

**A SOCIO-CULTURAL ANALYSIS OF FACTORS INFLUENCING  
GENDER PARTICIPATION IN INFORMAL SECTOR BUSINESS:  
THE CASE OF KANGEMI MARKET AND ITS ENVIRONS,  
NAIROBI**

UNIVERSITY OF NAIROBI  
EAST AFRICANA COLLECTION

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**A PROJECT PAPER SUBMITTED TO THE INSTITUTE OF  
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UNIVERSITY OF NAIROBI, IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS  
IN GENDER AND DEVELOPMENT STUDIES**

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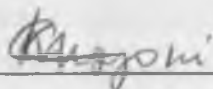
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## DECLARATION

I hereby declare that this is my original work and has not been presented in this or any other university for award of a degree to the best of my knowledge and belief. The contents therein have not been published or written by another person except where due reference is made in the project report itself.

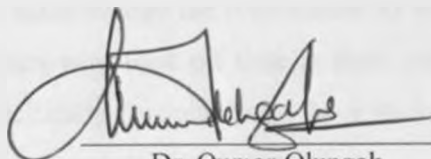


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**DEDICATION**

*This dissertation is dedicated to Anastasia Syovinya and Raphael J. Kativi, my beloved parents for their love, support, and guidance that have given me strength and confidence. It was their prayers that provided "the wind beneath my wings" to complete this educational journey.*

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## ACRONYMS

ADB	Africa Development Bank
AEMFI	Association of Ethiopian Microfinance Institutions
BDS	Business Development Services
CBK	Central Bank of Kenya
CBOs	Community Based Organizations
CCN	City Council of Nairobi
CRDA	Christian Relief and Development Agency
GDP	Gross Domestic Product
GNP	Gross National Product
RoK	Republic of Kenya
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficient Syndrome
IFC –KYBT	International Finance Corporation - Kenyan Youth Business Trust
ILO	International Labour Organization
IMF	International Monetary Fund
JKML	Jomo Kenyatta Memorial Library
KDHS	Kenya Demographic and Health Survey
LDC	Least Developed Countries
MSEs	Medium and Small Enterprises
NGOs	Non Governmental Organizations
MLHRD	The Ministry of Labour and Human Resource Development
OECD	Organization for Economic Co-operation and Development
PRA	Participatory Research Approach
PRSPs	Poverty Reduction Strategy Papers
ROSCAs	Rotating Savings and Credit Associations
SAGA	Strategy and Analysis for Growth Access
SAPs	Structural Adjustment Programmes
SEAF	Small Enterprise Assistance Funds
Kshs	Kenya Shillings
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
SSA	Sub-Saharan Africa
SSE	Small-Scale Enterprises
UN	United Nations
UNCHS	United Nations Center for Human Settlements
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme.
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNRISD	United Nations Research Institute for Social Development
UoN-SIFE	University of Nairobi - Students In Free Enterprise
USAID	United States Agency for International Development
WB	World Bank
WCCD	World Commission on Culture and Development

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## ABSTRACT

The purpose of this study was to examine factors influencing gender participation in informal micro-enterprises, growth of entrepreneurship and their contributions to income generation at household levels and subsequent alleviation of poverty.

The specific objectives were to assess and document the development of informal micro-enterprises in Kangemi, Nairobi; identify the socio-cultural factors influencing entrepreneur participation in these enterprises; determine the cost-effectiveness of informal micro-enterprises for poverty alleviation among the low-income groups in Kangemi and determine choice and sources of credit by micro-entrepreneurs. It was hypothesized that the findings from this study could have implications for decision making and policy makers targeting small business entrepreneurs in informal micro-enterprises from a socio-cultural perspective.

The increasing number of groups of low-income micro-entrepreneurs in Kangemi has been due to rural-urban migration and urban-to-urban center migration within Nairobi. This has led to population increase, lack of employment and the need to engage oneself in some economic activity for household survival. Social and cultural dimensions of a community may influence the kind of business development and motivations attitudes of individuals in informal micro-enterprises. Nonetheless, little is known about the factors that determine choice and participation decisions in the sector. Two groups of low-income-micro-entrepreneurs, namely low-income informal traders from rural areas and those residing in Kangemi have found it convenient to trade in Kangemi.

Data were obtained from randomly selected various informal micro-enterprises found in Kangemi market and its environs. A list of informal micro-entrepreneurs was obtained from "Kangemi Market Register" kept by the market management and 380 potential traders were purposively selected. A systematic random sampling procedure was then used to select the potential respondents numbering 95. Data were analyzed for 85 respondents as 10 questionnaires had missing data.

A descriptive analysis of the data collected on factors influencing gender participation in informal sector business in Kangemi found the enterprises profitable and cost-effective for small scale business entrepreneurs to engage in and that these groups were in the informal micro-enterprises to generate income and support their families. Over 97% and 64% of both men and women were greatly influenced by social and cultural factors respectively.

## CHAPTER ONE

### 1.0 INTRODUCTION

This chapter provides an overview of the key objectives of the study as well as an insight as to why the informal sector has become increasingly important as a source of income and employment in Kenya. It also touches on the socio-cultural factors, which influence the entrepreneurial behaviour of both men and women, given their different socio-cultural backgrounds. It uses the social exchange theory to explain how the basic relationships between resources, power and inequality among social actors differ for different types of exchanges and different types of resources. These exchanges take place within a highly heterogeneous urban community where aping of new cultural influences can make a major difference to aspects of human behaviour, which can be critical to economic success. These interactions then brings to the foreground the variations in the interplay between the forces of cultural assimilation and cultural diffusion and how they have played a significant role in giving rise to differential patterns of economic engagement and development across the globe, and as witnessed in Kangemi. It is also observed that the nature of these factors and their influence is such that appropriate structural interventions can make all these socio-cultural attributes play a favorable role for growth of entrepreneurship in the informal sector in Kenya. This is witnessed in Kangemi, an evolving informal market within Nairobi.

### 1.1 BACKGROUND

African countries are faced with the problem of rural-urban migration. This is mainly due to lack of employment, and due to lack of job opportunities in the rural areas. There is mass movement of people from the rural areas to urban areas in search of opportunities. Rural areas lack markets, electricity, and better infrastructure among other facilities. These among other social amenities create a pool of people from rural to urban.

Rural people just like the urban need to survive and employment and/or income generating activities are some of the ways to survive. Urban areas seem to provide opportunities for survival. Means of survival seem to be available in the urban areas. It is not uncommon for

rural people like farmers to sell their products to the urban community whose purchasing power is better. Hence, urban areas provide better markets for rural products.

Because of the rural urban migration, urban facilities are overstretched. This has created over crowding in urban centers. The migrants overcrowd for security purposes and sense of belonging. Slums have as a result mushroomed in most of the urban areas. Nairobi and other African cities have been largely affected. To survive in an urban area such as Nairobi, people need sources of income. Some, like the women, get engaged in income generating activities.

The mushrooming of small-scale businesses both in slums and its environs are as a result of the above. Most informal micro-enterprises have started with the sale of farm-produce which include, fruits and vegetables, food stuffs, cereals, milk and other dairy products, meat, hides and skins and other animal products.

Other forms of informal micro-enterprises have started with the sale of water, iron and steel products, mechanical/motor vehicle repairs, salons, second-hand clothing, fish mongering, furniture and operating retail shops or just selling products on behalf of big-businessmen.

The reasons why people who migrate from rural to urban areas engage in informal micro-enterprises are many and varied. Mainly they want to reduce poverty, have good quality life, and access income to send their children to schools, among other needs. Due to government downsizing and the retrenchment of many large private sector and foreign-owned firms, formal sector employment has been decreasing. Lack of employment alternatives has thrust a growing number of people who cannot cope with the new life of unemployment and non-income, into self-employment activities to ensure a livelihood (Stevenson and St-Onge, 2005). They end up in low-income areas, where they have to fend for themselves.

Kenya government policies have been harsh on informal micro-enterprises or other forms of informal sectors. The Informal Sector, which is also known as *Jua Kali* (Swahili for hot sun) has long been noted as playing a key role in the economy as the most promising source of future employment creation and poverty alleviation in the rapidly expanding urban centers as well as in the indigenization of most developing economies by providing job opportunities – through self-employment (Daniels *et al*, 1995). According to the Economic Survey (2004), employment within the informal sector and especially the small

and medium enterprises (SMEs) increased from 4.2 million people in 2003 to 5.5 million people in 2005. Informal small and medium enterprises (SMEs) and micro-enterprises constitute over 95 percent of all enterprises and account for 18.4 percent of the country's GDP and two thirds to one half of total non-farm employment and gross domestic product (GDP) worldwide (RoK, 2005).

The majority of people who seek to be self-employed find it difficult to start an income generating activity on their own. They are forced to combine resources and start some form of business. Others develop linkages with people in the rural areas to supply them with products to sell. One finds a micro-enterprise comprising of less than 10 persons and in most cases 1 person. Such kind of businesses have been started in low and medium-income areas in Nairobi, such as Kangemi, Kibera, Kawangware, Dandora, Kariobangi, Umoja and many others. The Informal Sector comprises (i) small and medium enterprises (SMEs) and (ii) micro-enterprises, popularly referred to as *jua kali*, a Swahili phrase, which would be translated to mean doing business under the hot sun or in the open air.

Nairobi city has few rich inhabitants who live in upmarket areas such as Muthaiga, Karen, Gigiri, Lavington, Loresho, but the majority of its inhabitants are poor and live in low-income areas strategically situated beside the upmarket areas. These low-income inhabitants serve the upmarket residential areas with sources of cheap labour force as well as fresh food products. These inhabitants mainly reside in Umoja, Kariobangi, Huruma, Kawangware, Kangemi and Uthiru. Majority of these people live in slums which cover just 5 % of the city area. This study focused more on Kangemi as one of the areas with large numbers of informal micro-enterprises.

The informal micro-enterprises are different from the SMEs, which have the following characteristics: 11-50 employees, with businesses generally registered and operate legitimately. Although they are likely to access business development services (BDS), they are still constrained by access to financing, markets and crucial information. Majority of SMEs have good potential for growth and are relatively well-established enterprises. Though relatively few, they are growth oriented, have access to credit and may not have collateral related constraints. They face competition from firms producing similar products and lack information on markets. The focus of this study is to address the socio-cultural

factors that influence gender participation in informal micro-enterprises in Kangemi market.

## 1.2 STATEMENT OF THE PROBLEM

While national surveys of the informal sector in the country have documented its magnitude and contribution in the national economy, little is known about the factors that determine choice and participation decisions in the sector. This situation is especially witnessed by both men and women micro-entrepreneurs in low-income areas, given that there are alternative sectors in the labour market (Atieno, 2006). Social and cultural dimensions of a community may influence the mechanisms and style of business development, and the motivations and attitudes of individuals in the community (Hailey, 1987). These aspects vary between rural and urban setup.

To understand urban life, one needs to look beyond the urban and understand rural and tribal life because the people who live in urban centers, come from rural areas, and African urban centers, still maintain very strong relations with rural societies. This two-way influence may vary among urban centers, or individuals (Beyaraaza, et al., 1992).

The cultural assimilation and diffusion of urban life is commonplace. Initially all historical and anthropological descriptions of urban ethnicity note the adoption of language, styles of behavior, and other cultural elements by ethnic groups from each other, and especially from the most powerful group in the urban setting (Fischer, 1975). However, incongruities exist between individuals' commercial independence and conformity with their community's values and expectations. With time, adherence to a particular norm begins to decline in favor of a newer, urban-bred one, which should otherwise increase their chances of independence in their choices of and participation in informal micro-entrepreneurship.

Informal micro-enterprises make up over 90% of the businesses in the world and account for 50–60% of worldwide employment (Albaladejo, 2002). In developing countries, encouragement of an expanded private sector and the creation of local business opportunities is a crucial aspect of economic and industrial growth and the key to successful poverty alleviation activities.

In both urban and rural areas of developing countries, however, informal micro-enterprises face a wide variety of constraints, financial and non-financial, that limit their growth and the incomes they yield to owner-operators and employees. Informal micro-enterprises are often constrained by the socio-cultural and economic contexts they operate in. And for many, these pose more daunting barriers to improved informal micro-enterprise performance and household income, on which the cost-effectiveness of operating an informal micro-enterprise is hinged.

Despite the urban subcultural influences, adoption of, diffusion of and blending in of divergent cultural norms, values and behaviours, there is a section of men and women in the informal business sector, who still adhere to their various inhibitive social and cultural values, norms and mannerism which limit their economic gain and hence increase their household poverty.

Therefore, an effective strategy for addressing the problems faced by poor informal micro-entrepreneurs requires a balance between the incongruities that exist between an individuals' commercial independence, conformity with their community's values and expectations and the constraints that inhibit their emergence from poverty and efforts to address the underlying policy, institutional, and market conditions that lead to widespread informal micro-entrepreneurship.

This study was aimed at empirically analyzing the factors that determine choice and participation decisions in the sector.

The study seeks to address the following questions:

- (i). How has the informal micro-enterprise developed overtime in Kangemi?
- (ii). What is the impact of an informal micro-enterprise on low-income entrepreneurs' households?
- (iii). From a socio-cultural perspective, do personal variables influence participation in and choice of an informal micro-enterprise?
- (iv). Does an informal micro-enterprise contribute to the empowerment of low-income entrepreneurs?
- (v). Does access to market and credit influence the participation in an informal micro-enterprise?

### 1.3 JUSTIFICATION OF THE STUDY

In the past, researchers have tended to use gender simply as a variable to explain success without understanding gender as a social construct. Such work disregards how culturally specific power relations influence men's and women's opportunities for success. Gender and micro-enterprise development theorists do better at incorporating power relations into explanations of why women start micro-enterprises and why their performance differs from that of men. They also take a broader view of micro-enterprise success by combining economic and empowerment outcomes, recognizing the diverse roles.

The generation of self-employment in non-farm activities requires investment in working capital. There is little doubt that sources of credit or start-up capital is crucial to the development and sustainability of informal micro-enterprises operated mainly by low-income traders. However, at low levels of income, the accumulation of such capital may be difficult. Under such circumstances, loans can help the poor to accumulate their own capital and invest in employment-generating activities (Hossain, 1988). Few of these informal micro-enterprises are able to provide the marketable collateral and guarantee requirements of formal credit institutions and commercial banks, with the result that informal micro-enterprises lacking such requirements have not been able to obtain credit from banks. Most of them therefore rely on their own savings and informal sources of credit (Oketch *et al.*, 1995). Various agencies, NGOs, CBOs, might come out to assist these traders. This is one of the underlying factors in the coexistence of both formal and informal credit sources serving the needs of the different segments of the market (Atieno, 2006). There is therefore, need for information in both the sources of credit as such information will contribute to the general knowledge base on social and cultural influences that hinder or encourage participation in micro-enterprises, credit usage, policy formulation, and development of appropriate strategies to assist operators of the informal micro-enterprises.

Thus, this study will attempt to fill the knowledge gap left out by the many studies of women's and men's informal micro-entrepreneurship and performance outcomes, some focusing only on women and others comparing outcomes for males and females (Chaganti & Parasuraman, 1996; Fischer *et. al*, 1993; Kalleberg & Leiclit, 1991). These studies were influenced primarily by a market based justification of support to the informal micro-enterprise sector focused on individual entrepreneurialism, economic growth, and



efficiency, with the latter two achieved through the market. Markets are perceived as competitive, nondiscriminatory and the best mechanisms through which to allocate scarce resources. It is expected that the benefits of market-led growth will trickle down throughout the economy, raising living standards for all. Some studies also incorporate the objectives of employment generation and poverty alleviation with economic growth to justify their attention to the informal micro-enterprise sector. In these cases, the state and the market both have a role in reducing poverty and fostering informal micro-enterprise development. While the two approaches differ in their development objectives and the mechanisms used to achieve them, they are similar in their use of economic measures of success and oftentimes in their simplistic method of integrating gender into studies of performance determinants. Neither approach tends to bring socio-cultural factors that influence participation of small business operators in the informal sector business into theoretical and empirical analysis of success. This is a weakness that detracts from their ability to fully understand the dynamics behind women and men's entry into informal micro-entrepreneurship, their success and differences in these issues across cultures.

Most studies of enterprise performance measure success through economic outcomes alone (Chaganti & Parasuraman, 1996; Fischer et al, 1993; Kalleberg & Leicht, 1991). The measures include size of firm, change in number of employees, growth in sales or income, productivity, and returns. This narrow definition of success highlights only economic motivations for entering into self-employment, which tends to fit the male model of self-employment (Chen, 1996; Moore & Buttner, 1997). It does less well in reflecting the socio-cultural influences, which motivate or hinder men and women from engaging in economic activities of their choices. Thus this study endeavours to capture this socio-cultural gap created by foregoing literature.

#### 1.4 OBJECTIVES OF THE STUDY

The overall objective of this study is to analyze the socio-cultural factors influencing gender participation in informal micro-enterprises.

*The specific objectives are:*

- (i). To assess and document the development of informal micro-enterprises in Kangemi.
- (ii). To identify the socio-cultural factors influencing participation of small business entrepreneurs in the existing informal micro-enterprises.
- (iii). To determine the cost effectiveness of informal micro-enterprises for poverty alleviation among low-income groups in Kangemi.
- (iv). To determine the choice and sources of credit by micro-entrepreneurs.

#### 1.5 HYPOTHESES TO BE TESTED

- (i). Personal characteristics of the respondent do not influence choice of informal micro-enterprise.
- (ii). Access to market does not significantly influence participation in micro-enterprises.
- (iii). Household expenses are dependent upon operation of an informal micro-enterprise among women traders in Kangemi.
- (iv). Access to credit determines participation in an informal micro-enterprise.

#### 1.6 LIMITATIONS OF THE STUDY

A number of problems were encountered during the field research.

##### *Gate opening*

To gain permission and entry to carry out the research, the researcher had to create a rapport first with the market officials who were very suspicious of the research outcome. Others were difficult to locate because of their informal micro-enterprise engagements elsewhere and introductory letters had to be left for them.

*"Are you one of us?" "Where did you say you come from?" "Are you with the City Council?" (Female informal trader at Kangemi Market, Kenya, 2008).*

These were some of the questions repeatedly asked.

### *Suspicion*

Some of the informal micro-entrepreneurs refused to be interviewed even though they had earlier shown a degree of willingness to participate in the research. General suspicion and sensitivity were evident. One of the market officials openly told the researchers:

*"If you are coming here to entice people with loans from your banks, then we will not allow you to. We do not want to see any one of us poor people loose our business to you". (Male Kangemi Market Administrator, Kenya, 2008).*

- (i) Two respondents declined to be interviewed because they thought that the information gathered would be used to evict them from the market given that there had been attempts in the past to do so by the City Council of Nairobi (CCN).
- (ii) Another two did not complete the interview; they thought they were divulging too much information about themselves.
- (iii) A further two respondents simply declined to participate without giving any reasons.
- (iv) Four respondents apparently had traveled out of town to attend a colleague's funeral.

To counter this, the researchers had to repeatedly explain the nature and purpose of the research. The researchers learnt first hand how difficult it was to explain the technicalities of sociological research to a layman and to repeatedly identify themselves. And from an ethical standpoint, the researchers could not coerce or nudge a respondent to participate once they declined.

There was widespread rumour mongering as to why some were included and others excluded from the research. The researchers had to explain to the selected respondents that in research it was not possible and practical to interview a whole population. The researchers had to repeatedly declare that those who participated were not earmarked for any favours as was the general argument.

### 1.7.2 *Informal sector*

The International Labor Organization (ILO), in its Kenya Mission Report of 1972, introduced the concept of the informal sector into international usage by, defining informality as a "way of doing things characterized by (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership; (d) small scale operations; (e) labor intensive and adaptive technology; (f) skills acquired outside of the formal sector; (g) unregulated and competitive markets" (ILO, 1972). Chen, Sebstad and O'Connell (1999, 2001a) in defining the informal economy, argue that the concept encompasses many different economic activities, including home-based work, street vendors, entrepreneurs who employ other workers, self-employed and casual workers whose work is seasonal or who work in outsourced industries. This sector is generally unregulated, wages and job security are low, and fringe benefits such as health insurance, life insurance or pension are usually nonexistent. Union activity is rare, legal minimum wages do not apply, and *wages are flexible* (ILO 2005a; Fosu 2002).

### 1.7.3 *Entrepreneur*

It is often stressed that the human being should be at the center of any economic activity. Given the *human dimension of the enterprise*, it is hence of utmost importance to mention the role of the entrepreneur. The report of the 1997 ILO Conference on *General conditions to stimulate job creation in small and medium-sized enterprises* defines an entrepreneur as "one who surveys the potential of his or her business environment, identifies opportunities to improve it, marshals resources, and acts to maximize operational opportunities".

### 1.7.4 *Gender*

These are the dynamic, social roles, characteristics, and values *assigned* to males and females in a given society.

### 1.7.5 *Cultural diffusion*

In *A History of the Human Community*, William McNeill (1990) explains the creation of many civilizations through the ideas of cultural diffusion. Cultural diffusion is the exchanging and adaptation of ideas amongst people of the world. It is a constant force that allows us to accept and modify an idea to mold into our own world. Throughout great civilizations of history, the idea of cultural diffusion has spread and continues to spread in present time. This idea usually enforces contact between neighboring strangers.

### ***1.7.6 Cultural assimilation***

The term "assimilation" describes a change in individual or group identity that results from continuous social interaction between members of two groups such that members of one group (often a minority culture group) enter into and become a part of a second group (often a majority culture group). In this process of assimilation, the minority group or culture may disappear by losing its members to the larger and more dominant cultural group.

### ***1.7.7 Age***

Age in this study was given in years. It gave a distribution of the age structure in the study population, which was found to be important in influencing the division of labour as well as the participation of individuals in the labour market, the expenditure patterns and investment in the social sector. Few mature working adults and a large number of young children in a study would imply a high dependency proportion which influences the well being of the household. A young population on the other hand would imply a small labour force, which would constrain household income.

### ***1.7.8 Marital status***

Marital status for the respondents in the survey was grouped into five categories of single, married, separated, divorced and other and was disaggregated by sex.

### ***1.7.9 Educational level***

This was defined as the number of years of schooling completed.

### ***1.7.10 Access to credit***

Dummy for credit access in the last one year (1 = Yes; 0 = No)

### ***1.7.11 Socio-cultural factors***

The socio-cultural component of the study focused mainly on community perceptions and views on an assessment of some social and cultural factors influencing choice and participation in informal business. These socio-cultural factors include among others, customs, languages, attitudes, social institutions, status symbols, and religious beliefs (Seto, 1988). Furthermore, the culturally defined gender division of labour, which prescribes appropriate roles for men and women, also has a direct bearing on choice and participation in informal economic activities. For some individuals in the study area, it is considered culturally inappropriate and socially unacceptable for men/women to engage in

some economic activities. These tasks are culturally defined as men or women's work (Suda, 2000).

#### ***1.7.12 Cost-effectiveness***

The impact of a program intervention compared to its cost. A program is cost-effective if the ratio of benefits to costs is high.

#### ***1.7.13 Employee***

An employee is any person, excluding an independent contractor, who works for another person or for the state and who receives any remuneration which may be in the form of wages, salaries, commissions, tips, piece rates, or in kind payments Employee further refers to any other person who in any manner assists in carrying on or conducting the business of an employer (UN, 2000, Labour Relations Act No 66 of 1995).

#### ***1.7.14 Own Account Worker***

Own account workers are persons who operate alone or with one or more partners, their own economic enterprise, or engage independently in a profession or trade, and hire no employees on a continuous basis. Partners may or may not be of the same family or household (U.N, 2000 a) Own account workers can be based at home.

## CHAPTER TWO

### 2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

#### 2.1 Introduction

This chapter provides an overview of why the Informal sector has become an important contributor to the Kenyan economy. It goes on to highlight how the informal sector contributes to the national objective of creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihood as a form of alleviating poverty for the majority of low-income households in the country. The chapter reveals that a majority of the 1.3 billion people living in poverty are women as opposed to men, and their ability to effectively alleviate poverty, enhance wealth and social status is often hampered by socio-cultural structures that restrict their rights to choice of and participation in economic growth initiatives, own and control factors of production, enter into contracts, receive education, find employment, or engage in business. This brings to light the differentials that exist in men and women operated informal micro-enterprises. In most informal micro-entrepreneurship literature, success is defined only through economic outcomes with a narrow view of the mechanisms influencing success for women in this sector which leads to a partial understanding of the purpose of self employment for women and the reasons why many women face more constraints than men. It thus becomes imperative to reconceptualize success to include issues of power and empowerment when evaluating informal micro-enterprise development, particularly in cultures where patriarchal systems have a strong influence on the institutions of the state, market, and family. The chapter also highlights the impact credit availability has on informal micro-enterprise growth, the constraints informal micro-entrepreneurs face in their bid to access credit, the types of sources of credit available, their choice of sources of credit and the implications these choices have on their informal businesses.

#### 2.2 Development of informal micro-enterprises in Kenya and Kangemi

The importance of the informal sector to social and economic development in Africa is almost undisputed. Throughout the continent, SME promotion is priority in the policy agenda of most African countries, Kenya included, as its contribution to poverty alleviation and economic development is widely recognized. There is no doubt that Informal micro-enterprises constitute the seedbed for the forthcoming generation of African entrepreneurs

(Albaladejo, 2002). Their large number (accounting for more than 90 per cent of all enterprises in the vast majority of countries) and their involvement in a wide variety of activities, ranging from providing goods and services to the poor, to the manufacture of exports, underline the particular economic and social importance of Informal micro-enterprises (UNCTAD, 1997).

Given the new international context and the emergence of the so-called 'new competition' (Best, 1990), it is very difficult to conceive a buoyant economy that does not rely on the competitiveness and dynamism of its informal sector. In the developing world, not only do they contribute to economic growth but also have a tremendous developmental impact on societies and their peoples. Informal micro-enterprises are now seen as the main means, if not the only, to take people out of poverty and to build on better prospects for future generations. The contribution of informal micro-enterprises to economic and social development results from the following aspects:

Informal micro-enterprises provide a breeding ground for entrepreneurs. Through the "demonstration" effect, they spawn new enterprises. They are also able to use resources that may otherwise not be drawn into the development process. By encouraging personal savings and the use of the retained savings of firms, they also play an important role in mobilizing and generating domestic savings. They are expected to be innovative and competitive in order to develop and to survive. They also need to be entrepreneurial in order to exploit new opportunities or new processes (UNCTAD, 1997).

Informal micro-enterprises have a major impact on the social situation of a country. Because of their dynamism and flexibility, informal micro-enterprises are crucial for the creation of new employment opportunities. In practically all countries, informal micro-enterprises provide the majority of jobs. And, while large-scale enterprises tend to shed jobs, as in many developed countries where the trend towards labour shedding is a source of concern, informal micro-enterprises continue to be the main, if not the only source, of new jobs, both in developed and developing countries.



## 2.3 Socio-cultural factors influencing gender participation in informal micro-enterprise

### 2.3.1. Socio-cultural issues in micro-enterprises

The socio-cultural environment in Kenya is quite complex. The country has about 42 ethnic groups (KDHS, 2003), each with varied attitudes, cultural and traditional beliefs towards work and gender. These socio-cultural factors, which include among others, customs, languages, attitudes, social institutions, status symbols, and religious beliefs (Seto, 1988) influence the entrepreneurial behaviour. Although there are variations across countries, social and cultural norms strongly influence men and women's choice of work and working environments.

The lack of cultural diffusion and its manifestation in greater cultural rigidity, however, diminish the ability of societies to adapt to new technological paradigms and ways of doing things, delaying the onset of their industrialization and, thereby, their take-off to a state of sustained economic growth (Ashraf and Galor, 2007). This is evident in that some tasks and jobs are considered more appropriate for men or women, and overt or covert screening filters out applicants who defy these norms. This cultural rigidity is particularly so as it governs work, male-female social and power relations with regard to access, control and ownership of property. Such norms and traditions, and the ideas that underpin them, are also manifested in laws, institutions and economic and social structures, such as the family and the job market. But the gendered responsibilities and rewards of participation in society are not only different for women and men; they are usually inequitable (Greig *et. al.*, 2000). This may explain why some professions, which may require individualized work, may not appeal to certain cultures. They also show how these differences effect what types of work is acceptable and the manner in which work is to be done. Thus, lives of women and men, the work they do, the income they receive, the roles they are given and the relationships that they share are all shaped by social norms and traditions which treat women and men differently. These factors entail a lower level or, in some cases, complete absence of men and/or women's involvement in the areas of formal education, politics, economic activity and decision-making both at household and public levels (Ashraf and Galor, 2007). However, variations in the interplay between the forces of cultural assimilation and cultural diffusion have played a significant role in giving rise to

differential patterns of economic engagement and development across the globe (Ashraf and Galor, 2007), and as witnessed in Kangemi. It is also observed that the nature of these factors and their influence is such that appropriate structural interventions can make all these socio-cultural attributes play a favorable role for growth of entrepreneurship in the informal sector in Kenya.

As various individuals from the various ethnic tribes migrate to and meet in the urban centers, cultural differences tend to emerge since these individuals come from different cultural backgrounds to which they are strongly attached. This presents a number of problems (Beyaraaza, 1992). To understand the nature of these problems, one needs to have an insight into the basic social structures in Africa. In other words, to understand urban life one needs to look beyond the urban center and understand rural and tribal life because the people who live in urban centers come from rural areas, and African urban centers still maintain very strong relations with rural societies. Consequently, both the urban and rural mentalities have influenced each other so much that they bear indissoluble marks on each other. This two-way influence may vary from country to country, or from urban center to urban center, or even from individual to individual (Beyaraaza, 1992).

History strongly suggests a rich link between cultural diversity and creative florescence. Many societies have enjoyed a surge in creativity after exposure to foreign ideas and people (Ashraf and Galor, 2007). Thus, in a socially and culturally diverse environment, such as that found in most urban centers, Kangemi, notwithstanding, it is imperative that one understands the dynamic elements that make us all different. These differences influence the way individuals behave, their choice, participation and interaction in the workplace. Cultural assimilation reduces diversity by standardizing socio-cultural traits (e.g., norms, beliefs, ethics and codes of conduct) in society. Cultural diffusion, as reflected by the frequency of emergence of alternative modes of behavior in society, generates greater fluidity and flexibility that enhances the accumulation of knowledge, expanding the economy's production possibility frontier and complementing its ability to advance and adapt to a new technological paradigm (Ashraf and Galor, 2007).

Therefore, the universal force of cultural assimilation, working to acculturate the divergent attitudes in society towards its customs and traditions, whatever these may be, leads to

greater cohesion and social order over time, which enables society to function closer to the production possibility frontier of the existing technological paradigm. The “exposure to different and even contrasting cultural stimuli” is indeed a fundamental “creativogenic factor” (Arieti, 1976: 320) and that “a [cultural] milieu [of different ideas, beliefs and patterns] contains richer material for a new synthesis or creative combinations than a cultural milieu of monotonous stereotypes” (Sorokin, 1947: 542). Moreover, the historical record of world civilization demonstrates that many societies had experienced a surge in creativity after having been exposed to foreign ideas and peoples (McNeill, 1990). Thus, it is expected that, in urban settings, the convergence and interaction of diverse cultures will bring about the rejection of cultures and social norms that limit an individual’s choice of entrepreneurial engagement as well as the adoption of cultures and social norms that expand the scope of entrepreneurial engagement opportunities of low income entrepreneurs in informal micro-enterprises by the low income informal micro-entrepreneurs away from the stare of cultural and social stereotyping eyes.

### ***2.3.2. The Micro-Entrepreneurs***

The growth of democracy and market-based systems in the last three decades in African nations and by extension the world over has improved the lives of millions. Many countries have freed the political space, encouraged freedom of expression and achieved macroeconomic stability. However, a large percentage of the population in emerging democracies and especially in developing countries are excluded from the political and economic spheres and hence, live in poverty. A conspicuous indicator is the growing number of entrepreneurs engaged in low-income and low-growth business activities in the informal sector. Roughly a third of the GDP of emerging markets is produced informally (Argote, 2005).

In emerging democracies and economies, billions of dollars in potential profits are lost each year because ill-designed, complex laws and regulations exclude millions of citizens from the political and economic system and unnecessarily raise the costs of doing business in the formal sector, (Argote, 2005). A recent IMF study revealed that about nine trillion dollars – roughly a third of the GDP of emerging markets – was produced informally. Similarly, ILO figures indicate that, in 1999, 17% to 84% of the urban labour force in developing countries worked informally.

The informal sector consists of micro-entrepreneurs who produce legitimate products without proper permits and legal status. This is occasioned by lack of access to resources and/or incentives to comply with the burdensome and excessive rules and regulations necessary to become part of the formal economy. Most of the informal sector activities are extra-legal in the regulatory, but not in the criminal sense. Hence, the informal sector is highly heterogeneous and a complex phenomenon. It includes urban poor people, both men and women who depend on informal subsistence or survivalist activities for their livelihood, as well as higher-income people entering the informal economy as a way of supplementing declining formal sector incomes or of increasing profit margins.

The broad context within which urban dwellers in most countries in the Sub-Saharan Africa (SSA) and elsewhere in the least developed countries (LDC) are seeking to secure their livelihoods and meet their basic needs is bleak. In most countries in Africa and Latin America, the scale and depth of urban poverty increased during the 1980s, as national economies stagnated or shrunk (UNCHS, 1996). In addition, retrenchment in the government sector increases in food prices and controls on domestic demand for goods and services have resulted in a situation where there is less formal sector employment and increasing competition within the informal sector (Bourguignon and Morrisson 1992, World Bank 1990). The impacts on the urban poor have been acute. To give just one example, Amis (1996) estimates that wage levels in Nairobi fell substantively between 1980 and 1992 with the average wage in 1992 being equal, in real terms, to only 50 per cent of the average wage in 1980. Whilst many development agencies have focused their work on rural areas, nevertheless there have been many projects and programmes that have sought to address poverty in urban areas (UNCHS 1996).

The socio-economic costs brought about by the implementation of Structural Adjustment Programmes (SAPs) now constitute a major concern for many Kenyans, as the number of people living below the poverty line has consistently remained high. Gender balance is an important aspect in the social development of the economy as this ensures equity in distribution of opportunities and resources, otherwise inequitable distribution leads to poor representation in decision making as well as other opportunities such as employment.

In the past, culture in a number of African communities tended to relegate women to the background where they were involved only in the care of family needs, mainly

childbearing and childcare. Today, most of the African economic transformation has placed its main burden on women who are drawn into the informal economy. Low-income women are now respected business partners capable of reducing poverty (Kyeyune *et. al.*, 1999).

A change in societal norms and economic conditions have therefore, altered the traditional gender division of labour. Both men and women are now actively engaged in providing for their families by being entrepreneurial. Snyder (2000: 41) asserts that whether on the farm or in the market place, women are central to the family and the national economy, providing for all family needs where they head-up households. It is therefore, no wonder that they are becoming increasingly dominant in the micro-enterprise production. However, their success relates to their scale of operation, capital inputs available and the magnitudes of their personal responsibilities. Most of them take their initial capital, however small, from personal savings to plunge into micro-enterprises. This makes their economic contribution extraordinary despite very limited access to resources that would make their work more efficient and productive.

### ***2.3.3. Background on Gender Issues in Kenya***

*Gender issues* are the various issues, which arise out of the relationships between men and women and its impact on their roles, privileges, statuses and positions in society. Over the past few decades, there have been increasing attention paid to the gender dimensions of poverty and development. More recently - essentially the last five to 10 years - academics, NGOs and international organizations have begun to pay close attention to the gender dimensions of trade regimes, liberalization, and the impact of trade regulations decisions (Carr and Chen, 2001).

More often than not, consideration of the gender dimensions of trade and other development issues means focusing on the impact on women. As Amartya Sen and others have emphasized, women tend to be disproportionately poor and disadvantaged in developing countries. In addition, their ownership, control, and access to economic resources, assets and markets are often limited by social norms. Moreover, they also tend to work in specific sectors of the economy - e.g., textiles, the informal sector, and agriculture (Carr and Chen, 2001).

Within the International Labour Organization's core mandate for the promotion of social justice, the protection of women workers and the promotion of equality between men and women in employment have been areas of longstanding concern. Although the principle of equality of opportunity and treatment between men and women at work is widely accepted in most countries in the world, in practice inequalities persist on a global basis (I.L.O, 1996).

Therefore, in addressing the inequalities that exist in the private and public spheres in Kenya, attention to gender issues should be regarded as important to the success of development programs, for all participants. This often means a focus on gender-equality, ensuring participation, while at the same time including an understanding of the different roles and expectation of the genders within the community.

### *2.3.3.1 Culture and Entrepreneurship*

There is a substantial literature on the impact of culture and ethnicity on entrepreneurship and economic development. Development, in its totality, divorced from its human or cultural context is growth without a soul. Economic development in its full flowering is part of a people's culture. A more conventional view regards culture as either a help or a hindrance to economic development, leading to the call to take "cultural factors into account in development" (WCCD, 1995). Most of the findings suggest that decisions made independently of the specific cultural context are less likely to succeed and endure than those that do consider culture. Cultural dimensions of a community may influence the mechanisms and style of business development, and the motivations and attitudes of individuals in the community. For business development to be successful, it is necessary that individuals have the appropriate motivation and attitude, as well as realistic expectations (Hailey, 1987).

Women and men everywhere are being affected by changes in life cycles and labour market participation. Meanwhile migration from rural to urban centers and urbanization are changing the composition and division of labour in countless households and technologies have disrupted the earlier interdependence of male and female activities in urban households. Cultural values are going through mutations to adapt to these new patterns of private and public lives. Cultures are not inert entities, merely there to be disrupted by the

action of global economic demand. Rather, men and women from different cultures actively shape the ways in which such demand is met (WCCD, 1995).

Max Weber and George Simmel, the classical thinkers of modernity treated the city as a cultural creation and as the engine of development. They saw cities as the places for diversity and heterogeneity, the place for the encounter with the “stranger”, with the variety of “others” that allow for self-reflexivity and of the enrichment that emerges from dialogue and interaction (WCCD, 1995).

### ***2.3.3.2 Informal Subsistence Micro-enterprises***

The donor community has for a long time turned its attention to the informal sector to really understand the dynamics of the private sector in African economies. Conversely, little is known about its rapid expansion and its real size; the type of businesses that operate in it, their characteristics and needs; and ultimately, the implications for policy. So far, policy makers in Africa have tended to ignore the informal sector because it is too large, varied and messy to be supported cost-effectively. Traditionally, the informal sector was perceived as comprising mainly “survivalist” activities. The general expectation, for many years was that the informal sector would gradually disappear with economic development. However, this was not the case (ILO, 2006).

### ***2.3.3.3 Informal Activities in Africa: Their size and development***

Chen, Sebstad, and O’Connell, (1999), in their “*Counting the Invisible Workforce: The case of Home-based workers*”, explain why informal sector activities have expanded in Africa. This expansion and strengthening of the informal economy in Africa has brought about a decrease in the formal sector employment.

The World Bank (1990) attributes the persistence of informal activities to the slowdown or decline in economic growth (measured in GDP terms). Underlying this explanation is the assumption that the share of the workforce in formal activities is positively correlated with GDP per worker. The lack of economic growth of many African economies during the 1990’s may well explain the rise of informal activities throughout the continent. Capital-intensive activities may have contributed to the decline in the number of formal sector

workers, who have placed their hopes in the informal economy as an alternative source of income, thought this does not offer a satisfactory explanation for the African case as most activities remain labour intensive (UNDP, 2002).

The implementation of the PRSPs by African governments under the watchful eye of the IMF and the World Bank in the 1980s and 1990s saw a marked shift from formal to informal employment. Indeed, during the 1980s and early 1990s, the disruptive impact of structural adjustment measures on the formal sector led to widespread downsizing of employee numbers as well as factory closures and to the reduction in once-secure government and parastatal employment. As a result, public-sector wages proved to be inadequate, and large numbers of so-called formal sector workers had to take on additional informal income-generating activities. The low capabilities of the private sector to absorb the emerging large-scale urban unemployment also contributed to the rise of self-employment initiatives in the informal sector.

Over the past decades, employment in the informal sector has risen rapidly not just in Africa, but also in most developing regions. It is believed that the informal sector in Africa accounts for nearly 80 per cent of the non-agricultural employment in the region compared to 57 and 45 per cent in Latin America and Asia. The informal sector accounts for more than 50 percent of total urban employment in Africa, and around 40 per cent in Latin America and Asia (Albaladejo, 2002). Nearly all-new jobs in Africa are created in the informal sectors. The magnitude of informal sector activities is also measured by their contribution to income. For example, in several African countries, the informal sector accounts for nearly 30 per cent of total income and over 40 per cent of total urban income (Chen, 2001).

#### ***2.3.3.4 Characteristics and Barriers of Micro-enterprises in Africa***

Literature from similar studies shows that the informal sector employment is generally a larger source of employment for women than for men in the developing world. The majority of the economically active women in most of the Sub-Saharan Africa are engaged in informal activities. Interestingly, the proportion decreases substantially in more advanced countries like South Africa and Tunisia (Albaladejo, 2002). By contrast, the proportion of men employed in the informal sector is considerably smaller, only reaching 60 per cent in Benin, Kenya, Mali and South Africa.



Surprisingly, the trend in South Africa is reversed, as there are more men in the informal economy than there are women. These observations reinforce early evidence on the role of women in the informal sector in the following directions:

- The informal sector is the primary source of employment for women, not just in Africa, but also in most developing regions. Although it is also an important source of employment opportunities for men, it is in many cases the ‘only’ source for women.
- Most productive units in the informal sector are hence owned and operated by women.

The vast majority of women in the informal sector are home-based workers or street vendors. There is empirical evidence showing that compared to men, women in the informal sector are more likely to be own account workers (Chen, 2001). These gender-based differences in employment status have implications for relative earnings and poverty levels.

Women remain concentrated in “invisible” areas of informal work, such as domestic labour piece-rate homework, and assistance in small family enterprises, which offer precarious employment status, low, irregular or no remuneration, little or no access to social security or protection, and limited ability to organize to ensure the enforcement of international labour standards and human rights (Reinecke *et al.*, 2006). Despite low salaries and poor working conditions, home-based workers are linked to the formal sector in domestic markets through subcontracting arrangements, and even to the global economy through global value chains. In this ‘assembly lines’, home-based subcontractors play a major role in those low value-added activities, which are too simple to be produced in factories.

### ***2.3.3.5. Women and Men in the Informal Economy***

Entrepreneurship is an effective measure of women and men’s contribution to an economy. Yet, little quantitative and comparable data across economies is available to analyze women and men’s contribution to their economies through their entrepreneurial activities (Sengupta and Velkoff, 2004). The existing structure of the division of labour between men and women and the changing roles of women in Kenya are at once rooted in cultural norms and institutions and reinforced by structural arrangements (Suda, 1989). It is society that

ascribes gender roles to both women and men; these roles vary from social group to social group and from culture to culture. These socially constructed gender roles present grave constraints and barriers that negatively hamper a near gender balanced representation and participation in business activities. An increasing number of households are becoming dependent on the informal sector as a source of income and employment, in both rural and urban areas. Compiling statistics on the size, composition and contribution of the informal economy is hampered by the lack of sufficient data. The 1999 baseline survey of the informal sector shows that the ownership of the informal sector enterprises is almost equally divided between males and females, with men owning 52% of the enterprises and women 48% (Atieno, 2006). While many countries have now undertaken a survey on employment in the informal sector, very few countries undertake these on a regular basis (Chen, 2007). Although women constitute 53% of the labour force, their participation in wage employment in the modern sector has remained low and they have access to less than 30% of wage employment. Thus, the informal sector is generally a larger source of employment for women than for men in the developing world. Other than in North Africa, where 43 per cent of women workers are in informal employment, 60 per cent or more of women non-agricultural workers in the developing world are informally employed. In sub-Saharan Africa, 84 per cent of women non-agricultural workers are informally employed compared to 63 per cent of men (ILO, 2002; Chen, 2007). A number of factors restrict women's access to formal employment. These include social, cultural and traditional roles, occupational segregation by gender, and lack of access to technology and credit, among others.

#### **2.4. Cost-effectiveness of informal micro-enterprises for poverty alleviation**

Cost-effectiveness analysis sometimes referred to as cost-benefit analysis is used for determining which alternative is likely to provide the greatest return for a proposed investment. It is relevant to businesses as well as to not-for-profit entities and governmental units. A business might find it helpful to use cost-benefit analysis to determine if additional funds should be invested in a project (Nas, 1996).

Cost Benefit Analysis is an economic tool to aid social decision-making, and is typically used by governments to evaluate the desirability of a given intervention in markets. The aim is to gauge the efficiency of the intervention relative to the status quo. The costs and benefits of the impacts of an intervention are evaluated in terms of the public's *willingness*

*to pay* for them (benefits) or willingness to pay to avoid them (costs). Inputs are typically measured in terms of opportunity costs - the value in their best alternative use. The guiding principle is to list all of the parties affected by an intervention, and place a monetary value of the effect it has on their welfare *as it would be valued by them* (Frank and Sunstein, 2000).

Constructing plausible measures of the costs and benefits of specific actions is often very difficult. In practice, analysts try to estimate costs and benefits either by using survey methods or by drawing inferences from market behaviour (Frank and Sunstein, 2000). Cost-benefit analysis attempts to put all relevant costs and benefits on a common temporal footing.

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The process involves monetary value of initial and ongoing expenses vs. expected return. Business entrepreneurs confront many difficult choices in their choices of engaging in one business activity over another and the manner in which to go about it. Many options exist for resolving these choices, though none without compromise. To make informed choices, informal micro-entrepreneurs need information about the impact of services and programs, their costs, and the consequences of choosing one option over another. One tool for combining these three pieces of information is called cost-effectiveness analysis. The term "cost-effective" describes the dominating option in such an analysis. Thus, for a given cost, program A is cost-effective if its impact is greater than that of program B, all other factors being equal. Or for a given level of impact, program A is cost-effective if its cost is less than program B, all other factors being equal (Boardman, 1996).

"Cost-effective" options may vary among groups in society because they assess costs or value life, improved income, health outcomes, or other consequences differently. This is because different people such as the business leaders/fraternity and the general public may all view an analysis differently because they seek different economic and societal objectives. The common meaning, however, is "value for money." Differences in how various groups view a particular program reflect how different alternatives or aspects of alternatives are valued (Frank and Sunstein, 2000).

Cost-effectiveness analysis is an analytical tool whose purpose is to provide information about the relative value of different approaches to eliminating disparities, increasing life

expectancy, or any program or initiative. The vagueness associated with the term "cost-effective" comes in part from how cost-effectiveness analysis has evolved. This tool has been crafted by analysts from many different disciplines, including economics, medicine, public health, sociology, operations research, and ethics. Each discipline contributes a particular set of concepts and language, which have been melded together to build cost-effectiveness analysis. Benefits must exceed costs to justify the project or adopt the policy (Frank and Sunstein, 2000).

Because resources such as money and time are limited, an organization usually cannot undertake every project proposed. To decide whether to undertake a project, decision makers weigh the benefits from the project against the cost of the resources it requires, normally approving a project when its benefits exceed its costs. Cost-benefit analysis provides the structure and support for making such decisions.

Benefits increase the welfare of the organization. Some benefits are monetary benefits, such as the dollar amount of cash inflows from additional sales of a product or the saving in cash outflows that a project enables. Other benefits are important but harder to quantify. For example, a project may increase customer satisfaction; increased customer satisfaction may increase future sales, but the exact relationship between sales and satisfaction is often hard to specify.

Costs are the outlays or expenditures made in order to obtain a benefit. Many costs are measured monetarily, such as the cost of buying a new machine or of hiring an additional employee.

## **2.5. Choice and sources of credit by micro-entrepreneurs**

### ***2.5.1. Choice and sources of credit***

A number of factors explain why certain informal micro-entrepreneur credit borrowers prefer to use only specific sectors of the credit market: formal or informal. The typology of informal financial units also varies because they are purpose oriented and meet different types of demand. While the formal sector may have distinct characteristics especially with respect to the lending policies and its control by the central monetary authority, in this case Central Bank of Kenya (CBK), the informal sector is highly heterogeneous in many

African countries. This heterogeneity can be seen in terms of the type of relationship between the borrower and the lender, like social cohesion or interlinked transaction. The result is credit products that differ from each other in such loan characteristics as duration, uses and related costs (Zeller, 1994).

Factors related to the participation of informal micro-entrepreneurs in credit markets can be divided into enterprise characteristics, and the loan terms and conditions imposed by lenders (Kashuliza and Kydd, 1996; Zeller, 1994). Micro-enterprise characteristics considered here include main occupation, household size, number of owners, revenue from the enterprise, income level, distance to credit source, age of the enterprise, past credit participation and assets owned.

### *2.5.2 Sources of credit*

Informal micro-entrepreneurs have different sources of credit and loans broadly classified into formal and informal sources. Formal credit sources include commercial banks and other formal institutions. On the other hand, informal credit sources comprise traders, relatives and friends, ROSCAs, welfare associations, professional moneylenders. Part-time moneylenders are drawn from well-to-do traders, grain millers, smallholder farmers, employers, relatives and friends, as well as cooperative societies (see Aryeetey *et al.*, 1997; Aryeetey and Udry, 1997).

Access to financial services by informal micro-entrepreneurs is normally seen as one of the constraints limiting their benefits from credit facilities. However, in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes (Atieno, 2001). For small-scale enterprises, reliable access to short-term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises. It is further argued that the type of financial institution and its policy will often determine the access problem. Where credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it

exists and when they do, they will be denied access (Atieno, 2001). This is the plight bedeviling most of the informal micro-entrepreneurs in developing countries, and it is expected that this might be the same situation faced by those operating informal micro-enterprises in Kangemi market.

Little is known about the informal credit sector in the country, although there is consensus that it is an important source of credit to the informal micro-entrepreneurs in the country (Dondo, 1994). Ouma (1991) in a study on "*informal financial sectors in Kenya*" found that 72% of the sample surveyed saved with and borrowed from informal sources. Whereas in the formal credit market only a selected few qualify for the predetermined loan portfolios, in the informal market the diversified credit needs of borrowers are better satisfied. The problems of formal financial institutions, especially security, loan processing, inadequate loans given, unclear procedures in loan disbursement and high interest rates, all underscore the importance of informal credit and the need to investigate the dynamics of its operations, especially with respect to how these factors determine the access to and the use of credit facilities by both men and women in the informal sector.

### ***2.5.3 Access to credit by informal micro-enterprises***

It is widely acknowledged that financing constraints limit the investment capacity of informal micro-enterprises, hence hampering their growth (Albaladejo, 2002). Large corporations have little difficulty securing sizeable bank loans and private investments. At the same time, micro-finance, consisting of very small loans, tends to benefit individual entrepreneurs. The informal micro-enterprises fall in between and often struggle to obtain credit and loans.

A number of institutions provide credit to the informal micro-enterprise sector in Kenya. These include commercial banks, non-bank financial institutions, non-government organizations (NGOs), multilateral organizations, business associations, and rotating savings and credit associations (ROSCAs). In addition, financial transactions also take place between traders, friends, relatives and landlords, as well as commercial moneylenders (Atieno, 2001). Their main aim is to tap and provide credit to the majority considered

ineligible borrowers by other formal credit sources. They are either registered welfare groups or unregistered groups found in both rural and urban areas of Kenya.

The performance of formal financial institutions and credit programmes in Kenya, just like in many other countries in sub-Saharan Africa, in terms of alleviating the financial constraints of the informal sector has met a lot of criticism. Atieno, (1994) argues that the decisive factors of creditworthiness, delays in loan processing and disbursement, and the government approach to preferential interest rates, resulting in non price credit rationing, have limited the amount of credit available to smallholders and the efficiency with which the available funds are used can be seen as an indication of the general inadequacy of the formal credit institutions in meeting the existing credit demand in the country.

Hossain (1988) notes that the generation of self-employment in non-farm activities requires investment in working capital. The accumulation of such capital is difficult for low-income informal micro-entrepreneurs both in the rural and urban areas. Under such circumstances, loans, by increasing family income, can help the poor to accumulate their own capital and invest in employment-generating activities.

## **2.6 Theoretical Framework**

### ***2.6.1 Introduction***

A number of theoretical models have been formulated to account for micro-enterprise activities. This research was be guided by a social science model that is applicable in market situations where buying and selling takes place. The Social Exchange Theory approach therefore, provided the basis to undertake this study. The social exchange theory approach is examined below and subsequently micro-entrepreneurship perspective is addressed.

### ***2.6.2 Social Exchange Theory Approach***

This theory focuses on the idea of exchange and the concept of social exchange theory at the individual, group and organizational levels of analysis. The major proponent of the exchange theory was George Homas (1958). In his view, the theory emphasizes value and utility and by extension profits, rewards, approval, status, reputation, flexibility and trust.

The social exchange theory grew out of the intersection of the Economics, Psychology and Sociology. In this aspect, it was developed to understand the *social behaviour of humans in economic undertakings*. As opposed to the exchange theory, the social exchange theory emphasizes the way actors are viewed. The theory views actors (person or firm) as dealing not with another actor but with a market responding to various market characteristics (Emerson, 1987: 11).

According to Blau, (1964: 91), the social exchange theory views the exchange relationship between specific actors as “actions contingent on rewarding reactions from others.” By this approach, the theory perceives human behaviour as malleable that is, people are always trying to exchange.

Today, social exchange theory exists in many forms, but all of them are driven by the same central concept of actors exchanging resources via social exchange relationships. The crux of the theory is still best captured in Homas’ own words (1958: 606) “*Social behavior is an exchange of goods, material goods but also non-material ones, ... as what he gets may be a reward, ... and his behavior changes less as the difference of the two, profit, tends to a maximum.*”

This interaction between two actors results into two contingencies where the actors modify the resources to each other’s expectations. The theory is therefore: seen as postulating that power results from resource dependency in a network exchange model. In this study, social exchange theory is best understood as a framework for explicating movement of resources among low-income traders in a market condition such as Kangemi.

### ***2.6.3 Social Exchange Theory: Strengths, Weaknesses and Applicability of theory to study***

#### ***Strengths***

Social Exchange Theory is a social psychological and sociological perspective that explains social change and stability as a process of negotiated exchanges between parties. Social Exchange Theory posits that all human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. For example, when a person perceives the costs of a relationship as outweighing the perceived benefits, then the



theory predicts that the person will choose to leave that relationship. Thus, man is a social being obliged by nature to live with others as a member of society. However, if cooperative actions appear as sacrifices without mutual benefits, one party will withdraw in the face of an exchange that posits social inequality. Therefore, the movement of resources among low income traders in Kangemi market and its environs must be seen to be mutually beneficial rather than being motivated by self interest. It should be noted that in such a market, where informal micro-entrepreneurs are confronted with important decisions, they are obliged to choose between their own, or their groups' interest and the interests of others, they merely always choose the former. This behaviour is in conformity with the communities values and expectations that finally lead to alleviation of poverty through increased participation in informal business participation.

### *Weaknesses*

There are several major objections to or problems with the social exchange theory as developed from early works:

- The theory reduces human interaction to a purely rational process that arise from economic theory - that which is motivated by immediate costs and rewards.
- The theory favors openness as it was developed in the 1970s when ideas of freedom and openness were preferred, but there may be times when openness isn't the best option in a relationship.
- The theory assumes that the ultimate goal of a relationship is intimacy when this might not always be the case.
- The theory places relationships in a linear structure, when some relationships might skip steps or go backwards in terms of intimacy
- It also is strongly seated in an individualist mindset, which may limit its application in and description of collectivist cultures.

However, in spite of these shortcomings, the Social Exchange Theory is appropriate and applicable in Kangemi market and its environs as it shows that there is a struggle for rewards in human society and the exchange of goods and services need not assume a violent form but are for mutual benefits.

### *Applicability of theory to study*

Currently, Social Exchange Theory materializes in many different situations with the same idea of the exchange of resources. The Social Exchange Theory is very relevant and practical in our everyday lives. This theory relates to business entrepreneurs because they meet and form relationships with people on a daily basis. One of the biggest fears most entrepreneurs have when deciding on what business venture to pursue is whether or not they will be successful in it because of the high levels of duplication and stiff competition. The theory is appropriate and applicable in the sense that it helps us to find out whether or not certain individuals can pursue certain business ventures.

## 3.0

## CHAPTER THREE: METHODOLOGY

## 3.1 Introduction

This chapter presents an overview of the study design, discusses the study site; the variety of its people and their major occupations. The chapter also discusses sampling, the method of data collection employed, data analysis and the ethical considerations.

## 3.2 Study Design

The present study on socio-cultural analysis of factors that influence gender participation in informal sector business was conducted in Kangemi market and its environs, Nairobi. The analysis was done using descriptive research approach. Data was collected through the administration of a semi-structured questionnaire in a one-on-one face-to-face semi-structured interview setting. The questionnaire administration was carried out by six enumerators who had been trained and assigned specific trades and location for data collection. The questionnaire administration took approximately 45 minutes. The survey covered a total of nineteen, relatively common, but distinct economic activities which were then grouped into six broad categories, known, a priori, to require a certain degree of technical and business skills, and to include activities carried out by both men and women. The sample activities were defined, for the instruction of interviewers, as follows:

**Transportation:** the activities involved movement of goods, people or both from one point to another by vehicle/taxi for heavier and greater distances, push-cart or on body of hauler for shorter distances.

**Services:** these encompassed a range of trades such as salons and barber shops (hairdressing), repair of radios, TV sets, mobile phones, sale of mobile-air time, hauling of water in cans, shoe-shiners and cobblers. Included were women and men exercising the activity in a shop, a market stall, or in the open air.

**Manufacturing:** those whose principal activity was the production of something new such as clothes, pottery and clay-coated "jikos"<sup>3</sup>, furniture and welding and they included carpenters, ironsmiths, tailors and wood-workers.

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<sup>3</sup> Swahili for charcoal stove. In this case the charcoal stove though metallic on the outside contains an inner coat of clay that minimizes loss of heat.

**Assorted goods:** Included were women and men who engaged in sale of assorted merchandise in a shop, a market stall, or in the open air in one location or those who were mobile.

**Food processing:** those who sold pastries or other “take away” foods, as well as those who prepared foodstuffs, meals and beverages ready for consumption within the market and its environs, in a shop, a market stall, or in the open air.

**Agricultural:** those whose businesses consisted of sale of agricultural products within and without the market perimeter. Such goods included cereals, fresh farm produce such as vegetables, fruits, various types of meat and meat products as well as eggs.

Semi-structured face-to-face interviews were conducted, in late August and early September 2008, with a total of 85 informal micro-entrepreneurs, 47 per cent of whom were women. The overall size of the sample is an outcome, first, of the resources available for the work, and, then, through a systematic random sample, a decision was made to interview, at least, 2 informal micro-entrepreneurs for each of the nineteen trades largely categorized in the six sectors aforementioned. This number is believed to ensure that responses are representative for all in the sample, and it furthermore allows one to observe differences among operators of the same trade. The size of the enterprises to be interviewed was not decided on in advance, since it was believed, that relatively few establishments would have more than three workers, including the entrepreneur. The survey relied on records/lists of informal micro-entrepreneurs/stalls availed by the market administrators as well as creation of another second list for informal micro-entrepreneurs operating in the environs of Kangemi market by the principal researcher. The second list of informal micro-entrepreneurs operating in the environs of Kangemi market was created through the use of the name of the informal micro-enterprise and its location. This was done in order to eliminate double count/data capture in the systematic random selection at the sample level.

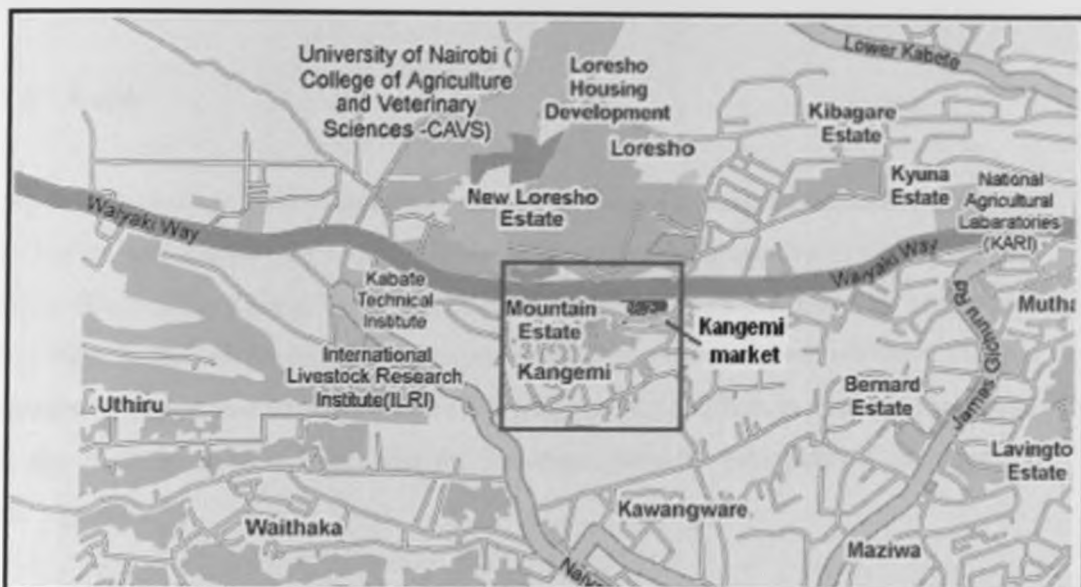
### 3.3 Study Site

*Figure 3.1: Map of Kenya showing the location of Nairobi*



Map data ©2008 Europa Technologies - Terms of Use  
 MapSatelliteHybridTerrain  
 Google Earth: Map of Kenya

*Figure 3.2: Map of Nairobi showing the location of Kangemi Market in Kangemi sub-location/ward in Westlands division, Westlands Constituency*



Map Satellite

Source: Imagery ©2008 DigitalGlobe, GeoEye, Map data ©2008 and, Europa Technologies - MapSatelliteHybrid

### **3.3.1. Location**

Kangemi is a ward in Westlands Division, which is also a constituency represented by a Member of Parliament in the Kenyan legislature. Three up-market estates, that is, Mountain View, Loresho and Lavington surround the community. It has an altitude of 3,000m. Kangemi is located some 10 kilometres from the capital city and is also strategically placed along the great Trans-Africa Highway that not only connects Kenya with Uganda but regionally connects Johannesburg in South Africa to Cairo in Egypt. It is an outlet to Western Kenya and the Rift Valley and is also the last bus stop before entering Nairobi from Western Kenya. This gives it the advantage to access first agricultural produce from rural areas for sale in Nairobi. This has made Kangemi attract many business entrepreneurs, sellers and buyers due to the great Trans-Africa highway. It has also attracted a large population making it one of the densely settled areas of Nairobi. It is also multi-ethnic and multi-cultural due to diverse ethnic communities settling in the area with so many religious groups. It has therefore developed as an urban center with an emerging middle class but also a high population of the low-income earners who are likely to afford the reasonable house-rent charges. It therefore provides a fertile ground for establishing

businesses and sale of products due to the readily available market. Comparatively it has fresh farm produce mainly fruits and vegetables, dairy products, roots, among others items which attract city dwellers.

### *3.3.2 People*

Kangemi is a cosmopolitan village bringing together over 42 ethnic communities that make up what we call Kenya (the country). This is because of its proximity to the capital city, Nairobi (UoN-SIFE, 2006). These groups of different communities found all over Kenya bring together their different cultures, values, traditions, norms and even religions. This has promoted tolerance and integration since it is very rare for conflicts to emerge. The village has also been home to refugees like the Sudanese, Somalis, Ethiopians, Congolese and even Ugandans.

### *3.3.3 Major occupation of people*

Nairobi has 880,000 people living below the poverty line. Poverty rates range from 32% in Westlands to 59% in Makadara across Divisions, and, perhaps not surprisingly, from 8% in Nairobi West to 77% in Makongeni across Locations (Kilele and Ndeng'e, 2003). Nairobi has a number of large retail markets, which include City Park, Gikomba, Kangemi, Kiserian and Githurai. These markets transact in fresh farm produce whose origin is farmers from neighbouring districts (Kilele, and Ndeng'e, 2003).

The choice of Kangemi market among the above mentioned retail markets within the city of Nairobi was based on the need for this study to capture two groups of low-income micro-entrepreneurs, namely low-income informal traders from rural areas and those residing in Kangemi. These groups of low-income micro-entrepreneurs find it convenient to trade at Kangemi market.

Kangemi's current population is estimated at 120,000 and an unemployment rate of over 40% (IFC-KYBT, 2005). Equally large is the population of men and women in informal micro-enterprises, which are again estimated to be between a thousand and 1,200 around the market center. This has been occasioned by large groups of people migrating from rural areas to urban areas as well urban-to-urban center migration either within Nairobi itself or

from other neighbouring urban areas by individuals in search of cheaper housing or cheaper transportation to one's place of work. This is a promising point to trade in and more so to set up an informal micro-enterprise as one is assured of tapping into the vast population.

Kangemi market is mainly a roadside market operated as a retail and wholesale. It is an open-air market with temporary stalls with many timber, concrete, and tin structures. Traders display their goods on cemented, wooden or earthen floors within the market and on the roadside. The market generally opens at 8.00am and closes at 7.00pm. Traders usually come in as early as 6.00am but those with merchandise on vehicles come at night or as early as 5.00am. Farm produce is brought to the market from various parts of the country. Both women and men participate as traders in the informal micro-enterprises. Some women and men buy merchandize from the trucks and sell it to other small retail traders or just sit on the market and begin to sell. These informal micro-entrepreneur buyers and sellers are from various ethnic communities. Some of these informal micro-entrepreneurs have networks with traders who come from the rural areas delivering commodities for sale to those who reside in Kangemi. Female micro-entrepreneurs, in addition to taking these marketing activities, also incorporate various household activities that involve care of their immediate household members.

### **3.4 Sampling, Sample size and Sampling procedure**

Sampling may be defined as the selection of part of an aggregate or totality on the basis of which a judgment or influence about the aggregate or totality is made.

Westlands division of Nairobi city consists of six locations or wards. According to the 1999 census results, Kangemi location/ward had a population of 82,964. Being a market center, all forms of informal businesses are operated but this study could not adequately study all forms of informal businesses due to financial resource constraints. Therefore, there was need to select a representative sample from the population to be studied. The study population consisted of informal micro-entrepreneurs engaged in various trades within the Kangemi market and its immediate market centers.



Multistage sampling procedure was done (Figure 3). The first stage sampling was purposive sampling of the study site. According to Creswell, the purposive selection of participants represents a key decision point in a qualitative study. Huysamen (1998: 118) described purposive sampling 'as the most important kind of non-probability sampling; whereby researchers rely on their experience, ingenuity or previous research experience to deliberately obtain participants in such a manner that the sample obtained may be regarded as representative of the relevant population.' The study selected respondents from the varied forms of trades found within Kangemi market and its environs. Purposive sampling according to Huysamen (1994: 176) was also used to identify key informants who comprised mainly the market supervisors/administrators who, on account of their position or experience, had more information than regular informal micro-entrepreneurs. The key-informants were of great help as they were able to pinpoint informal micro-entrepreneurs involved in the various informal trades, who in turn pinpointed other informal micro-entrepreneurs involved in similar trades. For each trade, ten potential interviewees were identified within the market and its environs.

The purposive sampling was based on the fact that the population in Kangemi may contain different types of individuals with differing measures and ease of access; hence deliberate subjective choice in drawing a representative sample. This was done to eliminate anticipated sources of distortion. The site was chosen due to its specific characteristic and strategic location along the great Trans-Africa Highway that not only connects Kenya with Uganda but also regionally connects Johannesburg in South Africa to Cairo in Egypt. It is an outlet to Western Kenya and the Rift Valley and is also the last bus stop before entering Nairobi from Western Kenya. This gives it the advantage of access to agricultural produce from rural areas for sale in Nairobi. This has made Kangemi attract many business entrepreneurs, sellers and buyers due to the great Trans-Africa highway. It has also attracted a large population making it one of the densely settled areas of Nairobi.

The second stage was initiated by the identification of a possible sample by snowball sampling of similar trades/respondents. This technique relies on a few members of the population to identify other members of the population (Huysamen, 1994, Fink, 1995). According to Fink (1995: 34), this technique is used when a population listing is unavailable and cannot be compiled. In this study, this technique was used to identify the various informal micro-entrepreneurs in a particular trade scattered in the vast market and

its immediate center. This required about 10 or more respondents in one trade. This ensured that a representative number of respondents engaged in a particular trade were captured during the systematic random sampling. The sampling frame in this case was obtained from the Kangemi market register kept by the market management, since all stalls within and about the market are registered and numbered. The sampling frame for the informal micro-entrepreneurs outside the market, those found in the market environs, was created by the Principal Investigator through use of business-names and description of the informal micro-enterprise location. This ensured that double sampling of an individual trade/respondent was avoided. A total of 380 potential respondents from the Kangemi market and its immediate center were identified. This then provided the sample frame from which a representative sample of 95 respondents in the various informal micro-enterprises found in Kangemi market and its environs were selected from.

The next step involved the selection of the 95 respondents from the sampling frame of 380 potential respondents. The researcher tossed a coin where the heads (for 1) and tails (for 2) served as starting points in the selection of the sample from the sampling frame. After the toss, the starting point was 2, thus the second person on the list. Thereafter, 3 respondents were skipped and the next one selected which yielded a total of 95 respondents. Ten respondents were not interviewed due to reasons explained in the limitations. Thus 85 respondents were interviewed and data analyzed in this study to form a sample of 85. Figure 3, shows a pictorial representation of the sampling process.

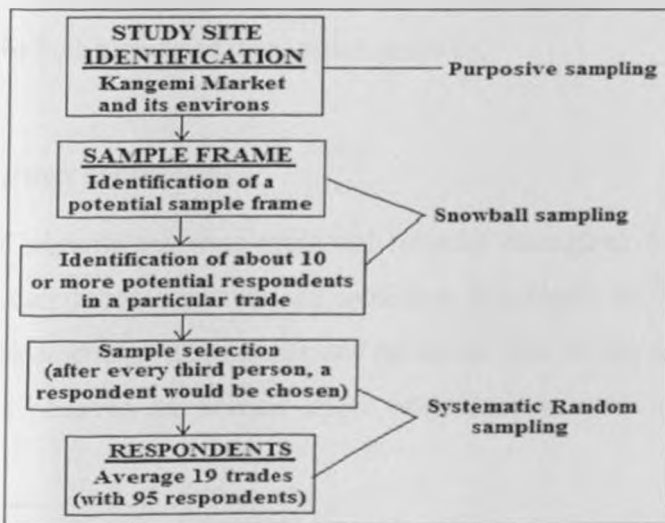


Figure 3.3: Sampling Procedure

### 3.5 Data Collection Methods

Theory-building researchers typically combine multiple data collection methods in order to achieve triangulation and provide stronger substantiation of constructs and hypotheses. Multiple sources of data contribute to construct validity (Yin, 2003) because the numerous sources of evidence essentially provide multiple measures of the same phenomenon. In this study, both primary and secondary sources of data were used. First, the research team during data collection was able to observe informal micro-enterprise operations. In addition, the research team interviewed a number of informal micro-enterprise owners and workers as well as some key informants<sup>4</sup> who by virtue of their positions engaged in informal micro-entrepreneurship too. Although the interviews were semi-structured in order to cover the relevant operational areas, the exchanges were flexible enough to expand upon concepts that were uncovered in the interview process. In addition to interviews and direct observations of the sites, archival records (e.g. market records, and other administrative documents) were also used in the data collection.

Interviews and field observations were documented in notebooks and the research team at the end of each exercise recorded daily summaries. The research team was unable to audiotape the interviews as it was deemed socially inappropriate; therefore, extensive handwritten notes were taken. The informal micro-enterprise owners who were interviewed were identified on the basis of being knowledgeable about the informal micro-enterprises and the conditions facing the informal micro-enterprises at their site. The interviews were guided by both closed and open-ended questions.

#### 3.5.1 *Direct observations*

Informal observations were made and recorded throughout the data collection exercise. These observations concerned the conditions influencing the informal micro-enterprises, the physical settings, the products, and the interactions among the micro-enterprise owners. We also observed the various stages of production within the micro-enterprise units.

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<sup>4</sup> The Kangemi market administrators were termed as key informants by virtue of their positions and knowledge of the functions of the market, especially in the initial stages of “gate opening”. However, they were not distinguished from the rest of the sample because they too were informal micro-entrepreneurs within the market and only a few were selected during the systematic random sampling exercise.

Finally, the research team was able to examine the raw material, works in progress and finished goods.

### **3.5.2 *Semi-structured Questionnaire***

The study tool used was a semi-structured questionnaire (Appendix 4). It consisted of various parts and was designed to collect information on brief bio-data of respondents, household-size, educational level and marital status of respondents, household demography, type of trade, sources of credit and credit access, profits and losses arising from trade, social and cultural influences, location of informal micro-enterprise, status of respondents – whether proprietors or employees, previous experience and work patterns, inputs and costs in informal micro-enterprise, saving and support services available to informal micro-entrepreneurs and contributions made by informal micro-enterprise owner/manager in their households.

The questionnaire was standardized to ensure the questions were presented in exactly the same wording and same order to allow the respondents to answer appropriately. The open-ended questions were designed to permit free responses from all respondents without providing or suggesting any structure for the responses.

## **3.6 Data Analysis**

The questionnaires were cleaned<sup>5</sup> in the field and on arrival for submission to the Principal Investigator who was also part of the research team. The data was then fed into the computer using the Statistical Package for Social Sciences (SPSS) version 13. Data analysis was done using the same software. SPSS was used to compute means and gross margins, descriptives, frequencies and cross tabulations. These were preferred because of their ability to provide statistics and graphical displays that are useful for describing variables such as frequency counts, percentages, mean, median, mode, sum, standard deviation, charts: e.g. bar, pie and histograms. The descriptives displayed univariate summary statistics for several variables in a single table and calculated standardized values. Under descriptives, variables can be ordered by the size of their means (in ascending or descending order), alphabetically, or by the order specified by the researcher. The crosstabs

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<sup>5</sup> Cleaning of questionnaires means checking for omissions and validity of data during data capture

form two-way and multiway tables and provided a variety of tests and measures of association for two-way tables.

These statistics were used to compare as well as show the disparities that exist between men and women owned informal micro-enterprises, age differences of informal micro-entrepreneurs, differences and similarities in socio-cultural influences on choice of and participation of men and women in informal micro-enterprises, access to sources of credit, education levels, among others.

Qualitative data<sup>6</sup> arising from these open-ended questions was analyzed quantitatively through deduction and induction methods based on observed activities as well as explanations and discussions with respondents. To circumvent the problems associated with the analysis of qualitative data, the Principle Investigator assigned numerical codes to represent qualitative responses (for example, "yes" could be assigned 1 and "no" could be assigned 2). However, these numbers do not transform qualitative data into quantitative data, though descriptive and frequency analysis could be carried out.

### 3.7 Ethical Considerations

*Recruitment of respondents:* The Kangemi Market administrators introduced the research team to a few of the informal micro-entrepreneurs and briefly requested for their co-operation stressing that they were not obligated to participate in the exercise. However, the market administrators appealed to their good will to assist whenever they can. The research team then introduced themselves.

*Informed consent, rights and privileges:* On arrival at each informal micro-enterprise, the research team identified themselves and explained the nature of their visit as being purely an academic research. The research team members then presented a consent letter as well as requesting for verbal consent. The letter was presented to the informal micro-enterprise proprietor or employee running the informal micro-enterprise. The letter gave the respondents the option of accepting or declining the invitation to participate as well as

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<sup>6</sup> When, among a set of observations, any single observation is a word, or a sentence, or a description, or a code that represents a category then the data are qualitative." "yes-no" responses, people's ethnic backgrounds, or religions, or attitudes towards the death penalty, or descriptions of events, speculations and stories, are all examples of qualitative data.

making them aware of their right to stop and pull out at any stage of the data gathering exercise. The request for cooperation and patience in answering the questions was also made. Each research team member was asked to show good will by allowing the informal micro-entrepreneurs to attend to their customers/clients as the need arose.

***Confidentiality, anonymity and feedback:*** Research team members also made it a priority to mention to the respondents that they would treat the information they divulged with great discretion. To conceal their identity, the research team members assigned a number to every questionnaire administered.

***Training of assistants:*** The Principal Investigator conducted a two-day training for enumerators who were to serve as research team or field assistants. This training entailed questionnaire administration techniques and general work ethics. The six enumerators had each been assigned specific trades and location for data collection.

***Pre-testing of questionnaire:*** The enumerators were assigned to communities similar to the study population where they administered the questionnaire. The enumerators were paired and asked to visit market centers in Kawangware along Naivasha road and Muthurwa along Racecourse road in Nairobi and took turns in interviewing respondents. Each enumerator interviewed one respondent. This acted as the training for enumerators. The enumerators then got together with the Principal Investigator and compared their findings and the questionnaire was adjusted accordingly. The average time required for interviewing each respondent was also assessed.

***Data management:*** The Principal Investigator closely supervised and spot-checked on the enumerators from time to time to check their performance. The questionnaires were cleaned every time they were submitted, that is, the questionnaires were checked for omissions, missing information, suspect or any irregular information.

## **4.0 CHAPTER FOUR: RESULTS PRESENTATION AND DISCUSSION**

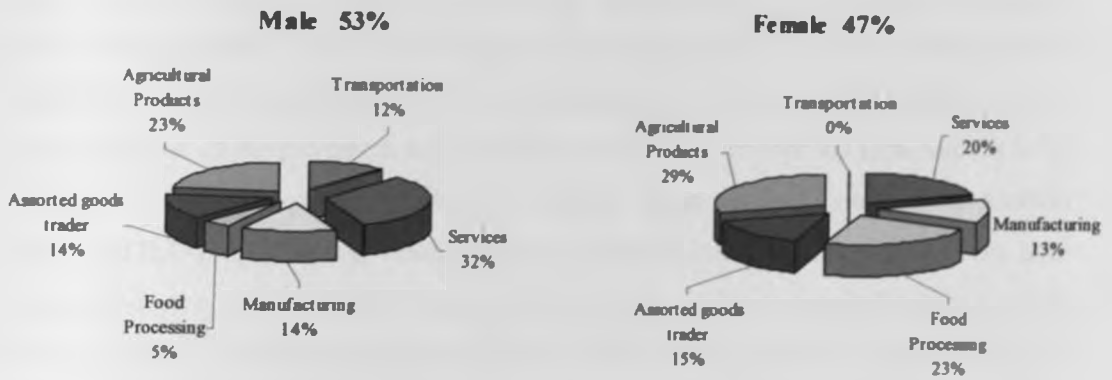
### **4.1 Introduction**

This chapter presents the results and discussions of this study. This chapter is organized in four sections. The first section documents the development of informal micro-enterprises in Kangemi. Section two sets out to identify the socio-cultural factors influencing gender participation in the existing informal micro-enterprises. Section three determines the cost effectiveness of informal micro-enterprises as far as poverty alleviation among low-income groups in Kangemi are concerned and the last section, section four determines the choice and sources of credit by micro-entrepreneurs.

### **4.2. Development of informal micro-enterprises in Kangemi**

For many years there was an expectation that the informal sector would gradually disappear with economic development. However, this has not been the case. The informal business sector has been considered the engine of growth because it has, and continues to generate jobs, is flexible and contributes significantly to economic productivity of its participants' households (ILO, 2006). From the survey findings, various trades in Kangemi market and its environs were found to fall under six sectors and participation was disaggregated by gender with men at 53% and women at 47%. Thus, due to the ease of entry into the informal sector, the distribution of micro-entrepreneurs according to their gender in the various trades classified as: Transportation (12% Males and 0% Females), Services (32% Males and 20% Females), Manufacturing (14% Males and 13% Females), Food processing (5% Males and 23% Females), Assorted goods (14% Males and 15% Females) and Agricultural products (23% Males and 29% Females).

*Figure 4.1: Proportion of women and men in informal employment in Kangemi market and its environs by sector*



Significant differences in the distribution of male and female micro-entrepreneurs were noted in all business categories as shown in Figure 4.1 above, with the exception of the manufacturing and assorted goods categories. These differences implied that traditional views and perceptions considered some occupations to be more appropriate for women and men respectively (ILO, 2006). In addition, gendered expectations such as norms, values and social expectations (i.e. informal rules) that have been internalized or continue to exert external pressure (Aidis, 2002) seem to be at the heart of this discrepancy with glaring differentials in the transportation, food processing and services sectors. Studies carried out in economic transition countries such as Poland (Zapalska 1997) and Slovenia (Glas & Petrin 1998) found that female informal micro-entrepreneurs tended to be more prominently represented in the service sector, but this study contradicts this observation as significant 12 percent more men than women were found in the services sector. This can be attributed to the fact that the informal economy was and continues to be seen as providing the much need employment that consequently reduces poverty at household level.

### ***Occupational safety and health***

The research team made observations of the premises and sites from where informal micro-entrepreneurs in Kangemi market and its environs operated. Informal micro-entrepreneurs conducted their businesses in enclosed stalls or in the open-air spaces within the market and along the roadsides. The premises from where the informal micro-entrepreneurs operated were classified as either permanent or semi-permanent. Permanent stall structures were constructed with concrete and were secure against petty theft or arson attacks. The



semi-permanent stalls on the other hand were made of timber and/or corrugated iron sheets and were prone to petty theft and arson attacks. The informal micro-entrepreneurs without fixed enclosed stalls within the market and other secured sites in the environs of Kangemi market were exposed to noise, harsh weather conditions (hot sun, rain and changes in the weather); those on the ever busy highway roadsides exposed themselves to motor-vehicle accidents; those on the pavement near the waste dump site were exposed to hazardous solid and liquid wastes, all of which affect their health. These findings concur with Atambo (1995) and ILO (2006) reports which variously found that informal economy workers, both women and men, were exposed to poor, if not very poor work environments and low safety and health standards which impair their health and productivity. In addition to the observations made by the researcher, it was also clear that informal workers did not have the necessary capability and resources to implement health and safety measures.

*Table 4.1: Distribution of stall structure and location*

SME Location	Within Market		Along roadside		Door-to-door or street vendor		Total %
	No.	%	No.	%	No.	%	
	Open-air	9	10.5	-	-	-	
Enclosed Stall	28	32.9	17	20.0	-	-	53.9
Makeshift stand in a public road	-	-	10	11.7	-	-	11.7
Fixed stand along a public road	-	-	12	14.1	-	-	14.1
Roadside Pavement/Parking	-	-	3	3.5	-	-	3.5
Mobile (Hawking)	-	-	-	-	6	7.0	7.0
Total (N = 85)	37	43.5	42	49.4	6	7.1	100

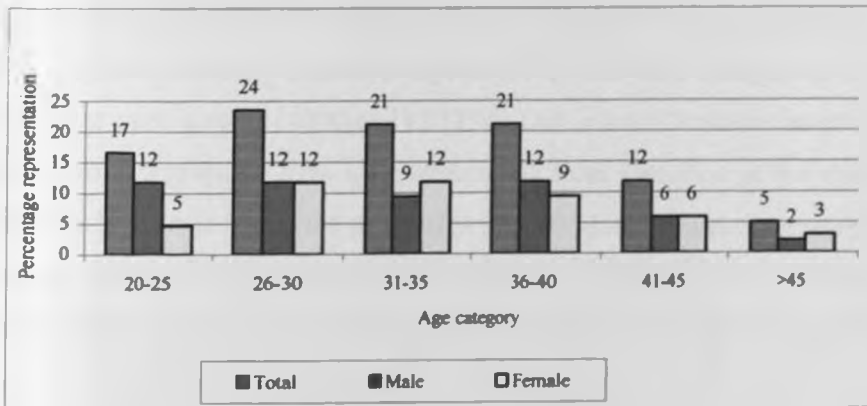
Mitullah, (2004), asserts that, although street and roadside trade is an important economic activity that sustains a significant percentage of rural and urban dwellers, the working conditions in the informal economy are poor and fail to prevent work-related diseases and accidents. Torres (1998) cites ILO work, which found that informal employees “often work in appalling, often dangerous and unhealthy conditions, without even basic sanitary facilities, in the shantytowns of urban areas”. This is the same case observed in Kangemi market and its environs. From the observations made therefore, it can be inferred that the informal business operators in such and similar work sites were not aware of the occupational and health hazards they were exposed to. Another argument that could be

advanced is that the informal micro-entrepreneurs had decided to ignore their poor working conditions due to the hard economic times they faced.

### *Informal micro-entrepreneur gender, age and marital distribution*

The study found that the mean age of the informal micro-entrepreneurs was 33.8 years with most of them being in the age bracket of between 26 - 40 years. A closer look at the survey findings reveals that there was an almost equal distribution of both male and female informal micro-entrepreneurs in Kangemi market and its environs in all age groups with an exception of those in the 20-25 years age group, where significant 7% more males than females were present. It appears that younger people are not keen to join the informal sector because they are nursing hopes of finding formal employment. On the other hand, as people grow older, very few of them are found in the informal sector more so after the age of fifty (Mwatha, 1990). A small percentage (5%) was aged above 45 years. This can be attributed to the fact that at this age, one is assumed to have accumulated a considerable amount of wealth and have graduated from “micro-enterprise level” to a larger enterprise and probably crossed over to the formal sector. This concurs with CBS *et. al.* (2003) which argued that the age of an entrepreneur could have a bearing on experience, health and drive on the dynamism of the enterprise. This is illustrated in Figure 4.2 below.

*Figure 4.2: Gender and age distribution of respondents*



The study also found that most of the informal micro-entrepreneurs were married. As illustrated in Table 4.2 below, the marital status of the survey respondents was reported as 24 (28.2%) single, 49 (57.6%) married, 5 (5.9%) separated from their spouses, 2 (2.4%) divorced from their spouses and 5 (5.9%) belonged to “Other” forms of co-habitation. The

high percentage of married informal micro-entrepreneurs indicates that they have a responsibility to cater for and fulfill their families' needs. It therefore, becomes necessary for the informal micro-entrepreneurs to engage in some income generating activities in order to survive, hence the growth of informal micro-enterprises within Kangemi market and its environs.

*Table 4.2: Gender and marital status of respondent*

Gender of respondent		Respondent Marital Status					Total
		Single	Married	Separated	Divorced	Other	
<b>Male</b>	<b>Count</b>	<b>16</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45</b>
	% within Gender of respondent	35.6%	64.4%	.0%	.0%	.0%	100.0%
	% of Total	18.8%	34.1%	.0%	.0%	.0%	52.9%
<b>Female</b>	<b>Count</b>	<b>8</b>	<b>20</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>40</b>
	% within Gender of respondent	20.0%	50.0%	12.5%	5.0%	12.5%	100.0%
	% of Total	9.4%	23.5%	5.9%	2.4%	5.9%	47.1%
<b>Total</b>	<b>Count</b>	<b>24</b>	<b>49</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>85</b>
	% within Gender of respondent	28.2%	57.6%	5.9%	2.4%	5.9%	100.0%
	% of Total	28.2%	57.6%	5.9%	2.4%	5.9%	100.0%

The study further found that most of the informal micro-entrepreneurs had religious backgrounds, which had an influence on their choices of informal business participation. The study found that informal micro-entrepreneurs belonged to two Christian denominations, namely: the Catholics at a count of 38 (45%), and Protestants, sub-grouped as Evangelistic Ministry churches popularized by the main evangelists in the area and in Nairobi at a count of 34 (40%) and 13 (15%) Indigenous Christian churches. It is clear that there was a significant 10% more Protestants than Catholics in the study sample. This disparity had a bearing on the motivation of individuals into entrepreneurship. The survey findings confirm the Protestant ethic advanced by Weber (1930) because most informal micro-entrepreneurs in the study were found to belong to the protestant denomination.

*Table 4.3: Informal micro-entrepreneurs' religious affiliations*

<b>Informal micro-entrepreneur religious affiliation</b>	<b>Frequency</b>	<b>Percentage</b>
Catholic	38	45
Protestant:		
– Evangelistic ministries	34	40
– Indigenous Christian churches	13	15
Total	85	100

In his book *"The Protestant Ethic and the Spirit of Capitalism"*, Max Weber (1930) argued that most business owners as well as those with quality labour skills were frequently protestant. Weber (1930), argued that capitalism evolved when the Protestant (particularly Calvinist) ethic influenced large numbers of people to engage in work in the secular world, developing their own enterprises and engaging in trade and the accumulation of wealth for investment. He went on to show that certain types of Protestantism favoured rational pursuit of economic gain and that worldly activities had been given positive spiritual and moral meaning. It was not the goal of those religious ideas, but rather a byproduct - the inherent logic of those doctrines and the advice based upon them both directly and indirectly encouraged planning and self-denial in the pursuit of economic gain. Weber explained this situation from the perspective that the nature of the protestant religion had a certain effect on the people that motivated individualism and entrepreneurship.

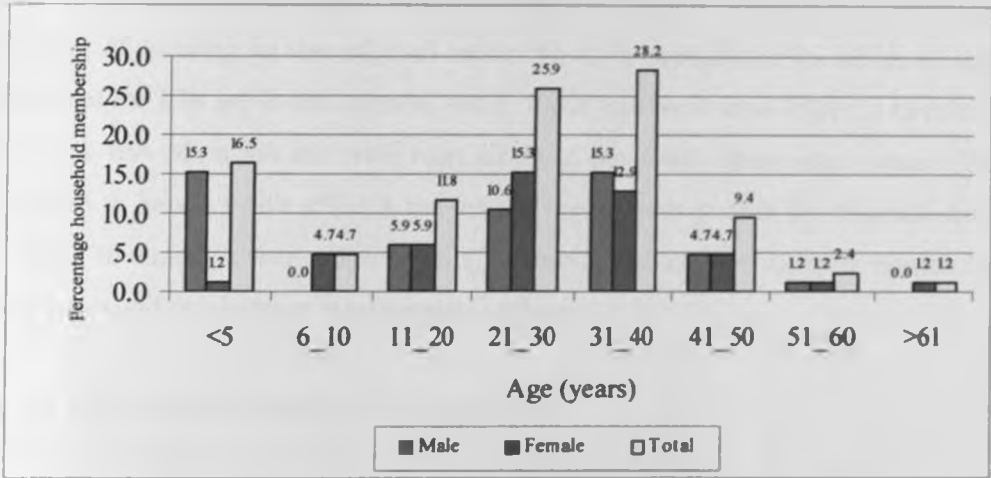
During the colonial era and the years immediately thereafter, the church taught total obedience to God and the hope of a better life in the hereafter. Emphasis was placed on self-condemnation and atonement of sin as a way to salvation and better life after death while condemning worldly riches. However, in recent times, the Protestant affiliated churches in the country, have given greater emphasis on individual salvation based on freedom from sin and self-appreciation and individualism. Consequently, these factors motivate entrepreneurs to be largely innovative (Mwatha, 1990). Thus, the protestant ethic has served to create the achievement motivation among Kenyan low income people.

#### ***Informal micro-entrepreneurs' household membership***

Figure 4.3, shows the distribution of micro-entrepreneurs' household membership. This was categorized into 8 age groups. The largest groups comprised children of <5 years at 16.5% (15.3% males and 1.2% females), 21-30 years at 25.9% (10.6% males and 15.3%

females), 31–40 years at 28.2% (15.3% males and 12.5% females). Those in the age groups of 6-10 years at 4.7% (4.7% females only), 11-20 years at 11.8% (5.9% for both males and females), 41-50 years at 9.4% (4.7% for both males and females) and 51-60 years at 2.4% (1.2% for both males and females) all recorded percentages of less than 12%.

*Figure 4.3: Composition of informal micro-entrepreneurs' household membership by gender and age (years)*



Family size was found to be important in that it played a role in determining family expenditures. It influenced budgeting in food, shelter, clothing and other necessities in informal micro-entrepreneurs' households in relation to income directly or indirectly (Mwatha, 1999: 95). High inflation and frequent fluctuations of prices of household consumables such as food, water, electricity, house-rent among other necessities, largely contribute in forcing women and men in to informal micro-enterprise activities.

#### ***Informal micro-entrepreneur level of education:***

The education level of the informal micro-entrepreneurs found in Kangemi market and its environs was disaggregated by gender. The level of education was looked at from primary, secondary and college levels. With almost an equal percentage representation, the majority of male and female informal micro-entrepreneurs had acquired basic primary and secondary level education - at primary level, 47.1% (40% men and 55% women), secondary 45.9% (53.3% men and 37.5% women) and college 7.1% (6.7% men and 7.5% women). However, more men (53.3 percent) than women (37.5 percent) had secondary

level education while more than 5 percent for both men and women were reported to have had college level education. Losby, *et. al.*, (2002), asserts that, in urban settings, the association between level of education and participation in the informal economy is clear. The findings of this study concur with Marcelli, Pastor and Joassart (1999) who similarly found a correlation between more education and occupations in which a higher percentage of the jobs are in the formal sector. This is consistent with the Gallaway and Bemasek's (2002) study, which found that people with the highest levels of education were more likely to be found in formal sector, whereas those with the lowest levels had the highest probabilities of working in the informal sector. Thus, in occupations in which a higher percentage of the jobs are in the informal sector, those jobs were more likely to be held by persons with less education and were more likely to pay lower inconsistent wages. This then is likely to have a ripple effect in the lives of the majority poor in the informal sector with regard to among others, their profits, savings, maintenance of their households, working hours and provision of employment to others.

*Table 4.4: Gender and education level of respondent*

Gender of respondent		Respondent's education level			Total	
		Primary	Secondary	College		
<b>Male</b>	<b>Count</b>	<b>18</b>	<b>24</b>	<b>3</b>	<b>45</b>	<i>Business experience</i>
	% within Gender of respondent	40.0%	53.3%	6.7%	100%	
	% of Total	21.2%	28.2%	3.5%	52.9%	
<b>Female</b>	<b>Count</b>	<b>22</b>	<b>15</b>	<b>3</b>	<b>40</b>	<i>Business experience</i>
	% within Gender of respondent	55.0%	37.5%	7.5%	100.0%	
	% of Total	25.9%	17.6%	3.5%	47.1%	
<b>Total</b>	<b>Count</b>	<b>40</b>	<b>39</b>	<b>6</b>	<b>85</b>	<i>Business experience</i>
	% within Gender of respondent	47.1%	45.9%	7.1%	100.0%	
	% of Total	47.1%	45.9%	7.1%	100.0%	

Kangemi market operates on a daily basis and opens as early as 4 a.m. in the morning and closes after 9 p.m. in the evenings. The official designated days for market operations are Mondays and Thursdays, but due to its proximity to the neighbouring agricultural communities who supply fresh goods to the market, the capital city, the Trans-Africa highway and three up-market estates of Mountain View, Loresho and Lavington, makes Kangemi market operate on virtually all days of the week. The survey then chose to incorporate the two days in the data gathering exercise so as to capture those non-residential informal micro-entrepreneurs from the neighbouring agricultural communities.

*Table 4.5: On average how many days per month do you run your business?*

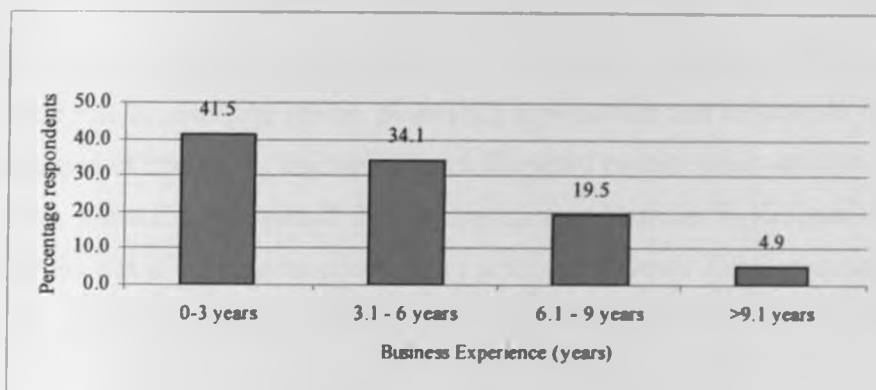
	Frequency	Percent
On market days only	2	2
All days of the month	26	31
Mondays through Fridays	3	4
All days of the month except worship-days	34	40
All days of the month except worship-days and holidays	20	24
Total	85	100

Various informal traders within Kangemi market and its environs were found to operate their informal businesses as shown in Table 4.5 above. Most of the survey respondents, at 40% reported to operate their informal micro-enterprises on all days of the month except on worship days. Thirty-one percent operate their informal micro-enterprises on all days of the month while 24% operate their informal micro-enterprises on all days of the month except on worship days and holidays. Some of the informal micro-entrepreneurs, at 4%, of the respondents reported that they operated their informal micro-enterprises on all days of the week and at least 1% operated only on market days. Most respondents reported to have varied working hours due to other household obligations. The average working day is 9.8 hours, while the average working week is 6 days. This indicates that the informal sector demands extensive labour time. The average working week comes to just less than 60 hours. The longer working week is explained by the fact that profit margins in the informal enterprises are low. This is largely due to the ease of entry into the sector, leading to larger competition. Operators, therefore, increase sales volume by a longer working day and a longer working week than the average formal sector enterprise, which has a 40-45 hour working week. The fact that various informal micro-entrepreneurs ran their businesses on almost a daily basis ensuring that Kangemi market was operational on all days of the week is enough evidence that these informal micro-entrepreneurs heavily depend on the proceeds from their informal micro-enterprises for their family daily upkeep. Therefore, it would be safe to assert that the majority of the informal micro-enterprises within Kangemi market and its environs is comprised of subsistent entities.

This daily running of the informal businesses has given the informal micro-entrepreneurs a chance to gain experience on how to conduct their businesses, gain new and guard old social capital and how to realize and capture new economic opportunities. In Kenya, a total of 85 percent of all informal sector operators have not received any training at all (Haan, 2002). The foregoing study findings indicate low levels of education attained by informal

micro-entrepreneurs in Kangemi market and its environs with few of them attaining post secondary training. Nonetheless many of the informal sector workers do manage to acquire most of the basic skills and competencies that are necessary to carry out their activities.

*Figure 4.4: Experience in informal micro-enterprise operation (years)*



These skills have been acquired through non-formal training or traditional education/informal training outside the state schemes of formal education. Informal training and learning-by-doing (hands-on-experience) often play the most significant role in providing workers of the informal sector with skills (Overwien, 1997). Evidence from the survey data showed that most of the informal micro-entrepreneurs recorded varied number of years of business operation. These years were then re-categorized into four classes of 0-3years (41.5%), 3.1 – 6years (34.1%), 6.1 – 9years (19.5%) and >9.1years (4.9%) in order to give a clear view of the years of business operation experience gained by the informal micro-enterprise managers.

Profiles in terms of the years spent in education suggest quite low levels of knowledge and training among the informal micro-entrepreneurs in Kangemi market and its environs and hence work experience, with majority of the informal micro-entrepreneurs having relatively young businesses ranging from 0 to 6 years of operation. This confirms Levenson and Maloney's (1998) argument that informal sector businesses have relatively high mortality rates. This is true as shown by the high percentage representation of young informal micro-enterprises with only 25% of the surveyed informal micro-enterprises having been in operation for more than six years. The age of a business reflects its market experience and affects its ability to grow and move to the next size class. The high turnover rate of such businesses and jobs is not necessarily related to being informal per se.



Although many informal micro-enterprises will be small mature firms with high costs (but not so high that they eventually go out of business), many will be the "false starters" with imprecise estimates of their profitability that eventually fail.

**Overview of the informal sector management in Kangemi market and its environs:**

It is a common phenomenon throughout the world that the informal business sector plays a critical role in absorbing labour, penetrating new markets and assisting in the creation and expansion of markets in innovative ways. Kangemi market and its environs is no different in this respect. Management of informal micro-enterprises in Kangemi market and its environs was disaggregated according to gender and viewed from three categories namely under employees, group participation and by proprietor/owner as shown in Table 4.6.

Table 4.6: Informal Micro-enterprise management and gender of respondent

Gender of respondent		Is the respondent the proprietor?			Total
		Proprietor	Employee	Group Participation	
<b>Male</b>	<b>Count</b>	<b>32</b>	<b>12</b>	<b>1</b>	<b>45</b>
	% within Gender of respondent	71.1	26.7	2.2	100
	% within Is the respondent the proprietor?	49.2	75	25	52.9
<b>Female</b>	<b>Count</b>	<b>33</b>	<b>4</b>	<b>3</b>	<b>40</b>
	% within Gender of respondent	82.5	10	7.5	100
	% within Is the respondent the proprietor?	50.8	25	75	47.1
<b>Total</b>	<b>Count</b>	<b>65</b>	<b>16</b>	<b>4</b>	<b>85</b>
	% within Gender of respondent	76.5	18.8	4.7	100
	% within Is the respondent the proprietor?	100	100	100	100

Fifty-three percent were men while 47% were women. These two groups were further broken down to proprietor/own-account, employee and group-participation managed informal micro-enterprises.

Findings from the survey reveal that both men and women were engaged in group-participation informal micro-enterprises. Group participation is the involvement by individuals in specific informal or formal organizations for purposes of realizing not only utilitarian individual interests, but also for attaining mutually satisfying collective interests. Group-participation in Kenya have often been formed in response to various social and development issues in the spirit of a rallying concept "*harambee*" which literally means

social actors coming together to pool resources (human, financial, social and political) to address specific issues. This has spawned groups such as self-help groups, youth groups and women groups, which are not new to the Kangemi community. Potential benefits accruing from such group-participation being *material* (increase in consumption, income or assets), *social* (services such as schools, health clinics, water systems, improved and better roads), and *personal benefits* such as self-esteem (Amudavi, 2005). By pooling their capital, labor, and other resources, members are able to carry out profitable activities, which, if undertaken by individuals, would involve greater risk and effort (Kariuki and Place, 2005). Group participation in Kangemi market and its environs involved informal micro-enterprises of talented youth artist groups and informal businesses involving multiple participants with varied talents such as those in pottery manufacturing and marginalized groups of women and men afflicted by the AIDS disease. In the survey, women were represented at 8% while men were represented at 2%. However, this does not imply that there were more women than men represented in such groups.

Findings also indicate that there were 12% more women proprietor/own-account informal micro-enterprise managers at 83% compared to 71% men in the same category. However, in the employee-managed informal micro-enterprises, there were 17% less women at 10% engaged as employees compared to male employees at 27%. This implies that compared to the male informal workforce, women in the informal sector are more likely to be own-account operators and less likely to be paid employees of informal enterprises because of the flexibility and independence one exercises as their own boss. It has been argued, for example, that women running informal enterprises value the higher flexibility offered by the informal sector. This has been confirmed by women entrepreneurs in both Kenya and Tanzania (Xaba, *et. al.*, 2002). One of the important reasons that women may prefer the flexibility of informal arrangements is that this flexibility makes it easier for women to manage their "double workday." Because women usually have to assume by far the greater burden of domestic tasks, as revealed in time allocation data in Africa (Xaba, *et. al.*, 2002), their capacity to engage in economic, including entrepreneurial, activity is much more constrained. Moreover, the boundary between economic and household activity is less well drawn in Africa than in other regions, and conventional labor force data capture a much more limited share of women's total workload than men's. This additional workload means that women can essentially carry out economic activities only in conjunction with or after

fulfilling their domestic responsibilities (Carmichael, 2007). This may help to explain why, as indicated earlier, women are more likely to be involved in own-account operated informal micro-enterprises that are more compatible with combining both domestic and economic activity. These gender-based differences in employment status within the informal sector have implications for relative earnings and poverty levels.

*Employment, kinship and remuneration of employees engaged in informal micro-enterprise in Kangemi market and its environs*

Informal micro-enterprises contribute to a more equitable distribution of income because they provide remuneration opportunities to a large group of poor uneducated workers (both men and women) with few alternative sources of income. The study revealed that most of the employees were men at 65% and women at 35%. The high percentage representation of men in informal wage employment shows that men are more likely than women to be engaged in informal work activities (Oneill, 1983). The reasons why formal sector actors, young school leavers and other potential informal sector participants join the informal business sector are multi-faceted. The social pressures placed on the male gender to provide for self and family, job loss in the formal sector due to downsizing of the private sector and the implementation of the IMF/World Bank economic conditions of the early 1990's contribute to this high percentage of men in informal wage employment. As explained earlier, much of women's informal employment is self-employment rather than wage work (Elson and Keklik, 2002), hence the significant low percentage representation in informal micro-enterprise employment as compared to that of men.

However, the study found that the majority of the informal micro-entrepreneurs were not able to provide employment for others. Sixty-five of the total survey interviewees (76%) were sole proprietors running their own informal businesses in Kangemi market and its environs and did not employ anybody to assist them in their informal businesses. Although this study did investigate the start-up capital used by the informal micro-entrepreneurs in Kangemi market and its environs, the majority stated that their lack of engaging employees was due to the fact that they had started with very little capital. Consequently, expansion was minimal and no extra labour was required. Fifty-nine percent of the informal micro-enterprises had one employee, 33% had 2 employees and 8% had 3 employees on casual basis. Therefore, it can be argued that the informal sector is mostly benefiting the informal micro-entrepreneurs. It also supports the argument by proponents of informal micro-

enterprises that informal sector development is pro-poor, since it is labor-intensive and generates employment and stable incomes for low-skilled workers (SEAF, 2004).

The employees were further classified under two broad categories: family (20%) and non-family (80%). From the survey data it was possible to note that most informal micro-entrepreneurs did not engage family members in their daily informal micro-enterprise operations as employees. This contrasts others scholars (Katzin, 1964 and Marris, 1971) who in different ways showed that African entrepreneurs engaged their kinsfolk in entrepreneurial employment. From the survey, 80% of the informal micro-entrepreneurs interviewed with employees, had no familial relations with them while the remaining 20% were found to have familial relations with their employees. However, the reasons why the few informal micro-entrepreneurs did and the most did not engage their kinsfolk in the operations of their informal micro-enterprises were not sought after in this study.

*Table 4.7: Employment, kinship and remuneration of employees engaged in informal micro-enterprise in Kangemi market and its environs*

	<u>Men</u>		<u>Women</u>		<u>Total</u>	
	<u>Freq.</u>	<u>%</u>	<u>Freq.</u>	<u>%</u>	<u>Freq.</u>	<u>%</u>
<b>Number of informal micro-enterprise employees</b>						
Owner-operated (no employee)	32	38	33	39	65	77
1-employee per informal micro-enterprise	7	8	4	5	11	13
2-employees per informal micro-enterprise	5	6	2	2	7	8
3-employees per informal micro-enterprise	1	1	1	2	2	2
<b>Sub-total</b>	<b>45</b>	<b>53</b>	<b>40</b>	<b>47</b>	<b>85</b>	<b>100</b>
<b>Employee relationship to informal micro-entrepreneur</b>						
Family	4	20	0	0	4	20
Non-family	9	45	7	35	16	80
<b>Sub-total</b>	<b>13</b>	<b>65</b>	<b>7</b>	<b>35</b>	<b>20</b>	<b>100</b>
<b>Manner of remuneration of Informal micro-enterprise employees</b>						
In-cash	13	65	6	30	19	95
In-kind	0	0	0	0	0	0
In both cash and in-kind	0	0	1	5	1	5
<b>Sub-total</b>	<b>13</b>	<b>65</b>	<b>7</b>	<b>35</b>	<b>20</b>	<b>100</b>
<b>Payment Interval of informal micro-enterprise employee</b>						
Per-day	10	50	5	25	15	75
Per-week	2	10	2	10	4	20
Per-month	1	5	0	0	1	5
<b>Sub-total</b>	<b>13</b>	<b>65</b>	<b>7</b>	<b>35</b>	<b>20</b>	<b>100</b>

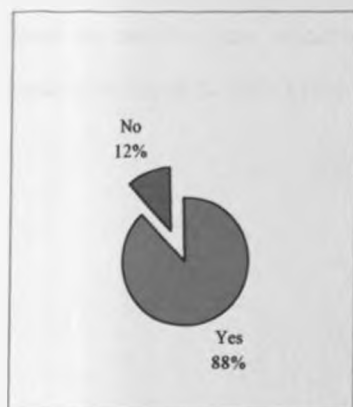
Both categories of family and non-family employees were paid. Ninety-five percent were paid in cash while 5% were paid in both cash and in-kind and none were paid in-kind alone. Those paid on a daily basis stood at 75%, weekly at 20% and monthly at 5%. Those paid in both cash and in-kind mode belonged to the women and men in the AIDS group

whose pay was supplemented with household foodstuffs contributed weekly by members of the group and from their well-wishers. This mode of payment strongly implies that informal micro-enterprise employees depend on the daily operation of these informal businesses for their own survival and that of their families. For the special cases of those paid in both cash and in kind, a strong sense of belonging, mindfulness of their condition and social cohesion among members of the group is observed.

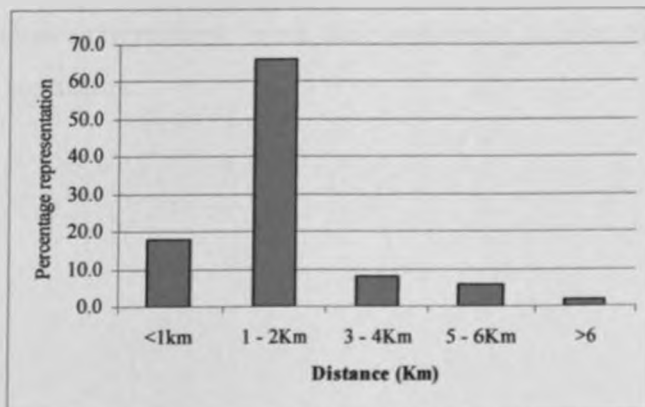
***Residence, distance and cost of transportation between informal micro-enterprise and residence of informal micro-entrepreneurs***

The majority of the informal micro-entrepreneurs in the study had their residences within Kangemi. Figure 4.5, shows that 12% of the study respondents did not reside in the neighbourhood of their informal micro-enterprises while 88% did. Those who covered distances between less than a kilometer and 1 to 2 kilometers were represented at 18% and 66% respectively. Other micro-entrepreneurs who covered distances of between 3 and more than 6 kilometers were represented at 8% for 3-4km, 6% for 5-6km and 2% for more than 6 kilometers. Therefore, it can be concluded that distance between the informal micro-enterprise and informal micro-entrepreneur's residence does not limit an individual informal micro-entrepreneur from participating in the informal sector. This applied to those informal micro-entrepreneurs who were mobile (hawkers) on foot, those who did not reside in Kangemi but operate their informal businesses in Kangemi market as well as those informal traders from the rural areas who came to trade only on specific market days. Figure 4.6, gives an elaborate picture of the varying distances covered by the informal traders in Kangemi market and its environs between their residences and informal micro-enterprises.

**Figure 4.5: Do you reside in the neighbourhood?**



**Figure 4.6: Distance between residence and informal micro-enterprise**



It was difficult to capture the cost of transport incurred by informal micro-entrepreneurs against the distances covered. Transport costs covered the individual informal micro-entrepreneur and/or goods if any.

According to one male conductor assisting in a *matatu* or public transport mini-bus:

*"The cost of transportation normally depends on the time of day and the direction one is moving in. Peak and crucial hours of operation are between 6 and 10 O'clock in the morning and between 3 and 9 O'clock in the evenings. On a "normal" day, transportation charges range from Kshs. 30/= to Kshs. 50/=. A "normal" day is one, which is sunny, with no traffic police checks and crackdown on vehicles and political upheavals. Alterations to the above definition of a "normal" day means that transport charges shoot up to Kshs. 100/= or Kshs. 150/=."*

The informal micro-entrepreneurs confirmed this piece of information amid protests that these costs were exorbitant. According to the transport officer, the transportation costs would again depend on the time of the day and direction of movement. It was reported that the small hours of the morning, that is, between 4.00a.m. and 6.00a.m, the cost of transport was minimal because very few people sought the services and cost was standardized at Kshs. 30 between a 0-6 kilometer range. Towards the rush hours (morning 6.00a.m – 10.00a.m and evening 3.00p.m and 9.00p.m) transportation costs would sharply rise from Kshs. 30 to Kshs. 50 for the individual person. Fee charged for luggage depended on the space it occupied. Table 4.8 shows the cost of transport incurred by informal micro-entrepreneurs against the distance covered on a "normal day". A "normal" day implied a sunny day with no traffic or political upheaval/disruptions in transportation. Any deviation from the "normal" day definition meant that the cost of transportation would drastically take a sharp turn to increases of between Kshs. 70 and Kshs. 100 more. This implies that the daily cost of transportation was a considerable expense that ate into the meager profits made by most of the informal micro-entrepreneurs, hence their preference to have their residences close to their informal businesses.

Table 4.8: Average cost (Kshs.) of transport to and from informal micro-enterprise site

Cost of transport (Ksh)	Distance between residence and informal micro-enterprise			Total
	0-3 km	3.1-6 km	>6 km	
0 - 30	75 (89.3)	-	-	75 (89.3)
31-60	-	7 (8.3)	-	7 (8.3)
>60	-	-	2 (2.4)	2 (2.4)
<b>Total</b>	75 (89.3)	7 (8.3)	2 (2.4)	84 (100)

Figures in parenthesis are percentages

#### 4.3. Socio-cultural factors influencing participation of small business entrepreneurs in the existing informal micro-enterprises.

Though religion is a subset of culture, it is thought that most of the cultural factors in any society basically develop due to religion. It provides the philosophical foundation for beliefs and values. Vern terpstra (1978:29) notes "*religion is a major element of the cultural environment as well as a mainspring of culture, an inner determination of many of the external manifestation of culture*". A common theme therefore, in the informal economy literature is that, a number of factors affect the ways in which people participate in informal economic activities. This study focuses on socio-cultural factors that shape how individuals choose to engage and participate in informal economic activities. These socio-cultural factors were grouped into two large groups namely: *social* (social status and status symbols, personal interest in work, natural inclination, social capital and networking, family and family perceptions on economic independence, family work arrangements/preferences, breadwinner, acquired skills and training, financial requirements at start-ups) and *cultural* (customs, taboos, religious beliefs, attitudes, gender and gender roles, gender division of labour) (Seto, 1988). For some individuals in the study area, it was considered culturally inappropriate and socially unacceptable for men/women to engage in some economic activities. These tasks were culturally defined as men or women's work (Suda, 2000).

Kenya is a country rich in its diversity not only in terms of culture but also in languages, ethnic and religious backgrounds. Whereas there are significant local and national particularities, roles assigned to men and women are largely culturally predetermined and different. The cultural environment is among the factors that have influenced the participation rate of women and men both in the public and private spheres. Indeed culture

has been invoked to legitimize differences in gender status, values and roles and to justify unequal gender relations in a manner that, to a large extent, favours men and disadvantages women (ADB and ADF, 2001). ADB and ADF, (2001) concur with Suda, (1989) in her argument that the existing structure of the division of labour between men and women and the changing roles of women in Kenya are at once rooted in the cultural norms and institutions and reinforced by structural arrangements. It is noted that Africa has pronounced, region-specific gender characteristics that are of direct relevance to its economic and social development. The social construction of gender reflects cultural values and norms, which legitimize gender difference and justify unequal relations between women and men. Whereas both men and women play substantial economic roles in Africa, gender is an important principle in determining the division of labour. Women and men are not equally active in the different productive sectors.

*Table 4.9: Social and cultural influences on choice of and participation in informal business among informal micro-entrepreneurs at Kangemi market and its environs*

		Male <u>N = 45</u>	Female <u>N = 40</u>	Total % <u>N = 85</u>
<b>Socially Influenced?</b>	<b>Yes</b>	44 (97.8)	39 (97.5)	83 (97.6)
	<b>No</b>	1 (2.2)	1 (2.5)	2 (2.4)
	<b>Total</b>	45 (100)	40 (100)	85 (100)
<b>Culturally Influenced?</b>	<b>Yes</b>	29 (64)	25 (62.5)	54 (64)
	<b>No</b>	16 (36)	15 (37.5)	31 (36)
	<b>Total</b>	45 (100)	40 (100)	85 (100)

Figures in parenthesis are percentages

This is so because various societies are in the process of coming to terms with the tensions that exist between development, which, naturally, involves change, and the preservation of tradition, heritage or culture (Li, 2003). Migration from rural to urban centers and urbanization are changing the composition and division of labour in countless households and technologies have disrupted the earlier interdependence of male and female activities in urban households. However, it is also increasingly acknowledged that the obvious contradictions can unleash resources that can contribute positively to both development and heritage preservation (Li, 2003). Many indigenous communities place a high emphasis on social factors in the sustainable economic development process. Cultural considerations



and traditional values, important to indigenous communities also play an important, sometimes critical, role in sustainable economic development.

Evidence from the survey data shows that over ninety-seven percent and 60% of the respondents indicated that social responsibilities and the rising standards of living as well as cultural expectations dictated their choice of and participation in the informal sector. Despite the high percentage figures affirming social and cultural influence on choice of and participation in informal sector activities, most informal micro-entrepreneurs, socially and culturally influenced as well as those not influenced, held a more liberal view that women and men everywhere were being affected by changes in life cycles and labour market participation (WCCD, 1995).

According to one informal micro-entrepreneur:

*"Though cultural norms exist, we are in town. I have decided to engage in any work that can earn me some money. Those back in the rural home are waiting upon me to send them money, and now you want to say I follow customary norms? There is no label detailing how the money is earned. All they want is money. Furthermore, who has a right in these hard economic times to declare my work as not fit for a woman or man? If we are to follow cultural norms in town, then what next? This is town. I will do all that I can to earn money to ensure I am financially independent and also have some to send back home".*  
(Female informal trader in Kangemi market, Kenya 2008).

A significant thirty-six percent of the study respondents felt that they did not need to adhere to social constructs and cultural values that would otherwise hinder their choice of and participation in informal sector business, hence the clear distribution of men and women in the various informal sectors of Kangemi market and its environs. Respondents also noted that cultural values were going through mutations to adapt to new patterns of private and public lives (WCCD, 1995), hence their "deviance" towards "culturally inappropriate" and "socially unacceptable" public and private economic engagement dictates. This liberal view and open-mindedness is the source of motivation and attitude creation towards the emergence of alternative modes of economic engagement and behavior in society and consequently a trigger of the ripple effects of informal micro-enterprise growth and development in terms of poverty alleviation at household level and creation of employment (WCCD, 1995). This in turn, generates greater fluidity and flexibility that enhances the accumulation of knowledge, and, thus, more widely-applicable general human capital, expanding the economy's production possibility frontier and

complementing its ability to advance and adapt to a new technological paradigm (Ashrafa and Galor, 2007). For that reason, human resource development has the capacity to harness tradition and culture in ways that strengthen the economic and social resources in their communities. In other words, modern-day individuals necessarily interpret tradition and culture in the context of their own life experiences and expectations (Giddens, 1999). Thus, for business development to be successful, it is necessary that individuals have the appropriate motivation and attitude, as well as realistic expectations (Hailey, 1987; Perry, 1993).

*Social and cultural reasons advanced as having influenced informal micro-entrepreneurs' choice of and participation in informal sector business*

A common theme in the informal economy literature is that a number of factors affect the ways in which people participate in informal economic activities. Among the frequently expressed social reasons advanced as having influenced informal micro-entrepreneurs' choice of and participation in informal sector business were social status and perceptions on economic independence at 19.3%, unemployment at 15.2% and low education level 5.8%. This is illustrated in Table 4.10 below.

*Table 4.10: Social and cultural reasons that influenced choice of and participation in informal business among informal micro-entrepreneurs at Kangemi market and its environs*

Social factor	Influenced?	
	Yes	No
Personal interest in work/choice	4 (2.3)	0
Unemployment	26 (15.2)	0
Low education level	10 (5.8)	0
Social status and perceptions on economic independence	33 (19.3)	0
Family work arrangements/preferences	2 (1.2)	0
Social perception on who provides for family	6 (3.5)	0
Natural inclination and talent	4 (2.3)	0
Financial status	3 (1.8)	0
Acquired skills and training	6 (3.5)	0
Social capital and networking	3 (1.8)	0
<b>Cultural factor</b>		
Religious beliefs	2 (1.2)	0
Customs and taboos	29 (17.0)	23 (13.5)
Gender division of labour	9 (5.3)	2 (1.2)
Gender and gender roles	6 (3.5)	0
Attitudes	3 (1.8)	0
<b>Total (N= 171)</b>	<b>140 (81.9)</b>	<b>31 (18.1)</b>

Figures in parenthesis are percentages

Low education level, unemployment and economic independence, are interrelated in that one influences the other. Education level is one of the major factors determining lifetime earnings because it impacts the available career options, job levels and salary, and even employment vs. unemployment. Clearly, the more education, the better the salary, and the smaller the likelihood of unemployment. For instance, in the Kenyan economy, the relationships between education and employment have long been of interest to demographers. Studies of occupational mobility have demonstrated the important part played by education. For example, in urban settings, the association between level of education and participation in the informal economy is clear. Marcelli, Pastor and Joassart (1999) found a correlation between more education and occupations in which a higher percentage of the jobs are in the formal sector. Thus, in occupations in which a high percentage of the jobs are in the informal sector, those jobs are more likely to be held by persons with less education – and were more likely to pay lower wages (Losby, *et. al.*, 2002). Apart from reflecting the educational level, an individual's, occupation consequently also highlights his/her income, job security, working conditions, the wealth, which he/she can accumulate, and the life style, which he/she can afford and choose. The occupations will in turn contribute to the social honour bestowed upon the individual, independently of these other more specific dimensions of economic and status power, which the occupations may reflect and produce.

About fifteen percent of the respondents stated that unemployment was a major factor, which determined their being in the informal sector business. This was so because they could not be absorbed into the formal sector. As observed earlier with regard to informal micro-entrepreneurs' levels of education in Kangemi market and its environs, absorption into the formal sector was difficult for most of them due to lack of training, skills and levels of understanding and therefore, being in the informal sector was a necessity, their only resort or their best option.

Though religion in the foregoing literature has been shown to be the springboard of most of the cultural beliefs, it was however not a significant influence (at 1.2%) on the choice of and participation in informal sector trade for informal sector entrepreneurs. On the other

hand, a significant percentage of informal sector participants within Kangemi market and its environs adhered to the dictates of their customs and taboos with regard to choice of and participation in the informal sector. Seventeen percent reported to have been influenced by their customs and taboos towards business choices and participation as opposed to 13.5% who felt that customs and taboos served to limit their choice of and participation in informal economic engagements and subsequently deny them chances of alleviating poverty at household level. This open-mindedness in shunning socio-cultural influences perceived to be detrimental to their economic engagement and advancement encouraged them to a large extent to transcend the inhibitive socio-cultural structures they had been socialized into. This can be attributed to the changes that social and cultural value and belief systems go through due to the interaction between the forces of cultural assimilation and cultural diffusion in urban heterogeneous societies. Other factors such as family work arrangements/preferences, social perception on who provides for family, natural inclination and talent, financial status, acquired skills and training, social capital and networking, gender division of labour, gender and gender roles and attitudes did not have any significant weight towards choice of and participation in informal sector business and had margins of five percent and lower as shown in Table 4.10 above.

#### **4.4. Cost effectiveness of informal micro-enterprises as far as poverty alleviation among low-income groups in Kangemi are concerned**

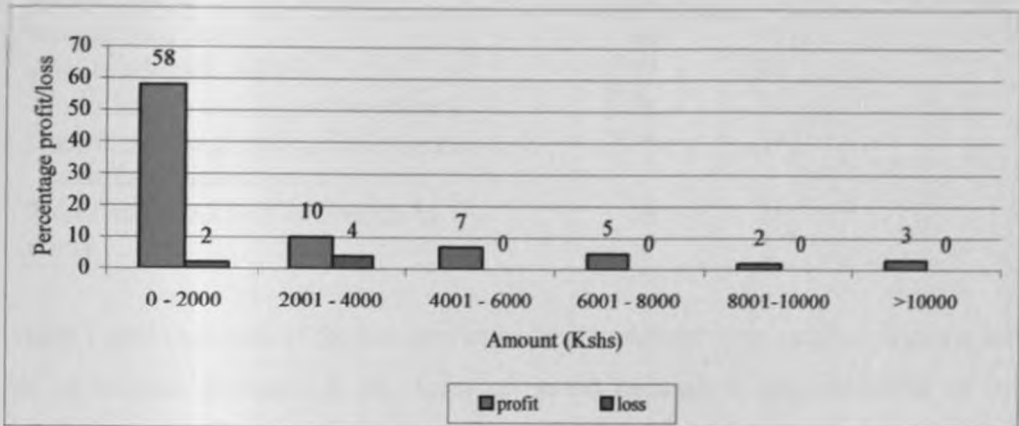
##### *An overview of the informal sector in Kangemi market and its environs*

A large proportion of informal micro-enterprises in Kangemi market and its environs are small in scale and mostly owner-managed with a few managed by casual employees. As observed during the survey, an overwhelming majority of these informal micro-entrepreneurs operate their businesses informally. Most of them were found to be involved in the sale of goods and services to the final consumer with few of the goods sold being produced by the informal micro-entrepreneurs such as foodstuffs. Almost all of the informal micro-entrepreneurs in Kangemi market and its environs were found to purchase goods from others and re-selling them. Business activities included retailing of agricultural products and foodstuffs; retail in secondhand clothing, shoes and other merchandise; transportation of goods and people on body-backs, push-carts and vehicle (taxi); services such as hair and beauty care, hauling of water to the various enterprises, shoe-shining and

repairs (cobblers), repairs of electronic equipment and sale of airtime; manufacture of household utensils, clothing and furniture (wooden or metallic) and sale of various handcrafts. These informal micro-entrepreneurs were mainly driven by the desire to maintain their livelihood in response to the escalating unemployment in the country and the hard economic times the country is facing. Often, they emulate each other's business ideas. As a result, most of them were engaged in similar activities. They lacked and continue to lack one of the major components of small business entrepreneurship: creativity (Joubert, 2004).

With a fairly high level of competition within the informal sector, informal micro-entrepreneurs operating in Kangemi market and its environs made profits as well as losses. Profits and net worth are typically omitted from informal micro-enterprise studies due to numerous measurement difficulties. Most informal micro-enterprises do not keep written records. Therefore, due to the lack of written records, most information on profits and net worth must be derived from memory, which leads to inaccuracies in the data (Daniels, 1999). Thus, if a cost-benefit analysis were to be conducted, the validity of the outcome would largely be dependent on how accurate costs and benefits have been estimated. The lack of written records and recall difficulties lead to poor estimates of profits and losses. Seasonality of business activities, as well as fluctuations in income for other reasons such as low trade seasons or family problems, make it difficult to measure profits over the course of a given period. Probably one of the most difficult problems encountered in measuring profits and losses is the sensitivity of these topics. This was the case in Kangemi market and its environs because only a few of the informal traders volunteered estimate costs and sales from their businesses. Informal business operators may not be willing to cooperate if they think the information may be turned over for taxation purposes or they may not want anyone to know how much they earn in general (Daniels, 1999). Those who were willing to share this kind of information disclosed that most informal micro-entrepreneurs considered themselves to have made a profit if they sold their various stocks in their businesses within a period of a fortnight and a loss if the merchandise is still held within their stores. They further revealed that they could project a loss or a profit from the condition of their merchandise and peak periods of business activity. This was true especially for those whose informal micro-enterprises traded in secondhand cloths and shoes as well as those trading in fresh agricultural produce.

Figure 4.7: Percentage profit and loss (in Kshs.) in a time frame of two-weeks



From the data analysis, it was revealed that most of the losses incurred involved little monies between Kshs 0-2000 at 2% and Kshs 2001-4000 at 4%. The informal micro-entrepreneurs termed monies held up in stock (that which did not meet their target sale-out periods) as losses, hence the high loss figures. Although they also made profits, a decline in profit levels in percentage margins of 58%, 10%, 7%, 5%, 2% and 3% respectively in all categories, was observed as shown in Figure 4.7.

Asked about the contributions they made in their households, as a result of operating an informal business, the informal micro-entrepreneurs gave varied responses, which were grouped into 5 categories. These were then coded to ease the analysis process as criteria to measure and assess the success and cost-effectiveness of operating an informal micro-enterprise. Generally, the informal micro-entrepreneurs in Kangemi market and its environs perceived their businesses as being successful mainly because 75% indicated that they used their profits and wages to meet basic needs and financial well-being of their families. The category "Other", at 5%, mainly included maintenance of family medical bills and putting profits back into the business for its sustenance and repayment of loans which were from family, relatives and friends. An overwhelming majority of the study respondents measured success as tabulated in Table 4.11, rather than in conventional terms of profitability and growth prospects.

Table 4.11: What contributions do you make in your household?

Contribution	Frequency	%
Able to feed family	64	75
Able to educate children	57	67
Works harder and longer than others	26	31
Contributes large share of income to household maintenance/projects	25	29
Takes major decision in household	29	34
Other	4	5

The study found that most of the informal micro-entrepreneurs were satisfied with the little source of income generated in the form of profits because it was perceived to help enormously in maintaining and educating their families. This confirms Joubert's (2004) findings in an earlier case study conducted in Swaziland, which arrived at a similar observation. The stable income reduces the likelihood of being unable to meet the family's basic needs, and expectations in terms of providing for their livelihoods a constant risk and source of stress with marginal self-employment as well as preserving the dignity of the poor as it pays for his effort. However, this result should be treated with caution as their evaluation of success differ from most of the widely used measures of success such as productivity level, profitability ratio and rate of return.

#### *Profitability of operating an informal micro-enterprise*

Like in any other business, informal micro-entrepreneurs operating in Kangemi market and its environs made profits as well as losses. Table 4.12, shows the total loss and total profit made by the micro-entrepreneurs as well as their gross margin. *Gross margin* reveals how much an enterprise earns taking into consideration the costs that it incurs for producing its products and/or services. In other words, gross margin is equal to gross income divided by net sales, and is expressed as a percentage. Gross margin is a good indication of how profitable an enterprise is at the most fundamental level. Enterprises with higher gross margins will have more money left over to spend on other business operations. Most people find it easier to work with Gross Margin because it directly tells them how much of their sales revenue are profit. It can be expressed in absolute terms:

$$\frac{\text{Gross Profit}}{\text{Total Revenue}} \times 100 \quad \text{e.g.} \quad \frac{5,750}{54,600} \times 100 = 10.5\%$$

Table 4.12: Profitability of operating an informal micro-enterprise

Inputs	Average Input Cost	Average Input Sales	Total profit	Total loss	Gross profit	Gross Margin (%)
Clothes	48,850	54,600	5,750		5,750	10.5
Air time	39,100	33,500		5,600		-16.7
Assorted goods/merchandise	37,000	45,500	8,500		8,500	18.7
Assorted fruits	4,010	5,512	1,502		1,502	27.2
Cereals	37,600	55,070	17,470		17,470	31.7
Charcoal **	15,000	1,230		13,770		-1119.5
Chicken and meat	50,910	71,960	21,050		21,050	29.3
Drug supplies	20,000	50,000	30,000		30,000	60.0
Eggs, Stones	345	610	265		265	43.4
Food stuffs	21,670	32,600	10,930		10,930	33.5
Flour	2,400	3,650	1,250		1,250	34.2
Fuel	7,000	8,300	1,300		1,300	15.7
Furniture	10,000	25,000	15,000		15,000	60.0
Hair Chemical **	6,000	800		5,200		-650.0
Industrial products	16,000	22,800	6,800		6,800	29.8
Milling maize	4,000	8,500	4,500		4,500	52.9
Second hand clothes	14,500	5,450		9,050		-166.1
Mobile accessories **	9,000	7,560		1,440		-19.0
My labour		300	300		300	100.0
Oil products	5,000	10,000	5,000		5,000	50.0
Sewing machines ***	36,500	12,500		24,000		-192.0
Snacks	800	500		300		-60.0
Shoes	4,200	5,000	800		800	16.0
Stock (Assorted merchandise) **	20,000	16,000		4,000		-25.0
Vegetables	36,650	58,120				36.9
Barber accessories	30,000	38,000	8,000		8,000	21.1
<b>TOTALS</b>			<b>138,417</b>	<b>63,360</b>	<b>75,057</b>	

\*\* indicates stock still held within the store and not yet sold in the projected time period.

\*\*\* in relation to the price of the sewing machines, the entrepreneurs compares the much income earned and terms it a loss.

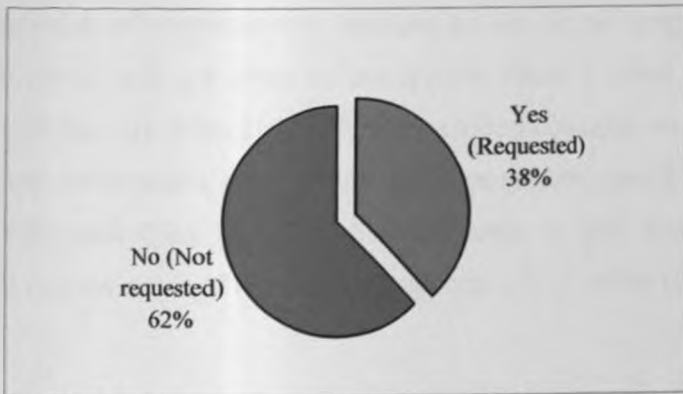
The gross margins generated from the few micro-enterprises shows that it is profitable to run an informal micro-enterprise in Kangemi market and its environs given their characteristic small sizes. Further, the average gross margins imply that customers are willing to pay for value that the informal micro-entrepreneurs deliver and that there are few, if any alternatives for customers. In this situation, customers have limited economic power to push margins down to commodity levels. A major source of this differentiation comes from innovation, which is lacking in the informal micro-entrepreneurs. Therefore, informal traders need to become more responsive to rapid fluctuation in supply and demand, to assure availability of different materials at the right time and at the right place, and to reduce inventory risks (Imtiaz, *et al.*, 2007).



#### 4.5. Choice and sources of credit by informal micro-entrepreneurs

As noted by Weston and Brigham (1991), small enterprises cannot avail themselves of capital market funds. In the view of Umar (1997), many small enterprises are incapable of meeting borrowing requirements of the merchant and commercial banks. In the light of the foregoing literature, small-scale enterprises (SSEs), especially informal micro-enterprises, have had to seek their finance from alternative, informal sources. Thus, in the absence of accessible and affordable financial services, the poor often turn to a range of informal financial institutions, which operate parallel to the formal financial system. This was true in relation to the findings of the informal micro-entrepreneurs in Kangemi market and its environs. Sixty-two percent, of the study respondents indicated that they had not requested for a loan or credit in the past year while 38% had. This high percentage of non-request for a loan or credit was attributed to the fact that majority of them associated loans and credit with formal institutions like banks and sacco's not to mention the high interest rates, credit duration, terms of payment, required security and stringent procedures that accompany loan application.

Figure 4.8: Micro-entrepreneur loan request in last 12 months



Some sentiment expressed by a trader:

*"There are difficulties when it comes to acquiring loans from the banks and other loan institutions especially for informal traders like us. The banks want guarantors and collateral from us before giving us the loan. It is extremely difficult to get guarantors nowadays, maybe family members. The language (English) on the application form is hard to understand. No matter how much you pay the loan money continues to multiply. That's why I cannot go for a bank loan." (Male trader at Kangemi Market, Kenya 2008).*

Thus, in the absence of accessible and affordable financial services, the poor often turn to a variety of sources of finance and credit. Amao (1987) grouped the sources of funding SMEs into two categories: personal (informal) sources and the public (formal) sources. Amao (1987) further notes that of these, informal micro-enterprises and to some extent, small-scale enterprises, largely obtain their financing from personal (informal) sources which were usually more often than not insufficient for entrepreneurial growth and development. These are sources of funds, which are in a way personal to the entrepreneur and without recourse to the public capital markets as such. Such sources are often incapable of generating large volumes of funds for investment because of inherent limitations. The low capital generating capacity of such sources accounts to a great extent for the low growth rate of micro-enterprises, which in turn accounts for their continued lack of access to big funds.

However, in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes (Schmidt and Kropp, 1987). Schmidt and Kropp (1987) further argue that the type of financial institution and its policy will often determine the access problem. Where credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it exists and when they do, they will be denied access. Financial markets in African countries are characterized by imperfect and costly information, risks, and market segmentation, resulting in credit rationing. This is one of the underlying factors in the coexistence of both formal and informal credit markets serving the needs of the different segments of the market (Atieno, 2001).

The sources of credit to the majority of the informal micro-entrepreneurs at the Kangemi market and its environs were varied as shown in Table 4.13 below.

*Table 4.13: Informal micro-entrepreneurs' sources of credit*

<b>Borrowed from</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>
Banks	5	5.9	41	48.2
Sacco	1	1	16	19
NGO	0	0	16	19
Local trader	0	0	17	20
Family and friends	1	1.2	13	15.3
Money lender	0	0	13	15.3
Microloan program	2	2.4	13	15.3
Savings club	22	25.9	13	15.3
Other	1	1.2	18	21.2

For small-scale enterprises, reliable access to short-term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises (Atieno, 2001). Savings club commonly referred to as “*chamma*” or ROSCAs was the most preferred source of credit for the informal micro-entrepreneurs scoring a 26% margin. This was attributed to the fact that most of the informal micro-entrepreneurs in Kangemi market and its environs were registered members active in regular monetary contribution towards the savings clubs. Thus we infer that to access credit from the informal credit sources, an informal micro-entrepreneur had to be participating in an activity that generates some form of income. Further analysis found that the types of services these savings clubs provided, mostly contrasted with those offered by traditional credit programmes. These services are characterized mainly by timely credit disbursements, short-term and small loans, increasing discipline in terms of savings, judgement of borrower creditworthiness, and information about the borrower. Service is based on flexible arrangements to adjust to changing economic circumstances, and reducing the transaction costs to the borrowers who respond by maintaining discipline in order to sustain their access to credit. The result is a dependable working relationship between the lender and the borrowers. Most services of informal finance are client oriented, thus reducing the transaction costs for customers, and making their services attractive despite the explicitly high interest rates. Informal lenders are also able to design their contracts to meet the individual dimensions, requirements and tastes of the borrowers (Aryeetey, 1996b). This contrast with the formal lender practices, which charge relatively low interest rates, but often impose procedures on borrowers that substantially increase

their transaction costs. Banks were second in rank as their next preferred source of credit at 6% while Microloan programmes at 2.4% was their third preferred choice of credit source. The low preference towards banks and Microloan programmes<sup>7</sup> as sources of credit by informal micro-entrepreneurs in Kangemi market and its environs was mainly attributed to their lending terms and conditions. Other sources of credit had margins of less than 2% preference.

Considering the widespread claim of informal micro-enterprises that they do not get enough financial support from formal sources of credit, it becomes necessary to investigate their lending criteria in financing informal micro-enterprises. This becomes even more important in view of the fact that although most of the enterprises were aware of the existence of formal sources of credit as sources of business finance, they did not approach them as much as would have been expected for working capital. From the foregoing literature, it can be deduced that informal micro-entrepreneurs' search for business finance is not hampered by their lack of knowledge of available sources of finance, rather, whatever limitations there are, arise from the informal micro-entrepreneurs' preferences for the available sources, the reasons given for such references notwithstanding (Elumilade, *et al.*, 2001).

Studies conducted by Tapsoba, 1981; Seibel 1986; Hyuha *et al.*, 1993, identified the informal sector as a veritable source of credit for production and consumption both in the urban and rural areas. Evidence from these studies point to the fact that the continued relevance of the sector depends on simplicity of lending procedures, the speed of operation, and liberal conditions including waiver of collateral requirement. Despite the glossy picture painted by the foregoing literature, this informal source of financing to informal micro-entrepreneurs has serious shortcomings. For example, the amount of capital that can be raised from the informal sources of credit is usually very small and inadequate when compared to the needs of the informal micro-entrepreneurs and hence the growth and performance of the micro-enterprises. In most cases, the terms and conditions attached to their funds were found to be exploitative most especially with the moneylenders and microloan programs (Ogundipe, 1997). It is obvious that in line with the nature of micro-

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<sup>7</sup> A microloan is a program through which an agency or a lending institution makes loans available for those who are seen as having a strong likelihood of creating self-employment opportunities. The purpose is to help small businesses that are new or growing businesses expand in a proper way. The loans are paid back through profits made with the business venture.

enterprises, their operators prefer sources of finance that will leave them relatively free to run their businesses as they like and as cheaply as possible. Table 4.14 below, illustrates that most informal micro-entrepreneurs at the Kangemi market and its environs borrowed little amounts of credit mostly from their savings clubs with very few reporting to have been advanced credit of more than forty-thousand shillings from the savings clubs and the banks.

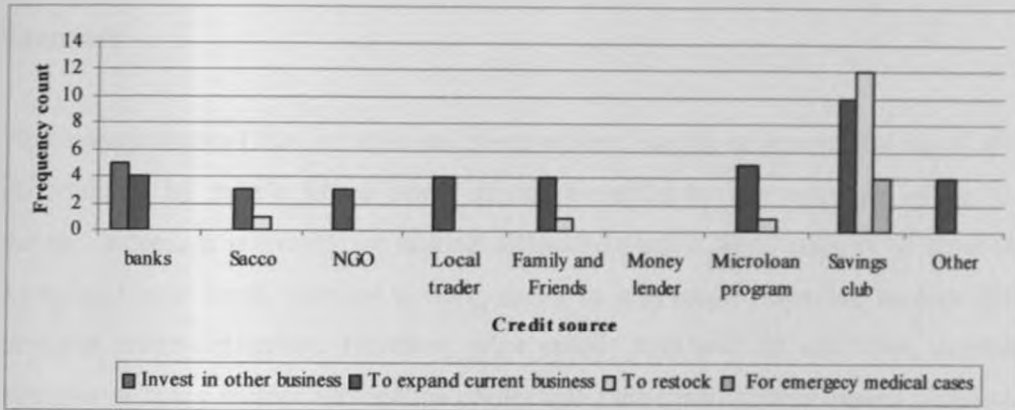
*Table 4.14: Amount of credit borrowed (Kshs) by informal micro-entrepreneurs*

Amount of credit borrowed (Kshs)	Sources of credit							
	Banks	Sacco	NGO	Local trader	Family and Friends	Money lender	Microloan program	Savings club
0-10000	2	1	0	0	1	0	1	19
10001-20000	1	0	0	0	0	0	1	1
20001-30000	0	0	0	0	0	0	0	0
30001-40000	0	0	0	0	0	0	0	0
40001-50000	1	0	0	0	0	0	0	1
>50000	1	0	0	0	0	0	0	0

#### *Main use of borrowed credit by micro-entrepreneurs*

As revealed from findings in this study, the most common application purpose for credit from both informal and formal sources was expanding the current business at 61%, as well as to re-stock their informal businesses at 25%. A few indicated that they borrowed credit to invest in other businesses and to meet family emergency medical expenses at 8% and 7% respectively. Alila (1991) as cited by Atieno (2001), in *An empirical assessment of formal and informal institutions' lending policies and access to credit by small-scale enterprises in Kenya* found that informal finance in Kenya depicted borrowers as having different needs which could all not be met by informal sources despite their relative accessibility. Therefore, this study looked at the application purposes in relation to the sources of credit.

Figure 4.9: Main use of borrowed credit by micro-entrepreneurs



An interesting observation in the study was that none of the informal micro-enterprises got credit from moneylenders for any purpose. Therefore, it is apparent that although informal credit provides easy access to small-scale borrowers, the lending terms in certain segments make them unattractive and inaccessible to some borrowers.

Findings from the survey found that among the informal sources of credit, savings club was the dominant source of credit, especially for expansion of the current business, pointing to the limited ability of the financial markets to meet existing credit demand from certain borrowers and reinforcing the argument that small-scale informal micro-enterprises do not have access to the financial resources of the formal financial sector. This confirms Atieno's (2001) findings in her paper titled "*Formal and informal institutions' lending policies and access to credit by small-scale enterprises in Kenya: An empirical assessment*" which arrived at a similar conclusion. Even within the informal market, the different segments display different degrees of accessibility. Most enterprises used personal savings and credit from relatives, the local trader and other undisclosed sources. The reasons given in this section for not using credit or choosing a specific source tend to confirm this difference in accessibility.

## CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### Summary

This survey showed that informal micro-enterprises add up to a colourful lot of diverse undertakings by people whose labour is not demanded by any employer of the formal variety. Indeed, it is usually for lacking alternatives that a large majority of those in the Kangemi labour force, men and women, decide to seek employment and income in these informal micro-enterprises. However, what exactly they will do and when, appears an outcome of many factors. Occupation choice and career path clearly depend on education level, and the nature and extent of pre-employment vocational training and/or apprenticeship that people may, or may not, have been involved in. In addition, gender, and family socio-cultural background played a significant role in giving rise to differential patterns of economic development across the Kangemi community, contributing to the great divergence and reversals in economic performance across all sectors of the economy.

### Conclusions and Recommendations

#### 1. Development of informal micro-enterprises in Kangemi

This study found that the informal business sector has been and continues to be considered the engine of growth because it has, and continues to generate jobs, is flexible and contributes significantly to economic productivity of many a household. However, informal micro-enterprises proliferate because of policy, regulatory, and institutional constraints to the formation of informal sector engagements. There is therefore, the need to look into those factors that increase the number of households seeking incomes from informal micro-entrepreneurship, which consequently make it harder for existing informal micro-entrepreneurs to emerge from poverty.

#### *Recommendations*

This overview suggests that an effective strategy for addressing the problems faced by poor informal micro-entrepreneurs requires a balance between efforts to relieve the immediate constraints that inhibit their emergence from poverty and efforts to address the underlying policy, institutional, and market conditions that lead to widespread informal micro-entrepreneurship.

(i). *Actors in the informal sector*

Foregoing study findings have shown that employment in informal activities and in the informal sector has become a major source of employment, particularly for women. However, this study has shown that there are more men than women today in the informal sector employment due to multifaceted reasons. The social pressures placed on the male gender to provide for self and family, job loss in the formal sector due to downsizing of the private sector and the implementation of the IMF/World Bank economic conditions of the early 1990's contribute to this high percentage of men in informal wage employment.

The informal economy has also come to be an "equal opportunity employer" among its ranks are men and women, inhabitants of rural and urban communities. Within these ranks, the motivations for participation vary, as do the rewards. There are real winners and losers here. Despite some obvious disadvantages, there are strong reasons why some informal micro-entrepreneurs remain informal. The informal economy has few barriers to access, economic remuneration is attainable and the avoidance of cumbersome regulation. It is not clear for many informal micro-entrepreneurs whether the benefits of formalization would outweigh the costs involved. Further, the diversity of self-employed participants in the sector makes policy and practice recommendations difficult. Some policy recommendations are directed to facilitating and supporting the environments in which informal enterprise takes place, especially in low-income areas.

*Recommendations*

There is need to understand more about the goals and ambitions of these groups, how they perceive their opportunities and constraints and the services they would value in light of these. Using sound analysis and thoughtful policy and program design, development practitioners can thoughtfully devise new approaches that better integrate social norms which proscribe women's and men's opportunities to engage in economic activities and engage in public life with a view to increasing individual chances of alleviating poverty at household level. There is also a need to sensitize individuals and communities to re-examine their perceptions and attitudes on the gendered values, norms and expectations (i.e. informal rules) that have either been internalized or continue to exert external pressure on motivation in informal sector participation.



(ii). *Level of education and skills development*

In urban settings, the association between level of education and participation in the informal economy is clear. People with the highest levels of education were more likely to be found in formal sector, whereas those with the lowest levels had the highest probabilities of working in the informal sector. Thus, in occupations in which a higher percentage of the jobs are in the informal sector, those jobs were more likely to be held by persons with less education and were more likely to pay lower inconsistent wages. This then is likely to have a ripple effect in the lives of the majority poor in the informal sector with regard to among others, job experience, their profits, savings, maintenance of their households, working hours, provision of employment to others. Skills training available in the country is oriented towards the formal sector employment. Little has been done to include skills training in careers outside the formal sector. Tangible technical training is not emphasized and the little that is existent does not provide meaningful job-oriented practical training due to a complete skills-deficient formal education geared towards the world of work. Most of the study respondents were found to have had access to basic formal education with a few advancing to higher levels of formal education and training. Furthermore, after training, many trainees do not have enough capital to initiate their business and apply their skills to generate more income.

*Recommendations*

For poor people to take advantage of rapid growth and high employment creation, they must be employable otherwise they face barriers to entry in the job market either as wage earners or entrepreneurs. The poor will not take advantage of employment opportunities if: they lack the appropriate human capital in the form of health, experience, skills and education; they have limited access to market opportunities created by economic growth; they are affected by restrictive labour regulations which limit entry into the labour market; they are victims of discriminatory attitudes which limit their opportunities including gender discrimination and unequal access to assets. A review of the formal education in the country should be carried out to include technical training to those who opt not to follow the conventional education channel so as to tap and equip them with life-skills. Skills training should concentrate on skills that lead to employment and income, with a focus on technical training on how to make local products for local

markets, which are competitive with similar products, imported from neighbouring countries. Informal economy workers need market-oriented skills, which they can directly apply in their daily life and business. On-the-job skills training rather than long-term formal instruction will solve immediate needs of informal economy workers.

(iii). *Occupational safety and health*

Informal economy workers, both women and men, are exposed to poor working conditions and income insecurity. Their workplaces are not safe, precarious and often cramped. They are exposed to poor occupational safety and health standards and face risks at work. Informal economy workers need social protection to acquire decent livelihoods, reduce the burden of severe health expenses, and, thereby, prevent them from ending up in debt circles and poverty. Ensuring safety and health standards at the workplace not only leads to the prevention of accidents and illnesses but also to increases in productivity and incomes.

*Recommendations*

Occupational safety and health should be on the agenda of all governmental, non-governmental and community-based agencies that are engaged in job creation and employment promotion. Medical personnel in health centers should be trained to recognize, document and advise on occupational safety and health related ailments and injuries so that primary health care centers can play a role in detecting work-related injuries and diseases and promoting safe work environment for informal economy workers. Informal economy workers should also be sensitized about the safety and health standards of their various work environments and how to maintain occupational safety and health and the consequences of lack of it.

## 2. Socio-cultural factors influencing participation of small business entrepreneurs in the existing informal micro-enterprises.

Although religious beliefs were found not to significantly influence the informal sector participants' choice of and participation patterns in informal micro-entrepreneurship, foregoing literature has shown that religion provides a fertile philosophical foundation for most of the cultural beliefs, values and norms in any society. While study respondents affirmed the influence of social and cultural factors in their choice of and participation in informal sector, most of them, socially and culturally influenced as well as those not influenced, held a more liberal view that women and men everywhere were being affected by changes in life cycles and labour market participation. They felt that customs and taboos served to limit their choice of and participation in informal economic engagements and subsequently denied them chances of alleviating poverty at household level. This open-mindedness, led them to reject socio-cultural influences which they perceived to be detrimental to their economic engagement and advancement. It also encouraged them to a large extent; transcend the inhibitive socio-cultural structures they had been socialized into. This can be attributed to the changes that social and cultural value and belief systems go through due to the interaction between the forces of cultural assimilation and cultural diffusion in urban heterogeneous societies.

### *Recommendations*

The social and cultural environments are among the factors that have influenced the participation rate of women and men both in public and private spheres. Social and cultural considerations, important to indigenous people and communities play an important, sometimes critical, role in sustainable economic development. Policymakers need to analyze the varied ways in which culture affects development, as well as the new development paths that culture might suggest. Supportive institutional and policy structures that address the holistic needs of communities, particularly across social, cultural and economic dimensions, are necessary, both at national and local levels. There is also need to acknowledge that a more constructive approach is to understand the significance of social structures and culture in African societies, the roots to both the positive and negative perceptions and how cultural traditions influence forms of behaviour that can both support and undermine development.

### 3. Choice and sources of credit by informal micro-entrepreneurs

Financial and credit services are crucial to support informal business ventures. Informal micro-enterprises in most countries face severely limited access to institutional credit, savings facilities, and other financial services. They must rely instead on a narrow range of services offered by moneylenders and other informal sources, often at very high interest rates. One major conclusion is that the large number of potential borrowers who did not seek credit does not mean that they did not need credit. Although the potential borrowers need credit, the lending terms and conditions prevent them from seeking credit. In the formal sector, these terms focus on concerns with default risk and high transaction costs. In the informal sector, the study suggests that the failure to seek loans is due to the failure by the different lenders to offer the credit package required by specific borrower categories. It is also concluded that informal credit sources provide easier access to their credit facilities for informal micro-enterprises. The main reasons explaining this scenario were the time lapse between application and the actual credit access seemed to be instant, the lending terms and conditions reflected in collateral, application procedure and repayment period. However, given that different segments serve specific credit markets, their ability to meet the credit needs of certain enterprises, especially those requiring large amounts of credit as they grow, is limited.

#### *Recommendations*

The Government and other interested parties need to build capacities among financial and credit agencies with a view to diversify services, including a variety of savings products and mechanisms and minimize operational costs (and thereby interest rates). Additional relevant issues that need to be addressed are the application and enforcement of the rule of law, diversification of loan portfolios by formal financial and credit agencies so as to cater for the different financial needs of the informal sector businesses. There is also need to expand the capacity of informal credit sources to enable them to increase their potential to lend to informal micro-entrepreneurs. Informal businesses must be profitable in order to grow and be able to attract more external finance. It is therefore, necessary to provide a policy environment that affords the necessary incentives for enterprise growth.

#### **4. Cost effectiveness of informal micro-enterprises as far as poverty alleviation among low-income groups in Kangemi are concerned**

It is worthwhile to note that this section was not exhaustive on the subject since there are several other studies that cover these issues in greater detail. In this study, respondents were asked to outline the various criteria by which they measured success and to assess the relative performance of their informal micro-enterprises. An overwhelming majority (86 per cent) measured success in terms of how well the informal micro-enterprise satisfied individual needs rather than in conventional terms of profitability and growth prospects. After individual financial needs were met, informal micro-entrepreneurs saw continuing or excess profitability as an external measure of success rather than a primary goal. Profits and net worth are typically omitted from informal micro-enterprise studies due to measurement difficulties. Most informal micro-enterprises did not keep written records. Due to the lack of written records, most information on profits and net worth was derived from memory, which led to inaccuracies in data.

##### ***Recommendations***

Though found to be cost-effective to operate an informal micro-enterprise in Kangemi market and its environs, the findings should however, be treated with caution as their evaluation of success differ from most of the widely used measures of success such as productivity level, profitability ratio, rate of return. Informal micro-entrepreneurs should be encouraged to keep records of their business performance so as to enable them to know when and when not to invest more as well as be more responsive to rapid fluctuation in supply and demand - to assure availability of different materials at the right time and at the right place, and to reduce inventory risks. It is also very important for informal micro-entrepreneurs to have very clear ideas in mind of what they need to do with marketing in order to remain competitive and yet maximizing their return with limited money and resources. Policy makers should therefore develop a methodology to produce realistic and cost-effective performance measures in the informal sector. Such a methodology would produce realistic and affordable insights into the performance of micro-enterprises by adopting appropriate measures, such as programmes for informal micro-enterprise financing, providing business support services such as quality control and productivity improvement, for facilitating the commercialization

of research and development through, for example, technology incubators. In addition, such a methodology should be applicable to most informal micro-enterprises and produce assessments that are reliable, discriminate between acceptable and unacceptable performance, and are practical to use.

### **Further research**

Based on these gaps in data, this report recommends:

1. To develop a common template for sex-disaggregated data collection for the basic indicators of the labor market.
2. To maintain basic definitions for indicators so that they are comparable across economies and over time.
3. To collect more data on the links between gender segmentation of the informal economy, poverty and inequality. Such data would enhance our understanding of what it will take for the poor – and in particular the differential requirements for women and men – to work their way out of poverty and/or for their enterprises to be successful.

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### APPENDIX I: WORK PLAN

- Further refining of the research proposal and development of the questionnaire – 1 week
- Pre-testing of semi-structured questionnaire – 2 days
- Analysis of pre-test survey data – 1 day
- Semi-structured questionnaire refining – 2 days
- Gathering of primary and secondary data – 4 weeks
- Data entry, cleaning and analysis – 6 weeks
- Analysis of survey data – 6 weeks
- Writing of the project report – 2 months
- Total time expected to be taken – 6.5 months

#### Summary Table Work Plan Year 2008

	MONTH	ACTIVITY
1.	May	Proposal development and submission
2.	May-July	Pre-testing, and Market survey
3.	August/September	Data entry, cleaning and analysis, Write-up, first draft project report submission
4.	September/December	Draft corrections, and final defense, corrections

## APPENDIX 3

## GENERAL MARKET SURVEY QUESTIONNAIRE COVER LETTER

## A Socio-Cultural Analysis of Factors Influencing Gender Participation in Informal Sector Business: The Case of Kangemi Market and its Environs, Nairobi.

August 2008

Dear Research Participant,

Greetings.

My names are \_\_\_\_\_ an M.A. student at the Institute of Anthropology, African and Gender Studies, University of Nairobi. I am conducting a study entitled "A Socio-Cultural Analysis of Factors Influencing Gender Participation in Informal Sector Business: The Case of Kangemi Market and its environs, Nairobi."

The primary purpose of this research is to analyze the socio-cultural factors influencing gender participation in informal micro-enterprises by:

- Assessing and documenting the development of informal micro-enterprises in Kangemi.
- Identifying the socio-cultural factors influencing participation of small business entrepreneurs in the existing informal micro-enterprises.
- Determining the cost effectiveness of informal micro-enterprises as far as poverty alleviation among low-income groups in Kangemi are concerned.
- Determining the choice and sources of credit by micro-entrepreneurs.

You are invited to participate in this study if you are interested. Data is being collected from a possible sample of 380 adults within the market and its environs. There are no direct benefits to you from your participation. Participation is expected to take no longer than 45 minutes.

Your participation is entirely voluntary. You may discontinue your participation in the study at any time if you so choose without prejudice. Your confidentiality will be assured by assigning you a number. All of your responses will be associated with this number. Only the investigators will be aware of your identity. If data from this study are presented or published, your identity will not be divulged in any way.

Consent (please tick where applicable):

I, the Research Participant, do agree to  or decline to  participate in the research.

\_\_\_\_\_  
Research Participant,

Sincerely,

\_\_\_\_\_  
Student Researcher

## APPENDIX 4

## GENERAL MARKET SURVEY QUESTIONNAIRE

## A Socio-Cultural Analysis of Factors Influencing Gender Participation in Informal Sector Business: The Case of Kangemi Market and its Environs, Nairobi.

August 2008

Questionnaire No.: \_\_\_\_\_ Date entered: \_\_\_\_\_

**Survey Information** (to be filled in prior to the interview)

- Q1. Enumerator Name: \_\_\_\_\_
- Q2. Occupation of respondent: \_\_\_\_\_
- Q3. Gender of respondent: Male  Female
- Q4. Age of respondent (years): \_\_\_\_\_
- Q5. Marital status of respondent:  
 Single  Married  Separated  Divorced Other \_\_\_\_\_
- Q6. Highest level of education attained  
 None  Primary  Secondary  College  University
- Q7. Number of years of schooling completed \_\_\_\_\_
- Q8. Is respondent the proprietor/owner of micro-enterprise? Yes  No
- If yes, go to Q10. If no, please jump to question 25.*
- Q9. Did you have any prior working experience before entering business? Yes  No
- Q10. If yes, what was the nature of your previous work? \_\_\_\_\_
- Q11. For how long have you been in this current informal micro-enterprise?  
 \_\_\_\_\_
- Q12. Is the informal micro-enterprise registered/licensed? Yes  No
- Q13. Do you have employees in your informal micro-enterprise? Yes  No
- Q14. If yes, how many are: paid workers \_\_\_\_\_ and unpaid workers \_\_\_\_\_
- Q15. As the proprietor/owner, do you pay them in  Cash  In-kind  Both
- Q16. If in cash, after how long do you pay them? \_\_\_\_\_
- Q17. How do you effect payment to your employees? \_\_\_\_\_
- Q18. How many of your employees are  Family \_\_\_\_\_  Non-family \_\_\_\_\_
- Q19. On average how many days per month do you run your business?  
 \_\_\_\_\_



- Q20. Do you reside in the neighborhood? Yes  No
- Q21. How far is your residence from your micro-enterprise (in Km)? \_\_\_\_\_
- Q22. On average, how much do you spend on transport to and from your micro-enterprise (in Kshs.)? \_\_\_\_\_

***If respondent is not the proprietor:***

**Employment in the business**

- Q23. Are you in:  Employment  Group participation  Helping out
- Q24. Before being engaged here, did you work elsewhere? Yes  No
- Q25. If yes, what was the nature of your previous work? \_\_\_\_\_
- Q26. For how long have you been employed in this current informal micro-enterprise?  
\_\_\_\_\_
- Q27. How many other people work in the informal micro-enterprise? \_\_\_\_\_
- Q28. Number of paid workers \_\_\_\_\_ unpaid workers \_\_\_\_\_
- Q29. If in employment, are you paid in  Cash  In-kind  Both
- Q30. If in employment, are you  Family  Non-family
- Q31. If in employment, how are you paid? \_\_\_\_\_  
\_\_\_\_\_
- Q32. On average how many days per month do you run the business? \_\_\_\_\_  
\_\_\_\_\_
- Q33. Do you reside in the neighborhood? Yes  No
- Q34. How far is your residence from your micro-enterprise (in Km)? \_\_\_\_\_
- Q35. On average, how much do you spend on transport to and from your micro-enterprise (in Kshs.)? \_\_\_\_\_

**Q36. Household capacity:**

- |  |  |
|--|--|
| <input type="checkbox"/> <5 (Under five) No: _____ | <input type="checkbox"/> 31-40 years No: _____           |
| <input type="checkbox"/> 6-10years No: _____       | <input type="checkbox"/> 41-50 years No: _____           |
| <input type="checkbox"/> 11- 20 years No: _____    | <input type="checkbox"/> 51-60 years No: _____           |
| <input type="checkbox"/> 21-30 years No: _____     | <input type="checkbox"/> 61+ (Above sixty-one) No: _____ |

**Enterprise category (tick where applicable)**

- |      | <b>Informal Sector</b>   | <b>Stall structure</b>                        |   |
|------|--|---|---|
| Q37. | <input type="checkbox"/> <b>Manufacturing:</b> (carpentry, tailoring, iron-smith, pottery,)  | <input type="checkbox"/> Permanent (concrete) | <input type="checkbox"/> semi-permanent |
| Q38. | <input type="checkbox"/> <b>Services:</b> (hairdressing, barbershop, beauty parlour, electronics repair, flour milling)                        | <input type="checkbox"/> Permanent (concrete) | <input type="checkbox"/> semi-permanent |
| Q39. | <input type="checkbox"/> <b>Agriculture products:</b> (sale of agricultural products – animal and plant products)                              | <input type="checkbox"/> Permanent (concrete) | <input type="checkbox"/> semi-permanent |
| Q40. | <input type="checkbox"/> <b>Food processing</b> (Food kiosk, drinks)   | <input type="checkbox"/> Permanent (concrete) | <input type="checkbox"/> semi-permanent |
| Q41. | <input type="checkbox"/> <b>Trade in assorted goods</b> (second hand cloths, electronic good, plastics, household utensils)                    | <input type="checkbox"/> Permanent (concrete) | <input type="checkbox"/> semi-permanent |
| Q42. | <input type="checkbox"/> Transportation: of <input type="checkbox"/> People <input type="checkbox"/> Merchandise <input type="checkbox"/> Both |   |   |
| Q43. | Services offered via: <input type="checkbox"/> vehicle <input type="checkbox"/> Cart <input type="checkbox"/> Body                             |   |   |
| Q44. | Others (specify) _____   |   |   |

**Socio-cultural factors influencing choice of and participation in micro-enterprise**

- Q45. Did social factors influence or dictate your choice of and participation in your current micro-enterprise? Yes  No
- Q46. Which among the following social factors influenced your choice of and participation in your current micro-enterprise? (tick as many as appropriate).

**Social factors codes**

- |   |   |
|---|---|
| <input type="checkbox"/> 1 = Personal interest in work                              | <input type="checkbox"/> 6 = Social perception on who provides for family |
| <input type="checkbox"/> 2 = Unemployment   | <input type="checkbox"/> 7 = Natural inclination                          |
| <input type="checkbox"/> 3 = Low education level                                    | <input type="checkbox"/> 8 = Financial status                             |
| <input type="checkbox"/> 4 = Social status and perceptions on economic independence | <input type="checkbox"/> 9 = Acquired skills and training                 |
| <input type="checkbox"/> 5 = Family work arrangements/preferences                   | <input type="checkbox"/> 10 = Social capital and networking               |
|   | <input type="checkbox"/> 11 = Other (specify) _____                       |

Q47. Please elaborate more on your choices social factors above \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

- Q48. Did cultural factors influence or dictate your choice of and participation in your current micro-enterprise? Yes  No
- Q49. Which among the following cultural factors influenced your choice of and participation in your current micro-enterprise? (tick as many as appropriate).

**Cultural factors codes**

- 1 = Religious beliefs  
 2 = Customs and taboos dictate line of occupation  
 3 = Gender division of labour  
 4 = Gender and gender roles  
 5 = Attitudes  
 6 = Others (specify) \_\_\_\_\_

Q50. Please elaborate more on your choices of cultural factors above \_\_\_\_\_

Q51. When starting up or before employment in this business, did you face any resistance from your immediate family members? Yes  No

Q52. If yes, why? \_\_\_\_\_

**Location of micro-enterprise work site:**

Q53. Within Market: Stall  Open-air

Q54. Along Roadside:  Stall  Makeshift stand in a public road  
 Fixed stand along a public road

Q55. Door-to-door or street vendor

**Proprietor's estimate of profits and net worth**

Inputs (Write out name in this column)	Cost (Kshs)	Sales of commodity (Kshs)	Either:			Profit (Kshs)	Loss (Kshs)
			Day	Week	Month		
1.							
2.							
3.							
4.							

Q56. Does your household consume or use any of this business' products or services?  
 Yes  No

Q57. If yes, what is the value of the products **normally** consumed or used by your household?

Q58. Get an estimate in Kshs. \_\_\_\_\_ (Put a zero if nothing has been consumed or used by the household)

Q59. What is the frequency of product consumption by your household \_\_\_\_\_

Q60. Do you use part of the money you get from this business for yourself or for your household? Yes  No

- Q61. If yes, how much money from the business do you **normally** use for yourself or your household? Get an estimate in Kshs. \_\_\_\_\_ (Put a zero if no money has been used)
- Q62. What is the frequency of money use \_\_\_\_\_
- Q63. Do you restock? Yes  No
- Q64. If yes, what is the source of restocking capital?
1. \_\_\_\_\_
  2. \_\_\_\_\_
  3. \_\_\_\_\_
- Q65. What were your costs of doing business in the past month? (Only include expenses that are used by this business)

Cost Category	Cost (Kshs)	Either:			
		Daily	Weekly	Monthly	Occasional
Paid labour (salaries)					
Paid labour (part-time workers)					
Paid labour (others)					
Unpaid labour (value of in-kind payments)					
Electricity for business (only if installed for business)					
Water for business (only if used for business)					
Transport of inputs					
Transport of final products					
Rent of business premises					
Rent of shop or storage space (only if separate space for business)					
License					
Costs of credit (interest costs only)					
Repairs/service of machines					
Other					

#### Debts and accounts receivable

- Q66. In total, how much do your customers owe you as of today? \_\_\_\_\_
- Q67. How much do other traders owe you as of today? \_\_\_\_\_
- Q68. Do other family members or friends owe you money that they borrowed from the business? Yes  No

#### Information on Loans and Credit Sources

- Q69. Have you as the micro-entrepreneur/employee requested for a loan(s) in last 12 months? Yes  No

Q70. If yes, please fill in the table below.

	Credit Source	Borrowed		Credit type 1. Money 2. In-kind	Amount borrowed	Amount Still Owed
		1. Yes	2. No			
1.	Commercial Banks					
2.	Sacco (specify)					
3.	Local NGO					
4.	Local trader (specify)					
5.	Family/friends					
6.	Money-lender					
7.	Microloan program (e.g. Breast Feeding, Kadet, etc)					
8.	Savings clubs (Chammas)					
9.	Other sources					

Q71. What was the main use?

\_\_\_\_\_

Q72. What were your reasons for not requesting for a loan(s)?

\_\_\_\_\_

#### Savings

Q73. Do you have any savings from this business? Yes  No

Q74. Where do you keep your savings?

- None                       Bank                       Post Office     Savings Clubs  
 Home-banking             ROSCAs                     Other \_\_\_\_\_

#### Persons with whom the entrepreneurs share their decision-making

Q75. With whom do you share your decision-making regarding income?

- No one     Spouse     Relatives     Friends     Others \_\_\_\_\_

#### Business Support Services Information

Q76. Did you receive any assistance regarding business information in the last 12 months?  Yes     No

Q77. If Yes, please name the source? \_\_\_\_\_

Q78. What form of information assistance did you receive? \_\_\_\_\_

1 = Sources of credit

2 = Market prices

3 = Prediction of commodity production status

#### Auxiliary questions

Q79. What contributions do you now make in your household?

#### Codes:

1 = able to feed family    2 = able to educate children    3 = works longer and harder than others

4 = contributes large share of income    5 = takes major decisions in household

6 = other: specify \_\_\_\_\_

**THANK YOU FOR YOUR TIME!!!**