

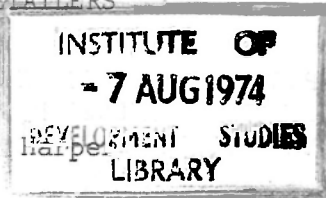
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A PROTOTYPE EXPERIMENT TO TEST THE
POSSIBILITY OF A COST EFFECTIVE
EXTENSION SERVICE FOR SMALL SCALE
GENERAL RETAILERS

By

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ABSTRACT

The Kenya Government intends to organise an extension service for small business. Previous attempts to do this in other countries have often failed, usually because of the high qualifications and experience which are demanded of the staff. It is suggested that fourth form school leavers can be employed for this work with a minimum of specialised training. An experiment has been undertaken to test this hypothesis, and the results in terms of innovations adopted, and the costs and benefits of possible nationwide replication, suggest that the approach has some merit.

Paragraph 270 of the Kenya Government Sessional Paper on Employment reads as follows:

..... the Government will reorganise the institutions which are now promoting small business development under a new Small Business Development Agency. This agency will be responsible for developing its own extension service and for providing an effective, comprehensive and coordinated service to small businessmen. (15, p.70)

This very definite statement echoes the recommendations in the I.L.O. Report (12, p. 472) and the Report of the Ministry of Commerce and Industry's Working Party on Small Business (14, p.22), but it leaves open the questions of the staffing and scale of any extension service, and the exact nature of the institutional organisation. It is therefore opportune to examine some of the likely problems and possible solutions which may be relevant in the implementation of this project.

Although the paragraph quoted above represents as firm a commitment as is possible short of actual legislation, there have been similar plans in other countries which have all too often come to nothing. We are told that in Israel, Turkey, Ghana (2.pp. 272, 271, 275) and Nigeria (3, vol.2, annexe 8, p. 17) attempts were made to start extension services for small business, but in every case they failed. De Wilde anticipated the Kenya Government's statement in his report and identified the probable major constraint, which is agreed by most authorities to have prevented the effective implementation of proposals of this sort. He writes "... the recruitment of Kenyan staff for the service may pose even more difficult problems". (3, vol.2, annexe 6, p.24) This constraint has apparently not inhibited the development of agricultural extension services, since some 7,200 staff are employed on this work in Kenya. (12, p.427) The difference clearly lies in the qualifications and experience which are expected of staff who are to advise small businessmen. The authors of the I.L.O. Report write of a force of some 500 advisers, all of whom must have business experience (12, p.196), and the Ministry Working Party recommended that its proposed force of "Business Analysts" should be "broadly trained in all aspects of business problems". (14, pp. 27-29) Davenport refers to a "... high level of professional training and lengthy practical experience" for small business advisers in developing countries (2, p.85), and De Wilde mentions the possibility of "raiding" the private sector for suitable recruits. (3, vol.2, annexe 6, p.24) Qualified and experienced managers are probably one of the scarcest resources in Kenya, and it would be wrong to devote a disproportionate number of them to this one task of small business extension. In any case, the cost of recruiting and training such people would almost certainly outweigh any benefits which might be expected to follow from the advice they would give.

In agriculture and community development there is some evidence that change agents who are not highly educated and who have not had lengthy experience outside their local environment may be more successful than experienced graduates or other highly qualified personnel, quite apart from their lower costs. Experience in Taiwan (16, p.105), India (23, p.182) and Nigeria (8, p.228) supports this point of view, and in Kenya Leonard found that both the lowest and the highest levels of education seemed to be associated with poor performance among agricultural extension workers. (17, p.4) Since their lower cost and their performance support the use of less qualified extension staff, why are staff with high qualifications recommended for small business extension? It may be that management consultants, who could be regarded as the prototype for business advisers, have by their usually very high qualifications implied that any form of business adviser must be well educated and have extensive experience. However, a farm is a business like any other, and while advisers with the qualifications of Kenyan Junior Agricultural Assistants would hardly be expected to be of much help to large mechanised farming enterprises, they have shown themselves to be capable of providing a useful service to smallholders. Education and experience may be needed in proportion to the scale and complexity of the client's operation, but there is no reason to suppose that a small commercial or industrial enterprise needs a higher level of adviser than a small farm. The answer may lie more in a careful analysis of the perceived and actual needs of the client population, in effective training to enable the extension agent to diagnose problems and to suggest appropriate solutions and in tight organisation and control to ensure that the staff operate as intended. The experience of the Kenya Tea Development Authority indicates that this sort of approach is effective in agricultural extension. (9, p.59)

It is therefore hypothesised that it is possible for relatively unqualified and totally inexperienced staff, with a minimum of specialised training, to provide a useful and cost effective extension service for small businessmen. Some stress is laid on the test of cost effectiveness, since an experiment in a new field of this sort offers an opportunity to attempt to assess both the costs and the benefits of the service. Helleiner writes, "The fact is that there has never been, so far as I am aware, a cost effectiveness study of the extension effort in Africa". (22, p.156) Belshaw has drawn up a model for such a cost benefit analysis, but since he accepts that many of his costs and benefits are unquantifiable, it is difficult to see how this can be used as an evaluative device except when it is comparing one method with another. (26, p. 35)

An experiment to test this hypothesis has recently been completed in Nyeri and Machakos Districts, and the results are encouraging. This work has been undertaken over a period of about three years with the cooperation and support of the Ministry of Commerce and Industry and the Treasury. Experience of teaching in short courses for small businessmen indicated that this form of training was of little value because the demands of the participants' businesses meant that they could only attend for a very brief period, which was barely sufficient for them to reorient themselves to a classroom situation. In addition, their varying and often meagre level of education provided little basis for understanding general principles, let alone applying them to their own specific situation, and the problems of competition prevented the discussion of more specific problems. Roling, Chege and Ascroft suggest a major emphasis on group instruction of this sort for smallholders, but they are involved with the diffusion of a specific innovation among farmers whose situations and attitudes are very similar to one another so that the diagnostic task is limited. (24, p.2)

An attempt to provide unsolicited individual on site advice to a wide variety of small businesses in Machakos District, which is described in I.D.S. Occasional Paper No. 4, indicated that a standard approach, based on the traditional accountants' statements of a balance sheet and a profit and loss account, effectively isolated the major problems businessmen were having. These problems were very similar among the wide range of enterprises covered, and the appropriate resolutions were fairly obvious once the problems had been diagnosed. The apparent feasibility of a standard diagnostic procedure led naturally to the hypothesis that such a procedure, once devised, could enable low level staff to help businessmen with individually tailored advice.

At the same time, a survey of some one hundred small shops showed that the capital constraint was not as serious as is usually believed, both by businessmen themselves and those trying to help them. Some details of these findings are given in I.D.S. Working Paper No. 16 (3), but in summary it appeared that, although nearly all shopkeepers believed they needed additional capital more than anything else, their main problem was poor deployment of the capital they did have, usually in the form of excessive stocks of slow moving goods. These findings strengthened the arguments for an extension service, since only individual demonstration in the shop itself was sufficient to bring home to the shopkeepers that the stocks of which they were so proud, and whose growth was to them often their only indicator of success, involved in part at any rate a gross misuse of funds, the correction of which might remedy the capital shortage which they believed could only be relieved by a Government loan.

Small general shops provide a usefully homogeneous and numerous group for research and experimentation of this sort, but work with other businessmen showed similar problems. A vehicle mechanic wanted more capital for a lathe, but had many thousands of shillings tied up in wrecked cars which he had bought over the years for the sake of one or two parts; a baker had two years' worth of wrapping material, far in excess of the minimum order acceptable to the printer; a quarry had five months' sales of cut blocks heaped on the ground and could not afford the capital investment necessary to start using explosives; a tambourine maker could not afford a goat skin to cover his tambourines yet had half a years' worth of plywood in stock; and even a butcher, who might have been thought to be protected from overstocking by the nature of his product, was unable to afford the few hundred shillings necessary to improve his storage facilities but had several weeks worth of cattle on the hoof behind his shop, which he had bought in advance of their slaughter with no possibility of profit through fattening or price changes.

Because small general shops are so numerous and so similar to one another, they were selected for the next stage of the research. This choice also seemed reasonable because small general shops appeared to be somewhat neglected in comparison with the presently very few small scale industrial enterprises. Shops play an important role by their services to customers and suppliers and as a source of employment to people without any technical skills for whom alternative opportunities are more or less non-existent. They mobilise capital which might otherwise lie idle, they provide channels of distribution for socially and economically desirable inputs such as fertilisers, seeds, birth control devices and medicines, most of which are locally manufactured, they stimulate the production of cash crops by offering tempting goods for sale, and their owners are probably the most productive source of genuine entrepreneurs who go on to start local industries or other more genuinely innovative enterprises. There may appear to be too many small general shops for the available market, and a cursory inspection of any market place will indeed show a great deal of duplication. Nevertheless the large numbers of shops do ensure that prices are competitive and that nearly every family is near to a supply point so that the very small quantities of tea, sugar and other staples which are bought at one time can conveniently be purchased. Slater and others have suggested that the displacement of the underemployed owners of the less successful shops by a more efficient system would be more than paid for by the consequent reduction in prices, in certain South American countries at any rate; in Kenya the controlled prices of most staples, the absence of alternative employment opportunities, and the preponderance of rural population may mean that these suggestions are not applicable. (25, passim) (Nevertheless, any scheme for improvement must allow for development and change. It must be possible to make modifications, for example redirecting efforts toward the promotion of an orderly nationalisation of the distribution system as a whole should that seem desirable.)

In order to develop an effective procedure which could be used by unqualified staff, four undergraduates were employed during the University vacations of 1972. These students were selected because they lived within the districts to be served by the then proposed Rural Industrial Development Centres in Nyeri and Machakos. They were first-year students in the Bachelor of Commerce programme, and as it happened their academic performance was slightly below average. Between March and October they called four times on approximately twenty small shops each, eliciting the information necessary to construct an approximate balance sheet and profit and loss account, and giving the advice which these figures, combined with simple visual observation, showed to be appropriate. This exercise is described in more detail in I.D.S. Occasional Paper No. 6 (11, pp 113-115), and the results indicated that a larger scale experiment, which could be replicated nationally, was justified. Apart from the fact that 60 per cent of the shopkeepers who were advised adopted at least three recommendations to their advantage, the students also contributed significantly to the refinement of the procedure, so that a set of questions and suggested recommendations was evolved which covered the vast majority of situations which were likely to be encountered. The actual forms which made up the basis of the consulting procedure are reproduced as Appendix One at the end of this paper.

The larger scale experiment referred to above has recently been completed, and its results evaluated. A total of five consultants were employed for some seven months; four of them had completed fourth form and failed to obtain good enough "O" Level results to proceed to fifth form, and one had taken his "A" Levels but failed to obtain a University place. None of them had any business experience at all, and they were selected from a large number of similarly qualified applicants on the basis of personal assessment of their initiative and "empathy", and a brief exercise in business mathematics reproduced in Appendix Two. Their examination subjects and results were briefly referred to, but played little part in the selection process. Although a number of the applicants failed the interview because they appeared to be too shy or diffident to be able to "sell" themselves to shopkeepers who might be far older than themselves, there were many more candidates who were qualified in every way but were not selected because they were marginally less suitable than those finally chosen. It would appear therefore that there would be no difficulty in recruiting sufficient staff for such a service even on a national scale. They were paid shs 300 per month, with no allowance offered for travelling or subsistence expenses.

They were trained for about two months, spending about one day a week in classroom sessions using the facilities of the R.I.D.C.s in Nyeri and Machakos; the balance of their time was spent in private study or in working assignments in actual shops where the owner or manager was willing to cooperate in return for advice and a few days free assistance. The complete set of practical and written assignments will shortly be available for wider distribution, and much of the written work is taken from the author's book, The African Trader, recently published in Nairobi. (7) This very brief and highly practical programme in no way attempted to give the trainees the broad training in all aspects of business problems recommended by the Ministry Working Party. It could not possibly cover all the ground which is presumably included in the two-year programme offered to trainees of similar background, albeit with some commercial experience, who are used in New Guinea (20), or the ten-month course provided for the "Conseillers d'Entreprises" in Ivory Coast. (3, Vol.2, annexe 2, p.11) The course was very specifically aimed at training the consultants to use the procedure already developed, and they were in a sense programmed to respond to particular visual or quantitative symptoms with specific recommendations. This very narrowly vocational form of training may be criticised because it in no way attempted to equip the trainees for any other work, but the intention was to train them for this work only in the shortest possible time. In addition, it may be significant that all of them managed to find new jobs within a few weeks of the end of the experiment, although all except one had been unemployed for some months before joining the project. The combination of written and practical work is recommended by the Government Working Party report, and the phrase "longitudinal case studies" is used to describe the integration of actual working experience with class sessions which was employed in this project. (14, p.28) This technique has apparently been used with success in India for the village level workers (4, p.50) and Garrigues uses the phrase "une pedogogie du possible" to describe a similar combination which he recommends for use in Malagasay. (5, p.181) Every technique or idea which was introduced in the classroom could be tested by actual field application within a day or so, or even within less than an hour, since it was easy for the group to go to a shop near the R.I.D.C. to check the feasibility of what they had learnt. Much of the philosophy of this training was based on the practice of commercial sales training, where costs must be limited, the confidence of the trainees is all important for their success, and where salesmen are trained to evaluate customers' needs and to base the selection from the product line and the sales approach on such an evaluation.

Reference has already been made to the importance of close supervision and control, and to the success of the Kenya Tea Development Authority's programme which is at least in part based on tight organisation of this sort. Many authorities refer to the inequity of field extension because staff tend to call only or mainly on the most progressive and least needy clients. (23, p.177 and 24, p.2) This criticism is clearly justified by the performance of existing extension staff, but reference to commercial sales experience can again be helpful. Here the tendency to concentrate on the easiest customers is equally pervasive, but it is not regarded as a basic failing of the interpersonal method of sales promotion. Salesmen are motivated to distribute their efforts between customers and products as their employer wishes, by supervision, motivation and continuous evaluation, and by and large the effort is successful. The forms reproduced in Appendix One clearly provide the basis for such supervision and control. Every consultant was visited in the field at least once, and more usually twice a month. Study of the forms showed what he had achieved and it was possible to comment on the relevance of recommendations and to correct obvious errors without visiting the shops. In fact, every effort was made to avoid anyone other than the consultant visiting the clients, apart from a brief introductory visit to establish his credentials and a final evaluation visit at least a month after the last consulting session. This was in order to ensure that the experiment would be genuinely replicable. Each consultant was told what shops to call on in the ensuing month; he was not blamed for failure to achieve complete coverage if problems of communications, or the need for particularly long visits in some shops, prevented this, but he was prevented from calling only on those clients who were most receptive.

The results of the experiment in terms of recommendations made and subsequently accepted are given in Table 1.

Table 1. Recommendations Made by Consultants and Followed by Traders.

| Recommendation | Times Made | Time Followed |
|---|------------|------------------|
| To keep or improve the record of cash movements | 140 | 65 |
| To keep or improve the record of debtors | 115 | 64 |
| To label the stocks with prices | 113 | 52 |
| To record all withdrawals of cash and goods | 112 | 42 |
| To rearrange stocks | 93 | 54 |
| To clean and tidy the shop | 66 | 25 |
| To dispose of slow moving stocks by price reduction | 54 | 32 |
| To buy only faster selling goods | 51 | 29 |
| Other policy suggestions | 49 | 27 |
| To count and value the goods in stock | 47 | 20 |
| To return slow selling stocks to suppliers | 39 | 25 |
| To advertise a specific service with a poster | 35 | 25 |
| To stop buying a particular product | 30 | 22 |
| To open a bank account | 29 | 10 |
| To give free gifts to customers | 19 | 14 |
| SUMMARY | | |
| | | Average per shop |
| All recommendations | 992 | 5.8 |
| | | Average per shop |
| | | 3.0 |

Acceptance was verified not by reference to the consultants' forms but by an independent visit to each shop, without the consultant, at least a month after his last visit. In addition to checking as to which recommendations had been adopted, every shopkeeper was asked whether he would be willing to pay shs 5 per month for the service in future. Of the shopkeepers, 63% said that they would be so willing, and these were with few exceptions the same shopkeepers who adopted three or more recommendations. They were not significantly younger, or their shops significantly larger, than the sample as a whole. This suggests that the system was equitable, and that age was not a barrier to acceptance of advice. This question was included in order to provide a more realistic standard of evaluation than a simple total of innovations adopted. Lynton and Pareek say that in the final analysis only the client himself can evaluate an extension programme. (18, p.67) Willingness to pay seemed a far more reliable indicator of a favourable evaluation than any mere statement of satisfaction, since good manners alone almost always meant that clients expressed quite profuse appreciation, even if they had recalled or adopted none of the suggestions. The use of this indicator in no way implies that the service should be paid for by its clients, although there are arguments in favour of making a charge for extension. If some charge is made, clients are likely to value the advice more than if it is free, and they will be sure to be present for consulting sessions and to complain if their advisor is ineffective. On the other hand, it may be felt that any charge will discourage the poorest and most needy clients from participation.

The total number of innovations which were adopted or the proportion of the shopkeepers who were willing to pay for such a service do not in themselves constitute a complete evaluation of its viability. It may be that diffusion researchers have been so preoccupied with comparing different methods of diffusion that they have tended to neglect an overall evaluation of the viability of the diffusion effort as a whole. Rogers writes "... diffusion research examines overt behaviour change rather than changes in knowledge or attitudes" (22, p.217), and Lynton and Pareek agree that all forms of training must be judged by their success in changing behaviour. (18, p.15) The ultimate standard of judgement must surely go further than this, and be based on a comparison of the costs of the effort with the benefits resulting from it. Such an analysis may be very difficult, but it should surely be attempted.

Roling, Chege and Ascroft mention that 97% of the farmers who participated in their new approach to introducing hybrid maize adopted the crop. (24, p.3) This is certainly impressive and it is likely that the farmers will gain significantly, but only an assessment of the costs of the diffusion effort and the likely long

term benefits to the farmers will provide a complete evaluation of the exercise. Adoption of a new crop of this sort is more likely to be associated with increased prosperity than any of the improved management techniques which were promoted by the extension to small general shopkeepers, so that it is even more necessary to make some attempt to quantify the costs and the benefits.

The costs of the prototype experiment are clearly irrelevant, since our interest is in the viability of a large scale replication of the experiment, not a repetition of it. There are at present some 24,585 small general shops in Kenya (1, p.41), and informed suppliers seem to agree that this number is growing at about 10% per year. The age profile of the sample of 169 shops which were advised in this project is reproduced in Table 2, and the preponderance of recently founded enterprises supports this high growth rate and in addition implies a high failure rate.

Table 2. Age Profile of Small General Shops.

| | number | percentage |
|---|--------|------------|
| founded less than 1 year before contact date | 40 | 24% |
| founded 1 - 2 years before contact date | 40 | 24% |
| founded 2 - 3 years before contact date | 14 | 8% |
| founded 3 - 4 years before contact date | 14 | 8% |
| founded 4 - 5 years before contact date | 11 | 6% |
| founded 5 - 6 years before contact date | 13 | 8% |
| founded 6 - 10 years before contact date | 23 | 14% |
| founded more than ten years before contact date | 14 | 8% |

Each of the consultants employed in the experiment covered about 36 shops, and if they had been provided with bicycles they could easily have increased this figure to 40. The five-month period of contact, at monthly intervals, appeared to be reasonable in terms of innovations adopted, and visits to the shops which were advised by the undergraduate consultants have indicated that new techniques which are adopted after five months of advice are still being practiced eighteen months later. Each consultant can therefore cover about 80 shops a year. If we use the present number of shops, the 10% growth rate and the age profile of our sample to predict the number of shops which will be operating over the next five years and the number of failures over this period, we arrive at the figures given in Table 3.

Table 3. Calculation of Number of Consultants Required.

| | |
|--|--------------|
| total number of shops operating in 1979 | 43,553 |
| closures, 1975-6 | 4,522 |
| closures, 1976-7 | 4,973 |
| closures, 1977-8 | 5,472 |
| closures, 1978-9 | <u>6,019</u> |
| total number of shops to be advised | 64,539 |
| consultants required for 5 years, at 80 shops per consultant per year | 161 |
| new entrant shops in 1980 | 11,500 |
| consultants required to cover new entrants in one year | 144 |

The consultant force of 161 could cover all the shops in existence by 1979, including those that will fail between then and now, and would then be more than adequate to deal with the 11,500 new entrants which might be expected in 1980. Experience indicated that the necessary close supervision could easily be undertaken by one supervisor to fifteen consultants, or a total of eleven for the projected national service. The details of the costs of a nation-wide application of the experiment are given in Appendix 3; the appropriate salary for the consultants, in terms of their responsibilities and qualifications, would be £489 per annum according to the scales suggested in the Ndegwa Report, but experience showed that suitable recruits could easily be obtained for the lower rate of £201 per annum plus the housing allowance which is recommended for Group C employees. (13, pp.336, 339) The costs are calculated using both of these alternatives, and an initial training period is also allowed for, when staff would be employed but would not be productive. The salaries and allowances for supervisory and administrative staff are taken from appropriate groups in the Ndegwa Report. (13, pp.253, 340, 341, 350, 356)

Of the shops advised in the experiment, 69% accepted the median of three, or more, recommendations, and Appendix 4 shows the calculation of the total value of benefit to clients for each year up to 1978, assuming that a service was started in 1974. It is assumed that the success rate is the same as that achieved in the sample, namely 69%, that the benefits continue to be enjoyed in years subsequent to that in which the advice was given, except by those shops which fail, and that only 50% of the benefit is enjoyed in the year in which the advice is given, because it may be given at any time in the year. Table 4 summarises the combination of the figures of costs and benefits, and, by discounting future figures to present values at the generally accepted rate of 10%, it shows that the minimum value of B, the annual benefit per beneficiary, must be shs 266.82 if the consultants are paid at the higher rate, and shs 174.22 per annum if the lower salary is used, in order for the service to be economic.

Table 4. Comparison of Present Values of Costs and Benefits of Projected Small Retailer Extension Using a 10% Discount Rate.

| | |
|---|------------|
| present value of costs 1974-79, using high wage consultants | £559,888 |
| present value of costs 1974-79, using low wage consultants | £365,612 |
| total value of benefit in years 1975-79 | 41,967B |
| minimum "break even" annual benefit per beneficiary using high wage consultants | shs 266.82 |
| minimum "break even" annual benefit per beneficiary using low wage consultants | shs 174.22 |

Reference to Table 1 shows that simple bookkeeping techniques were the most frequently adopted recommendations, and only 57% of the shops were keeping any record at all of the movements of cash within their business at the inception of the service. It is therefore impossible to make a direct comparison of profitability before and after, since only the after figure is known, and that not always. Typical recommendations for improved stock control, by releasing funds presently lying idle in dead stocks, or for better control of debtors resulted in the release of around shs 100. Improvements in the appearance of the shop, the purchase of faster moving stocks and simple advertising might increase sales by an average of 5%, or some shs 100 per month, with a consequent increase in profits of about shs 15 per month, or shs 180 per year. Some clients claimed that the recommendations for reduced withdrawals or other ideas actually prevented the shop from closure, and although such claims clearly arise in part from good manners there is no doubt that some shops did benefit to this extent. These are very approximate and tentative assessments of annual benefits, but they do not appear to be far below the break-even figures shown in Table 4. It should be noted that no account is taken of any benefit for shops which accepted less than the median number of recommendations, and in addition the initial training expense is treated as a wasting asset which would be totally consumed at the end of the five year period which is analysed. To this extent the benefits are understated and the costs overstated, so that the service appears likely to be potentially viable. It is possible that there would be a need for continuous training, since the better consultants might leave in order to capitalise on the knowledge they had gained, and the least effective would be identified and dismissed through the continuous system of evaluation. The supply of trained potential entrepreneurs would however be of substantial benefit to the economy as a whole. A high staff turnover would also tend to prevent staleness which might arise from long service.

If such a service were to be implemented in Kenya, a decision would have to be made as to its institutional location. The statement in the Sessional Paper, as we have seen, left this question open, although the use of the word "coordinated" implied recognition of the fact that a major failing of present efforts to assist small business has been the lack of coordination. MacLelland and Winter write, "In any intervention effort there is not only an achievement problem - succeeding in what you are trying to do - but also a power problem - finding out an institutional base for carrying out the task. (19, p.190) Most efforts to assist small business have started with the provision of finance, and most small businessmen themselves believe that their major, if not their only, problem is lack of capital. (21, p.179) Lending institutions have become involved in training, initially to rescue loans which should never have been made and subsequently in order to prepare applicants to make better use of loans. Even if the training effort has in time become more important than the lending activity, clients have continued to believe that the ultimate goal of the training is the receipt of a loan. Most small businessmen who attend courses in Kenya admit that their main motive is to qualify themselves for a loan in the eyes of the Trade Officer, and they may adopt what was taught, as well as displaying a framed certificate of attendance, in order to satisfy a subsequent visitor that they deserve a loan. The simple recording procedures which are adopted for this reason have no other use in the eyes of the businessman, and when a loan is not forthcoming the procedures themselves are discredited along with the institution which has failed to provide the input for which the businessman believes it exists. Similarly, Government is traditionally regarded by small businessmen more as a source of harassment and demands for taxation than as a source of assistance, and this opinion is not unreasonable. (12, p.6)

There is certainly a need for coordination, but probably not for total institutional integration, of extension with lending activities. The Government Working Party and the ILO Report are agreed that the I.C.D.C. should take over the major responsibility for small business promotion. The ILO Report recognised that "the Corporation would cease to be mainly a credit extending institution" in order for it to fulfill this role, but the danger is that whatever happened to the I.C.D.C. itself, it would still be regarded for many years as a source of finance. (2, p.472) De Wilde argues that on balance credit should be separated from extension, so that the extension officer can be genuinely independent of the lender and can either be the advocate or opponent of a loan application. (3, vol.1, p.55; vol.2,annexe 6, p.24) There are obvious dangers in starting yet another institution with its associated overheads. Nevertheless, it would probably be

appropriate for any extension service for small business in Kenya to be operated either as a new and more-or-less autonomous institution, or as part of an existing one which has no association whatsoever with lending or regulation. It would be inappropriate for an outsider to make a more specific suggestion, but the principle of independence, albeit effectively coordinated with the other necessary inputs, is of great importance.

It has been suggested that manufacturers, who have a lasting interest in the development of more effective channels of distribution for their products, would be the most appropriate organisations to supply extension to small general shopkeepers (3, vol.1, p.61); this idea has obvious attractions, and a brief exercise was undertaken to test it. A large manufacturer allowed two salesmen to spend a certain amount of time applying the same procedure to some of its customers. Ten shops were advised, and the results were disappointing; the salesmen were regarded as a source of supplies rather than as advisers. and the time that they could devote to these ten shops was limited because the sales manager felt that they should continue to make frequent calls on the several hundred other ~~shops~~ *shops each one covered*. In addition, although this firm has better than average coverage of their retail distributors, it is not worth their while to visit or sell directly to the very small shops which in fact constitute the majority of retail outlets in Kenya. Although the salesmen selected the shops for this project from among their smaller customers, they were on average nearly four times as large in terms of assets employed as the average of the sample advised by the full-time consultants. Many of these clients were already practicing the improved techniques which were the subject of the advice, and it appeared that the adoption rate was significantly lower for techniques which were genuinely new to them. It was therefore concluded that in spite of the advantages of a genuine two-way relationship, suppliers were not a really suitable source of general management advice which would help those most in need of it.

Small manufacturing enterprises are presently receiving a great deal of attention, and the Rural Industrial Development Centres are providing finance, technical advice and, in some cases, more economical sources of raw materials. There is so far no formal provision of management as opposed to technical advice, although some of the technical advisers are in fact spending more of their time assisting with management problems than in design or manufacturing services. The technique which has been described has only been tested on a large scale with small general shops, but it can fairly easily be modified so that other types of enterprise can be covered equally effectively.

Individual on site management advice appears to be the most appropriate and least available form of assistance for small business. It is hoped that the experiment which has been very briefly described above can at least provide some ideas which will allow such a service to be offered to the small businessmen of Kenya.

Shop visit one evening

FIRST CONSULTING SESSION

DATE OF SESSION.....

CONSULTANT

NAME.....

DATE BUSINESS STARTED

LOCATION, MARKET, PLOT NO.

What is the most important problem in your business?

Better MANAGEMENT may help you to get over this problem. I am employed by the University of Nairobi. I am not giving loans, chasing debts or asking about taxes but trying to HELP you manage this business better with some ADVICE. Have you ever attended a trader's course? (Y/N) I am trying to give you the same sort of advice you get from a course, except that it will be advice especially for your business. I do need some information from you before I can do this.

First, I need to know what you have in your business today, and how much it is worth.

How much CASH have you got here now which belongs to the business? (Try to see the actual money.)

Do you have any other money which can be used for the business when necessary?

Does the business have a bank account? (Y/N) if so, how much is in it? (Try to check the bank book.)

Do you give any credit at all? (Y/N) if so, how much is owed to you today, by all your customers, whether overdue or not? (Try to add up the total from the debtors record.)

What is the value of all the goods in stock today at (purchase/selling) price?

What is the value of all the furniture and equipment you have in your business, if you had to sell it today?

Is this building your property? (Y/N) if so, what is its value now?

The total amount of money, or value of other things that you are using in your business today is therefore

Let us try to see where this came from. Do you get any credit from your suppliers? (Y/N) if so, how much do you owe them altogether today? (Try to check from records.)

Do your customers pay in advance? (Y/N) if so, how much have you got from them at the moment for goods not yet taken? (Try to check from records.)

Have you received loans from any source? (Private/Bank/TDJB/ICDC/None) if so, how much do you owe at the moment?

How much money did you and your partners, if any, put into this business at the beginning?

How much have you put into it since then?

The total amount put into the business by you or "lent" from other sources is therefore total

The difference between this and the total value of what is in the business has come from profits earned by the business and not withdrawn

The total value of the business is therefore (Transfer total assets from previous page) Shs

Do you have any other business such as cash crop farming (), a bar (), transport services (), another shop (), other ()?

If so, are all the figures which you have given me the ones for this business alone or does the cash or any other item belong to the others as well? (Correct as necessary.)

Now let us see how much profit or loss you are making each month.

What is the total value of your sales in an average month? (Try to check from cash records, debtors records, guesses of a day's sales, or your observation.)

[Empty rectangular box]

What does it cost you to buy the goods that you sell for this amount? (Check opening stock and goods bought - closing stock, or receipts, or average gross profit on sales.)

What do you yourself take out of the business in an average month in wages, salary, value of goods taken and not paid for, extra amounts for school fees and so on? (Check records)

Do you employ any others in this business, how many? If so, what do you pay them in total per month including GPT?

What rent do you pay per month?

What do you spend on transport each month?

What do you spend on water, electricity and wrapping materials each month for the business? (Be sure no expenses are forgotten.)

What do you spend on loan interest and repayments each month?

What is the MONTHLY cost of your plot and trade licences? (Check licence certificate.)

Your total expenses per month are therefore

The difference between your total expenses and your sales is your profit/loss Shs.

CONSULTANCY PROGRESS RECORD

CLIENT..... CONSULTANT

R - RECOMMEND

C - COMPLETED

| RECOMMENDATIONS | DATE | DATE | DATE | DATE |
|---|------|------|------|------|
| Keep Cash Book | | | | |
| Record Debtors and Advances | | | | |
| Record Withdrawals of Cash (in Cash Book), Pay for Goods Withdrawn, if Necessary by Withdrawing Cash and Recording it | | | | |
| Count and Value Stock on (Date) | | | | |
| Tidy up Premises with Special Attention to | | | | |
| Rearrange Stock, in Particular(Items) | | | | |
| Open Bank Account Where | | | | |
| Monthly Deposit Sh. | | | | |
| Reduce Stocks by: | | | | |
| a) Lower Price | | | | |
| Item | | | | |
| Present Stock | | | | |
| Present Price | | | | |
| Bargain Price | | | | |
| b) Stop Buying | | | | |
| Item | | | | |
| Present Stock | | | | |
| Target Stock | | | | |
| c) Return to Supplier | | | | |
| Item | | | | |
| Present Stock | | | | |
| d) Free Gift | | | | |
| Item | | | | |
| Present Stock | | | | |
| Basis of Gifts | | | | |
| e) Exchange with other Traders | | | | |
| Item | | | | |
| Present Stock | | | | |
| Advertise, Item | | | | |
| How | | | | |
| (Try Actually to do it) | | | | |
| Buy New Stock , | | | | |
| Item | | | | |
| Qty | | | | |
| OTHER ADVICE | | | | |

APPENDIX TWO

CONSULTANCY APTITUDE TEST

Time Allowed: TEN MINUTES.

Write your answers, together with the necessary calculations, NEATLY on the separate sheet provided.

1. A shopkeeper buys a box of 200 headache pills for shs 18.00. He then sells the pills for ten cents each. How much profit does he make on each box ?
2. Add shs 926.50, shs 431.80 and shs 18.00. Take shs 26.10 away from the total of these three amounts.
3. Take shs 15.50 and shs 31.25 away from shs 3,110.00.
4. A shopkeeper pays out rent of shs 50.00 per month, licence fees of shs 150.00 per year and transport costs of shs 15.00 per month. What is the total of his annual cost of rent, licence fees and transport ?
5. A shopkeeper has shs 100.00 to spend on new stocks. He can either buy ten blankets, which he will sell for shs 15.00 each or one hundred packets of tea, which he will sell for shs 1.10 each. He will sell the blankets at a rate of one per month, and the tea at a rate of one hundred packets per month. Should he buy the blankets or the tea, and why ?

APPENDIX THREE. PROJECTED COSTS OF NATION WIDE SMALL RETAILER EXTENSION SERVICE.

Annual Operating Costs

| | | |
|---|----------|-------------|
| 161 consultants at £489 p.a. | £78,729 | |
| OR at £201 p.a. | | £32,361 |
| housing allowance for consultants at £210 p.a. | £33,810 | |
| OR at £120 p.a. | | £19,320 |
| travel and other expenses for above, at £60 p.a. | £ 9,660 | £ 9,660 |
| total costs of consultants | £122,199 | OR £61,341 |
| 11 supervisors, at £936 p.a. | £10,296 | |
| housing allowance for above at £360 p.a. | £ 3,960 | |
| secretaries for above, at £699 p.a. inclusive | £ 7,689 | |
| transport for supervisors at £600 p.a. | £ 6,600 | |
| assistant director, at £2,334 p.a. | £ 2,334 | |
| director, at £3,276 p.a. | £ 3,276 | |
| housing for director and assistant, at £570 p.a. | £ 1,140 | |
| secretaries for director and assistant, at £930 p.a., inclusive | £ 1,860 | |
| transport for director and assistant, at £1,200 p.a. | £ 2,400 | |
| drivers for supervisors, director and assistant at £246 p.a., inclusive | £ 3,198 | |
| data processing expenses | £ 2,000 | |
| contingencies, office expenses, etc. | £ 3,048 | |
| total overhead expenses | £47,801 | |
| total cost of operating service for 1 year | £170,000 | OR £109,142 |

Initial Training Costs

| | |
|--|------------------------------|
| director and assistant director for 12 month with all supporting overheads | £15,625 |
| supervisors, plus all supporting overheads, for 6 months | £11,502 |
| 200 trainees, plus overheads, for 3 months contingencies, materials etc. | £37,950 OR £19,050 £4,923 |
| total training cost before operation can begin | £70,000 OR £81,100 |

APPENDIX FOUR: CALCULATION OF TOTAL VALUE OF BENEFIT TO SHOPS FROM CONSULTING.

| | | | |
|---------------|---|---|----------|
| year 1 (1974) | 0 (organisation and training only) | | |
| year 2 (1975) | .5 (12,880 x .69) x B | = | 4,443 B |
| year 3 (1976) | .5 (12,880 x .69) + (12,880 x .69) x B | = | 13,330 B |
| year 4 (1977) | .5 (12,880 x .69) + (12,880 x .69) + .65(12,880 x .69) x B | = | 19,107 B |
| year 5 (1978) | .5 (12,880 x .69) + (12,880 x .69) + .65(12,880 x .69) + .61(12,880 x .69) x B | = | 24,528 B |

B = annual benefit to one client who accepts three or more recommendations.

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