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The Role of Informal Finance and Capital Accumulation: A Case Study of Women Market Stalls Holders and Open Air Vendors in Kericho Municipality, Kericho County, Kenya

Dr. Flister Chebet Kurgat

Researcher, Department of Business Studies,
School of Business, Kabarak University, Nakuru, Kenya

Abstract:

In Kenya, entrepreneurship has emerged into a valuable professional skill for reducing poverty among women. Women's entrepreneurship has become necessary as a result of efforts to empower women and assist them in achieving long-term social and economic status. This research examines the social and economic viability of women's businesses. The study looks at how entrepreneurship development, which corresponds to small business organizations, might help to alleviate poverty and vulnerability among women. The study also looks into the many strategies used to promote women's entrepreneurship as a means of reducing poverty in developing countries. Indeed, a new policy initiative has been proposed, such as the government or some donor agencies reducing micro-credit interest rates or distributing small amounts of funding to cover the high cost of micro finance rather than imposing higher interest rates to encourage women to stay in their small business. The case study method was used in this investigation. The study focused on businesswomen in Municipal market in Kericho town, Kericho County who are actively involved in small and medium enterprises. For this research, a total sample size of 120 people was used, while 12 others took part in face-to-face interviews. To acquire primary data, this study used a semi-structured questionnaire method and published materials as a secondary data source. Women's entrepreneurship development is critical to eradicating poverty, empowering women with advanced education and skills, and ensuring rural women's long-term development through microcredit policies, targeted government intervention, and group-based entrepreneurship business efforts, according to this study. Since SMEs and economic development are linked, the study suggests that more jobs be created in the form of small and medium scale firms, particularly for women, through policy formation and implementation. In addition, the government should encourage women to develop and foster their entrepreneurial spirit as a means of securing meaningful work. In addition, the government should encourage the establishment of more well-supported and regulated micro finance banks to provide specialized financial help to women and their businesses.

Keywords: Merry-go-round, entrepreneurship, poverty alleviation, empowerment, micro-credit

1. Background

In the United States, women-owned businesses are growing at more than twice the rate of other enterprises, contributing approximately \$3 trillion to the economy and employing over 23 million people. Various causes are driving this tendency globally, according to study. Belonging to a group is mostly a matter of necessity in developing countries. Belonging to a merry-go-round becomes the only realistic option when other viable alternatives to pay for or supplement household incomes are unavailable. Furthermore, female-owned businesses have low capital requirements, low entry barriers, and low income (World Bank, 2015).

Women-owned projects are typically informal and home-based due to socio-cultural restrictions. While working in a traditional sector requires less experience and start-up capital, the downside is that these sectors offer lower returns. Working from home allows women to satisfy competing demands for time caused by misappropriated share of housework and childcare responsibilities, while working in a traditional sector requires less experience and start-up capital. Social standards are the most frequently cited constraint to physical mobility, followed by public safety, according to a study on gender and economic choice published in the 2015 World Development Report on Gender and Development. *Chamas*, or merry-go-rounds, are women's investment organizations that have proven a sure path to financial freedom for a long time. Many of them, on the other hand, have burned out before making any significant gains, while others have grown to become financial institutions with significant power, influence, and money. These women's organizations have faced a number of challenges, notably in terms of their success and long-term viability. Externally sponsored organizations, for example, are frequently short-lived and tend to split the local community. They lack adequate mechanisms to ensure that everyone has access, and they are frequently hampered by poor leadership and management skills, a lack of technical and business skills, limited access to finance and capital, and competing demands for time between market and household work due to family obligations (Anderson & Jean-Marie, 2012).

The internal procedures and process of creating and providing resources, savings, and donations from and to members are referred to as the Merry-go-round in Kenya. The essential formula is identical everywhere: each member gives a fixed contribution at a determined time, and the regulated contributions are handed on to members in turn at fixed and known times. In the majority of situations, the contributions are monetary in nature. Women's groups are built on the foundation of Merry-Go-Rounds (National Council of Women of Kenya, 2009). Traditions, according to Johnson (2014), disadvantage women by limiting their ability to earn revenue, access to information, and productive resources. Official data in Kenya show that there are over 700,000 registered women's groups throughout the country. This suggests, among other things, that women have a strong desire to join together and use Merry-go-rounds to improve their financial situation and lives in general. The benefits of joining to informal groups extend beyond the financial benefits of receiving funding from ROSCAs and ASCAs to the fact that they allow people to receive finances in an emergency and give social interaction and networking. Members quitting the group, followed by those who do not pay contributions, are the two most significant problems. As a result, there would be significant effects on cash flow within the group.

2. Literature Review

The literature has highlighted the importance of entrepreneurship in economic development and poverty reduction, particularly in developing nations. Carter (2016) argues that entrepreneurial development can help poor countries improve their economies. However, the researcher pointed out that economic development is multifaceted, involving variables such as culture, gender, type of business, and so on, in addition to the standard economic model of factor inputs. Entrepreneurship is viewed as a decision-making process, and the success of an entrepreneur, in this regard, is determined by the scenario and the method used. Some decisions necessitate thorough consideration, while others require the application of prior expertise; and the environment (for example, government legislation) in place at the moment can help or hinder entrepreneurial decision-making.

Entrepreneurial characteristics such as the desire to start a business, innovative skills, education, and networking aptitude are other important factors to consider. Women's entrepreneurship is crucial for developing countries' development and growth, and the necessity of promoting women in economic activities is becoming increasingly recognized in both developed and developing countries. Empowering women by bringing them into the mainstream of development, enhancing their economic standing, and providing them with income-generating possibilities, self-employment, and entrepreneurship in many social economic sectors is an excellent strategy to combat poverty within the economy (Islam, 2017). Experience has shown that there are many women in Kericho who are capable of and eager to participate in economic activities. Macro credit, which has been proven to be an effective instrument for poverty reduction, is an important tool for women's empowerment. Women's studies in Kenya have revealed all of the characteristics of female entrepreneurs. Since pre-colonial times, this has been involved in commercial or trading activity (Gill *et al*, 2013). Since they have been acknowledged as the mothers of their country, women have proved their ability and demonstrated that they should be carefully considered as vital in the political and economic sectors of the economy, as well as in poverty reduction. Women's entrepreneurship has been identified as a means of reducing poverty in the economy (Cliff, 2018).

Women's economic engagement and empowerment are essential for women's rights to be strengthened and for them to have control over their life and exercise influence in society. It all comes down to establishing just and equal societies. Discrimination and persistent gender inequities are common among women, with some women facing numerous forms of discrimination and exclusion due to characteristics such as ethnicity or caste (Solheim *et al*, 2021). In a study done in France by Stevenson & St-Onge (2015), 220 female entrepreneurs were interviewed and factors affecting their business performance were evaluated. According to the report, financial discrimination played a role in France. In a comparative research, Gill *et al* (2013) looked at the reasons for starting new businesses and growing existing ones. The motivating element in Canada, Singapore, South Africa, Australia, New Zealand, and Ireland was dissatisfaction with their former jobs. Individual motivation and owner goals were linked to performance in women-owned company initiatives in the United States, while future aspirations for success were linked to survival and independence (Ntsika, 2019).

People from varied backgrounds are or have been using the 'Merry-Go-Round' concept to generate income or funding for start-ups, which is a growing trend. According to Onyuma (2020), an increasing number of people are relying on the same notion to fund their enterprises. In addition to saving, *chamas* or self-help clubs give members more opportunities to network, share business ideas, and discuss investment concerns. The 'Focus Investment Self-Help Group,' for example, was founded by 25 young people who were unable to obtain a bank loan. They decided to employ the 'merry-go-round' (MGR) concept to assist them save money for bank security. The group eventually funded Sh. 1.5 million to purchase land, which they then used as collateral for a huge bank loan for their investment project.

3. Research Methodology

The study was conducted utilizing a survey design in the rift valley province, Kericho County, and Kericho town. Kericho is bordered on the north by the Uasin Gishu, on the east by Baringo County, on the north-west by Nandi, on the north-east by Nakuru County, and on the south by Bomet County. It is bordered on the west by Nyamira and Homa Bay counties and on the east by Kisumu County, and is made up of a diverse group of women entrepreneurs who work and do business in Kericho. This shows that Kericho's unique culture and tribes are completely represented, and will highlight the diversity of Kericho women entrepreneurs. The respondents were visited at their place of business as part of a purposive sampling approach. Questionnaires were given to people who were present at the time of the visit. Over the course of three weeks, a total of 120 women were given questionnaires. The questionnaire asked about personal information, perceptions, obstacles, and women's involvement to poverty alleviation. In this study, the case study method was used. Additionally, 12 respondents were subjected to in-depth face-to-face interview. A case study, according to Mugenda &

Mugenda (2003), is an in-depth assessment of a single group, institution, or phenomenon. It was the most appropriate way of collecting data concerning boosting women entrepreneurship as a solution to poverty reduction in emerging economies, and it was adopted by the researcher since it gave a complete examination of the study. The study focused on women in Kericho town who are actively involved in open air and market stall holders. Since it is practically impossible to study all small and medium enterprise owners in the area, a sample survey research design was used in the course of the study because it is relatively impossible to study all of the elements that made up the unemployed population of women residing in Kericho town. Food vendors, Fruit vendors, *Mitumba* (secondhand clothing) sellers, and vegetable vendors from all across Kericho town were chosen for this study. Kericho was the site of the pilot trial. According to Orodho (2005), a pilot research can uncover flaws in the intended experiment or process, which can then be remedied before large-scale studies are undertaken. The data was gathered utilizing both open-ended and closed-ended questions on the questionnaires. The questionnaire aided in the collection of data from the respondents.

4. Findings

The focus of this article was on the relationship between women's business and poverty in Kericho. Its goal is to find a cost-effective way to reduce poverty, as well as to broaden people's awareness of business and the social profile of women entrepreneurs.

Characteristics	Frequency	Percentage (%)
Age		
19-25 Years	25	20.8
26-45 Years	63	52.5
46-55 Years	19	15.8
56-65 Years	13	10.9
Marital Status		
Single	39	32.5
Married	56	46.9
Separated/Divorced	10	8.3
Widowed	15	12.3
Level of Education		
Informal	17	14.2
Primary	47	39.1
Secondary	36	30
College & above	20	16.7
Years in Business		
Less than 5 years	39	32.5
5-10 years	42	35
11-15 years	22	18.3
16-20 years	12	10
Above 20 years	5	4.2

Table 1: Socio-Demographic Characteristics of Respondents (N = 120)

The majority of respondents in this study were between the age of 26 and 45, accounting for 52.5 percent of all respondents. This age group represents the active working class in Kericho. As a result, the majority of female entrepreneurs are in this age range. Only 10.9 percent of respondents are between the age of 55 and 65, according to the findings. This can also be explained by the fact that most Kenyans in this age bracket are no longer working; it is the retirement age bracket.

Thirty-nine (39) respondents were single, accounting for 32.5 percent of the total sample size. The majority of the respondents (46.9%) were married, with ten (10) respondents representing 8.3% of the sample size being separated or divorced, and fifteen (15) respondents representing 12.3% of the sample being widows.

Table 1 shows that 14.2 percent of the respondents had no formal education, 47 respondents (39.1% of the sample size) had a primary certificate, 36 respondents (36% of the sample size) had completed secondary school, and 16.7% of the respondents were professionals. As a result, the vast majority of respondents were primary school graduates.

The findings also found that the majority of women, 35 percent, have spent 5 to 10 years in business, with only 4.2 percent having spent more than 20 years.

Type of Business Engaged in	Frequency	Percentage (%)
Food vendors	23	19.2
Fruits vendors	27	22.5
<i>Mitumba</i> (second-hand clothes) dealers	33	27.5
Vegetables vendors	37	30.8
Total	120	100

Table 2: Type of Business

Vegetable vendors were found to be the most common type of female entrepreneur (30.8%), followed by second-hand clothing traders (27.5 percent). Food and Fruits vendors were also popular business ideas, with 22.5 percent and 19.2 percent of respondents choosing them, respectively.

	Frequency	Percentage (%)
Strongly agree	12	10
Agree	17	14.2
Disagree	41	34.2
Strongly disagree	31	25.8
Undecided	19	15.8
Total	120	100

Table 3: The Government Does an Excellent Job of Providing Incentives to Female Entrepreneurs

Table 3 reveals that 41 respondents, or 34.2 percent of the sample disagreed, 31 strongly disagreed, 19 respondents, or 15.8% of the sample were undecided, 17 respondents, or 14.2% of the sample agreed and 12 respondents, or 10% of the sample strongly agreed with the statement. As a result, the majority of respondents were divided on the subject.

According to the table above, women entrepreneurs do not receive appropriate government support in terms of incentives and infrastructure. The lack of diverse incentives is Kenyan women's greatest difficulty. Entrepreneurial women require funds for both the start-up and expansion of their businesses. Finance could come from internal or external sources. However, in most situations, support does not move around, and many commercial or development banks are hesitant to issue loans, requiring exorbitant interest rates and collateral in the form of landed property or other assets.

Women's Trade Associations do not exist among female entrepreneurs. Furthermore, even if they were present, no one regards female entrepreneurs as market players. We are unaware of such organizations, despite the fact that the national government recognizes the role of women in business. So much money is wasted in the county that creating a fund to aid businesses is not even considered. Furthermore, the women's representative has only attempted to address our concerns by offering umbrellas to ladies at random (R2).

	Frequency	Percentage (%)
Personal savings	27	22.5
Merry-go-round	47	39.2
Friends & family	25	20.8
Business partners	5	4.2
Shylocks	8	6.7
Youth and women funds (Government loan)	6	5
Others	2	1.2
Totals	120	100

Table 4: Business Financing Sources

The majority of successful women entrepreneurs surveyed for this study financed their current businesses with money from the merry-go-round, family and friends, and personal savings, as shown in Table 4. Business partners and government financing were other less common sources.

A concerned respondent (R3), claimed that some members of the 'chama' do not honour their pledges to the group as they fail to pay up in due time, some have failed to show up completely even after receiving their collections!

Challenges	Number of Respondents	Percentage (%)
How to get capital/source of capital	38	31.7
How to choose the location	24	23.3
Society's outlook at the women entrepreneurs	16	13.3
Personal mobility (transportation of goods)	7	10.8
Lack of enough shades and space	15	12.5
Management of time (balancing work & home)	8	6.7
Problem with the customers	5	4.2
How to market their products	7	5.8
Total	120	100

Table 5: The Major Obstacles That Women Face While Starting a Business

Based on the outcomes in Table 5, vast majority of respondents (31.7%) mentioned that getting capital was a major impediment to their businesses. Other challenges of common concern included: choosing strategic location of their business enterprises (23.3%) and the societal perception of female entrepreneurs (13.3%), lack of enough shades and space (12.5%), among other challenges.

These days, business is not performing well. I've been taxed several times by the time I've sold all of the cabbage. Furthermore, as time passes, the cabbage loses its freshness, and I am forced to offer it at a discount. Market employees are perplexed by my circumstance because they claim they must reach revenue targets (R4).

'It is better to grow slowly because you are stress-free instead of being harassed by Kenya Women Finance Trust (KWFT), a micro-credit finance that gives loans to women,' stated R5, R8, R9, and R10. We were hounded, and some of our members' belongings, including as household items and domestic animals, were auctioned to repay creditors.

Reasons	Number of Respondents	Percentage (%)
Creates more employment opportunities for themselves	16	13.3
Reduces (fight) poverty	38	31.7
Women are able to support themselves, and stop depending on their spouses and family members	25	20.8
They are able to educate their children	23	19.2
Desire to be independent	4	3.3
Earning more money	7	5.8
Better status in the society	3	2.5
To utilize own skill	4	3.3
Total	120	100

Table 6: Reasons for Women's Participation in Business

The researcher discovered that, in addition to their contributions to educating their children, desiring to be independent, earning more money, utilizing their own skills, and achieving a higher social status, women entrepreneurs perceive their involvement in entrepreneurship to contribute to job creation, skill development, and economic development. According to the data and their responses to the statement in the table above, the majority of women believe that engaging in women entrepreneurial activities will help them sustain their families and eliminate poverty. This will aid unemployed women to refrain from prostitution, and gender-based violence in all of its forms and manifestations.

Description	Frequency	Percentage (%)
Have Business License	26	21.7
No Business License	94	78.3
Total	120	100

Table 7: Licensing for Businesses

As shown in Table 7, the majority of women entrepreneurs run unregistered businesses (Jua kali), which include selling things in the open air or in a market shift shed. Women entrepreneurs are less likely to have a registered business and operate from legitimate commercial locations.

This is because Kericho town's county government has proven to be a major obstacle for women businesses. Being a woman appears to accentuate this reality, as most women are harassed by county council officials when they arrive to check a business or a shed, and women may be less likely to meet and negotiate bribes with the predominantly

male council officials. Many female entrepreneurs are concerned about business licensing because they believe the procedure to be lengthy and complicated.

5. Conclusion

As a means of responding to the needs of the poor and alleviating poverty, the government has recently assumed a dominating role in strategic intervention, for instance providing flexible and interest free loans to women groups and also giving them guidelines on how traders must be levied and licensed. Arguments for its desirability, efficacy, and other factors have been presented. Capital and possessions are clearly required for a lack of willingness to engage in productive activities. And finding ways to make these resources available without encouraging a dependent culture would be a progressive response to poverty. This is especially true for women who lack the rights and opportunity to own and acquire assets and cash. Their ability to participate in productive activities is further limited when they are given greater responsibility with no corresponding pay. When poverty is widespread and lasts for an extended period of time, peace and stability are jeopardized. This is because people are compelled to respond to hardship by seeking ways to alleviate it.

The world's response to poverty can be interpreted as acknowledgement that it is both ethically and politically unsustainable. Human insecurity and societal instability are mostly caused by poverty and unemployment. We all know that poverty, unemployment, and societal disintegration are all violations of human dignity. We also know that they are self-reinforcing and represent a waste of human resources as well as a representation of dysfunctional market, economic, and social institutions and processes. As a result, the task of reducing poverty in society has become a global concern.

6. Recommendations

Based on the findings, the researcher, therefore, recommended that:

- For the present and future governance to achieve impressive development, more jobs should be created especially for women in form of small and medium scale enterprises through policy formulation and implementation since SMEs and economic development are related.
- As a means of obtaining gainful employment, the government should encourage women to cultivate and nurture their entrepreneurial spirit.
- In order to improve skill acquisition and entrepreneurial development, the government should examine and expand its skill acquisition program by creating additional skills acquisition centers in addition to those already in place.
- In order to achieve the level of the Western world's economic development, Kenya's economy needs to become a SMEs-driven economy with enough financial assistance. Furthermore, the government should encourage the establishment of additional well-supported and regulated micro finance banks to provide critical financial assistance.

7. References

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Appendix

Figure 1

Source: <https://hivisasa.com/posts/20780372-3-things-that-make-merry-go-round-chamas-lack-economic-sense>



Figure 2

Source: <https://impacthubmedia.com/14360/corona-market-offers-lifeline-to-kisumu-traders-after-eviction-from-kibuye-stalls/>



Figure 3

Source: https://1.bp.blogspot.com/-hGvZgqbyQcY/XpIO7XVuEPI/AAAAAAAAAhM/RL7Y_uwbqiwi1UMIV7yD-n16jCWkZPGIQCLcBGAsYHQ/s1600/DSC_8124.JPG