DIPLOMARBEIT

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CRAFTS AND SMALL-SCALE ENTERPRISES IN THE ECONOMIC FRINGE OF A SOUTHERN AFRICAN DEVELOPING COUNTRY - AN EMPIRICAL ANALYSIS OF SITUATION AND POTENTIAL IN THE KAWINGA REGION IN MALAWI

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ACKNOWLEDGEMENT

The presented study is a result of field studies conducted between July 2nd and September 17th in the Republic of Malawi. I hope that this report will contribute to a better understanding of the needs of rural production units and will be of use in the planning of future promotion activities.

I would like to take this opportunity to gratefully acknowledge the willingness of the Government of Malawi to host the author and to offer close cooperation at various administrative levels. I am especially indebted to the Liwonde Agricultural Development Division within the Ministry of Agriculture, the Ministry of Trade, Industry and Tourism, the Office of the President and Cabinet, the EEC Delegation in Lilongwe, and all other officials listed in the Annex, each of whom assisted me in countless ways. I also wish to express my sincere gratitude to all individuals, who made it possible to carry out this research.

The author alone remains responsible for any errors of fact or interpretation.

GLOSSARY OP SELECTED ENGLISH TERMS

Attainability	Erreichbarkeit
Bearing	Kugellager
Capital investment	Investition
Capital/labour ratio	Arbeitskoeffizient
Chisel	Meißel
Clamper	Klammer
Consumer goods	Verbrauchsgüter
Cross cut	Schrotsäge
Employment elasticity	Elastizität der Beschäftigung
Endowment	Einsatz
Excess demand	Nachfrageüberhang
Factor endowment	Faktorausstattung
Fixed assets	Anlagevermögen
Fringe	Peripherie
Gauge	Schieblehre
Growth rate	Wachstumsrate
Inclusion	Einbindung
Income elasticity of demand	Einkommenselastizität der Nachfrage
Food, beverages and tobacco ind.	Nahrungs- und Genussmittelindustrie
Initial capital	Startkapital
Initial outlay	Anfangsinvestition
Interdependence	Gegenseitige Abhängigkeit
Interlocking	Verflechtung
Intermediate product	Halbfertigerzeugnis
Ivometer	Spannungsprüfer
Junter	Kelle
Khonde	Veranda
Kiln	Brennofen
Manufacture	Verarbeitung
Marketing margin	Vermarktungsspanne
Mould	Brennform
Net-weight material	Reingewichtsmaterial
Opportunity costs	Opportunitätskosten
Poverty datum line	Absolute Armutsgrenze
Processing	Veredlung
Production mean	Produktionsgrundlage
Profitability	Rentabilität
Puncher	Locheisen
Putty	Kitt
Repercussion	Rückwirkung
Retrogression	Rückgang
Riveting	Uhrstein
Service	Dienstleistung
Snip	Beißzange
Spanner	Schraubenschlüssel
Stocks	Lagerbestände
Threshold country	Schwellenland
Terms of trade	Handelsbilanz
Tupper	Feile
Vice	Schraubstock
Weight-loss material	Gewichtsverlust-material
Working capital	Betriebskapital

GLOSSARY OF ABBREVIATIONS

ADD	Agricultural Development Division
ADMARC	Agricultural Development and Marketing Cooperation
DEMATT	Development of Malawian Traders Trust
DevPol	Development Policies
DRIMP	District Road Improvement Programme
EEC	European Community
EPA	Extension Planning Area
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ILO	International Labour Organization
INDEBANK	International Development Bank
INDEFUND	International Development Fund
Kawinga RDP	Kawinga Rural Development Project
MK	Malawian Kwacha
NRDP	National Rural Development Programme
N.S.O.	National Statistical Office
PACT	Private Agencies Collaborating Together
RGC	Rural Growth Centre
R.S.A.	Republic of South Africa
S.P.E.O.	Social Planning and Evaluation Office
SSE	Small-Scale Enterprise
SEDOM	Small-Scale Enterprise Development Organization of Malawi
T.A.	Traditional Authority
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

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I. INTRODUCTION

Malawi is a land-locked country situated along the east-African ridge between 9°3o' and 17°00' southern latitude. Its climate, vegetation and soils are that of a country belonging to the semi-humid tropics in the transition from humid to dry savannah. A differentiation of these natural factors is given by the vertical stratification of this ridge running in North-South direction.

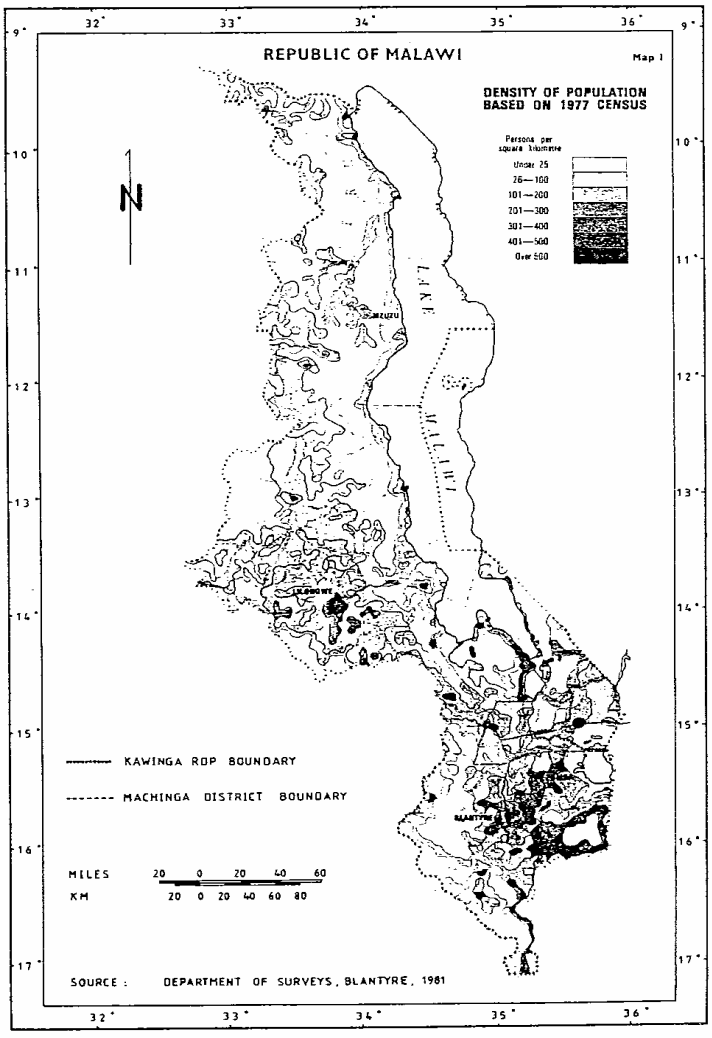
Malawi comprises a total area of 118,484 km², which amounts to almost half the size of the Federal Republic of Germany.

With its development problems and its typical structure of crafts and small enterprises it might serve as a good representative of agriculturally orientated Developing Countries.

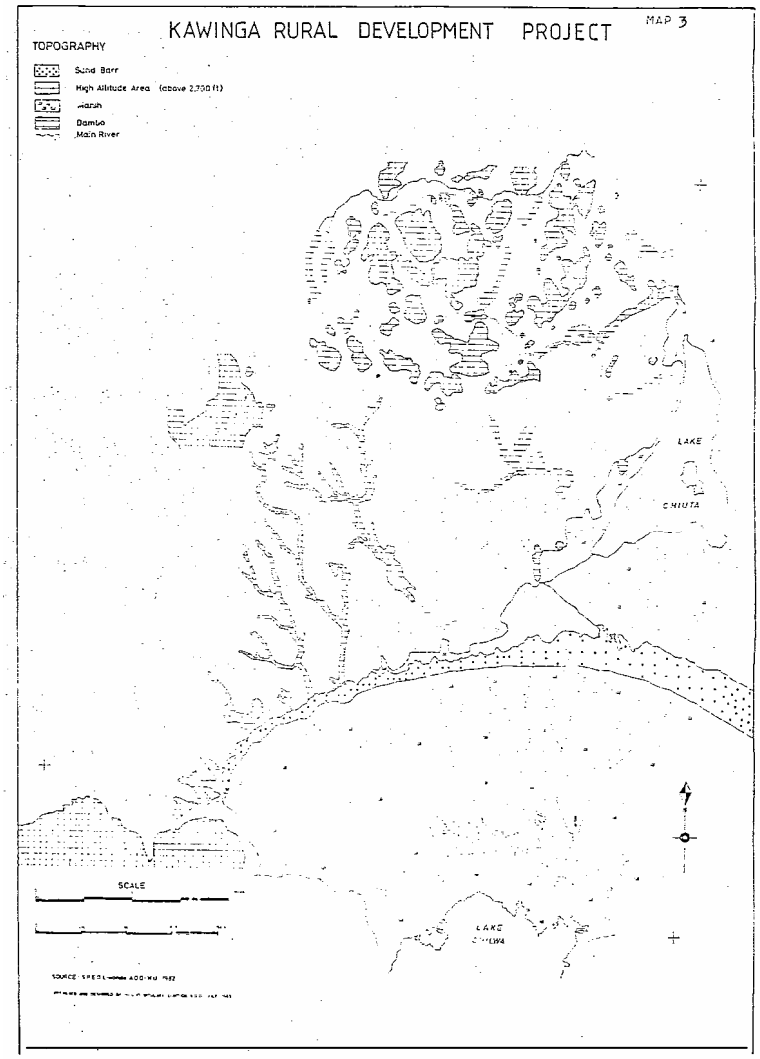
1. Nature of Problems

1.1. Out-migration of rural population into urban areas as a result of population pressure and underemployment

With an overall density of 52 inhabitants per km² and a growth rate of 2.6 per cent (STATISTISCHES LANDESAMT WIESBADEN 1982, p. 11) Malawi belongs to the denser populated countries in Africa. In 1981 the total number of its inhabitants amounted to 6,120,000 compared to 4,040,000 in 1966.



In the same period the share of population in rural areas decreased by 3.5 per cent from 95.0 per cent to 91.5 per cent nationwide. The figures of the N.S.O. for Machinga District show a decrease of rural population during the shorter period from 1966 to 1977 by 2.0 per cent from 99.1 per cent to 97.1 per cent. Between 1966, when 2049 people were living in urban areas of this district, and 1977 with 10,067 people the average annual growth rate of urban population was therefore 15.6 per cent compared to 6.5 per cent nationwide (TOWN AND COUNTRY PLANNING DEPARTMENT 1983, p. 6). During this period the population of Blantyre for instance had more than doubled from 109,461 to 288,520 inhabitants. A consultant's report in 1980 (TOWN AND COUNTRY PLANNING DEPARTMENT 1983, p.3) noted that Malawi's population would more or less double between 1977, the year of the last census, and the end of the century.



The most dramatic concentration of that increase would occur in the urban areas with a national population that would increase from 467,000 in 1977 to 2.2 million in the year 2000, partly through migration from the rural areas.

Kawinga, which is situated in the East part of the Southern Region represents such a typically remote rural area. With its long distances and seasonally restricted transport routes to urban and semi-urban areas, and with its economical seclusion to the East by an officially impenetrable border to Mozambique, the Kawinga RDP shows all the disadvantages of an economically inactive region, where a selective out-migration takes place over large populated areas. Map 3 indicates the out-migration trend in Kawinga RDP for the period of one year. Affected are mainly large regions in the South and centre of this region.

But even more striking is the labour out-migration out of the prevailing parts of the region. Only very few areas such as the Northeast and the South don't show this pattern.

Due to the uneven population distribution in Malawi (see Map 1 ‘Density of Population’), the population density in the Southern Region reached a rate of 87 inhabitants per km²in 1977. In this part of the country the land reserves in the Traditional Authorities are coming to their limits at an accelerating rate. Within one year, the cultivated area in Kawinga RDP increased from 30,420 ha in 1980/81 to 38,085 ha in 1981/82 (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1983, Part III, p.10). But already in 1980 information from the Ministry of Agriculture and Natural Resources indicated that

> *“smallholder farmers had achieved their output growth even more by expansion of cropping than by improvement of farming practices, than had the estate sector. It would then appear that the most important source of growth in the agricultural sector has been the expansion of natural resource utilization. Taking this fact into account, it becomes evident that availability of agricultural land could become a strong constraint for future agricultural development.” (TOWN AND COUNTRY PLANNING DEPARTMENT 1983 p.12)*

Parallel to this increase go the growing demands of tobacco estates on best suitable land, for instance on 61 per cent of the total agricultural land in T.A. Nyambi in 1982 (TOWN AND COUNTRY PLANNING DEPARTMENT 1983, p. 14).

All these factors may result in an intensified out-migration, especially of the newly economically active population, since the large proportion of population aged 14 years and under suggests an escalating need for livelihoods within the near future.

Beside the population growth it was the return of migrant labourers from mainly the R.S.A., which created employment problems. According to the 1977 population census some 250,000 migrants returned to Malawi, since migration policies were changed in 1974. Prom these 250,000 migrant workers only an unofficially 30,000 had gone back to the R.S.A., for instance under the migrant labour system, which resumed in June 1977.

> *“The sudden influx of returning migrants has significantly increased the pressure on the job market " ..." In 1977 the number in paid employment reached 272,194, an increase of 5% on the previous year. While this is above the population growth rate it is still not sufficient to make a significant impact on the returning migrants. However, most of the migrants will not be easily absorbed into the agricultural sector, although they have been employed as labourers in the countries they were working in.” (BURGESS 1979, p. 93)*

As a consequence many of the returning labourers tried to find employment in urban areas according to their acquired skills, thereby adding to the out-migration from rural areas.

1.2. The potential contribution of rural small enterprises against underemployment in Malawi

In Malawi chances are very low to find employment in the formal manufacturing sector, which is located mainly in the urban areas, especially in and around Blantyre. Although

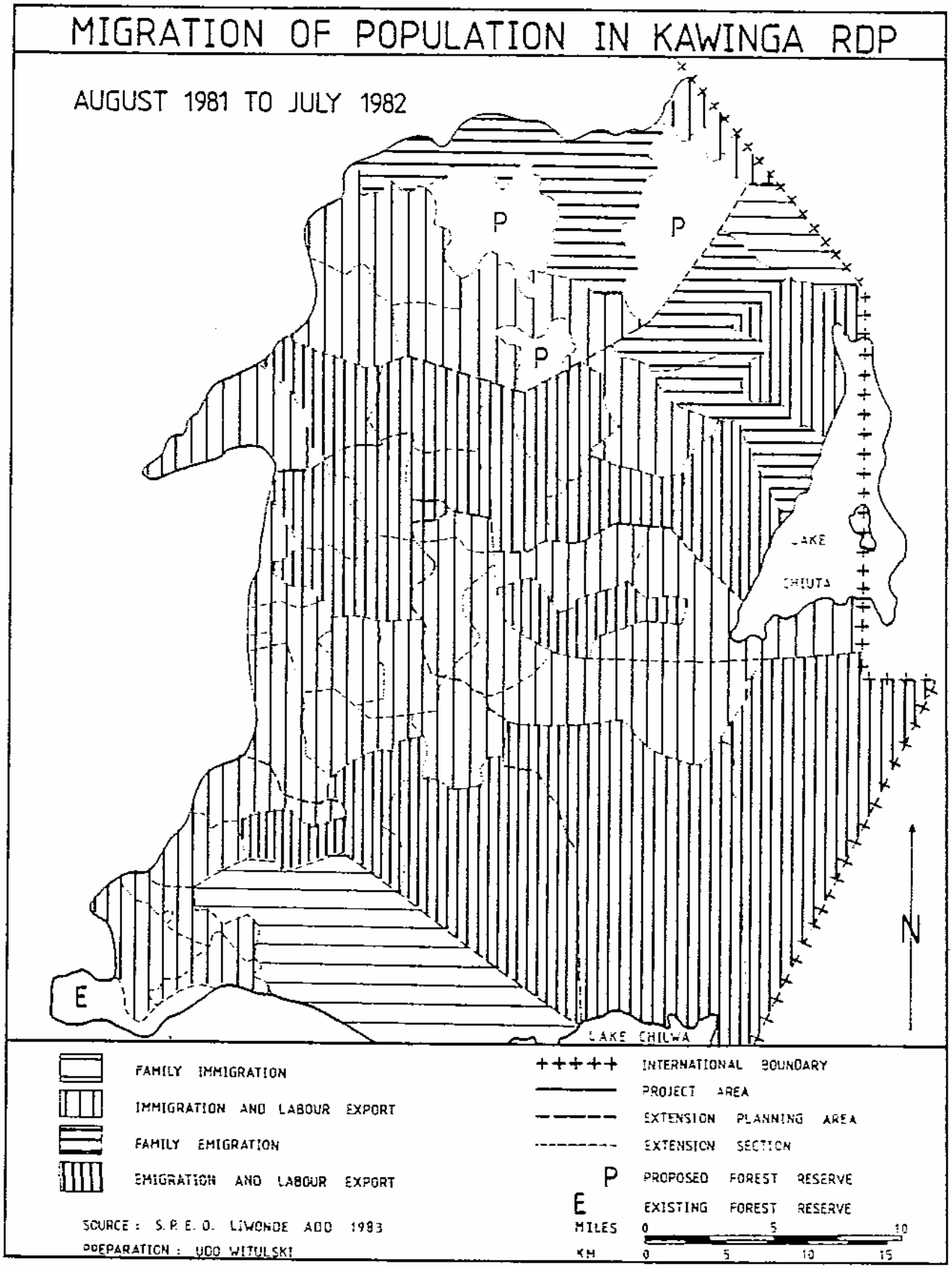
> *“manufacturing has absorbed an 'average* share of the increase in paid employment, the employment elasticity "... (defined as % ∆ monetary GDP divided by % ∆ wage employment) ..." in 1978 was down to 0.48, the lowest of all sectors.” (DE JONG 1979, p. 8)*

In 1978 the capital/labour ratio for new investments, for which industrial licences were granted, stood at MK 5,6l9« Following this figure, manufacturing in large-scale industries, compared with other sectors, is rather capital intensive: almost 5 times as much investment was needed in 1979 to create a job than in the agricultural sector, or almost 15 times as much compared to the small enterprise sector.

Beside the distinction by capital/labour ratio there exist many other criteria^, which are used both officially and unofficially in order to define village handicrafts and small-scale industries in comparison to medium and large-scale industries:

The N.S.O. in Zomba defines small-scale industries as registered enterprises employing less than 20 workers with total assets of less than MK 50,000 (DE JONG 1979, p. l4). This financial limit expresses the maximum risk exposure, which was fixed by INDEBANK as eligibility criteria in order to exclude small-scale enterprises from their credit scheme.

The Malawian Government defines small enterprises in Malawi as any business owned and operated by Malawian private citizens, which bases the definition rather on the personality of the owner than on the size of the enterprise (ARBELL 1978, p. 14).



MAP 2. Population and Labour Migration in Kawinga RDP, 1981 to 1982

In general small-scale enterprises can be distinguished from medium and large-scale industry by shortages of capital, lack of information, low levels of

technological and managerial skills, lack of specialization in management functions, and by difficulties in marketing and distribution (MINISTRY OP TRADE, INDUSTRY AND TOURISM 1973, p.4).

These definitions leave much space for small-scale enterprises, which differ significantly among each other: enterprises in the manufacturing and service sectors in Kawinga RDP, which all have to be defined as small-scale, show a wide range between the two polar extremes of 'formality' and 'informality'. This concept 'informal sector' was first suggested by an ILO-sponsored employment mission to Kenya in 1973 (SUCHARD 1979, p. 98):

> *"The informal sector comprises enterprises and individuals that operate outside the mainstream of economic activity outside the system of government benefits and regulations."*

All over Malawi's rural regions there operate a large proportion of 'informal' enterprises without protection and constraints of the law, and without any access to formal credit institutions or training in modern methods and technologies.

It is the traditional artisans, who can be placed close to the theoretical pole of 'informality'. According to a survey conducted in Uganda more than one third of value added in rural non-farm activities was contributed by these village crafts:

TAB 1. Distribution of Household Labour Force Participation and of Value Added in Non-Farm Activities, Uganda 1976 (%)

Type of Activity	Male	Female	Value Added
Crafts (mat, basket, rope making)	40.5	17.0	36.2
Petty trade (e.g. selling fish)	5.6	0.0	16.3
Beer brewing	2.0	3.0	6.7
Carpentry	3.3	0.0	4.3
Tailoring	0.6	0.0	2.2
Wage employment	5.0	0.0	19.4
other	18.0	5.0	15.0
Total	75.0	25.0	100.0

Source: MWINA-MUDEENYA 1978, pp. 175 & 181

This table shows a concentration of both employment and wage generation in the traditional village craft sector. Only about 20 per cent of the total non-farm activities are conducted in occupations other than crafts, carpentry and tailoring (not included 'other'). MWINA-MUDEENYA (1978, p. 164) estimates that

> *"non-farm activities in the rural areas provide secondary or primary employment to between 30 and 50 per cent of rural labour in tropical Africa."*

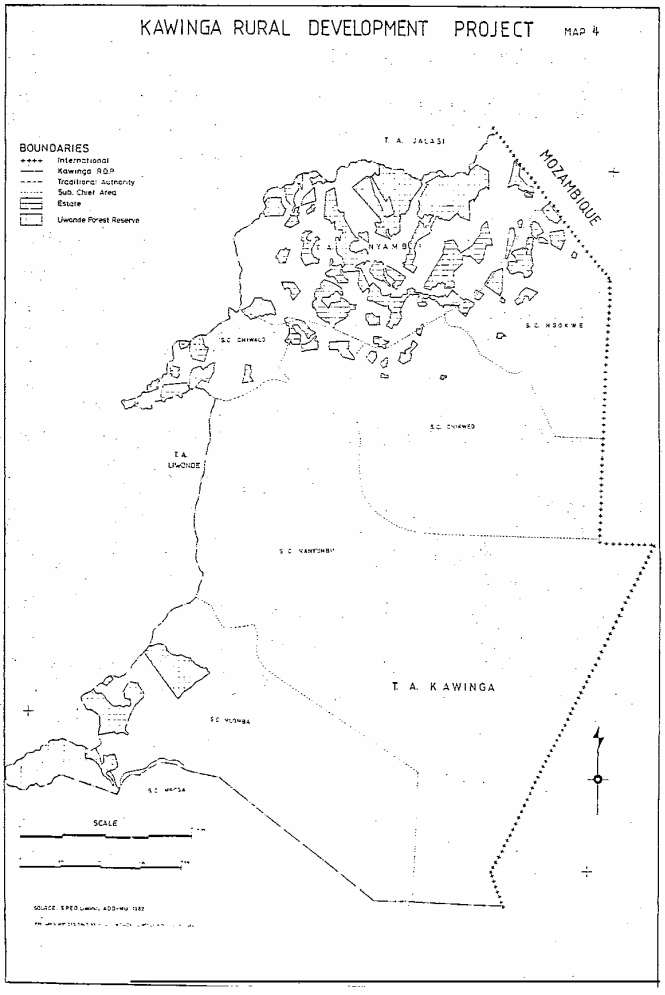
Although relations in particular might not hold true for the Kawinga Region, the figures should be quite similar due to the same situation of a densely populated, land-locked, tropic country. While village crafts in this table contribute almost 60 per cent to the total off-farm employment, it is mainly the small enterprises such as carpentry or tailoring, which might contribute to the rural development potential by additional wage employment. These enterprises in Malawi, although being licensed by the Malawian Government for the most part, still do not qualify for an inclusion into the other polar

extreme of 'formal' small-scale enterprise, since the Government has not yet fully recognized its importance in Malawi's rural areas.

The main impediment for promoting small-scale enterprises, beside the small size of this 'informal' business, which was never realized to be important to industrial development and employment, was the fact that

> *“in many respects 'informal' businesses may be illegal, that is, they do not adhere to legally fixed minimum wages, safety and other regulations, and evade registration and tax obligations "..." There was, moreover, not much goodwill to start with as current development theories subscribed to a dualistic notion of development whereby 'traditional' activities had no role to play in 'modern[1] economic development.” (ETTEMA 1983, p. 4)*

For several reasons this negative attitude towards small-scale enterprises has been changing. Their importance for employment and development has been realized not only by the governments of Developing Countries. Small-scale enterprise promotion has been centred within the development programmes of many donor countries and organizations. It has become a focal point within the funding programme of the IBRD which showed in its "Annual Report 1983" at least 7 Developing or Threshold Countries receiving funds for small enterprise promotion (IBRD 1985, p. 119).



As will be shown in this report distribution of these funds, however, is restricted in Malawi almost exclusively to urban areas and economically further developed rural areas with a major weight on production of export cash crops, such as the tea estate region around Mulanje Mountain. But the challenge of developing crafts and small enterprises in remote rural areas should be followed with at least parallel priority. This promotion will differ significantly from the typical small enterprise promotion in urban areas. For the benefit of increased employment and a resulting decline of out-migration, however, appropriate ways to promote both traditional village crafts and 'informal' small enterprises should be developed for rural areas. These implements of promotion in rural areas will have to be distinguished according to the different financial absorption capacities of rural enterprises, which naturally are very low in the village crafts and also in most small-scale enterprises.

The target of the presented study is to inquire into the economic situation of rural enterprises, in order to work out possible ways of promoting these enterprises according to their particular needs. Policies of small-scale enterprise promotion will

have to be discussed in order to lay down practicable ways of implementing promotion instruments appropriate to both particular areas and structures of rural enterprises.

2. An Inclusion of Objectives of Small Enterprise Promotion in Rural Areas into the General Framework of Objectives of the Malawian Government

The Malawian Government emphasized the promotion and development of small-scale enterprises relatively early in its 'Statement of Development 1971 - 80' (1971, pp. 2 & 74-77) stating that

> *"the establishment of capital-intensive industries by foreign capital would make little contribution if they involve the closing down of existing labour-intensive Malawian enterprises. As a general rule Malawi's development strategy rules out the promotion of capital intensive undertakings."*

The creation of labour-intensive undertakings will have to occur on a small scale, since such a large proportion of the economically active population is living at the margins of the cash economy thereby constituting a very limited effective demand. As it was stated in the first District Plan in Malawi in 1983 the major reason for creating incentives in rural areas is the maintenance of a balance of labour supply between the rural and urban areas. This will ensure that the rural labour force will not lose the greater part of its most energetic and enterprising members, it will reduce urban unemployment and increase employment opportunities in general as rapidly as possible.

The growth of the secondary sector is needed to employ the non-agricultural population, which will become increasingly large towards the end of the Plan-Period and to provide economic stimulus to greater agricultural production. There need not be a conflict between the priorities of industry and agriculture. They are closely interdependent, with the income and production from one providing the demand for the other (TOWN AND COUNTRY PLANNING DEPARTMENT 1983, p. 25).

The long-term objective of small-scale industry promotion as stated in DEV POL 1981/85 (OFFICE OF THE PRESIDENT AND CABINET I960, p. 1) is to provide support for the Government's policies for the development of Malawian owned industries (manufacture and services), by the provision of various types of financial and non-financial assistance. For the verification of this objective following short and medium term steps of policy were expressed as early as in 1973:

- to formulate and enact policies, incentives and regulations which are deemed to create a climate favourable for small-scale enterprise development,
- to provide Technical as well as Financial Assistance to Malawian owned small-scale enterprises, and
- to create an institutional framework through which such assistance can be provided (MINISTRY OF TRADE, INDUSTRY AND TOURISM 1973, p. 6).

The short and medium term benefits of a successful development of small-scale enterprises in the land-locked Malawi might be manifold. A valuation of a possible contribution to these objectives by rural enterprises is expressed by their order, ranking positive contribution to the beginning, and possible competition to the end of the list:

- Transfer of technology into rural areas;
- Geographical spread of industrial development thus mitigating regional disparities

and the need for internal migration by decentralizing production activities according to the spatial distribution of the population;

- Stimulus of agricultural development by processing farm commodities and supplying and repairing equipment;
- Provision of cheap goods and services to meet the (material) needs of groups having only low purchasing power;
- Increased domestic employment through appropriate technology combining natural resources, capital, labour and know-how;
- Contribution to the accumulation of human and physical capital by taping sources of capital which might not otherwise be utilised for development purposes;
- More efficient use of resources in production because of small enterprises' flexibility in adapting to changes in demand, more personal relations between management and workers, less need for high-level manpower and lower overhead costs;
- Substitution of high cost imports by domestic products thus stooping the increasing dependency upon foreign imports of industrial intermediate products, the increasing costs for machinery and the lack of high and intermediate level manpower in large-scale industries; and
- Development of a pool of skilled and semi-skilled workers, especially among the low-income population groups (MINISTRY OF TRADE, INDUSTRY AND TOURISM 1973, p.3-4; 1979, p. 2).

These envisaged income and complementary effects are expected to have a tendency towards regional and social spread. Especially the final objectives, as described less pragmatically below, should not only strengthen the secondary sector, but might benefit other segments of the population, especially the agricultural subsistence sector:

- Contribution to social development (social welfare) by alleviating income inequalities (MINISTRY OF TRADE, INDUSTRY AND TOURISM 1973, pp. 5-7);
- Improvement of general purchasing power through income distribution to economically marginal segments of the population;
- Reduced vulnerability to external economic and political pressures (FUES, et al. 1982, pp. 3-4);
- Contribution to balanced growth of the economy in general and the industrial sector in particular;
- Establishment of backward and forward linkages with other sectors of the establishment;
- Creation of a Malawian entrepreneurial class which will serve as a basis for future industrial expansion; and
- Savings of foreign exchange through import substitution and export orientation (MINISTRY OF TRADE, INDUSTRY AND TOURISM 1979, p. 6).

These government objectives should be closely investigated in order to detect possible competitions to a promotion of rural small enterprises. It will be impossible to include all these objectives into the conclusive judgement of development potential of small-scale enterprises in rural areas. But complementary objectives would also advocate promotion in rural areas. Short and medium term objectives such as a more efficient use of resources, taping sources of capital and increased domestic employment are

highly complementary, since promotion in rural areas will have the same effects. However, the development of a skilled worker class might be achieved more efficiently in urban areas, where the training and education situation is better also for low-income population groups due to better facilities. On the other hand the number of low-income population is highest in the remote rural areas. Also transport costs for input material and products from and to rural areas might be too high for rural products to contribute to a substitution of high cost imports. On the other hand again products in rural areas are not exposed to the competition of imports as are domestic urban products. On the contrary to these general objectives, the benefits of a geographical spread from industrial development, transfer of technology, stimulation of agricultural development and from a provision of cheap goods and services will only be obtained by a predominant promotion of rural small enterprises.

The same holds true to the long-term objectives:

While a contribution to social development and an improvement of general purchasing power through income distribution will be effected mainly by a promotion of rural enterprises, the creation of a Malawian entrepreneurial class and savings of foreign exchange might be achieved easier in urban areas.

However, the main objective for small-scale enterprise promotion has to be the increase of demand in rural areas, thereby intensifying employment facilities through reinvested capital.

A promotion could cause positive effects on rural out-migration both directly by improving the employment situation and indirectly by the provision of products and services necessary for the rural population.

3. Position of Small-Scale Enterprise within the Industrial Framework of Malawi

3.1. Share of small-scale enterprise employment and production in the Malawian economy

In order to estimate the contribution of small enterprises to employment and turnover it is of stringent importance to ascertain the economic volume of these enterprises in Malawi. By these figures the importance of developing small enterprises has to be estimated. In Malawi the proportion of total labour force of 2,484,000 people in 1980 amounted to 44.6 per cent (males 56.7%, females 32.7%) of the total population. The highest share in the Malawian labour force is provided by the agricultural subsistence sector, while the manufacturing sector in 1980 employed only 1.7 per cent and the construction sector 1.6 per cent of the total labour force, totalling 82,100 employees (STATISTISCHES BUNDESAMT WIESBADEN 1982, p. 14).

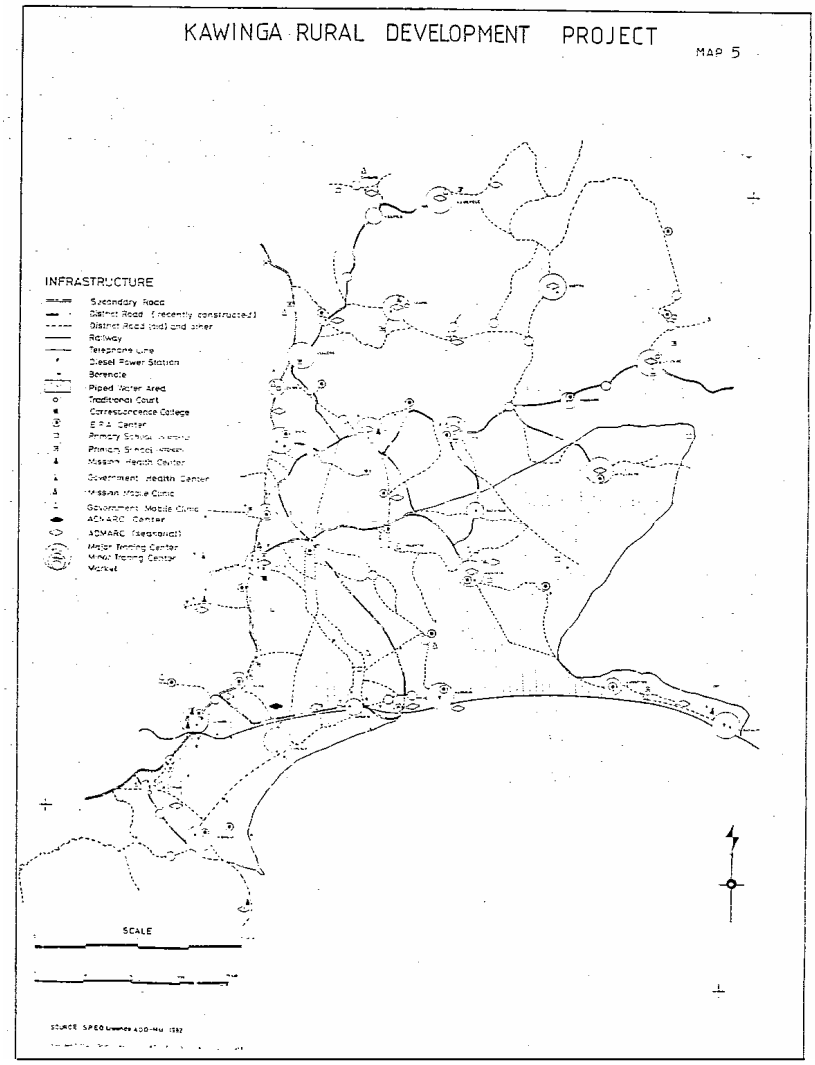
Although the number of licences granted between 1969 and 1981 decreased only slightly from about 20 per year in 1970 to 13 per year in 1980 (FINANCIAL TIMES 04.11.81, p. 13), and the number of created employment opportunities even increased due to the commencements of two big firms in 1977 and 1978, the average capital/labour ratio rose from about MK 3,500 per job between 1969 and 1974 to almost MK 7,000 per job between 1975 and 1981 (DEPARTMENT OF INFORMATION AND TOURISM 1982, pp. 141-142).

This means that the creation of additional jobs in large-scale industries is becoming

increasingly expensive.

Furthermore these industries show all indicators of dependency upon Industrial Countries, which are typical for Developing Countries to a large extent:

- Finished articles are traded for primary products which show a small spectrum of diversification, and which moreover suffer from high price fluctuations. In 1977 96 per cent of all exports consisted of agricultural products, concentrated in tobacco, tea, sugar, groundnuts and cotton;
- Balance of trade is constantly negative, which results in a growing indebtness to foreign countries; and
- Industry, trade and agricultural enterprises producing export cash crops mostly lay in foreign hands. In 1971 only 20 out of 119 manufacturing firms were either entirely or predominantly Malawian owned. These firms were concentrated in the food, beverages, tobacco, textiles, saw-mills, printing and radio industry, and in the sections of assembly, construction and to 50 per cent in the National Oil Industry Ltd. (LIENAU 1981, pp. 121 & 127)



In 1975 the productive sector contributed about 19 per cent to the Malawian GDP, while in 1979 with a stagnant proportion the manufacturing sector contributed about 13 per cent and the construction sector 6 per cent to the GDP (STATISTISCHES BUNDESAMT WIESBADEN 1962, p. 17). However, within this contribution the share of subsistence manufacturing contributing to the GDP declined constantly from 20.5 per cent in 1970 to 12.9 per cent in 1980. The decrease of proportion of the subsistence construction sector wasn't that rapidly declining only from 19.2 per cent in 1972 to 16.4 per cent in 1980 (IBRD 1982, p. 4).

The number of employees in the informal sector was not estimated on secure information, until in 1983 the University of Malawi surveyed 5 districts covering more than 16 per cent of the Malawian population and representing a fairly well distributed sample (ETTEMA 1983, pp. 42-43). According to this survey the number of small-scale enterprise units within Malawi is estimated at about 19,000. Adding to it another

estimate of 7,000 employees the total labour force within this sector would be in the order of magnitude of 26,000 which is close to other estimates (GITEC 1982, p. 8). These figures imply that 'informal' small-scale industry makes up 37 per cent of the Malawian secondary sector's labour force. Estimates of CHUTA: and LIEDHOLM (1982, p. 113) for Sierra Leone are, compared to these figures, far higher, where

> *“on average small enterprises constitute more than 90 per cent of manufacturing undertakings in developing countries and may account for over one-half of total employment, with the possibility of employing even more.”*

The figures of the survey conducted by the University of Malawi indicate a share of small-scale enterprise employment of only 1 per cent in the total labour force. This means that village crafts such as mat, basket and pot making cannot be included. But even so the importance of Malawian small enterprises in the Malawian economy is obvious.

3.2. Distribution of village crafts and small-scale enterprises

The majority of small enterprise units are established near their potential customers, that is mainly Blantyre, Zomba, Lilongwe and Mzuzu. According to the 1983 sample survey (ETTEMA 1983, p. 16) 42 per cent of the small enterprises are located in urban areas, where acquisition of required intermediate products and spare parts is cheaper because of diminished transport costs, and where availability is more reliable than it is in rural areas.

However, that leaves 58 per cent of the estimated units to rural areas compared to less than 20 per cent of large-scale industrial units, which moreover consist to a great part of tea processing plants around Mulanje and Thyolo in the Southern Region.

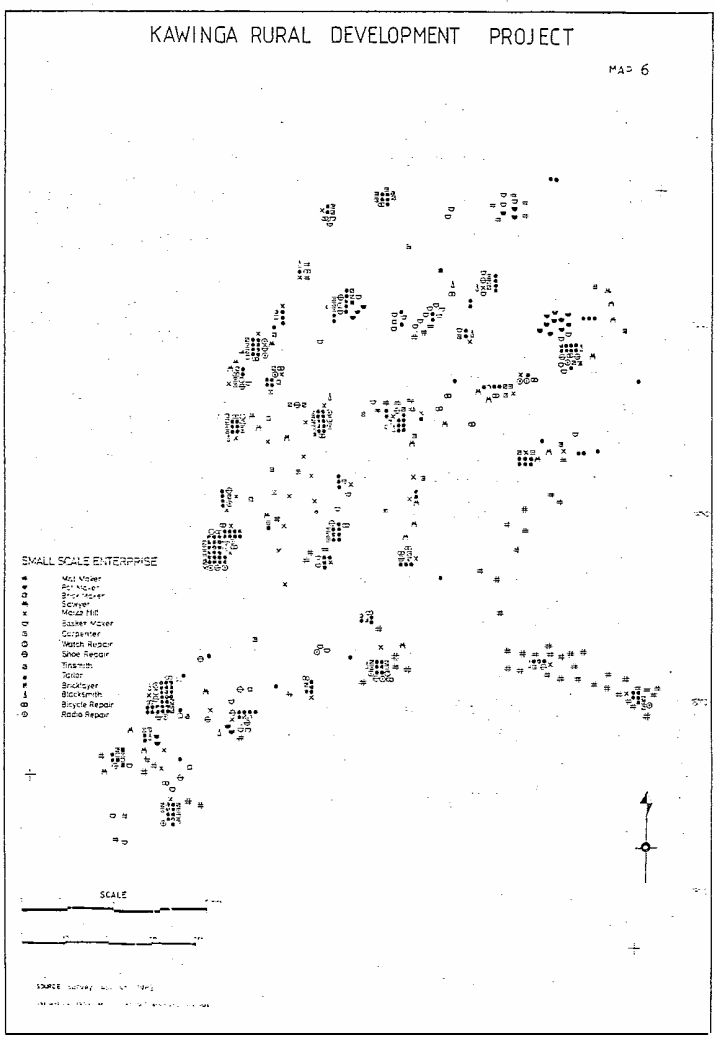
The high proportion of small enterprises in rural areas is for one part (28 per cent according to ETTEMA 1983, p. 16) motivated by the high number of village craftsmen in occupations of very low informality, such as mat, basket and pot making, who prefer the location inside and near the villages. Craftsmen in general can't afford a workshop and are not forced to it, since production can be conducted within their home or in the open air. But the location of village crafts is bound to the existence of raw materials such as clay, bamboo, reeds and palm leaves. Therefore clusters of pot makers can be distinguished at Ntcheu in the Southern Region, where clay is available in good quality.

A basket belt can be made out stretching along both sides of the Main Road M1 between Blantyre and Liwonde. This basket belt is continued by a mat belt to the North along Lake Malombe and Lake Malawi, to the South into the Elephant Marshes and to the East around Lake Chilwa and Lake Chiuta. While the high frequency of customers along Ml is responsible for the high number of basket makers in this area, the availability of reeds, which are mainly used by mat makers, restricts those to the lake areas. For all village crafts the opportunity for sales along the road is as important as sales in their own villages and on markets.

The remaining 30 per cent of small enterprises in rural areas are provided by construction, manufacturing and service businesses. In 1979, 80 contractors and 400 commercial brickmakers were registered mainly in the urban centres. Unfortunately no figures are available for their total number in rural areas, but following the presented

study brickmakers are common in rural areas, while the expenses for contracting bricklayers are generally too high for the modest cash incomes of rural population.

Small manufacturing enterprises have concentrated in a very few sub-sectors. Surprisingly there is only a very small number in metalworking (blacksmithing) and food pro-cessing, which are the domain of medium and large-scale industries (ARBELL 1978, p. 4).



Clothing, tinsmithing and carpentry account for almost all the production of small-scale enterprises in Malawi. In the rural areas backward and forward linkages are difficult to realize, and the purchasing power of the general public is generally too low to allow an expansive small enterprise sector other than in construction related activities (e.g. carpentry and wood sawing). Grain mills, being on the uppermost end of informality close to formal small enterprises, are equally distributed over rural areas adjusting to the spatial pattern of demand, since their almost exclusive customers are villagers. Tailors as well as the service trades, predominantly repair services of consumer goods such as bicycles, radios, watches and shoes, have a strong preference for Trading Centres and towns (ETTEMA 1983, p. 17). Their services are reasonably priced, and therefore these costs can also be brought up by villagers.

Trading Centres and towns offer a good centrality through traffic connections, and moreover the repair services are not as dependent upon the procurement of input materials as are the manufacturing branches.

In general it can be stated that the location of village crafts and of the branches processing raw materials follow the pattern of input sources, while manufacturing of intermediate products and service businesses orientate towards the pattern of demand.

II. ECONOMIC INTERDEPENDENCES OF CRAFTS AND SMALL-SCALE ENTERPRISES WITH THE KAWINGA REGION

In this chapter it will be tried to point out the regional conditions directing and limiting the internal structure of village crafts and small enterprises with regard to the procurement of input materials and the production and marketing of final products.

1. The General Scope of Economic Conditions

1.1. The rural population as major source of demand for products and services of crafts and small enterprises in a rural area

The number of inhabitants of Kawinga RDP in 1981 had a share of 2.3 per cent in the total number of Malawi's population. The majority of this population belongs to the Yao tribe, a bantu-speaking people of mostly islamic religion, whose social system is based on matrilineage, i.e. group membership.

1.1.1. Spatial distribution and age structure of the Kawinga population

Following the topographic and hydrologic features of Kawinga RDP which are shown on Map 2, the most populated areas are situated along the dambo (periodic river) system on the Kawinga Plain, while the hill zone in the North is only sparely populated. The best soils in this northern region are occupied by tobacco estates, within T.A. Nyambi alone 61 per cent of the total agricultural land (TOWN AND COUNTRY PLANNING DEPARTMENT 1983, p. 14). The marsh zones around Lake Chilwa and Lake Chiuta are unpopulated except for fishermen. 30 per cent of the total number of farmers, but 70 per cent of the lakeshore farmers, are engaged in fishing, especially during the dry season, when no farming activities are conducted. During dry season, when the marsh zone boundaries of Lake Chilwa are retreating, some cattle is kept in this dried-out area. Therefore subsistence agriculture is restricted to the Kawinga Plain and the foothill zones, which are left from the tobacco estates.

TAB 2. Population Densities and Growth Rates within Kawinga Region

Area	sqkm	Pop. 1966	Pop. 1977	Dens. 1977 in ha/km²	AAGR in % 1966-77
Mlomba-Nsanama-	277	21,700	34,600	125	4.3
Chikweo	81	4,900	7,100	85	4.4
Mikanthu-Nampeya	211	14,700	22,000	104	3.7
Nselema-Malundani	227	14,400	20,000	88	3.0
Nyambi -Ngokwe	185	7,400	9,900	54	2.8
Ngokwe South	98	6,400	7,700	78	1.7
Namanja-Nayuchi	123	12,500	14,900	121	1.6
Mpili-Chiuja	172	17,300	18,700	109	0.7
Mkwepele	23	3,500	3,500	152	0.0
Total	1,397	102,800	138,400	100	2.9

Source: OFFICE OF THE PRESIDENT AND CABINET 1982, p. 47

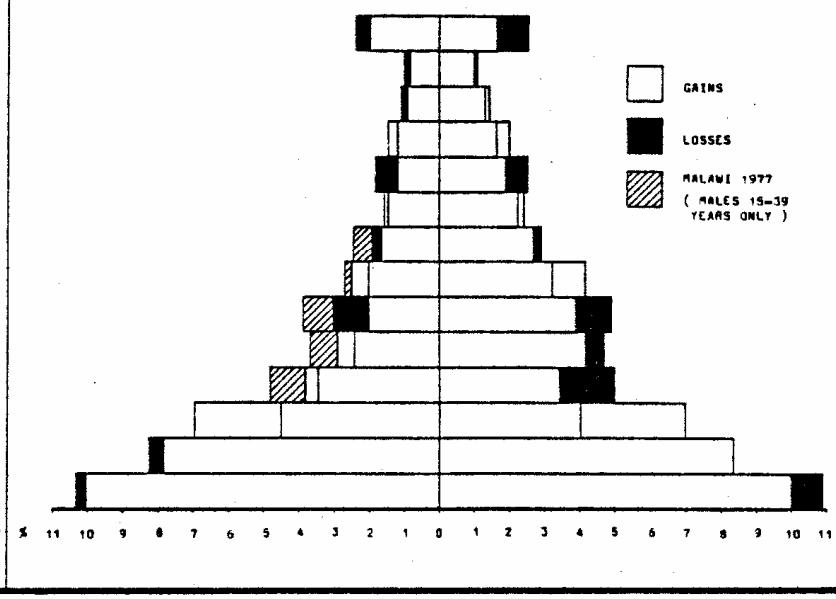
As can be seen on Map 7 below, population is concentrated along the Secondary Road S56 around Nsanama and Ntaja. For estimating the future potential of small-scale enterprise development in Kawinga, the growth rates of population in the different areas are of high importance.

Table 2 above indicates that the total annual population growth rate in Kawinga RDP with 2.9 per cent is well above the national average of 2.6 per cent. Furthermore it becomes distinctive that population growth is highest along S56, in the subchief centres of Chikweo, Nyambi and Ngokwe, and in Nampeya, while the other areas gained population at a much lower rate. In the medium term future these areas could constitute regions of increasing demand for products and services of village crafts and small enterprises. When comparing the migration pattern of these regions on Map 2, it becomes obvious that immigration is responsible for this population growth only to a small extent, i.e. along the southern part of S56 and within T.A. Nyambi. On the contrary densily populated areas such as the regions around Mpili and Mikoko in 1982 were losing inhabitants through family emigration already.

Therefore population growth to a great part has to be accelerated by high birth rates. The population pyramid shows the share of male and female population in 100 inhabitants. Although these figures include the region west of Kawinga RDP, which contents another Development Planning Area called Kawinga II, proportions should not be distorted significantly.

FIG 1. Age Distribution of Male and Female Population within Kawinga

Age	Male		Female	
	1977	1982	1977	1982
65	2.4	2.0	2.5	2.1
60-64	1.0	0.8	1.1	1.0
55-59	1.1	0.9	1.3	1.4
50-54	1.2	1.5	1.7	2.0
45-49	1.8	1.2	2.5	1.8
40-44	1.5	1.6	2.2	2.4
35-39	1.9	1.7	2.9	2.7
30-34	2.0	2.5	3.2	4.1
25-29	3.0	2.0	4.9	3.9
20-24	2.4	2.9	4.7	4.2
15-19	3.5	3.8	5.0	3.4
10-14	4.5	7.0	4.0	7.0
5-9	8.2	7.9	8.3	8.3
0-4	10.3	10.0	10.9	9.9
Total	44.8	45.7	55.2	54.3



Source: OFFICE OF THE PRESIDENT AND CABINET 1982, p.46, Annex pop.

This overall age structure of population in Kawinga compared to the total population of Malawi indicates an under-representation in the male 10 to 35 years groups. This might serve as an indicator for the high amount of labour emigration into economically more active regions in Malawi.

1.1.2. Income generation and income distribution

Especially for the male 25-29 years group there is a lack of almost 10 per cent during the period of 1977 to 1982.

Although the organised labour export to Zambia and Zimbabwe was abandoned in 1974, there is still about 6 to 1% of the work active population from Kawinga outside the project area (partly within, partly outside Malawi). It seems that especially young people (20 to 24 years) are going out temporarily for getting cash to build up a household etc. (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1982, p. 4)

While prevailing employment opportunities abroad exist in mining, the opportunities within the country are restricted mainly to agricultural employment. Contract work on estates offers reasonable cash income for the rural household. The disadvantage of staying outside the family is in most cases outweighed by the fact that the harvest of tobacco and tea occurs to a later season than domestic field work. The Ganyu system on the other hand consists of paid farm work on other, mostly larger subsistence farms in the neighbourhood. The disadvantage of low cash payments, sometimes in kind like self-brewed beer or food, and the fact that the farmer has to split his labour during the same season between Ganyu and his own farm stands against the advantage of lower distances to his home farm. Normally farmers look for Ganyu opportunities after their fieldwork is done. Another income possibility is the catching or trading of fish.

The need for additional cash income to the subsistence farming is pressing. More than 95 per cent of the total population in Kawinga RDP gets its living out of subsistence farming, the average farm size being about 1 ha. The distribution of total population on different farm size categories tends to the high and low farm sizes:

TAB 3: Distribution of Population and Cultivated Area by Farm Size

farm size	total peculation				total cultivated area			(in ha)
category	1980/81	%	1981/82	%	1980/8!	%	1981/82	%
<0.4	25,996	19	25,849	18	1,850	6	1,723	5
0.4-<0.8	45,698	33	35,297	25	7,600	25	5,882	15
0.8-<1.2	32,155	24	23,975	17	7,995	26	6,285	17
1.2-<1.6	14,366	10	17,289	12	4,440	15	5,076	13
>1.6	18,607	14	37,655	28	8,355	28	19,129	50
Total	136,822	100	140,065	100	30,240	100	38,095	100

Source: LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1983, part III, p. 10

When taking constant prices, the total income from agricultural production per family rose by 26 per cent from MK 68.9 in 1980/81 to MK 86.9 in 1981/82. Up to an average farm size of 1.2 ha the family size increases from 3.6 persons per family to 5 persons per family (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1983, p.9). Farm income from cattle farming and rice planting is improving and will most probably rise sharply within the near future. Especially in areas, where the National Rural Development Plan is being executed, these aspects of income development in the sub-sistence sector are of crucial importance for the small-scale enterprise sector.

The development of demand also depends upon the structure of needs with increasing income. It might happen that many products of the informal sector will be substituted by

higher value products with rising income. This income elasticity of demand is one of the crucial parameters for analysing the market demand for small-scale industrial goods. Theoretically it is often argued that on the demand side the products of small enterprises are viewed as being inferior and are replaceable by better mass-produced, standardized products of large-scale capital intensive industry. But LIEDHOLM and CHUTA (1976, p.6) cite the studies undertaken by EYERLEE and KING to demonstrate that with few exceptions the income elasticity coefficient of small-scale industrial products is fairly high.

Following this argumentation demand for the most part depends upon the future increase of income and upon the variety and quality of products and services which are mainly offered in the rural areas.

1.1.3. Focal points of demand for products and services of crafts and small-scale enterprises

Growth in the agricultural sector mainly depends upon the utilization of additional mechanical and other types of inputs (fertilizers, finance, extension work). It is expected that the Government will continue to give priority to the agricultural sector. Therefore, it may be expected that there will be an increasing demand for farm inputs as well as for the processing of farm produce (DE JONG 1979, p.18).

In progress of the 'Green Revolution', which is taking place in many developing countries, the dependency upon imported agricultural implements is growing dangerously. The occupation of the blacksmith, in most other countries well distributed, is hardly to find within Malawi. This kind of occupation will have to grow in order to content the envisaged increase of demand for agricultural implements.

The present demand for agricultural inputs which are supplied by small rural enterprises is restricted to ox-carts, which are constructed by two carpenters within Kawinga RDP, and to some small repairs, which are conducted by the few blacksmiths in the area.

The only processing work of farm produce is done by the grain mills, where maize, cassava, rice and millet are milled in often very small quantities for all segments of the rural population. Other customers of grain mills are the estate workers in the northern region, and mission workers from Mpili Mission. Pot and basket makers supply goods for agricultural use as well as for consumption, sometimes selling to traders, who again offer these products in the centres or along the main road.

Most demand of small enterprise products is created for the manufacture and repair of villagers' consumer goods. Tailors produce all sorts of clothing, estate workers and local traders beside village farmers belong to their main customers. Government orders, for instance for school pants, are rare, but well asked for, since one order gives the businessman a long lasting income. Tinsmiths and carpenters mainly produce for the farmers' household needs, pots and buckets are also sold to traders and estate workers, while wooden products of larger sizes can almost entirely be afforded by other businessmen. The repair services also serve mainly village farmers, but relatively often repaired watches, radios and leather products are sold to villagers and traders. A special category of consumer goods, which highly depend upon personal income developments and which seem to have good prospects for a growth of small-scale enterprises, are building materials. Sawyers, brickmakers, bricklayers and carpenters deliver products and services to Government firms and more prosperous farmers. Local

bricklayers usually are not commissioned for Government projects in Kawinga, since mostly builders are contracted from larger firms, e.g. in Liwonde. There would be some employment potential in case this policy would be changed.

1.2. The facilitating role of Trading Centres in the marketing situation

The second important parameter is the connection of rural production with regional and supra-regional locations of existing demand through a stratum of established traders. Unfortunately, however, no strong Malawian trading class has developed since the eviction of Indian traders in 1974 (LIENAU 1981, p.126). These Asians, who organized retail trade and to a large extent also the wholesale trade in Malawi's rural areas, left an economic vacuum which has not been filled yet by Malawian traders. Therefore rural enterprises have to rely upon regional demand, which is met mainly in the Trading Centres.

1.2.1. The distribution of crafts and small-scale enterprise units and turnover by centrality of locations

In the Kawinga survey, which was conducted by the author during August and September 1983, 7 different kinds of location with a declining centrality had been defined: Major Trading Centres, Minor Trading Centres, Markets, along the Road, Estates, Villages, and Remote Areas. The 14 different branches, which were identified during the survey, are attached to the categories of Village Craft, Processing, Manufacture and Services (SCHÄTZL 1981, p. 26): Village crafts comprise mat/basket makers, blacksmiths and pot makers. Processing includes sawyers, brickmakers and grain millers. Production consists of tailors, carpenters and tinsmiths, and the service businesses are represented by watch repairs, radio repairs, bicycle repairs, shoe repairs and bricklayers.

TAB 4. Distribution of Village Crafts and Small Enterprises by Centrality of Location within Kawinga RDP, 1983 (see Map. 6 'Small Scale Enterprise')

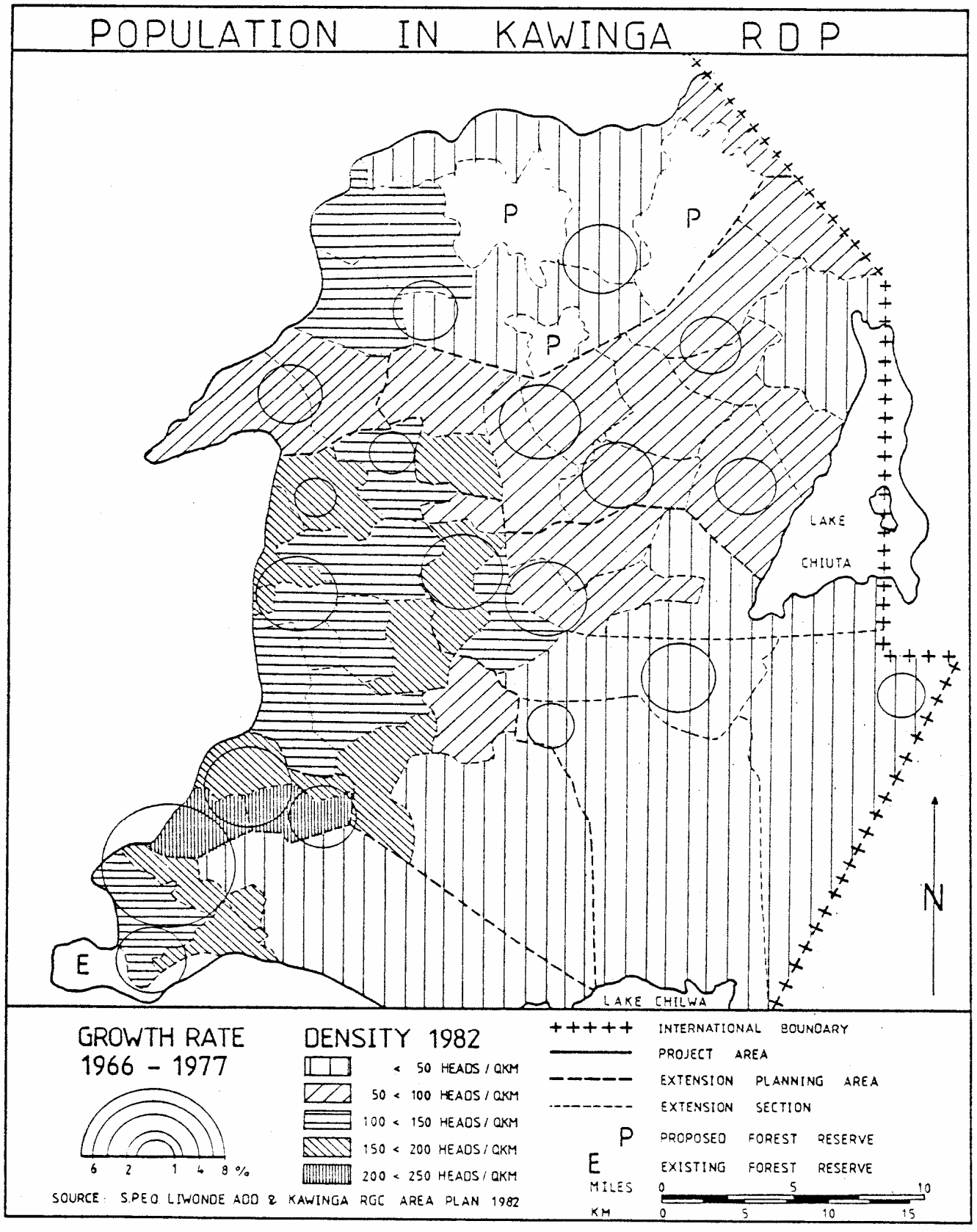
Location	Village Crafts			Processing				Manufacture				Services						Total	
	1	2	3	(%)	4	5	6	(%)	1	8	9	(%)	10	11	12	13	14	(%)	
Major T.C.	27	5	9	(33)	6	6	17	(59)	140	23	25	(62)	14	8	14	15	2	(54)	311
Minor T.C.	9	1	1	(18)	6	3	8	(14)	30	10	6	(19)	4	9	1	7	3	(16)	89
Market	6	2	1	(9)	1	1	6	(10)	25	5	2	(8)	2	1	3	1	0	(10)	56
Along the Road	-	1	1	(14)	3	1	7	(9)	20	6	1	(7)	4	0	1	0	1	(8)	47
Estate	-	-	0	(0)	0	0	0	(0)	0	0	0	(1)	0	0	0	0	1	(0.1)	1
Village	-	15	4	(17)	1	1	13	(8)	15	9	1	(2)	1	0	0	1	1	(11)	61
Temote Area	-	0	0	(9)	7	1	0	(0)	0	0	0	(1)	1	0	0	0	0	(2)	9
Total	42	24	16		24	13	51		230	53	35		25	10	19	24	8		574

Legend:

- unknown	5 Brickmaker	10 Bicycle Repair
1 Mat/Basket Maker	6 Grain Miller	11 Watch Repair
2 Pot Maker	7 Tailor	12 Radio Repair
3 Blacksmith	8 Carpenter	13 Shoe Repair
4 Sawyer	9 Tinsmith	14 Bricklayer

Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

Unfortunately figures for village crafts cannot be complete, since it was impossible to identify all basket, mat and pot maker outside the Trading Centres and markets. But even so it becomes distinctive that Trading Centres with together 70 per cent of the total number of small-scale enterprise units play an overwhelming role in the marketing situation within this rural area.



It is especially the manufacturing and service branches, which contribute most to this high proportion. Taking alone these two categories, they make up for more 75 per cent of all businesses located in Trading Centres, which is due mainly to the high number of tailors. This overall picture becomes even clearer, when the total monthly turnover is compared in the different locations:

TAB 5. Distribution of Total Monthly Turnover by Centrality in Kawinga, 1983

Location	Village Craft		Processing		Manufacture		Services		Total	
	MK	%	MK	%•	MK	%	MK	%	MK	%
Major T.C.	220	-	5,680	33.3	9,800	65.1	2,350	44.7	18,060	47.8
Minor T.C.	130	-	2,880	16.9	1,620	10.8	2,000	38.0	6,630	17.6
Market	80	-	1,500	8.8	930	6.1	130	2.4	2,640	7.0
Along Road	-	-	2,400	14.1	1,140	7.6	350	6.5	3,890	10.3
Estate	-	-	0	0.0	0	0.0	210	4.1	210	0.6
Village	-	-	4,100	24.0	1,560	10.4	220	4.2	5,880	15.5
Remote Area	-	-	500	2.9	0	0.0	10	0.1	510	1.3
Total	-	-	17,060		15,050		5,370		37,820	

Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

These figures are estimates, which were calculated by multiplying the average monthly turnover of interviewed enterprises by the actual number of localised businesses. According to these estimates about 65 per cent of total turnover of small-scale enterprises is generated in Trading Centres. This again leaves out the village crafts.

Within these Trading Centres 73 per cent of the manufacturing units contribute about 75 per cent and 81per cent of the service units about 83 per cent to the total turnover of these branches.

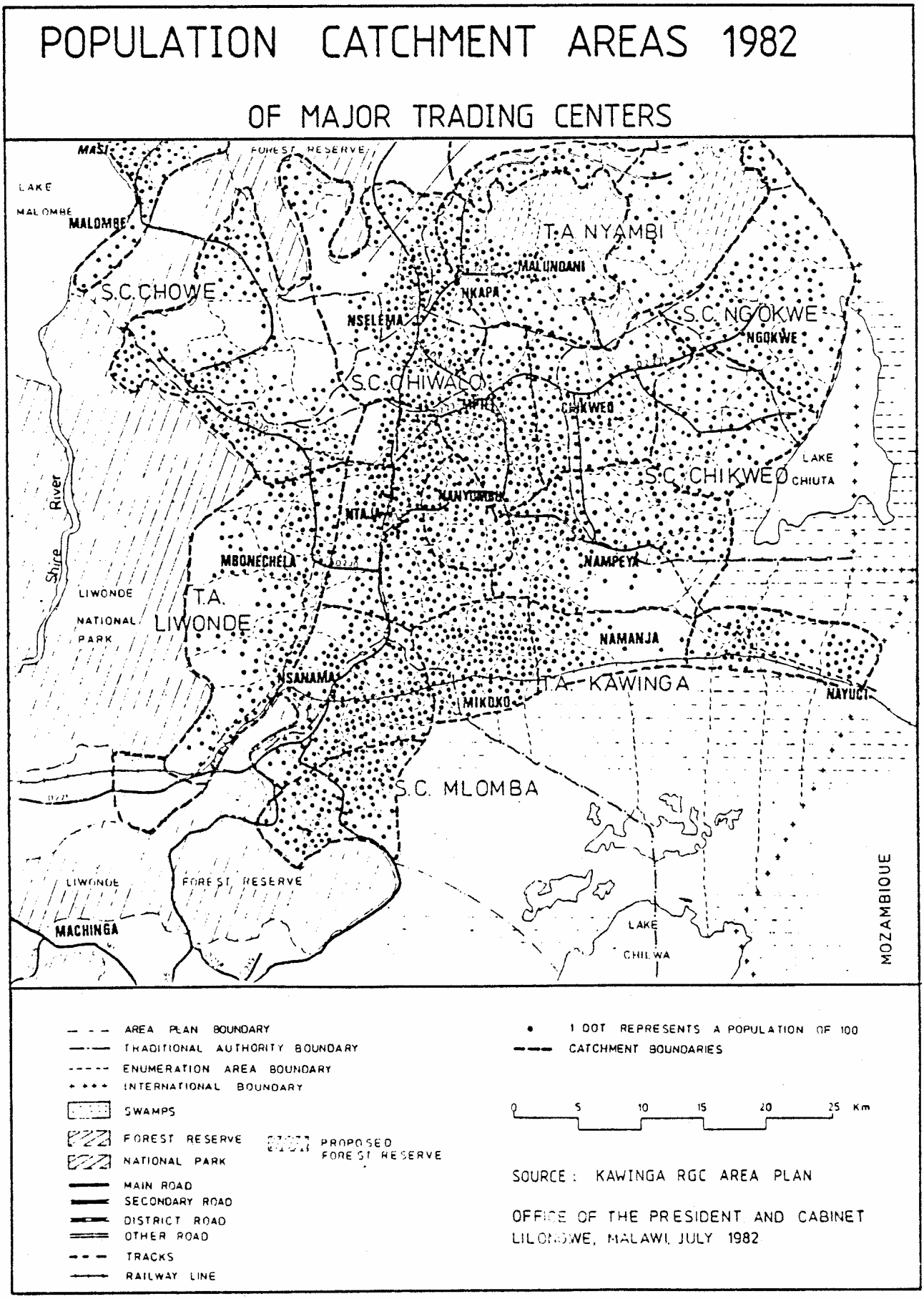
1.2.2. Location and facilities of Trading Centers within Kawinga RD?

According to the Central Places Statistics of the Kawinga Rural Growth Centre Area Plan'(OFFICE OF THE PRESIDENT AND CABINET 1982, p. 45) 16 different categories of facilities can be attached to a Trading Centre, thereby pointing out the distinction between major and minor Trading Centres. Facilities, which mark a Trading Centre of higher centrality, are Government Headquarters, ADMARC depots or markets, energy supply, community facilities, Education and Health Subcentres, resthouses, trading shops and the connection to public transport and postal services (see Map 5 ‘Infrastructure’).

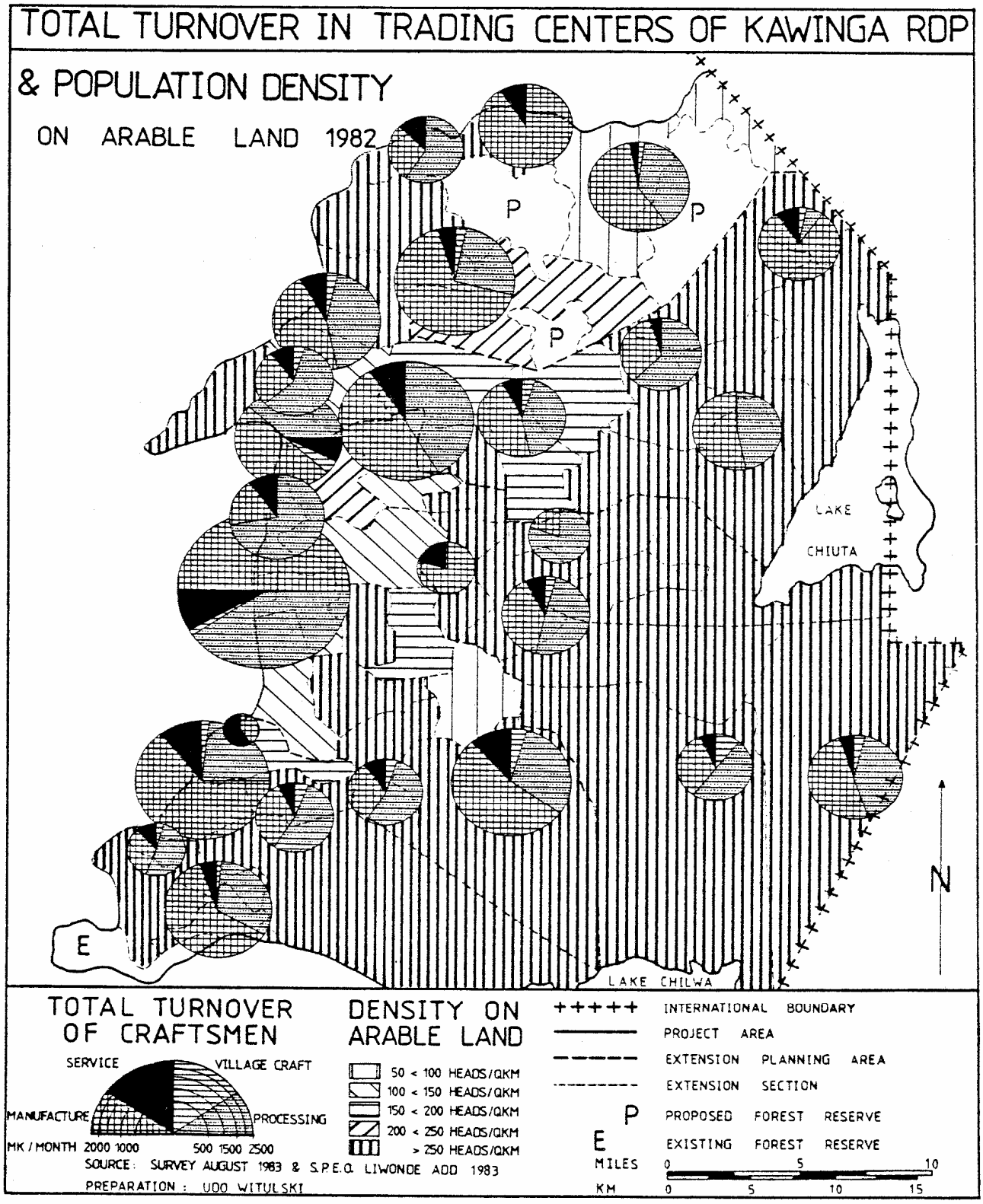
The four most important Trading Centres Ntaja, Nsanama, Mpili and Nselema are all located along or near Secondary Road S56. While all mentioned facilities exist in Ntaja, and most of them in the three other Trading Centres, the rest of the major Trading Centres show only a certain amount of them. The distinction between major and minor Trading Centres lies in their importance for the rural population. The number of trading shops, craftsmen and village population is far lower in minor Trading Centres.

The major distinction between minor Trading Centres and markets lies in the absence of solid-built trading shops in market villages. The market villages have a low centrality, the trade of agricultural goods attracts only the population of the surrounding villages.

MAP 8. Population Catchment Areas of Major Trading Centres within Kawinga



1.2.3. Distribution of crafts and small-scale enterprises and turnover in the different Trading Centres



The centrality of Trading Centres is indicated by the catchment area of rural population. According to the definition of catchment areas by different average travel time in the Kawinga Rural Growth Centre Area Plan. (OFFICE OF THE PRESIDENT AND CABINET 1982, p. 21) (see Map 8 'Population Catchment Areas'). 15 major Trading Centres within Kawinga RDP are being compared with the number and type of units located within these Trading Centres:

TAB 6. Comparison of Population and Small Enterprises in Catchment Areas of Trading Centres within Kawinga RDP, 1983

Center	Population in Catchment Area	Small-Scale Enterprise Units in:					Total
		V. Craft	Process	. .Manufac.	Service	Total	w/t Craft
Ntaja	19,300	1	5	30	10	46	45
Nsanama	16,800	1	1	26	8	36	35
Nselema	16,300	1	4	8	4	17	16
Nampeya	15,200	1	1	5	3	10	9
Chilala	13,000	5	2	5	3	15	10
Chikweo	11,000	4	1	10	2	17	13
Mpili	10,000	0	2	15	4	21	21
Chibwana	9,800	1	2	13	2	18	17
Nyambi	9,500	6	1	12	3	22	16
Ngokwe	9,100	4	1	11	3	19	15
Mlaluwele	7,300	0	2	8	0	10	10
Nayuchi	6,900	6	1	8	1	18	12
Mkwepele	6,200	0	0	9	2	11	11
Namanja	3,800	7	2	10	5	24	17
Mwitia	3,200	3	1	7	1	12	9
Total	157,^00	40	26	177	51	322	282

Source: OFFICE OF THE PRESIDENT AND CABINET 1982, p.41, Annex pop. & KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

Under the assumptions of homogeneous structures of population needs and of an equal distribution of income, and taking into account only the potential demand generated by the population within the different catchment. areas, some Trading Centres (Nyambi, Nampeya, Chilala, Chikweo, Ngokwe, Mlaluwele and Nselema) theoretically show an unsupplied demand for products of different categories. With the exception of Nselema, which is situated on S56 North, it is the Trading Centres located in a distance of more than half a day's-march from the major traffic routes, that is 356 and the railroad, which show a deficiency of manufacture and service units. These Trading Centres might presently represent a potential location for small enterprises, where needs are existent and where centrality might even rise within the near future.

When the turnover generated in different Trading Centres is compared with density on arable land, however, some conclusions for the future potential of crafts and small businesses can be drawn for each location (see Map 9 ‘Total Turnover in Trading Centres’). In general, the amount of turnover corresponds with these population densities along or nearby 856. This holds true especially to Mlomba Subchief Area with its highest population growth, and to Chiwalo Subchief Area, where population growth is restricted to the areas outside estate land. In contrary, turnover in the marsh zones and shore areas of Lake Chiuta and Lake Chilwa is relatively low in the Trading Centres, in whose vicinities most of the arable land is located, and where pressure for arable land is becoming stringent already. Ntaja as the main centre with highest turnover still shows some potential of arable land.

Since, after reaching the upper limit of bearable agricultural population, when all reserve land is distributed, farm sizes on average have to become smaller. Following this argumentation, generation of total demand is lower in areas with high population pressure on arable land, due to smaller farm sizes compared to areas with lower population pressure. This applies mainly to areas totalling only a small number of population such as in the East of Kawinga RDP, whereas enterprises in areas with high numbers of total population such as Mlomba Subchief Area and the Northwest of T.A. Nyambi still show high turnover rates due to high total demand.

Also turnover of interviewed enterprises was generally higher in the West of Kawinga KDP along or close to S56. The same situation applies to the spectrum of offered products and services in the manufacture and service

branches with the exception of carpenters, who also supply a broad palette of articles in villages and. Trading Centres in the East of the region.

As a result it can be summarized that potential for small-scale enterprises is highest in the West part of Kawinga RDP, and that settlement of enterprises will most probably develop into that direction, since obviously income structure is inhomogeneous within this region.

1,3. Procurement of raw materials and intermediate products

1.3.1. Condition and importance of traffic infrastructure within Kawinga

The Kawinga region is connected with the rest of the Southern Region by mostly non-bituminised roads. The most important road, the Secondary Road S56 in the West of the region, leads northbound to Namwera and further in a wide circle into the Shire Valley near Mangochi. To the South it connects Kawinga to the Main Road Ml about 30 km north of Zomba. In the course of NRDP-measures the District Road D221 from Liwonde was bituminised up to the top of the escarpment about 15 km west of Nsanama. Today this road represents the most frequented all-weather road connecting the 356 to the Shire Valley.

A forth non-bituminised road links Kawinga directly to Mangochi, by reason of route conduct however, it is hardly passable during dry and impassable during rainy season.

A daily bus schedule with 2 busses per day exists on D221 between Liwonde and Ntaja, and on 356 between Zomba and Namwera (Ntaja to Namwera during dry season only) (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1982, p. 9). According to the Kawinga Survey 30 per cent of the processing, 45 per cent of the manufacturing and more than 70 per cent of the service craftsmen have to rely upon the bus system in order to get their supply of intermediate goods. A high percentage (50 per cent) of the grain millers and brickmakers dispose of a car or truck. While those of the millers are normally owned by the businessman, the brickmakers work in commission either of the Government or of a company, which owns the vehicle.

About one third of the carpenters and some brickmakers either rent or own an ox-cart for the transport of their heavy products. But the most important mean of transport is the bicycle. About 60 per cent of the businessmen in Kawinga transport large quantities of goods that way covering considerable daily distances. More than 80 per cent of the processing and 55 per cent of the manufacturing entrepreneurs have a bicycle at their

own disposal, about one third of the other businessmen. Tours, for instance to Liwonde, by bicycle are very common for the provision of materials.

Another possibility for procuring materials and goods is the train. Almost 10 per cent of the interviewed businessmen use the one railway line, which branches of the main railway Blantyre-Lilongwe near Liwonde leading to Nacala/Mozambique. This railway connection runs through Kawinga on top of a West-East directed sand bar between Lake Chilwa and Lake-Chiuta. With 6 stations (Molipa, Nsanama, Chilala, Namanja, Likhonyowa and Nayuchi) it offers reasonable shipping opportunities. This railway line serves mainly the import and export traffic to Mozambique with 2 daily trains. The total freight volume, of local goods accounts to less than 30 per cent, mainly for the supply and shipments of ADMARC markets, for the transportation of dried fish from the lake regions and to a small extent for passenger transport (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1982, p. 9). For craftsmen living along the railroad these 2 daily trains offer a good' opportunity to procure materials with high transport costs like wood planks or tin sheets.

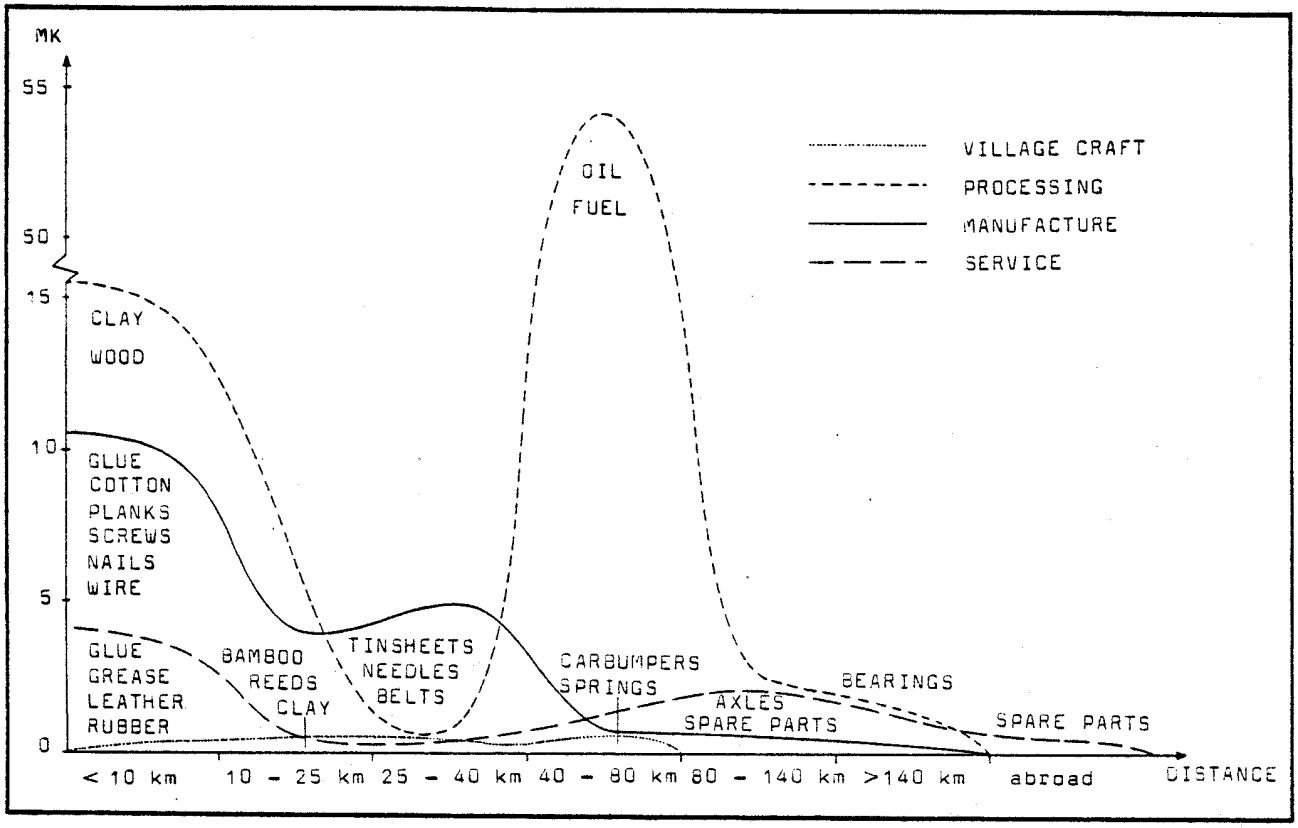
A last opportunity, especially for radio and watch repairs, where spare parts are light, offer the post offices in Ntaja, Nsanama and Mpili. By .this mean the R.S.A. serves as a supplier of these materials, since they are not obtainable within Kawinga region and often out of stock even in Blantyre or Zomba.

1.3.2. Sources of supply of raw materials and intermediate products

A distinction of input materials by low, medium and high quality can be drawn from the distances between sources of supply and location of demand. Raw materials like clay, reeds, bamboo and wood are obtained within the region, intermediate products of low and medium quality are offered in the Trading Centres. Input materials for medium-term needs are supplied in Liwonde or Mangochi, while for the procurement of high quality inputs such as spare parts and components the entrepreneur has to travel as far as Zomba or even Blantyre. The range of materials of short, medium and long-term needs for the different business categories is shown in the Figure below :

However, the range of material procurement does not express the expenditures, which the entrepreneur has to spend for transportation. A procurement map with frequencies of material transport from the different locations of supply (see Map 10 ‘Procurement of Input Materials’) shows the centrality of major sources of raw materials and intermediate products, and might in addition give an impression of required expenses for transports. This indicates that the procurement of materials of the village crafts is restricted to the Kawinga region with the exception of blacksmiths, who trade in springs, car bumpers or similar iron waste in Liwonde or Zomba. The processing sector acquires firewood within Kawinga and spare parts and components in Blantyre, most tours within this category, however, are undertaken by grain millers to Liwonde in order to obtain diesel and oil to run their milling engines. Intermediate products for the manufacturing businesses can be purchased to a large extent in Ntaja, only rarely does the entrepreneur have to go to Liwonde,. Mangochi, or even further. Spare parts and some input materials of high quality like axles, but also often tin sheets, have to be obtained in Zomba or even Blantyre. Only some service trades such as bicycle or radio repairs buy material (soldering wire, oil, polish, borax) in Ntaja or Liwonde, two third of the tours are done to Zomba or Blantyre, or spare parts are obtained by mail from these locations or from the R.S.A.

FIG 2. Procurement of Raw Materials and Intermediate Products by Value and Distance, 1983 (per month and enterprise)



Source: *KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September*

In terms of travel requirements, the Kawinga region and the nearby Shire Valley supply more than 86 per cent of the business needs, with the exception of the repair services, which to a large extent have to cover their need of spare parts in Zomba and further.

1.4. Supplementary earnings to the agricultural income

One important factor to look into is the subsistence agriculture. More than 90 per cent of the interviewed businessmen are in possession of some fields, which are mostly situated in close proximity of less than 2 km to their enterprise. Two exceptions are bricklayers and grain millers, whose fields are located in a distance up to 15 km and more from their businesses.

The question is whether these entrepreneurs are better off with their business than the average subsistence farmer.

One indicator is the selling and purchasing of food crops after harvest respectively before harvest time. About one fifth of the interviewees (mostly mat/basket makers, blacksmiths, sawyers, brickmakers and watch repairs) responded positively, when asked whether they sold food crops in spring 1983. On the other hand 22 per cent (mat/basket makers, blacksmiths, grain millers, brickmakers, carpenters, radio and bicycle repairs) answered that they had to buy additional food crops during rainy season. Considering these figures the entrepreneurs did not seem to neglect their farms during the agricultural season, since the average subsistence farmer does not grow enough crops to bring him over the whole rainy season. A more accurate indicator is the cropping pattern on entrepreneurs' fields compared to the average cropping pattern

within Kawinga RDP. 95 per cent of the interviewees indicated maize as their most important food crop, 2 per cent tobacco, 2 per cent cassava and 1 per cent rice. In second line these crops were followed by cassava grown by 30 per cent, millet/ sorghum by 15 per cent, groundnuts and rice by 5 per cent of farming businessmen, in third line by 17 per cent of the entrepreneurs cassava, by 5 per cent rice, by 3 per cent beans or peas and by 2 per cent groundnuts. The cropping pattern of subsistence farmers within Kawinga RDP shows a lower proportion of staple crop cultures. While the percentage of maize-growing households with 98 per cent is almost the same, tobacco is grown by almost nobody as leading crop culture (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1982, p. 5). Especially the fact that a second crop is grown by 55 per cent and a third crop by more than 25 per cent of the farming entrepreneurs proves the relatively large size of their fields, since e.g. maize as main food crop has to be grown on about 1.0 ha in order to support an average household of 3.6 members over the whole year.

The possession of cattle and smallstock as a sign of prosperity signifies a far higher income for entrepreneur families. According to the 1977 Census, the number of cattle within Kawinga RDP amounted to about 111,000. On the proviso that this amount has not increased significantly during the following 4 years, a subsistence farm family owned 0.3 pieces of cattle in 1981/82 in comparison to 2 pieces owned by an entrepreneur's family in 1983. The difference in the number of owned small-stock is even higher: here an average of 2.7 goats or sheep per entrepreneur household stands in strong contrast to an average of 0.0 to 0.2 animals per household of pure subsistence farmers (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1982, p. 8). The two branches milling and brickmaking, which contribute most to these high figures, thereby provide a class of highly successful entrepreneurs, who invest considerable amounts of their income especially into livestock because of its labour extensiveness.

The last indicator is the employment of Ganyu farm labour by the businessmen. Almost 60 per cent of the farming craftsmen (72 per cent not including village crafts) employed at least seasonal labour. Millers, brickmakers and bricklayers, who can even afford to employ labourers for the whole year either for farm work or for tending livestock, are on the uppermost part of the scale. Only about one fourth of them work on the fields themselves, and in addition they are the only craftsmen who afford the expenses for hiring ox-drawn ploughs.

Finally it is the membership in a Farmers' Club, which expresses the innovative character of the businessmen in the agricultural sector. About one third of them are members in Farmers' Clubs or Groups receiving credits of up to 400 MK and more.

As a result it can be stated that craftsmen within Kawinga RDP seem to have a higher standard of living. Much of the income from the business is invested into farmhouse, farm implements and livestock, thereby creating farm employment and radiating innovating impulses, which could also effect a medium-term amelioration of all subsistence farming practices.

2. Possible External Economic Constraints

2.1. The unfavourable structure of demand

> *"Until now the emphasis has been on increasing national savings in order to cope with the ever increasing demand for funds for development projects. This has resulted in a decrease in household incomes, and thus diminishing buying power of the public. Taking 1970 as the base year, with price and average earnings index at 100, in 1975 the former stood at 157, the latter at 147." (DE JONG 1979, p. 17)*

This price index for living expenditures of lower income classes rose until 1979 to 206, while the average earnings index in agricultural employment rose from 100 in 1970 over 114 in 1975 to 164 in 1979 (IBRD 1982, p. 49). By these figures it can be seen that the situation for the employed agricultural population (where the only figures are available) did not improve between 1975 and 1979 .The earnings index was still 42 points below price index.

The situation with subsistence farming is even worse: The average annual income of MK 123 in 1981/82 (that is assuming an additional non-farm income of 30 per cent) (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1983, part III, p. 19) was very unevenly distributed in favour of the highest farm size category.

With farm sizes up to about 1.0 ha, income is used to a great part for buying additional food crops, only about 40 per cent of the population or one third of the subsistence households can spend income from agricultural production for additional needs.

TAB 7. Annual Income of Agricultural Population by Farm-Size Categories within Kawinga RDP

Farm Size (ha)	Population 1981/82	Average annual income 1981/82 (MK)	Δ Annual income 1980/81 - 1981/82 (%)
< 0.4	18.46 %	20	30.3
0,4 -0.8	25.20 %	47	31.2
0.8 -1.2	17.12 %	80	30.2
1.2 – 1.6	12.34 %	108	13.9
> 1.6	26.88 %	228	32.5
Total	140,065	123	26.0

Source: LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1983, part III, p.19

But the development of income distribution is even more unfavourable: The 26 per cent rise of income was highest in the highest farm size category. Whereas in 1980/81 the highest category had 64 per cent more income than the next lower one, the difference in 1981/82 was 109 per cent. The farm size categories up to 1.2 ha will take some time to reach the food balance level, up from where internal Terms of Trade will allow spending for products other than food. In absolute terms, food balance is still negative for almost 50 per cent of all households in the area (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1983, part III, p. 9).

Cash income from agricultural production is not only unevenly distributed over different farm sizes, but also over the course of the year. Demand rises shortly after harvesting when cash crops are sold, and it declines slowly towards the end of the dry season,

having a second peak shortly before start of the rainy season, when the villagers get their houses and equipment repaired for the farming season. Demand is on its lowest level during wet season.

It is very difficult for the craftsman to adjust to this changing demand. Especially the peak of demand before the start of the rainy season brings many craftsmen into conflict, since that is the time, when they should be on the fields preparing them for the agricultural season. During this time many entrepreneurs spend money for Ganyu wages to get their fields prepared, rather than missing the opportunity of making some profit, before their turnover declines to sometimes below profit margin.

This unfavourable income structure of the rural population might be changed through a nationwide NRDP network. The needs for products and services in rural areas are certainly existent, but the development of demand will depend mainly upon the improvement of rural income, as it was recognised in the Machinga District Plan:

It would seem likely that in advance of the RDPs having an impact on rural income, there will be little chance of a significant number of employment opportunities in manufacturing in the District (TOWN AND COUNTRY PLANNING DEPARTMENT 1983, p. VII)

2.2. Lack of an efficient trading class

Since the Asian population was restricted to the urban areas of Zomba, Blantyre and Lilongwe in 1974, most rural craftsmen struggle with the problem of extending marketing of their products beyond the range of one day's march. The establishment of entrepreneurs within the Trading Centres can compensate this disadvantage only to a certain extent as long as the circle of customers is restricted to the region. The Kawinga Survey showed that products of craftsmen in such a remote area are bought by Malawian traders only to a very small extent: Only 13 per cent of the interviewed craftsmen named local traders as customers, and even for these few craftsmen traders in their importance ranged far behind villagers and relatives. No traders coming from outside areas were named due to the lack of through roads in Kawinga RDP. This means that trade of rural craft products is restricted entirely to traders, who on the one hand dispose of close connections to their sources of supply, but who on the other hand do not have sufficient knowledge about the marketing situation in the urban areas.

About 60 per cent of traded products are bought mostly in minor Trading Centres in the hinterland of Kawinga RDP, such as Mikanthu, Mlaluwele, Machilinga, and in the Trading Centres along the railroad (Namanja, Likhonyowa, Nayuchi). Normally these products are transported to major Trading Centres, where the price difference is very low, or together with the remaining 40 per cent of traded products, which are bought in Trading Centres along or nearby S56, they might be brought to areas outside the region.

It is striking that no traders travel around in the villages in order to buy products probably at much cheaper prices.

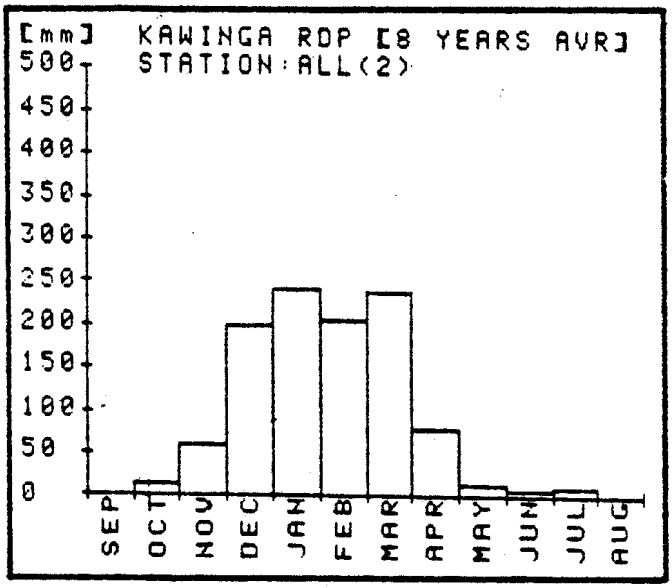
The share of trade connections is insignificantly higher (20 per cent) in the service branches, where no bicycle repairs sell to traders, and quite lower in the processing category (8 per cent), where only grain millers serve some traders. The lack of trade connections is especially evident with the village crafts and with carpenters. Among

traditional articles only baskets are dealt with, while no interviewed carpenters sold any furniture to traders. On the contrary, the share of tinsmiths sometimes selling to traders is relatively high with about 30 per cent.

One gets the impression, however, when looking at the spare supply of commodities on rural markets and Trading Centres, that the rural regions in 1974 together with the Indian population lost their most energetic economical linkages to the urban areas.

2.3. Problems of transport and transport costs

FIG 3. Monthly Rainfall Distribution



Source: LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1983, Annex III, p.2

During the rainy season with its main precipitation between December and March non-bituminised roads become almost impassable. Busses from Liwonde and Zomba do not go further than Ntaja, Mangochi is not connected at all with the Kawinga region during the wet season. But not only that all the connecting roads except D221 and 556 South are disconnected and are not being served during this time, even worse is the fact that the road network within Kawinga becomes impassable to a large extent. The amount of population, which can be reached, considerably diminishes the size of catchment areas.

These bad road conditions hinder the procurement of materials (e.g. wood, planks) and the potential transport of final products to the markets within Kawinga. The amount of time, which has to be spend in order to reach Ntaja or Nsanama, the two major local suppliers of input materials, often exceeds a normal daily tour. The problem for customers is very similar, distances become infinitive.

Transport problems during the dry season do not seem to be too severe. Less than 10 per cent of the interviewed craftsmen indicated that they had problems to serve all customers during the peaks of demand, especially during June and July, because of lack of transport or lack of material within their proximity.

But when adding the cost of transport to the material costs, considerable input costs arise for the entrepreneur (see Map 10 ‘Procurement of Input Materials’). Public busses in 1983 charged about MK 3.5 per 100 km. The return fare for one tour to e.g. Blantyre amounts to between MK 10 and MK 15, depending upon the location of the enterprise within Kawinga RDP. The price for one litre of petrol in October 1983 was about MK 1.0, one tour to Blantyre and back to Kawinga by car or small truck costs between MK 25 and MK 35. Train fares again are similar to bus fares. The opportunity costs, which arise from closing down the enterprise for one day, can hardly be estimated. Especially when the craftsman is on bicycle or on foot and the enterprise has to be shut down for the whole day, and most hindering when the material has to be purchased during times of high demand, when cash is coming in and materials are running out, opportunity costs might rise to the level of bus-fare costs.

Certainly the highest procurement costs arise for grain millers, who have to use a car or truck to buy their diesel and oil in Liwonde, since the petrol station in Ntaja closed down. The income of brickmakers and sawyers is also affected by the transport costs of heavy weight products, but the wooden planks offered by sawyers at Makongwa are normally bought by carpenters directly at the place of processing, and brickmakers do not have opportunity costs when delivering their bricks by ox-cart or truck, since products are sold already. Procurement costs do not arise to either of them, since brickmakers build up their pile of clay forms at the location, where they find suitable anthill soil, and sawyers process the cut trees in the open air right on the spot.

High transport costs have to be born by the manufacturing enterprises, mainly by carpenters for the procurement of planks, and by tinsmiths for having enough provision of tin sheets. Carpenters mostly can afford owning or hiring an ox-cart or even a truck, furthermore distances are short, since their sources of supply are within Kawinga, so that their procurement costs remain within reasonable limits. But tinsmiths normally have to depend upon public busses to Liwonde or even further, if tin sheets are not available there, thus limiting the amount of procured heavy weight material, which results in more frequent bus tours and increased transport costs.

The service trades are mostly affected by the transport costs for spare parts from Zomba, Blantyre or the R.S.A.. In case of the R.S.A. as source of supply high expenses for import duties have to be added to the shipment costs. Watch and radio repairs spend a considerable share of their income for being provided with low-weight, high-value material, while the proportion of bicycle and shoe repairs in these sources of supply is minimal. The material for the bricklaying business is provided completely by the contractor, thus limiting the total expenses of the craftsman.

The procurement of raw materials for mat and basket makers is restricted to the lake shore regions, mainly Nafisi and Likhonyowa. Blacksmiths find their iron material in the local centres of Ntaja or Nsanama, or to a small extent in nearby Liwonde and Zomba.

Remarkable is that the importance of Mangochi in the share of material procurement decreased extensively due to the construction of D221 and has reached an insignificant level, when during March to August 1983 only one interviewed carpenter from the Northern part of Kawinga RDP bought his input materials in Mangochi.

2.4. Insufficient supply of material infrastructure

The lack of electricity was mentioned by some entrepreneurs in the radio repair and grain milling branches. A few grain millers would instantly switch to electric powered engines if electricity were available. One businessman repairing radios indicated the lack of another post office to be a constraint for his business, whereas the deficiency of piped water was mentioned by only one carpenter in T.A. Nyambi.

From the small proportion of these positive answers it can be followed that lack of material infrastructure other than roads does not represent a serious constraint to the craftsmen in the region. On the contrary the lack of electricity even effects a more labour-intensive production, which is more appropriate for the employment situation in this rural area.

2.5. Competition from industrial and import products

The Republic of South Africa raised its share in total imports to Malawi from 24.5 per cent in 1975 to 41.5 per cent in 1979, while the share of the EEC-countries decreased constantly and laid already in 1977 below the one of the R.S.A. (STATISTISCHES BUNDESAMT WIESBADEN 1982, p. 17). This South African share in imports could amount to well above 50 per cent in 1983. This concentration of import products into the hands of one exporting country constitutes an unilateral dependency upon articles, which are practically omnipresent in Malawian trade shops. Together with national products, such as garments from 'Whitex & Sons' or buckets, pots, hoes and ox-drawn equipment from 'Agrimal', both situated in Blantyre, these products are distributed nationwide through 62 'Chipiku' wholesale depots (HØJBAK 1979, p. 98). Into Kawinga RDP they reach by the one 'Chipiku' depot located in Ntaja, from where certain articles such as garments are bought by local traders and thus distributed over the trading shops in all major and minor Trading Centres of Kawinga.

WILCOCK and CHUTA (1982, p. 457) claimed for rural industries in Eastern Upper Volta that

> *the first two groups - the male-dominated traditional craft industries and the female-dominated agricultural processing industries - together constitute 85 per cent of employment in this study and are almost all stagnant or declining. It is these industries - central to the economic and social life of a subsistence-oriented, largely closed economy - which are all facing severe competition from goods either imported from abroad or manufactured large-scale, import-substitution industries elsewhere in the country "..." while most of the firms in the third group (manufacturing, retail and service trades) "..." - the 'modern' informal sector - do not face these problems because they are already either retailing imported manufactured goods or engaged in repair or manufacturing using equipment and raw materials imported from outside the region."*

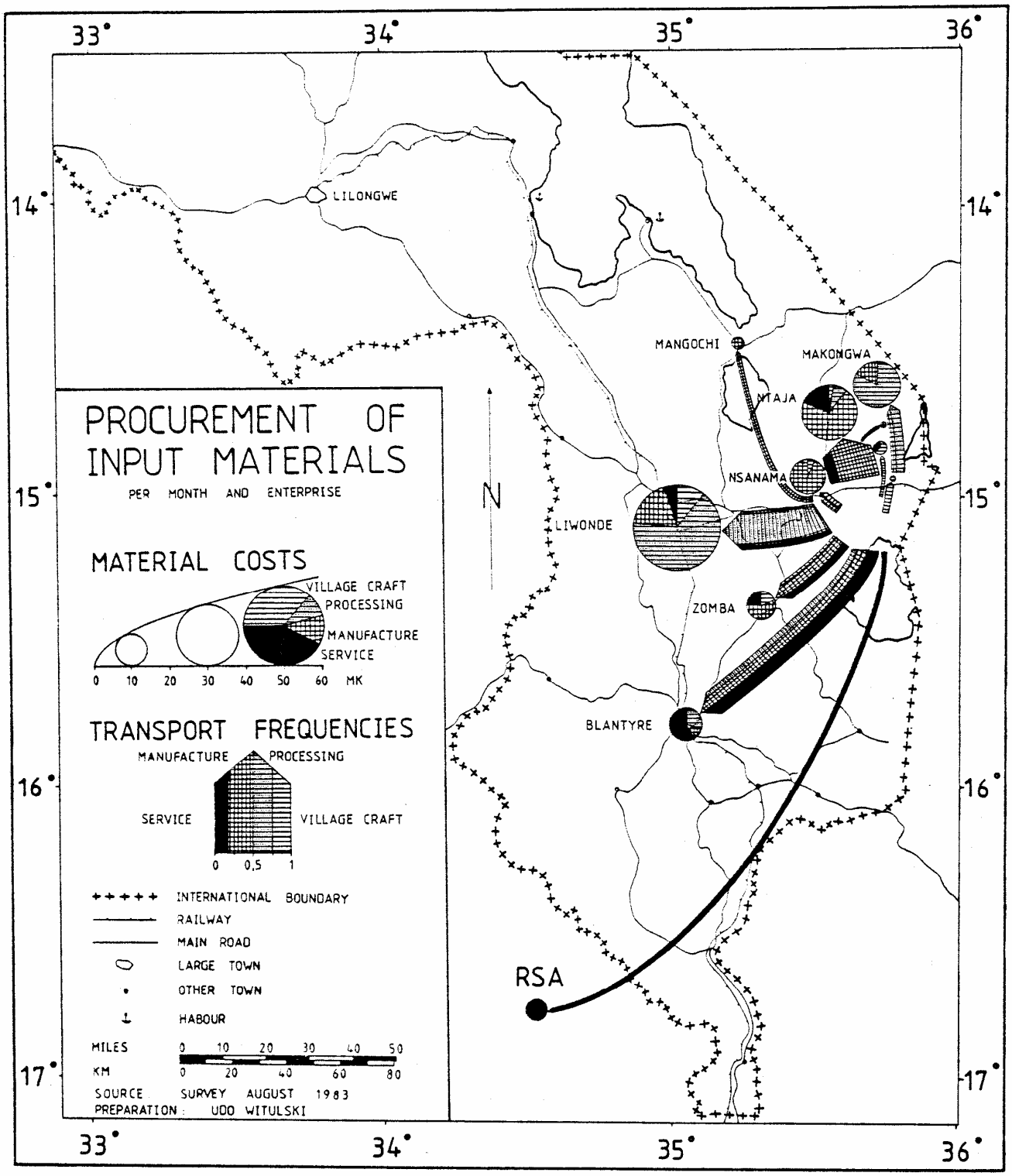
This problematic situation also applies to rural production in Malawi. For instance hand implements for agriculture produced by blacksmiths receive fierce competition from industrial and import products, or pottery might be displaced by imports and metal or plastic containers produced within the country. Beer brewing as a regular business is practically not existent in Kawinga due to the competition from 'Malawi Breweries Ltd.', whose delivery is expanded over the whole Southern and Central Region. Through the implementation of Government or semi-private wholesale organizations as a competition to traditional crafts,

> *"Government policies for the promotion of certain import-substitution industries have often led to the erosion of local markets for the goods produced by traditional industries." (WILCOCK & CHUTA 1982, p. 465)*

Another sort of competition are villagers manufacturing their own products or villagers and employees in project assignments, who dispose of a higher cash income and of close connections to the larger towns within the Shire Valley. Affected by these imports into rural areas are mainly blacksmiths, tinsmiths and tailors. But also for pottery and carpentry products they constitute some competition, mainly around Ntaja.

These branches have to sell at prices lower than their larger competitors, cutting their

profit margin to a minimum. The low prices, which the craftsmen are forced to offer, do not allow any price undercutting as a competitive weapon, each producer adjusts his sales prices to those of neighbouring enterprises. Together with the low cash income of the subsistence farmers this is the major reason that the businessmen have to reach a high turnover rate, in order to receive enough income to keep their business going and still make some profit. A resulting market saturation of these products might become an acute problem especially in the catchment area of Ntaja. On the other hand, most of these articles such as pots, garments and agricultural equipment are not durable enough, so that they have to be replaced in short sequences.



From the point of view of the craftsmen themselves, only about 20 per cent of the interviewees stated that their business suffered from any kind of competition, but only 30 per cent of the positive answers concerned stores and traders as major competitors, named were mainly villagers and other private persons. Especially carpenters obviously see some sort of competition for high value products like tables and beds, which can easily be produced by the villagers themselves, and which are offered in the towns in better quality and at comparable prices. Other small enterprises as competitors were mentioned by only 4 per cent of all interviewed entrepreneurs, a very low figure compared to 15 per cent nationwide (ETTEMA 1983, p. 28). Here in this remote rural area the low generation of demand is the major reason that village craftsmen and small-scale entrepreneurs are not at the mercy of competitors producing low quality - low price commodities in great numbers. In terms of competition the local craftsmen are well better off than their colleagues in the urban areas, as long as these remote areas are not invaded by large-scale industrial products traded by wholesale organisations.

3. Summary of Findings

It is obvious that the total income from subsistence farming in rural areas does not leave much space to buy necessary goods other than additional food crops. With the lack of a functioning trading class demand as the most important precondition of small enterprise, potential mainly depends upon the distribution and development of rural income. The needs certainly exist, and if income generation rises above the poverty datum line of households even on smallest farm sizes, additional demand will be created. Assuming a high income elasticity of products and services of rural crafts, prospects for a development of small-scale enterprise under a situation of rising agricultural income in rural regions look much better than for its potential in urban and semi-urban areas.

Future development of small-scale enterprises seems to be concentrated onto the Western part of Kawinga RDP, where still some potential of agricultural land exists for the near future. This trend might change with the extension of rice growing and cattle farming on the marsh lands in the East and South of Kawinga.

At the present the average rural craftsman represents a type of successful subsistence farmer with high amounts of his business income flowing into his farm, mainly in form of Ganyu labour, thereby creating some additional sources of employment.

In a remote rural area like Kawinga distances to the locations of supply represent the second important constraint for the successful management of a small enterprise. This disadvantage might be compensated to some extent by a less stringent competition from industrial and import products and suitable ways of material procurement. But possibilities for overcoming these problems depend to a great extent upon the management of the particular enterprises and the abilities of the craftsmen themselves.

In order to ascertain development possibilities it will be indispensable to look into the internal structure of rural crafts and small enterprises.

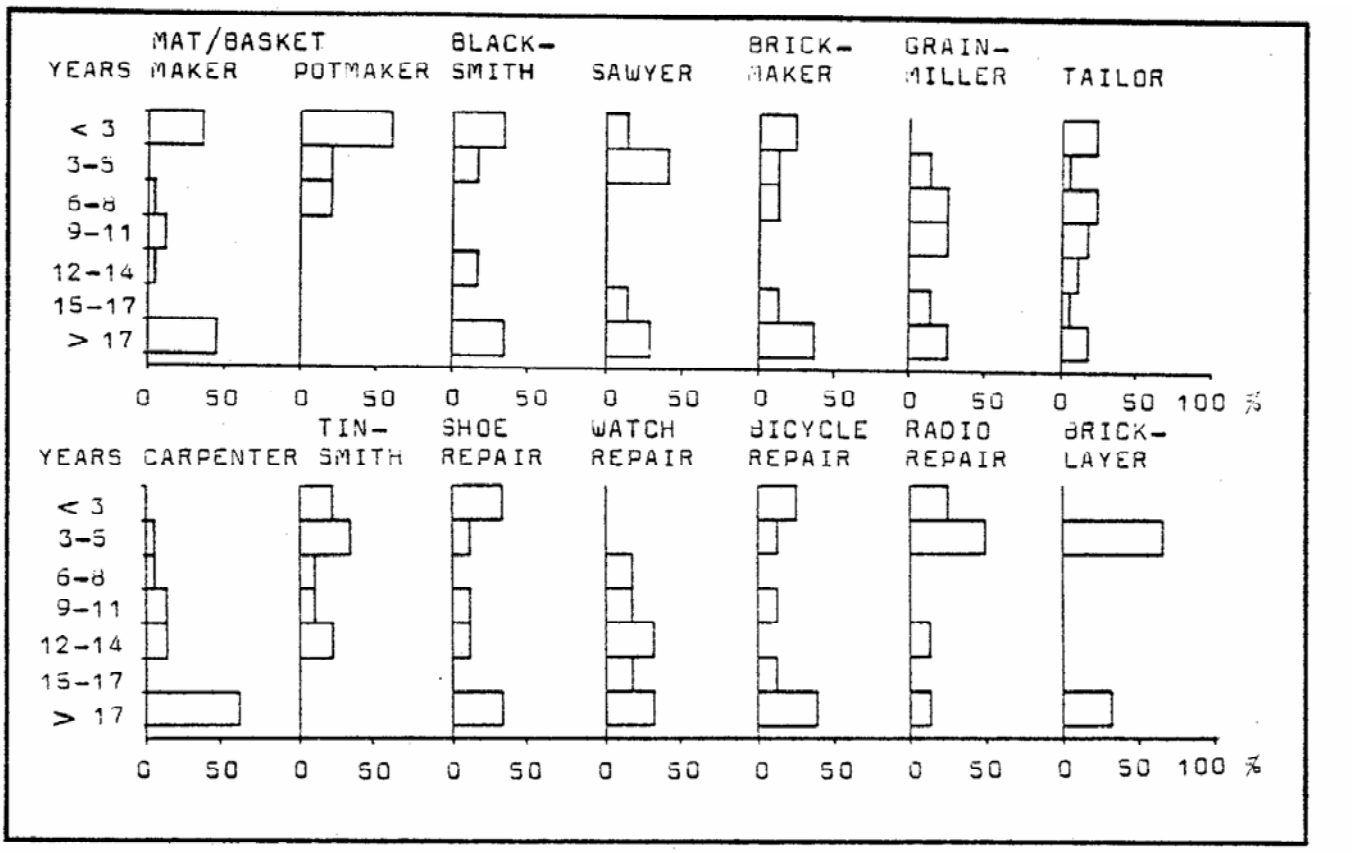
III. EFFECTS OF THE STRUCTURE OF VILLAGE CRAFTS AND SMALL-SCALE ENTERPRISES WITHIN KAWINGA RDP ON THE INTERACTIONS WITH EMPLOYMENT, LOCATIONS OF SUPPLY AND OUTLET MARKETS

1. Personal Structure of the Craftsmen

The low proportion of Yao-people with a share of little more than 50 per cent in the sample is due to a high share (35 per cent) of members of the Lomwe-tribe, who immigrated relatively late after 1900 from Mozambique into the South-Eastern regions of Malawi. The latter tribe is represented in all branches, mainly their participation in radio and watch repairs is higher than 50 per cent. The third important tribe represented in the Kawinga Small-Scale Enterprise Survey are the Chewa (8 per cent) concentrated in the processing (grain milling and brickmaking only) and manufacturing branches. The share of members of other tribes (together 4 per cent) is naturally low due to the distance to their original chief areas.

Only about 25 per cent of the interviewees were born outside their home district, compared to 50 per cent in the nationwide survey (ETTEMA 1983, p. 18). This shows that remote areas are naturally unimportant destinations of immigration. The origin of craftsmen immigrated into Kawinga RDP is shown on Map 11 'Immigration of Craftsmen'.

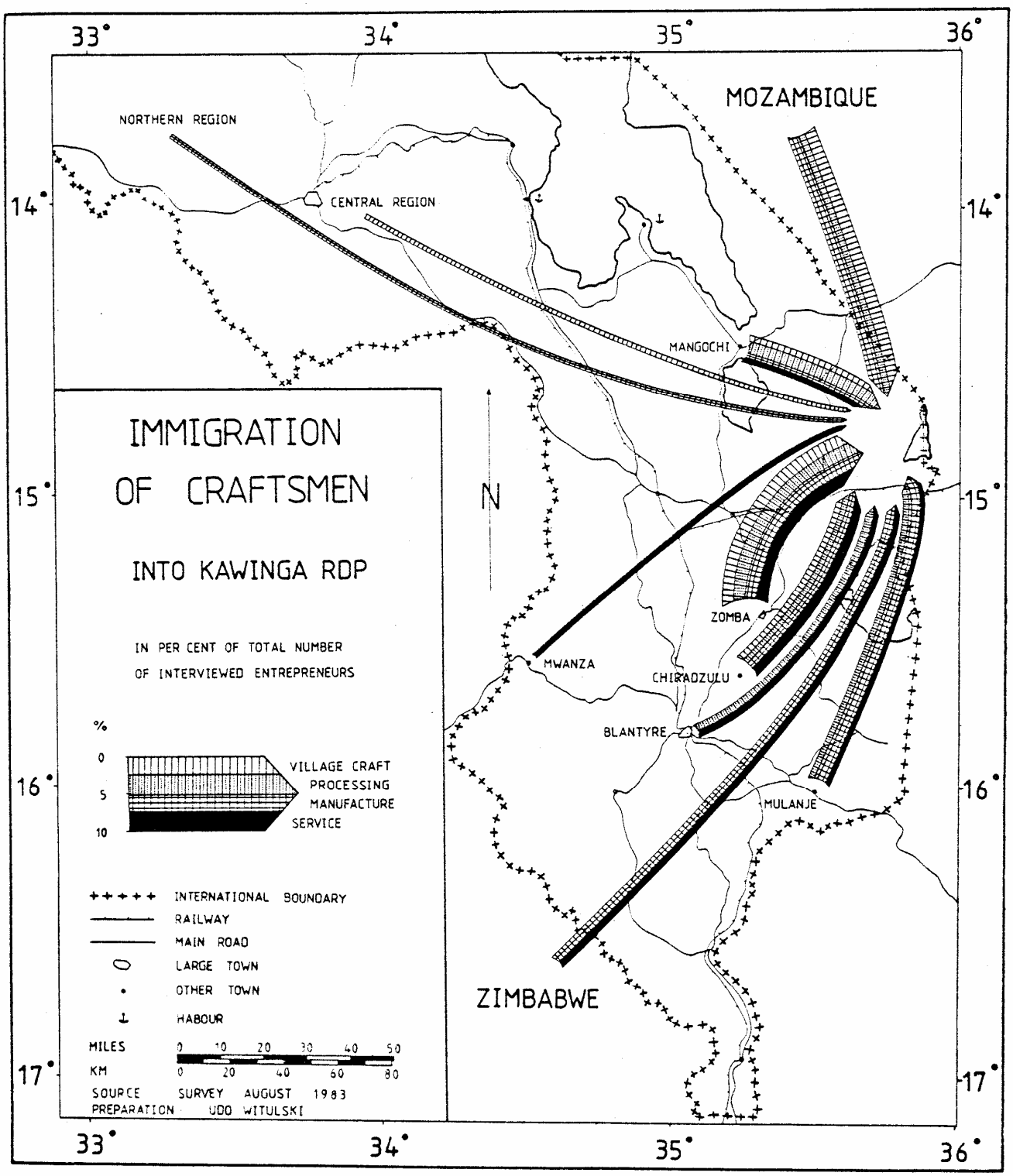
FIG 4. Business Practising Pyramids of Craftsmen within Kawinga RDP



Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

Almost all the Yaos are of Islamic religion, and also within the Lomwe-tribe the proportion of Christians is low, so that the proportion of interviewed muslims is almost 70 per cent. According to these figures the Kawinga region represents an

overproportional islamic workers' class. Only 7 per cent of the interviewees are female. An exclusive female concern is pottery, while only about one tenth of the interviewed crafts people engaged with mat or basket making are women. All other businesses are run by men.



The average age of 42 years of all businessmen is exceeded mainly by entrepreneurs in the processing branches. Grain millers and brickmakers, who are aged around 54 years together with bricklayers and carpenters.

The medium household size of 4.5 members, equal to that of the rural population at large, corresponds naturally with the age of the craftsmen. It is led by the 'old[1]

professions with about 9 household members. As a result 600 persons in the sample, or a total of almost 4000 people within Kawinga RDP are, at least to a. high extent, directly dependent upon the income out of rural crafts. This amounts to more than 3 per cent of the total population within Kawinga RDP and does not even include the high number of all pot, mat and basket maker in the area.

2. Contribution of Crafts and Small Enterprises to Employment Opportunities

A seasonal peak of labour input by the entrepreneurs can be distinguished in Figure 5 between June and August, when harvest of crops is finished and the demand for products and services is on its highest level, generated by the sales of cash and food crops. The low amount of labour input between September and November before start of the rainy season is only partly due to the bad remembrance of many of the craftsmen. An important impact on these figures have the new enterprises being opened up mainly after the rainy season in May or June. They amount to almost 10 per cent for most of the manufacturing (tailors, tinsmiths) and service (shoe, bicycle and radio repairs) professions. Also many of the village craftsmen started working in their craft during that period, which can be seen with blacksmiths and pot maker.

TAB 8. Employment Ratio by Centrality of Location and Branches within Kawinga RDP, 1983 (employees per enterprise)

Branch	Location :			Employing enterprises	
	Trading Centers	Villages	other	Total	in %
Grain Mill	2.1	2.0	1.7	1.9	100.0
Brickmaker	17.5	4.0	14.0	14.8	100.0
Sawyer	1.0	1.0	1.3	1.1	87.5
Tinsmith	0.3	0.0	_	0.2	22.2
Carpenter	1.0	0.5	1.2	0.9	66.7
Tailor	0.5	-	0.0	0-3	27.8
Watch Repair	0.2	-	_	0.1	14.3
Radio Repair	0.6	-	-	0.5	37.5
Bicycle Repair	0.6	1.0	0.5	0.6	62.5
Bricklayer	1.0	1.0	7.0	3.0	100.0

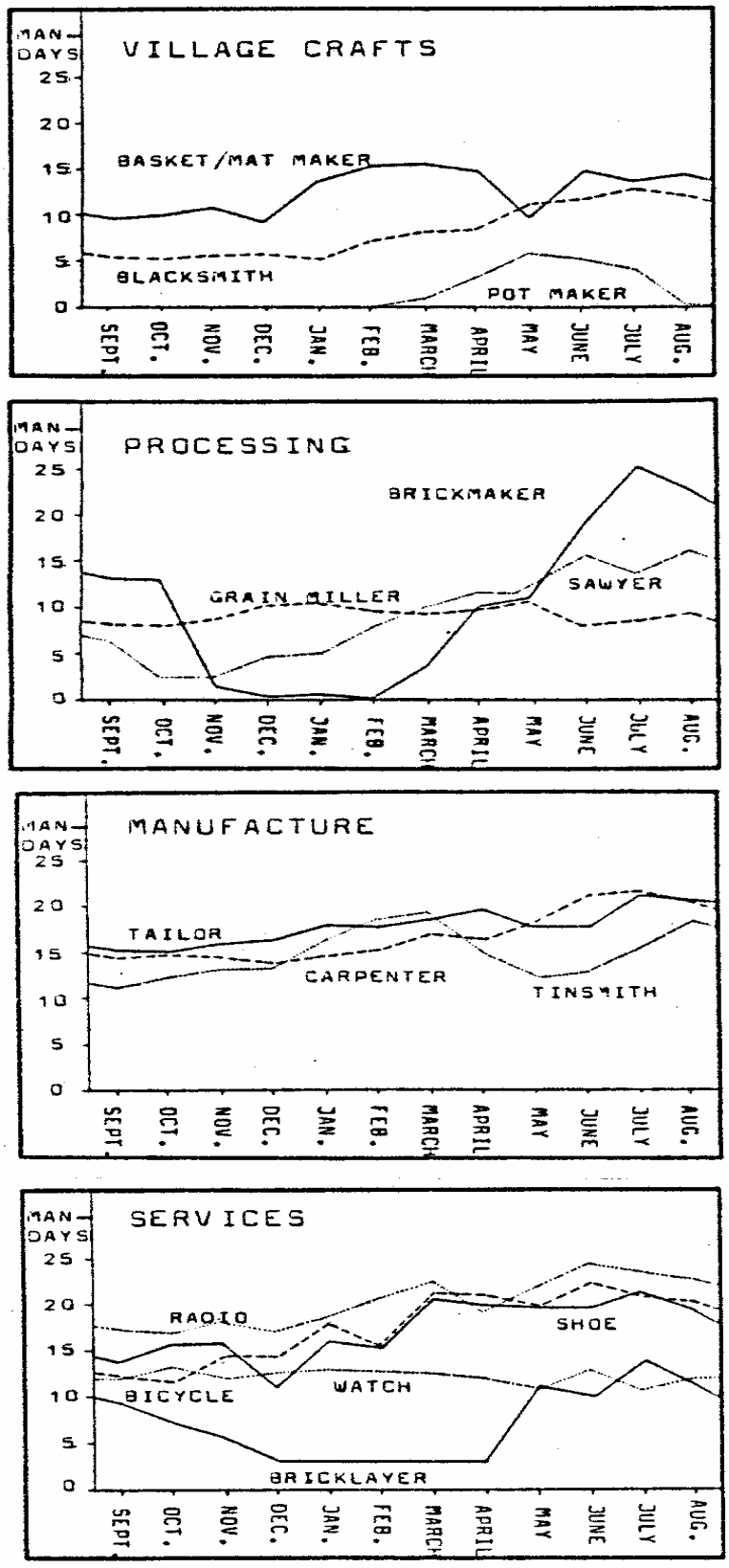
Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

While most of the craftsmen conduct their business throughout the whole year, labour input in the construction branches, except for carpenters, is almost down to zero during the rainy season. Brickmakers and also pot maker find suitable anthill soil with small soil fractions after the rainy season and start production in April, bricklayers: follow about one month later, when bricks are burnt and constructions start after harvest. The impact of field preparation during December and harvest in May on the labour performance of craftsmen can be recognized with mat and basket makers, who rarely employ any Ganyu workers on their farms. The low level of labour input of grain millers below 10 man-days per month is due to the high number of second businesses owned by these entrepreneurs. Normally the owner employs a supervisor, who manages the processing of grains, which allows the miller to take care of his other enterprises.

Almost 40 per cent of the interviewed craftsmen employ assistants or trainees. This rate of employing enterprises is particularly high with 96 per cent in the processing category,

while the rate in the manufacture and service categories with 40 and 34 per cent respectively is about average. None of the interviewed shoe repairs and village craftsmen employ additional labour in any form. When comparing the particular branches in Figure 6, the relation between labour input of the entrepreneur himself and the employment of labour is shown in the course of the year.

FIG 5. Labour Performance of Craftsmen (per month and enterprise)

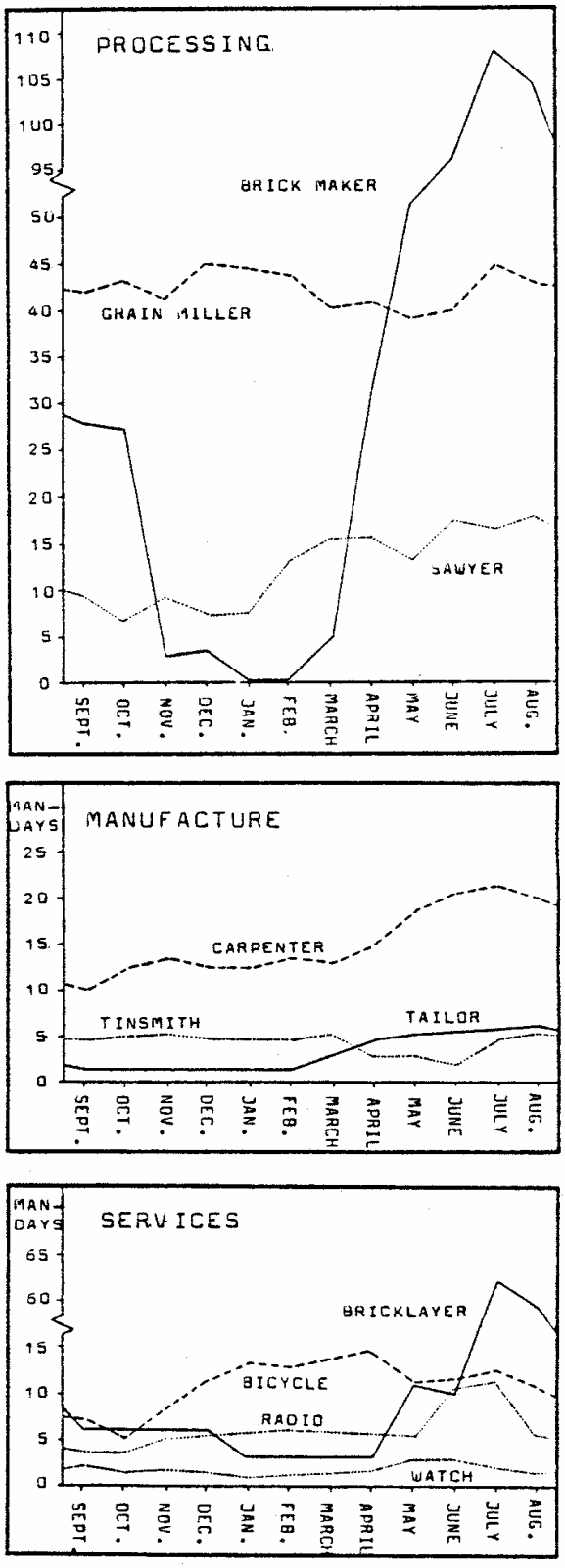


Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY Aug./Sept. 1983

On the lower end of informality are the village crafts offering absolutely no additional employment, on the upper end are grain milling, brickmaking, carpentry and bricklaying. The high seasonality of the construction business in this rural area is expressed even better by the employment figures. Brickmakers employ up to 20 workers at the same time, mostly children, during periods of high production between April and October. Grain millers, sawyers and bicycle repairs as the other main suppliers of employment opportunities dispose of a core of fixed-employed workers. Employment opportunities offered by tailors, tinsmiths, radio and watch repairs are relatively low, and not existent at all in the interviewed footwear businesses.

There is no significant distinction in employment by the age of the employing enterprise, but obviously the location of the enterprise has an influence on the employment structure: Especially carpenters and bicycle repair businesses contribute to the employment in Trading Centres, while the total employment ratio of 1.4 employees per enterprise is reached mainly through the labour-intensive processing enterprises distributed all over Kawinga RDP.

FIG 6. Additional Employment 1983 (per month and enterprise)



Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY Aug./Sept. 1983

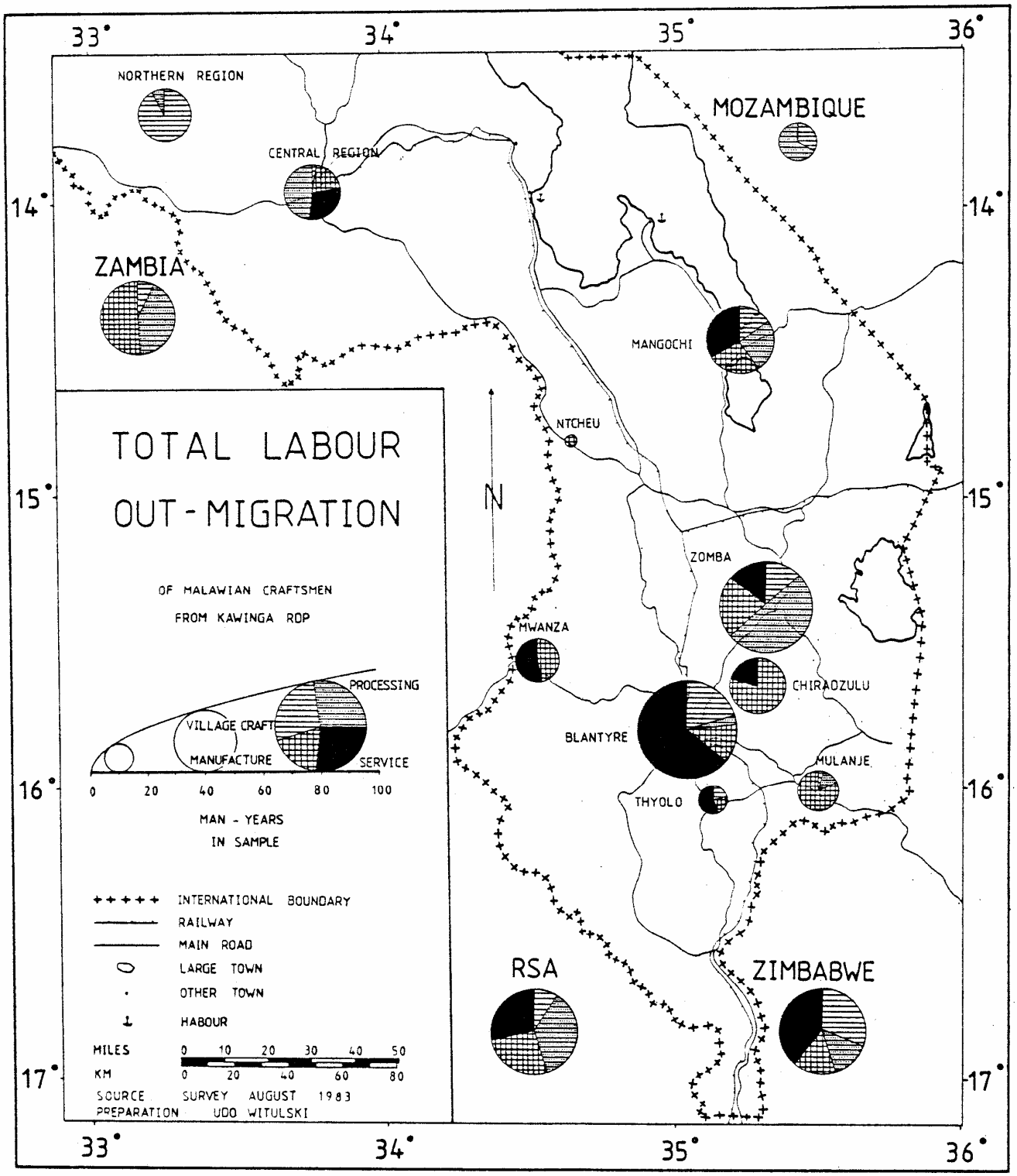
Estimating the household sizes of the employees to be comparable with those of the total population, a total of 2,200 people, or more than 1.5 per cent of the population within Kawinga RDP, are dependent to a high extent upon the employment in small rural enterprises. 40 per cent of the employing entrepreneurs (30 % in processing, 41 % in manufacture, 58 % in service trades) employ only household members. Responsible, according to the interviewees, is mainly the high dropout rate of trainees, who after finishing their training leave the business in order to open up their own enterprise. Their wages, however, do not differ significantly from those of extraneous assistants.

Benefits are given predominantly to household members or to trainees in form of food, partly as compensation for cash wages. Accommodation is rarely offered, almost entirely by brickmakers, when their kiln is located in some remote area, or in partner businesses, where profits are shared.

But the predominant part of wages is paid in form of cash. The average cash wage of about MK 10 per month is exceeded by these branches, which also offer most of the employment opportunities. A skilled assistant in a carpentry receives about MK 20, in a grain mill about MK 15, while the supervisor is mostly paid a certain share of the total income. Many bricklayers employ household members with whom they share their profit, otherwise about MK 15 are paid per month to a skilled employee in this branch. Assistants in the brickmaking profession also receive about MK 14 per month due to their hard work. Many children are employed with filling and carrying moulds or fetching firewood during high peaks of production, and are paid only a little bit less than adults.

Tailors pay about MK 12, sawyers MK 10 and tinsmiths MK 8 per month. Very often in the enterprises, which pay less than the average wage, the employee obtains a share of the profit, thereby sharing also income uncertainties of the business. Most radio and

watch repairs only employ trainees, since normally no assistant is needed for the practice of the business. Lowest wages (about MK 4 per month) are paid by bicycle repairs, where cash income sometimes lies on the margin of living expenditures.



Regarding employment opportunities in different branches it is mainly the processing enterprises, which contribute to employment in Kawinga by offering many terms of employment, where no former training is required. In order to make statements about the future potential of employment it has to be looked into the capital situation, which to a certain degree regulates the size of the enterprise.

3. Interlockings of Fixed Assets in the Employment and Marketing Situation

In general it can be stated that there exists a strong positive correlation between employment and initial outlay (see Table 9). The enterprises with a high initial capital investment not only represent the ones with highest total investment, but they are also the solemn employers. This can clearly be seen with carpenters, tinsmiths, bicycle and radio repairs, where only part of the enterprises employ assistants, and where comparisons can therefore be drawn within the particular branches.

TAB 9. Number of Employees related to Initial Outlay of Craftsmen, 1983

	Number of Employees				
		0	1	>1	∑
Initial Outlay	MK 20	45	2	0	47
	MK 20 - 40	22	8	0	30
	MK 40	15	19	20	54
	Total	82	29	20	131

Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

Only 8 per cent of the interviewed craftsmen with an outlay of less than MK 40 employed any assistants or trainees. As a comparison in the nationwide survey of the University of Malawi (ETTEMA 1983, p. 33) it was ascertained that again only 13 per cent of Malawian small enterprises with an initial outlay of less than MK 50, and 26 per cent with initial investments between MK 50 and MK 100 employ one or more assistants. The Kawinga RDP as a rural area therefore does not deviate from the national average, here as well as in all other regions at least MK 100 are required in most cases in order to create additional employment.

With 54 per cent of all interviewed craftsmen having worked as migrant workers, labour migration plays the most important role for the generation of capital investments. Main targets of labour emigration were within as well as outside Malawi. On Map 12 'Total Labour Out-Migration' main targets are shown for the four different categories. Mining in the R.S.A., in Zambia and Zimbabwe together account for more than 30 per cent of the total time spent labouring outside Machinga District. But the highest share with more than 50 per cent of total work time was spent within the Southern Region, mainly in the districts of Zomba and Blantyre. While the share of the four categories is roughly the same, different targets of labour migration can be attached to the different categories: Village craftsmen migrated primarily to Zimbabwe (mat maker, blacksmiths) and into the Northern Region (basket maker, blacksmiths). Entrepreneurs in the processing branches spent most time (70 per cent) in Zomba (grain millers, brickmakers) and abroad (grain miller). The manufacturing enterprises orientated towards the Southern Region and the R.S.A. (carpenters, tailors), Zimbabwe (tinsmiths) and Zambia (tailors, carpenters), while the service trades concentrated on Blantyre (bricklayers, radio repairs), the R.S.A. (watch repairs) and Zimbabwe (bicycle and watch repairs).

Excluding the village crafts, where none or only limited initial capital is needed, 60 per cent of the entrepreneurs started their business with assets valued above MK 40. Especially many of the successful grain millers, brickmakers, carpenters and bricklayers have worked outside Machinga District in different professions and have returned into their home district with enough capital to open up their new enterprise. It is significant that only 4 per cent of the interviewees earned any initial capital above MK 40 through

Ganyu labour or by selling crops. The same proportions hold for contract work on the estates and for similar former professions. Government or private employment in a company or firm was for 9 per cent of the craftsmen, mostly radio or watch repairs and bricklayers, the most important supplier of initial investment capital. More than one third of the craftsmen of these branches also had the chance to acquire some useful skills there for the performance of their business. Another 8 per cent earned their capital investments through migrant labour into the R.S.A. and Zambia, where they worked in the mines. The most important source for the acquisition of initial capital was for more than 11 per cent of the interviewees the trading business. Mainly brickmakers (50 %}, grain miller (38 %} and carpenters (33 %) earned their initial outlay either by working in trade shops or by owning the shops themselves like most of the grain millers. Other sorts of i.e. petty trade, selling fish for instance, did not contribute significantly to an initial cash generation. Finally about 4 per cent of the interviewees inherited or received enough cash from their father, uncle or grandfather to open up their business. But, most significantly, only one brickmaker received a credit to buy his equipment.

There can also be distinguished a differentiation in the centrality of locations, in which equipment and components are purchased by different branches. Table 10 shows a general distribution of procurement of equipment mainly within Kawinga RDP itself or in the two big centres of Zomba and Blantyre. Equipment purchased in the Northern and Central Regions was in most cases brought by craftsmen, who already conducted the same business, before they moved into Kawinga RDP.

TAB 10. Major Sources for Equipment and Components of Different Branches

Branch	local	Ntaja	Nsanama	other T. C.	Mangochi	Balaka/ Liwonde	Zomba	Blantyre	Central/ Northern	abroad
Mat/Basket	o									
Pot Maker	o									
Blacksmith	o			o		-	x	x	x	
Grain Mill		x	x	x				o		
Brickmaker		o	o	x			o	x	-	
Sawyer		o			x	-	o	x		
Tinsmith		x	o		x		o	o		
Tailor		x	x	o			o	o	x	x
Carpenter		o	x	x			o	o	x	-
Radio R.	-	o					o	o		x
Watch R.	-	o	x					o		x
Bicycle R.	-	x	x	-			o	o	-	
Shoe R.	-	x	x				o	x	-	
Bricklayer	x	x	x					x	-	

(o often, x sometimes, - rarely)

Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

The R.S.A., Zimbabwe and Zambia are the main foreign suppliers of more sophisticated equipment such as sewing machines and precisement tools like ivometers and head phones. A major distinction between particular branches exist only between village crafts and other categories. Mat, basket and pot makers find all their required tools in a

normal rural household, while the other branches have to rely upon Trading Centres within the region, mainly the two centres Ntaja and Nsanama, to be provided with equipment of low and medium quality.

During the Kawinga Survey it was found that locations of production are identical with locations of marketing for most enterprises. This certainly applies to the service trades, but also marketing of products takes place mostly at the location of production. One example is the profession of the blacksmith, who is situated in the villages to a large extent. Over one fourth of the craftsmen in this branch produces in their home village and sell their products either to villagers or in Trading Centres. The exception are rural craftsmen, who either have to travel long distances or who have to sell to traders at lower prices, as long as they do not sell to their home villagers. Surprisingly none of the interviewed village carpenters sell their furniture in Trading Centres. They either rely upon orders of their fellow villagers as one source of demand, or sell to Government and estates. In this case their products are collected in their home village. Tailors are very flexible in their location, since they can establish their business under any Khonde. One possibility to start a business, which is done by about 15 per cent of the tailors, is to rent a machine or to render services to a trade shop owner, who on his turn supplies the sewing machine and receives a share of the profit. Normally their location under a Khonde of a trade shop is used to have direct contact to customers buying cotton fabrics. Tinsmiths almost entirely manufacture and sell their goods either in the open air or below an non-walled shed within Trading Centres, which offer the necessary centrality for the marketing of products of medium-term needs.

4. Effects of Differentiated Income Generation on Marketing and the Procurement of Materials

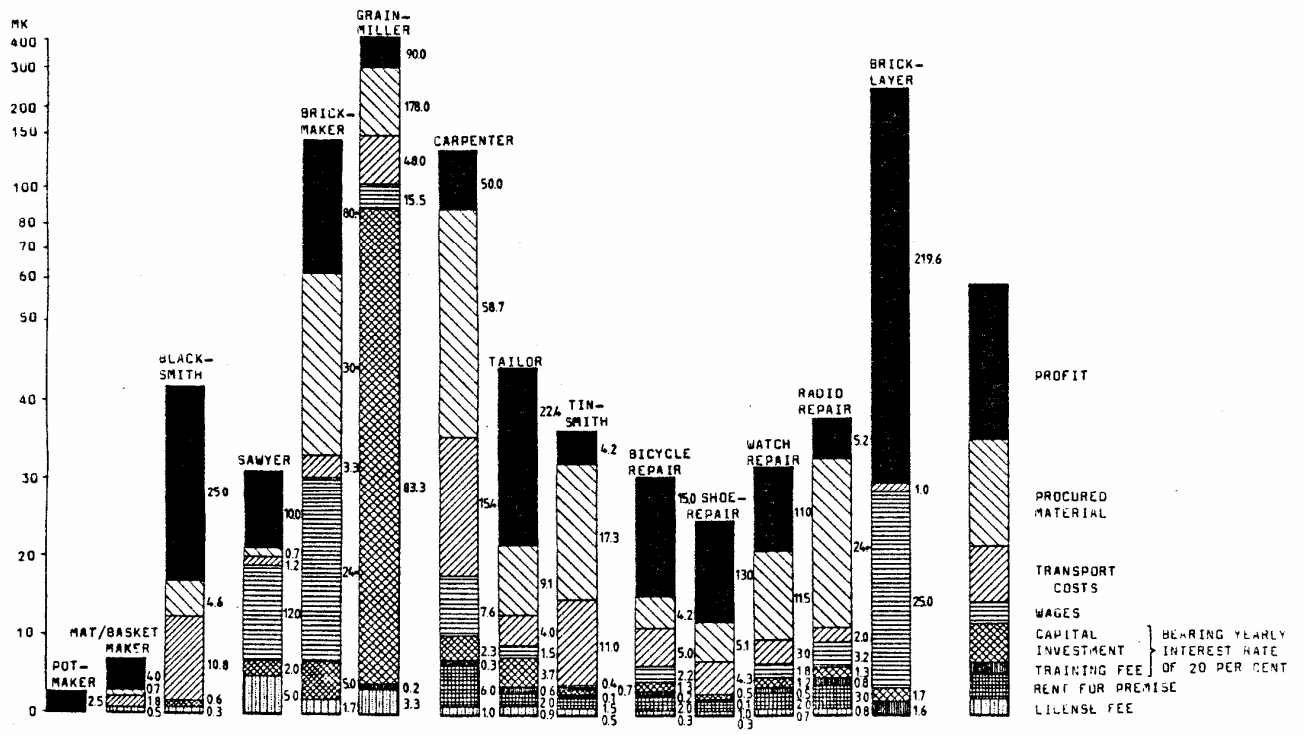
4.1. The income of rural enterprises as indicator for the profitability of the applied production factors

In Figure 7 below it was tried to collect all expenditure and revenue data in order to compare profits of the particular branches in relation to their expenditures.

While expenditure data for licence fees and rents for premises could be obtained easily, turnover, material costs and wages had to be collected from half a year and one year respectively, and a monthly average was taken hereafter. An interest of 20 per cent per annum was rated for the capital fixed in the enterprise as investments for tools and equipment. Transportation costs had to be estimated by asking some businessmen and by comprising expenditures for petrol and transport fares of bus and railway services where used.

Opportunity costs for procuring material were not added, since turnover loss is already included in the income figures. Again a 20 per cent yearly interest on initial training fees was calculated through the percentage of paid training per branch, which was multiplied by current training costs. The figures represent a fairly accurate survey of internal input and output balances considering the small size of sample of some branches. Please note that the scale is a logarithmic graph, which means that heights of profits and particular expenditures above MK 50 on the scale do not represent actual figures. Total height of the diagrams corresponds with the amount of total monthly turnover, which means that the calculation of profits is a result of substraction of all expenditures.

FIG 7. Profits and Expenditures per Month and Branch within Kawinga RDP



Source: *KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983*

While profits are naturally low in pot and mat or basket making, a monthly average of MK 25 is earned in the blacksmithing branch, which clearly ranges in the upper part of the income scale. Wood sawying is the sole branch in the processing category, where profits are low due to high expenditures for wages and a fixed yearly payment of MK 60 for cut wood. Even these low profits are often shared with a partner. Grain milling and brickmaking, together with bricklaying and carpentry, keep highest turnover rates, thereby receiving highest profits. While turnover is highest in the milling business, high costs for procuring oil, diesel and spare parts, and a high initial outlay, limit average monthly profits to about MK 90. The monthly turnover could not be indicated exactly by the miller or his supervisor, but was estimated at MK 12 to MK 15 per day by several businessmen. In the brickmaking branch mainly high costs for wages and for procuring material, especially firewood, are responsible for the high expenditures, lessening profits to an average of MK 80. The same holds true of carpentry enterprises, where in addition high rents for workshops or sheds and transportation costs leave a profit of about MK 50 to the interviewed businessmen. With more than MK 22 per month income for tailors is relatively high compared to the tinsmith branch. Here low profits might also be, beside high procurement costs, a result of small turnover. Tinsmithing is the entire branch, where final goods are produced on stocks, since here the spectrum of products is very narrow.

Bricklaying obviously is the most profitable occupation of all branches. But it must be stated that all 3 interviewed businessmen share their profits with at least one partner, who is also involved fulltime in the business. Limited demand, high training fees and only few training opportunities might be the major reasons that only very few people within Kawinga RDP are engaged in bricklaying. All 3 interviewees remarked that all input materials are supplied by the contractor and that no licence fees have to be paid, which does not sound very reasonable. This diminishes expenditures mainly to the high

costs for wages.

The other repair services obviously have a quite similar balance with the exception of radio repairs, where procurement costs indicated by the businessmen either seem to be exaggerated, or turnover rate in reality is higher than indicated by the interviewees. Again in this branch most craftsmen keep a certain limited stock of repaired radios and digital watches.

4.2. The effects of working capital on the adaptation to changing demand

Insufficient demand for products and services of small-scale enterprises can be met by two adjustments of the craftsmen:

- Spatial flexibility, which applies to branches, where production is not bound to a fixed premise and where inhomogeneous demand exists on either local, regional or supra-regional levels. Main representatives of this category are the service branches.

  Advantages could consist in lower costs for procuring material and components, provided that the new location is linked better to the craftsmen's sources of supply, and that the craftsman disposes of knowledge of, or connection to, these linkages. Profits could also be higher in case that demand exceeds former demand, under the proviso that the share of fixed costs doesn't rise above the difference in turnovers. Major constraints for such a successful adaptation to decreasing demand are additional costs for housing and longer distances to the craftsmen's farms, which would render farming more difficult during the agricultural season, when demand is on its lowest level.

- Temporal flexibility, which allows to reduce labour investments during seasons of low demand. An important factor for the ability to diminish or even stop production is the availability of working capital. Besides helping the businessman and his household over seasons, when no production takes place (e.g. pot makers, brickmakers, bricklayers, sawyers), a high amount of working capital facilitates the foundation of stocks. These stocks can be sold either by an unskilled household member, which allows the businessman to perform other sources of income, or by the craftsman himself during a shorter daily period, which would have the same effects, except that some potential customers might be lost, and that the craftsman is bound to the vicinity of his enterprise. Best examples are tinsmiths, who almost entirely work together with family members, or brickmakers, who easily build up stocks during a short period. Also radio and watch repairs keep a certain stock of their articles, which they bought in broken condition and sell to far higher prices after reparation. But normally the latter craftsmen have to conduct their business permanently, since they mainly depend upon direct repair services of customers' consumer goods.

  Disadvantages consist in lower turnovers during this time of diminished demand in case that the reduction of fixed costs or the conduct of another job are not profitable enough to balanced reduced cash income.

Without working capital craftsmen waste much time by waiting for potential customers without the possibility to produce on stocks and to use their labour more effectively. Perhaps even more stringent is the lack of working capital for the procurement of intermediate products and spare parts. Often customers cannot be served due to insufficient capital, which mainly affects tinsmiths, carpenters and sawyers. Sawyers for

instance sometimes have to stop the production of wood planks, since they cannot pay the annual concession fee of MK 60. On the other hand sufficient working capital enables the businessman to procure input materials in large quantities, which lowers both transport and opportunity costs.

The defaulting problem even worsens this bad financial situation. Defaulting in this context means the fact that many customers order goods to be manufactured, but do not show up to fetch the product and pay the price, often leaving the craftsman with an unmarketable article. Or too much time is passed before customers reappear to pay for services, which often happens to the repair businesses, leaving the craftsman with a consumer good, which he doesn[1]t own and which he therefore is not allowed to sell in order to get cash.

The sole advantage of financial inflexibility is a lower economic risk compared to financially furnished enterprises. But normally this is very heavily paid for.

When comparing profits with the average number of days worked by the businessman per month, it can be stated as a result that profits per labour input are very high in the blacksmithing, grain milling, carpentry and bricklaying branches. On the other hand they are especially low in mat and basket making, tinsmithing and wood sawying, and in radio, bicycle and shoe repairs. Medium income per labour input receive pot and brickmakers, tailors and watch repairs.

The availability of working capital is depending upon the amount of generated income as long as no capital is transferred between enterprise and farm. But normally there exists a constant unilateral flow of working capital into household consumption and farm investments, which might constitute one of the major constraints for a development of successful rural enterprises.

5. Possible Internal Constraints

5.1. Competition of labour and capital investments between subsistence farm and rural enterprise

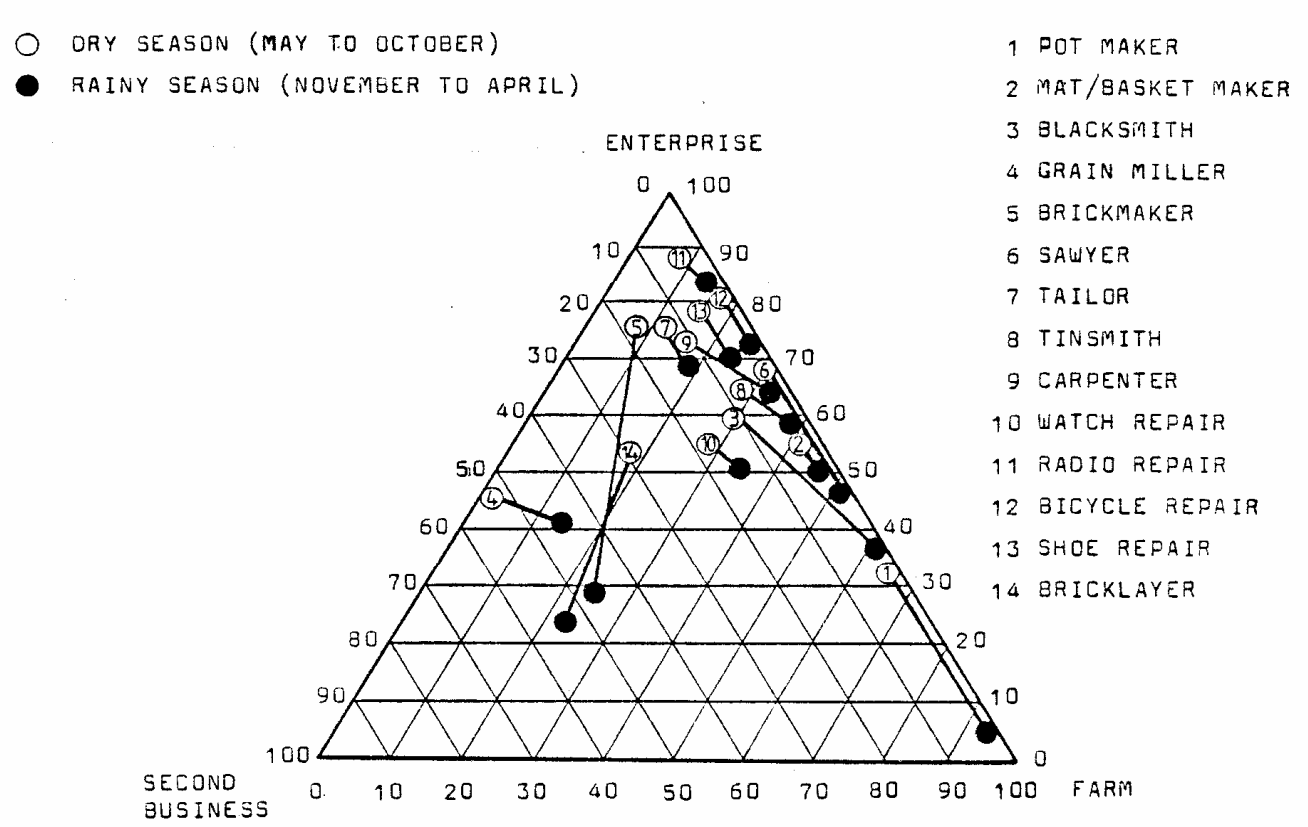
More than 75 per cent of the farm-owning businessmen themselves work on their farm during the agricultural season. Together with an eventual labour performance in a second business, a clear distinction between dry and rainy seasons can be drawn for mainly village crafts and branches in the processing category (see Figure 8). But only for the village crafts, grain millers and sawyers farming duties are responsible for a diminished labour input into the enterprise during the rainy season.

Brickmakers and bricklayers divide their available time between their enterprise and other businesses. In these branches, labour input into their enterprise rises toward the dry season by at least 30 per cent. Together with the grain milling, the manufacturing and the repair branches, labour performance on farm never exceeds 40 per cent even during agricultural season.

As a result craftsmen in these branches have to spend a considerable amount of their income for Ganyu labour on their farms (see Figure 9). As can be clearly seen, during preparation and harvest time craftsmen of all branches spend high proportions of the income from their businesses for Ganyu. Unfortunately preparation and harvest time coincide to a high degree with peak times of demand, which does not allow the

businessmen to entirely turn to their necessary farm duties. For this reason most craftsmen have to split their daily labour time between farm and enterprise. Normally some farm work is done for one or two hours after dawn and before dusk. The rest of the available time is spent in the enterprise. Fortunately no additional time is lost for covering distances between farm and enterprise, since in most cases fields are located near the farm houses. Furthermore the distance between house and enterprise, which has to be covered every day, does not exceed 2 km in more than 80 per cent of the interviewed craftsmen. This means a daily time expenditure of less than 30 minutes each way. Exceptions are grain millers and bricklayers again, who do not have to invest much labour into farm work anyway. One important disadvantage might arise of the necessity to open up the enterprise in close distance to the farm. As a result very often the enterprise might not be situated at the location of optimal turnover.

FIG 8. Comparison of Labour Input in Farm, Enterprise and Second Business of Craftsmen within Kawinga RDP, 1983 (%)



Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

A comparison of turnovers between 'combined' enterprises, where the businessman possesses fields, and 'pure' businesses reveals no significant differences. This might also be due to the low number of 'pure[1] businesses, unfortunately only two tinsmiths, three shoe and three radio repairs could be taken for this comparison :

The only major constraint as a result of competition of capital investments could arise during preparation and harvest time, in case no capital is saved during the rest of the year for covering these expenses. In case that no Ganyu labour is employed on the farm, only the beginning of preparation time, when houses and farm implements are repaired, and the end of harvest time, when cash is available, might be responsible for some labour competition.

TAB 11. Average Monthly Turnover of Craftsmen Owning Farms and Pure Businesses within Kawinga RDP, 1983 (MK)

	Owning Farm	Pure
Tinsmithing	23.2	47.4
Shoe Repair	27.4	11.4
Radio Repair	38.7	28.6

Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

In any case labour competition between farming and additional off-farm labour is far less stringent with these crafts compared to estate or Ganyu labour, where peaks of farm and off-farm labour coincide to a larger extent.

5.2. Lacking insight into business management and market conditions

It is illiteracy, which mainly affects the management of the business due to an insufficient accounting system. Without record keeping, incomes derived from agriculture and enterprise are often not separately calculated or even transferred, thereby distorting determination and management calculations. Furthermore, often only income from turnover is compared with costs for wages and procurement of materials, and the difference calculated as profit. The negligence of other expenditures such as licence and training fees, transportation and opportunity costs and invested capital, which together often amount to high total costs, results in an overestimation of derived profits and a miscalculation of business returns.

In general education level in Kawinga is very low. More than 50 per cent of the interviewed craftsmen did not have any school education at all, only 3 per cent had some secondary school and none of them finished secondary school. Illiteracy rate is especially high in the village crafts and the processing professions with the exception of some grain millers, who even completed primary school. On the other side are watch and radio repairs, where many entrepreneurs are engaged with completed primary and some secondary education. The manufacturing branches show a fair distribution of craftsmen’s education over all primary school levels with an illiteracy rate of still almost 40 per cent.

Knowledge of market conditions depends to a less degree upon the keeping of records, but upon the entrepreneur's reception of his economic environment, which is partly dependent upon his general education. Especially the manufacturing professions with a high dependency upon cheap procurement of intermediate products, and the repair branches, where location of the enterprise is of eminent importance in order to orientate towards highest possible demand, suffer heavily from wrong decisions. Furthermore, economic interlockings and economic trends might not be realized to their full extent or might be misinterpreted.

5.3. Lacking flexibility for the improvement and diversification of products and services

On the other hand, qualified training opportunities have a positive influence on production skills in the enterprise. Within Kawinga KDP the training situation is somewhat limited: Training on the job was for more than 70 per cent of the interviewees the sole source of acquiring knowledge in production processes. More than half of them learnt their profession from relatives, in most cases their father or uncle. Adding to this share another 25 per cent, who named self-training as major source of skills (mostly processing and village craftsmen), this leaves a minimal proportion of craftsmen, who had the chance to absolve training in a vocational training school, or during an apprenticeship in a company or firm.

Training on the job therefore offers the most important method of im-parting skills in Kawinga. The advantage for the proprietor to dispose of cheap labour, at least within occupations, where only low qualifications are required, stands in strong contrast to the fact that this training system mediates interchangeable production processes. Missing innovations from outside the region and from enterprises of other sizes and production stages result in clusters of homogeneous craft operations, where production designs are copied and not developed further.

“The spectrum of finished goods originating from the small-scale sector is very narrow. Moreover, producers within each particular sector generally do not deviate from the standard supply profile to offer a differentiated range of commodities.” (FUES et al, 1982, p.10)

This can be seen best with enterprises in the manufacturing category, especially with tinsmiths, who offer a narrow spectrum of less than 10 articles all over Kawinga RDP. But it is not only a question of diversification, also the quality control is affected due to the absence of higher quality products in rural areas.

In the service branches operations concentrate on the repair of a very small profile of consumer goods, while craft operations on a higher technical level such as mechanics or welders are not existent in Kawinga, but often badly needed for e.g. mill repairs.

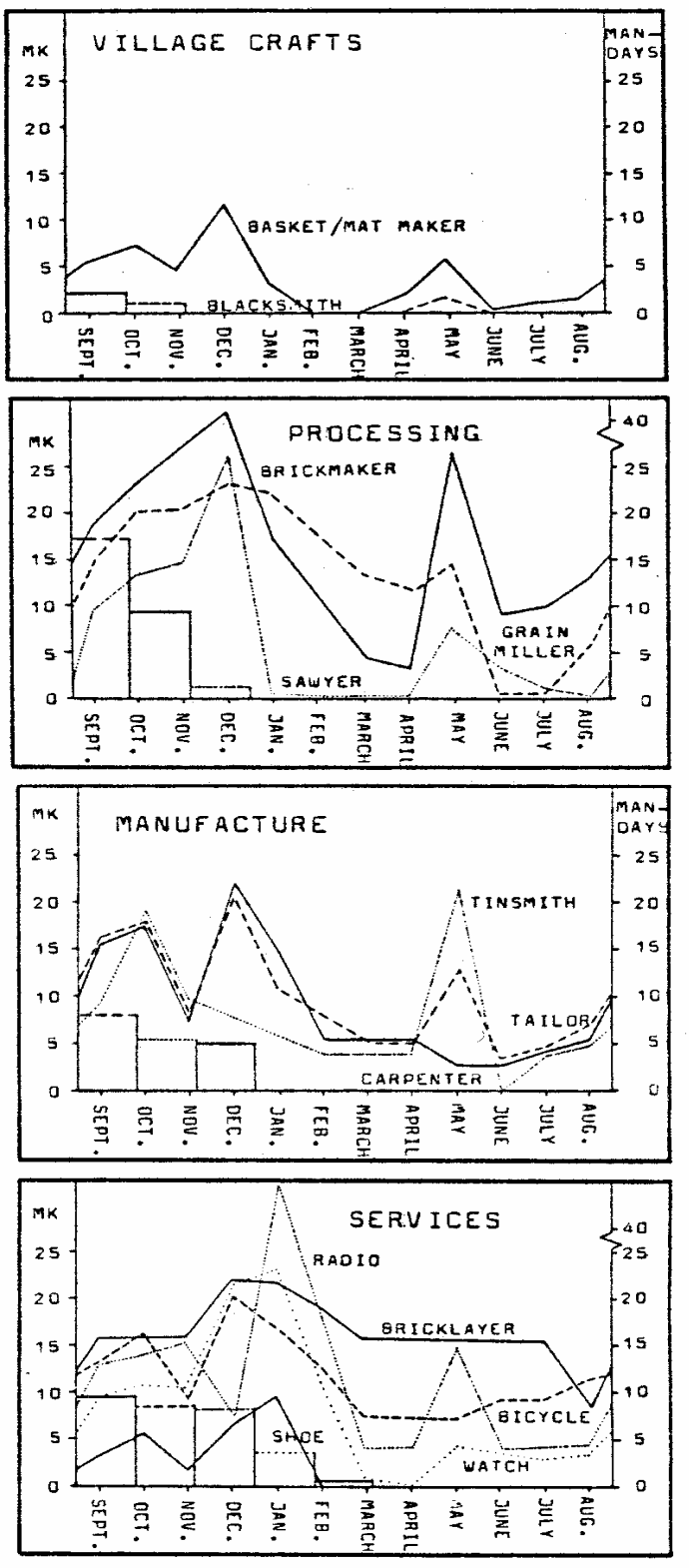
Many of the craftsmen in these branches indicated an intensified demand for products and services, which they could not satisfy due to their insufficient training. At least one fourth of the interviewees stated that they liked to expand their palette of products, for instance many service craftsmen named the wish to manufacture the products by themselves instead of only repairing them.

But in Kawinga as well as in many other rural areas this will continue to be wishful thinking as long as the training situation will not improve among other disadvantages.

5.4. Insufficient fixed and working capital

During the survey only about one tenth of the interviewees specified that they could not satisfy the demand during peak months due to lacking capital.

FIG 9. Wages for Ganyu Employment (MK), and Ganyu Labour 1983 (per month and enterprise)



Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

But one important aspect, which is also often recognized by the craftsmen, is an insufficient stock of intermediate products. Often it is impossible to buy materials, since final products are paid only after completion. A lack of working capital creates cash flow problems, since the businessmen have to present cash when purchasing intermediate products. This problem might become a serious constraint in case, when customer payments are delayed or products are not collected at all. These defaulting customers cause an underutilized capacity of the enterprises, often the craftsmen waste a lot of time with waiting for their particular customer,

In comparison with working capital, expenditures for fixed assets such as tools and spare parts are very high in the repair services, especially in the watch and radio repairs. These entrepreneurs have to buy their spare parts and tools in Blantyre or to get them sent by mail from the R.S.A,, thereby adding postage and import duties to the material costs. But also metal operations such as blacksmiths, tinsmiths and bicycle repairs require sundry tools and are not equipped sufficiently in many cases. Similar repair services such as watch and radio repairs often exchange their tools among each other or borrow them for a small consideration.

But it is especially the lack of initial capital, where most constraints exist. Many tailors for example have to rent their sewing machine, usually from trading shop owners, at relatively high rents (about MK 5 per month), because they cannot afford the initial investment.

Lack of initial capital often prevents the opening of a new enterprise or the employment of additional assistants. For that reason already, financial assistance to small-scale enterprises should be considered within rural areas.

6. Summary of Findings

Although the internal situation of the interviewed businesses seems to be satisfying to some extent, only very few opportunities for employment are offered in rural enterprises.

Assuming rising demand in rural areas, one constraint for the creation of additional employment is the lack of initial capital investment and of working capital. Since an average initial capital of about MK 100 seems to be sufficient in many cases not only to open up a new enterprise, but also to create one additional place of employment over a medium period, financial assistance should also be considered in rural areas. The higher proportion of administrative expenditures compared to urban areas, resulting from lower amounts of distributed sums, might be awarded by a higher employment rate and a both horizontal and vertical distribution of crafts, probably even into domains, which have not been covered yet at all. Internal constraints, which arise from the lack of working capital, and which in some cases might force the craftsman to close down his business, will also be prevented with relatively low expenditures.

Technical assistance for the improvement of management and production skills should be cut to the craftsmen's abilities to recognize managerial disadvantages and possibilities of production improvement. More competition might even force ineffective businesses out of the market, thereby worsening, however, overall employment situation.

Suitable instruments of policy will have to be chosen in order to raise the basis for additional employment and for a better supply of goods for the rural population, which are specially designed for crafts and small-scale enterprises in rural areas.

IV. A DISCUSSION OF REQUIRED POLICIES CAPABLE OF STIMULATING DEVELOPMENT OP CRAFTS AND SMALL-SCALE ENTERPRISES

A solution of the existing external and internal problems of village crafts and rural enterprises partly depends upon the practicability of implementing policies. Only in case, that measures will not have to be paid for too expensively by the Government, might they be suited to be implemented.

Therefore a discussion of practicable policies both contributes to an exploration of existing problems in promoting small rural enterprises and points out possible ways of solution. Practicable measures have to be distinguished in:

- Policies improving the general frame of demand, thereby contributing indirectly to the situation of rural crafts;
- Policies supporting small-scale enterprise development without extensive costs by giving impulses to a development either already existing or to be initiated, which is carried mainly by the craftsmen themselves; and
- Policies to be implemented directly for the needs of small rural enterprises through specialized institutions outside or inside of general development programmes within the particular region. In this case institutions, which already exist or which will have to be founded, will have to extend their services into rural areas, thereby cutting their measures to the individual needs of the particular enterprises.

1. Policies improving the General Frame of Demand

1.1. Improvement of the general scope of demand by the National Rural Development Programme

Since more than 95 per cent of potential customers for products and services of rural crafts within Kawinga RDP are subsistence farmers, improvement of the overall situation of crafts will be generated by an increase of rural income.

This could be achieved through 3 different means of policy: A rise of sales prices, a lowering of input costs, or an increase of yields. An exaggerated rise of sales prices, which are controlled by the Government through ADMARC, would be apportioned to the consumer prices and result in an accelerated inflation. Input costs mainly consist of manual labour, which cannot be lowered further. This leaves only the possibility of increasing yields, which is the main objective of the NRDP.

Due to the combined effect of an overall extension in cultivation, of generally higher yields and of changes in the cropping pattern, the total production in the 1981/82 season compared to the former season grew in maize by 42 per cent, in cassava by 40 per cent and in rice by even 59 per cent, whereas groundnut production decreased by about 30 per cent. The total value of. crop production grew by 74 per cent (LIWONDE AGRICULTURAL DEVELOPMENT DIVISION 1983, part III, p. 7).

But this rise of agricultural production should not be generated by an extension of cultivated area, since land reserves are running short already. Already in 1983 erosion damaged many fields in areas, where unsuitable land had been cultivated. Any further extension will lead to a retrogression of the present income development in the medium-term future, since it will bring along, moreover, an accelerated incline in the

number of farm families through immigration, marriage, etc. With reaching the limit of land reserves there most probably will appear a decline of yielded crop quantities per farm family.

Therefore, at least parallel to this development, a sufficient amelioration of soils, protection against erosion, and an improvement of farming methods (e.g. ridging immediately after harvest, mulching of harvest residuals, etc.), together with an improvement of storage capacities and nutrition habits should lead to a qualitative and quantitative food balance over the whole year and for all family members.

Only after reaching this food balance, sufficient financial means will be set free for expenditures for products and services of rural enterprises. This progress might develop at an accelerated rate within higher farm size categories according to their incline of agricultural income, where a. food balance will be reached faster respectively is reached already.

In addition a short-term increase of employment and income in the construction and manufacturing sector will be generated directly by construction measures within the MRDP-projects. This increase might effect a limited increase of demand, which would benefit broader population strata.

1.2. The development of an established trading class

Since the Asian population had to leave all rural areas in Malawi in 1974, the rural population especially in the remote areas of Malawi often misses even basic consumption goods. Although marketing of agricultural products is organized centrally by ADMARC, which guarantees a homogeneous structure of paid prices for crops all over the country, Government policies such as the establishment of a wholesale organisation (CHIPIKU, as described in IV. 3.4.) could not fully substitute the missing links between urban and rural areas respectively among rural areas of different centrality.

Very soon after concentrating the Asian traders in urban areas, the Malawian Government decided to use an instrument for trading promotion, which previously existed for different functions:

The Development of Malawian Traders Trust (DEMATT) was originally established as a Government Loan Board with the function to pay for Indian shops in rural areas during their settlement to Blantyre, Lilongwe and Zomba. After this was finished in the middle 1970s, DEMATT in 1979 started to supply free advice services to mainly trading businesses. In 1983, 15 business advisors, stationed in the semi-urban centres all over the country, supplied extension services on business, transport and credit management to about 300 rural enterprises, about two third being in the trading business. DEMATT functions as a mediator between the rural trading shops and INDEBANK for the provision of credit funds totaling MK 120,000 to the trading enterprises.

This first phase ended in October 1983, during the second phase until October 1988 DEMATT will dispose of the double number of advisors. The Trust will be financed during the following five years by USAID to a total of 2,828,000 Dollar, compared to 195,000 Dollar, which were funded by PACT between December 1980 and December 1982.

Although the main objective of DEMATT is the settlement of wholesalers into rural

regions and the organised combination of transport for the benefit of cheapened material procurement, it is at least questionable whether this extension will reach the remote rural areas of Malawi. It might serve, however, as an incentive for the development of a stratum of petty traders linking the villages to the Trading Centres. Regarding the present situation in Kawinga, where all manufacturing and service enterprises with the exception of some village carpenters are concentrated in the Trading Centres and markets already, the development of a class of petty traders constitutes a potential for mainly village crafts, besides providing the villages with sophisticated goods. While blacksmiths normally produce implements for the needs of the surrounding agricultural population, craft articles such as mats, baskets, pots, etc. could be sold to the Trading Centres to a larger extent. Two major constraints are represented by the fact that originally the Malawian black population did not include a trading class in its true sense, which was established by the Asians, and secondly that there exist many village crafts already in closer proximity to urban areas, where potential for the sales of craft articles is to be estimated higher. One exception might be the production of special reed-articles, since both Lake Chiuta and Lake Chilwa offer plenty material for the production of these craft articles.

These goods, however, will have to be of better quality or design, since after an extension of sales range through traders they will stand in strong competition to articles coming into the Southern Region on through roads from the Elephant Marshes south of Blantyre.

1.3. An estimate of possible benefits for small rural enterprises from improvements of traffic infrastructure

As can be seen on Map 5 ‘Infrastructure’, already until 1983 a consolidation and expansion of the network of traffic communication took place in the course of NRDP-measures. This network is planned to be extended to the shore area boundaries of Lake Chiuta and Lake Chilwa.

Since this extension is conducted by the Ministry of Works & Supplies, no enterprises of Kawinga KDP profit directly from these constructions. Again an indirect short-term profit might arise from an increased demand generated by the inclining income of construction workers. Its long-term impact on the economic situation of the region was recognised in the Machinga District Plan (TOWN AND COUNTRY PLANNING DEPARTMENT 1983, p. 33), where it was stated that the work of NRDP and DRIMP will have a major impact on remote rural areas, providing all-weather roads linking the major settlements and 'opening up' remote areas to the possibilities of increased economic activity.

These possible medium to long-term effects might be both positive or negative. One positive effect would be the facilitated procurement of material and intermediate products by regular bus services during the rainy season. Businessmen owning a private transport could highly benefit from road constructions, if the petrol station already existing in Ntaja were reopened again, which would facilitate the storage of petrol in the Kawinga region or even provide diesel for running grain mills. The marketing situation would be changed significantly for transport-cost intensive products such as bricks or wood planks. Since marketing takes place in close vicinity of the locations of production, mainly the processing professions would benefit from road

constructions due to better ways of transport of weight-loss materials such as firewood, diesel and oil.

Sales of products and services to regions outside Kawinga RDP will not develop significantly, since distances to the nearest towns are too large for daily tours, profits would be consumed to a high degree for covering these distances or for staying overnight in town, provided that no car is used by the craftsman.

Also it is most improbable that the total number of customers will increase. The marketing structure in the neighbouring T.C.s is very similar to the one of Kawinga RDP, and if additional roads drew customers into the region, this would worsen the situation of small enterprises within the neighbourhood. On contrary customers of higher income classes might decide to span the distances to Zomba or Blantyre in order to purchase their medium to long-term need goods there. This would worsen the situation of concerned small rural enterprises to a certain extent. On the other hand, most of the customers with higher-class incomes are living along S56, where Government project centres are located, and from where better connections to urban areas exist already.

Probably the strongest effect will be the concentration of marketing transactions on the Trading Centres, since both enterprises and customers find facilitated transport conditions. Particular enterprises such as bicycle repairs might settle along the roads, but hardly any sale of products will develop equivalent to Main Road M1, along which mat, basket, pot and curio maker offer their articles. Village craftsmen normally produce their goods on order for a fixed clientele due to the low purchasing power in this region. Polarization of manufacturing and service trades (especially tailors, carpenters and bicycle repairs) to the Trading Centres will result in a further economic emigration out of the villages and lead to the long-term development of a system of central locations. In the short run this economic evacuation will bring only disadvantages to the supply situation of the villages.

With DRIMP-measures, such as the road improvements of D220 (Nselema-Mpili), D222 (Ntaja-Nampeya), D223 (Nanyumbu-Ngokwe) and D225 (Nyambi-Nselema), these disadvantages might turn to a positive side (TOWN AND COUNTRY PLANNING DEPARTMENT 1985, p. 25). The concept of DRIMP schedules the entire employment of regional inhabitants as unskilled and semi-skilled workers, thereby increasing purchasing power.

The same effect would occur with an eventual employment of semi-skilled workers for the planned improvement of the 309 kilometres of railway section between Balaka and the border of Mozambique. This project should have started in 1981/82 to run over a five year period, but no construction was to be observed yet in Kawinga during winter 1983.

1.4. Provision of basic social infrastructure in Rural Growth Centres

> *"The Rural Growth Centre Project is to provide basic social infrastructure to 10 selected village centres in Malawi. This infrastructure includes facilities in the fields of education, health, community development, marketing and shopping, post and telecommunication and water supply." (OFFICE OF THE PRESIDENT AND CABINET 1983, Annex 1)*

Indirectly an expansion of the National Rural Growth Centre Programme to Kawinga will

cause a short-term increase of employment and income in the construction and manufacturing sector, since it is planned to employ without exception regional craftsmen for the construction and installation of the named infrastructure.

On the long run, however, this establishment of infrastructure will effect an increase of demand for products and services of all branches located in Kawinga.

The 'Index to Development Programme Maps 1981/82 - 1983/84' of the Malawian Government includes the Kawinga region as a planning region for the National Programme of Rural Growth Centres Project.

2. Policies indirectly supporting Measures in the Internal Scope of Crafts and Small Rural Enterprises

2.1. Improvement of training on the job facilities

Only about one third of the interviewed entrepreneurs employ trainees, these coming mainly from the manufacture and service professions. Naturally unskilled persons are employed in the processing occupations, but normally these employees are being handled and paid like assistants, since no special training is imparted to the assistants due to the high amount of labour, which requires a division into very simple steps of work procedures.

Generally the advantage of employing trainees are low wages, in most cases only benefits are offered such as food or, more rarely, accommodation. On the other hand training can be a costly proposition for employers, if the probability of retaining workers after training is very low. Normally fluctuation is high, since many trainees open up their own enterprise after apprenticeship is finished and training starts to pay out for the employing businessman. Furthermore payment of training fees to the employer is a decreasing rule. Presently it is only the watch, radio and bicycle repairs and the tailoring business, where trainees still have to pay at least a nominal training fee.

For the reasons of increasing opportunity costs and a high labour turnover of trainees some craftsmen have decided to stop hiring unskilled workers other than their own relatives. With the exception of the processing branches, where a high rate of unskilled workers is employed in routine manipulations without the chance or need of ever receiving training, 60 per cent of the interviewed employing entrepreneurs train chiefly household members.

Many of the bricklayers and bicycle repairs and some of the carpenters share their profits with related trainees. Together with tailors these branches are also the ones, whose craftsmen received their skills mainly through training on the job.

There arise two disadvantages for the general training situation in the region:

- Training on the job normally intercedes only technical knowledge of production to the trainee; and
- No new production methods, means or product designs are imparted to the trainee.

This means that, without impulses from outside the region and the entrepreneurs' limited range of vision, this kind of training does not have any innovative character.

Since training on the job will constitute the most important way of transferring technical

knowledge in the future, on-the-job-apprenticeship programmes in cooperation with NRDP-projects should be given careful consideration. A system of training grants might be instituted as a financial incentive for entrepreneurs to provide training also to interested persons outside the household circle. If an awarding of grants could be combined with the condition of visiting a local vocational training course for the craftsmen, organisation of such a grant system would be facilitated and the mediation of innovated technical knowledge guaranteed to a high extent.

2.2. Advantages of joint ventures as self-help groups for the facilitation of material procurement and the specialization of production

At the present hardly any linkages exist among different small rural enterprises, or between enterprises on the one side and the agricultural and larger-scale manufacturing sector on the other. Linkages between rural crafts are most significant within the construction branches. Sawyers supply carpenters with planks, brickmakers and carpenters on their turn supply builders with bricks respectively wooden articles used in the building trades, and bricklayers render their services to them.

An organization of blacksmiths, tinsmiths and carpenters into groups producing ox-carts and similar sophisticated agricultural implements is of a very rare nature within rural areas. Presently the sole branch rendering direct services to the agricultural sector are blacksmiths producing and repairing small agricultural implements such as hoes, knifes and pangas.

An organisation of joint venturing rural enterprises, though, would call forth several advantages:

Beside an accumulation of dispersed knowledge within these self-help groups an establishment of such Small Enterprise Clubs could simplify the installation of a credit scheme within rural areas. Other very important advantages of Small Enterprise Clubs would be to

> *“enable bulk-buying of and therefore cheaper materials and tools, to provide cheap transport and to organize self-help training.” (PIRES-NIJSSE 1980, p.63)*

Furthermore these clubs could strive for a diversification of sources of supply. For instance axles for ox-carts, which have to be bought in Blantyre on high procurement and transport costs, could be manufactured by blacksmiths on a lower level of sophistication, but on a far lower cost level, since tires and sometimes entire wheels are often supplied on estates in the vicinity at low costs.

The major problem of establishing Small Enterprise Clubs constitutes their organisation and the delegation of responsibility for e.g. building, transport, credit management and training. These clubs could follow the example of the Farmers Clubs, probably they could be established within the Trading Centres in a lose connection to EPA Centres, from where they could receive some managerial help.

A second possibility would be the establishment of tool and spare part pools in close cooperation with the NRDP or with wholesale organisations. A co-operation with NRDP would be desirable, since a delegation of responsibility would be difficult regarding the values involved. On the other hand too much involvement from Government

administration might result in a sort of irresponsibility and inferior feelings on side of the craftsmen. Therefore it would be of some importance to investigate into the worthiness of savings derived from such pools, and whether these savings could not be achieved easier by some kind of regular Small Enterprise Clubs as mentioned before.

2.3. Substitution of industrial and imported input materials

> *"Industrial development in Malawi has been predominantly based on import substitution by medium- and large-scale, mostly owned by foreign firms. In recent years, three economically powerful groups, owned by the Malawian public sector, have invested in manufacturing and agro industry. These groups - Malawi Development Cooperation (MDC), ADMARC and Press Holding Ltd. - have continued to search for additional import substitution opportunities. What these groups have found unattractive, because the market has not been large enough, or the investment has been too small to justify their involvement, could possibly be suitable for SSE." (ARBELL 1978, p. 21)*

Even more, there exists strong pressure on other rural manufactured products such as garments, which stand in severe competition to articles produced by 'Whitex & Sons' in Blantyre.

But, major objective of the Government, which should be included into any promotion of rural crafts, ought to be the substitution of large-scale industrial import products. One possibility of substituting extraneous intermediate products by a production of rural enterprises would be the development of small tanneries for leather articles. At the present many thousands of skins are exported untreated as raw material, while the leather branch is dependent upon imports. Carpenters, shoe repairs and related branches could benefit from such tanneries in rural areas, where most cattle are kept. The potential for tanneries e.g. in Kawinga is rising with the development of cattle raising in the lakeshore areas. Presently only two small tanneries are processing a very limited amount of skins within Malawi.

It should be considered within the Ministry of Trade, Industry and Tourism, whether any incentives should be given to small enterprises concentrating on this direction of production, for instance in form of price-reduced input materials or by measures, which are going to be discussed in Chapter IV.3.

2.4. Amelioration and diversification of products and services

Already in 1978 a World Bank consultant recognised the crucial importance of product diversification for the expansion of small-scale enterprises in Malawi and stated that Malawian small enterprises, which presently are concentrated in a few subsectors of production, are bound to stagnation unless they diversify their own line of products (ARBELL 1978, p. 22).

Against an amelioration of products and services stands the problem of increasing production costs. One characteristic of small enterprise production is the low price-low quality character of its products and services. Therefore an amelioration of products has to be orientated strictly toward existing and future demand.

In case of further inclining cash incomes, supply will have to be extended qualitatively,

since otherwise orientation of demand of high income groups might shift at least partly towards urban areas. This displacement of supposed inferior goods can be recognised already in rural areas, for example with the transfer of public taste from traditional self-brewed beer to 'Chibuku'-containers, and even further to 'Carlsberg'-bottles. This so called ENGEL-effect can only be absorbed by a local production of higher quality products on a higher level of labour intensity.

This supply of further developed products will have to be differentiated regionally according to farm sizes. In case that the trend of the recent years will continue, income increase will be highest for farmers on largest farm sizes (see Map 9 'Comparison of Total Turnover and Population Density').

Another source of future demand might be the estate workers, mainly in the North of Kawinga HDP, due to their higher cash income. The last potential region of rising demand would be Mlomba Subchief Area with highest immigration rates and dense infrastructure. In this case employees in the ADMARG Centre and in the Railroad Company could have an important share in this future demand for improved articles. Major Trading Centres, especially along S56, will play an outstanding role in marketing such goods due to the centres' centrality.

According to the Ministry of Trade, Industry and Tourism there are five main investment fields (MINISTRY OF TRADE, INDUSTRY AND TOURISM 1973, p. 13), in which small factory production might be viable. It will have to be discussed, in how far these conceptions might be applicable to rural enterprises of such a high informality like in the Kawinga region:

- Processors of dispersed resources. This includes conversion of raw produce into jam, sauce, fruit and vegetable canning, etc. Divisibility of equipment and the need to cope with seasonal surpluses might favour small plant sizes.

  Assuming either a future outlet potential of canned food within Malawi or export chances, a processing of these predominantly weight-loss materials might be considered even in remote rural areas. Here investments actually might be too small for large firms due to the high dispersion of agricultural raw produce, which would create employment opportunities for tinsmithing and related branches.

- Market oriented products, which have a high degree of protection in their transport costs. They include agricultural supplies and equipment such as ox-carts, or ferry and fishing boat production (HØJBAK 1979, p. 116), construction goods such as roofing material, and household goods like furniture, bicycles, etc. Prospects of rural enterprises in this category greatly depend upon Government policies such as NRDP, since for a part of them prices in general are too high for village customers.

- Products of simple assembly, mixing or finishing operations. Most of these products are consumer goods with fairly high growth prospects in a low income, but expanding economy. Clothing, foot rubber wear, leather goods, chemical products etc. (ARBELL 1978, p. 23) are the most common products of this category. Here market knowledge and technical efficiency are necessary to satisfy consumer demand at low costs.

- Service industries, which include repair shops of all kinds. Demand for these service trades will rise according to the production of agricultural implements and the increase of imported and local consumer goods. Such repair shops have, in the past,

developed into metal working and machinery factories in several countries.

- Separable manufacturing operations. These operations apply particularly to metal components of all kinds and might be combined to production units on a larger scale, e.g. for manufacture of ox-carts.

This diversification will depend mainly upon the rising income of potential customers. However, since a diversification of products and services is also been striven for by the Malawian Government, impulses should come from it through subcontracts to existing small rural enterprises. These impulses definitely will have repercussions on the demand of population in remote rural areas.

3. Direct Institutional Policies

3.1. Possible Government policies within the Ministry of Trade, Industry and Tourism

A Small Scale Industrial Section was established within the Ministry of Trade, Industry and Tourism in 1977. This unit concentrates on the development of privately Malawian owned small undertakings in the productive sectors of manufacture, maintenance, repair services and construction. However, only 9 Malawian entrepreneurs registered under this section of the Ministry in 1980 and 4 during the first 6 months of 1981 (FINANCIAL TIMES 4.11.1981, p. 13). Its tasks lay in the organisation of feasibility studies, in counselling services and in the collection of information.

A first step in this direction would be the yearly handing over of the District Council Statistics to this unit. Since the revenue collectors of each T.A. are the only officials knowing the number and location of small enterprises in their region, a collection of data on ministry level would help to draw an accurate overall picture, which is absolutely necessary for planning purposes.

A right of co-determination should be given to this unit concerning granting exclusive manufacturing licences to large-scale industries. Such a licence should be granted only under the provision that no actual or potential small-scale producers are seriously affected. This unit could thereby assess all industrial policy measures with regard to their impact on small rural crafts.

Another industrial policy would be the graduation of licence fees and market taxes by the centrality of location of small enterprises.

A differentiation of licence fees, which to a small extent is done already by the District Councils, and of market taxes by transport costs of raw material and final products could cause a more homogeneous distribution pattern of small-scale enterprises within the country and give impulses to openings of enterprises in remote areas.

3.2. Extension of vocational training places into Kawinga

> *"Vocational training normally consists of a period of formal institutional instruction combined with industrial on-the-job training using the block release approach. Each stage in the training ends with the completion of a Trade Test." (ETTEMA 1983, p. 36)*

At the present, vocational training opportunities are somewhat limited within Malawi. Only about 400 to 600 training places are offered all over the country:

Salima Rural Trade School is one of the most important of vocational training centres. Established in 1971 the school became the responsibility of the Ministry of Youth and Culture in 1975. The school is training two main subjects over two years' periods:

- Metalwork geared towards the need of the farmers, i.e. production and repair of farm implements and machinery; and
- Builders in the true sense that the students are trained all aspects of building crafts, i.e. bricklaying, carpentry and even furniture production.

In the second year of training, a village seminar over a three to four weeks' period is held, whereby students are being attached to an existing craftsman in his proposed settlement area. For a similar period he is left on his own, trying to start his own business in the same area in order to decide whether the place is appropriate for him. The students (132 until December 1979) are equipped after graduation with a full set of tools and raw materials enough to enable them to carry through the first orders (HØJBAK 1979, pp. 91 & 92).

In 1978 an agreement was signed by the Malawian Government, ILO and UNDP to establish the Vocational Training Institute for Service Trades, Entrepreneurship and Management Development in Lilongwe with facilities for 160 to 200 trainees in trade-training and additional 80 in entrepreneurial and managerial training, and to provide an extension service for entrepreneurial development as well as supervisory training in the industry.

The immediate objectives of the Institute are

- to train young persons with a minimum educational level for service trades such as repair services, furniture making and motor vehicle work,
- to assist trainees in placement in industry after completion of their institutional training either for further on-the-job training or for full-time gainful employment, and
- to assist such persons to establish their own enterprises by providing credit facilities and further guidance (ARBELL 1978, p. 11).

Beside these two main vocational training schools, there exist some Assisted Technical Schools in the Northern Region offering training courses to craftsmen for the building industry, and two Government Technical Schools at Lilongwe and Soche, which provide a wider range of craftsmen training like brickwork, carpentry, joinery, machine wood-work, motor vehicle mechanics, sheet-metal work and plumbing. In addition, the Christian Service Committee has in recent years sponsored the foundation of small training centres mainly in the Central and Southern Region. Their training is intended to lead to self-employment, however, graduates may complete a Trade Test and thus qualify for entry into the formal sector (ETTEMA 1983, p. 36).

All these training schools in some way offer training opportunities to persons, who intend to open up a new enterprise and who can afford to live off-home during the training period. The advantage of new production methods and managerial abilities, which are taught in these schools, is unquestionable, but none of the interviewed businessmen, who are established within Kawinga RDP, ever attended any training school or centre.

An extension of additional training places or an establishment of additional training schools or centres will primarily benefit craftsmen opening up new enterprises, and

even this advantage is questionable for the Kawinga region as long as the establishment of such training places does not occur in close proximity to this remote rural area.

Instead of giving vocational training exclusively to newcomers, already practicing craftsmen should also be trained further. Beside developing opportunity costs during the training period eventual training fees have to be calculated by the businessmen.

Training during the rainy season after preparation time would reduce opportunity costs, when demand is on its lowest level. On the other hand, additional Ganyu wages would have to be paid for weeding and other farm work on the craftsmen's fields during this training period. Any entrepreneur in rural areas will reject all these costs as long as no training centre exists within his vicinity, which he could reach after day's work or over his holiday. Many entrepreneurs during the Chancellor College Survey (ETTEMA 1983, p. 34) confirmed their willingness to participate in training courses even when charged a small fee, but rejected to give up their business during the training period.

The sole possibility of vocational training in this remote area would therefore be a branching into small subcentres. Considering return calculations an establishment of these subcentres in EPA Centres would be debatable in the course of NRDP-measures.

Here Domasi Vocational Training School could have some model character. This school started in 1981 with 5 students recruited from nearby villages, who returned home every day (ETTEMA 1983, p. 38). An establishment of this form of training school would be very effective for instance within a Rural Growth Centre. Although costs will not be covered by the training fees alone, realization in a RGC or even a NRDP-project would be advisable in terms of costs and organisation.

3.3. Organized settlement of small enterprises in Rural Growth Centres

The establishment of Rural Growth Centres in Malawi is also geared toward the direct benefit of small rural crafts:

> *"Additional measures could consist of promoting non-farm activities which are hitherto mainly limited to shop-keeping, maize-milling, carpentry, brickmaking and metal-works, repair services, etc." (OFFICE OF THE PRESIDENT AND CABINET 1983, Annex 1)*

The main aim of supporting rural enterprises is to establish workshops to be let by the District Council to the local small-scale entrepreneurs. In a pilot programme, which ran during 1983 in two RGCs, workshops had been designed comprising a carpentry and a metal workshop of 60 m² each and 3 small units of 20 m² each for tailors, barbers, candle making, etc. (OFFICE OF THE PRESIDENT AND CABINET 1983, Annex 4).

Selection of entrepreneurs was done by an extension officer, who was also geared towards

- consultancy for small business,
- production workshop advisory services to craftsmen,
- compiling information on existing structure and size of the small scale enterprise production, and
- compiling information on the demand structure and market size of the centre (OFFICE OF THE PRESIDENT AND CABINET 1985, p. 5).

Emphasis with the settlement of entrepreneurs was put on Salima Trade School graduates. The disadvantage of competition between the graduates and the local craftsmen was outweighed by the advantage of making it possible for the community to benefit a quality and range of goods that suits all sectors of the community, i.e. from low to high quality (OFFICE OF THE PRESIDENT AND CABINET 1983, p. 8).

The establishment of a Rural Growth Centre in Kawinga would promote a necessary diversification of products and services and a mediation of skills in this also technologically remote area.

No centres for investment have yet been finalised under the National Rural Growth Centre Programme. But also the Machinga District Council recognised the interest of the Project in this area to the East of Liwonde National Park, which is clearly indicated by the Kawinga Rural Growth Centre Area Plan (TOWN AND COUNTRY PLANNING DEPARTMENT 1983 p. 3).

3.4. Procurement and distribution of components and semi-manufactured goods through wholesale organisations

Another possibility of direct small-scale enterprise promotion is the procurement of material by the commercial sector:

> *“In the initial phase of any upcoming programme of promoting SSEs, the programme should contain an element of supply, in order to make it successful. In the long run, however, the supply system should be left to the commercial sector.” (HØJBAK 1979, p. 98)*

In 1979, according to the RGC-Plan, 'Chipiku[1] stores offered a nationwide service through 62 wholesale depots, established at approximately 30-mile intervals throughout the country. At least 2 monthly deliveries are taking place to the depots. This means that the Chipiku stores constitute the backbone of the Malawian trade forming the main trading division of the Import and Export Company of Malawi (HØJBAK 1979, p. 98).

The existing Chipiku store in Ntaja could, supply components in general as well as semi-manufactured products such as tin sheets, wheels and axles on firm orders. The main problem arises with the payment. If goods have to be paid in cash when ordered, and this might especially be required for components, then the working capital of some businessmen might be bound for a duration of up to 2 weeks. This would even worsen the financial situation of these craftsmen. But most probably this would be an exception, which could be solved and which furthermore holds true to only a small proportion of Kawinga's crafts. In turn this depot could take over the transport of high quality village craft articles to Arts and Crafts Centres, which already exist in the urban areas, paying the craftsmen a fixed price according to quality.

An establishment of another or two Chipiku depots in Kawinga would be very interesting in order to facilitate the procurement of materials even further. According to the RGC-Plan, a Chipiku depot requires a local population of about 40,000 within a 15 miles radius in order to dispose of enough customers to cover running expenses and financing costs. This might apply to Nsanama or Mikoko in the Southern part of Mlornba Subchief Area, where population density and growth are both highest within Kawinga RDP, and which are both in sufficient distances to Ntaja.

3.5. Extension of a credit scheme providing working capital and giving incentives for additional enterprise openings

Until 1983, credits were granted only to school leaves of vocational training courses. Therefore these credits did not reach already working businessmen and hardly any remote economic regions.

In 1980/81, an approval came from the EEC in Brussels for the establishment of the Small-Scale Enterprise Development Organisation of Malawi. A total of MK 590,000 was provided for loan funds. Financial assistance above MK 500 is limited to MK 25,000 per loan and charged an annual 15 per cent interest fee. These loan interests as well as collected rents accrue to the revolving fund for onward lending and finance of recurrent expenditures. Although funds are made available at commercial terms, the advantage of SEDOM in comparison to INDEFUND with comparable interest fees lies in the requirement of smaller securities, which have to be given by the applicants. Funds of this subdivision of INDEBANK were hardly made available to small-scale enterprises due to their minimal initial outlay. In September 1983, 110 applications were submitted, from which about two third were approved. These applicants were in the majority entrepreneurs in urban areas with focal point on Blantyre and Lilongwe, as can be seen from the following table:

TAB 12. Location of Applicants for SEDOM Credit Scheme September 1983

Location	No. of Applications	
Northern Region		8
Karonga	2	
Chilumba	1	
Mzuzu	4	
Nkata Bay	1	
Central Region		18
Dowa	1	
Lilongwe	16	
Dedza	1	
Southern Region		84
Ntcheu	2	
Balaka	6	
Blantyre	66	
Chikwawa	2	
Luchenza	2	
Mulanje	6	
Total		110

Source: Small Scale Enterprise Development Organization of Malawi, Blantyre, September 1983

Out of these 110 applications, 17 were approved until August 1983. Their direction of production comprises the whole spectrum of small-scale enterprises: welding, lime making, carpentry, charcoal manufacture, batique, clothing, steel and iron, brickmaking, production of chicken feeds, curio making, frig mechanics, shirt label production and electric maize hulling. But again these approved applications were concentrated in

Blantyre, Lilongwe, Mulanje, Mzuzu and Balaka.

In order to receive an improvement in the condition of small rural enterprises it should be considered whether this loan system should be extended to enterprises on the lower end of informality. In this case two obstacles will have to be surmounted:

The bottom loan level of MK 500 will have to be lowered further, otherwise the fulfilment of needs of most rural enterprises will result in debts beyond their possible absorptive capacity. Presently only grain mills, brickmaking and some carpentries could absorb such amounts of capital, while the wide majority of rural craftsmen work on far lower levels of working capital. The other obstacle is the problem of informing and advising the rural businessmen about these financial facilities. Spoken in general terms, the omission of such an information system will effect only craftsmen with managerial abilities to apply for a loan, thereby bearing a selective character.

The establishment of an advisory system within this credit scheme designed for rural areas, however, will be absolutely necessary, since the lack of record keeping with most businessmen might result in a fatal misuse of this invested capital. But this loan system used carefully in these remote areas might raise both the number of economically sound enterprises and total additional employment.

3.6. Technical assistance for production, marketing and the procurement of material

SEDOM already established an advisory system for technical questions of financial aid through the installation of 4 engineers and 5 business administrators. Furthermore as a first step this organisation established a small workshop in Blantyre by direct labour, which was operable at the end of 1983. MK 460,000 were provided for this construction, which includes workshop, benches and new sheds. Now SEDOM is looking for additional low level needs. Similar second steps are planned for Lilongwe and Salima.

Although only about one third of the 300 small enterprises advised by DEMATT are on the production side, important steps are planned for manufacturing trades, such as a combination of 40 tinsmiths, blacksmiths and carpenters in Lilongwe to form a group producing ox-carts similar to an ox-cart group already existing in Rumphi. DEMATT was partly successful in organising commissions for small-scale enterprises like the production of crates for Southern Bottlers through local carpenters, or the production of pruning knifes by a blacksmith in Mulanje for the tea estates in his vicinity.

Within the Malawi Export Promotion Council, one craft industries advisor with two types of workshops had started in September 1983 to improve wooden and pottery production and to facilitate the acquirement of raw materials. These improvements include the introduction of pottery wheels, which are unknown in Malawi, or the establishment of 7 kilns in the Southern Region for burning pottery. Insufficient burning causes cracks in up to one third of the burned pots, furthermore the traditional way of pottery burning needs too much firewood.

Presently these 3 organizations are the only ones offering technical assistance to village crafts and small enterprises in Malawi. Ideally technical assistance could comprise advices in the obtaining of materials and the choosing and purchasing of machinery and equipment, in managerial and financial advices on running the business, and in assistance in marketing, while technical advice on production methods and assistance in recruiting and training labour would be of secondary importance (DE JONG 1979, p.16).

DEMATT as the most experienced instrument, since its target is the rural entrepreneurial population, could become very effective in achieving these objectives, when combined with SEDOM as the organization specialized on small manufacturing enterprises. As a matter of fact, combined plans with SEDOM already exist, where DEMATT could take over the sales and SEDOM the production aspects, such as for a fishmeal factory in Mangochi, which already received a loan from INDEFUND. Probably DEMATT could carry SEDOM-activities far into remote rural areas, since they now dispose of a large advisory body. One of their most important objectives could be the improvement of appropriate technology in these non-electrified areas, especially as long as it is labour-intensive.

This objective is mainly followed by the craft industries advisor of MEPC, but the promotion of this organization is geared entirely towards export. An economic feasibility of exporting baskets to Zimbabwe and into the United States, and of wood carvings into the R.S.A., as named by the advisor of MEPC, is at least questionable. Developing high transport costs would leave only very small profit margins to the craftsmen. If a turnover can be generated at all, organisations such as the Arts and Crafts Centres would have to take charge of procurement, transport and marketing of final products. These organisations would have to depend upon intermediate traders, which might leave only a marginal profit to the craftsmen in the remote areas.

3.7. Regional dispersion of medium-size industries in small-scale enterprise estates

Workshop location is one of the most important factors determining sales volume and profitability. One incentive for craftsmen to settle in small-industry estates could be the availability of electricity. But the functions of a small-industry estate could be manifold: In India for instance the estate provides for standard factory buildings, constructed in advance of or following demand, with all the necessary infrastructure, services and facilities needed for industrial growth.

> *“An industrial estate is a 'package scheme' which provides for infrastructure, industrial extension services, consultancy services, supply of credit and raw materials and facilities like postal telephones and communications.” (MATHAI 1975, p. 77)*

This report proposes to disperse small industry estates in India's rural and backward areas and to earmark small-scale enterprise estates within an industrial zone of large and medium industry (consumer industries, services and repairs industries, assembly type industries). The stay of a small enterprise in such an estate should be limited. In Lesotho promotion in an industrial estate is available only for a limited period of up to 5 years. During that time the infant enterprise should grow into a viable unit, which can subsequently be relocated (FUES et al. 1982, p. 45).

The space for allocating such a small-industry estate is very restricted within Kawinga RDP. Only in Ntaja a total area of 7 ha was allocated for industrial expansion. This represents a bit more than 10 per cent of the total provided area for allocation, but none of that land has been developed so far (TOWN AND COUNTRY PLANNING DEPARTMENT 1983, p. 4). In order to settle medium-size industries in this area, tax facilitations could be awarded under the condition that contracts are handed over to small enterprises, thereby contributing to employment through interlockings of production. Backward and forward linkages of these industries could be installed by

taking intermediate products in their first stage, such as cans for a food processing industry, or by handing over intermediate goods in their final stage such as carpentry products.

But considering the small-industry estates of Liwonde and Lilongwe, the danger of over-sizing and misplanning becomes very imminent. Due to possible distances to demand, raw materials and labour potential small-industry estates have to be adapted to the economic abilities of a remote economic region (ARBELL 1978, p. 14).

Furthermore, small rural enterprises in this case would be dependent upon the profile and amount of industrial production. In case of a firm giving up or resettling, the concerned small trades would suffer stringent financial damages, since they normally are not flexible enough to switch the line of production immediately to other articles, after they have orientated their production toward the need of industrial input.

Therefore it should be examined thoroughly for every allocation of medium-size industries in rural small-industry estates, if an establishment of backward and forward linkages pays the risk and undoubtable high financial stake on the Government side.

Most probably a small-industry estate in the Kawinga region would not offer the desired degree of market proximity at all, beside the fact that industrial estates usually cater for formal small firms employing at least several workers, which is not given within Kawinga RDP (ARBELL 1978, p. 15).

4. Summary of Findings

At the present there exist only very few informal enterprises within Kawinga RDP, which could be promoted directly through institutional instruments. Most of these policies will require high additional investments on side of the Government. Most feasible seems to be an organisation of the procurement of intermediate products through wholesale organizations, which would decrease procurement costs significantly. It is questionable, however, if technical and financial assistance might ever reach the average rural craftsman. In some cases, where the local craftsman is hindered by the lack of working capital, while customers are asking for his products or services, a financial scheme is very desirable on a lower level. Since the craftsman will have to pay for both organisational costs and interests, however, future demand should be closely investigated in order to prevent the craftsman from indebting beyond his abilities.

Most important are a general increase in demand, improved trading linkages and a diversification of products, both quantitatively and qualitatively, and of sources of supply.

All these objectives, however, cannot be achieved by direct promotion, but by governmental assistance in trends, which have to be carried by the rural craftsmen themselves. Only in this way the wide majority of highly 'informal' rural crafts will be reached, which would also contribute most to the total general employment through non-farm activities.

V. CONCLUSIONS

A proportion of almost 5 per cent of Kawinga's total rural population depends upon activities of the informal sector without being officially recognised, nutured and regulated by the Government. This figure does not even include the large spectrum of village crafts and other non-farm activities.

This study has highlighted the worsening employment situation in Malawi's rural areas, the situation of rural enterprises and village crafts in the procurement, employment and marketing situation by the example of Kawinga RDP, and has discussed the practicability of policies, which could be implemented in order to improve the situation of 'informal' crafts in rural areas. These improvements should lead to an increase of employment opportunities for the rural population, probably onto a level as described by MWINA-MUDEENYA for Uganda in Chapter 1.1.2.

What is left is to estimate the probability of a development of rural crafts in regard to future demand and its acceptability by the Malawian Government.

1. An Estimate of Future Development of Demand for Small-Scale Enterprise Products and Services within Malawi

As a resume it can be stated that small-scale enterprises in general can develop in 3 not mutually exclusive areas:

- Consumer goods, which depend greatly upon the expected rise in real income of the habitants of Malawi, in rural as well as in urban areas;
- Intermediary goods and services, which are sold to other industries, depend upon prospects of growths of the other sectors and large-scale industries; and
- Export goods, which do depend mainly upon special factor endowments in Malawi. This would apply almost entirely to canned agricultural products. For other commodities export markets might be too volatile and risky in the short to medium-term future (DE JONG 1979, p. 17).

Unfortunately no temporal comparison can be drawn of economical data, since the presented survey is the first one of that kind conducted within this region. But assuming that agricultural income in Kawinga will rise in the same manner as it did during recent years, a comparison of consumption preferences of different income classes might be very revealing. MWINA-MUDEENYA points out the same typical problems of a land-locked tropical country (see Table 13). He indicates a declining proportion of demand for all rural processed food commodities toward higher income classes. On the contrary, a fairly balanced average household expenditure pattern over all 6 income classes exists for all rural produced consumer goods. Especially expenditures for locally tailored clothing rise with increasing income, while demand for footwear and metal products declines slowly in the two highest income classes. Again demand of the rural population for imported consumer goods increases only for clothing in the upper income classes, while proportion of consumption declines with kerosene, salt, fats and oils. Of most importance is finally a significant rise in the proportional expenditure for education and transport services with higher income (MWINA-MUDEENYA 1978, p. 279).

Even if these figures cannot exactly be applicable to rural areas within Malawi, it becomes distinctive that demand shifts toward more expensive goods and services with

increasing income, when additional cash is available. Since income generation of Kawinga[1]s agricultural population will be distributed more or less over all income classes in the near to medium-term future, less sophisticated products and services will remain in constant demand of segments of rural population with lower incomes. Furthermore, needs for additional consumer goods will develop, graduated by a different height of future income increase, which represents a potential for additional small-scale occupations such as small bakeries, boat building, lime-burning, bee keeping, candle making, etc. (MATHAI 1975, p. 1).

TAB 13. Average Household Expenditure by Commodity in Bunyole County, Uganda, 1976 (%}

Commodity Group	% of total Expenditure
Rural produced food commodities	∑ 15.0
1. Maize and millet	4.8
2. Meat, fish, livestock products	9.3
3. Pats and oils	1.7
4. Other foods	4.2
Rural produced consumer goods	∑ 26.0
1. Metal products and repair	1.4
2. Wood products and repair	4.2
3. Local beverages	1.7
4. Locally tailored clothing	11.8
5. Footwear and repair	1.2
6. Crafts, utensils and crockery	2.4
7. Other household and personal goods	3.4
Imported consumer goods	∑ 25.0
1. Fuel (kerosene)	4.2
2. Salt, fats and oils	4.1
3. Tobacco and beverages	2.6
4. Urban tailored clothing	10.3
5. Other household and personal goods	7.7
Services	∑ 30.0
1. Health	3.7
2. Education	16.3
3. Farming	4.9
4. Transport	5.3

Source: MWINA-MUDEENYA 1978, p. 274

Demand for intermediary goods and services will depend mainly upon affordable transport linkages to industries located in urban areas. An arrangement of subcontracts between small-scale enterprises and larger industries either privately or Government owned will be of crucial importance. This subcontracting should be organised by the Government to some extent, for instance through the Small-Scale Enterprise Unit within the Ministry of Trade, Industry and Tourism. However, prospects for the development of medium and large-scale industries within Malawi, especially within the Southern Region, are very uncertain. An accelerated growth of these industries cannot be desirable, since this will happen under investments of foreign capital for the

disadvantage of domestic small-scale enterprises. A growth of the domestic construction sector is to be judged more positively. An optimal solution would be represented by consolidations of existing and future small crafts to e.g. ox-cart groups in rural areas. This would also facilitate the establishment of linkages to potential economic activities in these regions by fish processing or skin tanning for instance. Procurement of required material and marketing of products could be organized more easily by these consolidated groups. An establishment of such organisations might also dam up a potential inundation of large-scale industrial products from urban areas.

The same danger exists through import products from e.g. the R.S.A, It is questionable, if small-scale enterprise products such as canned agricultural produce are able to compete against established import flows from the R.S.A. into foreign countries.

But marketing within Malawi would also be very desirable in order to repress the ever increasing influence of South African export products.

2. A Review on the Attainability of Government Objectives in Rural Areas

After objectives of a rural enterprise promotion had been compared with small-scale enterprise promotion objectives of the Malawian Government, it now has to be discussed in how far Government objectives might be verified in rural areas. Such a comparison of possible benefits from both short to medium-term and long-term objectives will prevent a competition with possible objectives for a rural promotion as described in Chapter 1.2.

A transfer of technology into rural areas cannot be desirable if comprehended as large-scale industrial technology transferred from urban areas. In this case production processes on a high capital/labour ratio would serve as a substitute for high labour productivity. The development of technology should be generated within the particular rural areas

in order to remain appropriate in terms of natural resources, capital and labour. In case technology is understood as an improvement of education and training, a transfer should be promoted through the establishment of training opportunities in rural areas. This will have to occur on ways, which prevent any form of 'brain-drain' into the further developed economic centres.

Geographical spread of industrial development might become feasible by ways of Government incentives to medium-scale industries for the establishment in rural areas. These incentives should be granted only, if backward and forward linkages are established to existing rural craftsmen, and only if both a possible competition between products of the two sectors and a unilateral dependency of rural enterprises upon orders of medium-size industries is prevented.

A stimulation of agricultural development through the provision of investment goods and the processing of farm commodities will result in bilateral efficiencies, when additional demand of subsistence farmers is created. Furthermore, the source of demand cannot be diverted and will represent a stable customer in case of growing agricultural income. New implements such as ox-carts and fishing boats could carry new innovations into the agricultural sector. An extension of the production palette of mainly tinsmiths, carpenters and blacksmiths, however, might stand in contrast to interests of the Government, which tries to expand production and sales of central semi-governmental

organizations such as 'Agrimal' in Blantyre.

A provision of cheap consumer goods depends both upon the development of agricultural income and upon the orientation of production towards customers with different incomes. A qualitative expansion of the spectrum of offered consumer goods has to consider a sufficient provision of cheap basic articles for low-income population groups. Ultimately savings of the rural population through cheaper consumer goods will result in a rise of food balances.

The increase of domestic employment as the most crucial benefit in rural areas will be achieved indirectly by an increase in demand. Directly an incline of fixed capital up to the level of possible additional employment might be attained by financial assistance on a smaller scale than conducted in urban areas. This will have to be combined with technical assistance in order to improve managerial abilities, which will decrease craftmen’s additional financial risks by making marketing and procurement patterns more transparent.

Mainly physical capital is accumulated in rural areas. The benefit of taping these sources of capital will be a decrease of population pressure in urban areas by unemployed emigrants. So, even if no numerable development is contributed in the national scope, negative effects of overpopulation will partly be prevented.

The use of resources in small-scale enterprise production presently is very limited in view of production processes. Impulses for an improvement in the contribution to general industrial output will have to be introduced from outside. Tax incentives for the installation of training opportunities within the enterprise, and the establishment of vocational training subcentres will improve the craftsmen’s flexibility in adapting to changes in demand.

A lowering of transport costs might be generated by the establishment of a commercial procurement and marketing instrument. Especially Chipiku stores might be used more efficiently, when managing this system on rates lower than the present entrepreneurs' procurement costs. A substitution of high cost imports will most probably not be possible in the near future for products on technical levels too high for rural enterprises. A substitution of imported industrial intermediate products will only occur in course of a partly shifting of large-scale to small-scale industrial production.

The development of worker skills will be generated mainly by an establishment of local subcentres for vocational training and, quantitatively more important, by incentives for an extension of training to all occupations. Benefits will also be positive, when training is preferred for household members.

A discussion of long-term benefits will have to include possible side effects of small rural enterprise promotion:

Financial and technical assistance contains the danger of one-sided orientation towards small-scale enterprises, which the Malawian Government might desire to develop in order to achieve short-term benefits. This might result in rising income inequalities within rural areas, whereas inequalities seem to decrease on a supra-regional level. Social welfare might be even more endangered by an aggravated competition from promoted enterprises.

An income distribution to economically marginal segments of population might be

possible, when measures are scattered over all crafts of the informal sector. In this case promotion will have to include village crafts, such as pot, mat and basket making, which represent the highest proportion in employment. This will be very difficult to achieve, since successful policies will have to be focused within the small-scale enterprise sector itself. Policies for the general improvement of demand will be more suitable to achieve this long-term objective. Rural crafts promotion will contribute to a reduction of vulnerability to external economic pressures on the long run. Any expansion of products will decrease dependencies upon import products. Political pressures might rise, especially from the R.S.A., by import stops of necessary investment goods. This unilateral economic dependency upon South African products will have to be reduced to acceptable levels, or trade connections with other sources of supply should be established in the ideal case.

An economic growth will be balanced by a distribution of economic activities over all income classes covering also marginal economic rural regions.

A balanced growth of the industrial sector will depend upon the dispersion of profits between medium-scale and small-scale industries. Backward linkages might be organised for the processing of agricultural produce and for the final production of intermediate goods from large and medium-scale industries, e.g. by tinsmiths or carpenters. Forward linkages might be established through the production of agricultural implements by blacksmiths, etc., while forward linkages to larger industries will be achieved more difficultly. A price competition for consumer goods of low income classes might arise, if production profits of rural small enterprises are higher, when obtained through industrial linkages, and if price differences are transferred to the disadvantage of the rural population.

The creation of a Malawian entrepreneurial class would be most interesting in rural areas, if income generation is shifted totally to an important number of small rural enterprises, and as a result claims to farm land are waived by their entire households. On the long run, this could result in a decreasing pressure of rural population on arable land due to a provision of additional farm land. The short-term aspects of less competition for labour and capital inputs between farm and enterprise will be outweighed, however, by a loss of economic and social securities. An abandonment of farm land will not occur in the near future, as can be seen with the more successful entrepreneurs in the survey. On the contrary, additional land pressure might be originated from rising influences on the distribution of farm land by the keeping of cattle of these economically important entrepreneurs.

Foreign exchange will be saved only in case that technology is developed in a way appropriate to the economic situation of the environment. Otherwise costs arise for the import of additional know-how, equipment and intermediate products. An export orientation should be of secondary importance although should be estimated positively, in case economic interactions are established to other developing countries. In any case it should replace or decrease dependencies upon industrial countries, which are due to the export of one-track, land-consuming cash crops.

3. Prospects of Future Potential of Village Crafts and Small Enterprises within the Kawinga Region

There are 3 general influences, which might make small rural enterprise production in Kawinga RDP more efficient than large-scale industries in urban areas (MINISTRY OF TRADE, INDUSTRY AND TOURISM, 1973, p. 13):

- Locational influences, which make for dispersed location and smaller plant size. This is the case with the processing of dispersed raw materials, which applies mainly to village crafts and the processing category, to the production of goods with local markets and high transport costs such as all weight-loss materials, and to services, e.g. repair facilities. For instance potential for brickmaking depends upon the commission from Government projects and the increase of income, since most villagers on a certain level of income start building their houses with bricks instead of using unburned clay. In view of the demand of this type of housing potential is present for brickmakers, mortar makers and carpenters, and in time for the manufacturers of other materials and gadgets: i.e. doorknobs, ventilation screens, etc. Moreover, there probably will be a demand for furniture and decoration materials (DE JONG 1979, p. 18).
- Market influences, i.e. where markets are small or differentiated. A further development of Trading Centres in Kawinga through road improvements contains the danger of industrial or import products taking possession of local markets. On the other hand, Trading Centres offer advantages of contact for consolidations of rural trades. Other rural enterprises will have to expand or perish. For instance, CHUTA and LIEDHOLM (1982, p. 102) compared employment and economical data of small crafts in Sierra Leone between 1974 and 1980. According to their two surveys total employment and total number of firms, especially enterprises employing 2 to 5 workers, rose significantly during this period, while the proportion of one-person-enterprises declined from 35 to 23 per cent. In particular food industries and repair, partly wearing apparels, and metal working in urban areas were strongly expanding sectors, while the proportion of metalworking professions in rural areas decreased significantly. Government policies will become necessary also in Malawi in order to prevent a further decline of metalworking in rural areas, e.g. by subcontracting blacksmiths and tinsmiths. Most important, however, will be policies to improve managerial skills and the procurement of input materials.
- Process influences. This occurs with production processes, where economies of scale are not significant or production is too labour-intensive for large-scale industries, e.g. many leather and wood products. On contrary, especially the tinsmithing products will be exposed to rising pressure from competition, if the palette cannot be extended to a can production for food processing.

Together with assistance of entrepreneurial interlinkages and of consolidation of particular rural enterprises, future prospects in a NRDP Project Area such as Kawinga RDP can be estimated positively. Regarding Government objectives, which have to be included into an estimate of small-scale enterprise potential no constraints from Government side can be made out as long as a. development of rural crafts can be achieved by cheap means.

If a promotion of rural village crafts were generated indirectly by policies of improving

demand by both increase of rural income and establishment of an efficient petty trading class, nothing would stand against an expansion of small-scale enterprise promotion in rural areas. The development potential of Malawian owned industries should also be favourable in the case of rural enterprises in Malawi.

However, demand will have the major influence on the development potential of crafts and rural enterprises. A blind promotion of 'informal' small enterprises without a parallel increase of rural income will result in a repression of economically weaker businesses or even of whole sectors of rural production, thereby decreasing employment opportunities in remote rural areas.

On the other hand, if additional demand is generated, development of rural crafts will function as a main supplier of agricultural implements and consumer goods effecting on return an improvement of the general rural situation.

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ANNEX 1. Officials Contacted

Data on Chapter IV were collected to a large part by interviews with following officials:

- Mr. Almonte, Ministry of Trade, Industry and Tourism, SSE Section, Capital Hill, Lilongwe
- Mr. Chimwaza, Office of the President and Cabinet, Rural Growth Centre Project, Capital Hill, Lilongwe
- Dr. Ettema, Chancellor College, Center for Social Research, Zomba
- Mr. Fischer, Ministry of Agriculture, Liwonde Agricultural Development Division, S.P.E.O., Liwonde
- Mr. Haas, UNDP, Habitat, Capital City, Zowe House, Lilongwe
- Mr. Highton, Ministry of Agriculture, Lilongwe Agricultural Development Division, SSE Section, Lilongwe
- Mr. Lehmen, EEC Delegation, Capital City, Lingadzi House, Lilongwe
- Mr. MacCandry, Malawi Export Promotion Council, Delamere House, Blantyre
- Dr. Muliwa, Chancellor College, Geographical Department, Zomba
- Mr. Namkoma, Development of Malawian Traders Trust, Glyn John Rd., Blantyre
- Mr. Redmore, Office of the President and Cabinet, Town and Country Planning Department, Zomba
- Mr. Schroll, Small Scale Enterprise Development Organization of Malawi, Haile Sellasie Rd., Blantyre

Again I want to take this opportunity to thank all officials listed on this page for the help they often granted me in countless ways.

ANNEX 2. Description of Survey and Explanation of Questionnaire

The information processed in Chapter II and III was collected to a great part during a survey run in Kawinga RDP in August and September 1983 for a total of almost two months. This survey was conducted by the author of this study and by two enumerators, who were provided by the Liwonde Agricultural Development Division. These interviewers disposed of a profound knowledge of the surveyed region, since they both originate from this area. In the beginning, the revenue collectors of each Subchief Area were visited and questioned for the location and number of licensed craftsmen in their particular region.

An overall number of more than 500 units was identified within Kawinga RDP, that is excluding most of the mat, basket and pot makers. These could not be localised in the remote lakeshore areas, which implies that the number of identified village craftsmen is naturally low compared to their actual number. These craftsmen often live in remote areas, where they find their supply on raw materials, and are not known to the revenue collectors, because they do not have to pay licence fees due to their highly seasonal conduct of production and to their low total turnover.

The information was verified through several spot checks, where it was ascertained that this information was highly correct with a deviation of less than 5 per cent, originating mainly from estimates of village craftsmen located in Trading Centres.

TAB 14. Distribution of Interviewed Craft Units by Centrality

Location	Village Crafts			Processing			Manufacture			Services					Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1. Major TC	0	1	2	3	2	1	6	6	5	6	7	3	5	1	48
2. Minor TC	0	4	1	1	2	1	2	9	1	1	1	2	2	0	27
3. Market	0	1	0	0	0	1	0	2	0	0	0	0	1	0	5
4. A long Road	0	2	0	3	2	0	0	1	5	0	0	1	0	0	14
5. Estate	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
6. Village	7	9	3	1	1	2	1	0	4	0	0	1	1	1	31
7. Remote Area	0	0	0	0	1	3	0	0	0	0	0	1	0	0	5
Total	7	16	6	8	8	8	9	18	15	7	8	8	9	3	131

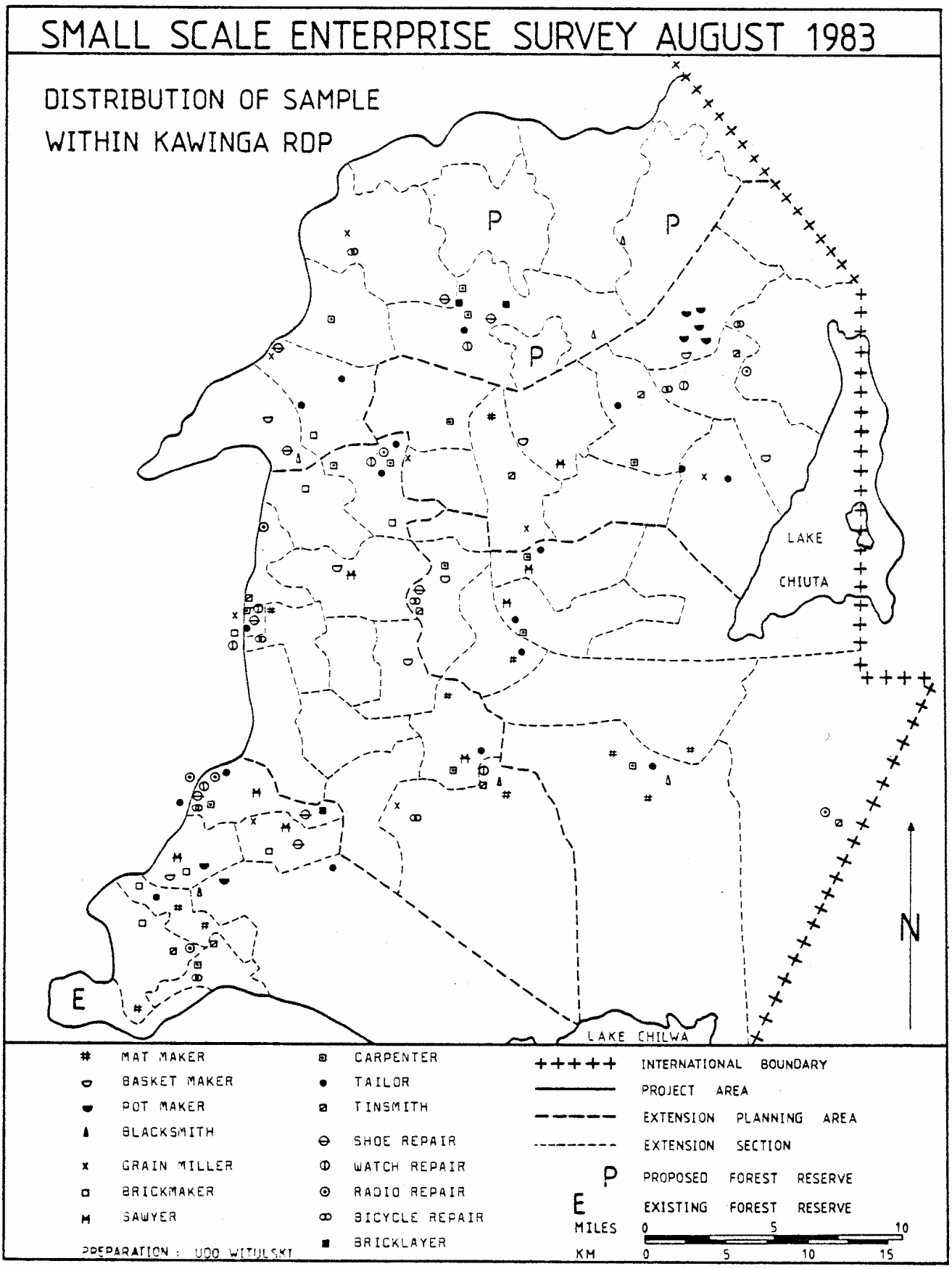
Legend:

- unknown	5 Brickmaker	10 Bicycle Repair
1 Mat/Basket Maker	6 Grain Miller	11 Watch Repair
2 Pot Maker	7 Tailor	12 Radio Repair
3 Blacksmith	8 Carpenter	13 Shoe Repair
4 Sawyer	9 Tinsmith	14 Bricklayer

Source: KAWINGA SMALL-SCALE ENTERPRISE SURVEY August/September 1983

After a first completion of the questionnaire, a pilot survey was started around Liwonde covering one craftsman out of each branch in order to test the questionnaire, to work out weak points in the concept and to train the enumerators in the required way of

interviewing. Furthermore, during this pilot survey codes were defined mainly for equipment, material/components and products/services of the entrepreneurs.



Since these codes could not be totally complete, the two enumerators were asked to

introduce more coding into the questionnaire in case they found any more material or products, etc.

A total sample of 131 enterprises was drawn stratified by EPAs (see Map 13 ‘Small Scale Enterprise Survey’) and by centrality of their location.

Only 15 different branches were identified in the region, the analysis of mat and basket makers was combined in this study due to their similarities in production and marketing.

Following figures (in brackets) give the percentage of interviewed businesses and the number of samples in each branch: Basket making (?; 8), mat making (?; 8), pot making (20 %; 7) and blacksmithing (75 %; 6) are defined as village crafts due to their high proportion in locations of low centrality. Processing comprises wood sawying (30 %; 8), brickmaking (65 %; 8) and grain milling (20 %; 8). Manufacture includes tinsmithing (30 %; 9), tailoring (10 %', 18) and carpentry (25 %; 15). The distinction between processing and manufacture was taken because in the former category only raw material is processed, while in the latter category production is further sophisticated, and the entrepreneur has to depend upon foreign inputs in order to get his material. Shoe repair (45 %; 9), watch repair (50 %; 7}, radio repair (45 %; 8), bicycle repair (30 %; 8) and bricklaying (25 %; 3) as pure services belong to the fourth category, where only components are used, while the material is supplied by the customer.

Some branches could not be identified at all, such as butchering, metal welding or leather tanning, all branches with a fairly positive potential within such remote rural areas with rising agricultural income.

The interview itself had an average duration of about one hour. It was tried to place the more important questions in the middle of the questionnaire, when interest in the interview is roused and the interviewee is concentrated, and before his concentration declines towards the end of the interview.

The questionnaire was designed the way the enumerators are used to from former interviews, which they conducted for the ADD. Furthermore, data can easily be computerised, since not all available data had been used in this study.

The interviewers were requested to ask the tables backwards, thereby helping the interviewee to remember and diminishing probability of errors. As soon as the interviewee seemed to be uncertain or too quick with his answer in order to please the enumerator and to get rid of the question, the enumerator was asked not to fill in figures, but to make a dash.

KAWINGA
SMALL SCALE ENTERPRISE
SURVEY AUGUST 1983

Comments :

IDENTIFICATION

Subchief Area	
Village	
No. of Questionnaire	
Enumerator	
Date of Interview	
Nature of Business	

0: LOCATION

01 (C)	Location	
02 (C)	EPA No.	

! Interview only the Owner of the Enterprise !

This Questionnaire has 7 Sections :

0: Location

A: Personals

B: Farming / Seasonal Split of Labour

C: Employment and Labour Input

D: Origin of Starting Capital and Capital Input

E: Production and Marketing

F: Use of Income of Enterprise

Codes : 01 : Location

1. Major Trading Center
2. Minor Trading Center
3. Market
4. Along the Road
5. Estate
6. Village
7. Remote Area

02 : EPA No.

1. MGA 07
2. MGA 08
3. MGA 09
4. MGA 10
5. MGA 11

A: Personals

A1. Household Members Specify on Table 1 !

Table 1	A2.(C) Relation to Int.	A3.(C) Sex	A4. Age	A5.(C) Education Level
Interviewee	1			

Codes : A2 : Relationship to Interviewee

1. Interviewee
2. Spouse
3. Son / Daughter
4. Parent of Head/Spouse
5. Grandchild
6. Son/Daughter in Law
7. Other Relative
8. Resident Hired Labourer
9. other

A3 : Sex

1. Male
2. Female

A5 : Highest Education Level

1. None
2. Literacy Training
3. Std 1 - Std 2
4. Std 3 - Std 4
5. Std 5 - Std 8
6. Some Secondary
7. Secondary completed
8. University
9. other/unknown

WRITING TEST :

A6. Are you born outside the district ? Y / N

If Yes : Name of district ..... Name of TA .....

A7.(C) Indicate the distance to your present location : ☐

A8.(C) How many years ago did you come into this district ? ☐☐

A9.(C) What is your religion ? ☐

A10(C) To what tribe do you belong ? ☐

A11. How many years ago did you learn your present craft ? ☐☐

A12(C) Who taught you your present craft ? ☐

A13. Did you pay to be trained ?

Yes 1	
No 2	

V11

Codes :

A7 : Distance

1. < 40 km
2. 40-80 km
3. 80-140 km
4. 140-250 km
5. > 250 km
6. abroad

A9 : Religion

1. Moslem
2. Christian
3. Traditional

A10 : Tribe

1. Yao
2. Chewa
3. Lomwe
4. Ngoni
5. Tumbuka
6. Tonga
7. Sena
8. other

A12 : Training

1. Relative
2. Vocational Training
3. Training on the Job
4. Taught by other small entrepreneur
5. Company/Firm
6. Selftaught
7. Mission
8. Malawi Young Pioneers
9. Outside Malawi

B : Farming / Seasonal Split of Labour

B1. Does your household have a garden ? Y / N

If Yes : In what subchief ? .....

Near what village ? .....

(C) In which EPA ? ☐

B2. (C) Indicate the distance to the interviewed enterprise : ☐

B3. (C) What kind of crops do you grow ? (List according to importance !) ☐☐☐☐☐

B4. Do you own livestock ?

	Total Stock		
cattle			
sheep			
goats			
pigs			

B5. Did you sell surplus crops after last season ? Y / N

B6. Did you have to buy additional food crops before last season ? Y / N

B7. Are you a member in a Farmers Club/Group ? Y / N

B8. Did you receive credit during the last year ? Y / N

If Yes : B9. (C) How much did you receive ? ☐

Codes :

B1 : EPA No.
1. EPA 07
2. EPA 08
3. EPA 09
4. EPA 10
5. EPA 11

B2 : Distance
1. < 2 km
2. 2-5 km
3. 6-10 km
4. 11-15 km
5. > 15 km

B3 : Kind of Crops
1. Maize
2. Millet/Sorghum
3. Rice
4. Beans/Peas
5. Cassava/Sweet Potatoes
6. Vegetables
7. Groundnuts
8. Tobacco
9. Cotton

B9 : Amount of Credit
1. < 10 Kwacha
2. 10-30 Kwacha
3. 30-50 Kwacha
4. 50-100 Kwacha
5. 100-200 Kwacha
6. 200-400 Kwacha
7. > 400 Kwacha

B10. Did you work in your garden during the last season ? Y / N

If Yes : Specify on Table 2 !

B11. Did you hire labour for your garden during the last season ? Y / N

If Yes : Specify on Table 2 !

B12. Did you rent equipment for your garden during the last season ? Y / N

If Yes : Specify on Table 2 !

← ASK THIS DIRECTION !

Table 2	B13.(C) Occ.	B14.(C) Age	B15.(C) Benefit	B16.(C) Wages	B17.(C) Equipm.	B18.(C) Ren.Fee	B19. Number of days during : (— if he can't remember !) 1 Sep	2 Oct	3 Nov	4 Dec	5 Jan	6 Feb	7 Mar	8 Apr	9 May	10 June	11 July	12 Aug.
B10.	Interviewee	Interviewee		Interviewee	Interviewee		☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
B11. Hired	☐	☐	☐	☐			☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Labour	☐	☐	☐	☐			☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐			☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐			☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐			☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐			☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
B12. Rented		Rented		Rented	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Equipment		Equipment		Equipment	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Codes :

B13. Main Occupation
1. Preparation
2. Planting
3. Weeding
4. Harvesting
5. Transportation
6. Spraying
7. other

B14. Age
1. < 15 years
2. 15-50 years
3. > 50 years

B15. Benefits
1. None
2. Food
3. Beer
4. Accomodation
5. Food/Beer
6. Food/Acc.
7. Beer/Acc.
8. Food/Beer/Acc.

B16. Wages/month (cash and kind)
1. None
2. < 5 Kwacha
3. 5-10 Kwacha
4. 11-15 Kwacha
5. 16-20 Kwacha
6. > 20 Kwacha
7. Share

B17. Equipment
1. Ox-Cart
2. Oxen
3. Plough
4. Sprayer

B18. Rental Fee (cash and kind)
1. None
2. < 5 Kwacha
3. 5-10 Kwacha
4. 11-15 Kwacha
5. 16-20 Kwacha
6. > 20 Kwacha
7. Share

C : Employment and Labour Input

C1. In what month during the last year did you work in your enterprise ? (Specify on Table 3 !)

C2. (C) Do you have other businesses or jobs ? Y / N

If Yes : How many days did you work there each month ? (Specify on Table 3 !)

← ASK THIS DIRECTION !

Table 3	C2/3.(C) Nature of Business	C4. Number of days worked during : (make dash (—) if he can't remember !)											
		1 Sept.	2 Oct.	3 Nov.	4 Dec.	5 Jan.	6 Feb.	7 March	8 April	9 May	10 June	11 July	12 Aug.
C1.Interv. B.													
C3. (C) other Businesses or Jobs													

C5. Did you ever employ any assistants (incl. household members) in this business during last year ? Y / N

If Yes : How many days each month ? (Specify on Table 4 !)

← ASK THIS DIRECTION

Table 4	C6.(C) Occup.	C7.(C) Househ. Member	C8.(C) Age	C9.(C) Trained before	C10.(C) Benefit	C11.(C) Wages/ month	C5. Number of days employed during : (—can't remember)											
							1 Sep	2 Oct	3 Nov	4 Dec	5 Jan	6 Feb	7 Mar	8 Apr	9 May	10 June	11 July	12 Aug.

Codes :

C2 : Nature of Business (Branches)

01 Tailor	04 Tinsmith	23 Sawyer	13 Maize Mill	09 Watch Repair
02 Basket Maker	06 Carpenter	15 Blacksmith	05 Shoe Repair	07 Radio Repair
03 Mat Maker	10 Brickmaker	22 Pot Maker	08 Bicycle Repair	28 Bricklayer

C3 : Other Businesses or Jobs (incl. above)

31 shop	33 Restaurant	35 Rest House	37 Unpaid Labour	39
32 Tearoom	34 Bar/Bottle Store	36 Employed Labour	38 Trading/Selling	40

C6 : Occupation

1. Supervisor
2. Assistant
3. Trainee
4. Selling only

C7 : Household Member

1. Yes
2. No

C8 : Age

1. < 15 years
2. 15-50 years
3. > 50 years

C9 : Trained before

1. No
2. Able to read/write
3. Training on the job
4. Vocational Training

C10 : Benefits

1. None
2. Food
3. Accomodation
4. Food/Acc.
5. Training on job
6. Food/Training
7. Acc./Training
8. Food/Acc./Train.

C11 : Wage/month (cash and kind)

1. None
2. < 5 Kwacha
3. 5-10 Kwacha
4. 11-15 Kwacha
5. 16-20 Kwacha
6. 21-40 Kwacha
7. > 40 Kwacha
8. Share

Codes :

D1 : Distance

1. < 10 km
2. 40-80 km
3. 80-140 km
4. 140-250 km
5. > 250 km

D4 : Country

1. South Africa
2. Zimbabwe
3. Sambia
4. Mozambique
5. Tanzania
6. other

D8 : Money for Start

1. < 10 Kwacha
2. 11-20 Kwacha
3. 21-40 Kwacha
4. 41-100 Kwacha
5. 100-300 Kwacha
6. 300-500 Kwacha
7. > 500 Kwacha

D9 : How obtained

1. with farming
2. with ganyu
3. Contract on estate
4. with present craft
5. employed in Government
6. in Company/Firm
7. working in Mines
8. selling/trading
9. other

D10 : Nature of Premise

1. open air
2. Khonde
3. Workshop
4. Shed, walled
5. other, unwalled

D11 : Rent/month (cash and kind)

1. < 2 Kwacha
2. 2-5 Kwacha
3. 6-10 Kwacha
4. >10 Kwacha

D12 : Money for Building

1. < 20 Kwacha
2. 21-40 Kwacha
3. 40-100 Kwacha
4. 100-300 Kwacha
5. 300-500 Kwacha
6. > 500 Kwacha

D : Origin of Starting Capital and Capital Input

D1. Have you ever worked outside the present district of residence, but within Malawi ? Y / N

If Yes : What district and what TA ? district ..... district ..... district .....

TA ..... TA ..... TA .....

(C) Indicate the distance to present location : ☐ ☐ ☐

B2. For how many years did you work there ? ☐☐ ☐☐ ☐☐

B3. How long ago did you return home ? ☐☐ ☐☐ ☐☐

D4. Have you ever worked outside Malawi ?

If Yes : (C) Indicate the countries : ☐ ☐ ☐

D5. How many years did you work there ? ☐☐ ☐☐ ☐☐

D6. How long ago did you return home ? ☐☐ ☐☐ ☐☐

D7. How many years ago did you start this business ? ☐☐

D8.(C) How much money did you need for starting this business on your own ? ☐

D9.(C) If more than 40 Kwacha, how have you obtained this money ? ☐ ☐

D10(C) Nature of premise : ☐

D11(C) If rent is paid, how much do you pay per month ? ☐

D12(C) If premise is owned, how much money would you receive, if you sold it ? ☐

D13. What pieces of equipment/tools do you own ?

Specify on Table 5 !

Table 5	D13.(C) Equipm.	D14. No. owned	D15. where obtained	D16.(C) Distance	D17.(C) How long ago	D18.(C) Costs/piece	D19.(C) New/Sec.H.
	☐	☐	....	☐	☐	☐	☐
	☐	☐	....	☐	☐	☐	☐
	☐	☐	....	☐	☐	☐	☐
	☐	☐	....	☐	☐	☐	☐
	☐	☐	....	☐	☐	☐	☐
	☐	☐	....	☐	☐	☐	☐
	☐	☐	....	☐	☐	☐	☐
	☐	☐	....	☐	☐	☐	☐
	☐	☐	....	☐	☐	☐	☐

Codes :

D16 : Distance

1. < 10 km
2. 10-25 km
3. 26-40 km
4. 41-80 km
5. 81-140 km
6. 141-250 km
7. > 250 km
8. abroad

D17 : How many years ago

1. < 2 years
2. 2-5 years
3. 6-10 years
4. 11-20 years
5. > 20 years

D18 : Costs/piece when bought

1. < 2 Kwacha
2. 2-5 Kwacha
3. 6-10 Kwacha
4. 11-20 Kwacha
5. 21-40 Kwacha
6. 41-100 Kwacha
7. 101-300 Kwacha
8. 301-500 Kwacha
9. > 500 Kwacha

D19 : New/Sec.Hand

1. New
2. Second hand

Codes :

D13 : Nameof Equipment/Tools

01 Tailor
1. Sewing Machine
2. Scissors
3. Tape
4. Screwdriver
5.
6.
7.
8.

04 Tinsmith
1. Plier
2. Snips
3. Spanners
4. Chissel
5. Saw (Hack)
6. Hammer
7. Anvil
8. Tuper/File
9. Screwdriver

23 Sawyer
1. Saw
2. Tuper
3. Hammer
4. Cross Cut
5. Ruler/Tape
6.
7.
8.
9.

13 Maize Mill
1. Mill Engine
2. Miller/Grinder
3. Spanners
4. Tin Cans
5.
6.
7.
8.
9.

09 Watch Repair
1. Tweezer
2. Srewdriver
3. Riveting
4. Brush
5. Cuttle/Plier
6. Tuper/File
7. Fitting Glass
8. Cupboard
9. Mirror/Scope

02 Basketmaker
1. Knife
2. Aile
3. Axe
4. Panga
5. Tuper/File
6. Grindstone
7.
8.
9.

06 Carpenter
1. Clawhammer
2. Clamper
3. Deep Plane
4. Saw
5. Square
6. Ruler/Tape
7. Chissel
8. Plain
9. Gauge

15 Blacksmith
1. Hammer
2. Plier
3. Chissel
4. Tuper/File
5. Scissors
6. Puncher/Spider
7. Anvil
8. Clamper
9. Spanners

05 Shoe Repair
1. Anvil
2. Hammer
3. Plier
4. Knife
5. Iron Shoe
6. Aile
7. Sandstone
8. Brush
9.

07 Radio Repair
1. Screwdriver
2. Headphone
3. Plier
4. Soldering Iron
5. Ivometer
6. Brush
7. Tweezer
8. Tuper/File
9. Cupboard

03 Mat Maker
1. Knife
2. Aile
3. Grindstone
4. Axe
5. Panga
6. Tuper/File
7.
8.
9.

10 Brickmaker
1. Axe
2. Bucket
3. Drumm
4. Hoe
5. Moulds
6. Kiln
7. Spade
8. Wheelbarrow
9.

22 Pot Maker
1. Pottery Wheel
2. Knife
3.
4.
5.
6.
7.
8.
9.

08 Bicycle Repair
1. Hammer
2. Plier
3. Shifting Spanner
4. Anvil
5. Saw (Hack)
6. Screwdriver
7. Snips, Vice
8. Keyspokes
9. Drill, Clump

28 Bricklayer
1. Level
2. Plastering Tool
3. Trough
4. Junter
5. Ruler/Tape
6. Shovel, Bucket
7. Square
8. Corner, Staterch
9. Wheelbarrow

Codes :

D20 : Name of Material and Components

01 Tailor
1. Thread
2. Zips
3. Lastic Band
4.
5.
6. Needles
7. Oil
8.
9.

04 Tinsmith
1. Tin Sheets
2. Putty
3. Soldering Wire
4. Wire
5. Charcoal
6.
7.
8.
9.

23 Sawyer
1. Wood
2. Pencil
3. Charcoal
4.
5.
6.
7.
8.
9.

13 Maize Mill
1. Diesel
2. Oil
3. Belts
4. Net Wire
5. Belt Seal
6. Beater
7. Bearings
8. Shaft
9. Grease

09 Watch Repair
1. Benzine
2. Polish/Oil
3. Soldering Wire
4. Broken Watches
5. Glasses
6. Nobs
7. Wind, Spring Barr
8. Hands, etc.
9. Barr items

02 Basketmaker
1. Palm Leaves
2. Dyeing items
3. Bamboo
4. Reeds
5. Sisal
6.
7.
8.
9.

06 Carpenter
1. Planks
2. Nails
3. Varnish
4. Glue
5. Screws
6. Sandpaper
7. Belts
8. Axle
9. Spirit

15 Blacksmith
1. Angle Iron Frame
2. Charcoal
3. Iron/Tin Sheets
4. Belts
5. Springs
6. Carbumpers
7. Nuts
8.
9.

05 Shoe Repair
1. Tires
2. Nails
3. Thread
4. Glue
5.
6.
7.
8.
9.

07 Radio Repair
1. Oil
2. Benzine
3. Batteries
4. Transistors
5. Cartridge
6. Broken Radios
7. Soldering Wire
8. Cables
9. Broken Digital Watch

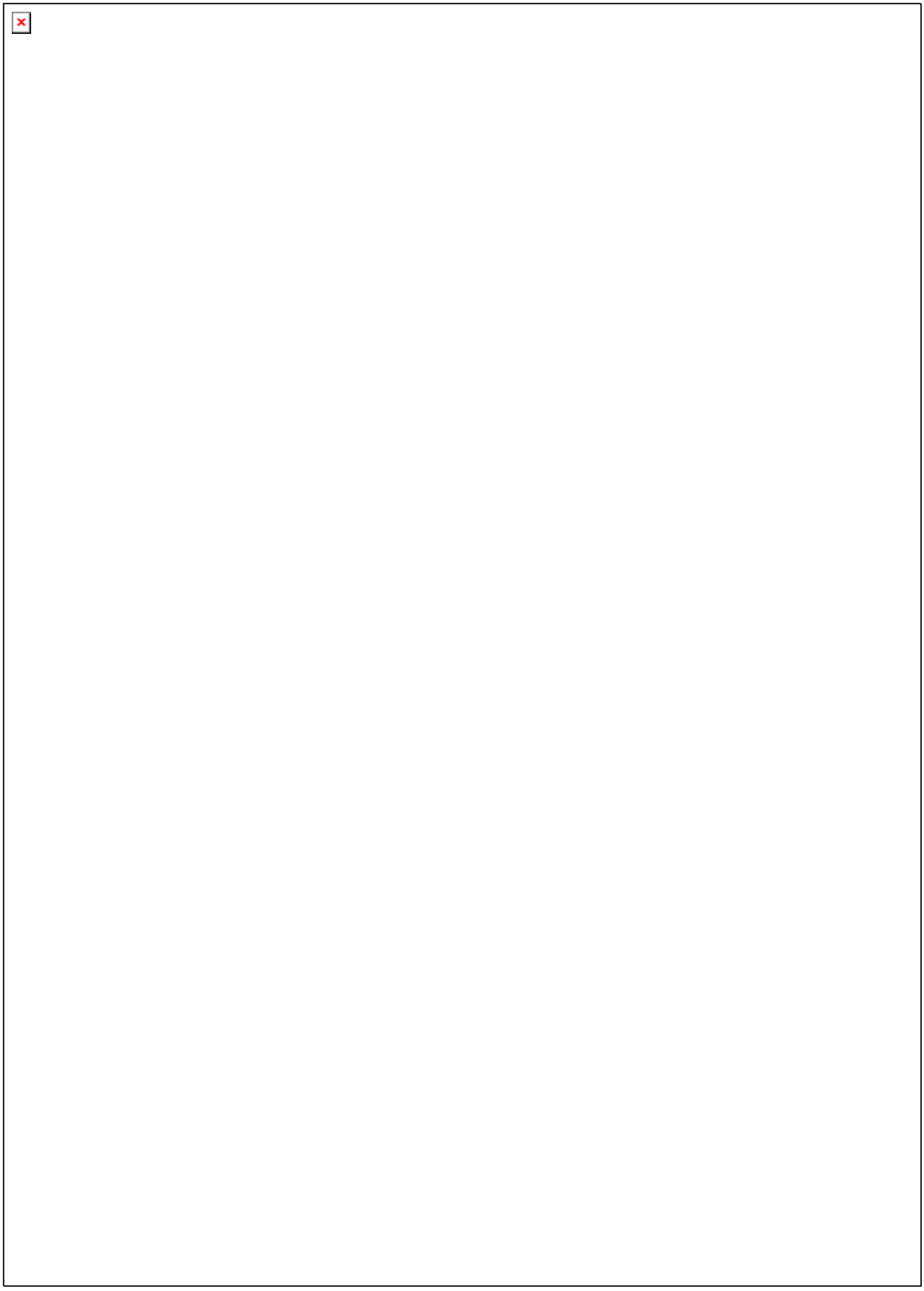
03 Mat Maker
1. Palm Leaves
2. Dyeing items
3. Reeds
4. Sisal
5. Bamboo
6.
7.
8.
9.

10 Brickmaker
1. Anthill Soil
2. Firewood
3. Sand
4. Flax/Grass
5.
6.
7.
8.
9.

22 Pot Maker
1. Anthill Soil
2. Firewood
3. Sand
4. Flax/Grass
5.
6.
7.
8.
9.

08 Bicycle Repair
1. Glue/Solution
2. Grease
3. Old Spares
4. Tubes
5. Charcoal
6. Spokes
7. Oil
8. Borax
9. Soldering Wire

28 Bricklayer
1. Bricks
2. Manure/Mud
3. Cement
4. Sand
5. Wood
6. Tin Roof
7. Frames
8. Windows
9. Shine



E : Production and Marketing

E1. Which and how many Products/Services did you sell during the last six months ?

Specify on Table 7 !

ASK THIS DIRECTION ! ←

Table 7	E2.(C) Product/ Service	E3. Price/ piece	E4. where sold	E5.(C) Distance	E6.(C) Customer 1 2 3 4	E7. Number sold during : (— can´t remember) 7 March	8 April	9 May	10 June	11 July	12 Aug.
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐
	☐	☐☐.☐	....	☐	☐☐☐☐	☐	☐	☐	☐	☐	☐

E8. Did you ever have more customers than you could serve ? (Tick) ☐ ☐ ☐ ☐ ☐ ☐

<u>If Yes :</u> E9.(C) What do you think is the reason that you couldn´t offer more products/services ? 1 ☐ 2 ☐ 3 ☐

E10. Did you ever have customers asking for any products/services which you don´t offer ? (Tick) ☐ ☐ ☐ ☐ ☐ ☐

<u>If Yes :</u> E11.(C) Why don´t you offer it ? ☐ ☐ ☐

Codes : see - page 16 -

Codes :

E2 : Name of Products/Services

01 Tailor
1. Mendings
2. Troussers
3. Shorts
4. Suits
5. Dresses
6. Skirts
7. Shirts
8.
9.

04 Tinsmith
1. Mendings
2. Cup, Mug, Plate
3. Watering Can
4. Watering Bucket
5. Cooking Pot, Frying Pan
6. Pail
7. Sieve
8. Cuttlery
9. Washing Basin

23 Sawyer
1. Planks
2. Poles
3. Cut Trees
4.
5.
6.
7.
8.
9.

13 Maize Mill
1. milling dry Maize
2. milling Mphale
3. m. Millet/Sorghum
4. milling Cassava
5.
6.
7.
8.
9.

09 Watch Repair
1. Cleaning/Service
2. Glass
3. Fitting Hands
4. Selling Second Hand Watches
5. Fitting Winds
6. Fitting Springs
7.
8.
9.

02 Basketmaker
1. Big Basket
2. Small Basket
3. Tray
4. Hats
5. Big Bowls
6. Fishing Ropes
7. Large Mats
8. Thick Mats
9. Small Mats

06 Carpenter
1. Oxcart Repair
2. Yoke
3. Oxcart/Boat
4. Door/Shelve
5. Window Frame, Stool, Saver
6. Big Table, Bed
7. Small Table, Chair
8. Cupboard
9. Wardrobe

15 Blacksmith
1. Water Tank
2. Knife
3. Axe
4. Hoe
5. Panga
6. Charcoal Burner
7. Spear
8. Plough
9. Share/Blade

05 Shoe Repair
1. Shoes
2. Handbags
3. Footballs
4. Belts
5. Suitcases
6. Car Seats
7. Bike Tires
8.
9.

07 Radio Repair
1. Rep. Radios
2. Rep. Tapes
3. Rep. Digital Watch
4. Selling Second Hand Radios
5. Selling Second Digital Watches
6.
7.
8.

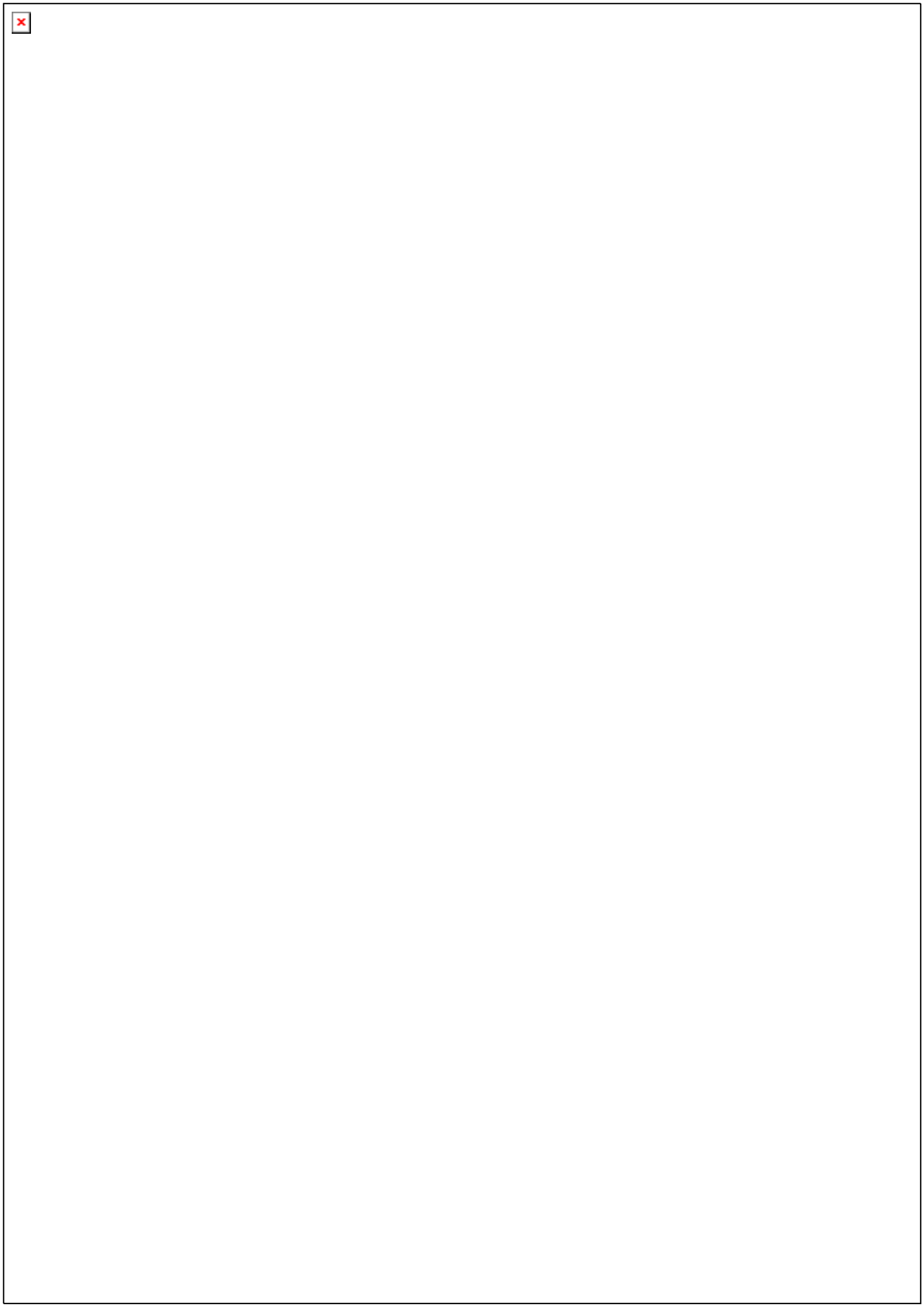
03 Mat Maker
1. Large Mats
2. Thick Mats
3. Small Mats
4. Fishing Ropes
5.
6.
7.

10 Brickmaker
1. Bricks
2. Tiles
3. Vents
4.
5.
6.
7.

22 Pot Maker
1. Big Pots
2. Small Pots
3. Cups, Mugs
4. Flower Pots
5. Plates
6.
7.

08 Bicycle Repair
1. Tire
2. Inner Tube
3. Fixing Spokes
4. Realigning Wheel
5. Assembled Bicycle from old parts
6. Brakes, Lamps

28 Bricklayer
1. Laying Bricks
2. Cementing
3. whole House
4. Cement Floor
5. Painting
6. Latrine
7. Storage



E12. Did you ever consider to offer a new Product/Service ? Y / N

If Yes : E13.(C) What Kind of new Product/Service ? ☐☐ ☐☐ ☐☐

E14. Did you ever consider to open up a new Enterprise ? Y / N

If Yes : E15.(C) What Kind of Enterprise ? ☐☐ ☐☐ ☐☐

E16. Do you produce Products/Services together with Small Enterprises of a different Branch ? Y / N

If No : E17. Did you ever consider that ? Y / N

If Yes : E18.(C) With what Branch of Enterprise ? ☐☐ ☐☐ ☐☐

E19.(C) With what Kind of Product/Service ? ☐☐ ☐☐ ☐☐

E20. Do you offer Products/Services which can be obtained cheaper or better nearby ? Y / N

If Yes : E21.(C) What Kind of Products/Services ? ☐☐ ☐☐ ☐☐

E22.(C) Where are they offered ? ☐ ☐ ☐

E23. Do you have any means of Transportation available ? Y / N

If Yes : E24.(C) What Kind of Transport ? ☐ ☐ ☐

E25.(C) How is it available ? ☐ ☐ ☐

F : Use of Income from Enterprise

F1. How did you use your Income from your Enterprise during the last year ?
Specify on Table 8 and Table 9 !

← ASK THIS DIRECTION

Table 8	Spent for :	Amount of money spent during : (make (—) if he can't remember !)						
		1 - 6 6 months before	7 March	8 April	9 May	10 June	11 July	12 Aug.
F 2.	Food	.....	☐	☐	☐	☐	☐	☐
F 3.	Odds	.....	☐	☐	☐	☐	☐	☐
F 4.	Cloths,Shoes,Repairs	.....	☐	☐	☐	☐	☐	☐
F 5.	Radio,Bicycle,etc.	.....	☐	☐	☐	☐	☐	☐
F 6.	Housing Equipment	.....	☐	☐	☐	☐	☐	☐
F10.	Repairs in Farm	.....	☐	☐	☐	☐	☐	☐
F11.	Farming Equipment	.....	☐	☐	☐	☐	☐	☐
F12.	Fertilizer,Insecticides	.....	☐	☐	☐	☐	☐	☐
F13.	Livestock	.....	☐	☐	☐	☐	☐	☐
F20.	Repairs in Enterprise	.....	☐	☐	☐	☐	☐	☐
F21.	Investments in Enterpr.	.....	☐	☐	☐	☐	☐	☐

Table 9	Spent for :	Amount of money spent during : (make (—) if he can't remember !)											
		1 Sep	2 Oct	3 Nov	4 Dec	5 Jan	6 Feb	7 March	8 April	9 May	10 June	11 July	12 Aug.
F14.	Hired Labour on Farm	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
F15.	Rented Equipment on F.	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
F22.	Assistants in Enterp.	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
F23.	Rented Tools in Enterp.	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
F24.	Training Fees	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
F25.	School Fees	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
F26.	License Fee,Taxes,other	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐