaya Centre and Capital Centre are outside the city centre. The markets operate on Tuesday, Saturday, Friday, Sunday and Wednesday respectively. The Capital Centre Maasai market on Mombasa road was used for pre-testing the instruments.

3.3 Target Population

The target population for this study was all traders selling textile-based handicrafts in Maasai markets in Nairobi. A preliminary visit to Nairobi City Council Licensing department in 2006 indicated that on average between 800 to 1500 handicrafts traders were issued with licenses for all the Maasai markets each week. In order to obtain the actual population size, the researcher visited each Maasai market once and undertook a physical count of only the textile handicraft traders. The inclusion criteria was that the handicraft traders stocked exclusively or predominantly textile handicrafts. Traders selling mainly carvings, paintings and metalwork crafts were excluded.

These pre survey censuses identified the target population as 500 traders who were selling specifically textile-based handicrafts. They were distributed as follows: Globe Cinema Roundabout had 300, City Centre had 100, Village Market and Yaya Centre had 50 each, while Capital Centre had 20 textile handicraft traders. These traders constituted the sampling frame for this study. McCormick (1988) and Moyi (2003) employed the approach of doing a census to obtain a guide of MSE population size.

3.4 Sample Size and Sampling Technique

The sampling of individual respondents in the four Maasai markets was done in two stages. Firstly, based on the distribution of the target population in the four Maasai markets, a proportional sample size of 250 traders, representing fifty percent of the total number of textile handicraft traders in each market, was targeted. According to Gay (1983) (in Mugenda & Mugenda, 2003) a sample of ten percent of the population is satisfactory for descriptive studies. The sample of 250 textile handicraft traders met

the criteria. Secondly, systematic sampling was employed by interviewing every second textile handicraft trader until the required sample size was reached. The starting point for the systematic sampling in each market was selected randomly based on the traders' permanent seating arrangement. The sample distribution indicating the actual numbers of traders interviewed in each Maasai market is shown in Table 3.1.

Table 3. 1
Sampling Procedure

Market	Population	Targeted Sample Size	Percent Sampled	Actual Number Sampled
Village Market	50	25	32	16
Yaya Centre	50	25	50	25
City Square	100	50	61	61
Globe Cinema	300	150	43	129
Total	500	250	100	231

The target sample was 250 handicraft traders while the actual sample size attained was 231. Nineteen traders did not consent to participate in the survey. The response rate of 92 percent was deemed as adequate and representative of the study population.

3.5 Research Instruments

Three research instruments were used, an observation checklist, a semi-structured interview schedule and an interview guide for in-depth interviews (Appendices A, B and C). The questions asked were adapted from the research instruments used by McCormick (1988) for a study on the growth of garment making MSEs in Nairobi and the Kenya's national MSE survey by CBS *et al.*, (1999). To enhance the comparability of results, the phrasing of the questions was maintained closely to the original wherever possible.

The observation checklist had a closed ended section to indicate which handicraft products were on display and an open ended section to record details of unique products observed (see Appendix B). The interview schedule had five sections: socio economic characteristics, products, trader networks and organizations, marketing strategies and business performance (see Appendix A). The sections included closed ended and open ended questions, The interview guide for in-depth interviews consisted of open ended questions were qualitative and provided clarification on the associations between business performance and networking linkages, BDS organizations and marketing strategy that were raised during the survey (see Appendix C).

3.6 Pre-testing of Instruments

The interview schedule and observation checklist were reviewed by lecturers in fashion design and marketing who were specialists in the subject matter. The instruments were subsequently pre-tested on a sample of handicraft traders who were excluded from the final sample. The area specialists enhanced the validity of the instruments by providing comments on the suitability of the instruments in measuring the study variables. This feedback was used to revise the questions by clarifying ambiguous questions and eliminating redundant ones, thus addressing a concern about the length of the instrument.

Pre-testing was done using a convenience sample of ten traders at Capital Centre Maasai market along Mombasa Road. After the pre-test, show cards were developed for use with multiple choice questions as a means of reducing interview time to ensure

minimal interruptions to business activities of the respondents. Consequently the interview time reduced from twenty five to fifteen minutes after practice that enhanced the research assistants' familiarity with the instruments.

3.7 Validity and Reliability

The validity and reliability of the research instruments needs to assured in order to reduce any errors in measurement that would indicate a discrepancy between the data collected and actual attributes of the respondents. Validity refers to the ability of an instrument to measure what it intends to measure (Robson, 2002). For content validity, the research instruments were developed after a review of related literature then reviewed by experts in the subject area. The individual items incorporated questions used by earlier researchers in the Kenyan MSEs (CBS et al., 1999; McCormick, 1988); further enhancing content validity and relevance to the study sample.

Reliability is defined as the ability of a research instrument to consistently yield the same results during several uses. According to Radhakrishna (2007), reliability indicates the accuracy and precision of an instrument. A Cronbach Alpha test of reliability was performed on the five variables used as indicators of handicraft traders' business performance. According to DeCoster (2001) and Yu (2011), if Cronbach Alpha value is 0.70 or higher, then the variables can be successfully combined into a composite score. The indicators showed a reliability value of 0.705, confirming that they could be combined into a composite score measuring business performance.

To further enhance the reliability of the study, data were collected by trained research assistants and all the instruments were pre tested in a random sample of ten traders who were not included in the final study.

3.8 Data Collection Technique

The textile handicraft traders were interviewed and observed on site at the Maasai markets with the assistance of two research assistants. The decision to use research assistants was made in order to ensure that data collection was done in a short period of time during which the economic and social environment was relatively constant. The interviews were completed over a three-month period from May to July 2007.

The researcher thereafter conducted in-depth interviews of ten traders at their workshops in Kariokor and Westlands City Council markets. The traders for in depth interviews consisted of ten willing participants with business premises. Sampling bias was minimized by ensuring diversity based on location of premises, gender and product range.

The completed interview schedules were cleaned by checking for legibility, consistency in responses to related items and dealing with missing data. Coding was done of the responses to closed ended questions and themes were developed to classify responses to open ended questions. The information from the interview schedules were entered into a Microsoft Access database then converted to SPSS (version 16.0) software for analysis of descriptive and inferential statistics.

3.9 Data Analysis and Research Variables

This section describes how each study variable was measured then explains the data analysis techniques employed to achieve the study objectives. The independent variables were: socio-economic characteristics, product range, trader networks/organizations, business development services, customer base, market outlets and marketing strategies of the textile handicraft traders. The dependent variable for this study was business performance. It was expressed as a numeric variable during data analysis. Descriptive statistics such as frequency distributions, range, mean, mode and percentage were used to summarize the independent variables.

3.9.1 Research variables

Socio economic characteristics

The textile handicraft traders were characterized in terms of gender (sex of the trader), age (trader's age in years), location of the business (home or workshop), years in business (number of years trader had worked in business), motivation for starting business ("Push" and "pull" factors associated with lack of alternatives, financial gain, self motivation, and customer satisfaction), other sources of income (extent to which handicraft trade provides family income: only source of income, have other sources of income), formal education (level of formal education attained: none, primary, secondary or post secondary) and relevant training (type of training relevant to handicraft production or trade: none, on the job or formal training).

Product range

This was characterized on the basis of traders' rating of product quality (average, high or very high), researcher rating of uniqueness (identical to competitors, similar or unique), product source (whether products were hand made textile handicrafts or bought textile handicrafts) and materials used (exclusively textile handicrafts or mixed textile and non-textile).

Trader networks and BDS organizations

The membership status of textile handicraft traders to any organizations or networks was signified by answering yes or no to the question on membership. Traders identified whether or not they had membership to the following types of organizations: "merry go rounds", microfinance, women's groups, cooperatives and "Jua Kali" associations, Community Based Organizations, Faith Based Organization, NGO and Government Agency/Department. The traders confirmed whether or not they had received the following types of services: training, product development, savings, loans, marketing assistance, buying materials/tools, business information/advice, facilitating networks and family/social welfare.

Customer base

Traders identified which of the following types of individual or institutional customers visited the Maasai markets to buy from the traders: tourists, local individuals, hotels, shops and offices

Marketing strategy

Traders identified other outlets they sold handicraft products at by identifying whether or not they used only Maasai markets, trade fairs/exhibitions, curio shops, middlemen and the internet. Traders identified whether or not they participated in the following promotion activities: point of sale displays, business cards, internet, word of mouth referrals, print and electronic media. The traders identified whether or not they exported their products. Finally the traders stated whether or not they used sales people and identified if the sales people were their employees or family members.

Business performance

Business performance was measured using a composite score based on traders self rating on five indicators. The two financial indicators of business performance were income in Kenya shillings for an average market day and weekly income from top three best selling products. Three categorical indicators of business performance were used. First, their ranking of business performance on a three point scale (1 = bad, 2 = average, 3 = good). Secondly, current rating of business in comparison to two years earlier on a three point scale (1 = became worse, 2 = remained the same, 3 = grown). Finally a rating of purchases or investments traders were able to afford from previous months' earnings on a four point scale (1 = paid only business expenses, 2 = paid business and family expenses, 3 = paid all expenses and kept savings, 4 = paid all expenses, kept savings and made other investments).

The business performance index was a composite score that ranged from -6.79 to 5.53 with a mean of 0.049 (*SD* = 2.80). The ordinal scores for each indicator were normalized then summed into the composite score. Normalizing transforms ordinal

scores to achieve a mean close to zero and a standard deviation of nearly one. This procedure enables parametric data analysis (Gow, 2010). The business performance index for the handicraft traders computed was a numeric variable measured on a continuous scale.

3.9.2 Data analysis

Table 3.2 presents the study variables and the statistical tests used for data analysis.

Table 3. 2
Statistical Tests Used for Data Analysis

Variables 1	Variable 2	Statistical test
Age, Education, Related training, Location of Business, Years in business, Size of business	Gender	X^2 test of association
Product Uniqueness, Product Quality, Product Value addition	Gender	X^2 test of association
Network/Organization Membership	Gender	X^2 test of association
Outlets, Promotion, Export, Salespeople	Gender	X^2 test of association
Age, Size of business, Years in business	Business performance	Pearson correlation
Independent Variable	**Dependent Variable**	**Statistical test**
Gender, Business location	Business performance	*t*-test
Education, Related training	Business performance	ANOVA
Unique products, Product quality	Business performance	ANOVA
Network/Organization Membership, Savings, Loans, Social Support	Business performance	*t*-test
Marketing Strategies Additional outlets, Promotion methods, Export	Business performance	*t*-test
Salespersons	Business performance	ANOVA

The Chi–Square test of association was used to identify significant differences between proportions of men and women traders in each of the independent variables.

Pearson Product-Moment Correlation (r) was used to test relationships where the both variables were expresses numerically. Independent samples t-tests were used for hypothesis testing where the independent variable consisted of two mutually exclusive groups. One-way analysis of variance (ANOVA) was used for hypothesis testing where the independent variable had more than two mutually exclusive groups. All hypothesis were tested at $p < 0.05$ alpha level of significance.

3.10 Logistical and Ethical Considerations

Several logistical and ethical considerations guided this study. Prior to the data collection, two research assistants were trained on how to administer the study instruments using effective interviewing techniques. After the training the research assistants did a practice interview session as the researcher observed. The results of the practice interviews were not included in the data analysis. As indicated earlier, data collection took three months; during the first two months, both research assistants interviewed traders at the Globe Cinema and the City Square Maasai markets on Tuesdays and Saturdays respectively. In the final month, traders at Village Market and Yaya Centre malls were interviewed by one research assistant each on Friday and Sunday respectively; whilst continuing with one other Maasai market on Tuesday and Saturday.

Measures were taken to avoid interviewing the same traders more than once (considering that they sold handicrafts at several markets). Traders who had already been interviewed in another market were omitted and replaced by interviewing the next trader. The research assistants were able to recognize such traders since

interviews at the city centre markets were carried out concurrently. In turn, any traders who had already been interviewed by the other research assistant easily remembered and pointed this out before the interviews commenced. Each research assistant interviewed between three and seven traders each market day and the completed interview schedules were collected at a weekly meeting. These meetings were to review completed interview schedules and check for completeness and consistency before coding by the researcher.

With regard to ethical considerations, after approval of the research proposal by the Graduate School of Kenyatta University, a research permit was sought and obtained from the Ministry of Higher Education Science and Technology (see Appendix F). The Village Market mall management was requested in writing for permission to interview handicraft traders operating from the mall (see Appendix E). Before interviewing the textile handicraft traders, the purpose of the study was explained and their consent sought (see Appendix E). The respondents were assured of confidentiality and anonymity in their responses.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.0 Introduction

This section presents data collected from the handicraft traders at four Maasai markets in Nairobi, namely: the High Court parking, Globe Cinema round about, Yaya Centre and Village Market shopping malls. A total of 231 interview schedules were entered into the data set and used for the descriptive statistics. Thirteen of these had missing data for some or all five of the variables used to compute the dependent variable business performance index. The cases with missing data were excluded from the data analysis for hypothesis testing; giving a response rate of 94.4 percent.

The main purpose of the study was to establish socioeconomic, product range, networking and marketing characteristics of the traders and evaluate how these were associated with business performance. This chapter outlines the descriptive statistics for each independent variable with discussion on how results compare to related research. Next the dependent variable, business performance is explored; and finally results of the hypothesis tests are presented.

4.1 Socio-Economic, Business and Income Characteristics

This section examines the personal and business demographic data of the handicraft traders. The descriptive statistics for each socio-economic variable (gender, age, education, related training, experience, size of business, motivation for business, other

sources of income, and location of business) are first described. Interactions between the variables are then delved into using the Chi-Square test of association.

4.1.1 Gender and age

The 231 textile handicraft traders surveyed were almost equally distributed in terms of gender; 115 (49.8 percent) were men and 116 (50.2 percent) were women. Textile handicrafts are traditionally made by women (UNIDO, 2005) a feature that may account for the marginally higher number of women traders. In addition, the trade is in a sector that is easy to enter, and this may account for the larger proportion of women trading in textile handicrafts (Gomez, 2008). According to (ILO, 2008), women may find it difficult to enter capital-intensive businesses and those involving other requirements that they may not have, in order to start.

A similar gender distribution trend was reported by the CBS *et al.* (1999) MSE survey which found more women than men in sectors like trade, garment making, food production and beauty related retail and services: businesses based on traditionally practised female roles. Cutura (2005) also indicated that women own about half of the MSEs in Kenya and further that they tend to prefer certain sectors especially trade and service. Women in business improved their incomes, the livelihoods of their families and by extension society (Gomez, 2008). A survey of 400 MSE in South Africa by Bradford (2007) also found an ownership distribution of 54 percent male and 46 percent female. The gender distribution among textile handicraft traders is therefore in line with national trends for similar sectors in Kenya and South Africa.

The traders' ages ranged between 18 and 71 years (M=33, SD = 9.044). The age category of 30 to 39 years had the largest number of traders (84). In contrast, those aged 50 and above numbered 21. Similar work by Bradford (2007) found that the average age of South African MSE owners was 38 years.

A Chi–Square test of association was done to explore whether there were significant differences between the age profiles of men and women traders. The results are shown in Table 4.1.

Table 4. 1
Chi-Squares of Age by Gender Differences

Age	Female		Male		Total	
	N	%	N	%	N	%
Under 20	1	16.7	5	83.1	6	100
20-29	38	46.9	43	53.1	81	100
30-39	40	47.6	44	52.4	84	100
40-49	27	55.1	22	44.9	49	100
50-59	8	88.9	1	11.1	9	100
70-79	2	100.0	0	0.0	2	100
Total	116	50.2	115	49.8	231	100

Note. X^2 = 11.116; df = 5; p = 0.049

The age distribution among textile handicraft traders is similar to other researches on MSEs in Kenya indicating that the sector is mostly dominated by people in their thirties and forties (CBS *et al.*, 1999; ILO, 2008). Most of the handicraft traders (165) were aged between 20 and 39 years. There were only eleven traders aged 50 years or more. This is consistent with by the findings of Atieno (2009); who found that rising unemployment drove many school and college leavers to start garment making businesses to earn income.

The trend of a large proportion of self employed young people was not always the case in Kenya. In the 1980s, MSEs were started by people in formal employment who desired an additional income stream and retirees investing their retirement benefits (Atieno, 2009; Stevenson & St-Onge, 2005). Young people typically finished high school, joined colleges and then entered formal employment. In the 1990's, however, Kenya was characterized by retrenchment of civil servants and a government freeze in employment. These came in response to pressure from the World Bank to implement Structural Adjustment Programmes (SAPs). Consequent policy changes were taking place against the backdrop of liberalization, political reforms and privatization popularized by Kenya's western allies. A high unemployment rate resulted and in response more younger people started businesses (Atieno, 2009; Lyons & Snoxell, 2005). Indeed the MSE sector in Kenya has been recognized as the main creator of employment since 2002 (ROK, 2005).

A Chi-Square test of association showed a statistically significant difference in age (X^2 =11.116, p = 0.049) between the male and female traders (see Table 4.1). There were more men traders aged under 40 and more women traders above 40 years. It is evident that men entered the handicraft business when they were younger. The women started handicraft trade at a later age and stayed for longer than their male colleagues as evidenced by the higher proportion of women traders over 50 years.

The textile handicraft traders aged below twenty and those over fifty years had distinctly lower business performance scores than traders between twenty and forty-nine years of age. Figure 4.1 also shows that traders aged 40 to 49 years had the highest business performance index, followed by those between 20 and 29 years.

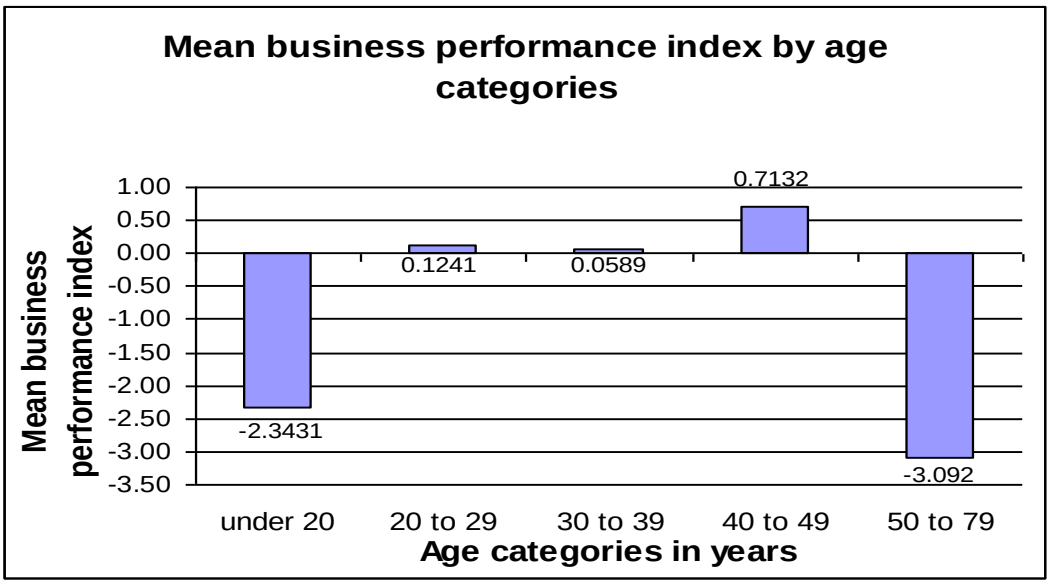

Figure 4. 1 Business performance index by age categories

The difference may be attributed to experience, which is generally associated with higher income (Bowen et al. 2009; Gomez, 2008). Older traders tended to have established business contacts with suppliers and customers. This gave them an advantage over younger traders in terms of sales income. On the contrary, the young traders were likely to be more energetic and economically productive compared to the older ones. Part of the reason is because they had access to initiatives such as the Youth Enterprise Development Fund to support their businesses (Bowen *et al.*, 2009).

4.1.2 Level of education and related training

Regarding education, Table 4.2 shows that most of the traders had secondary (146) or post secondary (50) education. Only four traders indicated that they had no education. These trends were as anticipated, considering the age distribution of the traders and that education is widely accessible in Kenya; with an overall literacy rate of 73.6 percent (UNDP, 2009).

Table 4. 2
Chi-Squares of Level of Education by Gender Difference

Education	Female		Male		Total	
	N	%	N	%	N	%
None	4	100	0	0	4	100
Primary	23	74.2	8	25.8	31	100
Secondary	72	49.3	74	50.7	146	100
Post secondary	17	34.0	33	66.0	50	100
Total	116	50.2	115	49.8	231	100

Note. $X^2 = 16.401$; df = 3; $p = 0.001$

The fact that nearly a quarter (22 percent) of textile handicraft traders had post secondary education may be attributed to the high levels of unemployment in Kenya. Atieno (2009) noted that as the rate of unemployment increased from the 1990s there was a corresponding increase in the number of people with higher levels of education starting MSEs.

Chi-square revealed a statistically significant gender difference in education (X^2 =16.401, p = 0.001). All of the traders with no formal education were women, while 74 percent of traders with primary education were also women. In contrast, 66 percent of the traders with post secondary education were men. The only category with almost equal gender distribution was among traders with secondary education; where 49 percent were women, and the rest were men.

These findings are similar to an ILO survey on Kenyan women's businesses that found out that most women MSE owners had primary and secondary education (ILO, 2008). The lower educational level of women was attributed to the social stereotypes that favor the education of male children over women. More men usually attained secondary and tertiary education than women (Gomez, 2008). The large number of primary educated and uneducated women in textile handicrafts may indicate that they entered the business to earn income since they were not able to further their education. Consequently, lack of higher education would have put them at a disadvantage in seeking formal employment.

Only one tenth (23) of textile handicraft traders had formal training related to handicrafts (see table 4.3). About one third (82) engaged in on-job training related to textile handicrafts after starting business. This could be attributed to the more specialized nature of textile handicraft trade, since it deals with hand made products. However, most (126) of the traders in the handicraft business did not have any training related to the businesses they did. This is similar to findings by Gadzala (2009). The majority of the traders started businesses without related training. This was an indication that it was easy to enter textile handicraft trade.

Table 4. 3
Chi-Squares of Related Training by Gender Difference

Related Training	Female		Male		Total	
	N	%	N	%	N	%
None	74	58.7	52	41.3	126	100
On the job	35	42.7	47	57.3	82	100
Formal Technical	7	30.4	16	69.9	23	100
Total	116	50.2	115	49.8	231	100

Note. $X^2 = 9.115$; df = 2; $p = 0.01$

There was a significant difference in related training between the male and female traders (X^2 =9.115, p <0.05). Table 4.3 also shows that 58.7 percent of traders without related training were women; while 69.9 percent of those with related formal training were men.

From theses results, it is evident that the women were engaging in handicraft trade from a position of lower education and training. This situation disadvantaged them, since they were not as well prepared as their male counterparts to meet the challenges of operating a business. This finding is comparable to other research in Africa and the Middle East. According to Amha and Ageba (2006) and Bekele and Worku (2008a), women MSE owners in Ethiopia are generally less educated than male owners. Hamdan (2006) found the same to be true among MSEs in Lebanon. Amha and Ageba (2006) further found that more women than men in Ethiopia had failed MSEs. This implied that lack of training was detrimental to business performance.

Untrained textile handicraft traders may also be considered to have relatively diminished capability to take advantage of opportunities to increase income earning potential., Women handicraft traders need more opportunities to embark on short courses in technical and business skills as soon as possible to remedy this situation. Providing women with skills before or after they start business can help them improve their performance. At the same time the training will help to attain the Millennium Development Goal (MDG) on gender equity.

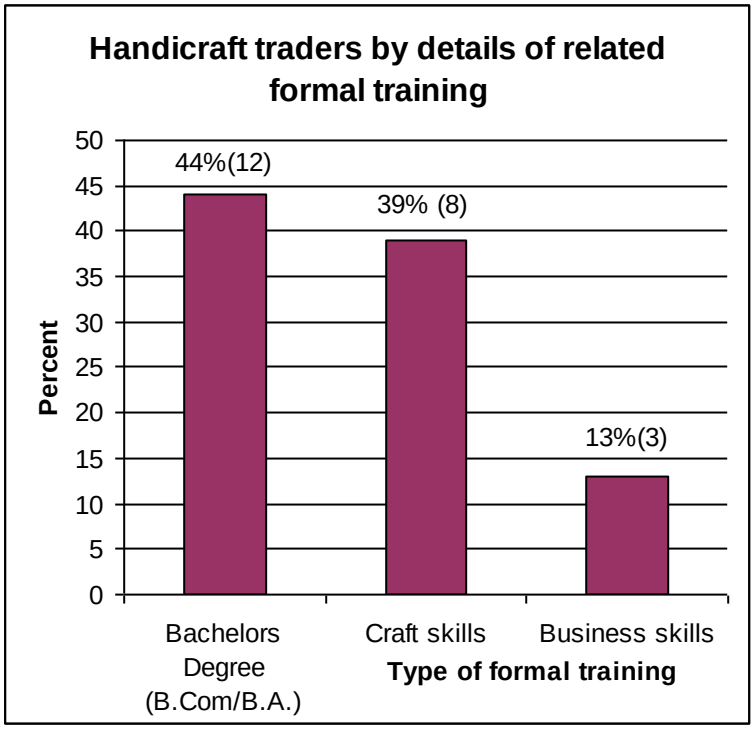

Figure 4. 2 Handicraft traders by details of Related Formal Training

As seen in Figure 4.2, about half (44 percent) of the textile handicraft traders with related formal training stated that they had Bachelors degrees, while 39 percent had training in art, handicraft and screen printing. An additional 13 percent had business training in the form of entrepreneurship, sales and marketing. Some traders apparently took time and effort to prepare for the business before starting. People with related training can use the skills learnt to enhance business performance.

As seen in Table 4.4, the traders with secondary and post secondary education had a higher business performance index compared to those with lower education. A lower level of education is usually associated with reduced business performance (Maas & Herrington, 2006, Unger *et al.*, 2007, Sonobe *et al.*, 2009).

Table 4. 4
Business Performance Index by Education and Technical Training

	Mean	N	Std. Deviation
Education			
No education	-0.7851	3	1.4747
Primary	-1.0894	30	2.9208
Secondary	-0.2128	134	2.7145
Post secondary education	1.5441	48	2.4944
Total	.0491	215	2.8033
Technical Training			
No related training	-0.2995	116	2.7269
On-the-job training	0.3875	77	2.8773
Formal training	0.7028	22	2.8032
Total	.0491	215	2.8033

The traders with university degrees (B.A. Design, B.Com. and B.A.) were in the category of those with related formal training. They also had the highest business performance index. Those without related training had the least business performance index, in contrast with traders with related technical training. Table 4.4 shows that the textile handicraft traders with formal training had a higher business performance index (0.703) than those with on the job training (0.388) and those with no related training (-0.299). Among textile handicraft traders, having related training is apparently associated with higher business performance.

This finding is consistent with other research which shows that besides the level of education; having related training is associated with higher rates of business success and performance in MSEs (Man & Wafa, 2008; Purateera *et al.*, 2009; Tambunan, 2008). According to them, MSEs with higher levels of training engage in better business management and utilize innovations in product design and marketing. As a result, those with related training perform better than MSEs with lower training levels.

On the contrary, research findings from a study of women MSEs doing retail business in Meru, Kenya indicated no relationship between training and business performance (Naituli *et al.*, 2006). This could be attributed to the difference in the sectors in which the women were engaged. The women in Meru traded in grains and foodstuffs that relied on traditional ethnic knowledge and required limited value addition by the trader. Additional training was therefore not necessarily going to make a difference in the business performance. In contrast, textile handicraft traders make the whole or parts of their products. In this regard, relevant training will make a difference in the business performance.

These findings on how the trends of handicraft traders' performance relate to education and training are similar to other researches. Literature shows a positive relationship between having business training and success of business among MSEs in general (Robson *et al.*, 2008; Unger *et al.*, 2007). MSEs with business training were able to run their businesses more professionally, thus enhancing business performance.

4.1.3 Location of business

Nearly two thirds (62 percent) of the textile handicraft traders operated from their homes while the rest had workshops where their businesses were based. Nearly half (48 percent) of the businesses with premises were located in Nairobi city centre. Twenty one were in the City Market managed by Nairobi City Council. A further 22 percent of the traders had premises in Kariokor within walking distance of the city centre. Kariokor has been a handicraft market for leather goods and sisal baskets since

the 1940s (Ngau & Keino, 1996). Ten percent of the handicraft traders had stalls in the Nairobi City Council "Triangle" Market in Westlands which is an up market location frequented by tourists and locals alike (Lyons & Snoxell, 2005).

As regards business location by the gender distribution, Table 4.5 indicates that a higher proportion of women's businesses were located at home. The Chi-Square test of association showed a statistically significant gender difference in location of business (X^2 =11.874, p <0.001).

Table 4. 5
Chi-Squares of Location of Business by Gender Differences

Location of business	Female		Male		Total	
	N	%	N	%	N	%
Home	85	59.0	59	41.0	144	100
Workshop	31	35.6	56	64.4	87	100
Total	116	50.2	115	49.8	231	100

Note. X^2 = 11.874; df = 1; p = 0.001

Although only 87 traders operated from a workshop, women traders made up 59 percent of the home based businesses. Of these, only 35.6 percent operated from workshops. Businesses that are located at home provide a low cost solution for a starting business. In addition, they enable women to multitask, attending to household chores interchangeably with business activities. On the other hand, home based businesses are likely to earn less because of the interruptions from household responsibilities (McCormick, 1988). The textile handicraft traders based at home indeed had a lower mean business performance index than those in workshop (see Table 4.6).

Table 4. 6
Business Performance Index by Location of Business

	Mean	N	Std. Deviation
Home	-0.2369	135	0.227
Workshop or market stall	0.5318	80	0.337

The findings relating to business location and business performance of the handicraft traders are similar to international trends. Maas & Herrington (2006) investigated entrepreneurship among South African youth and found that most businesses were operating from home. Similarly, according to Cutura (2005) women's businesses grew less and were based at home.

Businesses with formal premises may perform better due to proximity to customers and inputs. They also have reduced interruption from household activities. Although formal businesses also incur more costs since income is spent on rent, it is evident that the textile handicraft traders working at home were disadvantaged in terms of business performance. It is therefore necessary for the women handicraft traders to be sensitized on the benefits of having formal business premises as a way of increasing business performance.

The predominance of home based businesses among handicraft traders may have been due to inadequate capital. This may have constrained their ability to set up a workshop or rent a stall, given the high cost of rents in the city centre. Consequently, this may have led them to choose the option of operating from home as a means of limiting business expenses. The Government through the Nairobi City Council ought to build mechanisms to provide market stalls for the textile handicraft traders. Affordable formal premises would give traders a place where customers could reach

them all week long. This would allow them to be accessible on Mondays and Thursdays when there is no Maasai market in Nairobi.

4.1.4 Years in business and size of business

The textile handicraft traders sampled had been in the business for between six months and thirty years. The mean number of years handicraft traders had been in business was 5.8 years, with a standard deviation of 4.7 indicative of the wide variation across the sample. Table 4.7 shows that most businesses were in the category of three to five years (118) and only twelve were more than 15 years old. Businesses below 3 years are considered to be in their start up phase and a large proportion tends to close down before the fifth anniversary (Neshamba, 2006). There were nine percent of the traders in this start up phase.

Table 4.7
Chi-Squares of Years in Business and Size of Business by Gender Differences

	Female		**Male**		**Total**	
	N	**%**	**N**	**%**	**N**	**%**
Years in business						
2 years or less	12	57.1	9	42.9	21	100
3 to 5	55	46.3	63	53.4	118	100
6 to 10	36	53.7	31	46.3	67	100
11 to 15	7	53.8	6	46.2	13	100
16 to 20	3	42.9	4	57.1	7	100
21 to 30	3	60.0	2	40.0	5	100
Total	116	50.2	115	49.8	231	100
X^2 = 1.760; df = 5; p = 0. 881						
Size of business						
Sole Proprietor	86	53.1	76	46.9	162	100
1 or more employees	30	43.5	39	56.5	69	100
Total	116	50.2	115	49.8	231	100
X^2 = 1.787; df = 1; p = 0.181						

Businesses typically go through several phases; startup, growth and decline. Most (89 percent) of the handicraft traders had worked for three or more years. This would place them in the growth phase of their businesses. These businesses were promising since the longevity of businesses was associated with technical and business skills of the owners. A Chi-Square test of association (see Table 4.7) showed that there were no significant differences among men and women traders with regard to years in business (X^2 = 1.760, p = 0. 881) or business size (X^2 =1.787, p = 0.181). There were a higher proportion of women (53 percent) among traders without employees. Consequently, a higher proportion of men (57 percent) were found among traders with employees.

The distribution of size of businesses is shown in Figure 4.3. Most (55 percent) of the traders had between one and six workers while nearly half (45 percent) worked alone.

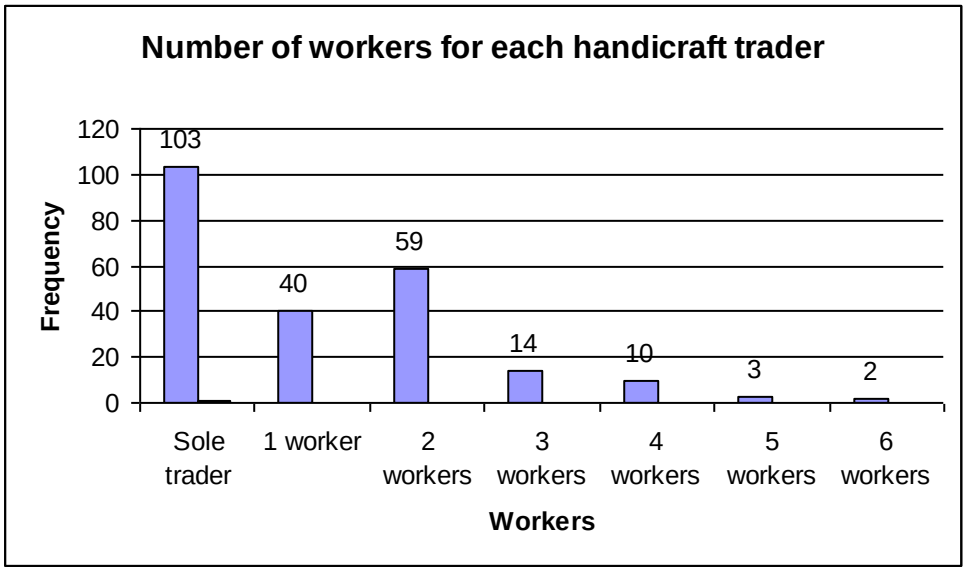

Figure 4. 3 Number of workers for each handicraft trader

More than half of the textile handicraft traders are providing employment to workers. Indeed 43 percent have one or two workers in the business. This underscores the role

MSEs play in employment creation in Kenya. About a quarter (59) of the traders had two workers while 17 percent (40) had one worker. There were 29 traders with three or more workers; representing twelve percent. The size distribution among textile handicraft traders is indicative of the tendency of MSEs to remain micro sized rather than growing to employ more people. The findings were similar to research findings among Lebanese MSEs by Hamdan (2006) who also found that 45 percent were sole proprietors.

Table 4.8 shows that the textile handicraft traders with employees recorded higher business performance than those with no employees. Indeed the 65 traders with employees had a higher mean performance (1.1938) compared with those without employees (-0.4469).

Table 4. 8
Business Performance Index by Employees

	Mean	**N**	**Std. Deviation**
No employees	-0.4469	150	2.5937
Have employees	1.1938	65	2.9507
Total	0.0491	215	2.8033

Having family workers or employees appears to be associated with improved business performance of the handicraft traders. The workers help the traders in the purchase of inputs, production, sales and marketing of handicrafts. A trader without employees can not display at different locations of the Maasai markets. This limits the exposure of his/her handicrafts to greater numbers of customers. In addition, not having employees engages the individual trader in multiple roles. Involvement in purchase, delivery and other errands further limits their exposure to customers and sales opportunities.

Pearson correlation were used to explore the relationship between age, years in business, number of family workers, number of employees and business performance index. Table 4.9 shows the correlation coefficients for these variables.

There was a low positive correlation between the number of employees working in business and business performance index (r = 0.294); it was statistically significant at p < 0.001. There was also a negligible positive correlation between the number of family members working in business and business performance index (r = 0.138), it was statistically significant at p < 0.05.

Table 4. 9
Pearson Product Moment Correlation Coefficient Results of Handicraft Traders' Socioeconomic Characteristics and Business Performance Index

	Business performance index	**Number of employees working in business**	**Years working in business**	**Age of handicraft trader**
Number of employees working in business	**.294****			
Years working in business	.008	**.146***		
Age of handicraft trader	-.038	.077	**.539****	
Number of family members working in business	**.138***	**-.148***	-.067	-.126

Note. * = p < .05, ** = p < .01.

The use of family members is a common trend in MSEs, because it reduces financial expenses. This is since the family workers do not have to be paid (McCormick, 1998). A negligible negative correlation was observed between the number of employees working in business and the number of family members working in business (r = -0.148). It was statistically significant at p < 0.05 and indications are that as the

number of family workers increased, the number of employees working reduced and vice versa.

There was a moderate positive correlation between trader's age and trader's years in business (r= 0.539) that was statistically significant at $p < 0.001$. As age increased the years in business also increased. Thus the older handicraft traders had been in business for longer than the younger traders. This is similar to findings from other research that indicate that older business owners are likely to have businesses that have existed for longer than those of younger business owners (Neshamba, 2006; Rohra & Junejo, 2009).

The age distribution implies that young people were opening more new handicraft trade businesses. Gomez (2008) posits that businesses that are started by younger people are more likely to grow and perform better than those started by older people. The handicraft traders in this age segment thus have a higher potential to succeed. This presents an opportunity for the country to grow an entrepreneurial generation. The youth in handicraft trade can easily be reached by the Youth Development Fund, trainers, BDS providers and banks,

There was also a negligible positive correlation (r = 0.146) between the number of employees working in business and traders' years in business; it was statistically significant at $p < 0.05$. This implies that businesses that have been in existence for longer periods tend to have more employees, while younger businesses tend to have fewer employees.

Pearson correlation showed no significant relationships between years in business and business performance index among the handicraft traders. This finding is a contradiction to other research on small businesses which shows that there is a relationship between the age of a business and its business performance (Inmyxai & Takahashi, 2010). Young businesses tend to perform poorly in the first five years and may possibly close down (Gomez, 2008; Lloyd, 2002; Neshamba, 2006; Rohra & Junejo, 2009).

Table 4.10 shows how business performance varied among traders based on the number of years they had been in business. The traders who had been in business for two years or less had the lowest business performance index (-2.952), followed by those between three and five years (.0371). Business between six and ten years old had the highest business performance (1.539). The textile handicraft traders between three and five years exhibited a trend similar to findings by Bowen *et al*. (2009) on MSEs in Nairobi. This tendency is an indication of the positive scope of business growth in the handicraft trade sector.

Table 4.10
Business Performance Index by Years in Business

	Mean	N	Std. Deviation
2 years or less	-2.952	19	1.8017
3 to 5 years	0.0371	111	2.4513
6 to 10 years	1.539	60	2.7784
11 to 15 years	-.5455	13	2.9177
16 to 20 years	-1.483	7	2.0811
21 to 30 years	-2.463	5	2.3336
Total	.0491	215	2.8033

Businesses that are new are unable to do as well, since they are still in the start up stage and competing with businesses that have established customers and supplier

relationships. As businesses grew older, they tended to overcome the initial challenges and in so doing increased their business performance (Gomez, 2008).

However this increase in business performance corresponding with years in business was reversed among the handicraft traders who had been in business for more than ten years. As seen in Table 4.10 handicraft traders who had been in business for the highest number of years (21 to 30) had the lowest business performance (-2.463) after start ups. The second lowest business performance (-1.483) was among businesses between 16 and 20 years old. This trend implies that there is a point when the business performance levels out. Therefore it is an indication that long duration in business is not enough to ensure increased business performance.

Bowen *et al*. (2009) also found that SMEs in Nairobi which had been in existence for over 5 years showed a greater decline in performance as duration in business increased. This decline was attributed to burnout which led the owner to lose interest on the business and diversify into other investment areas such as real estate and farming (Bowen *et al*, 2009; Gomez, 2008; McCormick *et al*., 1997).

4.1.5 Traders' motivation for doing business and other sources of income

The handicraft traders in Maasai markets identified their motivations for being in business as well as their other sources of income. Trading in handicrafts was the only source of income for 141 (62 percent) of the traders, while 88 (38 percent) had other sources of income as seen in Table 4.11.

Table 4. 11
Chi-Squares of Traders' Sources of Income by Gender Differences

Sources of income	Female		Male		Total	
	N	%	N	%	N	%
Have other sources	33	37.5	55	62.5	88	100
Handicraft trade is only source	82	58.2	59	41.8	141	100
Total	115	50.2	114	49.8	229	100

Note. $X^2 = 9.248$; df = 1; $p = 0.002$

Chi square tests revealed significant difference in sources of income between the genders (X^2 =9.248, p <0.05). Most traders relied entirely on handicraft trade as their sole source of income. There were fewer women (37.5 percent) among traders with other sources of income. This finding indicates that most handicraft traders, and especially women, had to rely on what they sold at the Maasai markets for their family needs to be met. The traders put in time and effort in these businesses to earn a living. They are further motivated to do so because the business was a source of livelihood.

For those who stated that handicraft trade was not the only source of income, 23 percent reported that it provided most of the family income, while 70 percent reported that handicraft trade provided half of the family income. Of the 38 percent with other sources of income, a small proportion (7 percent) considered the income contribution of handicraft trade to be very little. On the whole, handicraft trade provided more than half of the income for all but seven percent of the traders. This finding is similar to Gomez (2008) who found that most MSEs had no other income sources.

Most of the textile handicraft traders (87 percent) stated their motivation to be a result of push factors, while 13 percent started because of pull factors; these are shown in Figure 4.3. The pull factors included self motivation as a result of talents (7.4

percent), the desire for self employment and autonomy (4.2 percent) and the urge to provide customer satisfaction (1.4 percent). The push factors they identified were lack of alternative jobs (36.7 percent), desire to generate income (31.2 percent), need to sustain family (13.5 percent), and employee or family member of owner (5.6 percent). It is evident that most of the textile handicraft traders were pushed into business as a way of income generation and providing a livelihood. This confirms that the MSE sector, of which textile handicraft is a part plays an important role in Kenya's socio economic development.

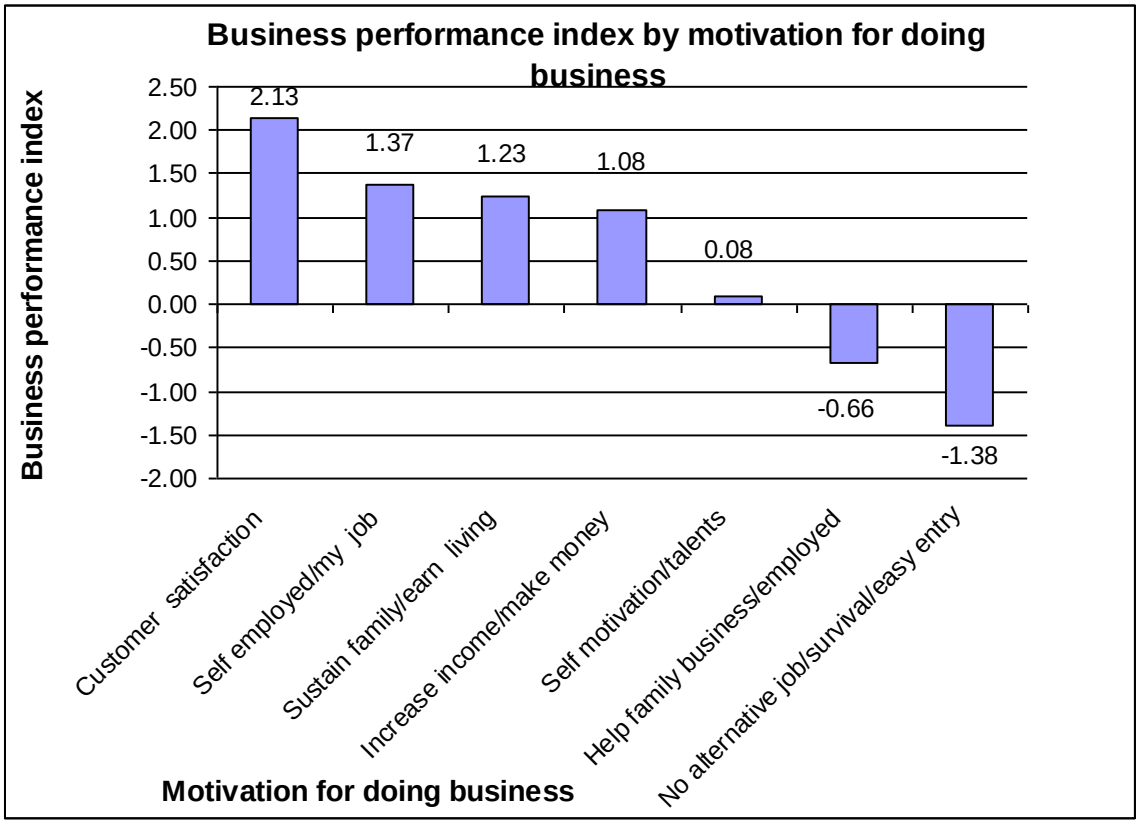

Figure 4. 4 Business performance index by motivation for doing business

As shown in Figure 4.3, there were differences in business performance index associated with the different motivations. Twelve traders (5.6 percent) who cited pull factors of customer satisfaction and self employment as their motivation had the

highest business performance index. The implication here for potential entrepreneurs is that focusing on satisfying the customer is important for business performance. The 29 traders (13.5 percent) whose motivation was sustaining families and a further 67 (31.2 percent) whose motivation was increasing income had comparable business performance scores. Although there were only sixteen traders whose motivation was a desire to exploit their talents; it is worth noting that they exhibited a higher business performance index than 42.3 percent of the traders pushed into business by lack of alternatives.

From these results, it is apparent that when handicraft businesses are started as a result of no alternatives, they are less likely to perform well. These findings correspond to conclusions made by Purateera et al. (2009) and Gaspari & Haghirian (2009) that business performance was related to the motives of the founder. Rohra and Junejo (2009) stated that businesses started due to pull factors (desire to be own boss, customer satisfaction and need for income) tended to perform better than those started because of push factors such as lack of alternative employment and the ease of entry. A possible reason is that the owners may constantly be looking out for alternative income earning opportunities. The traders therefore, may not put adequate effort in the handicraft business or taking advantage of opportunities that may be available to them to grow the business.

The findings on textile handicraft traders concerning relationship between motivation and business performance are largely in line with documented trends. The implication is that regardless of the motivating factors, a MSE owner needs to work hard to perform well. Trading in textile handicrafts is a sector that has attracted many new

businesses. This could explain the increasing number of new Maasai markets started in Nairobi and the fact that nearly one third (69) of the handicraft business were less than three years old.

The foregoing results on socioeconomic characteristics of the textile handicraft traders in the Maasai markets indicate that there were marginally more women handicraft traders than men. However, the women were over-represented in some of the variables associated with low business performance. Notably the women generally had lower formal education and training, had fewer employees and operated from home. These factors disadvantaged the female handicraft traders when compared to their male counterparts.

This disadvantage could be reversed by raising the women handicraft traders' awareness of the relationships between training, formal business premises and employees on business performance. It is not enough for the women to start handicraft business. They need targeted assistance that addresses the challenges that make their businesses perform poorly compared to the male traders. In so doing women handicraft traders will be competitive; moving Kenya closer to meeting the third MDG of promoting gender equity and empowering women.

4.2 Business Performance

This section about the dependent variable begins by identifying the numerical indicators of business performance on the basis of traders' responses about their income. This is followed by describing the categorical indicators of business

performance from traders' perception ratings of how their businesses were performing. Finally, the section explains how these indicators were combined to compute a composite score for business performance index that was subsequently used for hypothesis testing.

4.2.1 Income indicators of business performance

In this study, the money that the traders earned from selling the handicrafts is referred to as their income. The two numerical indicators of business performance that the traders identified were average daily income (in Kenya shillings) on the last market day and mean weekly income from the top three best selling products. The traders' income was gross income from the cost of raw materials/stock and other business expenses, like daily license fees, transport, rent and other overheads were paid. The income was also used for family expenses and investments at the discretion of the traders. This section gives details of the textile handicraft traders' income.

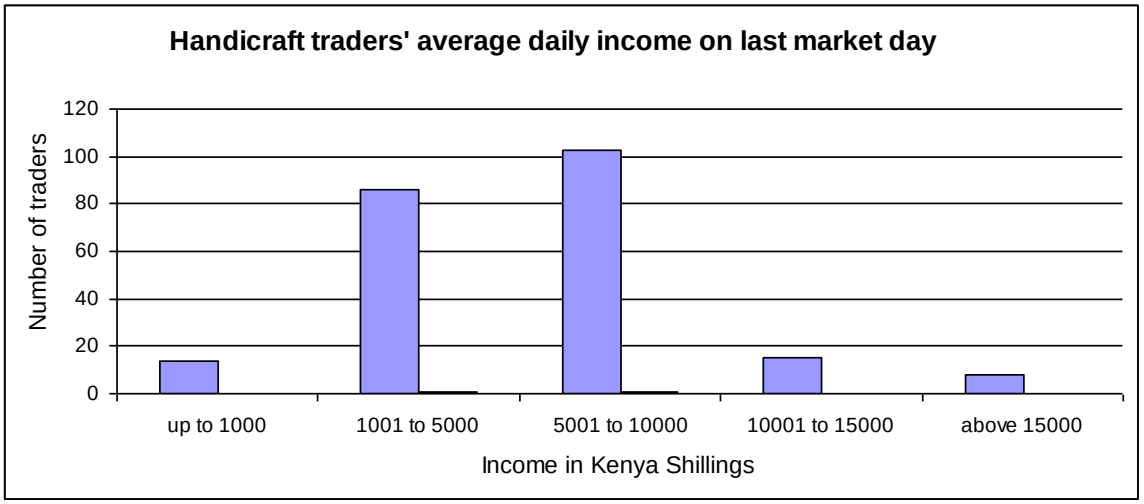

Figure 4. 5 Average daily income of handicraft traders

Figure 4.4 shows that 14 (6 percent traders) had incomes of up to KSh 1000; 86 traders (38 percent) had incomes of between 1,001 and 5,000. When asked

approximately how much money they earned on an average market day in the preceding month, traders stated that they sold products worth between KSh 200 and 40,000. The mean was 6,750 and standard deviation of 4,762. Figure 4.4 shows that 14 (6 percent traders) had incomes of up to KSh 1000; 86 traders (38 percent) had incomes of between 1,001 and 5,000. Nearly half of the traders (46 percent) had incomes of between KSh 5001 and 10,000. This was the category with the largest proportion of traders. Twenty three traders (11 percent) had average daily incomes that were above KSh10, 001.

Figure 4. 6 Average daily income of handicraft traders

As a means of validating this average measure of income based on the previous month, the traders were asked to state their three best selling products and how many of each sold in the preceding week. This instrument incorporated product details and a more current time period to get a measure of their income. Their responses are given in Figure 4.5. The income from the top three bestsellers ranged between KSh 750 and 37,500 with a mean of 8,810 (SD = 5618). This was higher than the mean market day income of KSh 6,750; implying that traders may have understated their daily incomes. The most frequent response regarding weekly bestseller income was between KSh 7,000 to 9,900 mentioned by 68 traders. This was followed by 53 traders who stated that they earned between KSh 10,000 and 20,000 from their top three bestselling products.

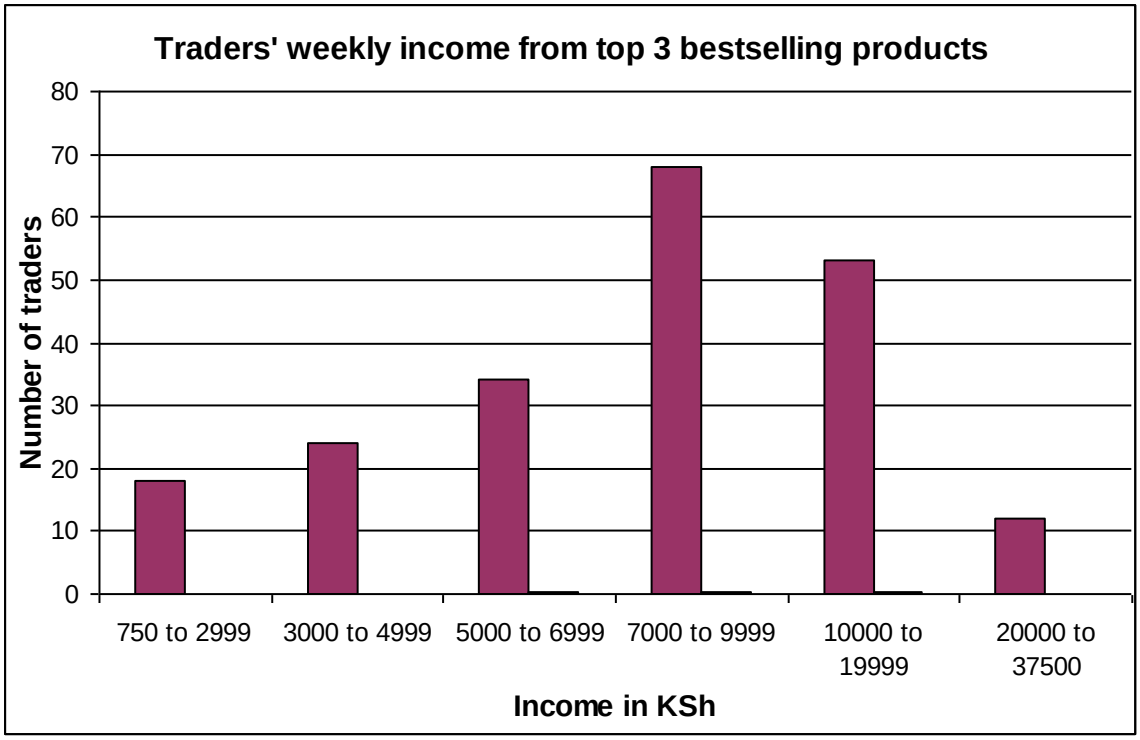

Figure 4. 7 Weekly income from 3 bestselling handicrafts

These findings imply that the handicraft traders weekly mean best seller incomes were close to the minimum monthly wage in Kenya. This was slightly over KSh 8,000 in 2011. The traders, to varying degrees, were earning incomes comparable to other MSE owners and employees with comparable education and skills. On the basis of this, it is evident that handicraft trade is playing a role in poverty reduction and the attainment of MDG number one of eradicating extreme poverty.

The sales of textile handicraft products were found to fluctuate through the course of the year as shown in Figure 4.6.

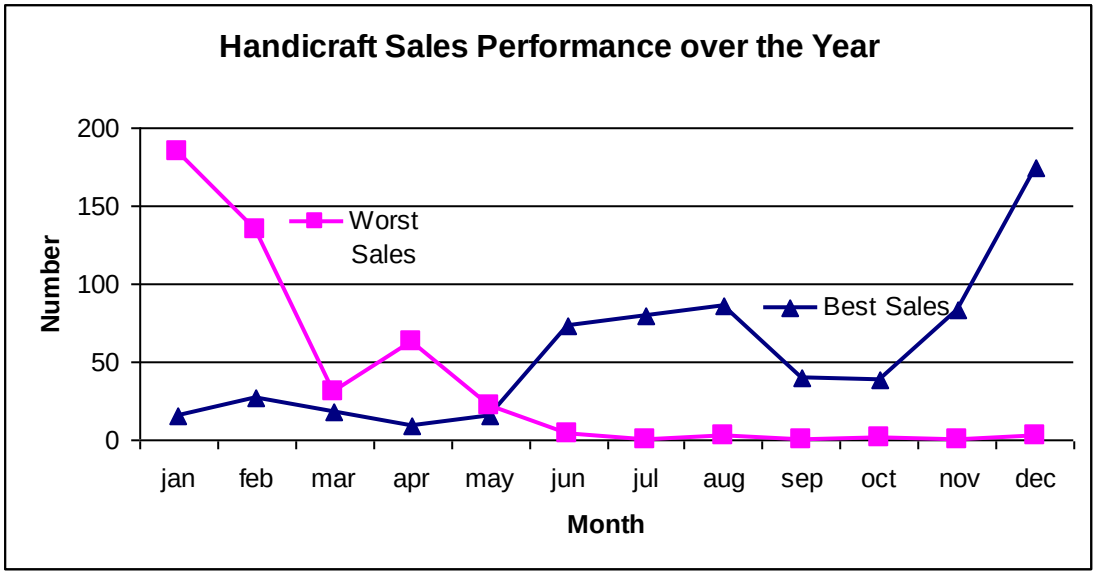

Figure 4. 8 Handicraft sales performance over the year

The largest number of traders reported their worst sales performance in January, while their best sales performance was in December, followed by November. The number reporting worst sales decreased between January and March then rose in April. This number then dropped to a minimum in June which was maintained till the end of the year. The number of traders reporting best sales was lowest between January and May. Traders with best sales rose between June and August then dropped in September and October.

The sales trends may be linked to the customer base of the textile handicraft traders. Sales followed the tourist seasons, falling during the low tourist season and rising during the high season. Ondicho (2010) identified two high tourist seasons as July to August then again between December and March. The low tourist season was from April to June each year. The growth of sales in June, July and August may be attributed to travelers returning to the USA and other western countries after Summer vacation and before the beginning of the academic year in September. Such customers

buy handicrafts that they can sell or give as gifts when they get to their destinations abroad.

4.2.2 Traders' rating of business performance

The traders were asked three questions to provide categorical indicators of their business performance. First, they rated the performance of their businesses in the previous one month on a three point scale. The second question was a rating of their current business performance, compared to two years earlier on a three point scale. Finally, traders ranked what they were able to afford with the previous month's income on a four point scale.

Over three quarters of the handicraft traders rated the performance of their businesses in the month prior to the survey as average (58.99 percent) or good (16.69 percent); while fifty three traders (24.42 percent) said that their business performance was bad. These trader ratings were compared with mean income from best selling products. The 36 traders who rated their business as good had the highest mean income (KSh 10,547) as seen in Table 4.12.

Table 4. 12
Mean Weekly Bestseller Income by Rating of Performance in the Previous One Month

	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
Bad	53	24.42	9031.51	7857.622
Average	128	58.99	8232.73	4025.156
Good	36	16.59	10546.67	6381.829
Total	217	100.00	8811.71	5630.413

The 53 traders who rated performance as poor had a higher mean (KSh 9,032) than those who rated their businesses as average (KSh 8,233) (see Table 4.12). This discrepancy may imply a tendency to hide the truth about performance in a bid to turn away competitors interested in joining the sector. Alternatively, the higher mean of traders rating their business as poor may be an indication that they had higher unmet expectations. As a result, they rated their performance as poor. This was in contrast to the lower mean income of the 128 traders who rated their businesses as average. This disparity brings into focus the danger of relying on single measures of performance among MSEs. A business performance index that combines related variables is able to compensate for this weakness.

The traders were asked to give a rating of their current business performance as compared to two years earlier (see Table 4.13). All of the traders except those who had been in business for less than two years answered this question. Over half of the traders (52.28 percent) stated that their businesses had grown, compared to their situation two years earlier. Seventeen percent said that their businesses had remained the same, while the remaining 31.17 percent said that their business performance had become worse than it was two years earlier.

Table 4. 13
Mean Weekly Bestseller Income by Comparison of Business Performance with Two Years Earlier

	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
Became worse	66	31.17	7676.67	4559.105
Remained the same	23	17.17	6284.78	2938.515
Grown	110	52.28	10217.27	6160.452
Total	199	100		

Table 4.13 shows that 110 traders who rated their businesses as having grown had higher mean income (KSh 10,217) compared to those whose income became worse (KSh 7,677). They also had higher income than those whose income remained the same (KSh 6,285). The traders' ratings were compared with mean weekly income from bestselling products. Traders who rated their businesses performance as having grown had higher mean incomes than those whose business performance remained the same or became worse. This implies close corroboration between mean weekly bestseller income and rating of businesses as indicators of business performance.

Literature indicates that new businesses tend to decline in performance soon after they are started then close down or stabilize within the first four to five years (Bekele and Worku, 2008b; Ghosh and Akter, 2005; ILO,2008; Lloyd, 2002; Neshamba, 2006; Pretorius, 2008; Street and Cameron, 2007; Tambunan, 2008). About half of traders' businesses had grown, implying that handicraft trade is a sustainable means of earning a livelihood. In view of this, the traders need to be facilitated better to continue.

However, given that just half are growing, it will be necessary to address the networks, product range and marketing strategies of the businesses that were not growing. Handicraft traders whose businesses had not grown should be advised on the factors associated with improved business performance. They can make changes to address these factors and in so doing strengthen their businesses. BDS organizations and Government agencies such as the Women's Enterprise Fund and Youth Enterprise Development Fund should provide the services needed to support the traders' business performance.

The traders were asked what plans they had for their businesses in the next two years. Most of them (84 percent) said that they intended to expand their businesses further. A few of the traders (11 percent) said that they planned to close the businesses and do something entirely different. A very small proportion (5 percent) intended to continue in the same way for the next two years. The finding that such a small proportion planned to close down was as expected. A majority of respondents depended on their handicraft businesses to provide half or more of the livelihood requirements for themselves and their families.

The foregoing sections illustrate that about half (52.28 percent) of the handicraft traders rated their businesses as improved in performance compared to two years earlier. Since increased years in business have been associated with business performance, the 89 percent handicraft traders who intend to continue are likely to do better in future. Their performance can be enhanced by providing them with infrastructure, training in product development, market facilitation and loans. These are the variables that have been associated with higher financial indicators of business performance in the earlier sections.

The handicraft traders' responses regarding what they were able to afford with their income as tabulated in Table 4.14 show that more than 90 percent (210) of them paid for their family and business expenses. Approximately half of them (116) also kept savings from their income while approximately a quarter (63) made other investments. These findings confirmed that the businesses played an important role in meeting the family and business expenses of the handicraft traders. The implication of this finding is that about half of the handicraft traders are at a survival level; they can

only afford current expenses. The traders who save and invest have the potential to grow their businesses from the current level.

Table 4. 14
Traders' Spending of Income from Handicraft Trade

	N	Percent
Paid for business expenses	220	95.2
Paid for family expenses	210	90.9
Kept savings	116	50.2
Other investments	63	27.3
Total	231	

Note. Multiple responses allowed

The textile handicraft traders were asked how their spending patterns differed during months with high sales and those with low sales. The most frequently mentioned spending when business was doing well was on business expenses. This was given by 37 percent of the traders. When business was doing poorly, 77 percent of the traders gave priority in spending their income on family expenses. This was not a surprising finding since the traders had stated that they entered business to support their families. The second priority was saving for business and stocking inputs for sale in business, mentioned by 16.4 percent of the respondents.

These trends do not auger well for the performance of the handicraft traders. They indicate a possible depletion of inputs required for continued running of the businesses. Bekele and Worku (2008a) found that Ethiopian MSEs that did not spend their incomes on their businesses were more likely to close down. The textile handicraft traders need to be sensitized to the danger of business collapse posed by diverting income to family expenses.

Business management training would play an important role in emphasizing to the handicraft traders the need for record keeping. This is as a means of distinguishing between business and family income and expenses. The traders could also use the savings they make as collateral for loans to enhance their businesses. In so doing the handicraft traders would make an even greater difference in the economy, poverty reduction and growth towards small and medium size enterprises.

4.2.3 Business performance index

The business performance index was computed from five indicators. These were average weekly sales income on a market day; weekly income from the top three best selling products; traders' rating of present business performance; current performance compared with 2 years earlier; and scale of purchases or investments which traders were able to afford with previous month's income. The business performance index for the handicraft traders was a numeric variable measured on a continuous scale. It ranged from -6.79 to 5.53 with a mean of 0.049 (*SD* = 2.80). This composite score is the measure of business performance used for the hypothesis tests discussed in the subsequent sections.

4.3 Hypothesis Tests for Socioeconomic Characteristics and Business Performance

The association between these variables was stated as H_1: There is a significant difference in business performance between handicraft traders with different socio economic characteristics. Three null hypotheses related to socio economic status were tested.

The first null hypothesis was $H_{01}a$ = there is no significant difference in business performance of male and female handicraft traders. Table 4.15 shows that the male traders had a higher mean self rated score on business performance (*M* = 0.215, *SD* = 2.860) than the female traders (*M* = -0.215, *SD* = 2.746). This finding is similar to findings of other researchers that showed that women's MSEs performed worse than men's (Bekele & Worku, 2008a; Hamdan, 2006; ILO, 2008; Kessy, 2009).

Table 4. 15
Means, Standard Deviations and Independent T Values of Business Performance by Socio-Economic Variables

Socio economic variables	Mean	Std deviation	t	df	Sig. (2tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Gender									
Female	-0.125	2.746							
Male	0.215	2.860	0.890	213	0.375	-0.340	0.383	-1.095	0.414
Location									
Home	-0.237	2.643							
Workshop	0.532	3.011	1.956	213	0.052	-0.769	0.393	-1.543	0.006

To establish if these differences were statistically significant an independent samples *t* test was conducted. The results showed no significant difference in business performance between male and female handicraft traders, $t\ (213) = .890$, $p > 0.05$. For this reason the null hypothesis was not rejected. It was concluded that there was no significant difference in business performance of men and women handicraft traders.

Although the women were in a traditionally female dominated area of trade and in a higher proportion to the men, their businesses were less lucrative than those of men.

The female traders' lower performance may be linked to their being overly represented in other variables also associated with lower business performance. More women were less educated and had no training related to handicraft trade. Bekele and Worku (2008a) and Hamdan (2006) found that low education and technical skills were associated with the lower performance of women's businesses in Ethiopia and Lebanon respectively. This finding implies that the female handicraft traders would benefit from specialized training services in order to reduce disparities between their business performance and that of the men handicraft traders.

The second hypothesis tested was H_{01}b= there is no significant difference in business performance of handicraft traders with formal premises for their business and those operating from home. Table 4.15 shows that traders based at home had a lower self rated score on business performance (M = -0.237, SD = 2.643) than those operating from a premise (M = 0.532, SD = 3.011). The higher performance of businesses with formal premises may be attributed to the fact that they were more accessible to customers than those based in homes. The Maasai markets offered traders an opportunity to market their products on up to five days each week. For greater customer reach the Nairobi City Council ought to provide textile handicraft traders with affordable permanent market stalls. These may be located in city centre or close by as a dedicated handicraft market

Independent samples t tests showed that this difference was not statistically significant, t (213) = 1.956, $p > 0.05$. The null hypothesis was not rejected and it was concluded that there was no significant difference in business performance of

handicraft traders with a formal premise for their business and those operating from home.

Kenya's National Tourism Policy of 2006 and the National Export Strategy for 2003-2007 specify activities to strengthen handicraft sector through infrastructure development. A policy for building MSE sheds in constituencies through Constituency Development Funds also exists but these have not been implemented. These measures will facilitate the incorporation of Maasai markets as destinations for tourists visiting Nairobi, similar to other cultural sites like the Bomas of Kenya and the Nairobi National Park. Implementation of these infrastructure related projects must be completed so that MSEs trading in handicrafts can attain their potential in income generation and employment creation.

$H_{01}c$ = There is no significant difference in self rated score on business performance of handicraft traders with different levels of education. A one way analysis of variance (ANOVA) showed significant differences in business performance among handicraft traders with varying levels of education, F (3,211) = 7.265, p = 0.0001 (see Table 4.16).

Table 4. 16
ANOVA Summary Indicating Differences in Business Performance of Handicraft Traders by Education

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	157.443	3	52.481	**7.265****	**0.0001**
Within Groups	1524.238	211	7.224		
Total	1681.681	214			

Note. * = $p < .05$, ** = $p < .01$.

Table 4.17 summarizes post hoc analysis using Tukey (HSD) tests. Results indicated significant mean differences in business performance between traders with secondary school education and those with post secondary school education (M = 1.76).

Table 4. 17
Tukey HSD Test Differences in Business Performance of Traders by Level of Education

Highest level of education	Mean	Highest level of education	Mean Difference	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
No education	-0.7851	Primary	0.304	0.998	-3.910	4.519
		Secondary	-0.572	0.983	-4.636	3.491
		Post secondary education	-2.329	0.466	-6.471	1.813
Primary	-1.0894	No education	-0.304	0.998	-4.519	3.910
		Secondary	-0.877	0.373	-2.282	0.529
		Post secondary education	**-2.634*****	**0.000**	-4.253	-1.014
Secondary	-0.2128	No education	0.572	0.983	-3.491	4.636
		Primary	0.877	0.373	-0.529	2.282
		Post secondary education	**-1.757*****	**0.001**	-2.928	-0.586
Post secondary education	1.5441	No education	2.3292	0.466	-1.813	6.471
		Primary	**2.634*****	0.000	1.014	4.253
		Secondary	**1.757*****	**0.001**	0.586	2.928

Note. *** = $p < .001$

The mean differences between traders with post secondary education and those with primary school education were also significant (M = 2.63). However, there were no significant mean differences in performance between the handicraft traders with no education and those with primary, secondary or post secondary school education. For this reason the null hypothesis was rejected and it was concluded that there was a

significant difference in business performance of handicraft traders with post secondary education and those with secondary or primary school education.

These findings are similar to Bowen *et al*.(2009), Girón *et al*., (2007), Bekele & Worku (2008b), Purateera *et al*. (2009), Halabi & Lussier (2008), Inmyxai & Takahashi (2010); Maas & Herrington, (2006), Sonobe *et al.* (2009) and Unger *et al.*, (2007). Tertiary education was necessary for the traders to exhibit innovation in their business management and for life skills. The findings from the handicraft traders lead us to conclude that education is important for improved business performance. The handicraft traders with post secondary education performed better, due to acquisition of skills related to handicraft production and business management.

H_{01}d= There is no significant difference in business performance of handicraft traders with different levels of technical training. A one way analysis of variance (ANOVA) showed no significant differences in business performance among handicraft traders with varying levels of training, F (2,212) = 2.077, p = 0.128. (see Table 4.18).

Table 4. 18
ANOVA Summary Indicating Differences in Business Performance of Handicraft Traders by Technical Training

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	32.313	2	16.156	2.077	0.128
Within Groups	1649.368	212	7.78		
Total	1681.681	214			

These findings were consistent with Naituli *et al*., (2006), who pointed out that education and training were more important in certain sectors than others. Following research on women traders in rural Kenya, Naituli *et al*., (2006) concluded that

although education and skills were needed to start business in manufacture or service sectors; it was not the same case for retail and trade MSEs.

Table 4.19 summarizes post hoc analysis using Tukey (HSD) tests. Traders with no related training had the lowest mean business performance index (-0.2995), while those with technical training had the highest (0.7028).

Table 4. 19
Tukey HSD Test Differences in Business Performance of Traders by Technical Training

Technical training related to handicraft trading	Mean	Technical training related to handicraft trading	Mean Difference	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
No related training	-0.2995	On-the-job training	-0.687	0.217	-1.655	0.281
		Technical training	-1.002	0.272	-2.533	0.529
On-the-job training	0.3875	No related training	0.687	0.217	-0.281	1.655
		Technical training	-0.315	0.887	-1.907	1.276
Formal training	0.7028	No related training	1.002	0.272	-0.529	2.533
		On-the-job training	0.315	0.887	-1.276	1.907

Although the differences were not statistically significant, it is worthwhile to note that some literature indicated that having related technical training was associated with improved business performance (Bowen *et al.*, 2009; Inmyxai & Takahashi (2010); Kessy & Temu, 2009; Purateera *et al.*,2009; Rohra & Junejo,2009; Sonobe *et al.*, 2009). The lack of significance among handicraft traders may be due to the fact that most traders were not involved in the making of the handicrafts that they sold. This is expounded further in the next section on range of products.

4.4 Range of Handicraft Products

This section identifies the range and nature of products sold by traders in textile-based handicrafts in Nairobi. The products varied in terms of quality and uniqueness. They are further categorized by material used to make the products (textile based versus non-textile) and the value addition (hand made versus bought handicrafts). This is followed by a section on hypothesis testing discussing differences in business performance associated with product range.

4.4.1 Quality and Uniqueness of handicrafts

The handicraft traders were asked to rate the quality of their products. The researcher used an observation checklist to document the unique products displayed and make comments rating the uniqueness of individual traders' products compared to those of their competitors. These two attributes of products are used as indicators of innovativeness which also give competitive advantage (Baldacchino *et al*., 2008; Purateera et al., 2009; Robson *et al*., 2008).

In rating the quality of the handicrafts they sold, 115 of the traders rated their products as being of high or very high quality (15), while 101 traders characterized theirs as average in quality (see Table 4.20). Most of the traders' products were identical or similar to their competitors; only 71 had a unique product range. Gadzala (2009) similarly documented a high level of product similarity among Kenyan garment making MSEs that created a highly competitive environment.

Table 4. 20
Chi-Squares of Product Range by Gender Differences

	Female		Male		Total	
	N	**%**	**N**	**%**	**N**	**%**
Product uniqueness compared to competitor						
Identical	5	83.3	1	16.7	6	100
Similar	79	51.3	75	48.7	154	100
Unique	32	45.1	39	54.9	71	100
Total	116	50.2	115	49.8	231	100
$X^2 = 3.456$; df = 2; $p = 0.178$						
Product quality	**N**	**%**	**N**	**%**	**N**	**%**
Average	51	50.5	50	49.5	101	100
High	61	53.0	54	47.0	115	100
Very high	4	26.3	11	73.3	15	100
Total	116	50.2	115	49.8	231	100
$X^2 = 3.698$; df = 2; $p = 0.157$						
Product value addition	**N**	**%**	**N**	**%**	**N**	**%**
Make all	11	39.3	17	60.7	28	100
Buy Some	73	47.7	80	52.3	153	100
Buy all	30	65.2	16	34.8	46	100
Total	114	50.2	113	49.8	227	100
$X^2 = 5.863$; df = 2; $p = 0.051$						

The Chi-Square test of association did not show any significant differences in product uniqueness (X^2 =3.456, $p > 0.05$) or quality (X^2 =3.698, $p > 0.05$) between the men and women traders (see Table 4.20). However, there were significant differences in product value addition (X^2 =5.863, $p = 0.051$) between men and women traders. Only 28 of the traders made all the products that they sold. Majority of them bought some or all of the products they sold at the Maasai markets. Sixty one percent of traders who made all their products were men, while 65 percent of traders who bought all their products were women.

It is evident that the women traders were more likely to be buying all their products and less likely to be engaged in production of the handicrafts. Buying exposes the

traders to intense competition and limited opportunities for innovation since they are buying similar products from the same source. Buying may also indicate a reversal of the traditional role of women as creators of baskets and other textile handicrafts.

Table 4. 21
Mean Weekly Bestseller Income by Quality and Uniqueness of Products

	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
Quality				
Average	94	43.12	8126.06	2617.136
High	111	50.92	8840.63	6095.403
Very high	13	5.96	13490.77	12230.012
Total	218	100.00	8809.82	5617.494
Uniqueness				
Identical to competitors	5	2.29	9620	2930.358
Similar to competitors	146	66.97	8079.04	5719.846
Unique	67	30.74	10341.79	5267.033
Total	218	100.00	8809.82	5617.494

The lack of uniqueness in the great proportion of products can be attributed to the source of products. The handicraft traders tend to buy similar products and raw materials from the same retailers and producers. Table 4.21 shows that traders who sold unique products had a higher mean income (KSh10, 341) than those with identical (KSh 9,620) or similar products (KSh 8,079) to competitors. Similarly traders selling very high quality handicrafts had a higher mean income of KSh 13,490 than those selling average (KSh 8,126) to high (KSh 8,840) quality handicrafts. This finding is in line with related research that indicates that innovation and creativity in product range are associated with improved business performance (Baldacchino *et al*., 2008; ILO, 2008; Purateera *et al.*, 2009; Robson *et al.*, 2008).

The association between quality and income implies that for the traders to improve business performance they need to make high quality and unique products. These will provide a competitive advantage to traders. As observed, most traders sell similar or identical handicrafts to their competitors. This limited innovation may be attributed to the fact that most traders buy products rather than making them. Traders with unique products had a significantly higher business performance. In light of this, it is recommended that the traders be provided with training in related craft skills to enable them to increase the range of unique products compared to their fellow traders.

4.4.2 Source of products and value addition

Table 4.22 shows that about 22 percent of the handicraft traders bought their products from handicraft producers, while 40 percent bought them from traders. A further 38 percent stated that they bought some from producers and some from traders. This finding indicates that the products move exclusively from producer to trader in 22 percent of the cases and trader to trader in 40 percent of the cases.

Table 4. 22
Product Range by Sources and Value Addition

	N	Percent
Source of products		
Handicraft producers	45	22
Other traders	82	40
Both producers and traders	77	38
Total	204	100
Value addition by traders		
Make all	22	12
Both buy and make	153	67
Buy all	46	21
Total	221	100

Two thirds (67 percent) said that they made some and bought some of the products they sold. A further 21`percent of the traders (46) bought all their products and did not do any value addition. These findings indicate that the handicraft traders are more involved in sales than in producing handicrafts. Handicraft sale plays a role in generating income for themselves, other traders and the producers of the handicrafts. The traders who make some to all of their products can provide on-the-job training in production skills to their employees and family members working with them.

The fact that most of the traders do not make their own products could further contribute to the limited innovation displayed in product range. As shown in Table 4.22, only 12 percent (22) of the traders made all their products. Most handicraft traders bought their products as opposed to making them and they also stocked plenty of manufactured rather than hand-made craft, putting additional limits on the uniqueness of the products. In order for the proportion of unique and high quality textile handicrafts to be increased, more traders must learn how to make the products for themselves or buy from producers. Enhanced uniqueness and quality can be accomplished by providing opportunities for training in product design and development for traders who may not have the production skills.

4.4.3 Materials used for handicrafts

The textile handicraft traders stocked a wide range of crafts to attract customers to the mixed display. As seen on Table 4.23, slightly more than half (54 percent, 124) of the traders interviewed sold only textile related handicraft products while 46 percent (107) sold both textile related and non textile handicrafts.

Table 4. 23
Product Range by Materials Used

	N	Percent
Exclusively textile handicrafts	124	54
Mixed textile and non textile	107	46
Total	231	100

The fact that the product range was exclusively textile for more than half the traders seems to indicate an effort to specialize in a niche range as a means of attracting interested customers and increasing income. Wethey (2005) and Neshamba (2006) identify concentrating on a specific niche range of products or customers as a way of enhancing business performance. This view is shared by Kimeme and Mbwambo (2006), in contrast to Girón et al. (2007) who advocate for product diversification.

There were two categories of exclusively textile products, hand made products and bought textiles. Hand made textile products included tie and dye items, hand-woven kikoi, batik items, jewelry, leather sandals, wallets and belts, sisal baskets and bags. The bought textile crafts included shawls, scarves, kitenge, kanga fabrics, T-shirts and machine woven kikoi. Non textile handicrafts consisted of soapstone and wood carvings, drums and paintings among others.

Tables 4.24, 4.25 and 4.26 show the distribution of crafts based on analysis from the observation checklists. Close inspection of the overall distribution of products displayed and sold by the textile handicraft traders revealed that the hand made textile crafts were most abundant (51.6 percent) as seen in Table 4.24. Bought textile crafts that required little value addition on the part of the traders made up the next most represented category of crafts at the market. They accounted for 38 percent of the products at Maasai markets (see Table 4.25). These locally manufactured t-shirts,

kikoi and kanga fabrics were easily accessible to the textile handicraft traders. Their easy availability however meant that they were not unique to the Maasai markets but could be sourced elsewhere by customers.

As seen in Table 4.25, seventy percent of all handicraft traders sold beaded jewelry. They were followed in popularity by leather sandals and tie and dye fabrics which were sold by 48 percent and 45 percent of the traders respectively.

Table 4. 24
Hand Made Textile Handicrafts Sold by Traders

Product and Category	N	Product Category percent	Total percent	Traders Percent
Jewelry (beaded)-necklace, earrings etc	162	18.56	9.57	70.13
Leather sandals	110	12.60	6.50	47.62
Tie and dye fabric	103	11.80	6.09	44.59
Batik/printed wall hangings	87	9.97	5.14	37.66
Hand woven kikoi fabric	81	9.28	4.79	35.06
Bags	69	7.90	4.08	29.87
Clothing with beadwork	50	5.73	2.96	21.65
Woven sisal baskets	37	4.24	2.19	16.02
Rafia bags/baskets	33	3.78	1.95	14.29
Soft toys	31	3.55	1.83	13.42
Embroidery - table cloths, mats	22	2.52	1.30	9.52
Crochet items	22	2.52	1.30	9.52
Hand knitted items	19	2.18	1.12	8.23
Patchwork items	16	1.83	0.95	6.93
Banana fibre products	12	1.37	0.71	5.19
Leather items, knife sheaths, stools, belts	8	0.92	0.47	3.46
Quilted items	4	0.46	0.24	1.73
Bakuba cloth	2	0.23	0.12	0.87
Bark cloth	2	0.23	0.12	0.87
Height chart, baby feeders/bibs	1	0.11	0.06	0.43
Mobile phone pockets	1	0.11	0.06	0.43
Traditional Maasai leather clothing	1	0.11	0.06	0.43
Subtotal Hand Made Textile Handicrafts	873	100.00	51.60	

Note. Multiple responses allowed

Table 4.25 shows that 64 percent of the traders sold shawls and scarves which were the most popular among the bought textile handicrafts. Traditional East African fabrics (kanga, kitenge and Maasai shuka) were the next most popular followed by kikoi clothing and machine woven kikoi fabrics; stocked by 56, 52, and 46 percent of the traders respectively. The high proportions of traders selling these products points to a high level of competition that may have a negative implication of business performance. On the other hand, the traders may be meeting customer demand for these functional textile products.

Table 4. 25
Bought Textile Handicrafts Sold by Traders

Product and Category	N	Product Category percent	Total percent	Traders Percent
Shawls/scarves	147	23.15	8.69	63.6
Fabric: leso, kitenge, maasai shuka	129	20.31	7.62	55.8
Kikoi clothing	120	18.90	7.09	51.9
Machine woven kikoi fabric	106	16.69	6.26	45.9
Other clothing (t-shirts, African attire)	91	14.33	5.38	39.4
Floor coverings - mats/carpets	26	4.09	1.54	11.3
Hats	16	2.52	0.95	6.9
Subtotal Bought Textile Handicrafts	635	100	37.53	

Note. Multiple responses allowed

The non textile crafts represented just 11 percent (see Table 4.26) of the stocked items. The bought textile products and non textile crafts added to the diversity of stock but were widely available in places other than the Maasai markets.

Table 4. 26
Non-textile Handicrafts Sold by Traders

Product and Category	N	Product Category percent	Total percent	Traders Percent
Wooden carvings	78	42.39	4.61	33.77
Soapstone carvings	67	36.41	3.96	29.00
Drums, gourds, calabash, wooden bowls, key holders	18	9.78	1.06	7.79
Albums, cards, picture frames, paintings	7	3.80	0.41	3.03
Ceramic Carvings, flowerpot	6	3.26	0.35	2.60
Catapult, kayamba, cowry and coconut shells	4	2.17	0.24	1.73
Traditional wooden stool, antiques, Fly whisk	4	2.17	0.24	1.73
Subtotal Non-Textile Handicrafts	184	100	10.87	

Note. Multiple responses allowed

Carvings were the most abundant non textile products. Approximately one third (34 percent) of the textile handicraft traders stocked wooden carvings while 29 percent had soapstone carvings. These were followed by relatively low proportions of traders (between two and eight percent) selling assorted products as shown in Table 4.26. The traders surveyed sold predominantly hand made textile handicrafts which constituted slightly more than half of the products observed. The product range sold had implications on the traders' income earning capacity as explained below.

Table 4.27 shows that the hand made textile crafts were the most popular among the top three best seller products of the handicraft traders. The non textile handicrafts contributed least, among the top three best selling products. Hand made textile handicrafts made up 57 percent of the top best selling products, 48 percent of the second best selling and 69 percent of the third best selling product. In contrast, the non textile handicrafts accounted for only fifteen, fourteen and twelve percent of the categories of best selling products respectively. The higher contribution to best selling products, may explain the preference for textile handicrafts by most of the traders.

Table 4. 27
Top Bestselling Handicraft Products by Material

	N	Percent
Category of Top Bestseller		
Hand Made Textile Handicrafts	125	57
Bought Textile Handicrafts	61	28
Non-Textile Handicrafts	33	15
Total	219	100
Category of Second Bestseller		
Hand Made Textile Handicrafts	104	48
Bought Textile Handicrafts	83	38
Non-Textile Handicrafts	30	14
Total	217	100
Category of Third Bestseller		
Hand Made Textile Handicrafts	150	69
Non-Textile Handicrafts	40	18
Bought Textile Handicrafts	27	12
Total	217	100

The implication of this is that the traders need to concentrate on hand crafted products which are the ones that contribute most to their bestseller income. These crafts require skills, and are not widely available in outlets other than the Maasai markets. For this reason the traders stand to benefit from customers who come to the markets seeking these hand crafted items. Traders should be supported in improving their skills to add

value and make more of the handicrafts rather than relying on the bought handicrafts. The non-textile and bought products were not as popular with customers. Therefore, the textile handicraft traders need this information so that they can concentrate on the niche products for higher business performance.

4.4.4 Hypothesis tests for product range and business performance

The association between these variables was stated as H_2: There is a significant difference in business performance between handicraft traders with different product range. Two null hypothesis related to product range were tested and the results are presented below.

H_{02}a = there is no significant difference in business performance of handicraft traders selling unique products and those selling products similar or identical to their competitors. Analysis of variances (ANOVA) and Tukey post hoc tests were performed to test this hypothesis. As shown in Table 4.28, there is a significant difference in business performance of handicraft traders who rated their handicrafts as unique and those selling handicrafts similar or identical to their competitors F (2,212) = 46.637, p = 0.000.

Table 4. 28
ANOVA Summary Indicating Differences in Business Performance of Handicraft Traders by Uniqueness of Products

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	513.824	2	256.912	**46.637*** **	**0.000**
Within Groups	1167.857	212	5.509		
Total	1681.681	214			

Note. *** = $p < .001$.

Based on this finding, the null hypothesis was rejected. It was concluded that there is a significant difference in business performance between handicraft traders selling unique products and those selling identical or similar products to competitors. The Tukey post hoc tests (Table 4.29) revealed significant mean business performance differences between traders selling unique handicrafts and those selling similar handicrafts to their competitors (*M* = 3.33).

Table 4. 29
Tukey HSD Test Differences in Business Performance of Traders by Uniqueness of Products

Uniqueness of products	Mean	Uniqueness of products	Mean Difference	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Identical to competitors	1.3278	Similar to competitors	2.371	0.070	-0.1493	4.8915
		Unique	-0.957	0.654	-3.5256	1.6109
Similar to competitors	-1.0433	Identical to competitors	-2.371	0.070	-4.8915	0.1493
		Unique	**-3.329*****	**0.000**	-4.1486	-2.5083
Unique	2.2852	Identical to competitors	0.957	0.654	-1.6109	3.5256
		Similar to competitors	**3.329*****	**0.000**	2.5083	4.1486

Note. *** = $p < .001$.*

The higher income for those who had unique products could be associated with two sets of attributes. These were the ability to charge a premium price and to attract customers interested in specialized items. When traders sell identical products they expose themselves to very intense competition. Handicrafts are visually appealing, so small changes that create uniqueness in colour and material tend to attract customers. In addition, handicrafts that are unique, in the sense that they provide a utilitarian value to the customers, are more likely to be bought repeatedly compared to decorative handicrafts. Undifferentiated handicrafts are targeted at tourists interested

in souvenirs and small gift items that remind them of their Kenyan trip. The significant difference in income for unique handicrafts is in line with other studies that show a positive relationship between innovative products and business performance (Maleko, 2008; Ogollah *et al*. 2009); Purateera et al., 2009; ROK, 2003; ROK, 2006; Robson et al., 2008; Tambunan, 2008).

The second product related hypothesis tested was H_{02}b = there is no significant difference in business performance of handicraft traders selling products of different quality standards. Table 4.30 shows the results from a one way analysis of variance (ANOVA) that revealed a significant difference in business performance of handicraft traders with handicrafts of varying quality F (2,212) = 6.743, p = 0.001. Based on this finding the null hypothesis was rejected and it was concluded that there is a significant difference in business performance of handicraft traders selling products of different quality standards.

Table 4. 30
ANOVA Summary Indicating Differences in Business Performance of Handicraft Traders by Quality of Products

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	100.575	2	50.288	**6.743*** **	**0.001**
Within Groups	1581.106	212	7.458		
Total	1681.681	214			

Note. *** = $p < .001$.

Table 4.31 summarizes post hoc analysis using Tukey (HSD) tests. Results showed significant mean differences in business performance between traders rating their product quality as high and those with average product quality (M = 1.38). ILO (2008) also associates the type of product with higher business performance. The handicraft

traders ought to enhance product quality to consistently attract customers to their products and in so doing increase the level of sales.

Table 4. 31
Tukey HSD Test Differences in Business Performance of Traders by Quality of Products

Rate the quality of products	Mean	Rate the quality of products	Mean Difference	Sig.	95% Confidence Interval Lower Bound	95% Confidence Interval Upper Bound
Average		High	**1.376*****	**0.001**	0.466	2.286
	0.7507	Very high	0.067	0.996	-1.842	1.976
High		Average	**-1.376*****	**0.001**	-2.286	-0.466
	-0.6252	Very high	-1.309	0.234	-3.200	0.582
Very high		Average	-0.067	0.996	-1.976	1.842
	0.6838	High	1.309	0.234	-0.582	3.200

Note. *** = $p < .001$.

4.5 BDS Organizations and Networks

This section identifies the BDS organizations and group networks that the traders belonged to and the types of services that they provided to the traders. As shown in Table 4.32, 120 traders belonged to groups organized by the traders themselves or other organizations while 109 did not belong to any groups. Chi square test of association did not find any significant gender difference in membership to traders' networks or associations ($X^2 = 0.005$, $p = 0.998$).

Table 4. 32
Chi-Squares of Trader Networks by Gender Differences

Organization/network membership	Female N	Female %	Male N	Male %	Total N	Total %
Non member	55	50.5	54	49.5	109	100
Member	60	50.0	60	50.0	120	100
Total	115	50.2	114	49.8	229	100

Note. $X^2 = 0.005$; df = 1; $p = 0.998$

Regarding details of the types of organizations that the traders belonged to, Table 4.33 shows that some were members of more than one type of organization. Eighty three traders, representing 35.9 percent indicated that they were members of merry go round groups also known as Rotating Savings and Credit Associations (ROSCAs). These are trader organized groups where members contribute a fixed amount of savings daily or weekly. Subsequently, they receive a lump sum after duration of time on a rotating basis. Membership also entitles the trader to borrow money from the group. The merry go round was the most mentioned type of group that the traders belonged to.

Table 4. 33
Handicraft Traders Type of Organization Membership

	N	Percent
Merry go round	83	35.9
Micro finance institution	41	17.7
"Jua kali" association	40	17.3
Women's group	25	10.8
Cooperative	13	5.6
NGO	0	0.0
CBO	0	0.0
FBO	0	0.0
Government agency	0	0.0
Total	231	

Note. Multiple responses allowed

In contrast, 17.7 percent (41) of the traders were clients of microfinance institutions. A further 17.3 percent (40) of the traders belonged to "Jua Kali" associations, while 11 percent belonged to women's groups. Only 5.6 percent of traders were members of cooperatives while none of the traders were members of NGO, FBO, CBO organizations or government agencies.

The lack of membership to these conventional BDS organizations was an unexpected finding. The BDS organizations have been working in the MSE sector in Kenya for many years in projects like the World Bank sponsored Voucher Training program and the UNIDO/UNDP "Jua kali" women's Training project (Stevenson & St-Onge, 2005; Wandaka, 2009; World Bank, 2005). Even though some projects ended their activities, new ones were ongoing. It was therefore anticipated that handicraft traders would have stated that they were members of BDS organizations. This finding to the contrary seems to indicate that the NGO, FBO, CBO and government agencies offering BDS have not reached the textile handicraft sub sector trading in the Maasai Markets in Nairobi. The handicraft traders are missing out on the services BDS organizations offer to the MSE sector.

Table 4. 34
Mean Weekly Bestseller Income by Type of Group Membership

Type of group membership	Mean Bestseller income (KSh)	N	Std. Deviation
"Jua kali" association member	10102.25	40	5329.58
Micro finance member	9261.84	38	5033.67
Merry go round member	9118.35	79	5809.31
Women's group member	8850.00	25	2860.11
Not member of any group	8520.19	104	5457.24
Co-operative member	8277.69	13	3733.90

Note. Multiple responses allowed

Table 4.34 provides details of mean bestseller income according to the groups that traders belonged to. The traders who were members of "Jua Kali" associations had a mean income of KSh 10,102. This was the highest mean income. All of the traders in Jua Kali associations were men. In contrast, the traders in women's groups had a lower mean income of KSh 8,850. This is further evidence of the gender differences of business performance among the handicraft traders.

Traditionally the "Jua Kali" Associations were started by manufacturing MSEs, majority of who were men. In contrast the women's groups arose from social welfare groups (Orwa, 2007). The differences in their performance may be attributed to differentiated focus of the Jua Kali Associations and women's groups. According to Orwa (2007) the Jua Kali associations were formed to lobby for workshop space, sheds and other business related benefits. However, traditional women's groups were established for social support and are increasingly being utilized as a means of accessing microfinance (Mutugi, 2006). Differences in the mean incomes of the male dominated Jua Kali associations and the women's groups may be indicative of a difference in the services that the groups provide to the businesses.

The handicraft traders who were not members of any group had the second lowest mean income (KSh 8,520). This was slightly higher than that of members of cooperative groups whose mean bestseller income was KSh 8,277. The second highest mean income was for members of MFIs (KSh 9,261) followed by merry go round members whose mean was KSh 9,118. The higher means may be attributed to the saving and loans that the traders received from these groups and organizations. It was clear that membership to groups and trader networks were associated with higher business performance among the traders. For this reason the traders need to be encouraged to join groups as a way to enhance their business performance.

These trends in membership to organizations and trader networks are comparable with regional and international trends documented by other researchers. MSE surveys in Zimbabwe, Ethiopia and Kenya showed that most small businesses did not receive

assistance from external organizations (CBS *et al.*, 1999; Daniels, 2006). Other research on MSE shows that a small proportion uses the business development services (Bekele and Worku, 2008a; Ndemo, 2006).

O'Niel and Viljoen (2001) found that South African MSE owners had problems getting capital, lacked business skills, and had low access to information and advice from BDS organizations. A majority of textile handicraft traders do not belong to any network. The smaller proportion who are members of groups that save and those who belong to MFI that provide loans have higher business performance. The handicraft traders need to be encouraged to network and join groups so that they can increase their business performance too.

4.5.1 Services provided by organizations and trader networks

Eighty-one textile handicraft traders (37 percent) had received assistance in saving from the organizations, as seen in Table 4.35. Saving was the most mentioned form of assistance received from the organizations that traders interacted with. Forty nine traders (23 percent) said that they had received loans from the organizations. This was in contrast with the higher number who used savings.

Table 4. 35
Mean Weekly Bestseller Income by Assistance Received From Networks

Assistance received through networks	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
Export marketing assistance	6	2.75	10150.00	2891.19
Loan	49	22.48	10098.78	6011.43
Saving	81	37.16	9891.60	5127.61
Local marketing assistance	18	8.26	8589.44	3970.57
Buying stocks/materials	16	7.34	8420.00	6317.52
Family/household expenses	31	14.22	7043.55	5334.83
Business management training	3	1.38	6116.67	4435.74
Product/Technical training	2	0.92	5475.00	6257.90

It is apparent that the handicraft traders have a greater saving than borrowing culture. This is similar to McCormick's (1998) finding among manufacturing MSEs in Nairobi. When traders save without borrowing, they limit their opportunity to expand their businesses. Savings can act as collateral for borrowing from the MFIs and merry go rounds that they belong to. Traders need to be sensitized to this fact and encouraged to borrow. This finding is similar to research on Kenyan garment making MSEs by Atieno (2009), who found that majority (78 percent) had savings in Micro Finance Institutions but only 35 percent had borrowed. Bekele and Worku (2008b) also found that informal finance arrangements, like ROSCAs, provided finance to a majority of MSEs in Ethiopia. As long as MSEs do not borrow they limit their prospects of growing from micro size to small and medium enterprises.

The details of loan use by the 49 handicraft traders are shown on Table 4.36. The traders used their loans for their immediate business (73.5 percent) or family (40.8 percent) requirements. Five traders (10.2 percent) had used their loans to repay business or family related debts. Close to a third (28.6 percent) diverted their loans to entirely family related investments such as paying for land, building construction, livestock and investment in business interests not related to handicraft trade.

Table 4. 36
Loan Use by Handicraft Traders

Loan usage	N	Percent
Business Related	36	73.5
Family Related	20	40.8
Investment Related	14	28.6
Debt repayments	5	10.2
Total	49	

Note. Multiple responses allowed

The purpose for which a loan is applied can have a positive or negative effect on the business performance of MSEs. According to Maina (2007) diversion of loans to non business activities strained the borrower meeting loan repayment and regular business expenses from the same income.

As seen earlier in Table 4.35, 31 traders (14 percent) had received assistance with their household and family expenses from the organizations. The traders who belong to groups indicated that the groups helped them with social welfare issues. This may be a reason for a smaller proportion indicating a need for this type of assistance. Sixteen traders (7 percent) said that they had received assistance in buying stock or materials from the organizations.

Eighteen other traders (8 percent) said that they had received local marketing assistance, to attend joint trade fairs, from the organizations. Six traders (3 percent) said that they had received export marketing assistance, to travel to trade fairs outside Kenya, through the organizations. Marketing assistance is a documented need of MSEs since increased market is positively related to business performance. Amha and Ageba (2006); and Klyver and Terjesen (2007) indicated that MSEs that did not use networks and associations for joint marketing were constrained in market access and finance.

Three traders (1 percent) said that they had received business management training from the organizations. Two traders (1 percent) said that they had received product or technical training from the organizations. The low number of traders who had received training is evidence of the limited interaction with BDS organizations.

Product and technical training would be useful to the traders who make their products and those who add some value to products they buy. Such training would enable them to develop unique and high quality products that are associated with better business performance. The training would also provide them with skills to make products from beginning to end or do some value addition. Training the traders would limit their current heavy dependence on a product range characterized by bought textile products. This could raise the low proportion of traders who made all their products (twelve percent) and reduce the 65 percent who bought finished goods to sell.

The mean weekly income of traders varied; depending on the type of assistance they received from the groups and networks that they belonged to. Table 4.35 shows that the six traders who received export marketing assistance had the highest mean income (KSh 10,150). This was closely followed by the 49 traders who had received loans whose mean income was KSh 10,098; while the 81 traders who saved had a mean income of KSH 9,891. The marketing assistance exposes the products to customers in foreign countries, while loans can be used to buy raw materials and finished products. These two seemed to contribute the greatest difference to the business performance of the handicraft traders. The traders need to be encouraged to take advantage of marketing assistance and loans as means of raising their business performance.

Only five traders had received training in business management or product development; they recorded the lowest mean incomes of KSh 6,116 and 5,475 respectively. This small number of trained people may not allow bold conclusions to be made from the handicraft traders. It is clear, however, that the organizations they

belong to have not provided training. The smaller difference in mean income, for traders who received product and business training, may be attributed to the fact that most traders did not make products but bought finished products to sell. Product development training would provide skills in making unique products and those of high quality. These attributes are associated with higher business performance. Traders still need access to business and technical training; services that BDS organizations have not adequately provided to handicraft traders.

Table 4.35 shows that 31 traders received assistance with family and household expenses from the networks they belonged to. Their mean income was KSh 7,044, a lower figure than the KSh 8,420 for 16 traders; who had assistance in buying stock and materials. It can therefore be concluded that social support from networks is not as beneficial to the traders as marketing, savings and loans. This is consistent with findings by Lechner *et al*. (2006) who pointed out that marketing networks benefit MSE performance more than social networks. According to Bradford (2007), Robson *et al.* (2008), Street and Cameron (2007), and Torres (2002), networks played a role in boosting the business performance as well as providing a social support mechanism. The traders should be made aware of this and be encouraged to seek the types of network support that have the greatest benefit to their business performance.

4.5.2 Services desired by handicraft traders from networks and organizations

In addition to identifying what types of support they had received, the traders were asked whether they needed non-financial support to help with their businesses. As shown in Table 4.37, the traders expressed limited desire for social support (25 percent).

Table 4. 37
Additional Assistance Desired by Handicraft Traders

	N	Percent
Local marketing assistance	122	52.8
Export marketing assistance	107	46.3
Business management training	91	39.4
Buying tools and materials	66	28.6
Technical training on products	61	26.4
No assistance desired	59	25.5
Social or family support	58	25.1
Total	231	

Note. Multiple responses allowed

The most frequently mentioned non financial support desired was local marketing assistance (52.8 percent) followed by export marketing assistance (46.3 percent). As seen earlier (Table 4.35), traders who received marketing assistance had higher mean incomes. On the other hand, social support was associated with lower mean incomes. Consequently, the BDS organizations need to offer the marketing assistance that the traders have articulated a need for. These findings indicate that the handicraft traders expressed greater need for assistance in various aspects that could help their businesses directly. This points to the fact that BDS organizations have not adequately provided services to these handicraft traders.

Business training, marketing facilitation, loans and savings are documented as factors that improve the business performance of MSEs (Jubb & Musyoka, 2010; Kessy & Temu, 2009; Neshamba, 2006). Support to networks from business development organizations had a positive impact on the business performance of MSEs (Amha & Ageba, 2006; Bekele & Worku, 2008b; Eversole, 2006; Rasheli & Mosha, 2006; Street & Cameron, 2007; Tambunan, 2008; Wethey, 2005).

Kimeme and Mwamba (2006) recommended enhanced exposure and access to resources such as money, inputs and information for improved business performance among Tanzanian garment making MSEs. Atieno (2009) also found out that Kenyan garment making MSEs with networks (to each other and with financial institutions) and those that saved had higher business performance than those that had no networks and did not save.

Nearly half (48 percent) of the textile handicraft traders surveyed did not belong to any BDS or a group network. This indicates that they have not been reached by the services that these organizations offer. There is a need for BDS organizations to now focus their attention on the handicraft sub sector; to offer them training and marketing assistance. The WEF and the YEDF are government agencies that are well placed to target the handicraft sub sector. If offered the requisite assistance, the handicraft sub sector will play a greater role in income generation.

4.5.3 Hypothesis tests for trader network/organization membership, services and business performance

The third hypothesis was H_3: There is a significant difference in business performance between handicraft traders with membership to and services from trader networks/ organizations and traders without membership and services.

Four null hypotheses related to handicraft traders membership to trader networks or organizations and the services they offered business development services were tested.

$H_{03}a$ = there is no significant difference in business performance of handicraft traders who are members of trader networks or organizations and those who are not members.

Table 4. 38
Means, Standard Deviations and Independent T Values of Business Performance by Trader Networks and Organizations Membership and Services

Trader network variables	Mean	Std deviation	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Membership									
Non Members	-0.556	2.469							
Yes Members	0.606	2.982	**3.122**	213	**0.002*** **	-1.162	0.372	-1.896	-0.428
Loan Services									
No Loans	-0.455	2.580							
Received loans	1.804	2.866	**5.214**	213	**0.000*** **	-2.260	0.433	-3.114	-1.405
Savings Services									
Had no savings	-0.842	2.478							
Had savings	1.582	2.678	**6.712**	213	**0.000*** **	-2.424	0.361	-3.136	-1.712
Social Services									
No Social support	0.293	2.793							
Received Social support	-1.454	2.401	**3.235**	213	**0.001** **	1.747	0.540	0.682	2.811

Note. *** = $p < .001$.

Independent samples *t* tests results in Table 4.38 showed that traders who were members of trader networks or associations had a significantly higher business performance (M = 0.606, SD = 2.982) than traders who were not members of any networks or associations (M = -0.556, SD = 2.469), t (210) = 3.122, p = 0.001). The null hypothesis was therefore rejected, leading to the conclusion that there is a significant difference in business performance of handicraft traders who are members of trader networks or organizations and those who are not members.

This finding is similar to other research that identifies BDS organizations and network membership among MSEs as having a positive relationship with business performance (Amha & Ageba, 2006; Ahmad & Seet, 2009; ILO, 2008; Jubb & Musyoki, 2010; Maina, 2007; Ndemo, 2006; Rasheli & Mosha, 2006). Approximately half of the textile handicraft traders were not members of any networks or organizations. They were therefore missing the opportunity to benefit from the improved business performance associated with membership. The BDS organizations can actively target the handicraft traders at the Maasai markets and develop sector specific assistance programs.

H_{03}b = there is no significant difference in business performance of handicraft traders who received loans through their networks and those who did not receive loans. As seen in Table 4.38, the independent samples *t* test showed that traders who received loans through their networks had higher business performance (*M* = 1.804, *SD* = 2.866) than those who did not receive loans (M = -0.455, SD = 2.580), t (213) = 5.214, *p* = 0.000. This difference was statistically significant therefore the null hypothesis was rejected. This finding is similar to documented trends which show that loans improve business performance (Atieno, 2009; ILO, 2008; Maleko, 2008; ROK, 2003). Loans enable the MSEs to buy inputs for their businesses and to meet overhead costs such as market license fees, rent, transport and storage for those who do not have formal premises.

Loans need to be used for business purposes in order for them to make a difference in MSE business performance (Maina, 2007). Some MSEs channelled their loans to non business expenses such as household expenditure, school fees, land purchase and

capital for diversifying into other businesses. Half of the textile handicraft traders engaged in the practice of loan diversion. Maina (2007) surveyed 476 Kenyan MSEs receiving support from three MFI and BDS organizations. She found that diverting loans for other purposes reduced the benefit to business performance. Bearing this in mind, handicraft traders need to be made aware of the dangers of loan diversion.

MFIs usually schedule weekly loan repayments after the loan is disbursed. Given that incomes from handicraft sales fluctuate throughout the year, handicraft traders require loan assistance that takes into consideration the special characteristics of their sector. Scheduling the loan disbursements and repayments to conform to the high sales seasons, when the income is good, would reduce the risk of defaulting.

The third null hypothesis related to trader networks and associations was: $H_{03}c$= there is no significant difference in business performance of handicraft traders who saved through networks and those who do not save. The independent samples *t* test results are shown in Table 4.38. Traders who saved through trader networks had a higher business performance (M = 1.582, SD = 2.678) than those who did not save (M = -0.842, SD = 2.478), t (213) = 6.712, p = 0.000. These differences in performance were significant, therefore the null hypothesis was rejected and it was concluded that there was a significant difference between the business performance of handicraft traders who saved and those who did not save.

The traders who saved through their groups and networks were greater in number than those who borrowed funds. The traders saved to a greater extent than they borrowed. This may be attributed to the MFI and ROSCAs loan procedures, which required

members to save before they qualified for loans. The fact that a handicraft trader is saving implies that they are positioning themselves for loan application.

Atieno (2009) and Mutugi (2006) also found that savings were significant for the business performance and sustainability of Kenyan MSEs. Among the handicraft traders, those who saved had a statistically significant higher business performance compared to those who did not. The savings were a sign of intent to borrow. The implication of this finding is that financial organizations can harness these savings as collateral to provide credit to the handicraft traders seeking to strengthen their business performance.

The fourth null hypothesis related to trader networks and associations was stated as follows: H_{03}d = there is no significant difference in business performance of handicraft traders who received social support through their networks and those who did not receive social support. Table 4.38 shows that traders who received social support from their networks had lower business performance. The independent samples t test revealed that traders who received social support from their networks had a significantly lower business performance (M = -1.454, SD = 2.401) than those who received no social support from traders networks and organizations (M = 1.582, SD = 2.401), t (213) = 3.235, p = 0.001. For this reason the null hypothesis was rejected. It was then concluded that there was a significant difference between the business performance of handicraft traders who received social support from networks, and those who did not.

A possible explanation for this finding is that traders with a lower business performance may have had a greater need for social support than those with a higher business performance. When a business is doing well, unexpected social needs can be met by using the surplus from business earnings. On the contrary, MSEs that are doing poorly are likely to divert earnings to meet social need (Atieno, 2009). It is possible that those traders who received social support were already earning less than those who were not. Receiving social support helped them not to divert funds from their businesses.

From the discussion above, it is evident that the specific services from networks and groups are associated with variations in the handicraft traders' business performance. Membership to and financial services from trader networks and organizations are associated with improved business performance. Therefore, BDS and financial organizations should be encouraged to provide services through existing trader networks. They would provide an entry point for BDS organizations to recruit members from the textile handicraft sub sector. In addition, BDS organizations need to use innovative means of addressing the problems of the textile handicraft sub sector. This shall enable them to improve the business performance of the traders.

4.6 Customer Base, Market Outlets and Marketing Strategies

This section discusses the customer base, market outlets and marketing strategies that the textile handicraft traders used. Table 4.39 summarizes the marketing strategies that traders employed together with results of Chi-Square tests for any gender differences in marketing strategies. Most of the handicraft traders did not use

marketing strategies that involved multiple outlets (151), promotional methods (156) or export (179). Most of the traders used sales people who were family members (61) or employees (53) as part of their marketing strategies.

Table 4. 39
Chi-Squares of Marketing Strategies by Gender Differences

	Female		Male		Total	
	N	**%**	**N**	**%**	**N**	**%**
Market outlets						
Maasai market only	89	58.9	62	41.1	151	100
Use other outlets	19	28.8	47	71.2	66	100
Total	108	49.8	109	50.2	217	100
X^2 = 16.702; df = 1; p = 0.001						
Promotion strategies	**N**	**%**	**N**	**%**	**N**	**%**
No promotion strategies used	87	55.8	69	44.2	156	100
Use promotion strategies	26	37.1	44	62.9	70	100
Total	113	50.0	113	50.0	226	100
X^2 = 6.901; df = 1; p = 0.032						
Export	**N**	**%**	**N**	**%**	**N**	**%**
Do not export	99	55.3	80	44.7	179	100
Export handicrafts	16	32.7	33	67.3	49	100
Total	115	50.4	113	49.6	228	100
X^2 = 7.898; df = 1; p = 0.005						
Salespeople	**N**	**%**	**N**	**%**	**N**	**%**
No salespeople	57	53.3	50	46.7	107	100
Family members	30	49.2	31	50.8	61	100
Employ Salespeople	22	41.5	31	58.5	53	100
Total	109	49.3	112	50.7	221	100
X^2 = 4.665; df = 2; p = 0.323						

There were significant differences in market outlets (X^2 =16.702, p = 0.001) used by men compared to women. Majority (151) of the traders did not use any other outlets apart from the Maasai markets. Among the traders who used other outlets, 71.2 percent were men, and 59 percent of those selling only at the Maasai markets were women. The Chi-Square test of association revealed no significant difference in type of salespeople working with the handicraft traders (X^2 = 4.665, p = 0. 323).

Chi-square identified significant gender differences in the use of promotional strategies (X^2 =6.90, p = 0.032). Only 70 of the traders used promotional methods, 62.9 percent of these traders were men. In contrast most traders (55.8 percent), who were not using promotional methods, were women. There was also a significant difference in export marketing (X^2 =7.898, p = 0.005) by genders. Only 49 traders reported that they sold their products in the export market. Of the exporting traders, 67.3 percent were men; while 55.3 percent of non exporting traders were women. These significant gender differences imply that the women traders were more likely to choose the highly competitive Maasai markets as their outlets of choice; rather than utilizing promotional methods, and venturing into additional local and export sales locations for their products.

4.6.1 Customer base

The customer base of the textile handicraft traders consisted of locals and tourists. As shown in Table 4.40 the most frequently mentioned customers were local individuals (97.8 percent) followed by tourists, mentioned by two thirds of the 152 traders. These were customers who came to the Maasai markets to purchase handicrafts.

Table 4. 40
Customer Base of Handicraft Traders

	N	Percent
Local individuals	226	97.8
Tourists	152	65.8
Hotels	33	14.3
Shops	13	5.6
Offices	4	1.7
Other institutions	3	1.3
Total	231	

Note. Multiple responses allowed

The commonly held view was that the Maasai markets were primarily for tourists (Lyons & Snoxell, 2005; Ondicho, 2010). The results show that local individuals form the bulk of the customer base when other local customers like hotels, shops and offices are added. This suggests that a built up market for the textile handicraft traders at an appropriate CBD location would make economic sense. The extent to which each of these customers contributed to the mean weekly bestseller income of the handicraft traders is shown in Table 4.41.

Table 4. 41
Mean Weekly Bestseller Income by Customer Base

	Mean Bestseller income (KSh)	N	Std. Deviation
Gift shops	10525.00	10	7638.62
Other institutions	10200.00	2	6222.54
Hotels	9445.00	30	4711.18
Tourists	9227.87	141	5742.19
Local individuals	8823.33	216	5638.65

Note. Multiple responses allowed

The handicraft traders who sold to gift shops and other institutions had the highest mean incomes. In contrast traders who sold to local individuals had the lowest mean incomes. Those who sold to tourists had a slightly lower mean income compared to those who sold to hotels. These findings imply that the institutional customers, buying at the Maasai markets, provided better income for the handicraft traders. The traders should be encouraged to actively pursue such customers since they can provide better income earning opportunities. Indeed only 40 traders sold to institutional customers; implying that there is great potential in serving that customer base. Most of the traders relied on individual customers (tourists or locals).

4.6.2 Number of Maasai Markets that Handicraft Traders Utilized

The handicraft traders were asked to identify which of the Maasai markets in Nairobi they utilized for selling their products. Most of them sold at more than one market, providing opportunities for maximum exposure to their target customers. Ninety-six percent of the traders interviewed sold their handicrafts at the Tuesday Maasai market at Globe cinema roundabout. The Tuesday Maasai market at Globe Cinema roundabout had been in existence for the longest period. It started in 1994 and was originally located opposite the General Post Office on Kenyatta Avenue.

Nearly 85 percent of the traders sold at the Saturday Maasai market at High Court parking area (City Square). It represented the second most utilized market by traders. Thirty-three percent of the traders sold at Yaya Centre on Sundays, this was the third most used Maasai market. It was established in 2006, later than Village Market, Globe and City Square Maasai markets.

About a quarter of the traders sold at the Village Market on Fridays. It was the fourth most used Maasai market. Since this was the second Maasai market location to start, it was expected that there would be more traders selling. The exclusive location and high charges levied by the Village Market management, however, presented an entry barrier to this market. The Wednesday Maasai market at Capital Centre mall was least frequented, with 11 traders (4.8 percent) stating that they sold there. This market started in 2007 was the newest, which may account for the low number of traders as compared to the other four locations.

Further analysis revealed that the markets with larger numbers of traders were associated with lower mean incomes than those with fewer traders. As seen in Table 4.42, the traders at the Village Market had the highest mean income followed by those at Yaya Centre. In contrast, the traders at Capital Centre mall had the second lowest mean income (KSh 8,850). Yaya Centre and Village market malls are in high income neighborhoods, while Capital Centre is in a middle income neighborhood. The three locations appear to be associated with higher income potential.

Table 4. 42
Mean Weekly Bestseller Income by Specific Maasai Markets

	Mean Bestseller income (KSh)	N	Std. Deviation
Friday: Village Market	10533.92	51	8233.52
Sunday: Yaya Centre	9468.47	72	4768.09
Tuesday: Globe Cinema	8880.67	210	5654.84
Wednesday: Capital Centre	8850.00	9	5852.03
Saturday: City Square	8752.90	186	5253.66

Note. Multiple responses allowed

These trends imply that the high income locations are associated with higher incomes for the traders. The handicraft traders should be encouraged to diversify their sales locations into these malls. The smaller numbers of traders at these malls also imply that there is less competition than at the City Square and Globe cinema Maasai markets. The large number of traders at these two markets made a highly competitive and crowded business environment; two factors that may account for the lower mean incomes of traders in Globe cinema and City Square.

Selling at several Maasai markets exposes handicraft traders to a wider range of customers than selling at only one market, thus lowering market risk. Rohra and Junejo (2009) associated low market risk with increased business performance. The

utilization of multiple markets by handicraft traders is similar to findings by Kimeme and Mbwambo (2006) that identified spatial mobility and customer availability (Bowen *et al*., 2009) as contributing factors to business performance among MSEs.

Since the Maasai markets are not permanent the traders do not incur overhead costs like rent and goodwill. They only paid for transport and the market levy on the days that they went to sell. The traders should be encouraged to choose the combination of markets that give them the best mix of customer base, high income neighborhood and lower overhead costs for transport and storage.

4.6.3 Shops, Exhibitions and Hotels

Most of the traders (65.4 percent) relied entirely on the Maasai markets as their outlets for handicrafts sold. The other outlets that traders took their handicrafts to were exhibition trade fairs, and curio or gift shops. Table 4.43 summarizes the outlets, other than the Maasai markets, that the textile handicraft traders used. Exhibitions were the most frequently mentioned other outlets that traders used, with 30.3 percent selling at exhibition trade fairs.

Table 4. 43
Outlets Used by Textile Handicraft Traders

Outlets used by traders	N	percent
Maasai Market Only	151	65.4
Trade fairs/Exhibitions	70	30.3
Curio/Gift shops	20	8.7
Brokers/Institutions/Internet	5	2.8
Total	231	

Note. Multiple responses allowed

The traders who sold at gift and curio shops had the highest mean bestseller income (see Table 4.44). Gift shops were the most lucrative outlets, followed by trade fairs or exhibitions. Traders who sold through trade fairs or exhibitions had the second highest mean incomes (KSh 11,073).

Table 4. 44
Mean Weekly Bestseller Income by Other Outlets

	Mean Bestseller income (KSh)	N	Std. Deviation
Curio or gift shops	11807.50	20	4810.14
Exhibitions or Trade Fairs	11073.24	68	5995.13
Internet	9800.00	1	0.00
Institutions	8000.00	1	0.00
Brokers	7666.67	3	2417.30

Note. Multiple responses allowed

One trader sold through the internet, while three used the services of brokers and agents to sell their products. The traders selling through brokers were earning less mean income (KSh 7,666.67) than the one using internet. During in depth interviews, traders said they were unhappy selling through brokers. This was because the brokers negotiated for handicrafts at a cost price or less, and then sold at very high profits directly to the tourists. The brokers did not share profit with the traders. The use of internet should be encouraged for the traders since it is not a cost intensive strategy.

Using several outlets like gift shops makes it possible for the handicraft trader to sell more products, thus increasing their income. Unlike in the open air Maasai markets, the traders do not have to sit at all the different outlets. They only need to deliver the products then periodically replenish the stock as it is depleted.

4.6.4 Middlemen

Middlemen are individuals who buy goods from a producer or retailer then sell them to the consumer and in so doing make a profit. The difference between brokers and middlemen is that middlemen approach the trader with a proposition of buying handicrafts at an agreed price then selling them elsewhere at a mark up. In contrast the brokers prevent direct sale contact between the handicraft traders and potential customers who go to the Maasai markets. As shown in Table 4.45, the use of middlemen was quite widespread, about two thirds (149) of the traders sold their handicrafts to middlemen who came to the Maasai markets.

Table 4. 45
Mean Weekly Bestseller Income by Use of Middlemen

	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
No	69	31.65	7636.23	4210.203
Yes	149	68.35	9353.29	6097.910
Total	218	100.00	8809.82	5617.494

Table 4.45 further shows that the traders who sold their products through middlemen had higher mean income (KSh 9,353) than those who did not use middlemen (KSh 7,636). This is similar to results by Amha and Ageba (2006) who found that Ethiopian MSEs which relied on their own sales efforts in stationary stalls, without utilizing retailers or agents, were disadvantaged in business performance.

Through the middlemen the handicraft traders were able to access a wider customer base as seen on Table 4.46. The middlemen sold in other places within the country, region and abroad. Through middlemen, thirty six percent of the traders sold their handicrafts to other traders in Nairobi, while 28 percent sold to traders in Kenyan

towns outside Nairobi. Close to seven percent of the traders' handicrafts reached gift and curio shops though the middlemen. A further 15 percent of the traders identified that the middlemen exported their handicrafts to neighboring countries, while about nine percent exported abroad.

Table 4. 46
Mean Weekly Bestseller Income by Where Middlemen Sell Traders' Products

	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
Gift shops or Curio shops	16	7.34	12818.75	7610.87
Other traders in Nairobi	79	36.24	10227.97	5298.39
Other traders in towns outside Nairobi	62	28.44	10182.10	6979.98
Export through middlemen.	19	8.72	9547.37	6627.81
Neighbouring countries through middlemen	33	15.14	8949.70	6586.02

Note. Multiple responses allowed

Traders accessing gift shops through middlemen had the highest mean income (KSh 12,818.75), while those accessing other traders in Nairobi and other towns in Kenya had lower mean incomes. The mean income of traders accessing the export market through middlemen was slightly lower (KSh 9,547). Regional export had a mean income of KSh 8,950. These results imply that the traders using middlemen made more sales than those who did not use middlemen.

This finding is consistent with conclusions by Halabi and Lussier (2008) on the positive role of marketing ability in business performance. Middlemen provided an entry point for the handicraft traders to sell at other outlets. They also provided volume sales that had a positive impact on the income of handicraft traders. In view of these findings it is suggested that the traders continue to engage with the middlemen

as a means of increasing sales volume. The small proportion of traders who were not using middlemen should be encouraged to form links with them to also enhance their business performance.

4.6.5 Promotion

Majority of the traders (145) indicated that they did not use any promotional methods for their products. Those who did used various means of promotion as seen on Table 4.47.

Table 4. 47
Mean Weekly Bestseller Income by Promotional Methods of Handicraft Traders

	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
Business cards	32	13.8	11545.31	5139.02
Point of sale display	35	15.2	8907.14	1646.75
Customer referrals	1	0.4	7500.00	0.00
Internet	3	1.3	7433.33	6331.14
Newspaper or magazine	1	0.4	5400.00	0.00
Total	231			

Note. Multiple responses allowed

It was anticipated that more traders would use promotional methods; given that they may draw the attention of more customers to a business with the possibility of improving business performance.

The most frequently used methods were point of sale displays (15.2 percent) and business cards (13.8 percent). Handicraft traders who used business cards were found to have the highest mean income of KSh 11,545. They were followed by traders who used point of sale displays whose mean income was KSh 8,907. The internet, word of

mouth referrals and print media were underutilized, being mentioned by only five traders (2.1 percent).

Most of the traders who used promotional methods had higher mean incomes than those who did not. This finding is consistent with Girón *et al*. (2007) who identified product promotion as an essential contributor to business performance. Business cards played an important role because they contained contact information of the traders. Customers who wished to make repeat trips had directions for reaching the traders away from the Maasai markets. Given the constant mobility of the handicraft traders and the fact that most of them worked from home, they need to use business cards for ease of communication and contact.

4.6.6 Export

Only one quarter of the traders (51) exported their products while the remaining 154 sold their products entirely on the local market. This is similar to findings in the cotton, textile and apparel value chain report for Kenya by the Regional Agricultural Trade Expansion Support Program (RATES. 2003). The study found that only 22 percent of large scale garment producers exported to USA in 2002. Twenty percent of textile producers exported within the region. In contrast, none of the garment making MSEs sampled exported (RATES, 2003).

Based on the difference in proportions, the Kenyan handicraft traders seem to be more involved in export than the garment making MSEs. This may be attributed to the difference in sub sectors for the two researches. Handicrafts lend themselves to export

because of their cultural nature. In contrast the manufacturing sub sector in Africa was not as competitive as the western and eastern economies due to marketing and production constraints (Frimpong & Mmieh, 2007; RATES, 2003). Thus, a lower proportion of garment and textiles manufacturing firms would be expected to be exporting.

The textile handicraft traders who exported had been doing so for between one and twenty years, with 45 percent having done so for four years. Nearly two thirds (63 percent) of the exporting traders had been linked to the export market by relatives or friends. Rutashobya and Jaensson (2004) also found that 78 percent of Tanzanian handicraft MSEs used similar informal links to enter the export market. In contrast, only 12 percent had been introduced to export opportunities by their business network members namely co-owners or fellow traders (each 6 percent). The limited use of fellow traders for export linkages is not surprising since they are competitors and would seek to protect information about their export activities in order to maintain a competitive edge.

The BDS and government agencies were not mentioned as having facilitated the handicraft traders in export marketing despite policy intentions outlined in ROK (2003), ROK (2005) and ROK (2006). This implies a gap in trader export awareness that the EPC is capable of filling, given its mandate of providing export facilitation and support. None of the handicraft traders used e-marketing, yet it is an easy means of entering the export market. According to Neshamba (2006) Kenya's Export Promotion Council (EPC) plays an important role in training potential exporters on the procedures for export and organizing trade missions to foreign countries.

Therefore, BDS providers, the EPC and other organizations should come up with focused facilitation for promoting handicraft exports. This will reduce handicraft traders' current reliance on fellow traders, family and informal networks for export marketing information and contacts.

Table 4.48 provides details on the differences in mean income of traders who exported and those who did not. The traders who exported had a higher mean income (KSh 10,197.83) than those who did not (KSh 8,456.37).

Table 4. 48
Mean Weekly Bestseller Income by Export

	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
Do not export	171	78.8	8456.37	5685.99
Export	46	21.1	10197.83	5227.93
Total	217	100.0	8825.53	5625.68

This finding that exporting was associated with increased business performance is as expected. Exporting provided the traders with foreign currency, an additional customer base and also increased business performance. Exporting can be done throughout the year, even during the low demand seasons that handicraft traders experienced. According to Anderson *et al.* (2004) exporting firms grow faster than non exporting firms. Obokoh (2008) emphasized on the need to provide training related export activities so that MSEs can improve their business performance. Cutura (2005) also found that lower access to trade related information among Kenyan MSEs and failure to take advantage of available export opportunities were related to low business performance.

Handicraft traders who did not export comprised 75 percent of the traders interviewed. Table 4.49 shows their reasons for not exporting. Seven percent felt that they were satisfied with local sales and did not desire to enter the export business; while twelve percent felt that their businesses were still young and had not reached the level of entering the export market.

Table 4. 49
Reasons for Not Exporting

Reasons for not exporting	N	Percent
Lack knowledge on procedures	44	26
Lack capital	37	21
No contact or link in export location	27	16
Business still young	21	12
No reason or interest	16	9
Still planning to start	14	8
Satisfied with local sales	12	7
Failed at earlier attempt	1	0.4
Total	172	100

The main barrier to export was lack of knowledge on procedures (26 percent). To succeed in export traders need to know how payments are made and the forms that are required for exporting products. Potential exporters also need knowledge on the costs. The Export Promotion council organizes training to interested exporters; however, it is evident that most of the handicraft traders were not aware of such trainings. Lack of capital hampered 21 percent of the traders from exporting. They, however, had the capacity to use the trader networks and MFIs they belonged to as a source of credit financing for export ventures. In addition, government initiatives like WEF and YEDF were alternative options for loans.

Sixteen percent of the traders cited lack of contact persons in the export location as reasons for not exporting. According to Wethey (2005), knowledge of import

processes and links in export locations are important steps in export. The findings on barriers to export are similar to other research done (Rasheli and Mosha, 2006; Ghosh and Akter, 2005) highlighting the role of BDS in export market facilitation. In order for MSEs to export they need resources, namely information and finance. Lu and Beamish (2001) found that Japanese SMEs with market information about a foreign market and business partners in the export location had higher business performance. Obokoh (2008) concluded that a favourable policy environment would enable Nigerian MSEs to compete successfully.

Training by the EPC on export procedures will facilitate the entry of handicraft traders into the export market and increase their business performance. These would enable the MSEs to create sustainable employment and compete effectively in export markets.

4.6.7 Salespeople

Close to half of the handicraft traders (49.5 percent) did not have any other person assisting them in marketing and sales. A further 24.5 percent had family members helping them market while 22.8 percent had employees (see Table 4.50). McCormick (1988) documents the use of family workers in MSE operations as a commonly used strategy. The majority of handicraft traders did not have sales people assisting them, yet having a dedicated sales team is a means of reaching customers. While acknowledging that some MSEs may not have the capacity to employ, the use of employees as sales people is important because it increases the business performance of handicraft traders. MSEs with employees are able to accomplish several roles

concurrently, something that a sole business owner can not do. Salespeople can be used to display the handicrafts at several locations in the Maasai market. As a result they increase the visibility of the products of a particular handicraft trader.

As seen in Table 4.50 there was a difference in mean income of traders depending on whether or not they had salespeople. The handicraft traders without sales people had the lowest mean income (KSh 7,663.74). Those who had employees as sales people had the highest mean income of KSh 11,011.82. The traders with family members as sellers had a lower mean income (KSh 8,725.28) than those with employees.

Table 4. 50
Mean Weekly Bestseller Income by Salespersons

	N	Percent	Mean Bestseller income (KSh)	Std. Deviation
Employees sellers	49	22.8	11010.82	6476.035
Both	7	3.2	8742.86	3747.936
Family members sellers	53	24.5	8725.28	5254.617
No other sellers	107	49.5	7663.74	4823.931
Total	216	100	8718.47	5445.846

Employees who are specifically assigned sales roles would be more committed to these duties than family members. The family members can be paid less than employees and be assigned a variety of non business roles. The family members however, may not take their sales responsibilities as seriously as employees. This may have accounted for the difference in business performance of traders with the two categories of sales people. This is because as the management systems used for the two categories differ.

Hamdan (2006) also found that size was related to business performance of MSEs in Lebanon where sole proprietors had the lowest business performance. The textile

handicraft traders with workers (employees or family members) had higher business performance scores than those without employees. They would be more likely to employ when they had more work to be done, for example when they sold at several Maasai markets and other outlets. The increased number of employees increases the income earning potential of the traders since workers can produce more and reach more customers.

In the current set up of the Maasai markets, traders with several workers can pay for several display areas in different parts of the markets. In so doing the traders enhance their income earning potential. Similarly, traders increase their potential to reach more customers. This is as a result of having workers at the workshop or market stall where their business is located at all times. Traders with capacity to employ will also have workers to assist in marketing which in turn will enhance their business performance.

4.6.8 Problems and challenges handicraft traders experienced

The traders were asked to state the two main problems that they faced in marketing their handicrafts. A number of traders (8 percent) responded that they did not have any problems. All responses concerning problems are summarized in Figure 4.7.

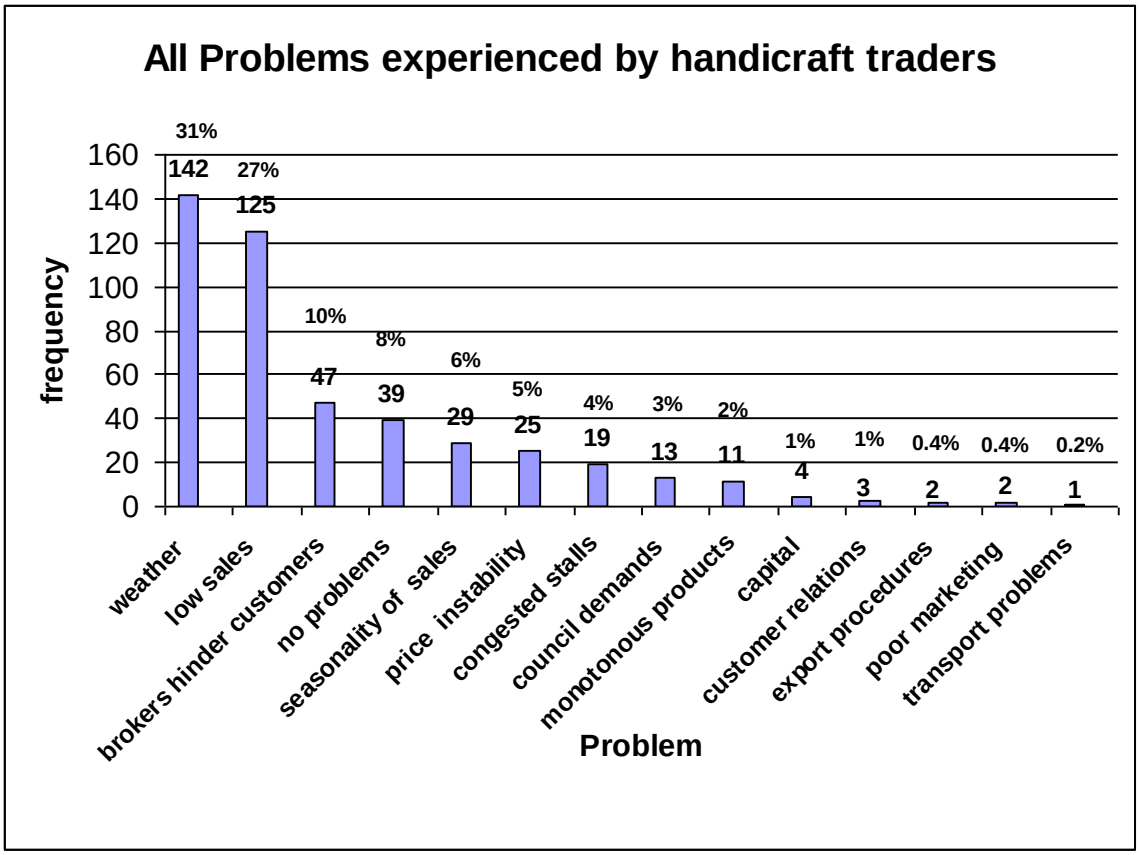

Figure 4. 9 Problems experienced by handicraft traders

The most frequently mentioned problem was weather, which ruined products, since there were no roofed structures in the Maasai markets (31 percent). Related to this, a further four percent gave poor location and congestion of the stands as a problem. This finding is not surprising because more than 88 percent of the traders stated that they sold at both the Globe Cinema and City Square Maasai markets in the city centre.

While acknowledging the supportive role of the City Council of Nairobi to the Maasai market handicraft cluster by providing the opportunity to use the Nairobi Law courts parking area on weekends; these locations do not have any structures and so the traders and their handicrafts are exposed to the vagaries of the weather all year round. There is a need to provide tents or modern version kiosks for the handicraft traders.

This need can be filled by the Nairobi City Council. According to ILO (2008) the provision of infrastructure to MSEs lowers their cost of doing business and enhances their business performance; a view shared by Lyons and Snoxell, (2005). Similarly, Komollo (2010) recommended that providing modern design kiosks would strengthen MSE sector for traders in Nairobi.

An example of beneficial infrastructure development is the sheds for manufacturing MSEs in Buruburu, Nairobi that were funded by the National Council of Churches in Kenya (NCCK). The government also intends to support MSE by implementing its policy of building enterprise zones. Similarly the Ministry of Research, Technical Training and Technology is involved in constructing Nyayo sheds in urban areas around the country.

The problem of lack of sheds was followed in frequency by low sales (see Figure 4.7). This was characterized by competition for customers which was mentioned by 27 percent of the traders. Intense competition results in traders selling at low prices that may not cover their cost inputs, transport, rent or storage. In the long run the low value sales have a negative impact on the sustainability of the businesses. Indeed, a further six percent gave seasonality of business and five percent identified price fluctuations as problems. As seen in the earlier section on market outlets, traders at the crowded outlets without sheds had lower mean incomes than those in Malls.

The third most frequent problem was that brokers hindered customers from buying from the traders. This was mentioned by ten percent of the textile handicraft traders. The brokers are individuals who are neither traders nor working on behalf of traders.

Brokers convince tourists that they will negotiate with traders for best prices. The brokers crowd the market, making the sales environment hostile to customers as it increases the risk of theft from pick-pockets (Lyons & Snoxell, 2005). The risk would be greatly reduced if the Maasai markets had better organized stalls.

The problems of the handicraft traders in Nairobi are similar to findings by Moktan (2007) on Bhutanese MSEs which identified infrastructure, finance and business regulations as their main constraints. Moktan recommended that government needed to support the enterprises by means of targeted help based on their specific needs per sector and location. Locally, Neshamba (2006) recommended that the Kenyan government should improve policy on access to work spaces and marketing in a number of ways. These included improving infrastructure, buying from MSEs and training them on marketing, especially export.

4.6.9 Hypothesis tests for marketing strategies and business performance

The final major hypothesis was H_4: There is a significant difference in business performance of handicraft traders with different marketing strategies.

Three null hypotheses related to marketing were tested; the first null hypothesis related to marketing strategies was $H_{04}a$ = there is no significant difference in business performance of handicraft traders who sell at Maasai markets only and those who sell at other outlets.

Table 4.51 shows the results of the independent samples *t* tests exploring marketing and business performance. Traders who sold only at the Maasai markets had a

significantly lower business performance (*M* = -0.847, *SD* = 2.469) than traders who sold at additional outlets (*M* = 1.767, *SD* = 2.516), *t* (201) = 6.966, *p* = 0.000. The null hypothesis was rejected and it was concluded that there is a significant difference in the business performance of textile handicraft traders who sell at outlets apart from Maasai market and those who sell at Maasai markets only.

Table 4. 51
Means, Standard Deviations and Independent T Values of Business Performance by Marketing Strategies

Variables	Mean	Std deviation	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Outlets									
No	-0.847	2.469							
Yes	1.767	2.516	**6.966*** **	211	**0.000**	-2.613	0.375	-3.353	-1.874
Export									
No	-0.558	2.525							
Yes	2.270	2.701	**6.629*** **	212	**0.000**	-2.828	0.427	-3.668	-1.987
Advertise									
No	-1.068	2.441							
Yes	2.308	2.079	**9.929*** **	210	**0.000**	-3.376	0.340	-4.047	-2.706

Note. *** = $p < .001$.

The Maasai markets were held on five days every week, providing a location for the handicraft traders to sell their products to customers visiting the markets. Traders who used other outlets like curio shops, hotels and trade fairs provided greater opportunities for customers to find their products on days other than Maasai market days. This increased availability of their products may possibly account for the higher business performance of traders who used other outlets.

The handicraft traders need to be sensitized on the benefits of using other outlets as a means of increasing business performance. In view of this, handicraft traders need to make an effort to explore alternative outlets for their products. In this way, as traders sell at the Maasai markets, there will be other places where their products are available for customers who may be unable to reach the markets.

H_{04}b = there is no significant difference in business performance of traders who export and those who did not export. The independent samples *t* test showed that traders who exported handicrafts had a significantly higher business performance (*M* = 2.270, *SD* = 2.701) than traders who did not export (*M* = -0.558, *SD* = 2.525), *t* (212) = 6.629, *p* = 0.000 (see Table 4.51). The null hypothesis was rejected and it was concluded that traders who exported had a significantly higher business performance compared to those who do not.

This is in harmony with findings by Lu and Beamish (2001) that exporting MSEs in Japan had a higher business performance. Similarly, Rasheli and Mosha (2006) found that exporting by Tanzanian textile product traders was associated with higher business performance. In view of the positive association between exporting and business performance, more textile handicraft traders should be facilitated to begin export as a means of increasing their business performance.

The third null hypothesis related to marketing strategies was: H_{04}c = there is no significant difference in business performance of handicraft traders who advertise and those who do not. The results of independent samples *t* test are shown in Table 4.51. Traders who did not advertise had a significantly lower business performance (*M* = -1.068, *SD* = 2.441) than traders who advertised (*M* = 2.308, *SD* = 2.079), *t* (210) =

9.929, p = 0.000. The null hypothesis was rejected and it was concluded that textile handicraft traders who advertised using business cards had a higher business performance than those who did not.

The use of business cards is associated with higher incomes because it provides opportunities for repeated purchases. A customer who receives a business card can refer another potential customer to the same trader from whom he or she has bought a handicraft. The trader can use business cards to reach more people directly, rather than by chance. This will ensure that customers who have been referred or want to make repeat purchases will be able to locate the trader at the ever moving Maasai markets. In this regard, traders should be made aware of the positive contribution of business cards and be encouraged to print and distribute them to their customers.

The fourth null hypothesis related to marketing strategies was: H_{04}d = there is no significant difference in business performance of handicraft traders who employed salespeople and those who did not. A one way analysis of variance (ANOVA) showed that employing sales people was significantly associated with business performance, F (3,209) = 9.996, p = 0.000 (see Table 4.52).

Table 4. 52
ANOVA Summary Indicating Differences in Business Performance of Handicraft Traders by Type of Salesperson

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	209.746	3	69.915	**9.996*** **	**0.000**
Within Groups	1461.741	209	6.994		
Total	1671.487	212			

Note. *** = p < .001.

The null hypothesis was rejected and it was concluded that there is a significant difference in business performance between handicraft traders who employ sales people and those who do not employ salespeople. The Tukey post hoc test (Table 4.53) indicated significant mean differences between traders who employed salespeople for their handicrafts and those without sales people (M = 2.47). There were also significant mean differences between traders who employed sales people and those who used family members (M = 1.69) to carry out sales.

Table 4. 53
Tukey HSD Test Differences in Business Performance of Traders by Types of Sales People

Employ others to sell for you?	Mean	Employ others to sell for you?	Mean Difference	Sig.	95% Confidence Interval Lower Bound	Upper Bound
		family members sellers	-0.782	0.302	-1.942	0.377
no other sellers		employe es sellers	**-2.468*****	**0.000**	-3.659	-1.277
	-0.739	both	-1.891	0.261	-4.563	0.782
		no other sellers	0.783	0.302	-0.377	1.942
family members		employe				
sellers		es sellers	**-1.686****	**0.009**	-3.056	-0.315
	0.043	both	-1.108	0.726	-3.865	1.649
		no other sellers	**2.468*****	**0.000**	1.277	3.659
employees		family				
sellers		members sellers	**1.686****	**0.009**	0.315	3.056
	1.729	both	0.578	0.949	-2.193	3.349
		no other sellers	1.891	0.261	-0.782	4.563
		family				
both		members sellers	1.108	0.726	-1.649	3.865
		employe				
	1.1511	es sellers	-0.578	0.949	-3.349	2.193

Note. ** = $p < .01$, *** = $p < .001$.

Given the highly competitive nature of the handicraft trade in the Maasai markets, the use of sales people is an important way of increasing customer reach. The results on this hypothesis show that the employees have a better impact on business performance than family members. For this reason, handicraft traders should be encouraged to employ independent sales people to work in business.

The results presented in the sections above have highlighted the variation of characteristics among the Maasai market textile handicraft traders. The statistical analysis identified significant differences in the business performance of traders that are associated with their socioeconomic characteristics, assistance from networks, product range, and marketing. The study was done to bridge existing gaps in literature by researching on Kenya's textile handicraft sub sector in contrast to MSEs in other sectors and parts of the world. It contributed to the body of knowledge on MSEs by providing greater understanding of the variables associated with the business performance of handicraft traders in Kenya.

Kenya's Sessional Paper No. 2 of 2005 on tourism and export policies identified infrastructure, marketing, access to finance and skills development as important areas of focus to strengthen MSEs. Within the local context, BDS organizations should provide assistance in marketing and product design innovation as a means of increasing the business performance of textile handicraft traders. The findings concerning the handicraft traders highlighted specific ways in which the government and private sector can implement these policies to support the handicraft sub-sector of the MSEs

These findings offer additional knowledge about the handicraft sub-sector of the MSEs in Kenya and how it compares with other sub sectors. Publicizing these factors associated with high business performance will enlighten current and potential handicraft traders. The results will enable them to make informed decisions about the best way to run their businesses in order to earn money to meet their financial obligations and create employment.

Government agencies and BDS organizations should implement policies and initiatives targeting the handicraft traders to enhance business performance. Specific organizations that would be key targets for dissemination of these research findings include the Ministry of Trade, Kenya Export Promotion Council, Youth Enterprise Development Fund, Women's Enterprise Fund, and members of the Business Incubation Association of Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the study objectives, methodology, findings and their implications. Conclusions based on the findings are presented, followed by recommendations for policy makers and practitioners. Finally suggestions for further research are given.

5.1 Summary

5.1.1 Purpose of the Study

The purpose of this study was to identify factors affecting the business performance of textile handicrafts traders in Nairobi, Kenya. This was by examining the following trader attributes: socioeconomic characteristics, membership to BDS organizations and trader networks, assistance received from organizations and networks and marketing activities. Finally, the study tested several hypotheses to assess the relationship between these variables and business performance of textile handicraft traders.

5.1.2 Research Objectives

The objectives of this study were:

1. To describe the socio-economic characteristics of the textile-based handicrafts traders in Nairobi.
2. To identify the range of products sold by the traders in textile-based handicrafts.

3. To determine the organizations and trader networks that the traders belonged to and what services they provided to the traders.

4. To establish the customer base, market outlets and marketing strategies used by traders.

5. To establish the business performance of textile handicraft traders.

6. To determine the differences in business performance of textile handicraft traders associated with selected variables.

5.1.3 Methodology

A cross-sectional survey was conducted of textile handicraft traders in four purposively sampled Maasai markets in Nairobi, Kenya namely: Globe Cinema Roundabout, City Square, Village Market and Yaya Centre. Proportionate and systematic sampling were used to obtain a sample of 231 textile handicraft traders from the four locations. The research instruments used were an interview schedule and an observation checklist that were refined after a pre test on 10 traders in Capital Centre Maasai market. The data collected were analyzed using SPSS (version 16), then summarized using frequencies and percentages. The Chi-Square test of association analyzed differences between proportions of men and women traders for each independent variable. Independent samples t-tests, one-way analysis of variance (ANOVA) and Pearson Product-Moment Correlation (r) and were used to test hypotheses regarding the differences between selected variables and business performance at $p < 0.05$ alpha level of significance.

5.1.4 Major Findings of the Study

Socio-economic characteristics

The study found that men and women were evenly represented in the composition of the traders. Over one third of the traders had no other source of income and 86 percent were pushed into starting business to provide a livelihood. Most traders (63 percent) had secondary school education but more than half (55 percent) had no related training. Most of the traders were young, with 74 percent below forty years of age. The traders had been in business for an average of five years with 89 percent having traded for less than ten years.

Most businesses (55 percent) had between one and six workers in addition to the owner. Slightly less than half (45 percent) were sole proprietors. The women traders were over represented in variables associated with lower income; namely home based businesses, lower education and not having employees. There was a significant difference in business performance of handicraft traders with post secondary education and those with secondary or primary school education (F (3,211) = 7.265, $p < 0.05$).

Product range

Slightly more than half (54 percent) of the traders who participated in the study sold only textile related handicraft products. The remaining 46 percent sold a combination of textile related and non textile handicrafts. Most of the traders' products (69 percent) were identical or similar to their competitors. The traders with unique

products had significantly higher business performance than those selling identical or similar products to their competitors (F (2,212) = 46.637, $p < 0.05$).

Organizations and trader networks

None of the traders sampled belonged to any BDS organizations (NGO, FBO, CBO or government agencies). Fifty two percent had networks with their fellow traders and 17 percent were clients of MFIs. The main service that traders received from these networks was savings (36 percent). Some traders (22 percent) borrowed and a few (14 percent) received social support.

The traders who belonged to groups (t (210) = 3.122, $p < 0.05$) and those who borrowed (t (213) = 5.214, $p < 0.05$) had statistically significant higher business performance than those who did not. The traders who saved through the groups also had significantly higher business performance than those who did not (t (213) = 6.712, $p < 0.05$). Receiving social support was significantly associated with lower business performance (t (213) = 3.235, $p < 0.05$).

Customer base, market outlets and marketing strategies

The customer base of the textile handicraft traders consisted of both tourists and local residents who visited the Maasai market. Most (65 percent) of the traders did not use any other outlets or export. Close to two thirds of the traders (68 percent) used middlemen and agents to sell their products, this increased the business performance. Traders were constrained by overcrowding, poor infrastructure and competition. The two main problems that they experienced were the lack of sheds (31 percent) at the Maasai markets and the intense competition characterized by low sales (27 percent).

There were significant differences in the business performance of the handicraft traders associated with the marketing strategies that they used. Traders who used multiple sales outlets (t (201) = 6.966, $p < 0.05$), exported (t (212) = 6.629, $p < 0.05$), advertised (t (210) = 9.929, $p < 0.05$) and employed sales people (F (3,209) = 9.996, $p < 0.05$) had higher business performance than those who did not.

Business performance

The business performance of the traders was measured using a composite score based on traders self rating on five indicators, namely: average weekly sales income on a market day; weekly income from the top three best selling products; traders' rating of how well business was doing; current performance compared with two years earlier; and a scale of business purchases or investments which traders were able to afford with their previous month's income. The textile handicraft traders business performance index ranged from -6.79 to 5.53 with a mean of 0.0491 (SD = 2.80).

Income from handicraft sales fluctuated through the course of the year and was related to the tourist seasons. Sales were lowest in January then rose steadily between May and August to peak in December. Seventy five percent of the traders rated their current business performance as average or good. Half the traders felt that their businesses had improved in the previous two years and 84 percent intended to continue in handicraft trade.

Analysis of the factors influencing business performance (at an alpha value of $p < 0.05$ level of confidence) showed that socioeconomic characteristics, product range, services received from networks, and marketing activities of the textile handicraft

traders were associated with differences in business performance. Traders with post secondary education, those who sold unique products and saved or borrowed through networks had statistically significant higher business performance. Those who sold at outlets other than Maasai markets, used business cards to advertise, exported and employed salespeople also had higher business performance.

5.2 Implications of the Findings

5.2.1 Implication of findings on socioeconomic characteristics

The demographic profile was an indication of the ease of entry into the textile handicraft trade. The sector provided self employment and income to the predominantly secondary school educated women and men sampled, as an alternative to formal employment. The Maasai markets are unique since they offer traders the opportunity to sell at different places each day of the week. Most of the traders who operated from home were women. However, such traders had lower business performance than those with workshops. The women traders require targeted assistance to acquire premises, training and skills to enable them to cope with competition and raise their business performance to be at par with the men traders.

5.2.2 Implication of findings on BDS organizations and trader networks

There was minimal presence or support from BDS organizations but networks among fellow traders providing savings, loans and to a lesser extent social support to members were evident. The trader to trader networks form an entry point which BDS organizations and private sector service providers can use to offer financial, product innovation and marketing services. These services were associated with statistically

significant higher business performance among the handicraft traders. Consequently, the traders need BDS services to help them in achieving their potential for income generation and livelihood provision.

5.2.3 Implication of findings on customer base and marketing activities

The textile handicraft traders who sold in additional places apart from the Maasai markets had significantly higher business performance. The outlets that were especially associated with better business performance were curio shops, exhibition trade fairs and export. The traders need to be made aware of the positive impact that additional outlets can create on their business performance. Traders can then be facilitated to expand their marketing activities to reach more customers and increase their business performance.

5.2.4 Implications of findings on business performance

The textile handicraft traders were optimistic about their future prospects and planned to continue in the same business. Despite the challenge of income fluctuations through the year, the traders' largely rated their earnings as adequate to meet their family needs. The income fluctuations are a situation that the BDS, training and MFI ought to take into account when offering services to the textile handicraft traders. Loan disbursement can be targeted to reach traders just before the lucrative months so that traders can use the cash to stock up on products. The increased sales during the lucrative months will provide income to enable them to comfortably pay back the loans. Training and BDS linking them to trade fairs and export opportunities can be done in the lean months.

5.2.5 Implication of relationship between variables and business performance

These relationships between variables and business performance highlight the aspects that handicraft traders need to address as regards the way they run their businesses. These factors identify training and non training services which BDS organizations need to focus on to make the difference between lower and higher business performance. BDS organizations, consultants and other training institutions should train traders about product design and development for innovation of unique products.

In addition, the traders require marketing training to emphasize the role of advertising, additional outlets, employing sales people and export marketing in increasing business performance. The BDS organizations and consultants should offer marketing facilitation so that traders can sell in gift shops, curio shops and tourist hotel shops. The organizations can also organize local, regional and international exhibitions and trade fairs for traders to sell and export their handicrafts.

The MFIs, Women's Enterprise Fund and Youth Enterprise Development Fund should encourage traders to harness their savings as collateral to secure loans for business. The MFIs can use the members of trader networks to reach and recruit more traders. The Export Promotion Council can play a role in strengthening the MSEs targeting the tourism sector and e-trade. Establishing links between the traders and customers in export locations and designing a website for popularizing textile handicrafts will help to accomplish the objectives of Vision 2030.

The Nairobi City Council should build permanent structures so that traders do not have to work out of their homes. The Council controls allocation of public spaces in

the city centre and may offer fairer rents than private landlords. Well priced let space in the city centre would offer value to handicraft traders in two ways. It would enhance proximity to customers even on non Maasai market days and provide convenient access to BDS organizations offering various services.

5.3 Conclusions

Based on the findings of the study, the following conclusions were made:

1. Women handicraft traders are over represented in home based businesses, tend to have lower education and lack technical training. These characteristics are associated with poor business performance.
2. Membership to trader networks and associations significantly increased business performance.
3. Half of the handicraft traders are not members of any trader networks or organizations, thus miss benefits associated with them.
4. Hardly any textile handicraft traders at the Maasai markets are members of BDS organizations (NGOs, CBOs, FBOs and governmental agencies). As a consequence do not receive the services they provide.
5. Loans and savings significantly improve business performance for the traders who make use of them.
6. The absence of permanent structures and multiple locations of the Maasai markets in Nairobi expose the textile handicraft traders to unique challenges related to accessing BDS support available to MSEs, and other traders with permanent workshops or premises.
7. There exist significant differences in business performance among handicraft traders associated with socio economic and business characteristics; trader

networks; uniqueness of products; marketing strategies used; and services received from organizations and networks.

5.4 Recommendations for Policy and Practice

From the study findings presented, the following recommendations are made for policy and practice:

1. The NGO, FBO, CBO and government agencies need to recruit members from the MSEs carrying out textile handicraft trade in the Maasai markets.
2. The BDS providers and private sector investors offering training services ought to focus on the textile handicraft trade sub sector. Providing product innovation and product development training will enhance opportunities for the traders to continually offer a unique range of products to their customers and in so doing increase traders' business performance.
3. Traders selling in other outlets in addition to Maasai markets have significantly higher business performance. To promote the traders' reach to additional outlets, BDS providers and private sector investors should support the handicraft traders to increase their sales beyond the local and tourist customers who visit the Maasai markets. This can be accomplished by linking the textile handicraft traders with curio shops, organizing trade fairs and facilitating the traders to attend them.
4. The Export Promotion Council should reach out more directly to the textile handicraft trade sub sector. This could initially be done through the existing informal networks that the traders belong to. The EPC should organize means of connecting textile handicraft traders with customers in export locations and incorporate e-trade through a website.

5. The government and City Council of Nairobi should put in place policies to provide a location with permanent infrastructure in the form of roofing, toilet facilities, and clean water for a market in the city centre exclusively for handicraft traders. This will enhance the Maasai market by making it an orderly place for tourists and local customers to shop. The actual provision of the infrastructure can be by partnerships of private sector investors once the location has been identified.
6. Women handicraft traders need targeted support to eliminate the gap in earnings observed between them and their male counterparts. This targeted support can be provided by the government and by BDS providers through the ROSCA and women's groups that the women are members of.

5.5 Recommendations for Further Research

Further research can be carried out on the following aspects arising from the findings of this study in order to fill the gaps:

1. A similar study can be carried out on handicraft traders in towns outside Nairobi. This will establish whether the factors associated with business performance of handicraft traders in tourist markets outside Nairobi are similar or different.
2. A series of case studies of exporting handicraft traders can be carried out to establish how they started and exactly how they export. The findings can be used to create a training guidebook for other textile handicraft traders interested in exporting and highlight the Kenyan experience in this field.
3. The factors associated with business performance found in this study can be the basis of a longitudinal study of handicraft traders. This would obtain data for confirmatory data analysis on the factors predicting business performance and the magnitude of contribution of each over time.

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APPENDIX A
INTERVIEW SCHEDULE FOR HANDICRAFT TRADERS

FACTORS AFFECTING BUSINESS PERFORMANCE OF TEXTILE HANDICRAFT TRADERS IN NAIROBI

ADMINISTRATIVE DETAILS

Questionnaire ID No. _____ Name of market _____
Name of interviewer _____ Date of Interview_____
Questionnaire checked [yes] [no] Date Checked _____

Instructions: Circle the response given.

SECTION 1: SOCIO-ECONOMIC CHARACTERISTICS

1. Gender a) Female b) Male

2. How old are you? _____ [Year of birth][Age] ***circle as appropriate***

3. What is your highest level of education?
   a) No education b) Primary c) Secondary d) Post secondary education

4. What technical training related to this handicraft trading have you done?
   a) No related training
   b) On-the-job training
   c) Technical training (please specify course) _____

5. What is your position in this business? ***Read out the options***
   a) Employee b) Family member of owner c) Joint-owner d) Owner

6. How long have you been in this business? _____[year][months] ***circle as appropriate***

7. What previous experience do you have in handicraft trade?
_____

8. Who introduced you to get into this business? ***Probe to find out networks of who introduced them***
_____

9. What is your motivation for doing this business?
_____

10. Where do you usually work?
    a) Home
    b) Workshop/market stall (specify where) _____
    c) Other (specify) _____

11. How many **other** people work in this business? (***if yes find out how many***)
    a) Employees [yes] [no] how many?_____
    b) Family members [yes] [no] how many?_____

SECTION 2: PRODUCTS

12. How do you rate the quality of your products? ***(Read out options) Ask them to be honest in their rating.***
    a) Average b) High c) Very high

13. Which are your 3 best selling products?
    b) How many of each of your 3 best selling products did you sell last week?
    c) What was the price for each?
    (Fill this information in the table below)

Name of product	Number sold	Price of each	(Calculate Number X price)
Top best-seller			
2nd best-seller			
3rd best-seller			

14. Where do you get the products?
    a) Make all ***if make all go to q15***
    b) Buy all ***If buy all go to q16,17***
    c) Both make and buy ***If both, go to q16,17***

15. Of the products made by your business, exactly who makes the products?
    a) Myself b) Employees c) Family members

16. Whom do you buy from? a)Trader b) Producer c) Both

17. Who introduced you to the source of these products?
_____

18. Do you ever take products on credit?
    a) Yes ***if yes go to Q19,20*** b) No ***if no go to Q21***

19. How often do you take products on credit?
    a) 1 to 3 times a year b) 4 to 6 times a year c) Above 6 times a year

20. Briefly explain the repayment terms for your arrangement with producer.
    Repayment period_____
    Interest rates_____
    How long the arrangement has lasted_____[year][months] ***circle as appropriate***
    Impact on business_____

21. Do you sell goods on credit?
    a) Yes ***if yes go to Q22,23*** b) No ***if no go to Q24***

22. If you sell on credit, how much are you owed? _____

23. Briefly explain the repayment terms for your arrangement with your customers.
    Interest rates_____
    How long the arrangement has lasted_____[year][months] ***circle as appropriate***
    Impact on business_____

SECTION 3: TRADER NETWORKS AND BDS ORGANISATIONS

24. Do you belong to any group relating to your business organised by fellow traders or NGOs?
    a) Yes ***if yes go to Q25,26,27,28*** b) No ***if no go to Q29***

25. (a) Which of the following types of groups do you currently belong to? ***(Use show card for options and circle all that apply)***
    (b) Please give the name of the group where applicable
    (Fill this information below)

Type of Organization			Name of Organization
a)	Merry go round	[yes] [no]	
b)	Micro finance	[yes] [no]	
c)	Cooperative	[yes] [no]	
d)	Jua kali association	[yes] [no]	
e)	Women's group	[yes] [no]	
f)	NGO	[yes] [no]	
g)	CBO(Community based organization)	[yes] [no]	
h)	FBO(Church/religious based organization)	[yes] [no]	
i)	Government agency	[yes] [no]	
j)	Other (specify)	[yes] [no]	

26. Which activities and assistance does the group offer to your business? (***Circle all that apply)***

a) Management training [yes] [no]
b) Technical training [yes] [no]
c) Product development training [yes] [no]
d) Buying stock/materials [yes] [no]
e) Local marketing assistance [yes] [no]
f) Export marketing assistance [yes] [no]
g) Family/household expenses [yes] [no]
h) Savings [yes] [no]
i) Loan [yes] [no] ***(if yes probe further)***
   (i)How much _____
   (ii)How long _____[year][months] ***circle as appropriate***
   (iii)What used for _____
j) Other (specify) _____

27. What are the main problems you encounter with any of the groups/organisations above?

_____

28. How have your fellow traders assisted you in these groups?

_____

29. ***If no in Q24*** If you do not belong to any group why is that so?

_____

30. Do you need any non-financial assistance?

a) Yes b) No

31. Identify the main non-financial assistance that you need. (***Circle all that apply)***

a) Management training [yes] [no]
b) Technical training [yes] [no]
c) Product development training [yes] [no]
d) Buying materials/tools [yes] [no]
e) Local marketing assistance [yes] [no]
f) Export marketing assistance [yes] [no]
g) Family/social welfare [yes] [no]
h) Other (specify) _____

SECTION 4: MARKETING STRATEGIES

32. Which customers come here to buy your products? ***(Circle all that apply)***
Please state the two most popular products for each type of customer.
(Fill this information below -they do not necessarily have to be textile handicrafts)

	Customer		2 Most Bought Products
a)	Tourist	[yes] [no]	_____
b)	Locals	[yes] [no]	_____
c)	Shops	[yes] [no]	_____
d)	Hotels	[yes] [no]	_____
e)	Offices	[yes] [no]	_____
f)	Other institutions	[yes] [no]	_____

33. Do you sell your products in the other open-air Maasai markets in Nairobi?
a) Tuesday: Globe Cinema [yes] [no]
b) Wednesday Capital Centre [yes] [no]
c) Friday: Village Market [yes] [no]
d) Saturday: City Centre [yes] [no]
e) Sunday: Yaya Centre [yes] [no]
f) Other (specify)_____

34. Do you sell your products anywhere else?
a) Yes ***if yes go to Q35*** b) No ***if no go to Q36***

35. a) If you sell in other outlets please name the outlet
b) Who linked you to the outlets?
(Read out options and circle all that apply) (Fill this information below)

Outlet			Who linked you to outlets?
a)	Exhibitions Trade Fairs	[yes] [no]	
b)	Curio/gift shops	[yes] [no]	
c)	Internet	[yes] [no]	
d)	Agents/brokers	[yes] [no]	
e)	Institutions	[yes] [no]	
f)	Cooperative	[yes] [no]	
g)	Other (specify)		

36. How do you transport your goods to the market?
a) Public transport [yes] [no]
b) Hire transport for myself [yes] [no]
c) Hire transport with other traders [yes] [no]
d) Use own personal vehicle [yes] [no]
e) Other (specify)_____

37. Do you sell your products to middlemen, wholesalers or exporters?
a) Yes ***if yes go to Q38*** b) No ***if no go to Q39***

38. Where do the middlemen, wholesalers or exporters sell? (***Circle ALL that apply)***
a) Do not know
b) Other traders in Nairobi
c) Other traders in towns outside Nairobi
d) Gift shops /Curio shops
e) Neighbouring countries
f) Export abroad ***(Ask where)*** _____

39. Do you employ others to sell for you?
a) No other sellers b) Family members c) Employees

40. Do you export your products?
    a) Yes ***if yes go to Q41,42,43*** b) No ***if no go to Q44***

41. If exporting for how long? _____[year][months] ***circle as appropriate***

42. Where do you export?
    _____

42. Who linked you to the export market?
    _____

44. ***if no in Q40*** If not exporting why?
    _____

45. Do you advertise?
    a) No
    b) Yes (specify how) _____

46. What are the main problems you experience in marketing handicrafts?
    _____

SECTION 5: BUSINESS PERFORMANCE

47. How do you rate the performance of your business in the last one-month?
    a) Bad b) Average c) Good d) Excellent

48. During the past one month which of the following were you able to do with the income from your business? ***(Use show card for them to choose one)***

a)	Was not able to buy stock	[yes] [no]
b)	Was only able to buy stock and meet business expenses only	[yes] [no]
c)	Paid business expenses and family expenses	[yes] [no]
d)	Paid business expenses, family expenses and saved money	[yes] [no]
e)	Paid business expenses, family expenses, saved money and invested outside the business	[yes] [no]

49. Approximately how much money did you earn on an average **MARKET DAY** in last one month?
    _____KSh

50. During which two months in the year is your business performance at the highest peak?
    _____

51. When business is **doing well** what do you spend the money you get on?
    _____

52. During which two months in the year is your business performance at the poorest?
    _____

53. When business is **doing poorly** what **priority** areas do you spend the money you get on?
    _____

54. Is this business the only source of income for your family?
    a) Yes ***if yes go to 56*** b) No ***if no go to Q55***

55. If not the only source, how much does the business contribute to family expenses?
    a) Very little b) Half c) Most

56. In your opinion, what factors indicate that a business is growing? (***Circle ALL that apply)***
    a) Can buy stock and meet business expenses [yes] [no]
    b) Can afford family expenses [yes] [no]
    c) Can keep savings for other investments [yes] [no]
    d) Business has more employees [yes] [no]
    e) Selling to more customers than before [yes] [no]
    f) Other (specify) _____

57. When you compare your business performance two years ago and now would you say that it has
    a) Less than 2 years old
    b) Become worse
    c) Remained the same
    d) Grown

    Please explain your answer

    _____

58. What are your plans for this business in the next two years?
    a) Maintain the same as now
    b) Expand
    c) Close down to do totally different business
    d) Other (specify) _____

Thank you very much for taking your time to answer these questions.

SHOWCARDS FOR TRADERS

Q25
Types of trader groups and BDS groups

a) Merry go round
b) Micro finance
c) Cooperative
d) "Jua kali" association
e) Women's group
f) NGO
g) CBO (Community based organization)
h) FBO (Church/religious based organization)
i) Government agency
j) Other (specify)

Q48
During the past one month which of the following were you able to do with the income from your business?

a) Was not able to buy stock
b) Was able to buy stock and meet business expenses only
c) Paid business expenses and family expenses
d) Paid business expenses, family expenses and saved money
e) Paid business expenses, family expenses, saved money and invested outside the business

APPENDIX B
OBSERVATION CHECKLIST

1. What products are sold? (***Circle all seen from checklist below***)

a)	Tie and dye fabric [yes] [no]	l) Soft toys	[yes] [no]
b)	Hand woven kikoi fabric [yes] [no]	m) Floor coves- mats, rugs, Carpets	[yes] [no]
c)	Machine kikoi fabric [yes] [no]	n) Embroidery - table cloths, mats	[yes] [no]
d)	Leso, Kitenge, Maasai shuka [yes] [no]	o) Quilting	[yes] [no]
e)	Batik/printed wall hangings [yes] [no]	p) Patchwork	[yes] [no]
f)	Shawls/scarfs [yes] [no]	q) Carvings	[yes] [no]
g)	Kikoi clothing [yes] [no]	r) Soapstone	[yes] [no]
h)	Clothing with beadwork [yes] [no]	s) Jewellery: necklace, bangles	[yes] [no]
i)	Other clothing [yes] [no]	t) Leather sandals	[yes] [no]
j)	Woven baskets [yes] [no]	u) Hats	[yes] [no]
k)	Rafia bags/baskets [yes] [no]	t) Other	
l)	Bags [yes] [no]		
m)	Crochet items [yes] [no]		
n)	Hand knitted items [yes] [no]		

2. Rate the uniqueness of their products.
   a) Identical to competitors b) Similar to competitors c) Unique

3. Briefly describe a unique product that you see

_____
_____
_____
_____
_____
_____

APPENDIX C
INTERVIEW GUIDE FOR IN-DEPTH INTERVIEWS

1. Comment about the role **of NGOs and government institutions** in your business performance.

2. Which **challenges** do you face relating to these organizations?

3. What benefits have you received from **the MFI institutions**?

4. How about challenges with microfinance?

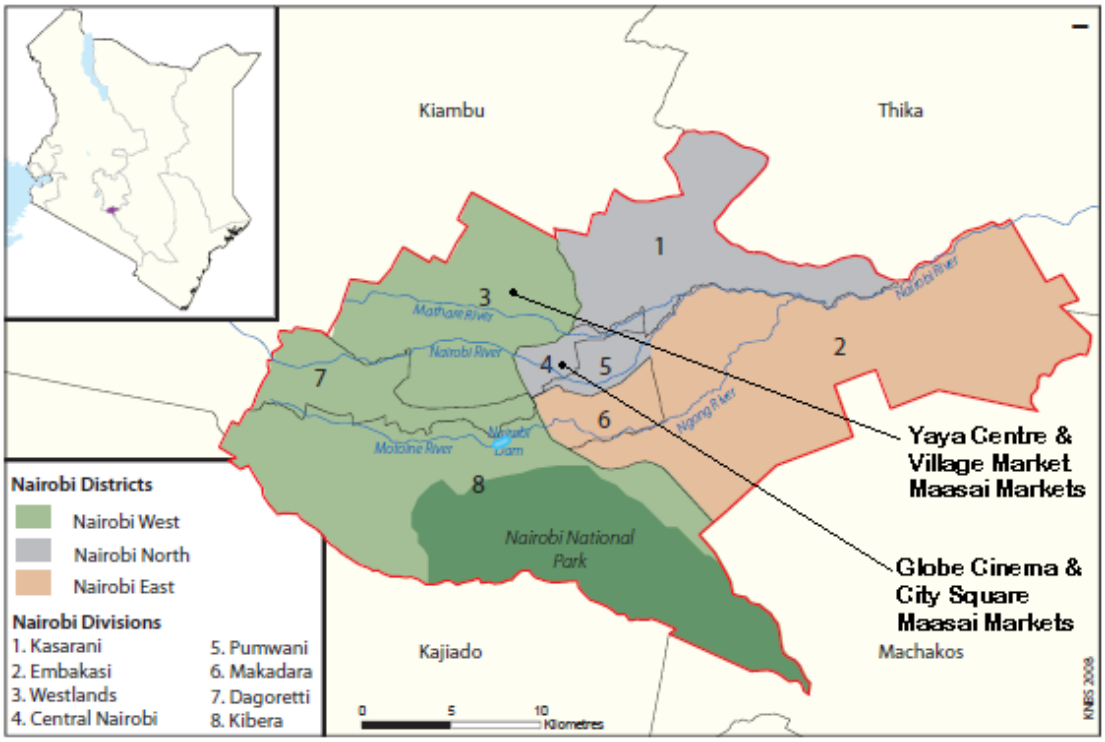
5. What role do the **brokers** play in your business performance?

6. Comment about the place of **marketing strategies** in your business performance.

7. What is your opinion regarding **exporting** as it relates to your business performance**?**

APPENDIX D
STUDY LOCATION

Map of Kenya with Nairobi inset indicting the study locations



Source: www.un.org/Depts/...map/...kenya.pdf (accessed November, 2012)

APPENDIX E
CONSENT FORMS

17th May 2007

The Management,
Village Market,
Nairobi.

Dear Sir,

RE: RESEARCH ON TEXTILE HANDICRAFT TRADERS IN NAIROBI

My name is Elizabeth Oigo, I am currently undertaking a research study as part of the requirements for a Ph.D. in Fashion Design and Marketing at Kenyatta University. I kindly wish to request for permission to interview the traders at the Village Market. To facilitate this exercise, two research assistants Joseph Otieno (ID No 22055509) and Jedidah Angatia (ID No 22244573) are carrying out the data collection by interviewing traders of handicrafts.

I wish to assure you that all the information collected will be treated with strict confidentiality for academic purposes only and will not be linked in any way to the individual traders who participate in the research.

A seminar to highlight the factors found to have an impact on the success of the traders businesses will be held at the end of the study. A copy of the research findings will be provided on request. My address is PO Box 21234 (00505) Nairobi and telephone number is 0733-826829.

Attached is a copy of my research permit and Kenyatta University student identity card.

I look forward to a positive response.

Thank you,

Yours faithfully,

Elizabeth B. Oigo

3rd May 2007

Dear Respondent,

My name is Elizabeth Oigo, I am currently undertaking a research study as part of the requirements for a PhD in Fashion Design and Marketing at Kenyatta University.

The making and sale of textile-based handicrafts is one source of income to many self-employed Kenyans. Marketing is a challenge to traders, and it has been observed that many NGOs and self help groups work with handicraft traders to help them develop and market their products.

To facilitate this exercise, I kindly request for your time to answer the interview questions. The information you provide will help to identify the factors that have an impact on the business performance and recommend ways of improving the success of the handicraft traders.

I wish to assure you that all the information collected will be treated with strict confidentiality and will only be used for academic purposes. Your identity and links to individual respondents or organizations will not be revealed.

Your participation is highly appreciated.

Thank you.
Elizabeth B. Oigo

APPENDIX F
RESEARCH PERMIT

MINISTRY OF SCIENCE & TECHNOLOGY

Telegrams: SCIENCE TEC", Nairobi

Fax No.
Telephone: 318581
When replying please quote

REPUBLIC OF KENYA

JOGOO HOUSE
HARAMBEE AVENUE
P. O. Box 9598-00200
NAIROBI
KENYA

MOST 13/001/26C 87/2

8th March 2007

Olgo Elizabeth Bosibori
Kenyatta University
P.O. Box 43844
NAIROBI

Dear Madam

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on, ***'Assessment of Factors Affecting Business Performance of Textile Hand Craft Traders in Nairobi, Kenya'***

I am pleased to inform you that you have been authorized to carry out research in Nairobi for a period ending 28th February 2008.

You are advised to report to the Provincial Commissioner and the Provincial Director of Education before embarking on your research project.

On completion of your research, you are expected to submit two copies of your research report to this office.

Yours faithfully

B. O. ADEWA
FOR: PERMANENT SECRETARY

Copy to:

The Provincial Commissioner
Nairobi

The Provincial Director of Education
Nairobi