



Graduate School of Development Studies

**THE DYNAMICS OF ENTREPRENEURSHIP IN ICT:  
Case of mobile phones downstream services in Kenya**

A Research Paper presented by:

**Raphael Ngatia Kanothi**  
(Kenya)

in partial fulfilment of the requirements for obtaining the degree of  
**MASTERS OF ARTS IN DEVELOPMENT STUDIES**

Specialization:  
**Local and Regional Development  
(LRD)**

Members of the examining committee:

Dr Erhard Berner (Supervisor)  
Dr Peter Knorringa (Second Reader)

The Hague, The Netherlands  
December, 2008

This document represents part of the author's study programme while at the Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

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**Inquiries:**

Postal address:       Institute of Social Studies  
                              P.O. Box 29776  
                              2502 LT The Hague  
                              The Netherlands

Location:               Kortenaerkade 12  
                              2518 AX The Hague  
                              The Netherlands

Telephone:             +31 70 426 0460

Fax:                     +31 70 426 0799

## **Dedication**

To my wife Esther and our children Joy and Amy

## Acknowledgements

My thanks go to the Almighty God for giving me strength and grace always.

To my supervisor, Dr Erhard Berner and second reader, Dr Peter Knorringa for giving me immeasurable guidance, advice and attention.

To the LRD family: lecturers, convener, course administrator and fellow participants for the support and encouragement.

To my friends for reading this paper and giving valuable suggestions.

To The Netherlands Government for financing my studies at ISS.

To my wife for the support she gave me throughout the process of writing the thesis as well as taking care of our children during my tour in The Netherlands.

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## List of Acronyms

ATU	African Telecommunication Union
CCK	Communication Commission of Kenya
GDP	Gross Domestic Product
GoK	Government of Kenya
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ICT	Information and Communication Technology
IFPRI	International Food Policy Research Institute
ITU	International Telecommunication Union
K-rep	Kenya Rural Enterprises Program
KWFT	Kenya Women Finance Trust
MDGs	Millennium Development Goals
MNC	Multi-National Corporation
MSC	Micro-enterprises Score Card
SIDA	Sweden International Development Agency
SMEs	Small and Micro-enterprises
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational Scientific and Cultural Organisation



## **Abstract**

The research paper explores the extent to which mobile phones downstream services, defined here as those provided using the existing connectivity, are generating opportunities for entrepreneurship development in Kenya. After identifying the services of mobile payphones, money transfer and phone repair, the paper analyses the micro-enterprises providing them and their contribution to income and employment creation. It shows that majority of the enterprises providing the services are survivalists and they are characterised by minimal barriers to entry and therefore stiff competition. Those in growth-oriented category are characterised by barriers to entry and specialisation. These enterprises have made a notable contribution to the concerned households and the economy in form of employment opportunities, income generation and linkage with other sectors. They directly supported over 25,000 households in addition to the extra staff employed in them. Across the board the incomes of the operators improved after engaging in the enterprises. The enterprises also created opportunities for women, youth, people with disabilities and those with low or no education. To the economy, payphones have contributed to increasing the mobile phones coverage to 75% of the country; money transfer services have provided cheaper financial transactions and means of sending emergency funds; while repair services have enabled low income earners to remain connected even when they could not afford to buy new phones. The paper therefore concludes that mobile phones downstream services have generated entrepreneurial opportunities to many as well as contributing positively to the goal of fighting poverty.

## **Relevance to Development Studies**

Entrepreneurship provides an option for tackling poverty through creation of employment and income. In Kenya, three quarters of annual employment opportunities are created by micro-enterprises which also facilitate accessibility to goods and services for the poor. The study on the entrepreneurial application of the mobile phones downstream services, therefore deepens our knowledge on their contribution to employment creation, income generation and therefore to the development agenda.

## **Keywords**

Mobile phones downstream services, enterprises, employment, income and the poor.

# Chapter 1

## INTRODUCTION

### 1.1. Background

In his address to the UN Working Group on Informatics in 1997, Kofi Annan (former UN Secretary General) noted that ‘Communications and information technology has enormous potential in furthering sustainable development’ (Carr-Chellman 2005: 208). This importance has been recognised by various development practitioners who have brought on board their efforts to promote use of Communications and Information Technology (ICT) in developing countries in line with the Millennium Development Goal (MDG) 8 Target 8f on partnering with the private sector to make available the benefits of new technologies, especially ICT (UN 2008). In its Medium Term Strategy for 2002-07, UNESCO highlighted that ICTs contribute to the ‘eradication of poverty, especially extreme poverty’ (UNESCO 2002: 207). World Bank, in its Strategy for ICT Sector Development for Africa notes that ‘ICT has an essential role to play in poverty alleviation, provides powerful tools to achieve the [MDGs and] gives private sector enterprises access to new opportunities for trade, spurring economic development’ (World Bank 2005: 1).

Over time authors have established links between telecommunication and economic growth. Wilkison, R and E. Sundeelowotz (2007), for example, have argued that there are direct and indirect links between the exponential growth of mobile telephony and the rate of economic growth in Africa. Such a link is also highlighted by the International Food Policy Research Institute (IFPRI). To the institute, ‘estimates for 113 countries over a 20-year period show a positive link between telecommunications and gross domestic product (GDP). The estimates suggest that a 1% increase in the telecommunications penetration rate leads to a 0.03 percent increase in GDP’ (IFPRI 2006: 3). Strengthening such views, Madden et al. (2000) argue that telecommunications technology can improve living standard in a poor community by providing important commercial, social and educational opportunities. This argument is supported by the work of Scott et al. (2004) and Tanburrn & Singh (2001) who add that innovative applications of mobile phones have increased the efficiency of service delivery to the poor or opened opportunities for new services.

A research by Waverman et al. (2005) found that an increase of 10 more mobile phones in developing countries between 1996 and 2003 resulted into per capita GDP growth of 0.59% higher than otherwise. Eagle (2005) attributes this growth to the entrepreneurial use of mobile phones through enabling relatively cheaper transactions, accessing information and service provision. A recent study in South Africa by Klonner and Nolen (2008) found that the use of mobile phones leads to increase in employment by 1.4% and income by 5.4% higher than otherwise. The World Bank (2002) notes that there has been an increase in individuals in developing countries providing public pay phone services which have proven to have a good demand.

In Kenya the fast growing mobile phones industry has brought a wide range of opportunities and threats. At the top of the pyramid, the mobile phone network providers and hardware supplies have been making huge profits over the last 10 years<sup>1</sup>. At the bottom of the pyramid, the industry has provided a variety of opportunities for entrepreneurship and

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<sup>1</sup> By the end of 2007 Kenya had two mobile phones operators. The leading mobile phone operator, Safaricom ltd made profit worth US\$280 million in 2007 which was equivalent to the combined profit realised by the five leading commercial banks in the country during the same period.

employment creation in the provision of related services. Here, entrepreneurs make innovative uses of mobile phones to overcome barriers to information and generate income.

For the purpose of this research, I will classify the Kenyan mobile phone services industry into upstream and downstream categories. The upstream category incorporates the operation of the mobile phones infrastructure, hardware and services. Investment in this category is characterised by huge capital and technical investment and therefore dominance by Multi-National Corporations (MNCs). The downstream category encompasses provision of services by use of existing mobile phones network connectivity. Investment at this level requires relatively minimal capital outlay and therefore is dominated by micro-enterprises. The focus of this research will be on downstream category. The provision of mobile phone services at the downstream level has been characterised by pop-up of entrepreneurial groups. Such services are in the areas of public payphones, money transfer and phone repairs. Thanks to these services, the benefit of mobile phones is indeed made available to many people some of whom would have been left out of the telecommunication value chain.

The privately operated mobile public, community or village payphone is a commercial service through which individuals offer mobile phones to the public for use at a fee. Other countries where this idea has been introduced include Bangladesh, Rwanda and Uganda. Mobile phones money transfer service, which involves simple financial transactions between persons in different localities through the use of mobile phones has provided opportunities for people with limited access to banking facilities. Besides Kenya, this service has also been reported in Bangladesh where workers use it in the remittance of their earnings to their families and friends. As regards phone repair, the service has gained importance in Kenya during the last five years. The service is essential to the low and medium income groups who have limited resources to replace faulty phones and therefore would rather have them repaired at manageable fees.

This paper explores the extent to which the use of mobile phones in provision of these downstream services is providing opportunities for entrepreneurship development. While doing so, I recognise that this does not amount to navigating an uncharted debate. Indeed, I am aware that there is no uncontested understanding of the role of entrepreneurship within a developing economy as well as a universally accepted definition of the term. The paper therefore takes recognisance of various views which have informed and taken centre stage in the entrepreneurship discourse.

## **1.2 Relevance and Justification**

It is worth to note here that much of the ever increasing body of work in this area, though relevant and informative with great level of in-depth explanation and analysis, is not safe from lacking in coverage in other aspects. While authors have widely written about linking mobile phones to development, the entrepreneurial application of the downstream services has not been widely explored. In this regard a number of aspects require in-depth analysis and these form the basis of this paper. Such areas include exploring the extent to which the use of mobile phones helps create entrepreneurial opportunities at the bottom end of the mobile telephony value chain. In doing so it is necessary to consider the kind of people that operate the service enterprises, whether they make profit, the sort of market they serve and the way in which they maintain their enterprises under competition. In addition, the characteristics of these enterprises need to be documented.

Consequently, this paper makes a contribution in the debate on entrepreneurship and specifically in the application of downstream services of the mobile phones value chain. The intention is to provide a forum for the policy makers and the development partners in making an informed decision while targeting mobile phones downstream services for tackling poverty.

### 1.3 Objectives and research questions

The objective of this paper is to analyse the entrepreneurial use of the mobile phones downstream services in Kenya during the period 2003-07.

In this process the main research question the study seeks to answer is: *To what extent have the mobile phones downstream services generated entrepreneurship opportunities in Kenya?* The following sub-questions are intended to guide in the answering this main question:

- i) What are the main commercial downstream services provided through mobile phones?
- ii) What are the significant differences between categories of enterprises providing the services?
- iii) What kinds of people operate the enterprises and what is their motive of engaging in the enterprises?
- iv) How have the enterprises impacted on the operators in terms of employment and change in income?
- v) Who are the key actors and what are their contributions in the operation of these enterprises?

### 1.4 Research methods and limitations

In order to achieve the objective, a three-components-strategy was applied. This comprised of literature review, analysis of secondary data and analysis of primary data generated from a fieldwork targeting operators of the services.

In relation to the review of the literature a wide range of books, journal articles, institutional reports, magazines and research papers were visited with the aim of building on a theoretical framework. The list of 'References' which is annexed to this report details those ones that were incorporated in this paper.

On secondary data a number of sources were useful in providing the necessary data. These were, first the Government of Kenya (GoK) and Communication Commission of Kenya (CCK) reports which provided up-to-date data. Second were reports from international and regional institutions such as the World Bank; International Telecommunication Union (ITU); African Telecommunication Union (ATU) and UNDP which provided comparative data on mobile phones. The third source was private organisations including the industry players and specialised magazines which provided data on mobile phones downstream services in Kenya.

Finally, there was primary data collection which was undertaken in August 2008 with the aim of sourcing data on mobile phones enterprises. The process covered Nairobi city and rural town of Karatina. Nairobi was selected owing to its importance as the capital city, the biggest urban centre in Kenya and where majority of the mobile phones services are concentrated. Karatina, which is in the central region, was selected because the region forms one of the most active hinterlands for Nairobi city and has a strong linkage with the city in terms of business transactions.

In Nairobi the study covered two residential areas, one city centre street and hawkers' market while in Karatina it covered town centre and open market. The selection of the specific localities within these towns was guided by the principle of mixing and balancing the low, middle and high income localities. Within those localities a spot check of the enterprises was first undertaken to identify those that were engaged in the targeted mobile phones services. The selection of those that were covered was randomly done while the number of respondents per

locality was being controlled to assure the mix. A semi-structured questionnaire which sought data on mobile phones services was then administered to the selected ones (Annex I).

In total, 25 entrepreneurs responded, of which 19 were in Nairobi and six in Karatina. Out of the respondents in Nairobi, seven were from the city centre, four in a hawkers' market outside the city centre and eight in the low income residential areas of Githurai and Mathare in the outskirts of the city. For the respondents in Karatina, four were from within the town centre and two within the open market.

In addition, telephone interviews were undertaken with the Ministry of ICT, CCK, Safaricom mobile phones MNC and two micro-finance institution (K-rep and Faulu Kenya). These institutions provided data on regulation, sector competition and business support to micro-enterprises in mobile phone services.

While this analysis is mostly qualitative, some quantitative analysis and presentation is applied by the use of graphic, tabular and statistical analysis. This is mainly aimed at making clarity in the discussion on the picture being discussed in the paper.

It is worth noting at this juncture that during the research process a number of limitations were encountered. First is that the sample size of 25 respondents covered in the analysis may not be a comprehensive representative of the whole industry. The cost and time limitations could not allow coverage of a scientifically selected sample size of enterprises both in number and geographical dispersion. In this case therefore the research relied on respondents selected from the two towns as indicated earlier. Care was however taken to select the locations that are more reflective of the whole picture in the industry.

In addition, the research process dwelt on the analysis of the existing enterprises that are currently operational. The process encountered the limitation of inability to cover those that have closed down. This is mainly because of the limited timeframe vis-a-vis the lengthy process of tracing the entrepreneurs who have closed down. In this case the study used some form of one-shot approach seeking retrospective information concerning past patterns of performance of both the existing and possible closures. The process involved relying on the information given by the existing entrepreneurs on the neighbours that have closed over time. This may not capture the exact picture of closures as some of them may have relocated or later re-opened their businesses in new localities after securing financial support.

## **1.5 Organisation of the research paper**

This paper is divided into six chapters. The remainder of the paper is organised as follows:

In chapter 2 a discussion is done of the theories and concepts on enterprise development which provide a framework for theorising entrepreneurship in mobile phones downstream services. The role of various actors in enterprise development and support services are also discussed in this chapter.

Chapter 3 examines the most current status of the mobile phones industry in Kenya. The chapter ends with an overview of the role played by the main actors involved in the provision of the services in Kenya.

Chapter 4 covers the analysis of the downstream services offered and the typology of the enterprises involved in the provision of these services. Thereafter an analysis of the various reasons behind starting the businesses is done.

Chapter 5 discusses the impact of the enterprises on the economy. It maps up the direct contribution to the status of the operators and the economy.

Chapter 6 presents the conclusion based on the literature review and analysis of the empirical data on the mobile phones downstream services enterprises. Driving from the findings and conclusion, a number of policy packages are presented in this chapter. Finally, several related additional research areas are suggested.

## Chapter 2

### THEORETICAL BACKGROUND

#### 2.1 Introduction

The relationship between ICT, entrepreneurship and local and regional economic development is intertwined containing overlapping cultural, socio-economic, technological, spatial and temporal elements (Mcquaid 2002). Recognising this fact, this chapter forms the basis for anchoring the ongoing debate on mobile phones downstream services in the entrepreneurship discourse. Hence, the goal is to discuss the theoretical framework on which the enterprises in mobile phones downstream services is described and analysed. It covers a brief theoretical reflection on the work done by others on entrepreneurship. The reflection is necessary as a build-up to the analysis that will be undertaken in the subsequent chapters.

#### 2.2 Conceptualising Entrepreneurship, entrepreneur and enterprises

The debate on entrepreneurship and entrepreneurs dates back to as early as 18th century when authors led by Richard Cantillon and later Jean Baptiste Say attempted to offer economic definitions for an entrepreneur (Binks and Vale 1990, Phuc 2006). Their definitions later ignited a wide range views on the entrepreneurs, entrepreneurship and enterprises the debate on which continues today. Among the most influential authors in 20<sup>th</sup> century who have incredibly contributed to the understanding of entrepreneurship and its related process include Knight in 1921, Schumpeter in 1934, Leibenstein in 1968, Kirzner in 1973 and Baumol in 1990 (Minniti and Lévesque 2008). Building on the contributions of Joseph Schumpeter and Harvey Leibenstein, Binks and Vale define entrepreneurship as ‘an unrehearsed combination of economic resources instigated by the uncertain prospect of temporary monopoly profit’ (1990: 20). They further define entrepreneur as the ‘instigator of entrepreneurial events for so long as they occur’ (*Ibid*).

Generally, entrepreneurship is taken as encompassing risk-taking, innovation, arbitrage and co-ordination of factors of production in the creation of a new products or services (Acs and Storey 2004, Minniti and Lévesque 2008, Naudé 2007). The main idea is making or doing things differently; making or providing new products or services; or organising how the products are made or supplied (Thornton 1999). In this regard, Acs and Szerb (2007) add that entrepreneurship revolves around the realisation of existence of opportunities in combination with decision to commercialize them by starting a new firm – what Thornton (1999) call demand and supply perspectives of entrepreneurship discourse. Likewise an entrepreneur is the person who is innovative and coordinates other factors of production in the creation of new products or services (Kirzner 1997, Mcquaid 2002, Phuc 2006, Praagt and Cramer 2001). Contributing in this debate, Casson (1999) argues that the skill of an entrepreneur is to make judgemental decisions about the best allocation of the ever scarce resources to maximise on gains.

These perspectives point to catalytic events of entrepreneurship, as Binks and Vale (1990) call them, which represent the first or unique innovation of a new idea or combination of ideas in a locality. Included here are situations where entrepreneurs take advantage of an enabling environment to introduce a new idea, product or service in a locality. Knorrington (2008) adds that though this idea may not be new in the rest of the world, it is new in the locality. The significance of their impact in the economy is determined by the subsequent adaptation which keeps the idea alive (Binks and Vale 1990).

However, this does not mean that all entrepreneurs are innovative. In fact, in their analysis

of this event, Binks and Vale (1990) add that very few entrepreneurs engage in such catalytic events due to market resistance coming from among others, the financiers, market or even the entrepreneurs themselves. By far, therefore, majority of them will undertake some form of variations on the initial catalytic ideas and present them to the market.

Such variations start with allocating activity which, according to two authors, entails presentation of new combinations of resources to a previous idea in a locality. It involves creativity in presentation of an existing product/service or even adapting them to a sector whose taste is changing. The authors add that allocating activity emerge as catalytic activity becomes acknowledged in the locality. Accordingly, an economy without allocating is imperceptible because there is no follow-up on innovation.

This brings the debate to the importance of the refining activities. Under this level, an entrepreneur enters an already occupied business sector, provides the same good or service without alteration but introduces a new 'attitude, practice or equipment that are not conventional' in the locality or sector (Binks and Vale 1990: 69). The authors add that refining may occur due to the impact of increased competition in the market. Refining is therefore required to ensure that the affected businesses rejuvenate their competitiveness in the market. The group which mostly constitutes about 90% of enterprises in a locality is also important in increasing employment and therefore local development. A special case within this category is omega which is rather the most evident outcome of restructuring in the market. It occurs 'where resources released [as enterprises succumb to competition] are often available at abnormally low cost to be recycled for a short period of time by a new owner/manage' (1990: 50).

Extending this discussion to the bottom of the entrepreneurial pyramid, it is a fact that micro-enterprises have generated increased discussions over the last three decades especially as relates to their importance to economic development. Studies have shown that understanding the types and typology of the enterprises works better for achieving this objective. We will return to this argument later in the chapter, but first it is useful to note at this juncture the various views that have merged on the importance of micro-enterprises.

### **2.3 Significance of micro-enterprises**

Asking the question *why micro-enterprises*, is not unfounded. The presence of micro-enterprises is found in large numbers in developing countries and their contribution has been a subject of debate. Over time some views have been in support of the sector as the engine of growth while others contest this view armed with a body of empirical evidence in support of their positions (Beck et al. 2003).

On the side of the pro-SMEs, there has been a growing interest in promoting the enterprises as a strategy for fighting poverty through enhancing employment creation and income generation (Audretsch 1999, Day-Hookoomsing and Essoo 2003). For example, work by Beck et al. (2003) found a direct correlation between SMEs and the economic growth and poverty alleviation. Likewise, Daniels (1999) found that the sector employed one third of working people and contributed 13% of the GDP in Kenya. An earlier study by Mead (1994) found a contribution of 40% of increase in total employment. The Government of Kenya (2008a) figures indicate contribution of three-quarters of the total increase in employment outside agriculture, creating 580,000 new jobs in 2007.

Other views, on the other hand, hold that the sector is dominated by low income activities that do not contribute significantly to the economy (Biggs et al. 1988). On the question of whether SMEs returns are sufficient to support the households, Daniels (1999) found that for those enterprises that are sole providers of household income, majority do not generate sufficient earnings to meet all their basic needs. The author further found that for the majority



of the entrepreneurs in this sector who earn below the national minimum wage, engagement in the enterprises reflect lack of alternative better opportunities. They are mainly seen as the last resort or the best of a number of poor options available to the operators.

As this debate rages on, it is notable that in majority, if not all developing countries, most of employment opportunities and therefore incomes are generated by micro-enterprises which are also expected to provide lower-cost goods and services to the poor (Beck and Demirgüç-Kunt 2004, Daniels 1999, Eversole 2004). Certainly, such enterprises continue to be established and even survive under harsh environment and policy framework (GTZ 2005). It is however notable that majority of those that survive ‘... stay in business without growing at all and [are] focused on making enough income to keep running and meet the basic needs of the households (Gomez 2008b: 23). Generally, these enterprises are either survival groups or growth-oriented enterprises. In the next section we explore this classification as put forward by various authors.

## 2.4 Understanding enterprises classification

Authors have used classification of enterprises into survival and growth-oriented in studying their dynamism. This distinction is analysed in the following subsections.

### *Survival groups*

This category comprises of persons considered to be the poorest of the poor who are ‘unable to secure wage employment or access to an economic sector of their choice’ (Rogerson 1996: 171). One of the main characteristics of the survival businesses is diversification of activities driven by the aim of cushioning the entrepreneurs’ households against income insecurity (Berner et al. 2008). There are also minimum barriers to entry with the main, and in most cases the only one, being ‘the marginality of the economic return on the efforts’ (Farbman and Lessik 1989: 107). As a result, there is a high degree of copying and flooding of similar activities as neighbours rush to set up “me too” establishments next door. Indeed, a study by Mead and Liedholm (1998) concludes that for such activities, the rate of new start-ups is significantly high with most of them being one-person enterprises. In addition such enterprises are least efficient, least remunerative and tend to start up even when the overall economy is languishing (*Ibid*). Thus the success of this group, as Gomez (2008a) notes, is measured through the ability to remain afloat, obtaining enough revenue for daily household needs.

These kinds of economic activities are prevalent in developing countries many of which have no social security and therefore people resort into income generating activities to provide a safety net for their survival (Gomez 2008b). Demystifying the riddles in survival businesses, Berner and Knorrnga (2007) posit that such businesses help bridge the difficult periods when the households undergo social, health and economic crisis. Indeed as Farbman and Lessik (1989) note, those operating in these forms of activities are people who are excluded from the more economically substantial sectors by lack of skills, experience, financial resources or access to markets. Thus, poverty and desperate attempt to survive drive them to engaging in these activities, (Rogerson 1996).

On gender aspect in this group, research by Mead and Liedholm (1998) found that majority of the enterprises are owned by women. In addition the women headed enterprises are engaged in narrow range of activities, balancing productive and reproductive roles (Ferdinand 2001, Marcucci 2001). Consequently such biased responsibilities have ‘detrimental or limiting impact on their ability to generate income outside of the homes’ (Richardson et al. 2004: 1). In many cases their enterprises rarely expand since they are overworked in the household and unexposed to the dynamics of the markets (Berner et al. 2008, Day-Hookoomsing and Essoo 2003).

Within the survival category, two sub-groups are identified based on the revenue they generate. There are those survivalists whose businesses generate enough revenue for sustainability. To this sub-group, although 'graduation to a higher category would be remote, small intervention efforts could help them to reduce household vulnerability [through making] enough income to achieve some security in satisfying the basic needs [thus] minimising risks' (Gomez 2008a: 2). The second sub-group is composed of those whose businesses do not generate enough revenue for sustainability. The author adds that and these businesses do not contribute significantly to reduce vulnerability and have no capacity to absorb shocks or minimise the risks to which the households are exposed.

#### *Growth-oriented enterprises*

Growth-oriented enterprises are different from survival category in form of capacity, motive and sizes. In this case the motivation to grow, reinvesting of earnings, hiring of additional staff and planning of suppliers and buyers are observable (Gomez 2008a). On this aspect, Berner et al. (2008) add that the group is characterised by specialisation, barriers to entry and entrepreneurs who enter by choice and who are willing to take risk. Potentiality for success in this group is evident in the hiring additional staff, capital accumulation and graduation into higher levels (Gomez 2008a). In fact, as many of such enterprises start small employing the owner and some family members, they later grow to employ one to four extra staff (Rogerson 1996).

In this category, Gomez (2008a) identifies two groups of entrepreneurs. The first one consists of a rare group of entrepreneurs with effective chances of graduation to the higher levels. The second group the author identifies is made up of entrepreneurs with minimal chances of graduation to higher levels mainly due to the fact that they lack the skills or the competences to achieve an effective planning to sustain growth (*Ibid*).

#### *Micro-enterprise Score Card*

Among the tools that have been developed to operationalise this categorisation is Micro-enterprise Score Card (Gomez 2008a). This tool uses a two-tier assessment criterion that employs two levels of scoring cards. The first level separates survivalists from growth-oriented enterprises while the second one assesses the chances of success for each of the two groups (*Ibid*).

## **2.5 Graduation**

Given the wide consideration that micro-enterprises get as a source of employment and income generation, their growth performance and subsequent graduation deserve due attention. A huge body of empirical studies providing insight on the debate of graduation among the micro-enterprises have been conducted over time. Among the authors that have written about this area include Mead & Liedholm (1998) who found that while a vast majority of start-ups are one-person establishments, only a small minority actually grow to employ more than 10 workers and closure rates were in the excess of 20%. While supporting this view, Altenburg (2005) point out that due to the economic, managerial and social bottlenecks they face, graduation for such enterprises would be too slow and difficult to achieve.

In a more specific approach, graduation can be assessed between survivalists and growth-oriented enterprises. In this perspective, Berner et al. (2008) present that it would be a mirage to expect survivalists to graduate to growth-oriented and their main characteristics offer an explanation for this scenario. Considering, for example the motivational factor, survivalists are forced by economic factors as opposed to entrepreneurship by choice as is evidence in growth-oriented enterprises. The priority of the survivalists is therefore to meet their household needs rather than growth (*Ibid*). Besides, the inability of these enterprises to access business support

services does not help the situation. Even when they qualify for micro-credit services, for example, the packages do not respond to their unique needs necessary to support growth and graduation (Kappel and Ishengoma 2006).

However, even as the possibility of graduation between survival and growth-oriented enterprises is as grim as discussed already, views have emerged over time that call for further understanding of the two categories. Berner et al. (2008) for example present that the two categories of enterprises are different, rather than at separate stages in the firms' trajectory. According to them, while growth-oriented microenterprises may exhibit ability and desire to accumulate capital and re-invest revenues for vertical expansion of the existing establishments, survivalist will expand horizontally through creating new enterprises driven by the need to diversify risks. Consequently, success in survival businesses is considered just as another way of diversifying risks (*Ibid*).

On gender aspect, graduation among the female run enterprises is even more limited than for male operated ones. A number of factors explain this rather unacceptable situation. While being among the poorest of the poor, marginalised and vulnerable, women face a number of hiccups in business including cultural barriers, limited mobility and illiteracy (Khalily 2004). Even when they engaged in business activities, women still face considerable disadvantages relative to men including limited business networks and greater domestic burden (Cheston and Kuhn 2002, Mayoux 2001).

## **2.6 Interventions**

The classification of enterprises described above has a serious implication for policies targeting entrepreneurial development (Acs and Szerb 2007). Berner and Knorringa (2007: 17) allude to the fact that most of these policies which 'were originally developed to support small and medium scale businesses [have to be] adjusted to fit the needs of survival and micro-enterprises', which have different and unique requirements. In their work on this area Farbman & A. Lessik (1989), identify community, marginalist or incremental and business development approaches in the interventions process.

Community or poverty approach, according to the authors, aims at poverty alleviation and its concern is on 'the broad social and economic development' (1989: 111). The approach which targets survival level of participants focuses on income generation in general for the needs of the participants rather than employment and productivity growth (Farbman and Lessik 1989, Schreiner 2002) and is founded on the argument that the interventions should develop income generating activities which are likely to increase the income of the poor (Ismawan 2000). The main components of the approach include integrated programmes of social infrastructure development; education inputs such as literacy and numeracy training; and efforts aimed at meeting basic human needs (Farbman and Lessik 1989). In addition the approach may include some form of cooperative or group enterprise formation mainly built on the existing resources and experiences of the participants.

According to Farbman and Lessik, the marginalist approach, which is more focused than the community development aims at increasing the incomes and maintaining jobs. The approach assumes that the main problem of the entrepreneurs is access to capital rather than its cost and therefore emphasizes on credit, either through groups or individual loans normally given at the market interest rates or higher. Proponents of this approach further argue that any control on the way the loaned money is used by the borrowers is unnecessary. This position is based on the argument that money is fungible and therefore the ultimate allocation of borrowed money cannot be known and isolated by the lenders (Farbman and Lessik 1989, Ismawan 2000).

Business development or self-sustainability approach on the other hand aims at increasing

employment generation and income growth through promoting businesses into sustainable growth dynamics (Gibson 1997). The focus in this case is on individualised package of assistance, training and advisory services (Farbman and Lessik 1989, Schreiner 2002) which, according to the Committee of Donor Agencies for Small Enterprise Development (2001) are provided commercially.

In the more recent past, policy interventions have been approached in three main levels: Macro, meso and micro levels (Berner et al. 2008, Knorringa 2008, UNDP 2004). In this regard, the macro level policies aim at providing the necessary enabling environment conducive for businesses to spring-up and operate. The targets for meso level on the other hand are the sector, value chain, clusters or local economic development in which the enterprises operate. As regards the micro level, the targets are the individual entrepreneurs or businesses themselves. Although such policy approaches have gained a considerable interest among development practitioners, they are not devoid of criticisms. In their review of these policies, for example, Berner et al. (2008) conclude that most of them are tailored to the needs of growth-oriented enterprises with limited, if any access for the bulk of the survivalists or those whom graduation is not on sight. They therefore call for more relevant and specific policies supporting the enterprises to cope with insecurities accompanied by deliberate strategies focusing on continuous support for local initiatives, group entrepreneurship and dropping cost-recovery in support services.

## **2.7 The roles of the actors**

We now turn to the role of the players in entrepreneurial development. As Friedrich Engels (1881) put it, all actors pursue their own interests, but what comes out in the end is what none of them wanted. A among the key actors who have a part to play in entrepreneurial development include the governments, development institutions and the private sector firms and their associations. Achieving positive progress calls for combined efforts of all of these players whose roles cannot be overemphasized in enabling emergence and nurturing of business ideas. Failure to play their roles leads to the failure of the whole market (Chang 2002).

As regards the government, its role in development has undergone a series of redefinition over time. A couple of decades ago the role of the state was regarded as interventionist in nature taking a driving seat in the development process. Its inability to effectively deal with economic crisis, necessitated the redefining of the role to that of providing the necessary conditions for the markets to function properly (Helmsing 1997). It has therefore been defined as that of enabling, which involves facilitating and regulating the overall framework within which other actors can make their most effective contribution (Altenburg 2005, Kappel and Ishengoma 2006, Nel and Binns 2001). From these perspectives, therefore, government has a key role in entrepreneurship development but the question remains how best it can or does play. The fact is that its action can either create an enabling environment or one that is not enabling for entrepreneurship. Policies that reduce hindrances to business operations yield better results in entrepreneurship development while bureaucratic bottlenecks, harassment and corruption affect all enterprises and more so the smallest ones (Berner et al. 2008).

Turning to the private sector, its role in development, employment creation and poverty alleviation is defined as that of being the “engine of growth” by generating the required resources for investment (GTZ 2005, SIDA 2003). A study by Marcucci (2001) shows that private companies can be pivotal in promoting micro-enterprises through technical, financial and operational support. While analysing the global value chain which looks at vertical relationships existing at various levels between the supplies/producers and the consumers, Rabach & Kim (1994) and later Clancy (1998) extended the debate to service industry and tourism respectively. In this debate, it remains clear that the role of the lead-firms in promoting entrepreneurship is paramount. Indeed, where businesses are integrated in a value chain, the actions of the lead-

firms at the apex become important and determine, to a large extent, the success of the players at the end of the chain (Kaplinsky and Morris 2001, Wilson 2008). In addition, such firms facilitate players at the local level to hook into the global value chain thus making the best of globalisation.

On business associations, their role in entrepreneurship development is increasingly generating debate with a wide range of authors recognising their importance (Levitsky 1993). In their contributions, Helmsing (2005) and Richardson et al. (2004) present that such associations serve to represent members' interests *vis a vis* other actors, facilitate private interest governance or self-regulation and offer opportunities for social activities. In the case of survival enterprises, the associations promote collective action, amassing their weak positions to a stronger voice while dealing with other actors (Weijland 1999). Helmsing (2005) however cautions that in certain cases even when entrepreneurs become members of the associations, they do not necessarily act in their association's collective interests and they will privately access privileged individual advantages, isolating their peers.

## 2.8 The Analytical Framework

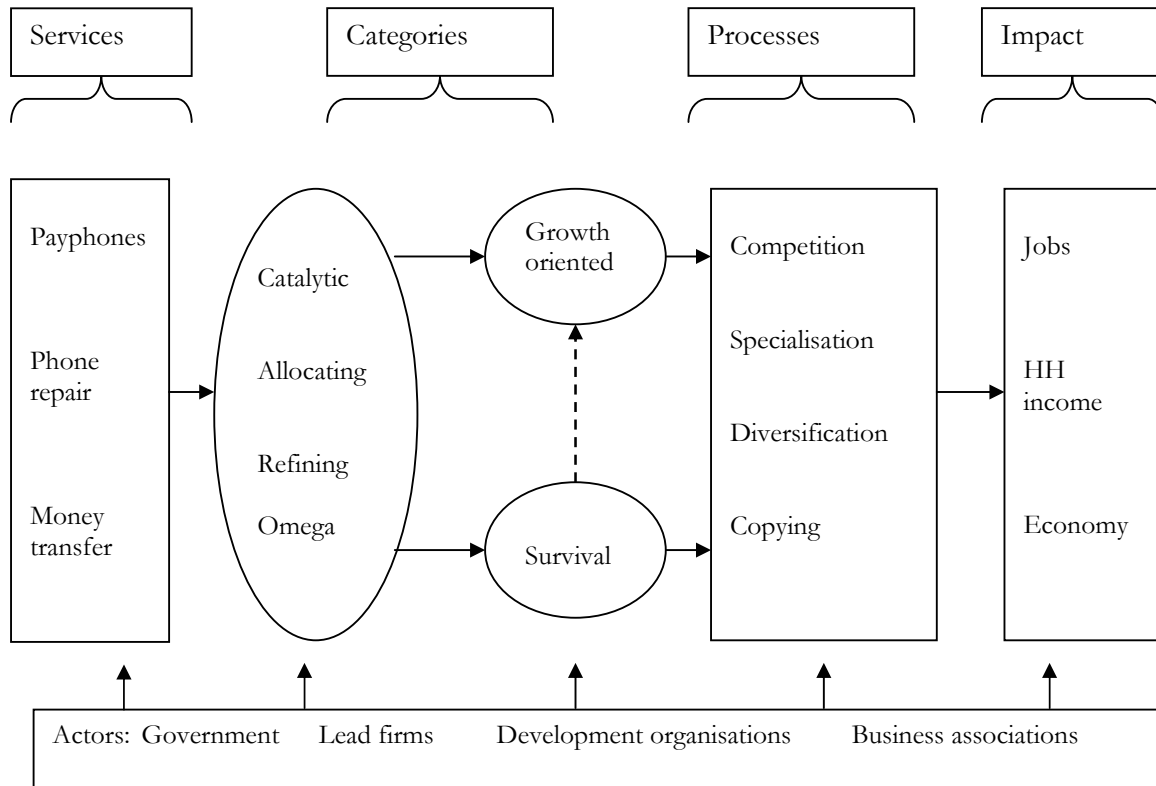
Figure 2.1 presents the analytical framework in which the enterprises in mobile phones downstream services are described and analysed. In this analysis, the study identifies payphones, money transfer and phone repair downstream services provided by micro-enterprises.

It further explores the favourable environment created by various actors. In this regard, the government provides policy environment for entrepreneurs to emerge and operate. MNCs in mobile phones provide the input including the network for the emerging entrepreneurs to provide the services. In the same vein the development organisations provide business support services to enable the entrepreneurs develop and diversify their businesses.

Under the above environment entrepreneurs emerge led by catalytic, then allocating, refining and omega. Most of these entrepreneurs are survivalists while others are growth-oriented. The analysis shows no clear evidence of survivalists graduating to growth-oriented enterprises.

This industry is characterised by intensive competition. In addition survivalists operate in areas with a high rate of copying and diversify their activities in the quest to maximising security and smoothing consumption. Growth-oriented, on the other hand are more specialised and have the willingness to take risks. Finally, these enterprises have a notable impact to both the households and the economy as a whole in form of employment creation, income and linkage with other sectors.

**Figure 2.1: Analytical framework**



## Chapter 3

### CONTEXTUALIZING THE CURRENT STATUS

#### 3.1 Introduction

This chapter discusses the status of the mobile telephony in Kenya, including the trends over time. It highlights the key policy changes that have been introduced and the resultant impact on the emergence of enterprises providing downstream services. The chapter ends by presenting a brief on the roles of key actors in the provision of mobile phones downstream services. The chapter lays a foundation for understanding the “what”, “when”, “how” and “why” of the enterprises to be analysed in the subsequent chapters.

#### 3.2 Mobile phones coverage in Kenya

The coverage and trends in the mobile phones service in Kenya can be analysed in three periods spreading from 1992 to 2007. The first period covers 1992-99 within which the service was introduced into the country with the accessibility dominated by the wealthiest. The second period, which covers 2000-02, saw the entry of a second network provider in 2000, bringing in competition in the industry. This development resulted into increased accessibility of the services mainly by the middle income groups within the country. The low income groups were still excluded as the relatively high charges on the services and prices of handsets remained beyond their capability. The third period, which is the main focus of this paper, covers 2003-07. The period is characterised by intensive competition and lowering of prices of the services and equipment. This saw the subscription level rise steadily to reach 11.44 million by 2007 (UNCTAD 2007). At the beginning of this period, entrepreneurial use of the mobile phones down stream services emerged starting with payphones and phone repair in 2003, the former spreading fast in both rural and urban areas (GoK 2008a).

Data from ITU (2008) indicates that the Kenya’s subscription rate is about 30.48 subscribers per 100 people. This compares with the Sub-Saharan Africa coverage of 18.28 subscribers per 100 people and the whole of Africa at 27.48. Table 3.1 gives a brief comparison with selected countries within Africa. With such a low level of subscription, it is not unusual to find a high growth rate of new connections as witnessed in the country over the period under review (see figure 4.1). It also creates an opportunity for payphone businesses to serve the unconnected, which could be expected to remain, though to some extent, as long the services digital gap in the country prevails.

While the subscription level remains low, data from CCK (2008) indicates that the national coverage stands at 75% of the total population. This is attributed to shared use of mobile phones mainly through payphones. The geographic coverage however stands at 27% implying that many parts of the country are still not covered (*Ibid*).

**Table 3.1: Mobile phones coverage in selected African countries**

	Population (000)	Subscription	
		(000)	p. 100
Gabon	1,330	1,169	87.86
South Africa	48,580	42,300	87.08
Botswana	1,880	1,427	75.84
Senegal	12,380	4,123	33.31
Ghana	23,480	7,604	32.39
Kenya	36,000	11,440	30.48
Tanzania	40,450	8,252	20.40
Sudan	38,560	7,464	19.36
Ethiopia	83,100	1,208	1.45

*Source: Compiled from the ITU ICT Indicators Database, 2008*

### 3.3 Policy changes in the mobile phones industry

The prevailing policy and regulatory framework has a direct correlation with the general performance in any economy (Christensen and Goedhuys 2004). Providing a favourable framework for business performance is therefore given a centre stage in developing countries in the quest to facilitate doing of business. In Kenya, liberalization of the communications sector was done in 1997, with split of the giant national corporation into three entities: Telekom Kenya dealing with telecommunication; Kenya Post Corporation dealing with post; and CCK dealing with regulatory work. Telekom established Safaricom in 1997 as a subsidiary specialist company to provide mobile phone services, and later sold part of the ownership to private investors (GoK 2008b).

CCK, which was established through the Communications Act, 1998 has a mandate of facilitating investments, promoting fair competition and fostering universal access to communication technology (GoK 2006a). The enactment of the Communications Act provided for competition in the sector leading to opening up of the market for entry of competitors with licensing and subsequent establishment of the second mobile phones network provider, Kencel in 2000<sup>2</sup>. Two more providers were licensed in 2007 and were in the process of rolling out the services in 2008. With this development, the level of competition in the mobile phone services market has continued to increase day after day. As a matter of policy, CCK role is to foresee and ensure fair play and that competitive market forces determine prices in the sector (GoK 2008b).

The above reforms gave rise to a remarkable growth in the proportion of mobile phones subscribers in Kenya (UNCTAD 2007). In recognition of the role of the mobile phones industry in leveraging national development, the Government of Kenya policy on ICT specifies that the priorities in the sub-sector include to (a) generate additional employment and promote entrepreneurship for the new digital economy; (b) promote payphone services provision; and (c) encourage public-private sectors partnership (GoK 2006c). This is in line with the UN MDG Goal 8, Target 8f on partnering with the private sector to make available the benefits of new

<sup>2</sup> Since its establishment as Kencel, the company's names have changed several times as management and ownership changed hands. By 2008, the official name of the company was Zain, adopting the name of the majority owners at the time.



technologies, especially ICT. The focus is therefore to simultaneously target the development of the sub-sector and to use it for employment creation, poverty reduction and as an enabler for economic recovery and the achievement of national developmental goals (GoK 2006b). In addition, the policy paper on ICT prioritises creation of a simplified legal system including licensing structure that facilitates entry of small players in the industry (GoK 2006c).

### **3.4 The key actors and their contribution**

Turning to the role of the actors in entrepreneurship development, we focus on the government, MNCs, development organisations and business associations. We hereby review their role in the performance of micro-enterprises in mobile phones down stream services.

#### **3.4.1 The government**

The government has a key role of enabling the operation of the economy in general and enterprises in particular. In this regard, harassment, corruption, cumbersome procedures and regulatory framework definitely have a negative impact. Through the CCK, the government main role is to oversee the operations of the mobile phones industry by ensuring fair play in the market. It has also been arbitrating disputes among the operators while enforcing the rule of law in the industry.

In this endeavour the policy on ICT prioritizes provision of favourable business environment in mobile phones telephony and related services. With the emergence of the micro-enterprises in the industry and key role they have played in creating employment for the special interest groups including the youth, women and the disabled, the government has been providing support packages to these groups. During the last two years, for example, the government has established youth and women funds to promote entrepreneurship among the specified groups. These funds are accessible to the youth and women in mobile phone downstream businesses. In addition, the licensing of such entrepreneurs at the local government level has been simplified with the introduction of a single-business-permit which has been relatively easier to acquire. However, as will be discussed later, a number of entrepreneurs have not yet acquired licences. This may point to the findings by Richardson et al. (2004) that even if the cost of non-formalisation of businesses is high in terms of regular harassment by the authorities, there are some who will avoid it fearing high taxes and general expenses associated with being licensed.

Generally, the government has been criticised for maintaining high rates of taxes on mobile phones services which have resulted into relatively high cost of the services. Over the last two years, for example, the taxes on calling time have remained at more than 10%.

#### **3.4.2 The MNCs**

In the article 'Mirage of marketing at the Bottom the Pyramid' Karnani (2007) argues that as the MNCs generate massive profits, they also play a role in alleviation of poverty among the poor. As has already been noted the mobile phones industry in Kenya has been dominated by two MNCs. The two MNCs whose competition has been characterised by rivalry in the past, have introduced support packages for payphones operators whom they viewed as a strategy to boost their sales (GSM Development Fund 2007).

Critics of the industry's setting, however argue that this contribution is below expectations. The basis for this perspective is that the huge profit realised by these MNCs year after year is not shared or reflected in the income earned by, for example, the payphone entrepreneurs who have been instrumental in expanding accessibility of mobile phones services to the population.

### **3.4.3 Development organisations**

A number of development organisations have been active in supporting of entrepreneurs providing mobile phones downstream services. Among them is Kenya Rural Enterprises Program (K-rep) which is a micro-finance institution that has been giving small credit to micro-enterprises since 1984. In the services sector such credit facilities are targeted at acquiring special payphone kits fitted with a phone and accessories. Within the first one year of the launch of the package in 2004, K-rep provided over 2000 payphones to entrepreneurs (K-Rep 2005). Another microfinance institution is Faulu Kenya which was established in 1991 to provide small amounts of credit to slum based micro-enterprises in Nairobi. Its support on the mobile phones industry has mainly been in the area of acquiring the payphones equipment. There is also the Equity Bank, which has been running group lending programmes targeting micro-enterprises. In this case, the beneficiaries, majority of them women act as guarantors to each other for the small loans. New group members are also provided with a six-week simple business training covering arithmetic and records keeping. A more specialised institution is the Kenya Women Finance Trust (KWFT) which mainly targets women (as the title suggests) who are engaged in providing small credit facilities. The need for security, however limits most of the potential beneficiaries.

### **3.4.4 Associations**

There are a number of enterprises business associations that provide a forum for support of the members. By the end of 2006, there were about 11,000 registered associations cutting across various sectors with 49.8% of them being in services sector (GoK 2004, 2007). Just as any other form of member organisations, the main aim of these associations is to increase the income of their members and represent their interests. For example, the Nairobi Small Traders Association which represents the city's street vendors among others, has been focal in advocating for the members' interest when dealing with the city authority. Credited to its intervention was the recognition of the payphone operators who were allowed to locate their kiosks in the streets and therefore stopping frequent harassment and confiscation of their facility provided they were licensed. Likewise, the Kenya Association for the Physically Disabled Persons, in partnership with other actors has provided disabled persons with wheelchairs fitted with payphone equipments. The packages are sold either on loans, hire-purchase or discounted prices. With such facilities the disabled persons are provided with means of earning income for themselves.

In addition, more popular among those operating micro-enterprises are informal organisations. Such include rotating savings and credit associations, accumulating savings and credit associations and Savings and Credit Cooperatives. As will be discussed later, it is notable that majority of the entrepreneurs covered in this research are not members of any association related to their businesses. Only 20% indicated that they were members to such organisations. Among this category the main services provided by their association include offering a savings and loans facilities for the businesses.

### **3.5 Conclusion**

To sum up, it is clear that the mobile phones coverage in Kenya still remains low relative to some of the leading peer African countries. This fact combined with relevant policy changes and the roles played by the various actors have been instrumental in the emergence of the enterprises to emerge and fill the gap existing in the sector while creating employment and income for the households. As will be noted in the next chapter such roles are instrumental in emergence of the enterprises providing the downstream services.

## Chapter 4

### FEATURES AND TRENDS OF THE ENTERPRISES

#### 4.1 Introduction

In this chapter we perform exploratory analysis of the enterprises engaged in mobile phones services. Using empirical data, we examine the types of services provided by the enterprises and the main trends in the number of enterprises and volumes over the period 2003-07. In addition, classification of the enterprises is done to identify those that are in the survival and growth-oriented categories. Later, we look at the motives for the entrepreneurs engaging in the businesses. This analysis will form the basis for analysing the enterprises' contribution and relevant policy packages to be made later.

#### 4.2 Types of downstream services offered

The emerging services provided through the use of mobile phones are payphones, money transfer and phone repairs. In this section we analyse each of these services.

##### 4.2.1 Payphones

The concept of mobile payphones, or village phone as Richardson (2000) calls it, involves a process whereby the operators buy airtime from the network providers and subsequently offer for use at a fee to others who do not own phones. The payphones are easy to operate even in areas with no electricity as they can be powered by either solar or car batteries (Eagle 2005).

Payphone enterprises dominate in the number of those offering downstream services and are found both in rural and urban areas. In this regard entrepreneurs in these enterprises accounted for 15 (60%) of the respondents covered in this study. The high number of payphone operators is attributed to a number of reasons, one of them being the ease of entry into the business. Out of the six barriers to entry identified by Porter (2003), the capital requirement remains the only hindrance for entry to this type of business. The second contributing factor is the fact that it is accessible to the poor people most of whom have low or no education; women and youth who have no capital to start more sophisticated businesses; and persons with disabilities who are normally left out of other types of businesses.

The market for the payphone businesses differs between urban and rural areas. In urban areas clientele mainly consists of unemployed groups (including housewives, students and job seekers); and traders in the open markets who use the service to follow-up on news concerning commodity prices and availability. Others include domestic servants and casual workers especially in construction sites and squatters mostly in the slums. In rural areas where the penetration rate of the mobile phones connectivity is low, the clientele is much wider and varies from relatives conversing with their kin in other localities to farmers checking on commodity prices. This access to market information through payphones provides them with invaluable prices and demand information therefore enabling them to make informed decisions. Rural farmers have in certain instances quadrupled their monthly incomes because they have access to information on potential buyers and prices before making the often arduous journey into urban centres to sell their produce (Eagle, 2005).

## 4.2.2 Money transfer

Mobile phone money transfer is a simple financial transaction that involves sending and receiving cash between persons in different localities. To send money, one needs to visit a registered money transfer operator, deposit the cash and be provided with a secret code which is sent to the recipient on the other end. On receiving the code the recipient visits the nearest money transfer operator and receives the cash upon providing the code and identifying him/herself through the national identification card (Lonie 2006). One respondent summed up the simplicity of the process:

If a casual worker or trader in the market needs to send Kshs 200 (US\$3) to relatives in the rural area, he or she does not need to spend a similar amount on riding a bus or even take risk by sending someone to deliver the cash. All what he/she does is to visit me, send the cash through this system and within a minute the relative can collect it from the nearest money transfer service provider (Resp. 15)<sup>3</sup>.

The service which started in 2006 accounts for one fifth of the businesses that were covered in this research. The introduction of the concept picked up relatively fast with the people considered unbankable being the main users. This was in fact a relief to a large number of people in a country where only 30% of the population access services from banking and non-banking financial institutions. Its main attraction is that it provides the services to those who do not have access to banks mainly because their incomes are insufficient to maintain accounts in the formal banking system. The service is also available deep into the rural areas where banks have no branches (Datta et al. 2008).

The growth in the number of enterprises offering money transfer is low mainly because of the barriers to entry. One of the minimum requirements is that the business has to have an operating balance of about US\$1,500. Although there is no minimum education level required to operate the businesses, one needs to employ staff with at least high school level for daily running of the services. In addition the business has to be registered. Such requirements become barriers to entry for many potential entrepreneurs.

### **Box 4.1: Use of money transfer in delivery of relief supplies in Kelio Valley**

In a Kenyan remote region of Kerio Valley money transfer has emerged as more efficient, faster and safer in targeting the transfer of funds for purchase of relief food to the beneficiaries than physical distribution of the cash or food itself. Beneficiaries are organised in groups of say ten households with a literate leader. Each of these groups is then provided with a mobile phone for the purpose of receiving notification for the bi-weekly transfers of relief funds. Upon receipt of the short message, the beneficiaries would individually visit money transfer businesses in the nearby town centres, receive the cash and therefore buy the household food requirements for the two weeks as per the pre-calculated rations. This concept has also created an added opportunity to the beneficiaries whereby some of them use the group phones in the provision of payphone services.

Extract from Datta et al. (2008)

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<sup>3</sup> Respondent 15 operates in Nairobi city. His business is located near the Muthurwa hawkers open market

Asked about the kind of market they serve the entrepreneurs providing the service indicated that majority of their customers are first the city dwellers sending money to their relatives in rural areas. This is observable as those operating the services in rural towns mainly have receiving clients while those in main towns have sending clients. For example in the case of Nairobi City and Karatina (which is a rural town) the direction of movement of money is from the former to the latter. Secondly, there are parents sending money to their children in schools and colleges in separate towns. Thirdly, a number of entrepreneurs reported serving clients transacting with microfinance institutions whereby loanees use the service to make repayments. Most of the clients using the service for such purpose are farmers in rural towns and small traders in open markets. Fourthly, in rural areas the service has become a useful, easier and cheaper way of delivering emergence aid especially to the most vulnerable poor households (Box 4.1). Sixthly, traders use the service to make financial transactions with their suppliers in different locations. For example, one of the respondents commented on a client:

One of my customers runs a bar in the outskirts of Karatina town. Whenever he needs his stock to be replenished, his suppliers in Nyeri [50 km away] insist that payments be made in advance and not to the lorry drivers on delivery for obvious reasons. The alternative he had therefore was to take a bus ride to Nyeri, make payment and then wait for delivery, wasting his precious time. Thanks to the money transfer services, he now visits my money transfer business which is only 10 minutes walk from his bar to make advance payment to his suppliers and therefore taking much less time than before (Resp.5)<sup>4</sup>.

### **4.2.3 Phone repair**

Repair work entails simple technical repair of the mobile phone handsets mainly covering replacement of faulty components and unlocking. To access the services, a client only needs to visit a repair shop and after explaining the problems, agree with the “technician” on the charges for the services. The process of agreeing on the final charges mostly involves lengthy bargaining before settling on mutually acceptable amounts.

The service has picked up in significance over time. In this research, 5 enterprises were covered accounting for 20% of the respondents. Starting the business is relatively easier and cheaper requiring only a tools kit. The main barrier to entry for this type of business is the level of education. Naturally an operator requires education of at least high school to effectively provide the service. The business has particularly attracted young graduates from middle level colleges and high schools who in most cases have undergone minimal formal training on the trade. In this regard four of the respondents in this service reported that their businesses supported only one person (themselves) while three had not employed extra personnel other than the owners. In addition, the businesses were the main source of income for them with all entrepreneurs covered affirming this fact. This is also reflected in the finding that three of them operate throughout the year while the rest operate for more than half year. The fact that two of these entrepreneurs reported consulting their friends on the job when more “complicated cases” arise indicates that they acquire the techniques while on the job.

The market for this business is drawn from people in low and middle income levels. Majority of the clients are in the younger age bracket acquiring old handsets, hence the frequent need for repair services.

## **4.3 The trend in the numbers and performance of the enterprises**

Having now identified the main downstream services, this section maps up the trends of the

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<sup>4</sup> Respondent 5 operates his money transfer business in Karatina town.

enterprises providing the services over the period under review in order to deepen the empirical knowledge on their past performance and therefore get an indication of the future prospects.

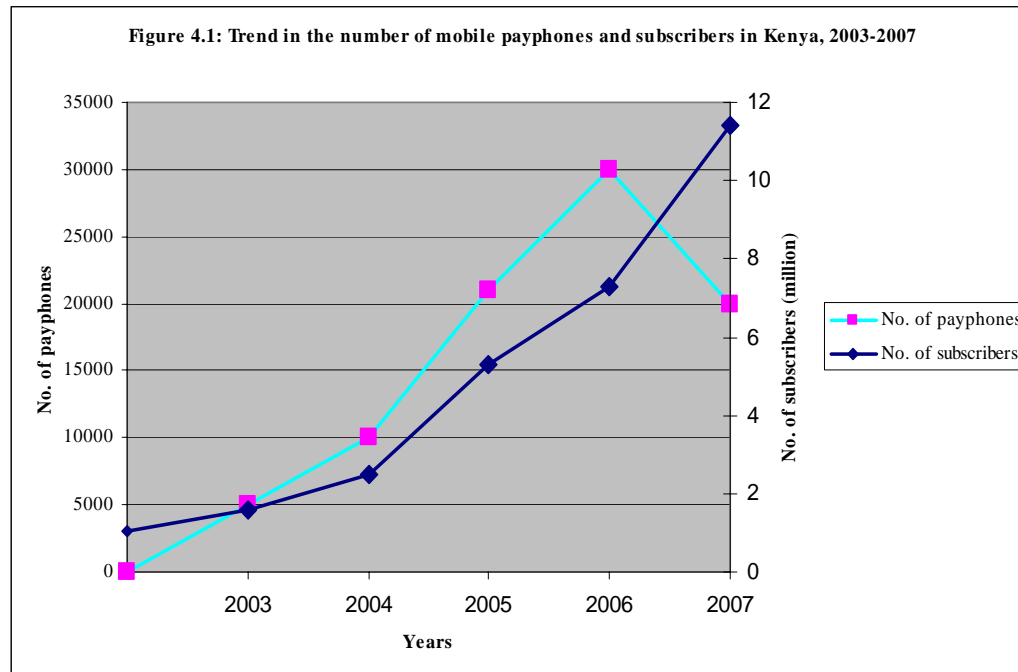
*a) Payphones*

Payphone services are busier in localities where there is high concentration of people such as main bus termini, open markets and slums. Others are scattered all over with those in residential areas having good business. In a survival characteristic, the copying rate rose sharply due to ease of entry and increased demand witnessed in the initial period. The obvious impact was poor performance of the enterprises. This turn of events is expressed by an operator who responded that:

I was attracted to this business when I saw the queues in my neighbour’s payphone. I used to make over Kshs 500 a day [US\$7.5] daily profit. That was three years ago and now things have changed. I handily make a quarter of that amount today. Competition has increased as many more people started similar business in this area. I have to supplement the income from this business with selling airtime to those who own mobile phones (Resp. 16)<sup>5</sup>.

This kind of argument is supported by data from CCK (2007) and GoK (2008a) reports which indicate that the number of mobile payphones grew from 5,000 in 2003 to 30,000 in 2006 (Figure 4.1). This represented an average annual growth rate of 85%. However as the intensity of competition increased, the upward trend reversed in 2007 when a drop of 33% was recorded. As such a trend emerged, the subscription level was rising sharply within the period. For example, in 2007 when the number of payphones dropped, the subscriptions level rose by about 56%.

**Figure 4.1: Trend in the number of mobile payphones and subscribers in Kenya, 2003-07**



Source: Compiled from CCK Annual Report for 2007 and Economic Survey, 2008

<sup>5</sup> Respondent 16 operates her business in Nairobi City near the low income estate of Muthurwa.

The immediate impact of the decline in enterprises witnessed in 2007 was that most of those who had employees discontinued them as the income dwindled while those who operated in several locations closed some. One of such cases was reported by a respondent who said that ‘I had three payphone businesses, one was run by my sister, the other by a cousin and this one I am running. When the revenue dwindled, I had to close the other two’ (Resp.9)<sup>6</sup>. The main cause of declining trend is two fold: there was a increase in competition on one hand and declining demand on the other. The latter arose from the rising subscription level as it became cheaper and easier to own and operate mobile phones. During the last two years there was increased flooding of cheap mobile phones and reduction of calling cost. This was a big blow to the payphones operators as people opted for small recharge vouchers and using them in borrowed handsets than visiting payphones. This definitely led to diminishing returns. Those interviewed intimated that the weak payphone service providers were being edged out of business by the stronger ones who offered relatively better services and lower prices.

#### *b) Money transfer*

Since inception of money transfer in 2006, there has been a slow but notable rise in the number of enterprises providing the services reaching 2,000 by 2007. Within the first one month of operation, over 10,000 users were recorded and more than \$100,000 transferred through the service<sup>7</sup>. By the end of 2007 over 200,000 users were recorded and about US\$ 2 million transferred through the service per day mostly in small amounts averaging US\$55<sup>8</sup>.

It is still early to conclusively establish the trend in the growth of the number of enterprises proving the service. However, basing on the sharp rise in the demand for the service, there is likelihood that the number of enterprises will maintain an upward trend at least within the next couple of years as witnessed in the first phase of the payphone businesses.

#### *c) Phone repair*

There has been a general upward trend in the number of entrepreneurs offering repairs services during the period under review. Market data available indicate that by 2007 there were 3,000 registered service providers rising from less than 100 in 2003. As would be expected, there is a correlation between this type of service and the growth in the level of mobile phones connectivity. The increase of the latter expands the market for the former. For example, two out of the five enterprises covered in this research opened in 2007 while one opened in 2006 indicating that there is an increase in the number of new start-ups.

While this trend is observable, competition continues to intensify as is evidence from comments from one of the respondents who adds that “the period when I used to have a backlog of work is no longer common as two more repair services opened near mine over the last two years thus taking away some of my potential customers” (Resp.17)<sup>9</sup>. There are, however certain cases of revenues going upward as the number of customers increase with rising mobile phones connectivity. We in fact note two phone repair entrepreneurs who gave this indication. The two enterprises are further analysed in the next section.

## **4.4 Classification of the enterprises**

Having identified the trends in the enterprises, this section analyses the enterprises in categories

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<sup>6</sup> Respondent 9 operates her payphone business in Karatina town.

<sup>7</sup> The Guardian, 20 March 2007.

<sup>8</sup> Daily Nation News, 11 October 2008

<sup>9</sup> Respondent 17 operates his business in Nairobi city near Muthurwa open market.

of survival and growth-oriented. This categorisation is useful in analysing the extent of their contribution to economic development of the localities. In addition, it would facilitate the identification of the appropriate support policies to such enterprises.

*Survival and growth-oriented enterprises*

In this classification we use the Micro-enterprises Score Card (Gomez 2008a) which is used to classify micro-enterprises into two groups of survival and growth-oriented. Those that score 10 points and above in an instrument of five questions are classified as growth-oriented. Conversely, those that score less than 10 points are classified as survival. The survival group is then sub-divided into two sub-categories where those generating enough revenue for sustainability are distinguished from those that do not. Similarly, a score of 10 points is used as the threshold in an instrument of six questions.

Applying this score card, it turns out that majority of the enterprises operating the downstream services are in the survival category. In this case out of the total number of enterprises covered 16 were in the survival category while nine exhibited growth-oriented characteristics (Table 4.1). We will later examine the characteristics observable in these enterprises, but we first consider the distribution within the types of the services.

**Table 4.1: Distribution of survival and growth-oriented enterprises**

	Survival		Growth-oriented		Total
	Count	% of total	Count	% of total	
Payphones	13	52	2	8	15
Money transfer	0	0	5	20	5
Phone repair	3	12	2	8	5
Total	16	64	9	36	25

Within the growth-oriented enterprises, just over half were in money transfer while the rest were equally divided between payphones and phones repair. In fact all the money transfer businesses exhibited characteristics of growth-oriented enterprises. On phones repair, the divide between survival and growth-oriented is split almost in the middle. Within the survival category, majority were in payphone business and the rest in phone repair. While the study indicates that almost all payphone businesses covered were survival, we note two outliers exhibiting growth-oriented characteristics. There is no doubt that it is not unnatural to have an interest in these outliers in this type of service. A close scrutiny on them indicates that they were run throughout the year and were the only source of income for the owners. One was run by a fulltime employee while another had not created any employment opportunity during the past one year.

Turning to the main characteristics we note that the growth-oriented enterprises make relatively higher profit margins with more than half of them generating above 10%. Majority of them also employed extra staff with an exemption of two of them who had no workers. We however note that majority of those with extra staff engaged one worker with only two having two workers. In addition the enterprises have operating licences, are more specialised, operate throughout the year, their operators maintain transaction records and are male dominated. However, majority of them especially in money transfer employ more female than male workers across the board. As regards the characteristics for survivalists, we analyse them in two sub-



categories which are obtained by applying the next tool of classification.

Applying this tool of classifying the survival group gives the results indicated in Table 4.2. The idea behind this further classification is that, though all enterprises in this category need support, it is not logical to expect positive results from all of them. Only those that generate enough revenue for sustainability and therefore economic stabilisation of the households would be expected to stand on their own once the support is withdrawn (Gomez 2008a).

Within this group, a large majority of the enterprises fall under the sub-category of those that generate revenue that is not enough to sustain their operations. A large number of these businesses offer remote contribution to the economic stabilisation of the households or cushioning them against exposure to risks. Their main characteristics are that they generate very minimal if any profit; they operate throughout the year; they do not create extra employment opportunity other than the operators; majority of the operators had no alternative jobs before starting the businesses; and the operators do not maintain transaction records.

A small minority of four enterprises generate revenue that is enough for sustainability. For this group there are remote chances for them to graduate to the next level but some form of interventions may enable the household to be less vulnerable (Gomez 2008a). Though they would remain in poverty, they would be able to make enough income to achieve some security for the households to meet basic needs such as food, health and education. The main characteristics of these enterprises are that they generate some sizable profits, they are diversified offering other services such as retailing mobile phone airtime vouchers, operate throughout the year, operate with the help of unpaid family members, majority of the operators had no alternative jobs before starting the businesses and half of them maintain transaction records.

**Table 4.2: Classification of survival group**

	Count	% of survival	% of grand total (n-25)
Revenue not enough for sustainability	12	75	48
Revenue enough for sustainability	4	25	16
Total	16	100	64

Within these categories *catalytic*, *allocating*, *refining* and *omega* events are observable. Catalytic events are evident in those entrepreneurs who were the first to establish the kind of businesses in their localities. They saw the opportunity available in offering the services and seized it to generate income. This group is important in the economy since they introduced ideas which were later copied by others. There are, however very few entrepreneurs engaged in these invents and even further less of them remain in business for long. Across the three types of services, they are more visible in the case of money transfer services which have been in operation for two years and are still expanding in number and coverage. Very few of them remain in payphones and repair businesses. For example, in the category of repair, only one started operating more than three years ago and was the first to provide such services in their locality. For the payphones, only two enterprises started more than three years ago and were the first in their localities.

Allocating events are notable among those entrepreneurs that opened their businesses for longer hours and during holidays to serve more clients. As for the refining events we note those that introduced efficient equipment, makeshift seats for the customers, played music in their

shops, or even talked nicely to the customers. We also note those that painted their kiosks with blight colours to attract more customers. Omega, which is a special sub-group of refining, is observable especially among entrepreneurs who started their businesses after acquiring the equipment of those who closed their businesses after market disturbances.

### *Graduation*

In terms of graduation, the study does not identify any explicit case of those in the growth-oriented group having graduated from the survival one. Moreover, the characteristics observed in the two sub-categories of the survival group, which are in fact consistent with a number of empirical studies discussed earlier, point to the fact that the enterprises are just but a buffer to guard the operators' households from sleeping more into poverty. With extra finances they would rather diversify their activities in order to maximise security for the households' survival. Asked about what they would do with lottery money, the answer emerging from the majority of them is that they would diversify by opening new types of businesses or stocking items related to mobile phones in order to expand the opportunities for earning more revenue. For example one of the payphone operators replied that 'if I get such money the first thing I would do is to stock mobile phones airtime vouchers and phone wallets which can easily fit in my kiosk because the future for this payphone business is not certain' (Resp. 19)<sup>10</sup>. The response clearly highlights the level of uncertainty surrounding the survivalist group in these services which instigates their desire to expand horizontally than vertically. This is consistent with the findings by Afenyadu et al. (1999) and Berner and Knorringa (2007).

We, however, note that the sub-category whose revenue is enough for sustainability can withstand some shocks if given support. With relatively higher profit margin of about 10%, this group can generate enough revenue for accessing some of the basic needs of the households.

As regards the growth-oriented, it is notable that the group has a chance of being on a growth path, since they have the motivation. In fact all entrepreneurs in this category indicated that they would expect their businesses to do well even when the others do badly. Given the main characteristics observed in these enterprises, the group has some chances of graduating to higher levels although there would be a number of handicaps including market saturation.

## **4.5 Competition strategies**

After classifying the enterprises, the tactics the operators have been using in order to remain in the market are analysed in this section. In this case, faced with a question of what strategies they use, the respondents give a number of them which are classified into broad categories discussed below.

### *(i) Price cut*

The traditional price cut war is the most common competition strategy among the enterprises even without a choice for some of them. Voices like this were common: "I have to cut the charges since my neighbours have done so otherwise customers will run away from my business" (Resp. 18)<sup>11</sup>. This strategy is common in the case of payphone and repair enterprises where competition has intensified in the recent year as a result of entry of more service providers. For example the market for the payphone services reached saturation level in 2006 when the number of enterprises started to drop (Figure 4.1).

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<sup>10</sup> Respondent 19 operates her payphone business in Mathare low income estate

<sup>11</sup> Respondent 18 operates his repair business along Tom Mboya Street in the city centre of Nairobi.

(ii) *Customer relations*

Another emerging strategy is close relationship with the consumers which is being used by an overwhelming number of enterprises. In this case, one of the respondents argued that ‘I have to talk nicely to my customers as a way of attracting them and making them prefer my services to those of my neighbours’ (Resp.22)<sup>12</sup>. Other respondents indicated that they provided makeshift seats for the customers as they use the services. In the repair business some reported that they played music to entertain customers waiting for the services.

(iii) *Longer periods*

The other strategy involves opening long hours and special days like weekends and holidays when most of the other businesses are closed. This strategy which is a characteristic of refining event maximizes their revenues. Majority of respondents who reported having used this strategy are in payphones and repair services which are also faced with stiff competition.

(iv) *Others*

Other strategies include use of more efficient accessories for making calls and painting of kiosks with brighter colours to attract customers in the case of payphones. Quick service to the satisfaction of the customers was also reported especially in the case of money transfer. There are also a number of entrepreneurs advertising their services in social places such as religious gatherings, restaurants, pubs and markets.

## 4.6 The motives for operating the businesses

This section considers the reasons behind operating the businesses. Asking the respondents the reasons behind their involvement in the businesses, a number of reasons emerge. Such reasons could be classified into the following broad categories:

a) *Low capital requirement*

The low initial capital required to start the business was a common answer given predominantly by the payphone and phone repair entrepreneurs. In the case of phone repair one only needs a tool box, some spare parts and a space to start operating. For the case of the payphone services the prices of the operating equipment dropped by about 1000% over the last three years. Besides, it is possible to acquire second hand sets which are readily available in the market. In fact asked how she started her business, one entrepreneur who runs a payphone business indicated that “I bought my set in 2006 from a friend who closed his business after securing employment in a textile firm operating at the Athi River export processing zone” (Resp. 11)<sup>13</sup>. Others start with an ordinary phones and later upgrade into special equipments recommended for a higher level of accuracy and efficiency. One of them indicated that he started his business with “a normal mobile phone in 2005 and located my business at the bus stop in the estate. I later bought a modern set which is specially made for this kind of business” (Resp. 1)<sup>14</sup>.

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<sup>12</sup> Respondent 22 operates his payphone business along Tom Mboya Street in the city centre. The business is one of the few payphones exhibiting characteristics of a growth oriented enterprises in the study.

<sup>13</sup> Respondent 11 operates her business in Karatina town. Her business is located at the town’s main bus stop. The Athi River export processing zone is located 20 km south of Nairobi.

<sup>14</sup> Respondent 1 operates his business in the low income estate of Githurai in the outskirts of Nairobi City.

*b) Lack of employment*

The inability to secure formal employment is another major driving force that emerges. Empirical evidence shows that majority of the operators in these businesses were pushed into the businesses not by choice but by lack of alternatives. In fact, 15 of the respondents got engaged in the businesses as the only alternative they had to earn a living after they failed to secure formal employment. To others the businesses were their first form of employment since leaving school. In addition seven entrepreneurs migrated from other types of business after performing poorly. Only three of the respondents reported having left paid jobs to start the businesses. This number could be explained by Hamilton (2000) study which found that persistence of entrepreneurs in business, despite lower earning as compared to what they would earn if employed, suggests that self-employment offers substantial non-pecuniary benefits such as being the “boss of oneself”.

While the poor economic performance in Kenya could generally be blamed for lack employment opportunities, we also can note capacities and qualifications playing a part also. For example, among the group that had no other option for earning income, a number of them attributed their lack of employment to low or no education. One of them argued that “I started this business because I am not educated and therefore can not get employment out there. The business has however been useful to me because it has helped me provide for my three children” (Resp. 14)<sup>15</sup>. This may ring a bell to the policy makers in the sense that addressing education or training aspects of the poor can be a strategy to address their plight.

*c) No similar businesses - catalytic*

There are those entrepreneurs who were the first to provide the services in their localities. At this initial stage, when they were the sole providers of the services, they reported good performance as they experienced minimal competition. Perhaps this explains why the respondents in money transfer enterprises, which are at the initial two years of operation, reported profit margins of over 10%. For the payphones and phones repair, we find very few of such catalytic events remaining in the market.

*d) Diversification of activities*

With the aim of reducing risks, some entrepreneurs started their businesses as a form of diversifying what they were already engaged in. The need for diversifying is derived from the fact that the income generated from such businesses is relatively small and competition reduces the chances of surviving for long. Diversification of the activities rather than specialisation spreads risks, cushions against income loss and therefore increases security for them. In this regard, seven of the respondents reported having started their businesses for this purpose running along side other retail activities. In fact, when asked what they would do with some lottery money, it is notable that 14 of the respondents indicated that they would diversify by providing other services and products while six would start different businesses.

*e) Copying*

Copying, which is a characteristic of most of the survival businesses is observable in all services covered. We note that 20 of entrepreneurs reported having established their services in their localities after observing others doing the same or being advised by friends who were already in similar businesses. Half of them indicated having seen increased demand in their neighbours’ businesses and therefore decided to establish similar ones. In this regard one respondent mentioned that ‘initially it was common to observe queues of customers waiting to make calls

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<sup>15</sup> Respondent 14 operates her business in Karatina town. Her business is located near an open market.

through the mobile payphones. I therefore decided to enter into this business three years ago after securing financial support from my brother but it later dawned on me that the revenues were dwindling fast' (Resp. 7<sup>16</sup>). These findings correspond with the study in Zambia by Philips as quoted in Berner et al. (2008) which found that about 50% of entrepreneurs started their businesses after observing others in similar activities thus reading business opportunities in the market.

#### **4.7 Period of operation**

With the motive for starting the businesses discussed already, this section presents an analysis of the periods for which the enterprises have been operating. Analysing the closures among these enterprises is beyond the purview of this paper. By highlighting the periods the enterprises have been in business will, however provide some ideas on closures and new start-ups in the three services.

Overall, the analysis of the study finding reveals that majority of the enterprises covered have been in operation for a relatively shorter period implying that the death rate could be high. In this case, 15 of the respondents have been in operation for not more than two years, five of them having operated for three years and another five for more than three years (Annex II-9). Within the categories of services, majority of the payphone enterprises have been in operation for not more than two years while only three had operated for more than three years. A similar scenario is found in the case of phone repairs. For the money transfer, all the enterprises covered have been in operation for not more than two years with two of them having started during the last one year of the study.

We can also note the relationship between the locality and the operation period. Those that have been operating in the residential areas recorded longer periods of operation than those in the town centre. For example, among the five enterprises that had operated for more than three years, four were in the residential areas. This finding may seem to contradict the fact that proximity to a commercial district offers chances for enterprises to survive for longer periods due to expanding market as argued by Mead & Liedholm (1998) and Rogerson (1996). It is however not a surprising finding considering the types of enterprises under consideration. While competition is less pronounced in residential areas than city centres, the cost of running the services is also lower in the former.

The study also reveals that the enterprises run by women had been in operation for less time than those run by men. This finding indicates that female owned or run enterprises were less likely to survive for longer than male run ones. Research by Mead and Liedholm (1998) on similar lines indicates that a high percentage of closing female owned enterprises do so due to personal or family reasons rather than business failure. The two authors further observed that when these reasons are held constant, there are no gender differences in business closures.

#### **4.8 Business associations**

Majority of the entrepreneurs in these services reported not being members to any business associations. However most of them, especially those operating payphones in town centres access spill-over benefits from existing hawkers' associations to which they were not members. Inquiring why they would not join such associations reasons vary from ineffectiveness on the side of the associations to lack of time on the side of the entrepreneurs. Responding to this

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<sup>16</sup>Respondent 7 operates her business in the low income estate of Githurai in the outskirts of Nairobi City. Her business is located at the estate main bus stop.

question one respondent informs that ‘in this area we have not formed or joined any association because as competitors no one is ready to discuss with the other the business secrets. Besides, we have not seen those who are already members deriving much benefits from such associations’ (Resp. 8)<sup>17</sup>. Out of the operators covered in this research, only five belonged to business associations with four of them in the payphone and one in money transfer.

## **4.9 Conclusion**

Summing up the discussions in this chapter, one can tentatively conclude that these services have provided entrepreneurial opportunities. Among the three services identified, payphones have significantly dominated in the number of people engaged in the enterprises, despite the drop in 2007. We also noted in this chapter that an upward, but slow growth was recorded in the number of enterprises engaged in the phone repair and money transfer. Across the board majority of the enterprises are survival except for the case of money transfer which exhibited characteristics of growth-oriented. In addition, stiff competition which is common in these types of enterprises is evident, with competitors applying various types of techniques. The contribution of these enterprises, as is argued in the next chapter, varies across the various service types and localities.

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<sup>17</sup> Respondent 8 operates his payphone business in the low income estate of Githurai in the outskirts of Nairobi City.

## Chapter 5

### THE IMPACT

#### 5.1 Introduction

In the last chapter the main mobile phones downstream services offered and the characteristics of the enterprises providing them were identified. In this chapter the intension is to build on those findings and analyse the importance of the enterprises in employment creation, income generation and therefore contribution to the development agenda. The picture to encounter in this chapter may be easily summarised by a statement of a respondent who pointed out that:

I moved away from home four years ago with the aim of reducing the burden on my mother who had cared for me since I got polio at the age of three. After doing some hawking businesses in the city streets for a year, a friend introduced me to the mobile payphone business and since then I have been more stable financially than before. The main challenge I face is dwindling revenues over the last two years. During the initial years of this business, I could get up to Ksh. 600 [US\$ 9] daily which was enough to meet my needs and some times engage an assistant on part time. Over the last one year, the business has relatively gone down and with it my income is dropping. I am, however still able to support my three years old twin daughters and pay the rent for my house with the income that I am getting from the business (Resp. 6)<sup>18</sup>.

#### 5.2 Employment created

##### *Number and types of jobs*

A study by Mead and Liedholm (1998) on the dynamics of micro-enterprises in developing countries found that most of the enterprises are operating as one-person undertakings and therefore employment is mainly to the proprietors. This category comprises more than half of the jobs created by these enterprises in developing countries.

In our research, going by the number of enterprises countrywide, it can conclusively be estimated that they have created a total of over 25,000 direct jobs to the operators. This is besides the extra staff employed by some of the enterprises, especially those in the category of growth-oriented. On the side of survival category, majority of the enterprises have created one job for the owners and occasionally use family labour in case of need for a helping hand. The few extra jobs created in survival group are in cases where the operators have opened second businesses around the corner or in another locality and therefore needed workers to run them. In total 15 of the respondents reported not having any paid workers over the last one year. Narrowing down to the types of jobs a significant number were permanent while other were temporary. Together those that provided any form of paid employment accounted for 10 of the respondents. In this group four had engaged full time workers, three engaged part-time workers while three engaged irregular workers.

##### *Gender distribution*

Gender distribution of the people working or running the businesses varies with the types of the services. In the case of payphones there is a relatively balanced distribution with more women

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<sup>18</sup> Respondent 6 operates her pay phone business in the low income estate of Githurai in the outskirts of Nairobi City. Her business exhibits characteristics of a growth oriented enterprise.

being engaged in the businesses than men. In this category, nine are owned by women and six by men. This is attributed to a variety of factors. Among them is the fact that such businesses are easily established in the residential areas where women can combine with reproductive activities. In this case almost all payphone businesses contacted in the residential areas were run by women. The dominance of women in this category of service is also explained by limitation in financial resources. The low capital requirement for payphone services attracts women whose access to financial resources is limited due to discrimination in property ownership and therefore no collaterals. In addition, as the study by the Kenya's Institute of Economic Affairs (2008) found, unemployment level in the country is higher for women than for men. According to this study, while women constitute 52% of the labour force bracket, female workers account for 30% of the working class. Consequently, women engage in entrepreneurial activities across various sectors owning or operating 54% of all micro-enterprises in the country.

The trend reverses in the cases of money transfer and phone repair enterprises. In the case of the latter there were no women engaged in the service while in the former only one was run by a woman. Asking why less women are engaged in the two services one of the emerging attributing factor is the high amount of starting capital required for the money transfer services. On the repair services, the picture is a reflection of the education system in the country where fewer girls in the past years have had interest in technical science based subjects.

#### *Other special interest groups*

The youth are mainly engaged in payphone and repair services. With annual average of 200,000 youth terminating education at the high school level, simple micro enterprises offer a soft landing for them. In this case payphones and phone repair which require relatively low capital investment are easily accessible to this group.

In the payphone services we also note the presence of people with physical disabilities. A number of them use wheelchairs fitted with payphones and located in strategic location like street corners and bus stops. This group is normally marginalised in the other forms of economic activities and therefore the mobile phone services offer them an opportunity to earn income.

### **5.3 Contribution to the households**

Analysing the role of the micro-enterprises in the household and national economy in Kenya, Daniels (1999) found that 72% of them in urban areas and all of those in rural areas earn returns that are below the national poverty line. In our research, the enterprises have had notable impact on the incomes of the households with more than third of them having experienced positive change. In fact, 10 of the respondents had experienced increase in income status since the start of the businesses while 11 of them experienced some improvement. However, there are four who had no increase in income but continue to be engaged in the businesses despite the low impact in income status.

A further analysis of the importance of the businesses in the household income indicates that they are the main source of income available for them. The general message coming from the analysis is that majority of the entrepreneurs in these businesses had limited livelihood options. In this regard, 18 of the respondents reported that their businesses were the full time and the only sources of income. To another five, the businesses were the main source of income, though not the only one. In addition seven indicated that the businesses were their first form of employment, eight reported that they had no other choice while seven moved from another form of business. Only three had left paid jobs to run their businesses.



The importance of the enterprises is also observable from the sizes of the households they support. In this case majority of them supported households with multiple memberships. Out of the total respondents, 18 indicated that their businesses supported households with two or more members. This cuts across all types of the services covered and localities. Conversely, seven of them indicated that their businesses supported only one person. This group constitutes young school leavers venturing into income earning activities as they await the next move. A quick look at this group reveals that they are in payphone and phone repair businesses which are easily accessible requiring low capital outlay.

#### **5.4 Contribution to the economy**

To the local economy we analyse both direct and indirect roles of the enterprises. In the case of direct role the study indicates that there are over 25,000 enterprises offering the services countrywide implying an equivalent number of jobs directly created by the services. Although most of the jobs are to the owners running the businesses, there are a number of them who have employed extra staff. There is also contribution in form of revenue to the government. In this case 15 enterprises are registered and therefore pay licence fees to the local government. This has been simplified through a single-businesses-permit offered by the local government at a minimal fee of US\$ 73 per year payable at the time of receiving the licence.

Indirectly the enterprises are part of the value chain in the telecommunication sector. The report by CCK for example indicates that the payphone services have significantly contributed to mobile phones accessibility which stood at 75% in 2007 through shared use. This is a boost considering that the connectivity level was 30.48 subscribers per 100 persons in the same year. On its side, money transfer has boosted other micro-enterprises through enabling easy and cheaper financial transactions. In addition, the service has been useful as a means of sending emergency funds to the needy communities in remote areas. It also facilitates households' transactions by, for example, transferring remittances from the cities to rural areas besides saving poor parents time in sending small amounts of cash to their children in schools and colleges. Likewise, the repair of faulty phones has enabled low income earners to remain connected even when they could not afford to buy new phones.

#### **5.5 Conclusion**

Summing up, it is notable that the enterprises have generally made a significant contribution to the concerned households and the whole economy in form of employment opportunities, income generation as well as linkage with other sectors. In the next chapter we conclude the discussion with a recap on the salient issues emerging and put forward some policy packages for the entrepreneurs engaged in these services.

## Chapter 6

### CONCLUSION

The aim of this concluding chapter is to recap on the salient issues that have emerged throughout this case. The objective of this research paper was to explore the extent to which mobile phones downstream services, which I defined as those provided using the existing connectivity, are generating opportunities for entrepreneurship development in Kenya. After identifying the services of mobile payphones, money transfer and phone repair, the paper has analysed the micro-enterprises providing them and their contribution to income and employment creation.

The studies already done on entrepreneurship informed the analysis in this paper. Among them are the studies by Farbman and Lessik (1989), Mead and Liedholm (1998) and Rogerson (1996) which have discussed enterprises and their categorisation. Consequently, the main characteristics of the enterprises within various categories, their contribution and suitable policy packages have been developed. Overall it is clear that while growth-oriented enterprises are characterised with 'willingness to take risks' and ability to accumulate, the logic of survivalists is guided by the need to 'maximising security and smoothing consumption' (Berner et al. 2008: 7). As for the enterprises contribution, Audretsh (1999) and Mead (1994) point out that they positively impact on the economy through providing a livelihood option for the poor, generating incomes and employment. Within these categories, Binks and Vale (1990) identify catalytic, allocating, refining and omega activities. One way to identify the categories of survival and growth-oriented enterprises is by the use of Micro-enterprises Score Card (Gomez 2008a). This score card goes further to classify the survival enterprises into sub-groups of those that generate enough revenue for sustainability and those whose revenue is not.

Borrowing from these studies, this paper has applied enterprise categorization on the services, identified the main characteristics of the enterprises in the categories and analysed their contribution to the households' income and the economy. It has further considered the policy interventions for the enterprises in each of these categories.

In this case, it has emerged that the majority of the enterprises providing the services are survivalists and they are characterised by minimal barriers to entry and therefore stiff competition. The majority of the survival enterprises do not generate enough revenue for sustainability and are mainly in the payphone services. As regards those that generate enough revenue for sustainability and which constitute a quarter of the survival group, there is a mix between payphones and repair businesses. Among the service categories, majority of the payphone businesses are survival enterprises while phone repairs are of mixed blend. All money transfer businesses are growth-oriented and are characterised by barriers to entry and specialisation. Across the three services in these categories the presence of catalytic, allocating refining and omega events is evident. While a number of money transfer businesses were the first to operate in their localities, very few of such catalytic events are found in payphones and phone repair. In the latter services there is a dominance of allocating, refining and omega events whereby entrepreneurs have been undertaking some variations on the original catalytic ideas.

A further analysis of these enterprises has revealed that they have made a notable contribution to the concerned households and the economy in form of employment opportunities, income generation and linkage with other sectors. In terms of income, they directly supported over 25,000 households in addition to the employees engaged in these enterprises. Across the board the incomes of the operators improved after engaging in the enterprises, though to a lesser extent in the case of survivalists. As would be expected the growth-oriented enterprises have made relatively considerable per unit impact. They, for

example created more employment opportunities, besides generating more income. For those under the survival category, employment opportunities are, mainly to the owners. However, a number of them employed an extra paid staff especially in cases where the owners had expanded horizontally by opening a second business in different localities. The enterprises have also created opportunities for women, youth, people with disabilities and those with low or no education. Overall, it is evident that for the survival category lack of alternative employment and low capital requirements were the main driving factors in starting the businesses.

To the economy, their contribution varies with the services. Payphones, for example brought accessibility of the services to people who did not own mobile phones thus increasing the coverage to 75% of the country despite the low level of connectivity of 30.48 subscribers per 100 people. In addition, money transfer has boosted other micro-enterprises through enabling easy and cheaper financial transactions as well as a means of sending emergency funds to the needy communities in remote areas. Likewise, the repair of faulty phones has enabled low income earners to remain connected even when they could not afford to buy new phones.

Based on the study findings it is logical to argue here that the role of these enterprises cannot and should not be swept under the carpet considering that a large number of people derive their livelihood from them. A number of policy implications, therefore, follow the findings: these relate to the types and the approach of delivering support services to this sector as well as the role of the support institutions.

With regard to support services, it is necessary to realise that there is no straight-jacket-fit-all kind of package to the enterprises or their proprietors. This calls for the understanding of the target group and introducing packages that will benefit and not ruin them. The empirical evidence in this paper is consistent with the conclusion by Mead and Liedhold (1998) to the extent that different categories of micro-enterprises have different and unique contributions to make to the objectives of growth and poverty alleviation. In this case those that fall under the category of survival, for example, have engaged the highest number of people and therefore they are important in supporting a relatively large number of very poor people. The growth-oriented ones, on the other hand, have engaged fewer people but employed extra staff and have potential to grow and graduate. From this perspective, a number of support packages are proposed for the two groups.

For growth-oriented group, an integrated support package blending a mix of marginalist and business development may be more preferable. This involves combining credit with business training and consultancy. The argument behind the package is that though additional credit is the main ingredient they need, acquiring advanced business skills enhances their chances of remaining on the growth path and even creating more jobs. In addition, considering that much of the poverty effect of these enterprises is through employment creation, incentives for employing the poor need to be considered (Berner et al. 2008).

As regards the survivalists, those generating enough revenue for sustainability could benefit from saving and micro-credit programmes combined with basic business training in areas such as book-keeping. They have the ability to be sustainable and therefore the support would assist them to better cope (Gomez 2008a). The story is nevertheless different in the case of the majority. The fact that only three of the respondents in this study had left a paid job to start their businesses indicates that lack of alternative employment opportunity is a major driving factor to engaging in these businesses. For this reason, and as Berner et al. (2008: 15) argue, any workable policy package targeting this group should aim at empowering them through training for 'employability with enhanced business opportunities as welcome side effect'. The argument is that they have slim chances of withstanding market shocks including competition from better-equipped competitors. Accessing employment is therefore more realistic and secure since it expands their livelihood options. Besides, the trend observed in these enterprises especially in

payphones has indicated a sharp drop of 10,000 within one year implying an equal number of households having lost one of their livelihoods to market changes.

Coming to the role of government, its action can either create an enabling environment or one that is not enabling for entrepreneurship. Indeed, harassment, corruption, cumbersome procedures and regulatory framework will definitely negatively impact on micro-enterprises (Berner et al. 2008). In line with such arguments this study has indicated that the restructuring of the telecommunication services created opportunities for emergence of micro-enterprises providing downstream services. It is therefore prudent to argue here that policies aimed at attracting businesses should address those aspects that are disabling and prioritise on facilitating, among others easy businesses formalisation including security of tenure as well as eliminating corruption and harassment of entrepreneurs. In addition, practical actions to facilitate the 25,000 plus entrepreneurs currently engaged in these businesses nationwide to have sustainable businesses are necessary. Towards this end, forging public and private sectors partnership in providing support infrastructure to enable them access the emerging ideas such as “digital villages” and “business processes outsourcing” could yield positive results.

Intervention on collective operations is equally necessary. Developing networks and associations through which private learning mechanisms, exchange and mutual support are established has been voiced as a way of boosting entrepreneurship. In fact singlehandedly micro-enterprises are likely to be ignored based on their smallness in terms of impact but when united their voice is definitely amplified. For example, the Nairobi Small Traders Association has been instrumental in negotiating for the benefits of the members who are mainly hawkers. Such associations are mainly handicapped by lack of capacity which makes them less effective and therefore generating less interest among the potential beneficiaries. This fact emerged in this research whereby only a small minority of the entrepreneurs were members to such associations. It therefore indicates that supporting the associations in mobile phones downstream services could be an area for target.

Overall, this paper has presented in an analytical approach, the application of the mobile phones downstream services in entrepreneurship development. It indicates that the Micro-enterprises Score Card can appropriately be applied to categorise enterprises in mobile phones downstream services for the purpose of analysing their dynamism. In this process their contributions to the households and economy have been identified giving an insight into the suitable policies targeting them. From the analysis, we can conclusively point out that mobile phones downstream services have generated entrepreneurial opportunities to many people or at least instigated the idea towards that direction.

Finally, it is hoped that the paper serves the role of being catalytic for further work in this area. Consequently, a study can be done on the trend in the rate of deaths or closures of the enterprises and therefore the net impact on the operators and the economy as whole. In addition an empirical investigation on the behavioural and usage patterns of mobile phone as well as the attitude the users have acquired over time could give vital lessons on the impact of the globalisation on development.

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## Annex I

### Questionnaire on enterprise development in mobile phones services

This questionnaire seeks data on enterprises in mobile phones services for use in writing a research paper for Masters of Arts in Development. The information provided through the questionnaire will only be used for academic purpose only and none of it, whatsoever will be used for any other purpose.

#### Pat A

1. What are the main mobile phones services that you provide?
  - a) Payphones
  - b) Money transfer
  - c) Phones repairs
  - d) Others: Please specify .....
  
2. For how long have you been operating the business?
  - a) More than 3 years
  - b) 3 year
  - c) 2 years
  - d) 1 years
  
3. How many people in your family does this business support?
  - a) Only one
  - b) Two
  - c) More than two
  - d) Others: Please specify .....
  
4. What reasons made you engage in this business?  
.....  
.....
  
5. Has your income increased since starting the business?
  - a) Yes, significantly
  - b) To some extent
  - c) No

#### Part B

6. Is this business your main source of income?
  - a) Full time and only source of income
  - b) Main but not the only source of income
  - c) Second main source of income
  - d) Neither first nor second source of income

7. Do you keep written business records (e.g. revenue, costs)?
  - a) Yes
  - b) Not regularly updated
  - c) Partially (eg only sales)
  - d) No
  
8. What was the estimated profit rate over cost in the last one year?
  - a) 10% and more
  - b) Between 5% and 10%
  - c) Less than 5%
  
9. Did you leave a paid job to open your business?
  - a) Yes
  - b) First job after school and first choice of employment
  - c) Left another business
  - d) Had no other choice
  
10. Did you have regular paid staff in the last one year?
  - a) Full-time paid worker(s)
  - b) Part-time regular worker(s)
  - c) Occasional or irregular worker(s)
  - d) No paid worker(s)
  
11. If you win lottery money today, what would you do?
  - a) Expand the business
  - b) Repay debts or change the business location
  - c) Start another business
  - d) Use on expenses unrelated to the business

### **Part C**

12. How many days a year do you run/open this business?
  - a) More than 300 days
  - b) Between 100 – 299 days
  - c) Between 10 – 99 days
  - d) Less than 9
  
13. Have you taken a loan in the last one year?
  - a) More than once
  - b) Once
  - c) No
  - d) Cannot remember

14. Can you normally predict your revenue at the beginning of the day?
- a) Yes, fairly accurately
  - b) Sometimes
  - c) Rarely
  - d) No
15. Do the revenues of this business allow you to finance all the costs of running the business?
- a) Yes, most of the time
  - b) Sometimes
  - c) Rarely
  - d) No
16. In periods when your revenues are higher, do you invest more in this business?
- a) Yes, most of the times
  - b) Sometimes
  - c) Rarely
  - d) No
17. If your other businesses do badly for a while, can you expect this one to do better?
- a) Yes
  - b) Sometimes
  - c) Most likely not
  - d) No

**Part D**

18. Has any organisation or person provided you with support (e.g. finance, training) in running the business?
- a) Yes: Please specify .....
  - b) No, but have applied: please specify .....
  - c) Not available
19. Are you an active member of any business association (or SACCO)?
- a) Yes
  - b) No
20. If yes, what services did you get from the association during the last one year?
- .....
21. Who are your main customers?
- .....
- .....

22. What strategies/tactics do you use to compete with your neighbouring businesses?

.....  
.....

23. Does your business have a permit from the Council?

a) Yes

b) No: If no, how do you operate .....

24. Other than the regular cost of running the business, do you incur any unofficial costs?

.....  
.....

## Annex II

### Tables on analysis of mobile phones downstream services micro-enterprises

**Table 1: Score Card A: Classification of survival and growth oriented enterprises**

	Resp	Service	SC-A
Survival	14	pp	3
	1	pp	4
	5	pp	4
	10	pp	4
	8	pp	5
	7	pp	6
	11	pp	6
	2	pr	7
	12	pr	7
	16	pp	7
	19	pp	7
	24	pp	7
	25	pp	7
	23	pp	8
	17	pr	8
9	pp	9	
Sub-total			16
Growth oriented	3	pr	10
	21	mt	10
	18	pr	11
	22	pp	11
	4	mt	12
	6	pp	12
	15	mt	12
	20	mt	12
13	mt	13	
Sub-total			9

SC-A = Score Card A , mt= money transfer, pp= payphone, pr= phone repair

**Table 2: Distribution of survival and growth oriented enterprises (%)**

%	Survival	Growth	Total
pp	52	8	60
pr	12	8	20
mt	0	20	20
Total	64	36	100

**Table 3: Distribution of survival and growth oriented enterprises within service categories (%)**

%	Survival	Growth	Total
pp	86.67	13.33	100.00
pr	60.00	40.00	100.00
mt	0.00	100.00	100.00

**Table 4: Gender distribution among the micro-enterprises (%)**

	Service	male	female	Total
Survival	Pp	25.00	56.25	81.25
	Pr	18.75	0.00	18.75
	Total	43.75	56.25	100.00
Growth	Pp	22.22	0.00	22.22
	Pr	22.22	0.00	22.22
	Mt	44.44	11.11	55.56
	Total	88.89	11.11	100.00

**Table 5: Distribution of licensing among the micro-enterprises (%)**

	Service	y	n	Total
Survival	Pp	25.00	56.25	81.25
	Pr	18.75	0.00	18.75
	Total	43.75	56.25	100.00
Growth	Pp	11.11	11.11	22.22
	Pr	22.22	0.00	22.22
	Mt	55.56	0.00	55.56
	Total	88.89	11.11	100.00

**Table 6: Score Card B1: Classification of survival group**

Resp	Service	SC-B1	Gender	Licence
1	Pp	6	m	n
17	Pr	6	m	y
14	Pp	8	f	n
5	Pp	8	m	n
24	Pp	8	f	n
25	Pp	8	f	n
10	Pp	9	m	y
8	Pp	9	m	y
7	Pp	9	f	n
11	Pp	9	f	y
16	Pp	9	f	n
19	Pp	9	f	n
Total		12		
23	Pp	11	f	y
9	Pp	11	f	n
2	Pr	12	m	y
12	Pr	13	m	y
Total		4		

f= female, m= male

**Table 7: Distribution of family sizes supported by the survival group (%)**

	Service	Family size			Total
		1	2	>2	
Revenue not enough for sustainability	pp	18.18	36.36	45.45	100
Total		18.18	36.36	45.45	100
Revenue enough for sustainability	pp	25	-	25	50
	pr	25	-	25	50
Total		50	-	50	100

**Table 8: Distribution of family sizes among the growth oriented (%)**

Service	Family size			Total
	1	2	>2	
Pp	0.00	0.00	22.22	22.22
Pr	22.22	0.00	0.00	22.22
Mt	0.00	11.11	44.44	55.56
Total	22.22	11.11	66.67	100.00



**Table 9: Types of the services \* Period of operating the bussiness Crosstabulation**

			Period of operating the bussiness				
			> 3 years	3 years	2 years	1 years	Total
Types of the services	payphones	Count	3	3	3	6	15
		% within Types of the services	20.0%	20.0%	20.0%	40.0%	100.0%
		% within Period of operating the bussiness	60.0%	60.0%	60.0%	60.0%	60.0%
		% of Total	12.0%	12.0%	12.0%	24.0%	60.0%
moneytransfer		Count	0	0	3	2	5
		% within Types of the services	.0%	.0%	60.0%	40.0%	100.0%
		% within Period of operating the bussiness	.0%	.0%	60.0%	20.0%	20.0%
		% of Total	.0%	.0%	12.0%	8.0%	20.0%
phonerepair		Count	2	0	1	2	5
		% within Types of the services	40.0%	.0%	20.0%	40.0%	100.0%
		% within Period of operating the bussiness	40.0%	.0%	20.0%	20.0%	20.0%
		% of Total	8.0%	.0%	4.0%	8.0%	20.0%
Total		Count	5	5	5	10	25
		% within Types of the services	20.0%	20.0%	20.0%	40.0%	100.0%
		% within Period of operating the bussiness	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	20.0%	20.0%	20.0%	40.0%	100.0%

**Table 10: Types of the services \* Gender Crosstabulation**

			Gender		
			female	male	Total
Types of the services	payphones	Count	9	6	15
		% within Types of the services	60.0%	40.0%	100.0%
		% within Gender	90.0%	40.0%	60.0%
		% of Total	36.0%	24.0%	60.0%
	moneytransfer	Count	1	4	5
		% within Types of the services	20.0%	80.0%	100.0%
		% within Gender	10.0%	26.7%	20.0%
		% of Total	4.0%	16.0%	20.0%
	phonerepair	Count	0	5	5
		% within Types of the services	.0%	100.0%	100.0%
		% within Gender	.0%	33.3%	20.0%
		% of Total	.0%	20.0%	20.0%
Total	Count	10	15	25	
	% within Types of the services	40.0%	60.0%	100.0%	
	% within Gender	100.0%	100.0%	100.0%	
	% of Total	40.0%	60.0%	100.0%	

**Table 11: Types of the services \* Size of the family members supported by business Crosstabulation**

			Size of the family members supported by business				
			one	two	more than two	others	Total
Types of the services	payphones	Count	3	4	8	0	15
		% within Types of the services	20.0%	26.7%	53.3%	.0%	100.0%
		% within Size of the family members supported by business	42.9%	80.0%	66.7%	.0%	60.0%
		% of Total	12.0%	16.0%	32.0%	.0%	60.0%
moneytransfer		Count	0	1	3	1	5
		% within Types of the services	.0%	20.0%	60.0%	20.0%	100.0%
		% within Size of the family members supported by business	.0%	20.0%	25.0%	100.0%	20.0%
		% of Total	.0%	4.0%	12.0%	4.0%	20.0%
phonerepair		Count	4	0	1	0	5
		% within Types of the services	80.0%	.0%	20.0%	.0%	100.0%
		% within Size of the family members supported by business	57.1%	.0%	8.3%	.0%	20.0%
		% of Total	16.0%	.0%	4.0%	.0%	20.0%
Total		Count	7	5	12	1	25
		% within Types of the services	28.0%	20.0%	48.0%	4.0%	100.0%
		% within Size of the family members supported by business	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	28.0%	20.0%	48.0%	4.0%	100.0%

**Table 12: Types of the services \* Increase in income since start of business Crosstabulation**

			Increase in income since start of business			
			yes	to some extend	no	Total
Types of the services	payphones	Count	3	8	4	15
		% within Types of the services	20.0%	53.3%	26.7%	100.0%
		% within Increase in income since start of business	30.0%	72.7%	100.0%	60.0%
		% of Total	12.0%	32.0%	16.0%	60.0%
moneytransfer		Count	4	1	0	5
		% within Types of the services	80.0%	20.0%	.0%	100.0%
		% within Increase in income since start of business	40.0%	9.1%	.0%	20.0%
		% of Total	16.0%	4.0%	.0%	20.0%
phonerepair		Count	3	2	0	5
		% within Types of the services	60.0%	40.0%	.0%	100.0%
		% within Increase in income since start of business	30.0%	18.2%	.0%	20.0%
		% of Total	12.0%	8.0%	.0%	20.0%
Total		Count	10	11	4	25
		% within Types of the services	40.0%	44.0%	16.0%	100.0%
		% within Increase in income since start of business	100.0%	100.0%	100.0%	100.0%
		% of Total	40.0%	44.0%	16.0%	100.0%

**Table 13: Types of the services \* Business as a source of income Crosstabulation**

			Business as a source of income			
			full time and only source	main but not the only source	second main source	Total
Types of the services	Payphones	Count	11	2	2	15
		% within Types of the services	73.3%	13.3%	13.3%	100.0%
		% within Business as a source of income	61.1%	40.0%	100.0%	60.0%
		% of Total	44.0%	8.0%	8.0%	60.0%
moneytransfer		Count	2	3	0	5
		% within Types of the services	40.0%	60.0%	.0%	100.0%
		% within Business as a source of income	11.1%	60.0%	.0%	20.0%
		% of Total	8.0%	12.0%	.0%	20.0%
phonerepair		Count	5	0	0	5
		% within Types of the services	100.0%	.0%	.0%	100.0%
		% within Business as a source of income	27.8%	.0%	.0%	20.0%
		% of Total	20.0%	.0%	.0%	20.0%
Total		Count	18	5	2	25
		% within Types of the services	72.0%	20.0%	8.0%	100.0%
		% within Business as a source of income	100.0%	100.0%	100.0%	100.0%
		% of Total	72.0%	20.0%	8.0%	100.0%

**Table 14: Types of the services \* Keeping of business records Crosstabulation**

			Keeping of business records				
			yes	not regularly updated	partially	no	Total
Types of the services	payphones	Count	3	1	1	10	15
		% within Types of the services	20.0%	6.7%	6.7%	66.7%	100.0%
		% within Keeping of business records	37.5%	33.3%	50.0%	83.3%	60.0%
		% of Total	12.0%	4.0%	4.0%	40.0%	60.0%
moneytransfer		Count	5	0	0	0	5
		% within Types of the services	100.0%	.0%	.0%	.0%	100.0%
		% within Keeping of business records	62.5%	.0%	.0%	.0%	20.0%
		% of Total	20.0%	.0%	.0%	.0%	20.0%
phonerepair		Count	0	2	1	2	5
		% within Types of the services	.0%	40.0%	20.0%	40.0%	100.0%
		% within Keeping of business records	.0%	66.7%	50.0%	16.7%	20.0%
		% of Total	.0%	8.0%	4.0%	8.0%	20.0%
Total		Count	8	3	2	12	25
		% within Types of the services	32.0%	12.0%	8.0%	48.0%	100.0%
		% within Keeping of business records	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	32.0%	12.0%	8.0%	48.0%	100.0%

**Table 15: Types of the services \* profit rate in the last one year Crosstabulation**

			profit rate in the last one year			
			10% and more	5%<x>10%	<5%	Total
Types of the services	payphones	Count	1	6	8	15
		% within Types of the services	6.7%	40.0%	53.3%	100.0%
		% within profit rate in the last one year	20.0%	50.0%	100.0%	60.0%
		% of Total	4.0%	24.0%	32.0%	60.0%
moneytransfer		Count	2	3	0	5
		% within Types of the services	40.0%	60.0%	.0%	100.0%
		% within profit rate in the last one year	40.0%	25.0%	.0%	20.0%
		% of Total	8.0%	12.0%	.0%	20.0%
phonerepair		Count	2	3	0	5
		% within Types of the services	40.0%	60.0%	.0%	100.0%
		% within profit rate in the last one year	40.0%	25.0%	.0%	20.0%
		% of Total	8.0%	12.0%	.0%	20.0%
Total		Count	5	12	8	25
		% within Types of the services	20.0%	48.0%	32.0%	100.0%
		% within profit rate in the last one year	100.0%	100.0%	100.0%	100.0%
		% of Total	20.0%	48.0%	32.0%	100.0%

**Table 16: Types of the services \* Left a paid job Crosstabulation**

			Left a paid job				
			yes	first job after school	left another business	no other choice	Total
Types of the services	payphones	Count	2	5	1	7	15
		% within Types of the services	13.3%	33.3%	6.7%	46.7%	100.0%
		% within Left a paid job	66.7%	71.4%	14.3%	87.5%	60.0%
		% of Total	8.0%	20.0%	4.0%	28.0%	60.0%
	moneytransfer	Count	1	1	3	0	5
		% within Types of the services	20.0%	20.0%	60.0%	.0%	100.0%
		% within Left a paid job	33.3%	14.3%	42.9%	.0%	20.0%
		% of Total	4.0%	4.0%	12.0%	.0%	20.0%
	phonerepair	Count	0	1	3	1	5
		% within Types of the services	.0%	20.0%	60.0%	20.0%	100.0%
		% within Left a paid job	.0%	14.3%	42.9%	12.5%	20.0%
		% of Total	.0%	4.0%	12.0%	4.0%	20.0%
Total		Count	3	7	7	8	25
		% within Types of the services	12.0%	28.0%	28.0%	32.0%	100.0%
		% within Left a paid job	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	12.0%	28.0%	28.0%	32.0%	100.0%



**Table 17: Types of the services \* Had paid staff in the last one year Crosstabulation**

			Had paid staff in the last one year				
			full time paid staff	part time regular staff	irregular staff	no	Total
Types of the services	payphones	Count	1	1	2	11	15
		% within Types of the services	6.7%	6.7%	13.3%	73.3%	100.0%
		% within Had paid staff in the last one year	25.0%	33.3%	66.7%	73.3%	60.0%
		% of Total	4.0%	4.0%	8.0%	44.0%	60.0%
moneytransfer		Count	2	1	1	1	5
		% within Types of the services	40.0%	20.0%	20.0%	20.0%	100.0%
		% within Had paid staff in the last one year	50.0%	33.3%	33.3%	6.7%	20.0%
		% of Total	8.0%	4.0%	4.0%	4.0%	20.0%
phonerepair		Count	1	1	0	3	5
		% within Types of the services	20.0%	20.0%	.0%	60.0%	100.0%
		% within Had paid staff in the last one year	25.0%	33.3%	.0%	20.0%	20.0%
		% of Total	4.0%	4.0%	.0%	12.0%	20.0%
Total		Count	4	3	3	15	25
		% within Types of the services	16.0%	12.0%	12.0%	60.0%	100.0%
		% within Had paid staff in the last one year	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	16.0%	12.0%	12.0%	60.0%	100.0%

**Table 18: Types of the services \* What to do if won lottery money Crosstabulation**

			What to do if won lottery money				
			expand business	repay debts	start another business	use on other expenses	Total
Types of the services	payphones	Count	5	1	8	1	15
		% within Types of the services	33.3%	6.7%	53.3%	6.7%	100.0%
		% within What to do if won lottery money	35.7%	100.0%	88.9%	100.0%	60.0%
		% of Total	20.0%	4.0%	32.0%	4.0%	60.0%
moneytransfer		Count	5	0	0	0	5
		% within Types of the services	100.0%	.0%	.0%	.0%	100.0%
		% within What to do if won lottery money	35.7%	.0%	.0%	.0%	20.0%
		% of Total	20.0%	.0%	.0%	.0%	20.0%
phonerepair		Count	4	0	1	0	5
		% within Types of the services	80.0%	.0%	20.0%	.0%	100.0%
		% within What to do if won lottery money	28.6%	.0%	11.1%	.0%	20.0%
		% of Total	16.0%	.0%	4.0%	.0%	20.0%
Total		Count	14	1	9	1	25
		% within Types of the services	56.0%	4.0%	36.0%	4.0%	100.0%
		% within What to do if won lottery money	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	56.0%	4.0%	36.0%	4.0%	100.0%

**Table 19: Types of the services \* Operating days per year Crosstabulation**

			Operating days per year		
			more than 300 days	between 100 and 299 days	Total
Types of the services	Payphones	Count	12	3	15
		% within Types of the services	80.0%	20.0%	100.0%
		% within Operating days per year	63.2%	50.0%	60.0%
		% of Total	48.0%	12.0%	60.0%
	moneytransfer	Count	4	1	5
		% within Types of the services	80.0%	20.0%	100.0%
		% within Operating days per year	21.1%	16.7%	20.0%
		% of Total	16.0%	4.0%	20.0%
	phonerepair	Count	3	2	5
		% within Types of the services	60.0%	40.0%	100.0%
		% within Operating days per year	15.8%	33.3%	20.0%
		% of Total	12.0%	8.0%	20.0%
Total	Count	19	6	25	
	% within Types of the services	76.0%	24.0%	100.0%	
	% within Operating days per year	100.0%	100.0%	100.0%	
	% of Total	76.0%	24.0%	100.0%	

**Table 20: Types of the services \* Whether taken loan in the last one year Crosstabulation**

		Whether taken loan in the last one year				
		more than once	once	no	Total	
Types of the services	payphones	Count	1	1	13	15
		% within Types of the services	6.7%	6.7%	86.7%	100.0%
		% within Whether taken loan in the last one year	100.0%	33.3%	61.9%	60.0%
		% of Total	4.0%	4.0%	52.0%	60.0%
moneytransfer		Count	0	2	3	5
		% within Types of the services	.0%	40.0%	60.0%	100.0%
		% within Whether taken loan in the last one year	.0%	66.7%	14.3%	20.0%
		% of Total	.0%	8.0%	12.0%	20.0%
phonerepair		Count	0	0	5	5
		% within Types of the services	.0%	.0%	100.0%	100.0%
		% within Whether taken loan in the last one year	.0%	.0%	23.8%	20.0%
		% of Total	.0%	.0%	20.0%	20.0%
Total		Count	1	3	21	25
		% within Types of the services	4.0%	12.0%	84.0%	100.0%
		% within Whether taken loan in the last one year	100.0%	100.0%	100.0%	100.0%
		% of Total	4.0%	12.0%	84.0%	100.0%

**Table 21: Types of the services \* Can predict revenues dairy Crosstabulation**

			Can predict revenues dairy				
			yes, accurately	sometimes	rarely	no	Total
Types of the services	payphones	Count	1	1	2	11	15
		% within Types of the services	6.7%	6.7%	13.3%	73.3%	100.0%
		% within Can predict revenues dairy	100.0%	16.7%	66.7%	73.3%	60.0%
		% of Total	4.0%	4.0%	8.0%	44.0%	60.0%
moneytransfer		Count	0	4	1	0	5
		% within Types of the services	.0%	80.0%	20.0%	.0%	100.0%
		% within Can predict revenues dairy	.0%	66.7%	33.3%	.0%	20.0%
		% of Total	.0%	16.0%	4.0%	.0%	20.0%
phonerepair		Count	0	1	0	4	5
		% within Types of the services	.0%	20.0%	.0%	80.0%	100.0%
		% within Can predict revenues dairy	.0%	16.7%	.0%	26.7%	20.0%
		% of Total	.0%	4.0%	.0%	16.0%	20.0%
Total		Count	1	6	3	15	25
		% within Types of the services	4.0%	24.0%	12.0%	60.0%	100.0%
		% within Can predict revenues dairy	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	4.0%	24.0%	12.0%	60.0%	100.0%

**Table 22: Types of the services \* Revenues can finance all business costs Crosstabulation**

			Revenues can finance all business costs				
			yes, most times	sometimes	rarely	no	Total
Types of the services	Payphones	Count	2	11	1	1	15
		% within Types of the services	13.3%	73.3%	6.7%	6.7%	100.0%
		% within Revenues can finance all business costs	22.2%	78.6%	100.0%	100.0%	60.0%
		% of Total	8.0%	44.0%	4.0%	4.0%	60.0%
moneytransfer		Count	4	1	0	0	5
		% within Types of the services	80.0%	20.0%	.0%	.0%	100.0%
		% within Revenues can finance all business costs	44.4%	7.1%	.0%	.0%	20.0%
		% of Total	16.0%	4.0%	.0%	.0%	20.0%
phonerepair		Count	3	2	0	0	5
		% within Types of the services	60.0%	40.0%	.0%	.0%	100.0%
		% within Revenues can finance all business costs	33.3%	14.3%	.0%	.0%	20.0%
		% of Total	12.0%	8.0%	.0%	.0%	20.0%
Total		Count	9	14	1	1	25
		% within Types of the services	36.0%	56.0%	4.0%	4.0%	100.0%
		% within Revenues can finance all business costs	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	36.0%	56.0%	4.0%	4.0%	100.0%

**Table 23: Types of the services \* whether invest revenues in the business Crosstabulation**

			whether invest revenues in the business				
			yes, most times	sometimes	rarely	no	Total
Types of the services	payphones	Count	1	6	4	4	15
		% within Types of the services	6.7%	40.0%	26.7%	26.7%	100.0%
		% within whether invest revenues in the business	12.5%	75.0%	100.0%	80.0%	60.0%
		% of Total	4.0%	24.0%	16.0%	16.0%	60.0%
moneytransfer		Count	4	1	0	0	5
		% within Types of the services	80.0%	20.0%	.0%	.0%	100.0%
		% within whether invest revenues in the business	50.0%	12.5%	.0%	.0%	20.0%
		% of Total	16.0%	4.0%	.0%	.0%	20.0%
phonerepair		Count	3	1	0	1	5
		% within Types of the services	60.0%	20.0%	.0%	20.0%	100.0%
		% within whether invest revenues in the business	37.5%	12.5%	.0%	20.0%	20.0%
		% of Total	12.0%	4.0%	.0%	4.0%	20.0%
Total		Count	8	8	4	5	25
		% within Types of the services	32.0%	32.0%	16.0%	20.0%	100.0%
		% within whether invest revenues in the business	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	32.0%	32.0%	16.0%	20.0%	100.0%

**Table 24: Types of the services \* Can expect business to perform better Crosstabulation**

			Can expect business to perform better				
			yes	sometimes	most likely not	no	Total
Types of the services	payphones	Count	4	6	3	2	15
		% within Types of the services	26.7%	40.0%	20.0%	13.3%	100.0%
		% within Can expect business to perform better	33.3%	85.7%	75.0%	100.0%	60.0%
		% of Total	16.0%	24.0%	12.0%	8.0%	60.0%
moneytransfer		Count	5	0	0	0	5
		% within Types of the services	100.0%	.0%	.0%	.0%	100.0%
		% within Can expect business to perform better	41.7%	.0%	.0%	.0%	20.0%
		% of Total	20.0%	.0%	.0%	.0%	20.0%
phonerepair		Count	3	1	1	0	5
		% within Types of the services	60.0%	20.0%	20.0%	.0%	100.0%
		% within Can expect business to perform better	25.0%	14.3%	25.0%	.0%	20.0%
		% of Total	12.0%	4.0%	4.0%	.0%	20.0%
Total		Count	12	7	4	2	25
		% within Types of the services	48.0%	28.0%	16.0%	8.0%	100.0%
		% within Can expect business to perform better	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	48.0%	28.0%	16.0%	8.0%	100.0%



**Table 25: Types of the services \* Any organisation has provided business support Crosstabulation**

			Any organisation has provided business support			
			yes	no	not available	Total
Types of the services	payphones	Count	1	0	14	15
		% within Types of the services	6.7%	.0%	93.3%	100.0%
		% within Any organisation has provided business support	20.0%	.0%	73.7%	60.0%
		% of Total	4.0%	.0%	56.0%	60.0%
moneytransfer		Count	4	1	0	5
		% within Types of the services	80.0%	20.0%	.0%	100.0%
		% within Any organisation has provided business support	80.0%	100.0%	.0%	20.0%
		% of Total	16.0%	4.0%	.0%	20.0%
phonerepair		Count	0	0	5	5
		% within Types of the services	.0%	.0%	100.0%	100.0%
		% within Any organisation has provided business support	.0%	.0%	26.3%	20.0%
		% of Total	.0%	.0%	20.0%	20.0%
Total		Count	5	1	19	25
		% within Types of the services	20.0%	4.0%	76.0%	100.0%
		% within Any organisation has provided business support	100.0%	100.0%	100.0%	100.0%
		% of Total	20.0%	4.0%	76.0%	100.0%

**Table 26: Types of the services \* Whether a member of organisation Crosstabulation**

			Whether a member of organisation		
			no	yes	Total
Types of the services	payphones	Count	11	4	15
		% within Types of the services	73.3%	26.7%	100.0%
		% within Whether a member of organisation	55.0%	80.0%	60.0%
		% of Total	44.0%	16.0%	60.0%
	moneytransfer	Count	4	1	5
		% within Types of the services	80.0%	20.0%	100.0%
		% within Whether a member of organisation	20.0%	20.0%	20.0%
		% of Total	16.0%	4.0%	20.0%
	phonerepair	Count	5	0	5
		% within Types of the services	100.0%	.0%	100.0%
		% within Whether a member of organisation	25.0%	.0%	20.0%
		% of Total	20.0%	.0%	20.0%
Total	Count	20	5	25	
	% within Types of the services	80.0%	20.0%	100.0%	
	% within Whether a member of organisation	100.0%	100.0%	100.0%	
	% of Total	80.0%	20.0%	100.0%	

**Table 27: Types of the services \* Whether has business permit Crosstabulation**

			Whether has business permit		
			no	yes	Total
Types of the services	payphones	Count	10	5	15
		% within Types of the services	66.7%	33.3%	100.0%
		% within Whether has business permit	100.0%	33.3%	60.0%
		% of Total	40.0%	20.0%	60.0%
	moneytransfer	Count	0	5	5
		% within Types of the services	.0%	100.0%	100.0%
		% within Whether has business permit	.0%	33.3%	20.0%
		% of Total	.0%	20.0%	20.0%
	phonerepair	Count	0	5	5
		% within Types of the services	.0%	100.0%	100.0%
		% within Whether has business permit	.0%	33.3%	20.0%
		% of Total	.0%	20.0%	20.0%
Total	Count	10	15	25	
	% within Types of the services	40.0%	60.0%	100.0%	
	% within Whether has business permit	100.0%	100.0%	100.0%	
	% of Total	40.0%	60.0%	100.0%	