

Application for a Minor Field Study

Preliminary title:

Me, myself and I? Examining the impacts of microfinance on the traditional functions and dynamics of informal trader's self-help groups in Kisumu, Kenya.

Objective:

The objective of the paper is to examine the impact of microfinance on the functions and dynamics of informal sector entrepreneurs' self-help groups in Kisumu, Kenya.

Description of problem:

Microfinance, as known today, is often justifiably associated with the Grameen Bank in Bangladesh (Roodman 2011). The institution set up by Muhammad Yunus and his students, aiming at providing especially rural poor in Bangladesh with credit and saving opportunities, has been credited for its contribution to the fight against poverty and for this rewarded the Nobel Peace Prize in 2006 (Banerjee et al 2009). The potential of microfinance as a means of poverty alleviation and promoting economic growth has been emphasized by international agencies, such as the United Nations (UN-Habitat 2011) and the World Bank (Banerjee et al 2009). Given the support of these agencies, the great demand for credit and saving possibilities amongst poor, as well as the prospect of making profits, microfinance institutions have in recent years expanded rapidly (Banerjee et al 2009), now serving more than 200 million clients worldwide (Maes & Reed 2012). The concept of microfinance draws on the reasoning that many poor are trapped in a vicious circle of low income, low savings and low investment, hence not being able to break free from poverty. They should, according to the proponents of this development discourse, be recognized as creative entrepreneurs who, when provided with access to external credit, are able to increase investments, grow their businesses and increase their standard of living (Karnani 2007).

Somewhat contrary to the focus on the individual businesses and accumulation of wealth adopted by microfinance institutions, is the old Kenyan tradition of Harambee. Literally meaning 'let's all pull together', it builds on the principle of bottom-up participatory development for a democratically decided collective good (Chepkwony 2008). In other words, members of a community pool resources for either a community welfare project, such as sanitation, or for helping members of the community with hospital bills, tuition fees, funeral fund raisers et cetera, acting as a form of social security. One of the fundamental principles of Harambee is that "[p]articipation is guided by the principle of collective good rather than individual gain" (Chepkwony 2008, 5). According to Lyons & Snoxell (2005), self-help groups adopting the same principles are common especially among informal sector entrepreneurs, who join together to pool resources on a regular basis to cover for unexpected expenses or losses of income members may encounter (2005).

Almost all microfinance programs are designed according to a joint liability – principle, meaning that borrowers apply for the individual loans as a group, in which the members act as guarantors for the loans issued to the group members (Karnani 2007). This is both due to ensuring repayments and enabling the production of social capital (Mayoux 2001). As the traditional self-help groups now have access to external credit from formal credit institutions, a potential conflict arises between the strong focus on individual economic growth in the joint-liability groups - driven by the peer-pressure to meet repayments - and the traditional focus on collective good in the self-help groups. The question then is, how the functions and dynamics of the groups regarding e.g. selection of members, social security, support and community development are affected by the changes in the individual livelihood strategies brought about by the microcredit. This issue has not received much, if any, attention in previous papers.

On a larger scale, the case illustrates the relationship between culture, tradition and existing forms of local development (e.g. Abwunza 1997), and the currently predominant neoliberal development discourse, promoting entrepreneurship as the main mean for development (Karnani 2007) and thus exemplified by the global expansion of microfinance (Bateman & Chang 2009). Even though the microfinance has been critically examined in many studies (e.g. Brohman 1995, Sandbrook 2000), much of the work in the field has been concentrated at evaluating whether microfinance programs have been able to deliver the results they were designed to deliver (e.g. Mayoux 2001, Banerjee et al 2009). Unintended and context-specific consequences with indicators difficult to quantify have thus received less attention.

Methods:

The paper will combine a literature study with a field study examining the functions and dynamics of groups in the informal trading sector in Kisumu, Kenya. The examined groups will be picked through the Grassroots Trust for Community Organization in Kenya, who works with organizing the informal self-help groups in Kisumu (Interview, Apiyo 2012-09-03), as well as through the 'snowball –effect', i.e. one informant/group introducing me to the next one. For the sake of viability, the study will focus on one specific sector within the informal economy. The sector will most likely be informal petty trade, including street and market vendors, as self-help groups and microcredit are reported to be common within this sector (Lyons & Snoxell 2005, Apiyo 2012-09-03). The first part of the field study will be to identify appropriate groups for the study. To capture variation, groups participating in different microfinance program as well as groups not receiving microcredit will be studied. Variation in impacts depending on group size and age or sex composition must also be considered, but the final determination of variables will be done after conducting interviews with a few key informants identified in the field.

Mr. Apiyo did in the interview (2012-09-03) confirm that self-help groups are commonly targeted in microfinance programs in Kisumu, where multiple

microfinance institutions currently operate (AMFI 2012-09-10, internet). Examined groups will be picked out by either questionnaires or brief interviews with a few group members. After this, semi-structured interviews with members of the groups will be conducted, in which they will be asked e.g. how they view the functions of the self-help groups have been affected by microcredit, if their relations with other group-members have changed, who may join the group et cetera. Interviews with representatives for microfinance institutions could also be conducted, if designs of the programs need clarification.

The size of the population for the study is still uncertain, but as the paper aims to examine the experiences of the informants regarding the functions and dynamics of the group and how potential changes in livelihood strategies have affected that, the study will be based mostly on qualitative data. This could of course affect the replicability and representativeness of the study. Hence, great weight will be given to providing transparency regarding methods and results in the paper. As informal sector entrepreneurs are generally not officially registered, and reliable and quantifiable information regarding incomes, investment or expenditures in e.g. communal projects is thus often difficult to obtain (e.g. Brown 2006), the qualitative approach may thus be justified.

I have a good overview of the fields of informal economy and microfinance in Kenya. I wrote my Bachelor's thesis on informal trade in Nairobi in 2010, and I am currently doing an internship for UN-Habitat in Nairobi, where I work with developing a microfinance program targeting the informal sector in Kenya. It is my experiences here that sparked the interest in this specific research question, as I have been wrestling with the issue designing the program without the opportunity of conducting a field study. I also have contacts, such as Mr. Apiyo, in Kisumu, who can not only offer me help with providing contacts, but also assist in finding accommodation, interpreters et cetera.

Place and time for field study:

The field study will be conducted in Kisumu, Kenya, between mid-February and mid-April 2013.

Alternative layout:

If, contrary to the literature reviewed and Mr. Apiyo's confirmation, self-help groups would not exist in Kisumu to an extent that focusing on them would be meaningful, or the existing ones would not use the services of credit institutions, an alternative approach would be necessary. In the highly unlikely event of one of these scenarios to emerge, other viable ideas could be to focus on the impact of microcredit on individual livelihoods of the borrowers or examine the joint-liability groups in terms of social capital and inclusion/exclusion, and how this links to livelihoods of the members.

Primary budget:

Two-way flights to study area: Stockholm (Arlanda) – Nairobi (Jomo Kenyatta International Airport)	~5400 SEK according to mrjet.se
Two-way trip to Arlanda airport	160 SEK according to ul.se
Living expenses during the field study, two months	~10 000 SEK (rough estimate based on earlier experience in Kenya).
Accommodation for 2 months, rough estimate	~7000 SEK (rough estimate based on earlier experience in Kenya).
Additional costs (medication, maps, phone cards, literature, interpreters etc.)	3000 SEK (rough estimate)
Transport within Kisumu for two months (two trips a day)	~1000 SEK (rough estimate)
Transport to Kisumu (two-ways)	~500 SEK
Malaria medication, Lariam	460 SEK (Length of medication for a 2 month trip is 16 weeks, why two packages of Lariam is needed, á 230,50 SEK), according to apoteket.se
Travel insurance cost	500 SEK
VISA	400 SEK
TOTAL:	28 420 SEK

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