

## GOVERNMENT AND BUSINESS

BY THE END OF THE TOPIC, THE LEARNER SHOULD BE ABLE TO:

- i. Explain reasons for government involvement in business.
- ii. Explain how the government gets involved in business.
- iii. Discuss the merits and demerits of government involvement in business.
- iv. Discuss the importance of consumer protection.

### Introduction

Government involvement in business activities is one of the commercial duties it owes its citizens. It is the one that provides the necessary environment for investments to be undertaken by itself, or by the local and foreign investors. This, the government may do in various ways, these include;

- a) Producing goods and services
- b) Distributing goods and services
- c) Advising producers and traders
- d) Promoting trade and economic development.
- e) Protecting consumers against exploitation by producers and traders.
- f) As a consumer of goods and services.

### Reasons for Government involvement in business

The following are the major reasons for the government's involvement and participation in business activities;

- 1) **To prevent exploitation of the public by private business persons** especially in the provision of essential goods and services such as sugar, transport, communication etc. the **Kenya Bureau of standards (KEBS)** regulates the quality of goods consumed in Kenya.
- 2) **To provide essential goods and services** in areas where private individuals and organizations are unwilling to venture because of low profits/ high risks involved.
- 3) **To provide essential goods and services which private organizations and individuals are unable to provide due to the large amount of initial capital required** eg generation of electricity, establishment of airlines etc.
- 4) **To attract foreign investment** by initiating major business projects.
- 5) **To stimulate economic development in the country** eg by providing social services.
- 6) **To provide goods and services which are too sensitive to be left in the hands of the private sector** eg provision of firearms.
- 7) **To create employment opportunities by initiating projects** such as generation of electricity.
- 8) **To prevent foreign dominance of the economy** by investing in areas where the locals are not able to.
- 9) **To redistribute wealth where returns are very high.**
- 10) **To prevent establishment of monopolies.**

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## **METHODS OF GOVERNMENT INVOLVEMENT IN BUSINESS**

The government gets involved in business activities through the following methods:

### **(i) Regulation**

This refers to Rules and restrictions the government requires business units to follow in their business activities. Through this method, the government ensures high quality goods and services and puts in control measures to protect consumers from exploitation. The government regulation measures include;

#### **a) Licensing**

A license is a document that shows that a business has been permitted by the government to operate. It is usually issued upon payment of a small fee.

Licensing is the process of issuing licenses to businesses. Some of the reasons why the government issues licenses include;

- Regulating the number of businesses in a given place at any given time to avoid unhealthy competition.
- To control the type of goods entering and leaving the country.
- To ensure there are no illegal businesses.
- To ensure that traders engage only in trade activities that they have been licensed for.
- To ensure that those who engage in professional activities meet the requirements of the profession.
- To raise revenue for the government.

#### **b) Ensuring standards/ Enforcing standards**

The government regulates business activities by setting standards that businesses should and ensuring that the standards are adhered to.

To achieve this purpose, the government has established bodies such as;

- **Kenya bureau of standards (KEBS)** whose main responsibility is to set standards especially for the manufactured goods and see to it that the set standards are adhered to/ met. Goods that meet such standards are given a diamond mark of quality, to show that they are of good quality.
- **The ministry of public health** to ensure that businesses meet certain standards as concerning facilities before such businesses can be allowed to operate. Such standards may include clean toilets, clean water and well aerated buildings.

#### **c) Legislation**

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The Government may come up with rules and regulations (laws) that regulate business activities e.g. banning hawking in certain areas, matatus required to carry certain number of passengers e.t.c.

(ii) **Training**

The government takes keen interest in training and advising people in business about business management strategies and better ways of producing goods and services. The government offers these services through seminars and courses. This is mainly done by **the Kenya Business Training Institute (K.B.T.I)**.

**Reasons for government training include;**

- ❖ To expose business persons to modern developments in management.
- ❖ Introduce modern technology and skills in management
- ❖ Educate the business people on efficient methods of operating a business e.g., effective methods of advertising and keeping books of accounts.
- ❖ Expose business people to problems/ challenges facing them and their possible solutions for example, problems of raising capital and identifying investment opportunities.
- ❖ Impart proper business ethics e.g. good customer relations and honesty.
- ❖ Creating awareness of the available profitable business opportunities in their environment.
- ❖ Expose business people to government policies regarding business activities in the country.
- ❖ Educate business people on how to use available resources to minimize costs and maximize profits.
- ❖ Expose people to other opportunities that exist in the import and export market.

(iii) **Trade promotion**

This is a government initiated and supported policy to encourage local business people to enter into business. This is aimed at increasing the volume and variety of goods and services traded in. Trade promotion is classified as either **external trade promotion** or **internal trade promotion**.

**(a) External trade promotion**

- ➔ The purpose of external trade promotion is to encourage local business people to enter into the export market.
- ➔ It also intended to attract foreign investors into the country.
- ➔ In Kenya, external trade promotion is done through the department of external trade in the ministry of trade and industry.
- ➔ External trade promotion may also be done by **Commercial attaches**.  
Commercial attaches are officers sent by the country's government to work with the embassies in foreign countries as support staff in the field of commerce. Their main duty is to look at the interests of their home countries' exports eg cash crops and manufactured goods.

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**Duties of commercial attaches**

- Explore and identify new markets for more export opportunities.
- Research and analyse markets for exports from their home countries.
- Keep statistics of products such as volumes, packaging size and method of manufacturing.
- Attend meetings, seminars and workshops on trade patterns of the countries and keep data for new markets of exports.
- Publish and advertise their country's exports in business journals and magazines.
- Select buyers, agents and distributors of the home country's exports.
- Inform traders in their home countries of the standards required for exports.
- Assist sales missions from their home countries by organizing educational tours for them.
- Organize visits to trade fairs and exhibitions for business people from their home country.
- Make detailed reports on commercial activities that may help improve the exports of their countries.

**To perform these duties, the commercial attaché needs to:**

- Keep information on prices paid for exports and terms of payments( conditions to be filled before the payment is made)
- Be aware of the rules that govern payment in international trade.
- Be aware of the working of the regional organizations that operate in developing countries such as **the East African Community (E. A. C), Inter-Governmental Authority for Development (I.G.A.D), Common Market for Eastern and Southern Africa (COMESA), Economic Commission for Africa (E.C.A) and African Growth Opportunity Act (A.G.O.A).**

**(b) Internal trade promotion**

This is done by the government through the ministry of trade.

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