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The Role of Social Capital in the Establishment and Sustenance of Women's Micro-businesses: A Case Study of Butere-Mumias District, Kenya

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Background

In the fast globalizing world, the importance of raising women's productivity is increasingly being recognized as a critical element in overall poverty reduction and achievement of sustained growth in many developing countries. Globalization as a defining process of the world today has created both opportunities and constraints and, therefore, raised both hope and disillusionment among policy-makers and civil society in the North and South, respectively. The South, and particularly Africa, is left pondering on the viability of globalization in promoting economic growth as initially envisaged (Bunwaree 2002; Khor 2001; Bond 2001). Women have particularly been hard hit and disillusioned by the unforthcoming benefits of globalization (Fall 1999). The disillusionment about the whole process is basically hinged on:

- lack of tangible benefits to most developing countries from opening their economies despite the well-publicized claims of export and import gains;
- economic loses and social dislocation by rapid financial and trade liberalization;
- growing inequalities of wealth and opportunities between developed and developing countries, and;
- the fact that environmental, social and cultural problems are made worse by the workings of global free market economy.

As such, globalization in its real sense has failed to incorporate the needs of women and other poor people who engage in micro-businesses at the base of society. It is a common experience across many developing countries and more so sub-Saharan Africa, to find women engaged in various income-generating micro-business activities in the informal sector to provide for their families (Womenaid International 2001; Keino and Ngau 1996). In Kenya, for instance, participation of women in the informal sector evidently possess potential to alleviate poverty through job-creation and income generation (Kibas 2001; Government of Kenya 1986), yet globalization as a process has made no obvious attempt in integrating efforts by this minority group. Women in rural Kenya engage in various micro-business activities such as running retail shops, market food stores, tailoring shops and selling cloth in market centres which, if well supported by relevant policies at national and international levels, can go a long way in alleviating poverty and bridging women to international trade. This is based on the understanding that it is actual involvement in micro-business that forms the building blocks to international trade.

However, biased benefit emanating from globalization does not seem to support this kind of move. Consequently, this scenario has seen the emergence of the notion of globalization from below to counter globalization (from above). The weight of globalization from below lies in people-to-people cooperation at grassroots level within and subsequently across national borders. The basic argument of globalization from below is for economic integration to start at community level by groups of households integrating their economies to freely support each other economically by pooling resources together, before forming regional blocks that in turn form a national block to integrate globally. The whole idea implicitly tends to define manifestations of social capital, which arguably form the basis of the notion of globalization from below (Fukuyama 1999; Brecher *et al.* 1998). Therefore, the genesis of the notion of globalization from below is indirectly founded on the premise of social capital exemplified by grassroot associations, trust, norms and networks. Women by nature are joiners, that is, they have stronger need to belong to groups (Abrahamsson 1993). As such social capital, which is people's stock of associations, trust, norms and networks that they make reference to help them act collectively and coherently in the interest of development, is well-exhibited in women. An interesting and pertinent question here is how do women exploit this natural endowment of social capital to their own economic advantage?

There is growing empirical evidence that social capital contributes significantly to sustainable development through providing opportunities for poverty alleviation (Woolcock and Narayan 2000; Bates 1999; Kimuyu 1999; Murphy 2002; Sorensen 2001; Heikkinen 2000). Like other forms of capital, social capital is productive, making the achievement of certain end results that in its absence would not be possible (Raffo and Reeves 2000). Business opportunities require that stock of capital be expanded away from traditional financial and human capital to include social capital as well (Scoones 1998). Physical/financial capital is wholly tangible, embodied in observable material form; human capital is less tangible, being embodied in skills and knowledge acquired by an individual while social capital, on the other hand, is far less tangible, existing in relations among persons. Social capital, although far less tangible, is by no means less useful in micro-business performance because it enables business people and communities to carry out their activities in an integrated manner with minimum risks and maximum benefits.

The Problem

One of the limiting factors in the economic advancement of women in business is lack of financial capital (McCormick 1988; Bulow *et al.* 1995; Aleke-Dondo 1991; Womenaid International 2001; Kiiru and Pederson 1996). Intervention measures geared towards the promotion of micro-businesses for poverty alleviation in rural areas has mainly focused on the supply of credit to men who are able to provide collateral, leaving behind more enterprising women traders (Njeru and Njoka 2001; Otunga *et al.* 2001; Kibas 2001; CBS *et al.* 1999). Even in institutions such as the Kenya Women Finance Trust, *Maendeleo Ya Wanawake* and National Council of Women of Kenya, created specifically to serve the needs of women entrepreneurs, ordinary women's access to credit is not all that automatic. The institutions indirectly ask for collaterals in terms of financial deposits up to a certain amount or certain skills or education level. In addition, women in rural areas have a historical perpetual fear of loans from formal financial institutions (CBS *et al.* 1999; Mahinda 1993; Government of Kenya 1989).

Many micro-businesses, especially in rural areas, operate informally without written contracts and receipts. Furthermore, most women carry out their businesses in local markets or shopping centres where they are known and they are, often, prevailed upon by society to give credit. On the basis of this situation within which women operate, how are they able to start and sustain their businesses? What is the role of social capital as the basis of globalization from below in the establishment and sustenance of women's micro-businesses? This study set out to provide answers to these pertinent questions by investigating the role of social capital in the establishment and sustenance of women's micro-businesses in Butere-Mumias District.

Research Objectives

The broad objective of this study was to critically examine the role of social capital as genesis of globalization from below in the establishment and sustenance of women's micro-business in Butere-Mumias District. The specific objectives were to:

- Assess the role of associations in the provision of initial capital for women's micro-businesses;

- Examine the extent to which social trust and norms are important in the sustenance and performance of women's micro-businesses;
- Establish the extent of utilization of networks in the sustenance and performance of women's micro-businesses.

Limitations of the Study

Within the scope of time and resources, primary data collection for the study was limited to four selected market centres in Butere-Mumias District in western Kenya. It is assumed that the findings would somehow reflect the role of social capital in establishment and sustenance of women's micro-business in Butere-Mumias. The concept social capital has arguably been linked to the notion of globalization from below from the fact that they both advocate for social, cultural and economic integration. This link may be contestable for people who do not approach the issue from this perspective. As such, the relevance and acceptability of this paper is limited to people who look at the concept from this perspective. The validity of the results of this study is limited to the extent that information collected from the sampled businesswomen for interviews and focus group discussions was reliable and to some extent representative. The information was collected from a cross-section of businesswomen with different demographic and socio-economic profiles. The results are based on thirty scheduled interviews and three focus group discussions.

Globalization and Micro-businesses

Globalization is not a new process. Over the past five centuries, firms in economically advanced countries have increasingly extended their outreach through trade and production activities (Khor 2001; WTO 2001). However, what is new is the rate of the globalization process necessitated by the factors such as technological development and policies of liberalization that has swept across the world. Globalization as is seen today represents shrinking space, shrinking time and disappearing borders, a situation that is supposedly linking people's lives more deeply, more intensely and more immediately than ever before.

According to Bunwaree (2002) and Seixes da Costa and Desai (2001), globalization has different facets. These are: technological, social, cultural, political and most importantly economic globalisation. Globalization has been seen in terms of technology as 'collapse of space and time', politically as 'rolling back of the state' and economically as 'integration of global economies'. Economic globalization is manifested in the breaking down of national barriers, international spread of trade, financial and production activities and the growing power of transnational corporations and financial institutions based in developed countries. As such, developed countries and their multinational corporations have untold advantages over developing countries, and due to this, economic globalization has turned out to be a very uneven process that does not promise equitable development across the board. Most developing countries have seen their independent policy-making capacity eroded and now subsist on adopting policies made by other entities, which may on balance be detrimental to the countries concerned.

Economically, the 1990s began with the so-called 'Washington Consensus' as the dominant approach to the discourse on developing and transitional economies. The consensus was a series of economic policies that sought to free developing and transitional economies from the dead hand of the State (Fukuyama 2002). These policies were applied with varying degrees of success in many developing countries. The problem with the Washington Consensus was not that it was misdirected, but rather that it was incomplete. One of the ways in which it was incomplete was its failure to take account of social capital in the target countries. The ability to implement liberalizing policies presumed the existence of a competent, strong, and effective state, a series of institutions within which policy change could occur, and the proper cultural predispositions on the part of economic and political actors. The state being referred to is that which effectively em-braced the virtue of social capital manifested in the existence of strong community-based associations, networks, legal framework (norms) and trust in recipient communities. The sole intention of the Liberalizing policies was supposedly to economically enable poor people at grassroots level in target countries. For this to happen these people had to be enterprizing and organised in a particular way.

This omission of recognising the importance of social capital in the implementation of the outcome of the Washington Consensus provided a fertile ground for the birth of the notion of globalization from below (Brecher *et al.* 1998; Brecher 2001). Globalization from below simply champions for attention to be focused on social capital manifested in people's stock of associations, trust, norms and networks to act as an engine for economic growth and subsequently development in its totality. Brecher (2001) argues that the Lilliputian Strategy, in which grassroot groups cooperate within and across national borders to outflank corporations and other centres of power, remains at the core of globalization from below. Multinational corporations have dissolved national borders, broken national barriers and finally disrupted developing countries' trading systems by flooding markets with their own goods. Developing countries have to reorganize themselves from below to counter these bad effects of globalization. Cooperative Bank in Kenya, which is an agglomeration of small grassroot societies, is a good example of how people can form community associations that eventually join up into a big internationally competitive entity.

Proponents of globalization from below were initially united by little beyond their opposition to globalization (from above). However, their common interests go far deeper than that. They share a common interest in putting the world on a safer, saner, and less destructive path than global elites currently offer. Globalization is certainly doing its part to encourage a worldwide backlash in favour of globalization from below. A survey sponsored by the World Economic Forum found that nearly one in two citizens and majorities in half of the 25 countries surveyed support people who take part in peaceful demonstrations against globalization because they are supporting their interests (Brecher 2001; Fall 1999). Globalization is leading millions of people around the world to organize on their own and others' behalf. While globalization may self-destruct through its own internal contradictions, its failure does not guarantee that another, better world can be realized. That depends on the commitment, integrity, wisdom and unity of those who are forging globalization from below.

According to Seixes da Costa and Desai (2001), globalization as a process is driven by both push-up and push-down trends. There is globalization from below (e.g. the proliferation of CBOs, NGOs, etc.) and globalization (emergence of international structures, e.g. WTO). Globalization from below pulls power from the government down to civil society and community, but globalization tends to push power out past national borders to the regions and to the global domain. More importantly, globalization from above seems to be changing the nature of the state and of public policy such that states are playing lesser and lesser role in economic and trade matters. This, however, is not supposed to be the case. Power needs to be bestowed in the hands of people to organize development from bottom upwards.

Social Capital and Micro-business Performance

Social capital as a concept is not new. It dates back to 1916 when it was conceptualized by Hanifan (Woolcock and Narayan 2000; Putnam 1993). It was then suffocated by economic development theories that emphasized modernization and argued that traditional values and institutions were an impediment to development and had to be scrapped. However, there has been rethinking in development theory and practice that has led to the recognition of the importance of social capital in economic development (Barr 1998; Bazan and Schmitz 1997). Social capital has variously been defined in literature. However, the common denominator in all definitions is the aspect of cooperation and networking for mutual benefit of all parties involved. The cooperation and networking is based on social trust and guided by social norms. According to Scoones (1998) and Kahkonen (1999), well-established social capital is able to give rise to financial and human capital through merry-go-round and rotating credit associations. This consequently builds the necessary framework for poverty alleviation in rural areas by enhancing entrepreneurial activities.

Heneveld and Craig (1996), Francis *et al.* (1998) and Gugerty and Kremer (2001) argue that although there is a widespread consensus that social capital is important for development, hardly any research has tried to examine the production of social capital and more specifically the impact of funding or project assistance on the development of social capital in organizations, particularly in developing countries. The results of Gugerty and Kremer's work on the impact of development programmes on the building of social capital among rural women's groups in western Kenya indicate that, at least in the short run, outside funding leads to more turnover among group members and increases entry into groups and group leadership by younger, more educated women, by women employed in the formal sector, and by men. These outcomes are subject to two interpretations: they may simply be an efficient response to the more complex demands on organizations participating in the programme, or they may represent rent-seeking by elites. In either case, the analysis suggests that providing development assistance to indigenous organizations of the disadvantaged may change the characteristics that made these organizations attractive to funders in the first place.

Indigenous organizations of the poor and disadvantaged are often seen as a form of social capital that promotes justice and equality. Baland and Anderson (1999), for example, argue that women's rotating savings and credit associations in Kenya improve women's bargaining position within the household. The policy implications of this are unclear. Many donors are actively trying to support the development of civil society in developing countries through their funding programmes. This funding from governments and nongovernmental organizations (NGOs) could potentially enhance social capital among poor and disadvantaged groups, but could also potentially crowd it out, or lead to the takeover of their organizations by elites.

Murphy (2002), Raffo and Reeves (2000), Putnam (1993) and Coleman (1988) argue that while physical and human capital refer to tools and training that enhance individual productivity, social capital refers to features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit. In other words, while physical and human capital changes materials to tools and equips persons with skills, respectively, that facilitate production, social capital enhances relationships in ways that facilitate positive action. While physical capital is wholly tangible, being embodied in the observable material form; and human capital is less tangible, embodied in the skills and knowledge acquired by individual; social capital is far less tangible, existing in the relations among persons but very important for business performance.

According to Kimuyu (1999), communities possess resources in form of social relations, values and institutions, which can be harnessed for development, and improvement of socio-economic welfare of society. Putnam (1993), using an example from Italian communities, demonstrates that the quality of relationships among people has a significant influence on business pursuits and economic performance. He found that for institutional reasons, some regions in Italy such as Emilia-Romagna and Tuscany prospered while others such as Calabria and Sicily had stagnated. Successful communities had strong norms for reciprocity and strong networks of civic engagement features, which make voluntary cooperation more likely. Similarly, women's strong affinity to associations and networks of civic engagement can be enhanced to promote business activities of women in Butere-Mumias District.

World Bank (2001), Bates (1999) and Coleman (1990) argue that without social capital there can be no economic growth or human well-being and the society at large is likely to collapse. This is because social capital brings about social and cultural coherence that forms a recipe for economic development of any society. For instance, two farmers exchanging tools can get more work done with less physical capital. Similarly, rotating credit associations can generate pools of financial capital for increased entrepreneurial activities. Heikkinen (2000), Ferrand (1998) and Esman and Uphoff (1984) note that in business networks, investment takes place among private individuals that have enduring relationships which result from friendships, kinship, gender, religion or ethnicity. These relationships within groups develop compelling norms, which help members to solve disputes based on social contract. For instance, this relational contracting deters cheating because in choosing to cheat or not to cheat, customers/traders compare the short-term gains of such behaviour and long-term losses related to screening and search costs related to establishing fresh relationship. Therefore, this relationship and networking ensures that when a customer is given goods/services on credit he/she is able to pay back even if there was no formal contract entered between the seller and buyer.

Murphy (2002) and Kahkonen (1999) developed a number of indicators related to village associations, activities, norms and trust to measure social capital. They came up with indicators such as social capital index, density of membership, meeting attendance, participation index, community orientation, number of joint village activities, social interaction index and neighbourhood trust index which, though amorphous, helps to show the density of social capital among people. This study tries to show how these different indicators/measures of social capital relate to the establishment, sustenance and performance of women's micro-businesses in Butere-Mumias District. Granovetter (1985) argues that family, religion and ethnicity play a critical role in initiating business networks, although the latter in such networks are kept in place by business itself. The reason for this is that business relationships are nurtured in business meetings away from family or religious functions. Therefore, the aforementioned agents only facilitate people's meeting and knowing each other. Women are always the majority in such meetings.

This study demonstrates how women turn such opportunities to their own advantage in business.

Involvement of Women in Micro-business

Micro-businesses play a very important role in Kenya's economy. Many of the rural population, especially women, are engaged in micro-businesses as a source of income to supplement other sources (Pedersen 2001; Kibas 2001; Njeru and Njoka 2001; Kinyanjui 1999; CBS *et al.* 1999; Government of Kenya 1997). Consequently, there is a widespread support for the informal sector in Kenya based on its importance and the need to create more jobs. Women, who mostly dominate this sector, have been important partners of men in the development process. They have been major actors in primary production and basic commodity exchange, especially in areas where agriculture and small-scale enterprises form the base of the local economy.

Otunga *et al.* (2001) observe that in most developing countries, up to 80 per cent of the buying and selling of basic commodities, especially in the informal sector, are performed by women. In a historical perspective, they argue that women have been involved in informal trade at least since the time of barter trade. Women in western part of Kenya, which includes the present-day Butere-Mumias District, were involved in the exchange of goods such as pottery, basketry, grains and fish. This, to some extent, means that owing to these women's experience in business, they are able to carry out sustainable business if given a properly enabling environment such as access to initial capital for businesses.

The Government of Kenya (1986, 1997) notes that the contribution of women to economic development has not been adequately highlighted in literature. The documents attribute this to the fact that adequate statistics showing the contribution of women to the development process are lacking. Although the law of Kenya provides for equality between men and women, in practice the latter are still disadvantaged. For instance, employment acts restrict most women from running businesses in their homes or being hawkers although this has been overtaken by the effects of liberalization and women are now engaged, in business activities. Owing to this, some structural and gender-focused efforts, such as those that manifest in women in development programmes, have supported the participation of women in basic income-generating activities through informal sector programmes. These programmes are largely welfare-oriented, operating at subsistence level of production and designed to cater more for enhanced confidence and awareness than to create sustainable profit centres. Such programmes are based on the premise that women can successfully develop themselves using traditional welfare-oriented roles. However, it is clear that women are not a homogenous group but there are distinct classes or strata of women in society. In this connection therefore, many of these programmes have only been taken into effect up to a certain class of women in society, that is the middle class clique of women, leaving unreached the lowest class of women where the poorest of the poor are found.

The Women's Bureau (no date) report that profits made by women in business, as opposed to men, are much more likely to benefit the entire families as the funds are used to purchase food and other health-related supplies rather than the consumer goods which men are likely to purchase. However, despite this, most women who venture into business in the informal sector lack the collateral to enable them secure bank loans to start and/or expand their businesses (Kibas 2001; CBS *et al.* 1999). The major strength of women in the rural areas is their ability to form self-help/income-generating groups and merry-go-rounds such that in the absence of formal loans they are left to depend on their social groups and networks to survive in the business world.

Although there is a presumption that entrepreneurs of both sexes experience similar constraints to business start-up and expansion, the Kenyan social systems are known to be inherently biased against women and thus only give marginal attention to women's needs (Njeru and Njoka 2001). As such, women face problems that are qualitatively different from those encountered by men, with regard, for example, to access to credit, information and training. AFRACA (1983) and Mahinda (1993) argue that constraints to extending credit to rural women are multiple and require careful analysis. On the basis of practical experience, they divide these constraints into three categories, namely: constraints facing women such as lack of technical knowledge, material skills and socio-economic obstacles; constraints facing financial institutions e.g. inadequate funds, lack of supporting services, loan processing; and the constraints facing government such as inadequate extension services, lack of village level infrastructure and lack of foreign exchange. By and large, credit institutions do not reach women due to two facts: one, the institutions are mostly led by male administrators and two, the erroneous perception that women entrepreneurs are small-scale traders without any desire to expand.

Women are usually not involved in full-scale trading, so they tend to concentrate on small business, which require very small capital. Banks find such business unattractive and argue that extending credit to such projects would be overly expensive and a risky venture (Kamunge 1990; Aleke-Dondo 1991). Consequently, banks deny credit to women in petty trade, processing and manufacturing at a micro-scale. Hence women, if anything, have to rely on their associations for finance to start up their businesses. This, to a large extent, explains the observation by Pedersen (2001), Ferrand (1998), Dranchman (1999), Josefa (1999) and McCormick and Pedersen (1996) that micro-businesses, directly or indirectly, employ about two-thirds of the rural population and that worldwide, micro-businesses tend to be dominated by women entrepreneurs. Therefore micro-businesses offer an important source of employment for women that enable them to pave the route to financial independence. This then requires that the dynamics of women entrepreneurs in these businesses are well understood so that a more conducive environment, such as supportive policy framework, is created to encourage more women to start up businesses. As such, this study provides literature on the use of social capital that stands for people's grassroot integration and collective action for economic and social gains. The literature has the ultimate goal of assisting in formulating policies that promote micro-businesses, especially those run by women.

The argument in the first section of this literature review tries to link the notion of globalization from below with the concept of social capital. The link is based on the two concepts being all about integrating people's activities at grassroot level, be it social or economic, for mutual benefit and in the interest of achieving development. As such, this study uses the framework of globalization from below as espoused by Brecher *et al.* (1998) especially in the chapter on 'The power of social movements and its secret' to analysis the role of social capital in assisting the establishment and sustenance of women's micro-businesses. Social capital has been demonstrated to be very important for economic development in any society. The various aspects of social capital, that is, trust, associations, norms and networks manifest more in women than in men. The review also reveals that by nature, women have a greater need to belong to groups/associations and therefore have a greater networking power compared to men. The literature review has also underscored the importance of micro-businesses in Kenya's economy and clearly shown that women in rural areas run most of them. Consequently, this study largely demonstrates how women use social capital to start and sustain their micro-businesses.

Theoretical Considerations

Theoretical orientation of this study is towards group theory. The theory postulates that human beings are members of many groups of which membership may be voluntary, e.g. clubs, societies, associations, political parties or non-voluntary (compulsory) e.g. sex, race, age, neighbourhood, political turmoil (Napier and Gershenfeld 1999; Glen 1975). Various groups/associations have their own social norms that keep members together, strengthening relationships, networking and cooperation. A relationship manifests itself as trust in an exchange situation such that economic agents are confident that parties they are dealing with are seriously interested in sustaining a business interaction. Trust in this case results from repeated success in exchange situations.

Some people have a stronger need to belong to groups (i.e. joiners) than others. Women, for instance, by their nature of being sociable are mostly joiners and they derive a lot of joy and other benefits from it. Voluntary membership of a group/association is determined by a number of interacting factors such as personal, occupation, legal and business. Hence, it is difficult to identify a single clear-cut reason for a person's affiliation with a particular group(s) (Abrahamsson 1993; Glen 1975).

It is common knowledge that membership of an association/group enhances members' acceptability in society. For instance, a person belonging to more than five groups is likely to be more acceptable than one in two or three. Similarly, a business person with membership in several groups is likely to have more friends and therefore attract more customers from the groups in which he/she is a member and also other members are able to get goods/services at subsidized rates and credit. Therefore, group/association membership involves a give and take between an individual and the group (Hirschman 1984). Globalization from below's main premises lies in people cooperating at the lowest level of society, a fact that globalization as we know it today (globalization from above) has failed to take into account. The main tenets of globalization from below exist in the concept of social capital that is manifested in people's stock of associations, trust, norms and networks. By nature women, and more so African women, are well endowed with social capital that they often call on to help them solve their problems.

Conceptually, by virtue of women being joiners and belonging to many associations, they have strong social norms that keep them together, trust in one another and are in good networks. Given this state of affairs, they are able to raise initial capital for their businesses from merry-go-round/rotating credit association, honour their pledges when given credit (are credit-worthy), trust each other and therefore give credit, get market information through their strong networking and follow up on their defaulters and suspend/discriminate against them. In this way, a whole community or region becomes like a small village where every individual's character is known and can be regulated by social exclusion. Consequently, women are able to get initial capital to start business, able to operate a business with less risk and running costs and hence make reasonable profits to be ploughed back for the business to grow.

Methodology

This study used both primary and secondary sources of information. Primary sources used quantitative and qualitative methods of data collection. In quantitative data collection, scheduled interviews were used to gather data on type of business, sources of initial capital, membership in associations, social and business networking, role of trust in running businesses, defaulter arbitration mechanisms and general performance of businesses. The sample size for the study was 30 respondents drawn proportionally, depending on the size of the market or shopping centre. Qualitative methods of data collection made use of Focus Group Discussions (FGDs) with selected businesswomen to follow up on the issues that were not clear or were not captured from quantitative methods of data collection.

Discussions from FGDs were translated and transcribed within 24 hours of completion of each FGD. The resulting transcripts were coded using the programme ATLAS.ti (Muhr 1997) based on the template of topical categories drawn from questions and issues covered in the discussion guides and from the themes emerging from the discussions themselves.

Respondents of the study were selected randomly from women trading, in the markets selected from a list of markets obtained from Butere County Council and Mumias Town Council. At some point, the snowball technique was used. This is where the researcher identifies one respondent and after the interview he/she is asked to name another respondent with similar qualities. Participants of focus group discussions were selected from respondents during interviews and contacts with resource persons. Their selection was dependent upon their wide knowledge of the issues under investigation, their ability to discuss issues freely and lastly willingness to attend discussions.

The first stage in the processing of data for this study consisted of editing, checking for completeness of the questionnaires, verifying the consistency of the responses given and eliminating the questionnaires or responses that are seen as unreliable. Coding and entering the data into the computer SPSS package for analysis then followed. Descriptive analysis such as cross-tabulation, frequencies, percentages, means, standard deviation, minimum and maximum were performed on the data to analyse emerging trends and make deductions appropriately. Recorded data from focus group discussions were transcribed and Analyzed together with notes taken during discussions by use of the ATLAS.ti programme and content analysis techniques.

Secondary sources explored a wide range of documents to collect information and also situate the research theme appropriately in context of other studies. The documents that were reviewed include NGOs' reports on women's micro-businesses, the government's policy documents on support of micro-businesses and especially those run by women. Other documents reviewed were books and academic journals. Owing to the nature the study, data collected was mainly analyzed using descriptive statistics and content analysis and was presented thematically.

Results and Discussions

Background Information of the Businesswomen

This study sought views from businesswomen of diverse backgrounds. The mean age of the businesswomen interviewed was 37 years. The youngest businesswoman was 20 and the oldest 65 years. The dominant age group was 20-24 (23%). The majority of businesswomen (73%) had some formal education. The number of years in formal education ranged from 0 to 16 with the mean of 7. The household size of the businesswomen was between 1 to 15 with an average of 5. On the other hand, the average household income of the businesswomen was KShs.

4900 with huge inter-household differences. The household with the lowest income had a monthly income of KShs. 300 while the highest had KShs. 20000. About 70 per cent of the businesswomen were married with the rest being either single or widowed.

Sources of Initial Financial Capital

The businesswomen were found to trade in a wide range of items. These included: household goods such as utensils, soaps, matchboxes; foodstuffs such as vegetables, fish, meat, maize meal, maize, beans, fruits and clothing materials. Others were engaged in the provision of services such as grinding mill, agricultural extension and hairdressing. However, over half (53%) traded in foodstuffs.

These results agree in a way with Njeru and Njoka (2001) that women entrepreneurs venture mainly into service-oriented businesses such as selling vegetables, fruits, grains, clothes, retain, consumer goods, fuel, hair care, dress making/tailoring, knitting and embroidery. Each businesswoman had reasons for trading in the items she was trading in. The reasons included profitability of items, amount of initial capital available to start the business, frequency of use of items and humanitarian service to community e.g. health services.

On the average, these businesswomen have been in business for at least six years. There are, however, variations within individuals, with some having been in the business for less than one year while others have been in it for twenty years. The majority (29.2%) have been in business for between 1-5 years. It is within the last 6 to 10 years that the economic situation in Kenya has become particularly tough following the World Bank's and International Monetary Fund's (IMF) decision to stop aid until the country met certain conditions including Liberalizing the economy, privatizing public companies and downsizing public workforce (retrenchment), all wrapped under a structural adjustment programme. Retrenchment from both public and private sectors saw many people lose their jobs. Women were particularly hurt by this situation either by them (women) or their husbands losing their source of livelihood. As a result, they (women) had to look for ways through which their family could be sustained financially. This somehow explains why the majority of businesswomen started their business between six to ten years ago.

The source of initial capital varied widely. The sources mentioned included: own savings, rotating credit associations, gift from family members and salary. No woman among the interviewed had obtained a loan or credit from a formal financial institution for initial capital (Table 1). As pointed out by Njeru and Njoka (2001) and Rhyne and Otero (1994), the reasons for the businesswomen not obtaining a loan from formal financial institutions are that, firstly, they had cheaper alternative sources of initial capital and, secondly, they fear getting loans from formal institutions because of the conditions imposed and high interest rates.

Table 1: Sources of Initial Capital

Source of Initial Capital	Frequency	% (Responses)	% (Cases)
Own savings	13	27.7	43.3
Gift from family member	12	25.5	40.0
Rotating credit associations	12	25.5	40.0
Salary	4	8.5	13.3
Retirement benefit	2	4.3	6.7
Loan from friends	2	4.3	6.7
Sale of property	2	4.3	6.7

Source: Field Data, 2002

Among the prominent alternative sources of the initial capital for business was a gift from family members, mostly husbands, parents, siblings, children, uncles and aunts, own savings and rotating credit associations. From the focus group discussions, it emerged that even some of the women who said that their source of initial capital was from their own savings alluded to the fact that the saving was done in merry-go-round/rotating credit associations. This emphasizes the importance of associations, particularly rotating credit, in providing funds for the starting up of micro-businesses by women. The result confirms the observation by Putnam (1993) that rotating credit associations are important not only for sociability but also for small-scale capital formation to start micro-businesses.

Performance of Women's Micro-businesses

The amount of initial capital for the women's micro-businesses ranged from KShs. 50 to KShs.30000. The average was, however, KShs. 24000. Operating capital also varied from KShs. 140 to 60000 with a mean of KShs. 50000. The majority of the businesswomen (76%) reported positive growth in their business. This is depicted clearly from the difference between their initial capital and operating capital. Business growth ranged from 17 per cent to 98 per cent and at least 77 per cent of those that reported business growth had over 50 per cent growth. About 70 per cent of businesswomen who reported positive growth in their business were members of one or more rotating credit associations. This further demonstrates the importance of rotating credit associations in generating initial financial capital for the start of micro-businesses, especially among women.

Of the 24 per cent who had negative growth in their business, only 43 per cent of them were members of rotating credit associations. The reasons for their negative growth were cited as lack of customers due to the poor performance of the economy, high taxation by the local municipal council, lack of enough time devoted to their business due to household chores, and lack of savings due to pressing domestic needs such as school fees and subsistence. Some of these factors agree with what Njeru and Njoka (2001) found in their study on the socio-cultural factors influencing women entrepreneurs' investment patterns in Nairobi. They reported that major constraints facing women's businesses include low returns from business and work pressure due to their domestic chores.

The length of time the businesswomen take to sell their stock (rate of stock turnover) ranged from 1 day to 90 days depending on the type of goods traded in, the number of customers available and the amount of time devoted to the business. However, the average time taken to sell stock is 14 days (2 weeks). As it emerged from the focus group discussions, businesswomen who trade in consumables that are required in households on a day-to-day basis have a higher rate of stock turnover than those trading in goods like clothing and utensils. It is obvious that the rate of stock turnover depends on the number of customers one has. This is closely linked to the extent of the businessperson's social network. It was evident that some businesswomen, especially the newly married, do not open up their businesses for long enough due to domestic chores. Most of them only open in the afternoons after farm work and domestic chores at home. For such businesswomen, the rate of stock turnover was understandably low. When the time taken to sell stock was correlated with membership in associations, it emerged that those who were members of associations tended to sell faster than those who were not members of any association. This point was also stressed during focus group discussions. The participants argued that people who belong to many groups tend to have many more friends and therefore potential customers than those who do not belong to any association. They gave an analogy of the popularity a man with many wives has because of the extended networks of relations and friends among his many in-laws.

Businesswomen's Membership of Associations

Over 70 per cent of businesswomen were members of one or more rotating credit associations. The maximum number of rotating credit association any one individual belonged to was three. About 48 per cent of the women were members of three rotating credit associations. The average membership of each association was 15 with the maximum membership of any one group being 100 and minimum 5. This is in harmony with Kimuyu's (1999) observation that business networks are usually small with strong trust between members. It is, in actual fact, this trust resulting from repeated success in the exchange situation that keeps members of the network together.

Businesswomen who belong to many associations and groups have a bigger radius of trust, that is, circle of people among whom cooperative norms are operative, and as such they are more acceptable (Fukuyama 1999). Such businesswomen are more likely to be successful in business due to the large network of friends and potential customers. The average amount of money contributed in each group is KShs.340 and on average the groups contribute after 18 days. However, the time they take to contribute ranges from 1 day to 30 days (one month) (Table 2). Some of the groups do not necessarily meet, but an appointed treasurer collects contributions from members and hands the whole amount to whoever is scheduled to receive it.

Table 2: Summary of Statistics for Association Members, Contributions and Periods of Contribution

	Membership			Amount Contributed			Time Taken to Contribute		
Association	Mean	Min.	Max.	Mean	Min.	Max.	Mean	Min.	Max.
1st association	17	5	38	278	50	1000	19	3	30
2nd association	13	5	25	261	20	1000	19	1	30
3rd association	12	8	16	484	20	2000	16	7	30

Source: Field Data, 2002

Other than rotating credit associations, the majority of the businesswomen (68%) were also members of other groups. However, these other groups were mostly religious-based such as *Jumuia* (Small Christian Communities) associated with the Catholic Church, Mothers' Unions and *Utulivu* associated with the Anglican Church and Muslim Youth Group. The rest were village development committees and groups. Focus group discussions revealed that membership of these groups/ associations tends to increase the customer catchment area for those businesswomen who are members because of the increased number of friends and potential customers the women have. This is based on the fact that people tend to have business transactions with people they know. This is in agreement with the views of Murphy (2002) that where business networks are ethnically or religiously concentrated, members of ethnic or religious groups tend to socialize and find common acquaintances among themselves and in the long run a beneficial referral system emerges to keep the network concentration. In this way, family, religion and ethnicity play critical roles in initiating business networks but such networks are kept in place by the business itself.

The results of this study on size and composition of associations compare with the views of Putnam (1993) that rotating credit associations vary widely in size, social composition, organization and procedures for determining the payout. The associations reflect not only a general spirit of cooperativeness but also a set of explicit and concrete practices of exchange of capital, which is important in business. Rotating credit associations compare with conventional banks except that while conventional banks loan out money with physical collaterals, rotating credit associations do it with social groups as collaterals. Poor people such as women who lack physical assets to offer as surety in effect pledge their social connections. This is the premise on which the famous Grameen Bank in Bangladesh is based. The bank lends money to groups who offer their social connection as collateral. Thus, in this instance, social capital is leveraged to expand the credit facilities in these communities and improve the efficiency with which markets operate.

The money businesswomen get from rotating credit associations are used for various purposes, depending on the pressing need of the person receiving the money. The majority of the women (45%) plough the money back into the business while about 34 per cent use it to meet domestic needs at home. About 16 per cent of them use the money to pay their children's school fees while a further 5.3 per cent use the money to establish other businesses. Money ploughed back into the business helps the business to grow. This, in fact, to some extent explains why the majority of the businesses run by these women had positive growth. The women argued that rather than struggle to get a loan from formal financial institutions that demands physical collaterals, it is far better to join rotating credit associations and get money to boost their business.

Apart from the businesswomen's membership in associations and other groups providing financial capital to boost their businesses, they also get a host of the benefits from the associations and groups.

As indicated earlier, rotating credit associations form a major source of financial capital among businesswomen to start up or boost business. Apparently, this is the outstanding benefit of the associations for the women. In additions to this, however, other benefits come in the way of association members and their friends becoming customers for the women's businesses. The businesswomen in this case are able to expand their network of friends and potential customers. The businesswomen also get the opportunity to advertise their businesses to association members so that they (association members) can become their customers.

The Role of Norms in Associations and Networks

The quality of the relationships among people has a significant influence on business pursuits and economic performance. Such relationships, in most cases, are sustained by strong norms and dense networks that nurture voluntary cooperation. In accordance with this, each association the businesswomen were members of was found to have rules and regulations to govern its members. The new members were accepted into the association based on these rules. The majority of the businesswomen (39.4%) cited the rule on defaulting as the most important in the association. However, other rules included those on members' punctuality in meetings and contributions, screening of new members for trustworthiness, spending of money given on a worthwhile cause and assisting members in times of need.

Without these norms, for example, it would be difficult for any businesswoman to entrust customers with goods on credit without collateral and/or a written binding contract. It is, therefore, within the well-functioning framework of these norms that businesswomen are able to give credit to customers. They presuppose that a certain amount of goodwill exists to prevent their customers from taking advantage of unforeseen loopholes to default with their money. According to the deliberations of the businesswomen during focus group discussions, norms act to define the boundaries within which members operate. Members who operate with minimum friction with the set norms earn themselves trust in the group as well as in the larger society. As it were, social norms are inculcated and sustained by way of modelling, socialization and sanctions. In the groups/associations and communities where these norms are followed, they have been proved to efficiently restrain opportunism and resolve problems of collective action.

Norms are meant to guard against reputational uncertainty and risk of default by members and create trust and dense networks of reciprocal engagement. As such, social networks allow trust to become transitive and spread such that members of a rotating credit association trust new members because the old members have cleared the new members as trustworthy. In line with this standpoint, Pedersen (2001) rightly argues that micro-enterprises can reduce risks of doing business through collaboration that is effectively sustained by enforcement of either norms, laws or contracts. These norms, laws and contracts are only there to nurture trust that is often extended only to specific groups. While laws and contracts are often enforced by the state, norms are often enforced by relationships and networks. Networks have efficient mechanisms for sharing information such that would-be defaulters are put on surveillance throughout the community. The sharing of information deters defaulting because, in choosing to default or not to default, participants compare short-term gains of such behaviour and long-term losses related to screening and search costs required in establishing a fresh relationship. When the perceived costs are large enough, it is possible to eliminate defaulting completely without legal enforcement.

The Importance of Trust in Business Performance

The importance of trust in business performance can, in part, be summarized by a quotation from Sorensen thus:

> A good trader must be very honest in business because you will get many friends and therefore widen your trading network… Never cheat customers, especially the illiterate village… If you establish yourself as honest old customers will tend to recommend their friends to come to your store (Sorensen 2001:305).

This quotation clearly illustrates the role that trust between traders and customers plays in business transactions. It is the trust traders and their customers have that defines the relationship and the extent of network they engage in. This definitely influences the manner the business is contacted and the availability of such facilities as credit. Trust will facilitate the flow of business information and issuance of credit to customers. In this study, most of the businesswomen (50%) give credit to customers.

The big percentage of businesswomen who give credit mainly results from the fact that their customers are mostly people they know well, either from their village (27%), associations (17%) or religious groups (14%). As such, trust and creditworthiness of these customers is well known to the businesswomen from day-to-day interactions they have in village, associations or religious groups. These results agree with Sorensen (2001) that a trader doing business in the local market is faced with two transactional orders, first, that based on his kinship group where the main axiom is amity and obligation to share, and two, the market sphere that is based on the axiom of individualism and profit maximization. Consequently, in order to handle this intrinsic conflict between individual achievement and the common interests of the kinship group, the local community traders follow economic strategies in which they manipulate and negotiate the principles of both sides through the creation of trust-based and trust-proven trade partnerships. In this case, therefore, traders struggle to locate reliable trading partners based, not on ascribed trust, but earned trust.

Interestingly, there are those businesswomen who sometimes give credit but other times do not give at all. The explanation given for this is that there are specific customers they give credit to while at the same time there are those they never give to, depending on how trustworthy the customer is. Consequently, it is only 30 per cent of the businesswomen who do not give credit at all. The reasons for not giving credit were elaborate. The outstanding reason, however, is untrustworthiness of customers (93%).

The businesswomen observed that there are some customers who cannot be trusted with credit because they hardly fulfil their promises. They argued that the best way to deal with such customers is to lock them out of a credit facility of the business so that every business transaction they undertake is on a cash basis. The women also noted that there are some customers who would only come to buy from the business when they want credit but buy from somewhere else when they have cash money. Such inconsistent/irregular customers are better off if they are denied credit so that they can learn.

Besides the inconsistent customers, the businesswomen also deny credit to customers who take a long time to pay for goods offered on credit. The reason for this is that in most cases the affected businesswomen lack money to restock their business since most of the money is still held up in credit. This is especially so for businesses with a small stock. About 3.7 per cent of the businesswomen do not give credit simply to avoid conflicts with customers because there are those who would not pay until they are taken to the police or the village elder. After such an instance, the relationship rarely returns to normal for business transactions. To avoid all this is to decide not to give credit at all.

Many factors actually determine who the businesswomen give credit. However, the most important factor cited by 30 per cent of the businesswomen is trust. Other important factors are creditworthiness of the customer and the familiarity or the extent to which the customer is known by the trader, consistency/regularity of customers and promptness in debt repayment.

Other than trust lubricating business transactions in micro-business, it also acts as binding and bridging mechanisms in social relations that facilitate information exchange, collective knowledge creation and innovations. This then means that as pointed out by Sorensen (2001) without trust, micro- and small-enterprises cannot collaborate and network, yet they need to do these as a prerequisite for their development. Trust in this case is the belief that the negotiating partner is able and willing to fulfil his obligation. However, the ability of a trusted person to fulfil his/her obligation is guaranteed either by the state or social groups in which he/she is a member.

Consistency of customers and their familiarity or the extent to which they are known by the trader makes them qualify for credit. It is within constant interaction and transaction that traders and customers come to know and trust each other. During one of the focus group discussions, one of the participants argued that trust with customers is a matter of trial and error, but the longer the trader stays with a customer the more the trust builds up. This gives an advantage to those who are members of a rotating credit association, religious group or village in which the trader belongs for they are able to interact on a day-to-day basis and get to either trust or distrust each other.

Arbitration of Debt Defaulters

The handling of debt defaulters was a big issue among the businesswomen. The majority of them (60%) reported that they simply write off the debt and never repeat the same mistake of giving credit to such people again (Table 3). The reason for this is that they do business in the community where they are known and roughing up a defaulter to pay a debt may not be taken kindly. This issue came out very strongly during focus group discussions. One participant cited an example whereby a businesswoman took a debtor to a police cell and the latter eventually died there. The woman lost face in the entire community to the extent that nobody was buying from her. She finally had to close up her business due to lack of customers. This in a way explains why the option of reporting defaulter to police is unfavourable to many.

Table 3: Ways to Deal with Debt Defaulters

Action taken against Defaulters	Frequency (%)	Responses (%)	Cases
Write off debt	20	45.3	90.9
Expulsion from association	11	25.0	50.0
Arbitration by village committee	9	20.5	27.3
Report to police	4	9.1	18.2

Source: Field Data, 2002

These results tally with the views of Kimuyu (1999) and Putnam (1993) that in most cases, business networks do not depend on the third party, that is, the state (police and local administration) for enforcement of social contracts but rather on social norms. As noted by businesswomen, third-party enforcement of social contracts is expensive and people that rely on it for conflict resolution are likely to be less efficient, more costly and more unpleasant than those where trust is maintained by other means.

The expulsion of the defaulters from an association was another possible step to be taken. This was based on the fact that people belonging to the same association are both bound by norms operating within that association. Furthermore, members are supposed to be trustworthy. A member who is contrary to these expectations raises a lot of questions that can amount to expulsion from the association. However, this is only limited to those who belong to associations. The women argued that it was rare for somebody who is a member of an association to default because, in most cases, members of associations undergo tests for trust and creditworthiness.

Conclusion

This study was on the role of social capital in the establishment and sustenance of women's micro-businesses in Butere-Mumias District. It was intended to draw the attention of policy-makers, non-governmental Organizations (NGOs) and the government to the importance of social capital in the management and performance of women's micro-businesses. From the results of this study, it is evident that social capital, exemplified by associations, trust, norms and networks, is extremely important in the establishment and sustenance of women's micro-businesses.

Stocks of social capital namely associations, trust, norms and networks were found to be self-reinforcing and cumulative virtuous properties that result in an equilibrium with high levels of cooperation, reciprocity, civic engagement and collective well-being among people embracing them. These traits actually define business community where there is trust between trade parties, flow of market information and disciplining of defaulters within the system. The absence of these traits, on the other hand, portrays an unbalanced business community where defection, distrust, shirking, exploitation, isolation, disorder and stagnation is the order of the day. The end result of all these is a suffocating miasma of a vicious cycle for the weak. This situation is clearly exhibited by the process of globalization and its supporting institutions such as the World Trade Organization (WTO), Bretonwood institutions and multinational corporations that have led to the disillusionment of weak parties, mostly countries in Africa.

Social capital holds the potential for enhancing the performance of women's micro-businesses that act as a foundation for the gradual climbing of women to international trade. Policy-makers, as such, need to be more sensitive in the formulation of policies that favour the nurturing and intensification of social capital that has positive implications for the growth of women's micro-businesses.

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