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**Research Report**

## Microcredit and the empowerment of women: An empirical study on the effects of microcredits on women's lives in Kibera, Nairobi

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**Elisabeth Hofbeck**

### **Microcredit and the Empowerment of Women**

**An empirical study on  
the effects of microcredits  
on women's lives in  
Kibera/ Nairobi**

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*Überarbeitete Version der Diplomarbeit "Microcredit and the Empowerment of Women"  
An empirical study on the effects of microcredits on women's lives in Kibera Nairobi*

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## PREFACE

Elisabeth Hofbeck's study "Microcredit and the Empowerment of Women. An empirical study on the effects of microcredits on women's lives in Kibera/Nairobi" presents a central component of a cooperative research project between two institutional partners: (i) the Institute of Social Ministry in Mission at Tangaza College in Nairobi, Kenya and (ii) ÖFSE – Austrian Research Foundation for International Development in Vienna, Austria. Financial and logistic support was provided by DKA – Dreikönigsaktion Austria and is gratefully acknowledged. Special thanks go to Wolfgang Böhm, country officer at DKA, who was a very active and encouraging supporter of the overall project.

The aim of the project was to set up a joint research effort directed at the investigation of two community development projects in the slum areas of Kibera and Mukuru in Nairobi. Amongst many other activities, both projects included programs to facilitate income generation for poor households, in particular women. One important measure consisted in supporting the formation of savings and loan groups between women. It was hoped that by fostering the financial capabilities of poor women households, a positive contribution to their income situation could be achieved. This, in turn, would allow the beneficiaries of the program to cover school expenses or expenditure for other needs. The aim of the research project was to empirically examine the impact of the support programmes in the field, and provide recommendations on the way forward.

Both for ÖFSE and for the Institute of Social Ministry in Mission, the joint project was a novel approach to cooperation, and did indeed present some formidable challenges. While it was originally intended to use a twinning methodology, which basically meant that the research teams of both institutional partners would conduct research work in tandem, we eventually had to realize that a more flexible approach was required. Nevertheless, cooperation did take place, particularly during the field work phase. It goes without saying that the present study as well as the overall project benefitted greatly from the support of our project partners.

It is thus a deeply felt obligation for me to thank our cooperation partners at the Institute for Social Ministry in Mission, particularly its director Br. Alberto Parise (MCCJ) and Sr. Anne Itotia (RSM, MA., MBA), as well as Ms. Jane Akach, Director of the DKA & eRko Support Office, for their generous support. I do hope that the results of our empirical investigation will be able to make a modest contribution to the on-going efforts of our cooperation partners and many other like-minded organisations in their enduring fight against poverty and for the empowerment of the poor in Kenya.

Werner Raza  
Director

ÖFSE – Austrian Research Foundation for International Development

October 2013

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I am very grateful to have been given the opportunity to conduct an empirical study for my diploma thesis. During my stay in Kenya, I was able to apply the theoretical knowledge I have acquired during my studies. In this time, I learnt more than in any seminar at the university, because I was able to see the connections of many factors which I had only got to know theoretically before. Kibera was a microcosm for me, where issues like gender relations, migration, development aid and governance, as well as the interplay of these phenomena were visible. As I gained so many valuable experiences during my research stay in Kenya, I want to thank all the people who made my research in Kenya and the subsequent diploma thesis possible.

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# Contents

Abbreviations.....	7
Index of Tables and Figures.....	7
<b>1. INTRODUCTION.....</b>	<b>9</b>
1.1 Topic of the Thesis.....	9
1.2 Research Interest and Aim of the Thesis.....	9
1.3 Contents.....	10
<b>2. THEORETICAL BACKGROUND.....</b>	<b>12</b>
2.1 Definitions.....	12
2.1.1 Microfinance and Microfinance Institutions.....	12
2.1.2 Development and Empowerment.....	14
2.2 History of Microfinance.....	20
2.2.1 The Origins of Microfinance.....	20
2.2.2 The 'Invention' of Microfinance by the International Development Community.....	23
2.3 Overview of Publications on Microcredit and Empowerment.....	25
2.3.1 Divergence of Findings.....	25
2.3.2 Exemplary Studies on Microcredit and Empowerment .....	26
2.4 Summary.....	34
<b>3. RESEARCH METHODS AND QUESTIONS.....</b>	<b>36</b>
3.1 Epistemological Approach.....	36
3.2 Research Questions.....	38
3.3 Methods of Data Collection.....	41
3.3.1 Expert Interviews.....	41
3.3.2 Single Interviews.....	42
3.3.3 Group Interviews.....	43
3.3.4 Analysis of Book-Keeping Data.....	44
3.4 Bringing together Research Questions and Methods.....	44
3.5 Method of Data Analysis.....	46
3.6 Summary.....	47
<b>4. FIELDWORK AND ANALYSIS OF DATA.....</b>	<b>48</b>
4.1 The Field.....	48
4.1.1 Kenya and Nairobi- Unequal Development Processes.....	48

4.1.2 The Slum of Kibera.....	52
4.1.3 Youth Development Forum (YDF) and its Components.....	55
4.1.4 Chamas in Kibera: Merry-go-round.....	61
4.2 Reflection on the Research Process in the Field.....	62
4.2.1 Approaching the Field.....	62
4.2.2 Choosing the Informants.....	63
4.2.3 Sources of Data.....	65
4.2.4 My Standpoint in the Field .....	66
4.3 Results of Fieldwork- The Impact of GS&L on Women in Kibera.....	68
4.3.1 Usage of the Money Provided by the GS&L Groups.....	68
4.3.2 GS&L and the Payment of School Fees.....	70
4.3.3 GS&L as a Safeguard in Case of Emergencies.....	73
4.3.4 GS&L and Empowerment.....	74
4.3.5 Factors for Success of GS&L Groups.....	84
4.3.6 Influence of Organisational Factors on the GS&L Programme.....	94
4.3.7 GS&L as a Means to Support the Poorest of the Poor?.....	96
4.3.8 Influence of Macrofactors on the GS&L Programme.....	98
4.4 Summary.....	121
<b>5. CONCLUSION.....</b>	<b>123</b>
5.1 Résumé.....	123
5.2 Recommendations .....	124
5.3 Perspectives.....	127
<b>6. REFERENCES.....</b>	<b>128</b>
6.1 Literature.....	128
6.2 Interviews.....	135
<b>7. APPENDIX.....</b>	<b>136</b>
7.1 Interview questions.....	136
7.2 Examples of Household Budget Sheets.....	138
7.3 Abstract.....	140
7.4 Zusammenfassung.....	141
7.5 Curriculum Vitae.....	142



## **ABBREVIATIONS**

ASCA	Accumulating Savings and Credit Association
CIDA	Canadian International Development Agency
DKA	Dreikönigsaktion
GDP	Gross Domestic Product
GS&L	Group Savings and Loans
KSh	Kenyan Shillings
MFI	Microfinance Institution
NGO	Non-Governmental Organisation
ÖFSE	Österreichische Forschungstiftung für Internationale Entwicklung
ROSCA	Rotating Savings and Credit Association
UCC	Ushirika Children Centre
UNDP	United Nations Development Programme
YDF	Youth Development Forum

## **INDEX OF TABLES AND FIGURES**

Table 1: Understanding of Power within Definitions of Em'power'ment (Oxaal/ Baden 1997: 5).....	16
Table 2: Aspects of Empowerment (based on Hanappi-Egger/ Hermann/ Hofmann 2008: 146).....	17
Table 3: Overview of Publications on Microcredit and Empowerment.....	34
Table 4: Indicators of Empowerment (based on CIDA 1997: 41-3).....	39
Table 5: Bringing together Methods and Questions.....	46
Table 6: Kenya in Numbers (based on Population Reference Bureau 2011: 1; UNDP Kenya 2010: 3; UNDP 2011: 137).....	49
Table 7: Loan Usage, Imani Group 2011 (based on book-keeping data and interview data).....	70

Table 8: School Fees and Household Income (based on interview data and household budget sheets).....	72
Table 9: Causes for Change in Income Situation (based on interview data).....	75
Table 10: Savings, Imani Group 2011 (based on book-keeping data).....	79
Table 11: Households' Expenditures for Food and School/ University (based on household budget sheets).....	107
Figure 1: Empowerment as 'capacity to act' (Rachbauer 2010: 77).....	19
Figure 2: View of Kibera from Ushirika Children Centre (author's own photo).....	52
Figure 3: Street in front of Ushirika Children Centre, Laini Saba, Kibera (author's own photo).....	54
Figure 4: Number of Children Enrolled in Ushirika Children Centre (based on Youth Development Forum 2011: 14).....	56
Figure 5: Organisational Structure of YDF (based on Workshop on the Strategic Plan for YDF, Ushirika Children Centre, 16/17-07- 2012).....	57
Figure 6: Collecting Money in the Pendo Group (author's own photo).....	60
Figure 7: Pro Rata Share of Loan Usage (Loan Volume), Imani Group 2011 (based on book-keeping data and interview data).....	70
Figure 8: Yearly Household Income, Imani Group (calculation based on household budget sheets).....	87
Figure 9: Yearly Household Income, Pendo Group (calculation based on household budget sheets).....	87
Figure 10: Comparison of Yearly Median Income between Imani and Pendo Group (calculation based on household budget sheets).....	88
Figure 11: The Economy of Structural Capital Shortage and Capital Loss of Kibera (based on author's own research results).....	100
Figure 12: Trend of Consumer Price Inflation in Kenya .....	105
Figure 13: Strategies to Cope with the Economy of Structural Capital Shortage and Capital Loss (based on author's own research results).....	116

# **1. Introduction**

## ***1.1 TOPIC OF THE THESIS***

Microfinance has become more and more popular as an instrument to combat poverty in international development cooperation. While the stance on microcredit and microfinance within the international development community was very positive and even enthusiastic during the last decades, profound criticism has been voiced in recent years. One of the strongest critics is Milford Bateman, who argues that “microfinance is largely antagonistic to sustainable economic and social development, and so also to sustainable poverty reduction. Put simply, microfinance does not work.” (Bateman 2010: 1)

Taking into account this criticism as well as the positive effects that microfinance should bring about, this diploma thesis will examine the concrete effects that microcredits have on women in Kibera/ Nairobi. As microcredits are often said to promote development by enhancing the empowerment of women, the question of empowerment will be one focal point of this thesis. The main research question of this diploma thesis is therefore “Which effects do microcredits have on women in the GS&L programme of YDF and has a process of empowerment taken place?”

This diploma thesis is the product of a research cooperation between ÖFSE in Vienna and Tangaza College in Nairobi. DKA Austria supported the project and provided access to the field in Kibera/ Nairobi. The development programme which was examined within the framework of this research cooperation is a microcredit system called 'Group Savings and Loans' (GS&L). It has been set up by the organisation 'Youth Development Forum' (YDF) in the slum of Kibera. The goal of this microcredit programme was to enable women to pay the school fees for their children.

## ***1.2 RESEARCH INTEREST AND AIM OF THE THESIS***

My interest in the effects of microcredits on women was awakened early in my studies. During a lecture of 'Development Economics' very critical questions concerning the problematic nature of microcredit systems were raised. These issues were discussed in the wider context of general feminist criticism claiming that most (economic)

interventions in development cooperation disregard or misjudge the particular needs of women. Apart from that, I focussed my regional interest during my studies on East Africa, choosing lectures on that region and starting to learn Swahili. A third factor for my interest in the topic of this thesis derives from the elective courses I took in 'Gender Studies'. While my interest in feminist issues was strong from the beginning of my studies, it deepened even more when I immersed myself in the broad field of 'Gender Studies'.

As mentioned above, microcredit has become a very widespread tool in development cooperation. Interestingly, however, the large prevalence of microcredit and microfinance throughout the world has not resulted in extensive and elaborated research on this phenomenon. The question why this has not been the case is an important one and would bring to light the power structures underlying the international microfinance industry. Although there are several studies on microfinance, only very few can be said to have been carried out independently from big microfinance institutions. Furthermore, many studies are not based on long-term and in-depth research. The aim of my thesis is thus to make a contribution to the attempt to fill this 'research gap' on microfinance.

### **1.3 CONTENTS**

The thesis comprises two main parts – a theoretical part (chapter 2) and an empirical part (chapter 4). Between those main chapters, the reader will find a methodological chapter (chapter 3). Chapter 5 provides a conclusion of the core points of the thesis. In the following, I briefly want to explain the contents of each of the main chapters.

Chapter 2 starts with a definition of the core terms of the thesis. In chapter 2.1 I first present definitions of the terms 'microfinance' and 'microfinance institutions', and then go on to define 'development' and 'empowerment'. Chapter 2.2 gives a brief overview of the history of microfinance. In chapter 2.3 I address the issue of divergent findings on the issue of microcredit and empowerment and present exemplary studies.

In order to clarify the approach I chose to examine the topic of this thesis, I outline my research methods and questions in chapter 3. Before I present the research questions in chapter 3.2, I explain the epistemological approach which guided my research in

chapter 3.1. Chapter 3.3 describes the methods of data collection and the reasons why I chose them. After bringing together research questions and methods in chapter 3.4, I lay out the methods I used for data analysis in chapter 3.5.

Chapter 4 presents the results of the fieldwork. While chapter 4.1 provides background information about the field, chapter 4.2 reflects on the factors that influenced the research process and outcomes. Chapter 4.3 then answers the main research question of what were the effects of the GS&L programme on women's lives and whether a process of empowerment has taken place. Other issues like the connection between GS&L and the payment of school fees or the influence of macrofactors on the programme will also be taken into account in chapter 4.3.

Chapter 5 will draw a conclusion and will also provide specific recommendations for the GS&L programme based on the findings from chapter 4.3.

## 2. Theoretical Background

### 2.1 DEFINITIONS

In this chapter I will discuss several terms which are crucial for the examination of microcredits. In a first step, I will clarify the difference between the terms 'microfinance' and 'microcredit' and will introduce a definition of the term 'microfinance institution'. Chapter 2.1.2 contains a discussion about definitions of the concepts of 'development' and 'empowerment'. These terms are important in the context of this diploma thesis because they are often used to highlight the need for microcredit services for the poor. Apart from that, the question of empowerment will be a focal point of the empirical part of this thesis.

#### 2.1.1 Microfinance and Microfinance Institutions

Hans Dieter Seibel claims that he himself was the first to coin the term 'microfinance' in 1990 (Seibel 2005: 1). The creation of this new term coincided with the decision of a great part of the international development community to promote microfinance as *the* new and preferential anti-poverty intervention (Bateman 2010: 11-2). By enforcing the use of the term 'microfinance' in place of 'microcredit' it was acknowledged that poor people should not only have the possibility to lend money, but also to save money or to have access to micro-insurances (Bateman 2010: 11-2). Many authors define **microfinance as a financial service which is provided to those who are excluded from the regular financial sector**. Seibel for example defines microfinance as “[...] the provision of financial services to the lower segments of the population, the poor or the unbanked” (Seibel 2005: 1).

Microfinance services are generally provided by microfinance institutions (commonly abbreviated as 'MFIs'). The categories according to which MFIs are classified differ throughout the literature. The Asian Development Bank, for example, defines three types of MFIs: formal ones (like banks or co-operatives), semiformal ones (like NGOs) and informal ones (like moneylenders or shopkeepers) (Asian Development Bank quoted in Khawari 2004: 4). Seibel, in contrast, mentions three important branches of MFIs: indigenous associations like ROSCAs (see below), cooperatives, and banks. In

contrast to the Asian Development Bank, Seibel emphasizes that NGOs rarely operate as MFIs themselves (Seibel 2005: 1).

As the research conducted within the framework of this diploma thesis was carried out on indigenous forms of MFIs, I briefly want to address the issue of indigenous MFIs in the following. The characteristic feature of indigenous MFIs is the high interdependence of savings and credits. As no money is brought in from outside, the amount of savings determines the amount of money that can be lent to people.

Khawari mentions two types of indigenous savings and credit associations which operate throughout the world: ROSCAs<sup>1</sup> and ASCAs<sup>2</sup> (Khawari 2004: 24-5). The GS&L system in Kibera did not totally match the criteria of any of those two forms. However, the highly popular merry-go-round groups in Kibera accorded with the function of a ROSCA (Rotating Savings and Credit Association). Therefore, I briefly want to describe this kind of association. According to Khawari, a ROSCA is an association in which money is collected in a group of (mostly) women and then redistributed in a previously determined or random order. Shirley Ardener, who has co-edited a book on ROSCAs, defines them as *“association[s] formed upon a core of participants who make regular contributions to a fund which is given in whole or in part to each contributor in turn.”* (Ardener 1995: 1; italics in the original)

Concerning the number of MFIs operating in the world today, it is estimated that there are more than 10,000 (Klas 2011: 30; Bateman 2010: 59), although concrete numbers are impossible to find. Even the 2012 report of the ‘Microcredit Summit’ only enumerates the MFIs who reported to them and thereby leaves out the rest of MFIs. The report declares that the 3,652 microfinance institutions which reported to them reached over 205 million clients at the end of 2010 (Maes/ Reed 2012: 3).

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<sup>1</sup> Rotating Savings and Credit Association

<sup>2</sup> Accumulating Savings and Credit Association

## **2.1.2 Development and Empowerment**

### **2.1.2.1 Recent Concepts of Development**

The two concepts ‚development‘ and ‚empowerment‘, as they are used in current discussions in international development studies and development cooperation, are closely linked. There is no general agreement on the definition of either of these terms as the literature is full of differing definitions for both concepts. However, in recent times there seems to be a consensus that ‚development‘ can no longer be constrained to economic indicators (e.g. the indicator of ‚GDP per person‘) only. As a consequence, alternative approaches to define development have been created in the international development community. The ‚Human Development Index‘ (HDI) and the ‚Gender Development Index‘ (GDI) are symbols for that shift in conceptualizing development. This shift is also mirrored in the 2011 ‚Human Development Report‘ by the UNDP, where ‚human development‘ is defined as

[...] the expansion of people’s freedoms and capabilities to lead lives that they value and have reason to value. It is about expanding choices. Freedoms and capabilities are a more expansive notion than basic needs. (UNDP 2011: 1)

This quote mentions an important point which many authors in recent publications emphasize: ‚Development‘ is more than eradicating mere poverty and more than fulfilling the basic needs of people like food, clean drinking water, housing, health care, education and protection from violence (see also Hanappi-Egger/ Hermann/ Hofmann 2008: 13). Development is also about enabling people to live their lives as they wish. If we conceptualize development in this way, it is closely linked to empowerment. Authors who connect development and empowerment are for example Novy and Friedmann. I will refer to their insights in chapter 2.1.2.3.

### **2.1.2.2 Definitions of Empowerment**

As stated above, **there are various definitions for ‚development‘ as well as for ‚empowerment‘**. To show the variety of concepts, I want to dwell on some exemplary definitions of ‚empowerment‘ in the following.

The World Bank defines ‚empowerment‘ in their 2002 Sourcebook “Empowerment and Poverty Reduction” as follows.



Empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives. (World Bank 2002: 11)

This definition differs from most of the feminist approaches which are based on wider definitions of empowerment. The report “Gender and empowerment: Definitions, approaches and implications for policy” (1997) by Oxaal and Baden, for example, gives an insightful overview of the broad field of definitions for ‘empowerment’. Oxaal and Baden show that concepts of ‘empowerment’ depend heavily on the context in which they are used. This is due to the fact that the term is applied in different areas. It is not only common in the feminist and development domain, but also in education, social work and psychology (Oxaal/ Baden 1997: 1). Furthermore, Oxaal and Baden point out that the respective definition of ‘power’ is essential for the subsequent conceptualization of ‘empowerment’. Some theorists depict empowerment as a zero-sum game of power between the sexes – the gain of power of one side (women) leads inevitably to the loss of power of the other side (men). Empowerment in this context will inevitably result in a conflict between the two sides – men and women. Other theorists, however, and in particular feminists, have shown that empowerment can bring about a win-win situation for both sides – it is possible that men will benefit from living with empowered women. Oxaal and Baden illustrate how the two conceptualizations of empowerment I just described root in different understandings of power. While the first conceptualization of power and empowerment (zero-sum game) draws on an understanding of power as “power over” somebody/ something (conflictual), the second concept (win-win situation) defines power more as a combination of “power to”, “power with” and “power within” (Oxaal/ Baden 1997: 1-2). The following table depicts these forms of power and their implications.

**Figure 1: Definitions of power and empowerment in practice<sup>6</sup>**

<b>Understanding of power</b>	<b>Implications in practice</b>
power over	conflict and direct confrontation between powerful and powerless interest groups
power to	capacity building, supporting individual decision-making, leadership etc.
power with	social mobilisation, building alliances and coalitions
power within	increasing self esteem, awareness or consciousness raising, confidence building

*Table 1: Understanding of Power within Definitions of Em'power'ment (Oxaal/ Baden 1997: 5)*

Bringing together the last three aspects of power depicted in the table above, McWhirter conceptualizes empowerment as a

process by which people, organisations or groups who are powerless (a) become aware of the power dynamics at work in their life context, (b) develop the skills and capacity for gaining some reasonable control over their lives, (c) exercise this control without infringing upon the rights of others and (d) support the empowerment of others in the community. (McWhirter quoted in Rowlands 1995: 103)

In contrast to the World Bank's definition (which does not address the question of *who* will bring about empowerment), Oxaal and Baden are very clear about the question of who should be the driving force behind the 'empowerment' process.

Empowerment is essentially a bottom-up process rather than something that can be formulated as a top-down strategy. Understanding empowerment in this way means that development agencies cannot claim to 'empower women'. Women must empower themselves. [...] Appropriate external support and intervention, however, can be important to foster and support the process of empowerment. (Oxaal/ Baden 1997: 6)

Another feature of empowerment which is found throughout the literature is that it can (and should) be achieved at different levels of society. Oxaal and Baden refer to the institutional, the household and the individual level (Oxaal/ Baden 1997: 1), while Hanappi-Egger et al. distinguish four aspects of empowerment, namely economic empowerment, personal empowerment, social empowerment and political empowerment (Hanappi-Egger/ Hermann/ Hofmann 2008: 31). How Hanappi-Egger et al. conceive the just mentioned aspects of empowerment and relate them to different levels of society can be seen from the following table which I based on a diagram by the authors.

level of society	aspect of empowerment	time frame	scope of action	achievements
micro-level	economic and personal empowerment	short-term	family	rise of self-esteem
meso-level	social empowerment	medium-term	community	building of networks, legal claims
macro-level	political empowerment	long-term	community, state, society	broad changes in the organization of society

*Table 2: Aspects of Empowerment (based on Hanappi-Egger/ Hermann/ Hofmann 2008: 146)*

### **2.1.2.3 Wider Concepts of Empowerment**

Apart from authors who try to define empowerment **there are approaches which refrain from drawing up a concrete definition of empowerment.** This is because they see empowerment and development as highly interconnected and argue that only the people who are the subjects of these processes can define what they should bring about for them. Novy argues along that line that “the process of empowerment forms a part of development, if not a goal in itself” (Novy 2007: 139, translated by E.H.). On the basis of Amartya Sen’s concept of “Development as Freedom” (2001), Novy argues that development and empowerment should focus on the liberation of people in the broadest sense, i.e. they should offer people as many options as possible to live their lives. This perspective also enables to factor in structural constraints which hinder development processes. In relation to that, Novy points to the usefulness of the concept ‘entitlements’ by Sen. This concept takes into consideration the question of what kinds of services people can enforce claims to and to which services not. These entitlements are not only provided by the state and the market, but also by the family or the neighbourhood (Novy 2007: 47-8).

Considering empowerment, development and poverty as closely intertwined, John Friedmann’s argument is similar to that of Novy and Sen, although it came some years earlier (in 1992). **Friedmann argues that poor households lack *social power* which is necessary to improve the living conditions of the household members.**

According to Friedmann, people do not dispose of social power until the following basic needs of people are satisfied:

- a safe living environment
- access to resources (land, water, healthcare, education etc.)
- access to financial resources
- available leisure time
- access to information
- access to knowledge and skills
- inclusion in social networks
- the ability of social organisation.

Apart from social power, Friedmann mentions psychological power as a precondition for empowerment. This dimension of power is especially related to an increase of self-confidence. Furthermore, social power has to be transformable into political power so that people can enforce legitimate claims. **Friedmann stresses the fact that empowerment cannot be restricted to the community level, but that empowerment is always dependent on the existence of a strong state, too.** For him, a strong state is accountable and committed to the needs of its citizens. (Friedmann quoted in Rachbauer 2010: 54-9). Rachbauer uses the concept of Friedmann and other authors to develop his own concept of empowerment for a study about a development project in Nepal which also included savings and loan groups for women. To offer a better understanding of the meaning of empowerment, **Rachbauer replaces the term empowerment with the term 'capacity to act'**. By replacing the term, Rachbauer wants to stress that it is important to widen the possibilities for decision making and participation of people. On the basis of conceptualizations of other authors, Rachbauer devises four spaces which are crucial for processes of empowerment (i.e. the enhancement of the 'capacity to act') and which interact with each other (Rachbauer 76- 82). The chart below shows these four spaces.

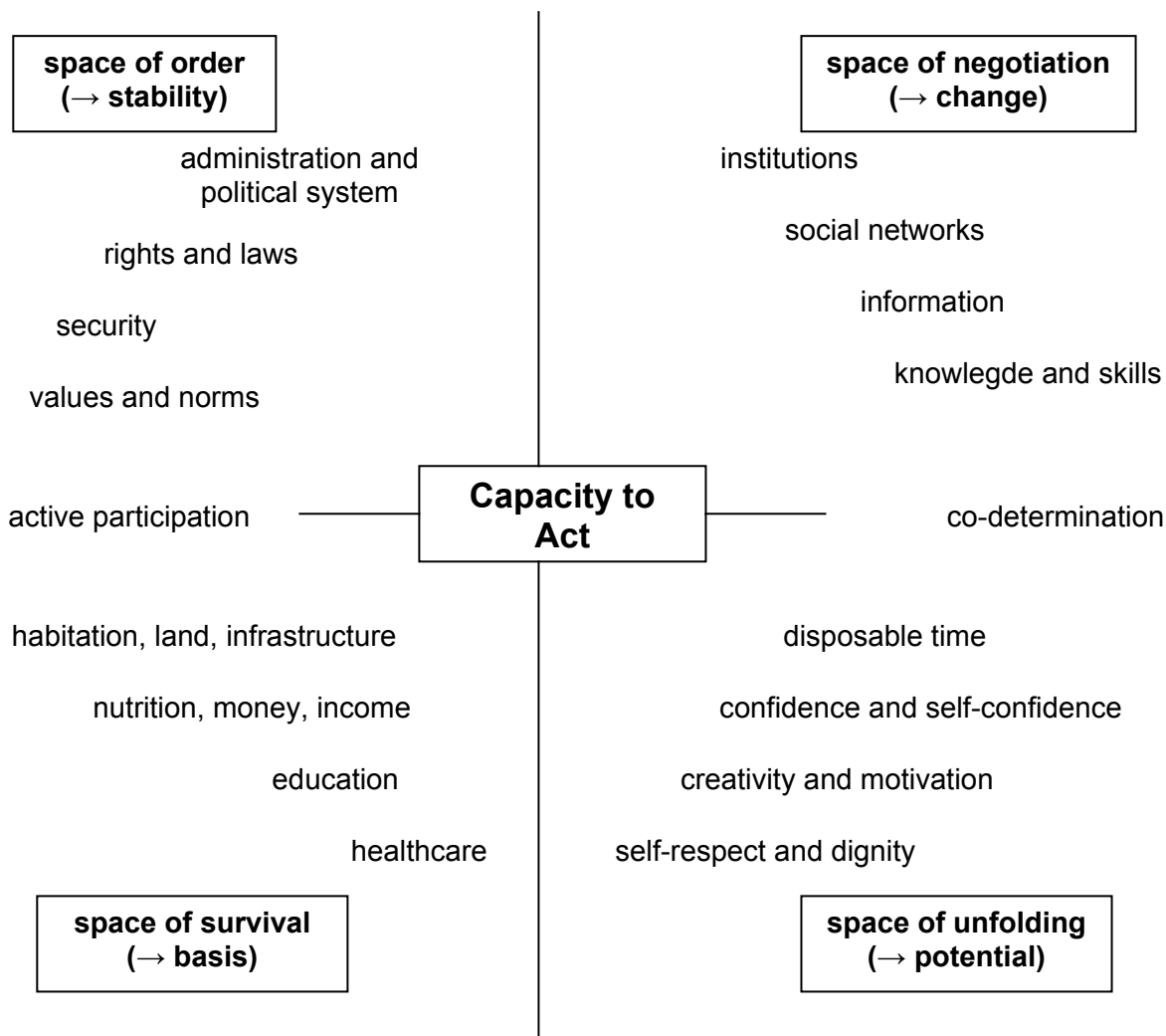


Figure 1: Empowerment as 'capacity to act' (Rachbauer 2010: 77; translated by E.H.)

From the figure it can be seen how far Rachbauer's concept of empowerment goes – he does not only factor in basic requirements like nutrition, education and healthcare but also larger contexts like laws, security and the political system.

#### **2.1.2.4 Applying Concepts of Empowerment in Research**

One author who has applied a wide definition of empowerment in her practical research on women's loans in Bangladesh is Naila Kabeer from the Institute of Development Studies in Brighton, Sussex. Kabeer argues that

we need to make a distinction between forms of change which have been prioritized in the feminist or in the developmental literature and forms of change valued by those whose lives an intervention is seeking to transform. (Kabeer 2001: 81)

**According to Kabeer, one has to bear in mind several specifics when carrying out research on issues of women's empowerment.** First, the researcher has to pay attention to the particular form of gender relations in place. Kabeer stresses the fact that understandings of dependence, interdependence and autonomy (e.g. in households) can vary widely across different cultures. These understandings generate "the structures of risks, incentives and opportunities [...] and therefore the particular trajectories which processes of empowerment are likely to take." (Kabeer 2001: 80) Furthermore, Kabeer considers empowerment to be a complex process (rather than a simple one). Therefore, **it is not possible to make out simple cause-and-effect relationships in processes of empowerment**, because it is not always clear whether a change is a cause or an effect. Following her argument that empowerment is not a unidimensional concept, Kabeer argues that it is not possible to classify women according to whether they are empowered or not.

Kabeer does not only stress the fact that **notions of empowerment vary from culture to culture**, but also draws attention to the fact that women are not a homogenous group (Kabeer 2001: 82). This means that it is highly unlikely that all women from all social classes and in all places would benefit equally from one certain process of change. After a brief look at the history of microfinance in chapter 2.2, I will come back to summarize the main findings of Kabeer and other authors regarding the question of microcredit and empowerment in chapter 2.3.

## ***2.2 HISTORY OF MICROFINANCE***

### **2.2.1 The Origins of Microfinance**

Going through the literature on history of microcredit and microfinance shows that **there is a male written history of credit and a predominantly unwritten female history of credit** that has always existed besides that dominant male domain. Most authors merely re-narrate the former kind of history and focus on the informal beginnings of microfinance institutions in Europe (especially in Ireland and Germany) in the 18<sup>th</sup> century and their institutionalization in the course of the 19<sup>th</sup> century (see for example Seibel 2003; Seibel 2005: 1-5; Klas 2011: 18-9). **Microfinance in Europe had its roots in the increasing poverty which began in the 16<sup>th</sup> and 17<sup>th</sup> century.**

While in Ireland processes took place some decades earlier, the formalization of microfinance in Germany began at the end of the 18<sup>th</sup> century. In 1778 the first thrift society was established in Hamburg and in 1801 the first communal savings fund (Sparkasse) was created. This was followed by a second 'wave' of microfinance institutionalization which was related to the hunger year of 1846/47. Two men became famous in this context for establishing credit associations and cooperatives that contributed to the diminishment of hunger and poverty among the poor population: Raiffeisen, who operated in rural areas, and Schulze-Delitzsch, who focused on urban areas. Although they were successful, the growth of the rural cooperatives was slow. This, however, changed quickly, when a law to regulate the networks of credit associations was introduced in 1889. The 'Cooperative Act of the German Reich' was the first cooperative law in the world and led to a rapid increase in the number of cooperatives. This increase was also due to the fact that at that time joint liability was replaced by limited liability. (Seibel 2005: 1-3) From the successful history of informal microfinance in Germany, which finally resulted in the establishment of formal banks, Seibel derives two important factors that are important for a healthy development of local financial institutions: Firstly, regulation through an appropriate legal framework and secondly, effective supervision, for example through national and regional umbrella organizations (Seibel 2005: 3-4).

**Sources about the history of microfinance in other parts of the world are scarce.**

While "the whole history of microfinance in the various European countries is spotty and requires further research [...], [i]n most developing countries the history of microfinance is yet to be written." (Seibel 2005: 13) Seibel points out that the example of India shows that **the history of microfinance in other parts of the world predates the history of European microfinance by more than two or perhaps even three millenniums** (Seibel 2005: 6). Also in Nigeria there seems to exist a long history of microfinance. The beginning of indigenous microfinance institutions in Nigeria can be traced back at least 500 years, while the predominant form of MFI was the form of a ROSCA which was called 'esusu' among the Yoruba. This microfinance institution was also brought to the Caribbean islands through the slave trade. (Seibel 2005: 13)

Examining the origins of microfinance in large parts of the world is difficult, because in several countries a colonial government contributed to the crowding-out of indigenous microfinance institutions. For instance, in Nigeria a British cooperative expert, C.F. Strickland, decided to import cooperatives from England instead of modernizing and institutionalizing the esusu institutions, because he considered the esusu not as an indigenous institution, but as a form of cooperative imported from India. (Seibel 2005: 13)

**The argument that much of the history of microfinance is still unwritten holds even more true when it comes to *women* and their role in finance.** One book which tries to fill this gap is “Women and Credit. Researching the Past, Refiguring the Future” (2001, eds. Lemire/ Pearson/ Campbell) and delivers insights especially into the history of women and finance in European countries. According to Lemire, at least from the 16<sup>th</sup> century onwards and in particularly in the European urban centres, there was a great involvement of women in the credit market: “The hunt for and use of credit formed part of their daily lives, a mechanism that enabled many to get by and a few to flourish.” (Lemire 2001: 4) Having access to credit was crucial to women (and men) in preindustrial societies as employment and payment were frequently irregular. Important credit providers at that time were shop keepers, pawnbrokers and moneylenders. Housewives had considerable power within the households as they were in charge of the credits and because the household was still an important place for production at that time. (Lemire 2001: 5) This changed dramatically during the 19<sup>th</sup> century, when new lending opportunities were introduced by the governments, for example in the form of loan societies. Along with the loss of importance of the household as a place of production and the devaluation of pawnbroking as a ‘proletarian aberration’, this led to a decline of women’s importance as credit users. Men became more and more involved in formalized personal loans, mortgages and partnerships, while the credit market became specialized and capitalized. Parallel to this process of formalization of credit in the 19<sup>th</sup> century which I described above on the basis of the example of credit associations in Germany, women from the middle and upper classes were pushed into the ‘non-economic’ role of housewives and mothers in the household, while working class women continued to use credit in order to help their families to get by. (Lemire 2001: 11-3)



Historical evidence of microfinance institutions of women in the former colonies is almost non-existent. For example, it is very difficult to trace back the origins of women's associations in the Kikuyu society in Kenya. Nelson, who carried out fieldwork on women's associations in Kenya, states that "[n]either [...] [his] fieldwork nor the available literature makes clear the origins of the Gikuyu version of the ROSCA." (Nelson 1995: 53) Nevertheless, it is certain that in the pre-colonial Kikuyu society there were women's associations based on kin and neighbourhood. (Nelson 1995: 52-3)

### **2.2.2 The 'Invention' of Microfinance by the International Development Community**

Soon after the international development community came into being in 1949 (initiated by Trueman's famous speech; see Fischer/ Hödl/ Parnreiter 2006: 19), the community engaged in the domain of finance to enhance 'development'. **The first step in that direction was the promotion of development banks**, established in the 1950s and 1960s. However, critical studies in the 1970s revealed that these banks did not meet their goals and did not serve the poor. Therefore, **in the 1980s the search for an alternative model of development finance began**. (Nitsch 2000: 313-4)

This is where **Muhammad Yunus and his famous Grameen Bank** (engl.: Village Bank) stepped in. After Yunus had carried out research about the financial situation of poor people in his home country Bangladesh, he established a bank in the year 1983 which should serve the very poor. Although Yunus is often portrayed as *the* founding father of microcredit, there were similar projects in Bangladesh and other countries at the same time and even prior to Grameen Bank. In Bangladesh for example two institutions were important in that context: the 'Bangladesh Rural Advancement Committee' (BRAC) was founded in 1972 and the 'Association for Social Advancement' (ASA) was established in 1978. In Indonesia the 'Bank Rakyat Indonesia' (BRI) started to operate in 1972. (Bateman 2010: 7- 12) Yunus, however, was most successful in 'selling' his model of microfinance throughout the world and especially to the international development community which was searching for an alternative finance model at that time.

There is another reason why microfinance came to be so heavily promoted in the 1980s and why it finally became *the* “international development community’s anti-poverty intervention of choice” (Bateman 2010: 11) in the 1990s: Microfinance arose at a time, when due to the financial crisis in the 1980s mainstream economic thinking and international economic policy changed towards what many call ‘neoliberalism’. Therefore, the international development community welcomed the ‘new’ idea of market-led microfinance because it fit their new neoliberal guidelines very well. The neoliberal paradigm was based on the idea that there has to be financial self-sustainability in every institution of society, whether it is private enterprises, public services or microcredits for the poor. Thus, **in the early 1990s, a new form of microfinance which was supposed to be financially self-sustainable was implemented.** Bateman calls this the “New Wave Microfinance” (Bateman 2010: 14) because it deviated from the original Grameen model which had always been dependent on subsidies. USAID was one of the early promoters of microfinance as an instrument in development policy.

The ideologically driven requirement to fully commercialize and privatize microfinance began in earnest towards the end of the 1980s. The stated aim was to ensure large-scale outreach without the need for subsidization. [...] Introducing market-based interest rates would be paramount, cutting the need for subsidies as well as helping to mobilize savings [...]. (Bateman 2010: 14)

Some authors also speak of a new “financial systems approach” (instead of “New Wave Microfinance”), which they juxtapose to the original “poverty lending approach” by Grameen Bank (see e.g. Hanappi-Egger/ Herman/ Hofmann 2008: 152). The first NGO that followed the new paradigm and was transformed into a for-profit financial institution was PRODEM in Bolivia. It was converted into ‘BancoSol’. Likewise, the promoted ‘self-sufficient finance model’ and the increasing involvement of capital markets into the microfinance sector put pressure on the original Grameen Bank. As a consequence the ‘Grameen II project’, by which the Grameen Bank was converted into a commercialized and profit-driven bank, was established in 2001. Four years earlier, in 1997, the ‘Microcredit Summit Campaign’ – a private initiative to lobby for microfinance – began its operations with the active participation of Yunus. The goal of this initiative was to provide access to microcredit for 100 million of the poorest families in the ‘developing’ world. The mainstreaming of the new wave microfinance model has also been reflected by the involvement of the World Bank in the microfinance sector

since the early 1990s. The World Bank soon took the lead in pushing the new microfinance model, especially through its International Finance Corporation (IFC) arm. Apart from that, it founded the 'Consultative Group to Assist the Poor' (CGAP) which aimed at coordinating the international donor policy towards microfinance. By the 2000s the new market-led model of microfinance had become such a sacrosanct instrument of development policy that the UN declared the year 2005 the 'International Year of Microcredit'. (Bateman 2010: 12- 20)

In the year 2007, the microfinance sector experienced a first visible and deep crisis, when it came to the initial public offering of Mexico's largest microfinance bank 'Compartamos' which exposed a high degree of inefficiency and enrichment of some few responsible persons within the bank. (Bateman 2010: 22- 24)

## ***2.3 OVERVIEW OF PUBLICATIONS ON MICROCREDIT AND EMPOWERMENT***

### **2.3.1 Divergence of Findings**

Generally speaking, throughout the literature, **there is no consensus on the question of how microcredit and empowerment (of women) are interrelated.** Findings of studies range from concluding that there is a direct and obvious relationship to the statement that there is hardly any connection at all or even that microcredits lead to the disempowerment of women.

Mayoux divides the views on microfinance and empowerment into four camps: Firstly, those authors who are certain that microfinance inevitably leads to the empowerment of women world-wide. Secondly, those who confess that there are negative side effects of microfinance, but think that these effects are only due to improper programme design and are therefore modifiable or preventable. Thirdly, there are those who recognize the limitations of the empowerment potential of microfinance, but are of the opinion that empowerment has to be enhanced by other means. Forthly, there are those who argue that the limitations of microfinance in terms of empowerment are inherent to the concept of microfinance and that therefore an investment into microfinance is misplaced. (Mayoux 1998: 235) The above mentioned MicroCredit Summit Campaign certainly belongs to the first camp. An author who belongs to the forth camp is Milford Bateman. His work will be outlined amongst others

in the following chapter where I will refer to detailed findings of several studies concerning the issue of empowerment and microcredit.

Several authors who give an overview of the abundance of studies about microcredit and empowerment have stated that the contradictory results of different studies are mainly due to divergent definitions of empowerment and the different research questions resulting from the definitions (see e.g. Kabeer 65-6). Apart from that, Hammler points out that studies based on a broad definition of 'empowerment' are less likely to find positive effects on women in comparison to studies based on narrow definitions (Hammler 2011: 10). Kabeer concludes from her comparison of studies that contradictory findings about empowerment and microcredit derive from the divergent conceptualization of relationships within the household. While those evaluations which find a negative impact of microcredit on empowerment are mostly based on the assumption that relations between men and women within the household are antagonistic, the more positive evaluations build rather on an assumed cooperation between the spouses within the household. (Kabeer 2001: 67)

Summarizing the results of the comparison by Hammler, there are hardly any studies (with the exception of two studies carried out by Pitt) which find positive effects of microcredit on the empowerment of women. Contrariwise, most authors find that microcredits lead to no empowerment of women. (Hammler 2011: 5-6) The next chapter will present several exemplary studies on the issue of microcredits and empowerment.

### **2.3.2 Exemplary Studies on Microcredit and Empowerment**

The studies presented in this chapter were selected for different reasons. Some studies I chose because of their topicality (like Bateman). Others I selected because they were frequently cited by other literature (like Hashemi, Schuler and Riley or Pitt and Khandker). Again others were interesting because of their research approach (like Hanappi-Egger et al. or Kabeer).

In general, there is a big concern with microfinance and empowerment in the feminist literature. **Mayoux** (1998: 237-8) points to the fact that in most microfinance programmes women's benefits are seriously limited because women do not control the

loan use, the increase in income is very small for them, domestic tension rises, group pressure increases and/ or women do not engage in social or political activities. **Keating et al.** add that some evaluations have shown that microcredits contribute to an increased indebtedness of women which further strengthens women's subordination by patriarchal norms. Another point mentioned by Keating et al. is that some authors are concerned by the fact that microcredits result in disciplining women towards capitalist ends. Again other authors are worried that microcredits lead to a de-politicization of poverty by ascribing to women the duty to lift their families and themselves out of poverty, while simultaneously social safety-nets upon which women are more dependent than men are cut off. (Keating/ Rasmussen/ Rishi 2010: 159-60)

The first big and often cited impact evaluation of microcredits was the study of **Pitt and Khandker** (1998) which was supported and funded by the World Bank. The authors did not factor in directly the aspect of empowerment, but they found that lending money to women (instead of men) in three projects in Bangladesh (Grameen Bank, BRAC and BRDB) led to a significant effect on six variables, namely household expenditure, nonland assets held by women, male and female labour supply, and boys' and girls' schooling. (Pitt/ Khandker 1998: 987-8)

**Jonathan Morduch**, who re-evaluated the data of Pitt and Khandker in 1998, found that their study contained several methodological shortcomings (Morduch 1998; see also Roodman/ Morduch 2009/ 2011: 44-5) and concluded that

no evidence was found to support claims that the programs increase consumption levels or increase educational enrollments for children relative to levels in control villages. (Morduch 1998: 30)

**Goetz and Gupta's** study on microloans in Bangladesh became quite popular as it was one of the early critiques of microcredit. The authors concluded that 63 per cent of women had only partial, very limited or no control over the credit they took out (Goetz/ Gupta 1996: 48-9). They considered microcredits for women to be a deliberate strategy of microcredit institutions to internalize the high transaction costs of lending to men. Therefore, Goetz and Gupta argue that

[t]his instrumental approach to women as conduits for credit for the family plays on, and reinforces, traditional cultural notions of womanhood, with women seen as moral guardians of the household and policers [sic!] of recalcitrant men. (Goetz/ Gupta 1996: 55)

Apart from that, Goetz and Gupta take the view that access to microcredit by women cannot lead directly to an increased economic empowerment of women. Rather, according to them, one has to factor in power relations within the household which are crucial for the control over the usage of the credit (Goetz/ Gupta 1996: 61).

**Hashemi, Schuler and Riley** opposed early critics of microcredit like Goetz and Gupta with their findings about two microcredit programmes in Bangladesh. The authors used a combination of qualitative and quantitative methods. After they had conducted an ethnographic study, they established indicators of empowerment and measured the impact of microcredits against these indicators. The authors used eight indicators for empowerment in their study, namely mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major decisions, relative freedom from domination by the family, political and legal awareness and participation in public protests and political campaigning (Hashemi/ Schuler/ Riley 1996: 638-9). From the results of their study the authors concluded that

[t]his analysis [...] suggests that involvement in credit programs does empower women. Participation in Grameen Bank and BRAC increases women's mobility, their ability to make purchases and major household decisions, their ownership of productive assets, their legal and political awareness and participation in public campaigns and protests. (Hashemi/ Schuler/ Riley 1996: 650)

In the last years, **Milford Bateman** has emerged as one of the strongest critics of microfinance by publishing his book "Why Doesn't Microfinance Work? The Destructive Rise of Local Neoliberalism" in 2010 and editing the volume "Confronting Microfinance. Undermining Sustainable Development" in 2011. A thorough scan of his books, however, reveals that Bateman is not opposed to *all* forms of microfinance. His criticism is especially directed towards forms of microfinance which are not user-owned and which mainly aim at deriving profit from the clients' money. With regard to the issue of empowerment he argues that

the idea of gender empowerment [by means of microfinance] does not stand up well to independent scrutiny. In fact, a distinct mythology of gender empowerment has been created by the microfinance industry, based upon a number of questionable assertions, critical misunderstandings and deliberately created confusions. (Bateman 2010: 43)

Bateman underpins his argument by quoting several authors who question the relationship between empowerment and microfinance and who carried out research in different countries. Aminur Rahman, for example, found in his study of Grameen Bank in Bangladesh that the freedoms of women were undermined, rather than enhanced,

by microfinance. Drawing conclusions from her fieldwork in Bolivia, Lesley Gill argued that masculine hegemony had been strengthened by microfinance and not weakened. For the case of Bosnia, Vanessa Pupavac pointed out that microfinance in Bosnia was seen widely as a disempowering strategy and that it was resented by Bosnian women in large part. (Bateman 2010: 43- 46) As said above, Bateman considers most MFIs as disempowering institutions, but not all. He names the microfinance model of the Indian region of Kerala as one good alternative to conventional microfinance. This model enables empowerment through genuine incentives by which the poor can empower themselves. The model encourages people to form cooperatives and trade unions instead of thrusting people into the informal sector. Like this, solidarity is used in a positive manner and not in a negative way, as in many parts of India where social pressure is used to enforce repayment of microloans. New businesses which are created by means of microcredits in Kerala are tested by a council in view of the question whether they fit the village development plan and whether they are economically sustainable (e.g. to avoid overcapacity of certain businesses). (Bateman 2010: 185-7)

One of the studies that Bateman quotes to underline the negative impact of microcredits is the study of the cultural anthropologist **Lamia Karim**. In her most recent book “Microfinance and its Discontents. Women in Debt in Bangladesh” (2011) Karim shows several negative impacts of microcredits that are very widespread in Bangladesh. With regard to the women’s situation Karim concludes that

the access to microfinance loans has created new forms of subordination and oppression for poor women both at the household and community levels. I have shown [...] that while the loans are given to the women, the real users remain men. Hence, the men control and use the loan, while the wives remain contractually obligated for the payments to the NGO. [...] The ability to access loans has not radically altered a woman’s status or given her increased security within the household. (Karim 2011: 197)

Karim found that the high repayment rates of the MFIs are not due to women being better entrepreneurs than men, but rather because they can be more easily subjected to a ‘culture of honour and shame’. This culture of honour and shame was used consciously by the NGOs in Bangladesh in the form of public humiliation to secure repayment in case of default. Public humiliation ranged from verbal abuse or spitting on the person in public to the repossession of the saleable assets of the family or even the sale or breaking down of the borrower’s house. For the description of these

processes Karim coined the term “economy of shame” (Karim 2011: 84-5, 117). Another stunning fact found by Karim is that – contrary to the rhetoric of the Grameen Bank – moneylending could not be stopped by the provision of microcredits. Moneylending activities rather increased in the provided areas because women began to re-lend their credits to other people due to the lack of other investment opportunities and due to its convenience as an activity which could be done by the women within their homes. (Karim 2011: 199)

Another critical view on microcredit and empowerment is provided by **Jude Fernando**, the editor of the book “Microfinance. Perils and prospects” (2006). Analysing two case studies in Bangladesh, Fernando concludes that

[c]urrent positive claims about microcredit are not only misleading, but they also disguise how the lives of the women borrowers have become even more rigidly imprisoned within the power structures that oppress them. (Fernando 2006: 226)

According to Fernando, the negative impact of microcredit on women is reflected by an increased responsibility of loan repayment by women. As a consequence, women dispose of less time for leisure, education, consumption and welfare, and have less freedom and autonomy. (Fernando 2006: 227)

Two recent studies which used the approach of a randomized experiment to measure the impact of microcredit could not find an effect of microcredit on the empowerment of women. The first study was conducted in rural areas of Morocco (**Crépon/ Devoto/ Duflo/ Parienté** 2011). The main effect of microcredits detected by Crépon et al. was that “for agricultural activities [...] [there has taken place] a large increase in sales as well as an increase in expenditure and employment associated with a substantial increase in profits.” (Crépon et al. 2011: 16). Notwithstanding, the authors could not make out an increase in household consumption (Crépon et al. 2011: 16).

A second and similar study which, however, was carried out in an urban area (namely slum areas in Hyderabad/ India) did not find evidence for increased empowerment of women, i.e. a change of social indicators like education or health (**Banerjee/ Duflo/ Glennerster/ Kinnan** 2010: 20-1). The authors conclude that “[m]icrocredit [...] may not be the ‘miracle’ that is sometimes claimed on its behalf, but it does allow households to borrow, invest, and create and expand businesses.” (Banerjee et al. 2010: 21) To be accurate, one has to mention that the latter two studies were not



microcredit programmes primarily directed towards women, but programmes for both men and women. This distinguishes them from most other studies – like the following – where microcredits were targeted particularly at women.

**Hanappi-Egger et al.** (2008) carried out a qualitative study on a microcredit programme for women in Egypt and found that microcredits alone cannot bring about empowerment for women because economic empowerment is not enough to achieve overall sustainable empowerment. Therefore, the authors conclude that microcredit programmes on the micro-level of society have to be supported on the meso- and macro-level of society so that social and political empowerment also becomes possible. In order to obtain the latter, women should, for example, be granted access to political bodies which should be committed to the gender mainstreaming approach. (Hanappi-Egger/ Hermann/ Hofmann 2008: 153-4)

One study I already mentioned in chapter 2.1.2 is **Naila Kabeer's** study (2001). In accordance with her position that empowerment “contains an irreducibly subjective element” (Kabeer 2001: 79), the author rejects indicators to measure empowerment which would be imposed on the women by the researcher without asking for their notion of empowerment. Apart from that, Kabeer opposes generalized (negative) feminist conclusions about microcredit and empowerment. By pursuing this open concept of empowerment, Kabeer is capable of understanding and conceptualizing findings which seem contradictory to the researcher but which are not contradictory from the perspective of the local women's lives. Examining the ‘Small Enterprise Development Project’ (SEDP) in Bangladesh, Kabeer found that women strongly adhere to the social and cultural norms of ‘purdah’ and live their lives according to these rules. In many studies about women's empowerment, extending women's mobility is seen as one important step towards more empowerment. In the case of the women studied by Kabeer, however, this understanding of empowerment was not coinciding with the women's lives in Bangladesh. Due to the relationship between purdah and social hierarchy (i.e. class) in Bangladesh, staying and working at home was a sign that women had more value and therefore more honour (izzat). The women who could not afford to work at home and who were forced to go to the market to sell their products or to seek outside employment for financial reasons were said to have less honour. The reason for this was that the market place was seen as a men's place

and was therefore a dishonourable place for women. (Kabeer 2001: 69-71) As mentioned above, Kabeer also addresses the issue of how to conceptualize households. While some authors, like for example Anderson and Baland, assume that “instead of being atomistic, the household in developing countries is better modeled [sic!] as conflictual” (Anderson/ Baland 2002: 966), Kabeer argues that households in Bangladesh should be conceptualized as ‘cooperative-conflictual’. The main reason for this was that relationships within the household in Bangladesh were ‘unequal interdependent’. Due to gender asymmetries, women in this constellation were more dependent on men than men on women. According to Kabeer, women in Bangladesh were therefore more likely to *cooperate within* the household in order to seek more equality, instead of looking for *independence from* the household. (Kabeer 2001: 80) A key finding of Kabeer’s study in that context was that women were able to improve their bargaining and decision-making power within the household, especially in joint decisions, because they could contribute to the household income as a consequence of their loans. Therefore, the women in Kabeer’s study experienced a rise in personal self-worth. While the women contributed the bigger part of their savings to the household income, some of them also practised ‘secret savings’, a longstanding practice of rural women in Bangladesh, which guaranteed them a certain degree of autonomy concerning the use of their money (Kabeer 2001: 75).<sup>3</sup> Another result of women’s access to credit and their resulting contribution to the household income in Kabeer’s study was a reduction of tension and violence within the household and an increase in affection and consideration (Kabeer 2001: 71-2; 80). Likewise, the women studied by Kabeer did not give a negative interpretation to the fact that their workload had increased since they received the loan, as it is presupposed in many feminist studies on microcredit. “The new uses of their time made possible by their loans brought about an enhanced sense of self-worth as well as giving a new meaning to ‘work’.” (Kabeer 2001: 71) Another positive effect in Kabeer’s study was that especially the poorer households in her sample reported that their social inclusion had improved since they had had access to the loan, as henceforward they could afford to engage in everyday forms of hospitality (Kabeer 2001: 72). All in all, Kabeer succeeds to show that empowerment of women by loans is possible, even though the women did not

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<sup>3</sup> The application of this practice was also reported by Anderson and Baland in their study on ROSCAs in Kibera, Nairobi (see Anderson/ Baland 2002: 969).

control these loans individually, but mainly made joint decisions with their husbands. These processes would have remained unseen by a researcher who defines empowerment as ‘control over/ power over’ certain resources.

**Rachbauer** conceptualizes empowerment as an overall change in social structures and power relations (see also chapter 2.1.2.3). From his study about a development project in Nepal, which also included savings and credit groups for women, he concludes that empowerment cannot be achieved through development projects only. From this, Rachbauer concludes that it is important for development programmes and projects to formulate goals which are more likely to be achieved, instead of heading toward large but unachievable goals like empowerment. From his point of view, development cooperation often overestimates its possibilities and effects, because people’s lives are embedded in a wide socio-economic framework and not in small projects. (Rachbauer 2010: 268-9)

To summarize this chapter, the following table provides a compact overview of the studies presented in this chapter.

Study	Findings regarding Microcredit and Empowerment
Banerjee, Duflo, Glennerster, Kinnan (2010)	Microcredits do not change women’s empowerment and a range of other social indicators like education or health.
Bateman (2011)	Conventional profit-driven microfinance can only lead to disempowerment of women. Alternative approaches, however, can be empowering.
Crépon, Devoto, Duflo, Parienté (2011)	There is no evidence of increasing empowerment of women. Microcredits lead to an improvement of some economic indicators, but only for a part of the loanees.
Fernando (2006)	Microcredits lead to the disempowerment of women as they strengthen the power relations in which women are embedded.
Goetz, Gupta (1996)	Most women do not have full or significant control over the credit they take out. Therefore, there is no economic empowerment for these women. Furthermore, traditional notions and activities of women are fostered and not changed.

Hanappi-Egger, Herman, Hofmann (2008)	Microcredits alone cannot lead to empowerment, as they enhance only economic empowerment and not other aspects of empowerment.
Hashemi, Schuler, Riley (1996)	Microcredits do increase the empowerment of women in terms of eight indicators, namely women's mobility, their ability to make purchases and major household decisions, their ownership of productive assets, their legal and political awareness and participation in public campaigns and protests.
Kabeer (2001)	Women in Bangladesh control loans jointly with their husbands. Thereby empowerment of women increases in terms of self-esteem, greater social inclusion and reduction of violence.
Karim (2011)	The provision of microcredits does not alter the status or security of women within the household. In order to ensure repayment, a rural culture of honour and shame is used to put pressure on women. This presents a new form of oppression for women borrowers.
Morduch (1998)	The results of Pitt and Khandker (1998) suffer from several methodological shortcomings. A re-analysis of their data reveals that there is no impact of microcredits on the indicators highlighted by Pitt and Khandker.
Pitt and Khandker (1998)	Borrowing to women instead of men leads to a significant impact on six variables, namely household expenditure, nonland assets hold by women, male and female labour supply, and boys' and girls' schooling.
Rachbauer (2010)	Empowerment lies beyond the scope of development interventions like credit and savings groups.

*Table 3: Overview of Publications on Microcredit and Empowerment*

## **2.4 SUMMARY**

Chapter 2 was divided into three main parts. A first part discussed definitions. Microfinance was defined as a financial service for the poor or unbanked. An overview over the variety of microfinance institutions showed the heterogeneity of the microfinance sector. Another sub-chapter addressed definitions of the terms 'development' and 'empowerment'. I illustrated that there is no general agreement on

these definitions. By presenting wider concepts of empowerment like those of Novy or Friedmann, I clarified that empowerment processes are highly complex and that they depend on larger societal conditions like the political system. With reference to Kabeer who conducted research on microcredit and women's empowerment in Bangladesh I explained the difficulties in applying the concept of empowerment in research.

The second part of chapter 2 provided an overview of the history of microfinance. I showed that large parts of this history still remain unwritten, especially when it comes to the history of microfinance concerning women and institutions in non-European countries. My overview illustrated that in many parts of the world, microfinance institutions have existed for centuries. With reference to Bateman I described how in the last decades microfinance was appropriated by the development community and was changed into an instrument concordant with a market-led, profit-oriented ideology.

In the third part of chapter 2, I showed that the different findings of studies about microcredit and empowerment root in a divergent conceptualization of the term 'empowerment'. Nonetheless, it could be shown that – in spite of the different findings – the majority of authors could not find a strong influence of microcredit on the empowerment of women.

### 3. Research Methods and Questions

Chapter 2.3.1 illustrated that outcomes of studies on microcredit depend on the research questions asked and the definitions established in these studies. As the research part of my diploma thesis was also informed by the scientific background of the researcher, I want to explain my scientific standpoint in the following chapter. In chapter 3.1 I will describe my epistemological approach and in chapter 3.2 I will present the research questions which guided my fieldwork. After explaining my data collecting methods in chapter 3.3, I will bring together research questions and methods in chapter 3.4. The last sub-chapter will describe the method of Grounded Theory, since I chose this method for data analysis.

#### 3.1 EPISTEMOLOGICAL APPROACH

Generally speaking, I would describe my own epistemological perspective as a feminist one. Therefore, I follow Sophie Llewelyn, when she points out that “[t]he key epistemological question for many feminist researchers is [...] not simply ‘how do we know’, but also, ‘whose knowledge counts?’” (Llewelyn 2007: 209). There were several texts that had a deep influence on the epistemological standpoint that I had during my fieldwork stay in Kenya. I will briefly introduce three of the most important texts and describe their influence on my fieldwork – firstly, Donna Haraway’s contribution on “Situated Knowledges” (1991), secondly, Sophie Llewelyn’s essay “A neutral feminist observer?” (2007) and thirdly, Chandra Mohanty’s famous text “Under Western Eyes” (1988).

Based on Haraway (1991), I argue that objectivity in science cannot be achieved by pretending to be an observer who is distant from the objects of knowledge and therefore can see reality ‘from above’. Haraway calls this the ‘god trick’ and argues that this cannot be the ground for objectivity. Rather, objectivity for Haraway derives from a *positioning of the researcher* within the relationships in the field (Haraway 1991: 188-90). Thereby she does not only distance herself from objectivist approaches, but also from strong relativistic ones

Relativism and totalization are both ‘god-tricks’ promising vision from everywhere and nowhere equally and fully, common myths in rhetorics surrounding Science. But it is

precisely in the politics and epistemology of partial perspectives that the possibility of sustained, rational, objective enquiry rests. (Haraway 1991: 191)

Haraway claims that in science the standpoints of the subjugated (e.g. women) are to be preferred because “they are least likely to allow denial of the critical and interpretative core of all knowledge” (Haraway 1991: 191)<sup>4</sup>. She also cautions against romanticizing the perspectives of the subjugated and viewing them in an uncritical way. Haraway's theses held true for my research. As I focused on women coming from lower social classes, my data abounded in descriptions of societal dynamics that were influencing their lives, like for example domestic violence, living as a single mother or the burden of school fees. Due to their social rank, men were not or not as much affected by these phenomena. Although the women I interviewed were a valuable source of data, I never took in their statements uncritically. The more time I spent in the field, the better I was able to judge the validity of the information from my interviewees.

Sophie Llewelyn's essay was central for me because she explains what a feminist standpoint means for doing research on the ground. In her essay “A neutral feminist observer? Observation-based research and the politics of feminist knowledge making” (2007) she describes how Haraway's theory was reflected in her own fieldwork. By getting to know the field more closely and building up relationships with the researched people, Llewelyn changed her initial perspective which had been informed by general scientific theories about migration and globalisation (Llewelyn 2007: 302-5). Therefore, she conceptualizes the research process as a learning process for the researcher.

I have explored observation-based research as a forum for interaction between researcher, interpreter, and respondents, and as a means of learning to see beyond the narrow epistemological frameworks within which research problems are formulated. This is a political activity in that it refuses to ignore ways of knowing that are different from the researcher's. (Llewelyn 2007: 308)

This argument by Llewelyn informed the way I conceptualized my research. I decided to take my research questions not as absolutely determined when I went into the field but as changeable and dependent on the interactions in the field.

Besides being reluctant to go to the field with pre-determined perspectives, I was cautious not to consider all researched women one homogeneous group. This stance

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<sup>4</sup> This argument is based on Hartsock's theory about the 'feminist standpoint'. Hartsock enlarges upon this issue in her famous essay “The Feminist Standpoint. Developing the Ground for a Specifically Feminist Historical Materialism” (1983).

was influenced especially by texts of feminists of colour, Chandra Mohanty's essay (1988) being one of them. Mohanty criticizes the assumption of an ahistorical universal group of women which is oppressed by the group of men within the framework of a world-wide and universal patriarchy (Mohanty 1988: 72- 73). She concludes that "[i]t is only by understanding the *contradictions* inherent in women's location within various structures that effective political action and challenges can be devised." (Mohanty 1988: 74; italics in the original) By depicting third-world women as one single group, Mohanty locates a "colonialist move" (Mohanty 1988: 79) within several feminist approaches. She arrives at this conclusion through the observation that Western women represent themselves as educated, modern and having control over their bodies and sexualities, while third world women are represented as their counterparts – they are designated as poor, uneducated, tradition-bound and victimized (Mohanty 1988: 65; 80-2). A logical conclusion from Mohanty's arguments would be to use concepts – like 'empowerment' in my case – with caution, as they can be used to view women from the south as not empowered and 'in need of empowerment', while Western women, in contrast, are seen as a group that has already achieved a high level of empowerment. Keeping Mohanty's arguments about the heterogeneity of women in mind helped me see the differences between the women I interviewed at an early stage of my research.

### **3.2 RESEARCH QUESTIONS**

The main research question of this diploma thesis is "***Which effects do microcredits have on women in the GS&L programme of YDF and has a process of empowerment taken place?***" In order to answer this main question, sub-questions were formulated.

The Canadian International Development Agency (CIDA) developed a set of indicators of empowerment. Its categorization is similar to the definition of empowerment by Hanappi-Egger et al. (which was introduced in chapter 2.1.2) because it distinguishes different levels of society at which empowerment can and should take place. CIDA makes a distinction between legal, political, economic and social empowerment indicators. The table below depicts CIDA's indicators in a short form. Most of them are



measured by assessing the percentage or number of the respective indicator (for instance 'percentage of women in local councils').

<b>Legal Empowerment</b>	<b>Political Empowerment</b>	<b>Economic Empowerment</b>	<b>Social Empowerment</b>
enforcement of human rights	women in local councils/ decision-making bodies	(un)employment of women	women in local institutions (e.g. women's associations, income generating groups)
women heard in local courts (also divorced and widowed women)	women in local civil service	time use in selected activities (especially in unpaid work like childcare)	extent of training or networking among women
treatment of offenders against women	women registered as voters/ as eligible persons	salary differentials in comparison with men	control of women over fertility decisions
violence against women	women in unions (members and decisions-making positions)	property owned and controlled by women	mobility of women within and outside their residential locality
female justices/ prosecutors/ lawyers	female participation in public progress and political campaigning	female headed household's expenditure on education and health (in comparison with male headed ones)	
women in the local police force		ability to make small or large purchases independently/ degree of economic autonomy	
		available credit, financial and technical support services in comparison to men	

*Table 4: Indicators of Empowerment (based on CIDA 1997: 41-3)*

**In order to formulate the sub-questions for my main research question, I decided to use a mix of two approaches, as Hanappi-Egger et al. leave out the aspect of**

legal empowerment (they mention it as an important aspect, but do not include it in their conceptualization of empowerment) and as CIDA does not consider the aspect of personal empowerment. Therefore, the sub-questions which guided my research were the following.

***Does GS&L have an effect on personal empowerment?***

- Has the women's position in decision-making changed within the household?
- Has domestic violence against women decreased?

***Does GS&L have an effect on social empowerment?***

- Have women built up networks within or outside the GS&L group to pursue their interests?

***Does GS&L have an effect on economic empowerment?***

- Has the debt and income situation of women improved?
- Have the women built up a new business or extended an existing one which yields a sustainable amount of income?

***Does GS&L have an effect on legal empowerment?***

- Have women become more entitled by the acquisition of property (e.g. assets, land and/ or livestock)?

***Does GS&L have an effect on political empowerment?***

- Do women participate more in local councils, decision-making bodies and/ or unions?

These questions were the ones which guided my research in the beginning. Following the research method of 'Grounded Theory' the research questions changed after I entered the field because some of the questions turned out to be irrelevant. As I will outline below, the area of political engagement was not relevant to the majority of my interviewees. This was the reason why I did not focus my research further on that area.

The personal, economic and social realm were rather the areas which turned out to be the most important in the lives of the women.

### **3.3 METHODS OF DATA COLLECTION**

To examine the above outlined research questions, I decided to use several methods of data collection. The reason for choosing a mixed methodology was to obtain reliable data. 'Triangulation' is often used to denote a mixture of methods, yet it does not only mean the combination of methods, but also of different researchers, different theoretical perspectives, different spatial and temporal settings and different groups of investigation (Flick 2009: 519-20). Thus, the conceptualization of this diploma thesis as a 'twinning project' within which I had the chance to exchange views with a Kenyan student was advantageous in this context.

As an outstanding example of a study that applied a mixed methodology in social research, **the Marienthal study and its combination of qualitative and quantitative data informed the design of my research.** "The Sociography of an Unemployed Community" was an early case study (first published in 1933) and used methodological triangulation very successfully. Besides interviews with the unemployed, the researchers applied methods of time-use-sheets, (participant) observation, expert interviews, life story interviews, use of statistics and analysis of children's school essays among others (Jahoda/ Lazarsfeld/ Zeisel 1975: 26-30). By combining quantitative and qualitative data, the researchers were able to show the process of degeneration which was caused by the unemployment.

In the following sub-chapters I will present the methods of data collection I chose and will outline the reasons why I chose them.

#### **3.3.1 Expert Interviews**

Expert interviews were an important pillar in my research design, because expert interviews give first insights and information at the beginning of the research process. Furthermore, they serve as a forum for the discussion of research results at a later stage. Due to their restricted focus on certain questions, expert interviews are

predetermined to be used in a combination of methods (Flick 2009: 218-9; see also Meuser/ Nagel 2005: 72; 75). In their article on expert interviews Meuser and Nagel emphasize the fact that the question of who is considered an expert cannot be answered across-the-board. Rather, the status of the expert is dependent upon the respective research interest and is therefore a relational status. Nevertheless, Meuser and Nagel give a definition of an expert as a person who has “a privileged access to information about groups of persons or decision processes” (Meuser/ Nagel 2005: 73; translated by E.H.). In comparison to other methods, the expert interview aims at discovering the knowledge of the expert concerning certain processes and not about his life as a person in the social context (Meuser/ Nagel 2005: 72-4).

### **3.3.2 Single Interviews**

In order to gain in-depth insights into the impacts of the GS&L system, I chose a semi-structured form of interview which I combined with more structured questions at the end of the interview. In the middle of the interviews I planned to apply a participatory method to obtain data on household income and expenditure.

For the semi-structured questions in the interviews I borrowed several aspects from the episodic interview. The reason for choosing this particular form of interview was that it enabled me to focus on the specific aspects of the GS&L groups I was interested in, instead of collecting entire life stories, as it is the case with narrative interviews for example. An essential feature of the episodic interview is that it combines narration with questioning, because it focuses on certain situations and instances. Likewise, I borrowed the idea of adding a short part of structured questions (i.e. questionnaire) at the end of the interview in order to collect important sociodemographic information about my interview partners. (Flick 2009: 238- 47; Flick 2006: 222-5)

Because of their potential to create qualitative as well as quantitative data, I also planned to use participatory methods. Mayoux and Chambers argue that

when used well, participatory methods generate not only qualitative insights [...] but also quantitative data which are generally more accurate than those from conventional survey approaches and methods. (Mayoux/ Chambers 2005: 272)

One important principle of participatory methods is that data are not collected only by researchers but by local people themselves and that the latter are also involved in the process of analysis. For Chambers, the pioneer in participatory methods, 'handing over the stick' to local people in the research process is an essential criterion for PRA (Participatory Rural Appraisal) (Kumar 2002: 317). The focus in PRA is also set on a learning process of the researchers through the exchange with local people.

It [PRA] is quite different from the questionnaire approach where the analysis and learning start only after the compilation of data, which takes place at a different location that is away from the respondents. (Kumar 2002: 317)

In my case, I planned to apply the method of 'drawing a household tree' from Sørensen (1998: 41-3) who had used the method in the context of microenterprises in Eritrea. The data collected through this method were supposed to help me with the analysis of the women's economic situation.

### **3.3.3 Group Interviews**

Apart from the single interviews, I planned to use the method of group discussion (Flick 2009: 254). This method is characterized by a stimulating question at the beginning of the discussion. The role of the discussion leaders during the discussion can be threefold – firstly, the leaders do not interfere with the discussion, secondly, the leaders pay heed that the discussion refers to certain pre-determined issues and thirdly, the leaders support the dynamic of the discussion by polarizing questions in case that the discussion does not launch or by compensating in case that some people dominate the discussion.

For the purpose of my research I wanted to use group discussions to gain information about the role the GS&L groups played in the women's lives. This information was supposed to complement the information from the single interviews.

### **3.3.4 Analysis of Book-Keeping Data**

In order to analyse the cash flows of the GS&L system, I also used preexisting data, especially from book-keeping. The analysis of documents in social research is always a source of additional data, seldom an independent research method. Thus, I used document analysis to gain additional information to the expert, single and group interviews. According to Flick, the analysis of documents does not evaluate the ‘factual reality’ – rather it takes into account the purpose of the documents, the social conditions under which they were created, by whom they were developed and what they ignore. (Flick 2009: 327- 329)

### **3.4 BRINGING TOGETHER RESEARCH QUESTIONS AND METHODS**

Before I went to the field, I established a draft how my research questions and methods could finally be transferred into questions which would be applicable in the field. The following table depicts how I connected the sub-questions of my research with methods and questions answerable in the field.

<b><i>Dimension of Empowerment</i></b>	<b><i>Research Question</i></b>	<b><i>Method of Data Collection</i></b>	<b><i>Questions for the Field</i></b>
personal	Has women’s position in decision-making changed within the household?	Single Interviews	Has the participation in the GS&L association influenced the women's relationships with their husbands/ with their children?
personal	Has domestic violence against women decreased?	Single Interviews, Expert Interviews, Group Interviews	Is violence a problem for women in Kibera? Can the participation in a GS&L association decrease violence against women?

social	Have women built up networks within or outside the GS&L group to pursue their interests?	Single Interviews, Group Interviews	What are the social problems that women face in Kibera? Have the women been able to build solidarity within the GS&L groups which helps them deal with these problems?
economic	Has the debt and income situation of women improved?	Single Interviews (especially household budget sheets), Analysis of Book-Keeping Data	<p>What is the women's present economic situation? What are the problems and what are the causes for these problems?</p> <p>What kind of activities do the women, their husbands and their children engage in to make up their households' <i>income</i>? Which activity yields which amount of money?</p> <p>What are the <i>expenditures</i> of the households? How many credits did the women take out all in all? To which amount? From which institutions? Has all that changed since the women joined the GS&amp;L group?</p>
economic	Have women built up a new business or extended an existing one which yields a sustainable amount of income?	Single Interviews	Do the women have their own business? If no: Did they have one before? Why did they give it up? If yes: When did they start it? Would they have started a different kind of business if they had had more money? Would they prefer to be employed and receive a regular salary instead of being self-employed? What are their expectations for the future with regard to their businesses?

legal	Have women become more entitled by the acquisition of property (e.g. assets, land and/ or livestock)?	Single Interviews	Which amount of land and livestock do the households own? Which of these items are the women's own property? How has that changed since they joined the GS&L group?
political	Do women participate more in local councils, decision-making bodies and/ or unions?	Single Interviews, Expert Interviews	Which kind of political activities do the women participate in? Has that changed since they joined the GS&L group?

*Table 5: Bringing together Methods and Questions*

### **3.5 METHOD OF DATA ANALYSIS**

The field of research was completely new to me when I arrived in Nairobi. Therefore, I could not resort to previous experiences in order to derive a predetermined theory which I could then test in the field. Consequently, the most suitable method of analysis for my purpose proved to be 'Grounded Theory'. **In 'Grounded Theory' the researcher creates a theory which is systematically derived from the collected data**, i.e. it is first and foremost an inductive strategy. Nevertheless, deductive analysis is also part of 'Grounded Theory' because the researcher constantly tests his/her theory during the research process (Strauss/ Corbin 1996: 122-3). The search for a data-based theory also means that the process of data collection is closely linked to the process of data analysis – the constant analysis of data guides the sampling process during the fieldwork. (Strauss/ Corbin 1996: 7-9) For this reason, the sampling method in 'Grounded Theory' is called 'theoretical sampling' (as it is based on the theory which emerges from the data) and thus differs from the 'representative sampling' mostly done in quantitative research. (Strauss/ Corbin 1996: 148)

Strauss and Corbin emphasize the fact that the method of 'Grounded Theory' meets the requirements of 'good science' because it fulfills criteria like significance,



compatibility of theory and observation, consistency, reproducibility, precision and verification. However, the authors stress the fact that the approach to achieve these criteria in qualitative research is different from that in quantitative research. (Strauss/Corbin 1996: 214-5) This argument is also shared by Flick, when he illustrates that the criterion of 'generalisation' in qualitative research is based on the quality of the sampling and not on the number of chosen cases as in quantitative research. According to Flick, the aim of qualitative research is predominantly to develop new insights and theories (of social processes) and not to achieve a numerical generalisation. (Flick 2009: 50) This aim fits the purpose of my research project, because I was interested in the processes of change that the participation of the women in the GS&L associations had brought about.

### **3.6 SUMMARY**

In this chapter I exposed my epistemological and methodological approach. Using a feminist perspective, I explained in chapter 3.1 why it is important to consider women as a heterogeneous group and to clarify one's own standpoint as a researcher. Hence, I will describe my own standpoint in the field in chapter 4.2.

Based on definitions of empowerment of Hanappi-Egger et al. and CIDA, I outlined the sub-questions belonging to my main research questions in chapter 3.2. In the following sub-chapter, I explained the research methods I wanted to use in my research. With reference to the Marienthal study, I argued for a mixed methodology. Within the framework of my research, I planned to apply expert and single interviews, group interviews and analysis of pre-existing data. Chapter 3.4 showed an overview of how I brought the research questions and methods together to obtain answerable questions for the field. In chapter 3.5, I described the method of data analysis of Grounded Theory. I explained that this method was most suitable for the purpose of my research, as it allowed openness and simultaneously enabled in-depth insights about social processes.

## 4. Fieldwork and Analysis of Data

This chapter will present the empirical study I conducted in the slum of Kibera. The first sub-chapter (4.1) will provide background information on the field. I will describe general development processes in Kenya, Nairobi and Kibera. Apart from that, I will give an introduction to the project of Ushirika Children Centre, where the microcredit programme was located. In chapter 4.2, I will reflect on the data collection process. Chapter 4.3 will then present the main results of the research.

### 4.1 THE FIELD

#### 4.1.1 Kenya and Nairobi- Unequal Development Processes

**Kenya is a nation of young people and children.** 78 per cent of the population are aged between 0 and 34 years. In contrast, only 4 per cent of the Kenyans are older than 64. (UNDP Kenya 2010: 3)

**Population growth is another significant feature** which will determine Kenya's future development. While in 1969 only 10.9 million people lived in Kenya, the number was at 38.6 million in 2009. In 2030 the population is estimated to be at 65.9 million in spite of a declining fertility rate (Population Reference Bureau 2011: 1). The high percentage of young people and their growing number is a potential of the Kenyan society. This potential, however, can lead to numerous problems in the future, if it is not properly addressed, as the 'Kenya National Human Development Report' of 2009 stresses. The report cautions that as long as the Kenyan government does not include the youth in national development processes in the areas of education, health and economics, Kenya will not reach the goal of improving its HDI (Human Development Index)<sup>5</sup> (UNDP Kenya 2010: xi).

**A third essential feature of the Kenyan society** which I want to outline here **is its deep social inequality.** The gini coefficient<sup>6</sup> is a significant marker of the social structure and (in)equality of a society – Kenya has a gini coefficient of 47.7. This means that the Kenyan society is quite unequal. Austria has a gini coefficient of 29.9,

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<sup>5</sup> The goal that Kenya set itself is a raise of HDI from 0.532 in 2007 to 0.750 in the year 2030.

<sup>6</sup> The gini coefficient is a measure of the deviation of the distribution of income among individuals or households within a country from a perfectly equal distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.

for example, while Norway has the best gini coefficient of all countries world-wide with a coefficient of 25.8 (UNDP 2011: 135, 137).

The table below shows the three most striking features of the Kenyan society which I described above.

Kenya in Numbers		
Total population	38.6 million (2009)	
Annual population growth rate	2.5 per cent	
Age composition	0-14 years	42 per cent
	15-34 years	36 per cent
	35- 64 years	18 per cent
	older than 64 years	4 per cent
Gini coefficient	47.7	

Table 6: Kenya in Numbers (based on Population Reference Bureau 2011: 1; UNDP Kenya 2010: 3; UNDP 2011: 137)

The striking social inequality in Kenya means that the wealth of the country is concentrated in the hands of a tiny and enormously rich minority, while the mass of Kenyans lives in poverty. The ILO (International Labour Organization) mentions this disequilibrium in a report about Kenya and emphasizes **the absurdity of Kenya's poverty rate in sight of the economic wealth of the country.**

Kenya has the largest economy in East Africa with GDP at US\$ 18 billion (2005) [...]. However, it also has a high incidence of absolute poverty. An alarming 46 per cent of the population is estimated to be absolute poor. The number of poor people increased from 3.7 million from the period 1972-73 to an estimated 15 million today. This situation is aggravated by poor governance, weak internal control systems and lack of will to carry out the commitments made through legislative, policy and institutional enactment. (ILO 2007: 3)

The social inequality is caused and exacerbated by the fact that the majority of Kenyans work in the agricultural or the informal non-agricultural sector where they are not provided with any state-subsidized social security systems. Only 14 per cent of the Kenyan workers are employed in the formal sector, while **50 per cent work in agriculture and 36 per cent in the informal sector.** The KIHBS (Kenya Integrated Household Budget Survey) stated in 2005/6 that out of the total 2.1 million non-

agricultural household businesses in Kenya approximately 90 per cent were informal. (Heintz/ Githinji/ Pollin 2008: 1-2) According to my observations in the field, this enormous importance of the informal sector was still valid at the time when I was in Kenya.

Taking a look at the development of the city of Nairobi, it becomes clear that the **development processes in the capital Nairobi are a reflection of the three 'development features' I described above** for the whole country of Kenya. Nairobi is a relatively young city – it did not exist in precolonial times. The British founded it originally as a railway headquarter in 1899 because its location provided climatic and logistic advantages for the construction of the railway from Mombasa towards Lake Victoria. According to oral sources, Nairobi had formerly been a watering place for Maasai cattle and was called 'Enkare Nairobi' (meaning 'cold water'). In 1905, the British decided to make Nairobi the capital of the British Protectorate East Africa. It became the capital of the colony Kenya in 1920. From the very beginning African and Asian workers moved to the young city, especially attracted by the jobs in the railway sector, but soon also by the jobs in the emerging service sector. From the early times the white minority made sure that the separation between Europeans and Non-Europeans was reflected in the urban planning of the new city. The 'functional zones' which were established then still shape the cityscape of Nairobi today. Apart from the social and racial segregation in Nairobi there prevails an ethnic segregation which is due to the fact that family members of migrants who moved to Nairobi later settled at close quarters with people with the same ethnic origin. Another feature of Nairobi which also dates back to the early years is clearing actions by the urban administration. In order to regulate the immigration of Africans and Asians, the city council authorised violent clearing and eviction of street traders. Likewise, burning of houses as a precautionary measure against epidemics was ordered by the urban administration in the early 20<sup>th</sup> century. Slum clearing actions by the urban administration are still common today and reflect the inability of the administration to address mass poverty and housing shortage in a sustainable way. (Stacher 1997: 200-3)

**Nairobi has become a hot spot of urban development** which can be seen from **its striking growth rates**. In only 30 years (from 1950 until 1979) the population of

Nairobi grew by 600 per cent. While in 1965 the rate of urbanisation in Kenya was only 9 per cent, by 1994 it was already at almost 27 per cent and in 2025 it will be at more than 51 per cent (Stacher 1997: 198-9). It was estimated that in 2010 3.4 million people lived in Nairobi and that this number would be at 4.8 million in 2020 (UN-Habitat 2009: 262). This enormous urban growth can not solely be explained by the general population growth in Kenya. Rather, the urban growth mirrors the (misguided) development policy of the whole country. As there is still a large regional development gap between rural and urban regions in Kenya, it is a strategy for households in the countryside that family members migrate to the city. This strategy helps the rural households cope with the deterioration of the economic sustainability in the Kenyan agrarian sector. Declining world market prices for agricultural commodities, increasing input costs and degradation of the rural infrastructure have led to this 'rural crisis' in Kenya. (Stacher 1997: 208) As my research will show, climate change also contributes to the migration pressure on the cities. Although the wage difference between rural and urban regions is significant, the major part of the city dwellers rely on insecure and irregular work in the informal sector as the formal sector has not developed in line with the growth of the labour supply. Not only the governmental labour market policy but also the public housing policy has fallen short of providing sufficient housing space for the poorer residents of Nairobi. (Stacher 1997: 210) This can be seen from the growing slum areas of Nairobi, Kibera being the largest of them.

### 4.1.2 The Slum of Kibera<sup>7</sup>



*Figure 2: View of Kibera from Ushirika Children Centre (author's own photo)*

The history of Kibera is inextricably linked to the history of the ethnic group of Nubians in Kenya. Coming originally from the Nuba Mountains in central Sudan, the Nubians served as soldiers for the British in their conquest of East Africa at the beginning of the 20<sup>th</sup> century and in the First and Second World Wars. After their demobilisation, the British assigned almost 4,200 acres of land (so-called 'reserve shamba') to the former Nubian soldiers. However, they did not provide them with a meaningful compensation, pension or after-service benefits which the white soldiers of the British army were usually granted. While the British rejected the plea of Nubians to be resettled in Sudan, they did not grant the ex-soldiers British citizenship, either. As a consequence, the Nubians were left without citizenship when the British left the country at independence, and successive Kenyan governments failed to address the stateless status of the Nubians. This means that until today most Nubians are neither entitled to vote, nor to hold any political office in the country.

The Nubians called the land they were given 'Kibra', meaning 'land of forest'. This provides an indication of what the land must have looked like at that time. While the

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<sup>7</sup> This chapter is based mainly on the following sources: COHRE 2005, Minority Rights Group International 2005 and Nubians in Kenya 2012.

area was reduced to an area of 550 acres (approx. 110 hectares), the population size of Kibera exploded. **While in 1980 80,000 people lived in Kibera, in 1995 it was an estimated 750,000 inhabitants.** Although the land was first populated mainly by Nubians, soon other ethnic groups began to settle in Kibera. After the assassination of Mboya, KANU Secretary General, in 1969 many Luos fled to Kibera as it was known to be safer than the nearby Dagoretti for example. Another big part of the immigrants to Kibera stems from the above mentioned rural-urban migration. Although official information about the population is lacking, according to estimations Kibera is said to be the largest and most densely populated slum in Africa.

The inhabitants of Kibera value the low costs of living and the good location of Kibera due to its closeness to Nairobi's industry site and middle class estates. However, there are many disadvantages the inhabitants have to struggle with. **The inaction of the government to improve housing conditions** in Kibera and other slums **results in precarious living conditions.** The majority of households lack basic physical and social infrastructure. Due to the absence of sanitation and garbage disposal the health of the inhabitants is severely affected.

Security of tenure is another hindrance for development in Kibera. The government still has not solved the problem of land titles. The issue is complex and highly contested, also because it is fuelled by ethnic division lines. While tenants tend to be Luo and Luyia, landlords are Nubians and to a lesser extent Kikuyu and Kamba. Tenure, however, is precarious. Landlords have arrangements with the Provincial Administration and Councillors, but, as several government evictions showed in the past, this tenure is not formally recognized. The Centre on Housing Rights and Evictions reports that "[c]orruption amongst the Provincial Administration (particularly the Chiefs and Assistant Chiefs), elders, police and structure owners appears to be common. Residents also reported harassment." (COHRE 2005: 28)

Considering the precarious living conditions, Kibera and all other slums in Nairobi reflect the incapacity of Nairobi's urban administration to cope with urban development in a sustainable way. Many of the women I interviewed told me that they would choose another place to live if they could afford it. As the majority of them could not afford another place to live, they had to live every day with the insecurity of residence, with the fear that their physical integrity would be violated or their property would be

stolen and with the prejudices ascribed to slum residents. The following quotes from my interviews illustrate what it meant for the women to live in a slum like Kibera:

[I]n Kibera we are just for a while because we don't know if the houses will be demolished tomorrow or we don't know when. (Patricia 03-10)

[In Kibera it is] not a good life to [...] raise up [your] children. [...] I can say in Kibera you live a life of fear. [...] By life of fear I mean, you can stay and after some minutes you hear that there is a house burning<sup>8</sup>, there is a thief here, things like that. (Tara 27-09)

[I]f you give people ownership of land, Kibera will be changed. Now you don't see a bank here, there is no standard hospital [...]. Like us [slum dwellers], we can't tell someone [in town] that we stay in Kibera [...] [b]ecause they think in Kibera people are drunkards and don't think. (Anastacia 27-09)

The picture below shows the above mentioned problem of lacking sanitation and garbage disposal in Kibera. As many houses were lacking toilets and garbage was not collected by the local authority, the streets were filled with garbage and excrement. The picture below was taken in front of UCC and illustrates how the people provisionally established a drain where the garbage was dumped so that in case of rain it would be swept away.



*Figure 3: Street in front of Ushirika Children Centre, Laini Saba, Kibera (author's own photo)*

<sup>8</sup> People in Kibera fear burning houses because fire service is not available, as fire fighters cannot pass through the narrow streets of Kibera.



### **4.1.3 Youth Development Forum (YDF) and its Components**

#### **4.1.3.1 Ushirika Children Centre and the Structure of YDF**

Ushirika Children Centre (UCC) was established by the organisation 'Youth Development Forum' (YDF) in the year 2000 (Kitavi 18-07). The forum was an initiative of young people from the parish 'Christ the King' in the slum of Kibera who wanted to change and improve the living conditions in their community. Therefore, they established a kindergarten and a primary school for those children who could not afford to attend public schools and who belonged to the group of OVC (Orphan Vulnerable Children). The centre is located in Laini Saba, a village in the northeast of Kibera. Its designated aim is to

provide quality education for up to 400 OVCs and disadvantaged children living in Kibera. Specifically, the school provides a holistic approach to the development of the pupils including providing a safe and secure environment where academic, morals and extra-curricular activities contribute to the overall development of the child. (Youth Development Forum 2011: 2)

**The work of Ushirika Children Centre is essential in view of the fact that enrolment in schools in Kibera dropped** from over 80 per cent **to 40 per cent in the last three decades**. All in all, 65 informal schools exist in Kibera. The drop out rate is over 50 per cent by the age of 12 (Standard 6), with the reasons for leaving being mostly poverty, ignorance, peer pressure, pregnancy and early marriage. (Oxfam cited by Youth Development Forum 2011: 3)

The number of children enrolled in Ushirika Children Centre has steadily grown over the years. While in 2007 a total of 222 children attended the kindergarten and the school, in 2011 this number was at 423 children. According to the director, the school has a capacity for 400 children and the Centre tries not to surpass this number. In summer 2012, there were 396 children at the Centre (Kitavi 18- 07). The figure below shows the mentioned growth of the number of pupils at UCC.

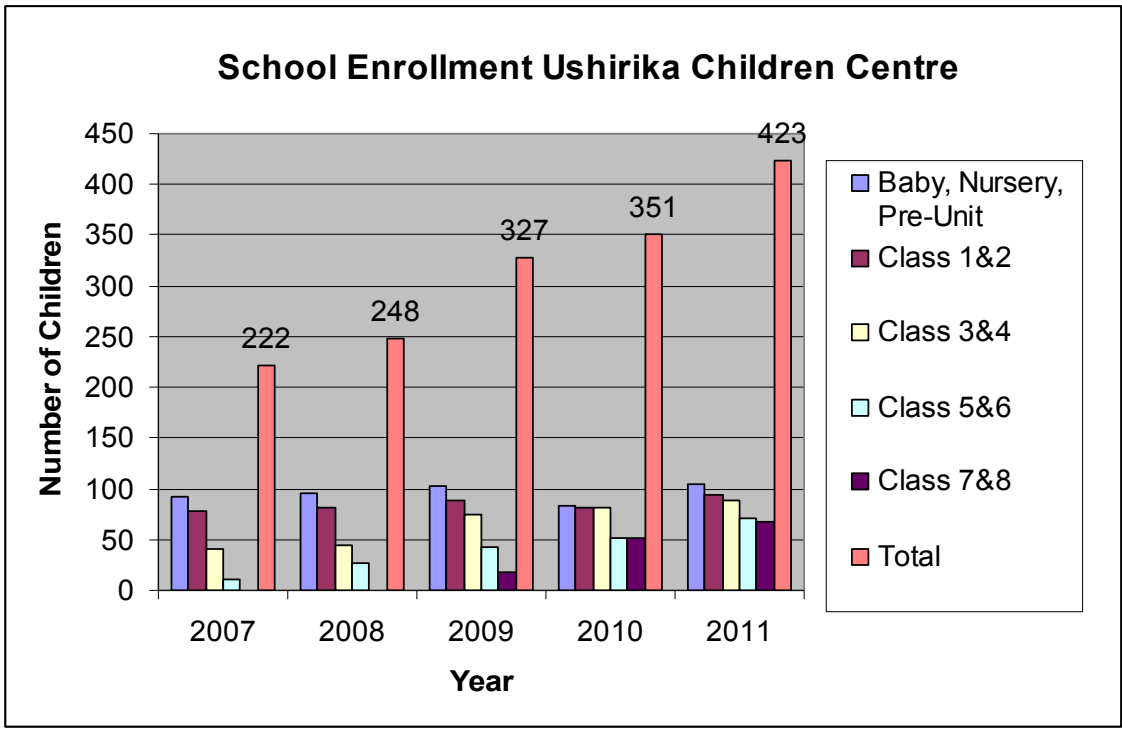
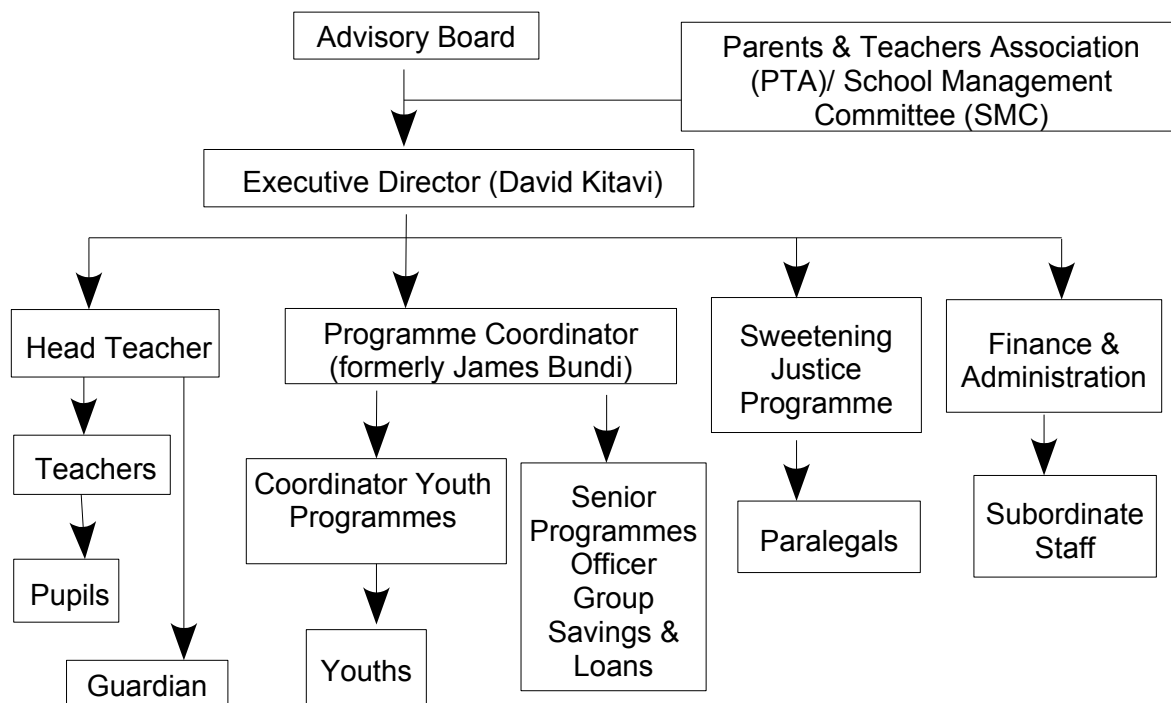


Figure 4: Number of Children Enrolled in Ushirika Children Centre (based on Youth Development Forum 2011: 14)

Apart from the children centre (i.e. kindergarten and primary school), there are three other important branches on which YDF relies – the youth group, the 'Sweetening and Justice Programme'<sup>9</sup> and the 'Group Savings and Loans Programme' (GS&L). The chart below demonstrates the different areas of operation of YDF.

<sup>9</sup> The aim of this programme is to provide members of the community with support in case of human rights violations. A team of five paralegals is working on cases of domestic violence or child neglect, also in cooperation with lawyers. (Kitavi 18-07)

## Youth Development Forum (YDF)



*Figure 5: Organisational Structure of YDF (based on Workshop on the Strategic Plan for YDF, Ushirika Children Centre, 16/17-07- 2012)*

The following sub-chapter will describe the component of YDF which I examined during my fieldwork stay in Kibera – the Group Savings and Loans programme.

### **4.1.3.2 The Economic Empowerment Programme of YDF – Group Savings and Loans (GS&L)**

#### Development of the Programme

Facing the problem that children dropped out of school because their parents could not afford the school fees, the Group Savings and Loans (GS&L) concept was introduced by YDF in the year 2003/4. **The initial idea was that the parents of the children (especially women) could improve their businesses through loans.** It was assumed that they would increase their income and **as a consequence they would**

**be able to pay the school fees of their children.** Apart from that, another goal of GS&L seemed to be to provide money for emergencies as people in the slum had no access to any public or private insurance. (Kitavi 18- 07)

According to Bundi, the approach of GS&L was brought to Kenya from Zimbabwe, where it is called IS&L (Internal Savings and Lending). In Kenya the concept had to be adapted to an urban context because in Zimbabwe it was applied in rural areas. After the staff of YDF had internalized the concept and figured out how the concept could be transferred to an urban setting, the concept was fully established by YDF in 2005/6. (Bundi 18-07) The members of the GS&L groups were predominantly women, but there was also one single group which had more men than women (Kitavi 03-10).

The programme did not have an efficient monitoring and evaluation component. Therefore, the exact number of operating groups could not be assessed in my research. Even the experts I interviewed did not exactly know about the number of groups. In our first interview in July 2012, David Kitavi, the director of UCC, talked about ten to fifteen active groups and ten non-active groups. He told me that in 2011 there were 47 groups. Obviously quite many groups had been liquidated or had given up until the time I arrived. In our second interview in October, Kitavi estimated the current number of groups to be around 30 because some new groups had been formed. The reason for the changing number of groups seems to originate from the vulnerability of the GS&L system to external influences. Not only was the urban setting with its high fluctuation of people a challenge for the programme, but political and personal changes like the post-election violence in 2007/8 and the departure of the programme manager in the first quarter of 2012 also played a role. These factors led to a reduction of the number of active GS&L groups in those years. (Bundi 18-07; Kitavi 18-07; Kitavi 03-10)

In order to form a group within the GS&L system, people (mostly women) who were interested in the programme and who knew each other approached YDF. Subsequently they were provided with a five-day training in which they were taught skills like record keeping, savings, group dynamics and making their own statutes. Although models for statutes were provided by YDF, it was up to the groups to decide on the rules they would impose on themselves. (Bundi 18-07; Kitavi 18-07)

**For the purpose of my research I examined two groups within the GS&L programme of YDF – the Imani Group and the Pendo Group<sup>10</sup>.** The Imani Group was established in 2011 and had 20 members at the time when I was in Kenya. The Pendo Group was founded in 2006 and had 13 members. The latter group was one of the most successful in the GS&L programme, since they managed to buy a plot of land in 2012.

### Interest and Savings

The GS&L concept of YDF worked without the involvement of external funds. Thus, the amount of savings determined the amount of lendable money in a group. **YDF advised the groups to choose an interest rate of 10 per cent** for the loans that could be taken in the groups (Kitavi 18-07). A specific feature of the GS&L system was what my interviewees often expressed as an advantage of the GS&L system – **“the interest is mine”**. This saying meant that at the end of the year **every woman got back the amount of interest she had paid for credits during the year**. This amount was added to the amount of savings that the woman received at the end of the year. The consequence from this was that women who took out larger and/ or more credits benefitted from the system because they received more interest at the end of the year. In contrast, the women who saved more than the minimum required amount did not gain any advantage from it because **the groups did not pay interest on savings**.

The amount of savings which the women had to contribute in every group meeting was determined by the group's statutes. The two groups I examined had different rules regarding the savings deposits. While in the Pendo Group the amount of savings was fixed (namely 300 KSh per month), in the Imani Group every woman could give as much money as she wanted, while there was a fixed minimum amount of savings of 100 KSh per week.

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<sup>10</sup> The group names as well as the names of the interviewed women have been changed in order to protect the respondents' anonymity.

## Proceeding of Group Meetings



*Figure 6: Collecting Money in the Pendo Group<sup>11</sup> (author's own photo)*

While the frequency of the meetings per month varied throughout the groups, **the proceeding of the group meetings was similar in the groups I visited**. If there was not a particular issue to be discussed in the beginning, the meeting began with collecting the amount of savings. Every member was called by her name, mentioned the amount of savings she wanted to contribute<sup>12</sup> and gave the amount to the treasurer. If there had been some offences against the group's rules, fines were collected and added to the amount of savings. After that, the people who were supposed to pay back their loans on the specific date were called out and paid back their loans including the interest. This amount of money was likewise added to the rest of the collected money. Subsequently, the sum of the collected money was named. Every member was now entitled to ask for a credit and had to mention the intended use and required amount. In case the required amount of money was higher than the available quantity of money, the group discussed whose member's intended use was more urgent. For members who had not yet repaid their loan it was not possible to take out a new loan until the repayment of the outstanding loan.

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<sup>11</sup> The picture shows how the money was collected on a table which was visible for all women during the meetings of the Pendo Group. This was supposed to guarantee transparency.

<sup>12</sup> This was not the case in the Pendo Group because the group had a fixed amount of savings.

The proceeding of the meeting of the Pendo Group was different from other groups in some respects because they did not only do GS&L but also 'merry-go-round' (see below). Therefore, at the end of each month they also collected the money for the merry-go-round during the group meeting. Furthermore, the Pendo Group had fixed in its statutes that all women should have access to money in every meeting. Consequently, they did not have to discuss which member would get a credit, they just divided the available money according to the number of the present women and gave a credit to every woman. It was, however, possible for the women to refuse the loan if they did not need it (Tara 27-09).

#### **4.1.4 Chamas in Kibera: Merry-go-round**

As I immersed myself deeper in the savings and credit strategies of women in Kibera, I found out that the 'chamas' – how the people called them – were a vital part of these strategies. 'Chama' in Swahili means 'association' and the term was used for the GS&L groups as well as for the so-called 'merry-go-round' groups. While merry-go-round was also a means of saving and lending money, it had several features which differed from the GS&L. The members of a merry-go-round group contributed their money on a pre-determined date like in the GS&L. Then, however, the whole amount of money was given to one person according to an order which was determined at the beginning of each 'round'. As I learned from some of the women, it was also possible to change the pre-determined order in case of emergency. The prerequisite for doing this was, however, to find a person from the group who was willing to swap places in the pre-determined order of disbursement. From that it can be seen that although merry-go-round seemed to be a tool of saving at first sight, it was also used as a tool of credit.

In some cases (like in the Pendo Group), **the concepts of GS&L and merry-go-round were closely linked**. I realized that the credit of the GS&L could be used to achieve the required contribution of the merry-go-round (Anastacia 27-09). Another possible combination was that the women were members in several merry-go-round groups and paid the contribution to one group with the money they got from another group (Franziska 25-09). In comparison to the GS&L system, there was no interest to be paid in the merry-go-round.

## ***4.2 REFLECTION ON THE RESEARCH PROCESS IN THE FIELD***

In this chapter, I will reflect on the data collecting process. For this purpose, I will first answer the question of how I accessed the field and how I proceeded to collect the data. In a second part (chapter 4.2.2), I will enlarge upon the reasons why I chose certain groups and women for my examination. Then, I will describe the sources I used for my data collection. In the last part of this sub-chapter, I will explain the factors that influenced the outcome of my research.

### **4.2.1 Approaching the Field**

My approach to the field was mainly facilitated by two people – Michael Owino, my research tandem partner, and David Kitavi, the director of UCC. Michael was the one who contacted David Kitavi and made a first appointment with him. After we had a joint meeting at UCC, I started to visit the project on my own. At the beginning of the fieldwork, I had the chance to participate in a workshop at UCC which aimed at establishing a strategic plan for YDF for the next years. On this occasion, I was able to make first contacts with leaders and group members of several GS&L groups. In the following days I conducted two expert interviews with David Kitavi and James Bundi, the former programme manager of the GS&L programme. I chose Bundi and Kitavi for the expert interviews because they were the two persons who had been the most involved in the GS&L programme. Bundi had left the project several months before I arrived and until the time I departed nobody was appointed for the post. This posed a challenge for my research because the person with the largest knowledge about the GS&L programme was not present at UCC. The single interview I had with Bundi at the beginning of the fieldwork was not enough to access this knowledge sufficiently. The existence of a programme manager would have facilitated my research substantially because he or she would have helped me establish contacts with GS&L groups and women. As I lacked this possibility, I proceeded as follows. At the beginning, I participated in several GS&L groups' meetings where I established a first contact with potential interview partners and conducted participant observation. After having met two groups in the first two weeks of my fieldwork – one almost exclusive women group (Imani Group) and one mixed-sex group (Nyota Group) – I started to



examine the women group (Imani Group) in detail. For this purpose I participated in their weekly meetings. On these occasions I managed to get the telephone numbers of the women I wanted to interview. From there I began to call them, made appointments and started to conduct the single interviews. This first period of interviewing lasted from the end of July until mid-September. At the end of August, I deliberately interrupted this period of interviewing for one week in order to get a first overview of the data I had collected. This week of reflection and first analyses helped me specify the interview questions and to spot gaps in the data. In mid-September I had collected sufficient data from the Imani Group. Through David Kitavi I received the contact of another GS&L women group (Pendo Group) which I was interested in because they had recently bought a plot of land. Subsequently, a second period of interviewing began, namely from mid-September until the beginning of October. Again, I first participated in the group's meetings and then conducted single interviews with several of the group members. In the last days of my fieldwork I conducted a second interview with Kitavi in order to reflect on my results and to answer open questions from my side.

Until mid-September I had the possibility to visit the women at their homes when I conducted the interviews. After the security situation had worsened, however, I was told to conduct the interviews in the safer area of the UCC school.

#### **4.2.2 Choosing the Informants**

In this chapter, I want to explain the reasons why I collected the data the way I did. As I will show below, **two factors influenced my choice of the groups and the interview partners – firstly, organisational factors** (especially accessibility) **and secondly, methodological factors.**

One reason why I decided to examine the Imani Group as the first group was that the access to the group was relatively easy in comparison with other groups. They had their meetings at UCC and not outside in the slum where my freedom of movement was highly constrained due to the security situation. Another essential advantage was that the Imani Group stored their book inside the school so that I had access to the book all the time. Besides the easy accessibility, I chose the Imani Group because in the expert interview this group was said to be a group with a moderate performance –

it was not a badly performing group, but nevertheless it had to deal with some challenges. Therefore, I wanted to find out which those challenges were and the reasons for them. After I had conducted the first interviews, I found out that there were significant differences between the women in this one group. As a consequence, I laid the focus on those differences and chose the sample accordingly. In September, I reached 'theoretical saturation' from the Imani Group with regard to my methodological framework (Grounded Theory), i.e. I had found out the reasons for the socio-economic differences between women *within* this group. Therefore, I wanted to look for the causes of the differences *between* groups. For this purpose I decided to examine another group which was more successful than the Imani Group – the Pendo Group. The reason why the Pendo Group was said to be successful was that they had recently bought a plot of land. I wanted to figure out the reasons why this group did not face the same challenges as the Imani Group even though they had to struggle with the same structural conditions in the slum.

Having chosen the Grounded Theory as a methodological approach turned out to be an advantage in the field. I wanted to gain deeper insights into the causes of success and non-success of the GS&L groups. Through the approach of Grounded Theory I was able to gain rich data from the comparison of the two different GS&L groups which showed me the dynamics of the whole GS&L system. **For the examination of the two groups I used qualitative as well as quantitative data.** It was not only information from interviews but also data from the book-keeping that guided my theoretical sampling. Whenever I found significant differences in numerical data (e.g. amount of savings, amount of loans) I sampled those 'exceptional' women and conducted interviews with them in order to discover the reasons for the differences. Therefore, the mix of qualitative and quantitative data enhanced the quality of my sampling. Like I mentioned in chapter 3.5, the criterion of 'generalisation' in qualitative research is based on the quality of the sampling and not on the number of chosen cases as in quantitative research. The aim of qualitative research is predominantly to develop new insights and theories (of social processes) and not to achieve a numerical generalisation.

### **4.2.3 Sources of Data**

**The experience in the field did not only guide my choice of informants, it also influenced the methods of data collection I used.** After I had conducted the first participant observations and interviews, I found that the data I would obtain from group discussions would remain superficial. There were two reasons for this. Firstly, I realized that there were conflicts within the groups and that the groups were partly split into camps. Therefore, a group discussion would not have revealed the opinions of all women about the GS&L group because I observed that it was always the same women who remained quiet in heated discussions. Secondly, I encountered a relatively high socio-economic disparity between the women through the single interviews. Thus, I wanted to find out the reasons behind these socio-economic differences. In a group discussion this would have been almost impossible. The consequence of these insights was that I omitted the method of group discussion and conducted a higher number of single interviews instead. Therefore, **the core part of my data was single interviews.** This method was most suitable to gain in-depth insights into the impacts of the GS&L system. In order to receive quantitative data about the economic situation of the women, I asked them to generate a household budget. To this end, at the beginning of my fieldwork I applied the method of 'drawing a household tree' from Sørensen (1998: 41-3). After the first interviews, however, I modified the method because it seemed to be too complex. I omitted the part of drawing the tree and limited the task to the generation of household budgets. In the annexe of this diploma thesis I have attached two examples of household budget sheets from my interviewees.

All in all, I conducted interviews with two experts (one of them interviewed twice) and interviews with 24 women (seven of them interviewed twice, one of them interviewed six times), which means that in total I conducted 39 interviews. Besides the fact that I would have liked to interview the former programme manager James Bundi a second or a third time, I was able to interview all the people that I planned to interview.

**Apart from the interviews, I tried to gain access to the data of the book-keeping from the groups.** Most groups, however, did not keep their books in UCC, but outside at the places where they usually had their group meetings. Therefore, I did not have access to the majority of the books. Gaining access to general data about the GS&L programme turned out to be quite difficult and to some extent even impossible

because there was no internal monitoring of the programme. The only data I was able to access was an Excel table which included data about the groups. It was, however, not useful to me because the data had been updated only until January 2011.

**A third source of data**, besides interviews and book-keeping data, **were informal talks with a plethora of people**. I had discussions with staff members of DKA and of UCC. Talks with my research partner Michael Owino, with housemates who worked in similar projects to UCC, and with people in Kibera were all important sources of data which supplemented the other sources.

#### **4.2.4 My Standpoint in the Field**

Sharing the perspective of Sophie Llewelyn which I described in chapter 3.1, I do not believe that it is possible to be an 'objective researcher'. Rather, I think that the researcher, as a human being, is always engaged in different relationships with the people in the field and that these relationships have a crucial impact on the results of the research. Therefore, I want to make explicit my standpoint in the field and how it influenced my research in the following.

During my stay in the field I developed a variety of relations with the people I interacted with. With some of the women I developed stronger relationships, with some of them weaker ones. Generally, I built stronger relationships with the women from the Imani Group for the simple reason that I knew them longer than the Pendo Group. While I had contact with the first group almost over the whole period of three months, I got to know the second group four weeks before I left. This had consequences on the information I was given. In the Imani Group, I could reach a certain level of trust with the women over the three months so that at the end I could also discuss sensitive issues more openly with them. I had the chance to have a second interview with several women from the Imani Group during which I realized that they trusted me more and opened up more than in the first interview.

With one woman from the Imani Group I developed a stronger relationship than with the other women. As her English skills were very good, I decided to hire her for translation services I needed for the interviews conducted in Swahili. Our relationship deepened while we were working together and she became my most important

informant. Through her I learnt a lot about life in Kibera in general and the challenges in the GS&L groups in particular. I was and am aware of the fact that without her I would not have gained such detailed data during my research. Therefore, I left Kenya at the end of my research with great gratitude to this woman.

My fear that my whiteness would be an obstacle for my research (because it would cause a division line between me and the women) did not prove to be true. Rather, the fact that I was a woman like them created a common ground for the interviews. As the attitudes towards men were not very positive amongst many women I interviewed, it would probably have been more difficult to be a 'black man' than to be a 'white woman' in this research. To be a woman from 'outside' also seemed to be an advantage because I sensed quite a high level of mistrust between the women in the slum. Therefore, the women seemed to be more open to talk with me about certain issues than with an 'insider'.

Although my white skin colour was not a disadvantage in contact with the women, it was, however, an obstacle for my mobility in the field. As the security situation in Kibera was dangerous for everybody who entered the slum, walking around the slum without an escort was most inadvisable for white-skinned people. White persons were favoured targets of the criminal youth gangs in the slum. Therefore, I had to rely on the escort of the security guard of UCC which naturally limited my mobility and therefore the possibilities of my research.

What created divisions between me and the interviewed women was not the skin colour, but the differing mother tongues we spoke. Not all of the women I interviewed were able to speak English and most of the women were not able to express themselves very well in English. In addition, English was not my mother tongue, either. Therefore, I am aware of the fact that the data would have been more detailed if the women and me had shared the same mother tongue.

### **4.3 RESULTS OF FIELDWORK- THE IMPACT OF GS&L ON WOMEN IN KIBERA**

This chapter will address a variety of questions. The first part of the chapter (4.3.1) will provide information about the usage of the microcredits taken from the GS&L groups. In the following two sub-chapters, I will answer the questions of whether the credits supported the women with the payment of school fees and whether they provided support in case of emergencies. Chapter 4.3.4 will deal with the areas of empowerment and the questions identified in chapter 3.2, namely economic, personal, social, political and legal empowerment. Thereafter, in chapter 4.3.5 I will compare the two GS&L groups I examined and explain the factors for the success of one group. In the following sub-chapter (4.3.6), I will address the organisational factors determining the operation of the microcredit programme. Chapter 4.3.7 will address the question of whether GS&L can be seen as an instrument supporting the poorest of the poor. The last subchapter (4.3.8) will then outline how macrofactors influenced the possibilities for economic empowerment of the women and therefore impacted also the operation of the GS&L programme.

#### **4.3.1 Usage of the Money Provided by the GS&L Groups**

Finding out, what the women used the credits for, was not as easy as I had previously thought. While the Imani Group kept records about the use of the loans in its book, the Pendo Group did not document the intended use of the credits, when they gave them out. During the interviews I discovered that the book-keeping of the Imani Group could not reflect the women's credit strategies adequately because for the purpose of the record-keeping the women had to name *one* category of credit use, choosing between three possible categories – business, school fees and hospital. In contrast to that, **a common strategy of the women in the Imani Group was to split the credits to more than one purpose of use.** To illustrate this, I want to refer to two examples from my interviewees – Eve and Maria. Both of them took out a loan during the time I stayed in Kenya. As there was no use denoted in the records of their GS&L group, I asked them in the interview what they had used the credit for. Maria took out a loan of 5,600 KSh<sup>13</sup>. According to her, she used 2,000 KSh for the payment of school fees. The

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<sup>13</sup> At the time I arrived in Kenya (beginning of July 2012), 1,000 Kenyan Shillings (abbreviated by KSh) equalled 9,68 €. At the time I left Kenya (beginning of October 2012), the exchange rate was at 1,000

remaining 3,600 KSh, i.e. more than half of the credit, were used to buy food because she and her husband did not have sufficient income for covering their daily needs at that time. Eve took out a loan of 5,000 KSh. From this amount she used 2,200 KSh to pay back a debt she had made somewhere else, the remaining 2,800 KSh she was planning to use for transport costs because she wanted to visit her family in the rural area. (Eve 14-09; Maria 25-07)

In 2012, the officials in the Imani Group abandoned to record the use of the credits. When I talked to the official who was in charge of the record-keeping in the Imani Group, she told me that she stopped to document the use of the loans because the use mentioned by the women was not always plausible. For example, women without their own business declared that they would use the loan for 'business'. Therefore, it must be assumed that in the table below the percentage of the category 'business' is too high because it contains other uses of credit which the women did not want to mention in front of the group. How high the percentage of the category 'business' exactly was, could not be assessed within the framework of my research because not all women were open like Eve and Maria about how they really used the credits. Using the 2011 book-keeping data from eleven women from the Imani Group, I calculated that 62 per cent of the credits were used for business. In terms of loan volume even more than two thirds of the loan volumen (71 per cent) were used for that purpose. This means that the larger loans were more often used for business<sup>14</sup>. Keeping in mind what was said above, **one probably has to reduce the percentage of loans for business. However, even after the subtraction of an estimated 10 to 20 per cent the category of 'business' would still represent the largest part of the loans.** In contrast to that, the number of loans for school fees was not very high. As I will mention in the next sub-chapter about school fees, every woman spent on average 41,762 KSh on school fees per year. In comparison to that, a total loan volume of 22,959 KSh per year for school fees *for 11 women (i.e. 459 KSh per woman)* is relatively insignificant. The table and the figure<sup>15</sup> below illustrate the allocation of loans to different uses in the Imani Group.

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KSh/ 9,02 €.

<sup>14</sup> This is an argument to increase the amount of lendable money in the GS&L groups so that larger credits can be taken which will then be used for business.

<sup>15</sup> The figure and the table are based on data from 11 interviewed women from the Imani Group. I used data from the book-keeping of the year 2011 as well as supplementary information from my interviews in case of missing information in the book-keeping.

Use of loan	Number of loans		Loan volume	
Business	32	64%	95,286 KSh	71%
School fees	9	18%	22,959 KSh	17%
Hospital bill	8	16%	14,446 KSh	11%
No use denoted	1	2%	1,000 KSh	1%
Total	50	100%	133,691 KSh	100%

Table 7: Loan Usage, Imani Group 2011 (based on book-keeping data and interview data)

**Loan Volume Imani Group 2011**

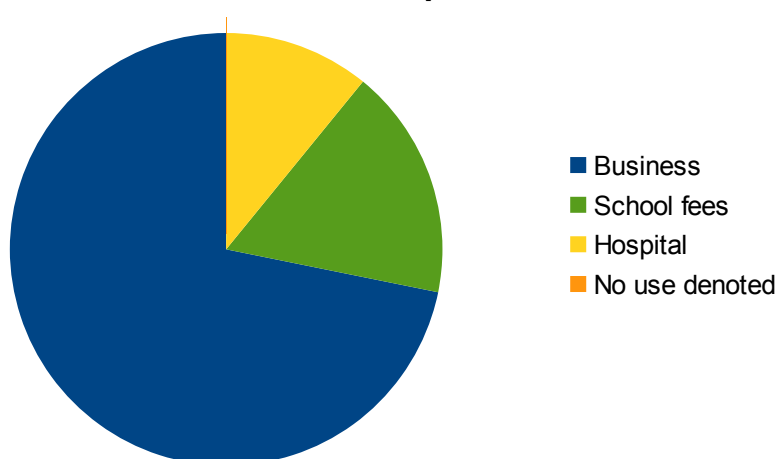


Figure 7: Pro Rata Share of Loan Usage (Loan Volume), Imani Group 2011 (based on book-keeping data and interview data)

#### **4.3.2 GS&L and the Payment of School Fees**

As already mentioned in chapter 4.1.3.2, the main reason for the introduction of the GS&L programme by YDF was to support parents with loans to enable them to improve their businesses or to start new businesses. As a result, the parents should have been capable of paying the school fees of their children. The answer to the



question whether the GS&L system supported women to pay the school fees of their children is yes. However, this answer has to be given with reservations. As I will argue in the chapter about economic empowerment (chapter 4.3.4.1), in the majority of cases the participation of the women in the GS&L system did not lead to an increase in income. Therefore, the credits from the group were directly used to pay the school fees, i.e. the women did not invest the credits first and then use the profit for the school fees. This shows that **the credits only served as a tool of bridge financing in case of the school fees**. In addition, the amount of money available in the GS&L groups for lending was too small to cover the need for credits for school fees of all women, because the lendable amount of money was limited by the savings and repaid loans collected in every group meeting.

Due to the government's neglect of responsibility for Kibera (and other slums), there were no public primary schools in Kibera. As one woman told me, the primary schools located at the brinks of Kibera were overcrowded and provided poor quality education. Consequently, most of the inhabitants of Kibera tried to send their children to more expensive private primary schools. While school fees for the private primary schools were payable with loans from the GS&L system<sup>16</sup>, **school fees for secondary school in Kenya were so high that the coverage of their costs lay far outside of the range of possibilities of the GS&L system**. This fact was crucial to my research because many women from the Imani Group had children who attended secondary school or went to university.

As mentioned in the previous sub-chapter, every woman in the Imani Group spent an average of 41,762 KSh on school fees per year. In comparison to that, each woman took out a credit of only 459 KSh on average for school fees. This means that **the GS&L system could only provide bridge financing for 1% of the average school fee payment obligations of women in the Imani Group**. Consequently, there was a serious shortage of money especially in times of high demand, when school fees were due. This was the case three times a year in Kenya, since the school year was subdivided into three terms. In January, the shortage was even further exacerbated because the GS&L groups usually did not have any financial assets in January, as they gave out the savings to their members in December. Furthermore, the economic

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<sup>16</sup> School fees for the Ushirika School amounted to 600 KSh per month, for example.

base of the households in January was weakened by the high expenditures of Christmas time<sup>17</sup>. The table below shows how high the financial burden imposed on the households was when they had children in secondary or tertiary<sup>18</sup> schools.

	Household Income (yearly)	Persons Contributing to Income	Children in School	Expenditures for School/ University Fees (yearly)	Share of Household Income Spent on School/ University Fees
Helen	125,000 KSh	2	2 (1 primary, 1 secondary)	72,000 KSh	58%
Irene	163,800 KSh	1	1 (university)	124,000 KSh	76%
Lucy	176,000 KSh	2	2 (1 primary, 1 secondary)	81,000 KSh	46%
Maria	108,000 KSh	1	2 (1 primary, 1 secondary)	60,000 KSh	56%
Sara	156,000 KSh	1	3 (1 primary, 2 secondary)	80,100 KSh	52%

*Table 8: School Fees and Household Income (based on interview data and household budget sheets)*

Considering the whole sample of the 24 interviewed women, the households with children in higher schools (secondary or tertiary)<sup>19</sup> spent on average 84,794 KSh per year on educational fees. This was a percentage of 52 per cent of their household incomes. Households with children in primary school spent only 26,172 KSh on average per year on school fees, i.e. 13 per cent of their incomes.

Although the GS&L programme could not provide loans for all the women who needed them for school fees, the GS&L groups were an important element of the women's fund raising strategies. When I asked the women about what had been the benefits of

<sup>17</sup> At Christmas many people from Nairobi visit their families upcountry. People have to spend not only on transport but also on presents for relatives.

<sup>18</sup> Due to the enormous costs of tertiary education in Kenya only two of the 24 interviewed women (i.e. 8 per cent) had children who went to university. However, in comparison to the average population of Kibera, this percentage must be considered exceptionally high. This supports the argument that the majority of members in the GS&L groups did not belong to the poorest sectors of the population, but were women from wealthier households.

<sup>19</sup> Households which had sponsors paying the school fees for secondary school were not counted (this was the case for three households).

the GS&L programme for them, many told me that paying (part of) the school fees with the loan of the group was one main advantage for them. Jane, for example, mentioned this during the interview.

This group is nice because we save some money and after saving the money we borrow the money ourselves. When you take this money from the group, you can take your kid to school. (Jane 30-07)

Besides supporting parents to pay school fees, a second goal of the GS&L was to provide the group members with constant access to money in case of emergencies. This goal is understandable against the background that poor people in the slum completely lacked any health or unemployment insurance. In the following chapter, I want to address the question of whether a constant access to capital was provided by the GS&L system.

#### **4.3.3 GS&L as a Safeguard in Case of Emergencies**

While there is a new world-wide trend to combine microcredits with other financial services like microinsurances, one idea of the GS&L programme was that the women could use the loans also in case of emergency like sickness or death. The Pendo Group subtracted a considerable amount of money every month from their savings and put it on a bank account for cases of emergencies. The Imani Group, in contrast, did not have such a mechanism, but they had fixed in their statutes that every member had to contribute an amount of money in case of certain emergencies (like death). **The case of Mercy, however, shows that the GS&L system could not support the women in all cases of emergency.** When I met her the first time, Mercy was at the end of her pregnancy and it turned out that she would have a complicated delivery. Therefore, she approached the GS&L group for a loan, but it seemed that, due to the limited amount of lendable money in the group, needs of other women were given priority. In the week of her birth her husband could receive 5,000 KSh as a loan from the group. This was, however, too little to pay the hospital bill of 16,000 KSh. Therefore, the family had to borrow from other sources, namely from so-called 'friends'. Some of these friends charged interest rates of 30 per cent. The situation of the family deteriorated further because Mercy's husband lost his job at the same time. As a result, they were unable to pay rent and electricity, they economized the expenditures

for food, reduced the number of meals to two per day and Mercy suffered from sleeplessness because of the pressure from the creditors (Mercy 13-09). Although the family had not had debts before, they ran into debt because Kenya lacked an effective social welfare system which supports women who give birth. Therefore, the example of Mercy illustrates that the GS&L system could not compensate for the lack of such a social welfare system.

#### **4.3.4 GS&L and Empowerment**

##### **4.3.4.1 Economic Empowerment**

The powerful argument that microcredit leads to economic empowerment and subsequently to empowerment on a more general level is used to justify microcredit as *the* new tool to fight poverty in development aid. During my stay in Nairobi I realized that Kenya was no exception regarding the use of this argument. Microcredit was 'in vogue' and many development projects were adapting a microcredit component or had already done so. Also in YDF, the economic empowerment argument was very strong. In order to increase the ability to pay the school fees for their children, the parents should be empowered economically by the GS&L system. Therefore, in this chapter I will address the question of whether the GS&L programme contributed to an improved economic situation for the women. As an improvement of the economic situation would first mean an increase in income and secondly, an improvement of the debt situation, I will deal with these two factors separately.

##### **Income Situation**

Concerning the income situation of the women in my sample, one has to say that out of the 22 interviewed women from the Pendo and the Imani Group only four were able to improve their income situation. In eight cases the income situation remained the same and in ten cases the income situation deteriorated. This means that **for 82 per cent of the women from my sample the income situation did not improve**. The table below depicts the cases in which an improvement or deterioration took place.

<b>Name</b>	<b>Cause for Deterioration or Improvement of Income Situation</b>
Beth	closure of business for health reasons (deterioration)
Helen	loss of business capital due to theft (deterioration)
Jane	liquidation of business due to lack of capital (deterioration)
Juliah	liquidation of business due to lack of capital (deterioration)
Maria	loss of employment (deterioration)
Sara	loss of business capital due to several thefts (deterioration)
Irene	change to a less capital-intensive business due to lack of capital (deterioration)
Patricia	loss of transport vehicle for business during post-election violence resulting in dependence on middle men (deterioration)
Susan	loss of business capital due to theft (deterioration)
Tara	theft of business idea resulting in high competition (deterioration)
Eve	provision of seed capital for a business by another woman from the GS&L group (improvement)
Joyce	diversification of business products through her own savings (improvement)
Karen	provision of seed capital for a second business by a relative (improvement)
Esther	increase of storage of her business through credits from GS&L (improvement)

*Table 9: Causes for Change in Income Situation (based on interview data)*

From the table it can be seen that factors outside the GS&L programme influenced the income situation of the women to a high degree. In chapter 4.3.8, I will explain those factors in detail.

Considering the four cases in which the income situation improved, it is visible that two of the women (Joyce and Karen) achieved the improvement not through borrowing from the GS&L programme. However, two women (Eve and Esther) increased their income directly or indirectly through the GS&L programme. Eve's improvement of income was connected to the social capital she had gained through the participation in the GS&L group – another group member provided her with the seed capital to open a vegetable selling business. Nevertheless, in case of Eve it is not possible to say that a sustainable improvement in income had been achieved because the income from the small-scale vegetable selling business she had opened was not enough to cover her expenditures. Esther, in contrast, said that the credits from the group directly helped

her increase the storage of her business. This increased the business profit because a bigger storage enabled her to buy on quantity discount, and reduced the frequency (and therefore the cost) of transport. Interestingly, Esther owned a grocery shop which was a joint business with her husband. This shop was more capital-intensive than the small-scale businesses that many other women had. Therefore, the conclusion from the comparison of the women's income situation is the following. In order to invest the credits from the GS&L into their businesses successfully (i.e. to obtain a higher profit), the women needed to have a more stable business outside of the small-scale business sector. Staying with capital-poor businesses did not enable them cover their expenditures because the profit margin in this sector was too small. As I will discuss in more detail in chapter 4.3.8.1, the excessive price increases in Kenya over the last years have led to a further income decline of the women because they were not able to pass on the higher costs of raw materials to their customers, as the price increases did not coincide with a rise of wages.

In the year 2012 (January until the end of September), the women I interviewed from the Imani Group took out an average amount of 3,227 KSh at once<sup>20</sup> as a loan from the group. To explain how the women could invest such an amount of money, I will cite the example of Joyce. She borrowed 2,870 KSh from the group and bought a cooking pan for her business from this amount. This means that the women could only obtain marginal improvements for their businesses through the money from the GS&L and they could not receive enough money from there to initiate a change towards a more sustainable business. The women were highly aware of this short-coming of the GS&L programme, as a quote from Jane illustrates.

[T]his money [available for credits in the GS&L group] is not a lot of money. [...] The people are sharing it. So you can't use it for a big business because it is for all. (Jane 30-07)

Helen, for example, had the idea of starting an internet café, which would have been a highly profitable business because there was no such business around. When I asked her about the necessary seed capital for this business, she told me that she would need an amount of at least 250,000 KSh to start a profitable business (Helen 04-09). Comparing this amount with the average amount the women borrowed from the GS&L

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<sup>20</sup> Most of the times the women took out more than one loan per year. This number represents the amount which they took out on average at one time.

group bluntly shows that the GS&L system could not enhance the economic empowerment of the women. The average total amount of credits every woman took out from the Imani Group was only 12,154 KSh in the year 2011 and 11,349 KSh<sup>21</sup> in the year 2012.

### Debt Situation

The credits the women took out from the group were covered by the savings they contributed to the group. Therefore, the GS&L system itself could not lead to a further indebtedness of the women. Understandably, the women shied away from incurring themselves with the group because they knew that a non-repayment of the credit would inevitably lead to their exclusion from the group and to a consequent loss of social (and economic) capital<sup>22</sup>.

However, the question remains whether the GS&L programme contributed to an increased indebtedness of the women outside the programme. This could have been the case if the women had begun to borrow more often from other sources in order to pay back the credits to the GS&L groups. However, such an assumption was not confirmed from the interviews I conducted. **The amounts borrowed from the group were too small to significantly change the debt situation of the women.** Thus, the GS&L programme neither increased, nor decreased the level of indebtedness of the women.

### Function of the GS&L Credits

If the women did not further incur themselves through the microcredits and if those with small-scale businesses could not invest them to obtain a significantly higher profit,

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<sup>21</sup> The number for 2012 was calculated by taking into account all loans the interviewed women took out in the period between January and September 2012 (except one woman who was new to the group). Although this rate does not cover the whole year, it can be seen as a solid approximation because the Imani Group usually gave out loans only until October, after which the repayment of the loans until the end of the year began.

<sup>22</sup> Using the terms 'social capital' and 'economic capital' I refer to Pierre Bourdieu. Bourdieu coined the terms in order to illustrate that economic capital is not the only form of capital that people can dispose of. Rather, there are three forms of capital: cultural, social and economic capital. All of them are valuable because they are convertible into economic capital, if needed. (For further details see Bourdieu (2005))

the question remains, what the function of the credits then was for the women's economic lives. To answer this question, one has to take a look at how the informal economy where the businesses of the women were located worked. The interviews showed that the biggest challenge for the women was that they did not dispose of a regular income, whereas they had to cover many expenses – like food and school fees – on a regular basis. As Helen (a dressmaker) explains, many women did not have a regular income throughout the month:

[A]t the end of the month, that's when you can get some income. Sometimes you find a week when someone comes and says 'I need this dress, but I have to pay rent', you know, [or] 'I need this dress, but I have to pay school fees.' At the end of the day or the end of the week you have nothing [i.e. no profit because the customer did not pay the dress]. But at least before the month ends, you get something because after paying the rent or school fees [the customer] will bring the balance she or he has. (Helen 06-08)

The insecurity of income in the small-scale business sector was so central to the lives of many Kenyans that the people had coined a particular expression for it: “Pata, potea”, meaning something like “Getting [profit one day], not getting [profit another day]”. Taking into account the irregular income the women had to deal with, it becomes clear which function the small credits from the GS&L programme had for the women. **The women used the loans as a form of bridge financing in times of capital shortage.** A quote from Tamaris illustrates this argument. “This group is helping me a lot because sometimes I am out of money, but I go to the women group and borrow some cash.” (Tamaris 21-09) As soon as the women received income, they paid back the credit. In case they did not obtain the expected income, the women resorted to several strategies to ensure the repayment of the credit to the GS&L group. I will describe these strategies in detail in chapter 4.3.8.2.

As I mentioned in chapter 4.1.3.2, the GS&L groups only paid interest on credits and not on savings. Therefore, the savings aspect of the GS&L groups was not relevant for the women and led to a low rate of savings. Consequently, **the GS&L groups were first and foremost used as a credit facility and not as a savings facility.** Since they could not benefit from the savings, the women in the Imani Group used their savings at the end of the year to pay back their outstanding credits. At the end of the year every woman was supposed to pay back her last loan of the year so that the accumulated savings could be paid out. In the Imani Group only one woman paid back her outstanding loan completely, while all the others were not able or did not want to



repay their credits fully. Consequently, the outstanding amount of the loan was subtracted from the amount of the yearly savings. What remained after this procedure was in most cases a relatively small amount of savings, as the following table shows.

	<b>Savings 2011</b>	<b>Savings 2011 after subtraction of outstanding loans</b>
Eve	5,000 KSh	5,000 KSh
Jane	4,600 KSh	3,300 KSh
Maureen	3,900 KSh	1,900 KSh
Mercy	4,250 KSh	724 KSh
Sara	5,050 KSh	3,691 KSh
<b>Average per woman<sup>23</sup></b>	<b>4,727 KSh</b>	

*Table 10: Savings, Imani Group 2011 (based on book-keeping data)*

Not only from the reductions of the savings can it be seen that the savings aspect of the GS&L group was not important for the women, but also from the answers of my interviewees. To the question as to which were the advantages of the GS&L system for them, all of the women mentioned the possibility of taking out a loan as an advantage for them. The savings aspect, in contrast, was mentioned very rarely – only by two women out of the total of the 24 women.

Although the GS&L programme could not contribute to a sustainable increase of the women's business income and thereby did not result in economic empowerment, the women used the GS&L groups as a possibility for bridge financing which they highly appreciated, since the conditions – in particular moderate interest rates and a reasonable repayment period – were better than in case of other credit sources (Helen 06-08; Joyce 31-07; Karen 12-09; Maria 25-07; Mercy 14-09).

#### **4.3.4.2 Personal Empowerment**

A powerful argument for microcredits is that they do not only lead to economic empowerment, but also to personal empowerment of women, i.e. a change in power relations within the family and in particular towards their husbands. It is assumed that personal empowerment is connected to economic empowerment – through a higher

<sup>23</sup> The average was calculated by taking into account data from 11 interviewed women from the Imani Group.

income women would gain more decision-making power within the household. As the GS&L did, however, not result in economic empowerment of the women (as I argued in the previous chapter), **there was no influence of the GS&L groups on the personal empowerment of their members.**

The example of Beth illustrates that the GS&L group could not empower her economically and therefore, did not empower her personally either. Beth told me that her husband was beating her. She had a plan to start her own business, but she was not able to realize this plan because she did not have the capital to do so. The GS&L group could not provide her the necessary seed capital for a business because the lendable amount in the group was too small. As Beth did not have her own economic pillar, she was dependent on the income of her husband and therefore could not free herself from the abusive relationship with him. To do the latter, Beth had chosen another strategy outside of the scope of GS&L. She had opened a secret bank account, where she saved a certain amount every month from the money that her husband gave her for food expenses. With this money she planned to become independent as soon as her marriage would become insupportable.

Also in the other cases in which women from my sample were affected by domestic violence, I could not make out an influence of the GS&L group on their situations. Obviously the GS&L system could not cause significant changes within the power relations in the households. Nevertheless, the groups helped women who had problems in their marriages because the women used the group meetings as a space where they could receive support from the other members. The following chapter about social empowerment will deal with this issue.

#### **4.3.4.3 Social Empowerment**

As I outlined in chapter 2.1.2, Hanappi-Egger et al. conceptualized a framework of empowerment, where economic and personal empowerment on the micro-level of society formed the basis for social empowerment at the meso-level. The results from my fieldwork differ from this conceptualization. While there was little evidence for economic and personal empowerment, **I did find indications of social empowerment because the GS&L groups represented an important social network for the women** where they could talk about personal issues.

In general, the women were highly aware of the economic importance of their husbands. Hence, their most important goal was always to stay in their marriages and not to leave their husbands. Thus, women with problems in their marriages were given advice in the GS&L group how they could stay with their husbands. (Esther 19-09) Consequently, women only decided to leave their spouses in extreme cases. Those women who found themselves forced to leave their husbands reported severe violations in conjunction with alcoholism and domestic violence. For Julia, who finally left her husband because the abusive relationship was unsupportable for her, the women from the GS&L group were an important social pillar during the difficult times of her marriage. The group seemed to provide a space where she could escape from the violence in her household and where she could receive emotional support:

A [...] reason why I joined the group [was that] I had to forget about so many things, I was busy with the group. I knew '[...] I am going to my group'. [...] So I didn't have so much stress anymore, I could relieve the stress. (Julia 29-09)

Most of the times, the loss of their husbands was so detrimental to the women's economic situation that the GS&L was far too weak to work as a counterbalance to the economic consequences. Generally, I observed that a separation caused a breakdown of the business of the woman. The costs of everyday necessities became so high that the women lacked the necessary liquidity for their businesses. Irene and Julia told me that they had to give up their businesses after their separation and had to look for employment (Irene 21-09; Julia 29-09). In the case of Julia this meant that she had to send her two children to relatives in the rural area because due to her working schedule she could not look after her children anymore. Still, the monthly salary of 6,000 KSh she got was far too little to cover her expenses. As she worked in town, she

had to spend 100 KSh per day on transport (i.e. 3,000 KSh per month), which reduced her salary already by 50 per cent.

Furthermore and as mentioned in the chapter about economic empowerment, borrowing from the groups represented a strategy (beside others, see chapter 4.3.8.2) that the women could rely on in times of capital needs. Maria expressed the combination of social and economic support by the GS&L group in the following way.

That [group] [...] helps us because, if I save there [and] when I need a loan, I can go and get [it]. [...] It is very nice because you can't make it alone, so you have to be connected with somebody, so that you can push each other. [...] So I like it because we can exchange views there. [...] You are not alone, there is somebody like you. (Maria 25-07)

#### **4.3.4.4 Legal Empowerment**

Although Hanappi-Egger et al. mention the importance of legal issues, they do not include them in their empowerment concept. In the case of my research, the issue of legal empowerment was essential.

Considering the individual women from my sample, **none of the women was able to acquire property through taking out a loan from the group** (and buying assets, land or livestock with it). Looking at the development of the Pendo Group, however, one can say that the single members achieved legal empowerment because *the group as a whole* increased its property. **Through buying a plot of land collectively each of the women in the Pendo Group became a property-owner** and thus “entitled”, as Esther expressed it in the interview with me. “I can say that 'I am entitled to' because we went and bought a plot. So I am entitled to that.” (Esther 19-09). Apparently, the social network which was provided by the GS&L group helped the women reach this kind of legal empowerment. Another prerequisite for achieving this level of legal entitlement was that the women from the Pendo Group had stable relationships within their families. I discovered that the women from the Pendo Group could resort to the economic capital of their husbands because they had good relationships with them. Therefore, the empowerment in the legal area was connected with the personal area. Structural conditions also had an influence, which was the reason why the women from the Pendo Group decided not to buy the plot in Kibera, but outside of the slum, because in Kibera there was no legal security with regard to land titles.

Within Kibera there seemed to be legal insecurity not only with regard to land titles but also with regard to marriage documents. The majority of women did not have official marriage documents (Kitavi 03-10), which meant that in case of the frequent divorces the women did not have any entitlements. Obviously, the instability of many marriages in the slum resulted, amongst other factors, from the legal insecurity of the marriages.

Some issues of legal empowerment, like land titles or official marriage documents, lie clearly outside the range of influence of a microcredit programme like the GS&L of YDF. However, the programme was able to provide a potential frame for legal empowerment, in case that a stable group decided to buy property collectively. As it can be seen from the Pendo Group, the necessary factors of stability would be in particular stable marriage relationships and sufficient household incomes. Another prerequisite is that the group, like in the case of the Pendo Group, has saved money collectively over a certain period of time.

#### **4.3.4.5 Political Empowerment**

According to Hanappi-Egger et al. political empowerment would be a logical consequence from the other forms of empowerment, namely personal, economic and social empowerment. As I wanted to focus on this political aspect of empowerment in my fieldwork, I asked the women whether they were engaged in any political group. After I had received very short and negative answers to this question, I tried to find out what the reasons for this absolute rejection of politics were. Two women from the ethnic group Kikuyu told me that they had to flee to the rural area during the post-election violence in the years 2007/8 (Patricia 03-10; Tara 27-09). Another woman told me that she was planning to leave Nairobi during the next elections in 2013 because she was afraid of renewed violence (Karen 07-08). These examples mean that for the women elections and therefore the core of democracy symbolized violence and not an act which would lead to an improvement of their situation. The women were also highly aware of the neglect of the slum inhabitants by the politicians, as a quote from Maria shows.

[The politicians] they don't care. They care about themselves. You see now, our Prime Minister is [...] the area MP [i.e. member of parliament for Kibera]. Look at the situation around. They have CDF [Constituency Development Fund] money, but they don't care. There is harufu mbaya [bad smell]. They don't improve the sanitation. [...] The streets

are not maintained. Security ni mbaya [is bad]. [...] You see, the government, they have a lot of money, they can support us, but they [don't do it]. (Maria 25-07)

Another reason why the women did not engage in the political area seemed to be that they lacked the necessary financial requirements. Apparently, politicians in Kenya could be successful only if they had enough money. Through informal talks I discovered that buying votes by giving cash to people was a common political practice in an environment where people needed even the smallest amount of money for survival.

In a nutshell, **due to experiences of violence, neglect and a lack of money, women refused to engage in political activities**. Apart from those factors, many women would not have had the necessary time resources for political activities because they were fully absorbed by tasks within their businesses and households.

#### **4.3.5 Factors for Success of GS&L Groups**

In the following chapter, I want to outline the reasons for the success and non-success of GS&L groups. As the comparison of groups was one of the goals of my fieldwork, I deliberately chose the Pendo Group and the Imani Group. While the Imani Group seemed to represent an example of an average GS&L group that faced numerous challenges, the Pendo Group was reportedly a successful group because the members of the group had recently bought a plot of land collectively.

Naturally, I supposed that the Pendo Group was more successful and financially more capable because its members had more profitable businesses. After I had conducted the first interviews with members of the Pendo Group, however, I realized that their businesses followed the same patterns as those of the Imani Group. Being located in the small-scale business sector, they were highly unstable and suffered from capital shortage. This resulted in a stagnating or declining income because the women could not expand the business further. Simultaneously, I was able to identify **four factors which indeed made the Pendo Group different and privileged in comparison to the Imani Group**. The first two factors were of socio-economic origin – the educational level of the children and the presence of husbands. A third reason for the success of the Pendo Group was an organisational one, namely higher trust and better leadership

within the group. Forthly, the region of origin (and therefore the ethnic background) of the group members had an influence on the women's economic situation and therefore also on the performance of the GS&L groups. In the following, I will explain each of these factors and their impact on the groups in detail.

#### **4.3.5.1 Educational Level of Children**

A first core distinguishing factor between the Pendo and the Imani Group was the level of education of their children. As I illustrated in chapter 4.3.2, the school fees for higher education presented a high financial burden for the households of my interviewees. While out of my interviewees from the Pendo Group 33 per cent of the households had children in higher schools (secondary or tertiary education), this rate was at 46 per cent in the Imani Group. Thus, **the highly burdensome factor of school fees for higher education did not affect the majority of the women in the Pendo Group.** Understandably, the members of this group were not so much under pressure to use the savings from the group at the end of the year for their households' expenses, but could rather abstain from receiving them and agree to use them for collective projects. Taking into account that the relationships between the spouses were better in the Pendo Group, the women in this group did not have the sole responsibility for expenditures like school fees and therefore did not carry a financial burden comparable to that of the women in the Imani Group.

#### **4.3.5.2 Presence of Husbands**

The second characteristic which distinguished the two GS&L groups from each other was that the **problem of 'absent' husbands affected the Imani Group more than the Pendo Group**. This had two reasons. Firstly, the number of women without husbands in the Pendo Group was small (two women) and both of them were in a financially stable situation. Secondly, the relationships between the spouses in the Pendo Group were economically more supportive. In the following, I will address these two factors in detail.

Out of the thirteen interviewees from the Imani Group there were four women (i.e. 31%) who had an 'absent' husband, which means that three were divorced and one had a husband who did not contribute money to the household budget. In contrast, in the whole Pendo Group only two of the thirteen members (15%) were divorced, none of the married women reported that their husbands refused to contribute to the household financially. The two single mothers in the Pendo Group, though they ranked among the lowest income households in the group, were financially more stable than the single mothers in the Imani Group. Therefore, the social disparity within the Pendo Group was lower and the group was consequently financially more stable as a whole. While in the Imani Group the woman with the highest household income earned almost 16 times of what the woman with the lowest income earned, in the Pendo Group the difference was only a factor of 4.4. Considering the tables below, the income disparity of the households in the groups becomes clear.



## Yearly Household Income

Interviewees Imani Group

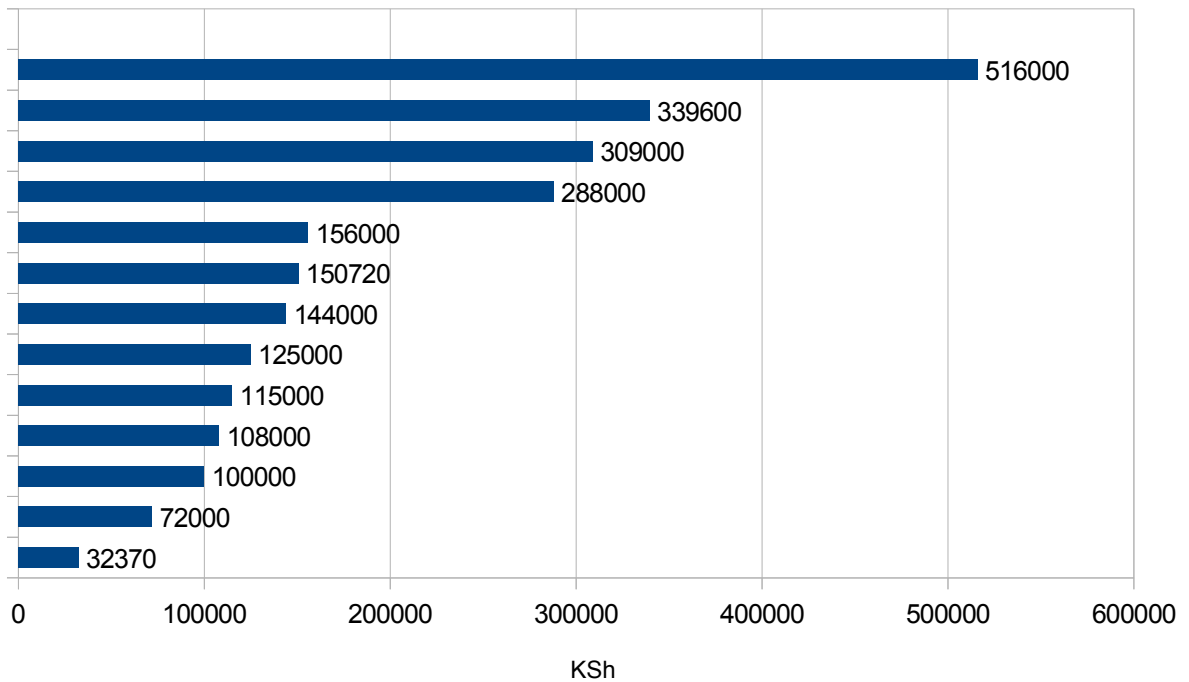


Figure 8: Yearly Household Income, Imani Group (calculation based on household budget sheets)

## Yearly Household Income

Interviewees Pendo Group

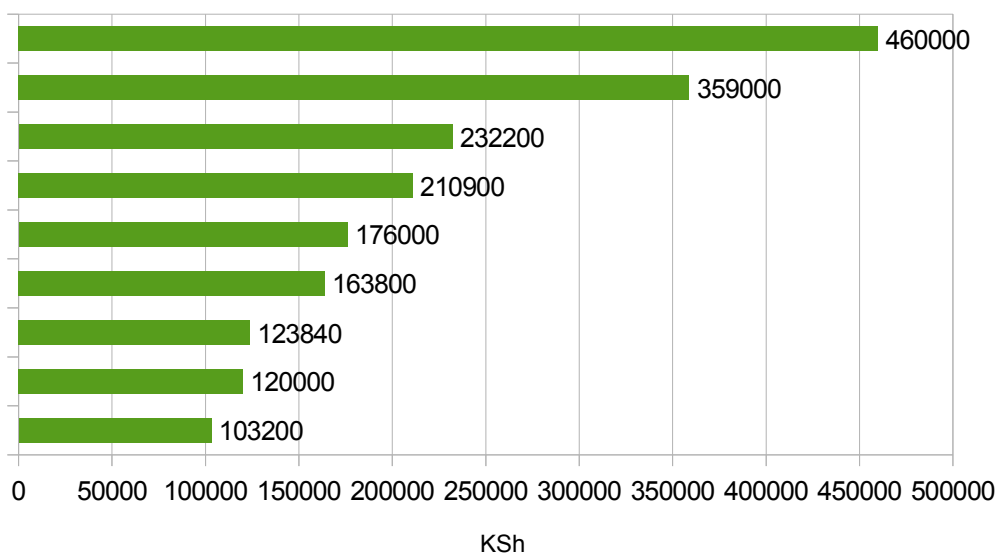
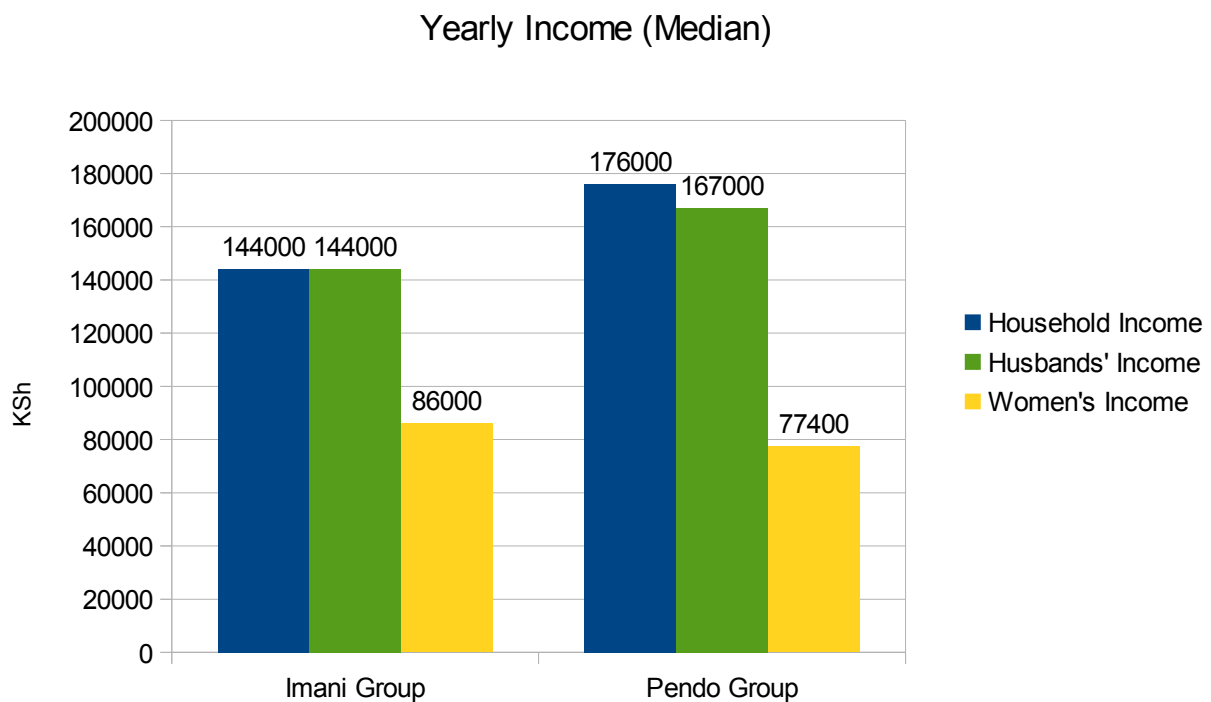


Figure 9: Yearly Household Income, Pendo Group (calculation based on household budget sheets)

If the women in the Pendo Group struggled with the same challenges in their small-scale businesses as the women from the Imani Group (as I mentioned above), the question remains why the group was more successful. Examining the income of the women and their husbands separately revealed an interesting result and the answer to this question. **The women from the Pendo Group, although they were the more successful group, earned less than the women from the Imani Group. Hence, the higher financial stability of their households was based on the higher income of their husbands.** In the figure below I have depicted this result. I used the median and not the average because of the socio-economic inequality within the groups, especially in the Imani Group.



*Figure 10: Comparison of Yearly Median Income between Imani and Pendo Group<sup>24</sup> (calculation based on household budget sheets)*

The prevalence of financially unstable households within the Imani Group led to the fact that the group had not realized a similar collective project to the one of the Pendo Group. The problem was that several women in the group did not want to use their

<sup>24</sup> In the Imani Group the median of the household income equals the median of the husbands' income because the woman in the household which represents the median did not have an income.

savings for a collective purchase (of a plot of land or a collective business for example) because they needed the savings in cash at the end of the year.

[T]he problem [in the Imani Group] is that many demanded to be returned the money [at the end of the year] because it is their backbone at the end of the year – many want to travel [to visit their families upcountry on Christmas]. Others need to get some money for shopping. So you find that they have a need of being given that money. (Nancy 26-09)

Apart from the fact that the women in the Pendo Group had husbands who earned more than those in the Imani Group, the marriage relationships of the women in the Pendo Group were more supportive. Two of the interviewees from the Pendo Group even had a joint business with their husbands. A couple of women in the Pendo Group shared the responsibility for the repayment of the microcredits from the GS&L programme with their husbands. Tara, a woman from the Pendo Group with a relatively low yearly income of 25,800 KSh, told me that she shared the responsibility of loan usage and repayment with her husband.

We balance in my business and his business. When mine is down and he has it [the money to repay the loan], he normally gives me so that I can take it back to the chama. [...] When I need the loan, or he needs the loan, he just tells me 'When you go to the next chama, you take the loan.' (Tara 27-09)

Susan answered my question of whether it was difficult for her to repay the loan to the GS&L group as follows. "It is not hard if you are together with your husband [and share the costs]. But if we were not together, it would be difficult." (Susan 29-09) In the Imani Group, on the contrary, none of the women worked together with her husband. Apart from the three women in the Imani Group who lost their husbands (two of them because of excessive violence and abuse), there were another three women who reported problems – alcoholic husbands and domestic violence – within their marriages. In contrast, none of the women from the Pendo Group affirmed my question about domestic violence.

The supportive nature of the relationships between the spouses in the Pendo Group was finally reflected in an incidence which was said to illustrate the success of the group. In June 2012, the members of the group bought a plot of land<sup>25</sup> for 250,000 KSh. The group disposed of 70,000 KSh in their bank account, which they had saved collectively and then used for the purchase of the plot. The bigger amount of the total,

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<sup>25</sup> The long-term vision of the group was to build rental houses on the plot in order to raise capital and then to realize the purchase of more plots of land.

namely 180,000 KSh (i.e. 73 per cent of the sum) was procured by tapping into the social (and economic) capital of the members. Six members of the Pendo Group agreed to lend private capital to the group and to get it back from the group with an interest rate of ten per cent. Two of them took the capital from their own savings, while two of them received the money from their husbands. One woman took it from the capital that belonged to the joint business with her husband. With the sixth woman I did not conduct an interview. The contribution of the members to the purchase price of the plot varied according to their financial and socio-economic situation. While Irene, a single mother, contributed 5,000 KSh, the others (all married) contributed between 18,000 KSh and 30,000 KSh.

All in all, one reason why the Pendo Group was more successful than the Imani Group was that it utilized the social capital of the members' marriage relationships and turned it into economic capital.

#### **4.3.5.3 Trust and Leadership**

The fact that the members of the Pendo Group did not pay such a large sum of school fees and that they had more stable and supportive marriage relationships are not the sole explanations for the success of the group in buying a plot of land. Raising such a large amount of money by utilizing private capital of the members was only possible because **there was a high level of trust among the members of the Pendo Group**. The Pendo Group was able to reach this high level of trust with the help of a sophisticated procedure at the beginning of their group formation. When they started the group in 2006, they collected money through a merry-go-round and used the money to visit the family of each group member at its place of origin. This was supposed to work as a deposit protection because in case of embezzlement of money the members would know where to go to claim their money back. Obviously, the factor of trust was connected with the factor of time. The Pendo Group had already been in existence for five years at the time they bought the plot. The Imani Group, in contrast, had been operating for two years. Some of its members had, however, already been in another GS&L group two years longer. Due to embezzlement of money they decided to leave that group and form another one, namely the Imani Group. The Imani Group could, however, not solve the problem of lacking trust. I came across the issue of trust,

when I examined the amounts of savings of each woman in the Imani Group. While I could not conclude anything from the savings of the Pendo Group because they had fixed amounts of savings, I supposed that the monthly amount of savings of every woman in the Imani Group would reflect the stability and sustainability of her business. Therefore, I selected women for the interviews according to their quantity of savings. Likewise, I looked into the savings of the woman who had the most sustainable business in the Imani Group – Joyce. Surprisingly, she was saving just the minimum amount, namely 100 KSh per week. When I talked to her, she told me that she was able to save a considerable amount of 6,000 KSh every month. However, instead of taking the money to the GS&L group, Joyce preferred to save the money in her own bank account. From the example of Joyce and other women who preferred to save their money in their own bank accounts I concluded that the savings in the Imani group did not reflect the economic situation of the women. To find an explanation for this result, I had to take into account the issue of trust and the lack of deposit protection of the savings in the GS&L groups. **As it was easily possible to take out a loan from a GS&L group and to disappear with it in the slum, a prerequisite for the effective operation of the GS&L groups was trust.** In the GS&L system this trust was supposed to be guaranteed by the rule that forming a group was only possible if the members knew each other and lived in close proximity to each other. This, however, did not guarantee absolute security. Every person in the slum could get into a situation where she saw herself forced to apply dishonest strategies to guarantee the survival of her family in case of an emergency. For instance, Sara, who was burdened with high responsibility for her family and high school fees, used an insincere way to receive money from the Imani Group during one meeting. As she had not refunded her last loan and therefore could not take out a new loan, she claimed that another woman from the group, who was absent, needed a high loan of 8,000 KSh. From this amount she used 6,000 KSh for her own purposes and gave 2,000 KSh to the absent woman. When the other members found out about this fraud, it brought conflicts to the group and exacerbated mistrust within the group. The women were highly aware of this problem and I observed a high level of mistrust within the Imani Group. Abuse of trust and consequent mistrust was not only a feature within the Imani Group (and in other GS&L groups as I suppose), but also in the slum in general. When Helen told me that her neighbours had been involved in the robbery of her business room, she

commented it as follows. “You can think that somebody is a friend here in the slum, but then you find that he is on the opposite side.” (Helen 19-09)

In chapter 4.3.4.1 I argued that lacking interest on savings led to the fact that women used the GS&L groups first and foremost as a credit facility and not as a savings facility, which resulted in a low rate of savings. This chapter showed that trust is a second factor that determines the savings in the GS&L groups and consequently the amount of lendable money in the groups. Mistrust limited the functioning of the GS&L system, as a high financial potential was lost. For instance, if Joyce had saved her 6,000 KSh every month in the Imani Group instead of taking it to the bank, this would have had a significant impact on the amount of lendable money in the group and consequently on the lending possibilities of the other women. Therefore, building trust within the GS&L groups and the introduction of a form of deposit protection should be a priority of the GS&L system (see also chapter 5.2).

**Besides a lack of trust, weak leadership was the second organisational reason why the Imani Group had not realized a collective project** which would have benefitted the group and its members. Several women from the Imani Group had ideas for collective projects. As a quote from Juliah illustrates, one reason why the projects were not realized was a poor leadership in the group.

We are not moving ahead. You know why? The leadership. [...] Especially the chairlady, she is just there. When there is some problem with the group, she is lagging behind [...]. If she really [...] attend[ed] to the problems of the group, we could be far ahead, we could have done so many things. [...] We can start with a small shop, tomorrow we can be in a big business. But raising money and at the end of the year we are getting the money and putting the profit to our pocket is like doing something zero. (Juliah 29-09)

This raises the question of the role of YDF regarding the monitoring of the GS&L programme. From my point of view, it would be recommendable to monitor processes in the GS&L groups and to facilitate processes of change, for example in case of poor leadership.

#### **4.3.5.4 Ethnicity**

A fourth factor for the success of the groups turned out to be 'ethnicity'. The Pendo Group was a group composed almost exclusively of Kikuyu (only one member was a Kamba). In contrast, the ethnicity of the members in the Imani Group was more heterogeneous, comprising four tribes, with the majority being Kamba. Although I did not focus on the issue of ethnicity at the beginning of my research, I came across the importance of this factor during the fieldwork. After I had learned that especially in the Imani Group the women were confronted with higher expectations on part of their relatives in upcountry who claimed to receive regular remittances, I was looking for the reasons. In addition, Eve and Helen (two Kambas from the Imani Group) told me in the interviews that their homeland was afflicted by a severe drought which had already lasted for three years. Therefore, the relatives in upcountry had to rely on remittances from Nairobi in order to buy food (Eve 14-09; Helen 06-08). Seemingly, climate change was a factor which had an impact on the financial burden of *Kamba* women in Kibera. In contrast, the ethnic group of *Kikuyu* lives in a more fertile region of Kenya and therefore family members in the rural areas are not as much dependent on remittances from the city. On the contrary, the Kikuyu migrants in the city could resort to the support of their relatives in upcountry in case they needed it, as Esther (a Kikuyu) explained to me.

[S]ometimes [I get support from] upcountry, you say them [your relatives]: 'Mummy, this place is very dry [i.e. there is no cash]. Can you send us some maize, some potatoes?' (Esther 19-09)

Apparently, the performance of the two GS&L groups did not differ because of the cultural differences resulting from the different ethnic origin. Rather, **the Pendo Group was more successful because its Kikuyu members had a wealthier family background, since their homeland was more fertile** than that of other ethnic groups. Contrariwise, many women in the Imani Group had to use part of their income to send it to upcountry because they belonged to the ethnic group of Kamba, which inhabited a semi-arid region of Kenya which was in addition severely affected by a drought presumably caused by climate change. Logically, they could not put so much money into individual as well as collective projects as the women from the Pendo Group. The high financial responsibility towards relatives among the Kambas led, of course, also to a higher conflict potential within marriage. Also during the group

meetings I could perceive an obvious difference in the behaviour of the groups. The meetings of the Pendo Group were rather quiet, laid-back and oriented towards conflict resolution, whenever any disagreements arose. In the Imani Group, in contrast, it was visible how high the pressure was on some of the women. The group meetings were much more fraught with conflict and consequently disorderly. For sure, the poor leadership of the Imani Group also contributed to this problem. The chairwoman of the Imani Group – in contrast to the chairwoman of the Pendo Group – did not take her responsibility to ensure order in case of disputes.

#### **4.3.6 Influence of Organisational Factors on the GS&L Programme**

In the last chapter I showed that intra-group features like trust and leadership or socio-economic characteristics of group members influenced the success of the GS&L groups. In this chapter, I will argue that organisational processes within UCC and YDF also had an impact on the groups' performance.

While in 2011 there seem to have been numerous GS&L groups (47 groups), the number of groups decreased significantly in 2012 due to the departure of the programme manager. Due to the lack of support from a programme manager, many new groups were liquidated in 2012 (Kitavi 03-10). This reflects the fact that the GS&L groups seemed to be highly unstable, especially at the beginning of their operation and therefore prone to rupture. This shows that **the GS&L groups were dependent on institutional support, in particular new groups**. At the time I left Kenya (beginning of October 2012), the director of UCC told me that a team of people had trained several new groups (Kitavi 03-10). Whether these groups would be provided sufficient support so that they would become stable enough to continue is a question I cannot answer because I left the country and could not observe further developments of the GS&L programme. The information from my interviewees illustrates that not only the new groups were affected by the lack of support of a programme manager, but **also older groups like the Imani Group lacked a contact person and an authority to which they had to report**. Juliah explained to me how the lack of a programme manager impacted the performance of the Imani Group.

[The programme manager] could [motivate] us with some words. Now we are getting the words from nobody. We could focus our minds 'Today we are going to meet [...]



[the programme manager], so let's hurry. We don't want to mess with him.' So everybody was catching up. But now, if you come [to the group meeting], [or] you don't come, [it doesn't matter because] nobody will challenge you. (Juliah 29-09)

It seemed that the programme manager also guaranteed the compliance with the groups' rules in case that the leadership, as in the Imani Group, was too weak to ensure compliance. The Pendo Group, in contrast, seemed to have completely internalized the training that they had received from the programme manager during its five years of existence so that they were not reliant on his support anymore. During these five years the group had made its rules more rigorous and while in the Imani Group lateness or absence from group meetings was rarely sanctioned with a penalty, the Pendo Group strictly allowed a maximum of 50 per cent absence from group meetings and only if it was unavoidable like in case of work commitments.

From the expert interviews it seemed that there was no clear concept of how much support should be provided to the groups. Consequently, there were contradictory statements within the expert interviews regarding the issue of support. On the one hand, the director of UCC stated in an interview that a lack of support was detrimental to the groups because many groups disintegrated after the former programme manager had left the project.

It was us who deliberately made [the number of groups] [...] go down. [...] When James [the former programme manager] left, we had a very big challenge because he was [working] full-time for the groups. So when he left, [...] [s]ome groups disintegrated, others liquidated their money because they were not receiving enough support from us and they felt a burden. So they got discouraged because some of them were just new and they needed us to support them. (Kitavi 03-10)

This means that Kitavi acknowledged the groups' need for institutional support by YDF. On the other hand, the director mentioned that YDF did not aim at offering long-term support to the groups and wanted to limit its role to the provision of initial support to new groups.

Once they [the new groups] have been trained on GS&L [we tell them] 'You go and do your things on your own. Don't depend on us because we don't have enough manpower. And we told them 'You don't even have to bring your reports here. Only come here when you have issues, when you have maybe a challenge.' So we cannot ascertain how many groups are in the community [...]. (Kitavi 03-10)

In short, the role of YDF regarding the GS&L programme was not clear. Though it was acknowledged that the groups needed a higher level of support (because their number obviously went down when they lacked support), the current stance was that they

should operate with a minimum of support. From the quote above it can be seen that this conflicting attitude within YDF regarding the GS&L programme was a result of the lack of adequate and sufficient staff. Therefore, a recommendation would be to clarify the extent of support that is needed by the groups and then to supply the necessary financial and personal resources. Furthermore, concepts and guidelines should be developed in order to guarantee an efficient operation of the GS&L programme. The concepts and guidelines should especially clarify the responsibilities of YDF concerning the support of the groups. A proper monitoring system would be an important pillar in this regard because it would identify gaps in the support. The need to implement the above mentioned proposals becomes even more exigent given the high demand for GS&L groups from the community.

The need now [for YDF] is to have proper working systems. [...] [W]e are overwhelmed because we don't have staff and capacity. But the need is there because the people are seeing the benefits of GS&L and once they share with others in the community, they come and ask us. So we get a lot of pressure from the community and we are not able to meet the demands. (Kitavi 18-07)

Chapter 5.2 will deal with the question of what potential mechanisms to support the GS&L groups could look like.

#### **4.3.7 GS&L as a Means to Support the Poorest of the Poor?**

Several evaluations of microcredit programmes conclude that microcredits often fail to reach the group of the poorest. The reason is that a prerequisite for the participation in credit and savings groups is to dispose of a certain amount of money for the weekly contributions and for the repayment of the loans. Due to the high prices for food and school fees and the lack of social welfare, in Kibera the group of the 'poorest of the poor' comprised disproportionately high numbers of single mothers and families with a high number of children. Only one of my interviewees – Maureen from the Imani Group with a yearly income of 32,370 KSh – came close to ranking amongst this group of the 'poorest of the poor'. On the contrary, at least three of my interviewees could be classified as lower middle-class – Joyce, who had a profitable business, a financially stable husband and no burden from school fees; Tara, whose business was not profitable but whose husband earned a considerable income so that the family could afford to live in moderate wealth in a residential estate outside of Kibera; and Patricia,

who owned a shop together with her husband, which provided them with sufficient income to cover their expenditures.

In chapter 4.3.5, I showed that the percentage of single mothers within the GS&L groups was relatively low (in my sample 15 and 31 per cent respectively). In contrast to that, according to estimates from my interviewees<sup>26</sup> (Helen 05-09, Juliah 29-09, Kitavi 03-10) 60 per cent of all households in Kibera were headed by women because marriages were unstable and divorces frequent. Thus, the connection between the factor of having a husband and being able to participate in a GS&L group becomes apparent. Husbands played a vital role in the safety network the women were dependent on due to the instabilities of their economic lives. In most cases, single mothers were not able to raise enough money they could regularly contribute to a GS&L group. This result was further confirmed by the research that I did on the women who dropped out of the Imani Group. All of the four women who dropped out of the group were single mothers (Helen 05-09). With two of them I conducted an interview and they explained that due to their status as single mothers they could not stay in the group. Judith told me that it was the loss of her job that made her drop out. During the time without job there was no husband who could assist her financially. Consequently, she was unable to cope with the weekly payments to the group.

There came a time when I lost that job. So I did not have the money that should be contributed every week [to the group]. It was a burden to give the money. If I took a loan, I had no way of getting the money back. (Judith 19-09)

Anne was in a similar situation because as a mother of five children she could not put enough money aside for the GS&L group.

I am a single mother since ten years. My husband left me here with those [five] children. [...] The children depend on me. And I have no support. I just believe in god. [...] I left the group because of lack of money. Because they need contribution [...] [every week], 100 bob<sup>27</sup> [...]. So I saw that I was disturbing them. Then I went out [of the group]. (Anne 18-09)

**Having a husband, therefore, was an important prerequisite for staying in a GS&L group.**

The women from the GS&L groups were also exceptional with regard to the number of children. They were below the average of the number of children per woman in Kenya

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<sup>26</sup> Official numbers were missing.

<sup>27</sup> 'Bob' is a colloquialism for the Kenyan currency 'Kenya Shilling'.

(an average of 4.6 children) as well as below the number of children per woman in Nairobi (an average of 2.8 children) (Population Reference Bureau 2011: 6). In the Imani Group, the interviewees had 2.5 children and the interviewed women from the Pendo Group had 2.3 children on average. **As they had a lower number of children, the women in the GS&L programme had a reduced burden from school fees and expenditures for food in comparison with average households in Kibera.**

To summarize, the women from the two GS&L groups I interviewed did not only have a comparatively higher level of support from husbands than the average woman in Kibera, but they also had a lower financial burden than the rest of the population in Kibera because of a lower number of children. From this it can be seen that **the group of the poorest people in Kibera** (i.e. households with a high number of children and/or without the support of the father of the family) **could not raise the necessary funds for the GS&L programme and was therefore excluded from the potential benefits of the programme.** Thus, I conclude like several other authors that microcredits cannot be seen as an effective tool to combat poverty amongst the poorest of the poor.

#### **4.3.8 Influence of Macrofactors on the GS&L Programme**

The previous chapters have already dealt with some of the macrofactors (like school fees) that influenced the economic situation of women in the GS&L groups. In this chapter, I will examine those macrofactors in detail because they were key to the question of whether economic empowerment of women in Kibera was possible. These factors had a core impact on the effects and outcomes of the GS&L programme.

For an analysis of economic empowerment, one has to recognize the fact that the GS&L system is embedded in the broader economic system of the slum of Kibera. In my analysis, guided by the method of Grounded Theory, I have come to call the economy of Kibera an *economy of structural capital shortage and capital loss*. I found out that the women had developed a panoply of strategies to deal with the shortcomings of this economy. In a first step (chapter 4.3.8.1), I want to explain what the characteristics of this *economy of structural capital shortage and capital loss* were and what the effects of this economy on the women's lives were. Then (in chapter 4.3.8.2),

I will describe the strategies that the women had adopted in order to survive in this economy.

#### **4.3.8.1 The Economy of Kibera as an 'Economy of Structural Capital Shortage and Capital Loss'**

The *economy of structural capital shortage and capital loss* of Kibera had its roots in a complex interplay of social and political factors. The figure below gives an overview of these factors which I will address in detail in the following chapter. My analysis shows that most of the macrofactors which caused the *economy of structural capital shortage and capital loss* of Kibera were of political origin. The root was mainly a state which, on the one hand, was absent (or ineffective) in areas like social welfare or labour market/employment policies and, on the other hand, abused its political power in cases like the post-election violence of 2007/8. To facilitate the overview of the core factors described in this chapter, the numbers in the figure correspond to the numbers of the headlines in the text below.

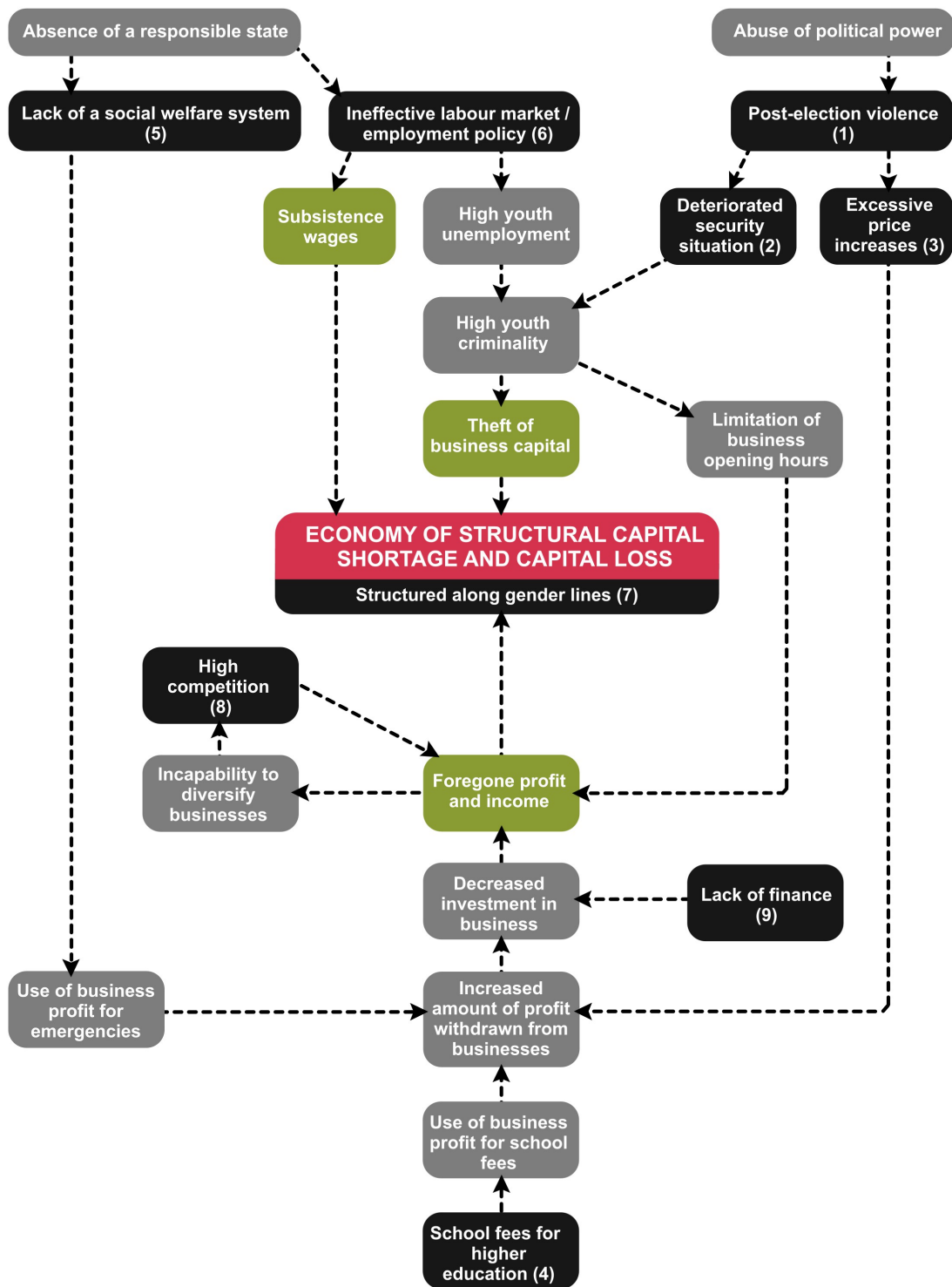


Figure 11: The Economy of Structural Capital Shortage and Capital Loss of Kibera (based on author's own research results)

### (1) Post-Election Violence

Kibera was one of the hotspots of Kenyan post-election violence in 2007/8, when politicians abused their political power and numerous people were killed and thousands of people were displaced. At the beginning of my fieldwork, I assumed that the violent incidents must have had a considerable impact on the businesses of the women. My interviewees confirmed that the political violence had had an influence on their businesses. However, it affected them in a way that was different from what I had anticipated. While I had supposed that many women had lost a bulk of business capital due to robberies, this was only the case with one of my interviewees. Instead, the impact of the post-election riots was more long-term and therefore even more detrimental to the businesses of the women. They still struggled with the consequences at the time I talked to them, almost five years after the violent excesses. **Two mayor long-term consequences followed from the post-election riots – firstly, the deterioration of the security situation and secondly, an excessive increase in prices.** In the following, I will describe these two factors in detail. Thereafter, I will explain the other factors which are essential for the conceptualization of Kibera's economy, namely school fees for higher education, a lacking social welfare system, an ineffective labour market/ employment policy, the gendered structure of the informal economy, and competition.

### (2) The Security Situation

After the time of post-election violence the security situation worsened notably. The reason was that the prevalence of firearms had increased after the riots. While youth unemployment had been a problem for a longer time, after the violent incidents unemployed youth used the availability of firearms as an opportunity to make money. As a result, since 2007/8 armed youth gangs have posed a severe threat to the inhabitants of Kibera and have affected the businesses of people in the areas where they operated. In the interviews, **the women mentioned three main effects on their businesses resulting from the deteriorated security situation.** Firstly, business people had to limit the opening hours of their businesses and therefore suffered from foregone income. As Joyce described, the gangs especially operated in the early morning and the late evening.

[N]ow the bad thing is that because of those boys [from the youth gangs] [...], you can't wake up early at 5 [and open your business]. You just wake up at 7, because when you come at 5, it is bad, they will tell you 'Bring what you worked for yesterday'. [...] You can't work up to 9 o'clock in the evening. At 8 I close. [...] The business now is not good because of those boys. (Joyce 12-09)

Secondly, the youth gangs did not only target the owners of the businesses, but also their customers. The consequence was that more well-off customers avoided making purchases in particular areas of the slum. As the example of Juliah shows, the effect was a considerable reduction of profit and income of the women. One main reason why Juliah liquidated her business (a pharmacy) was that she lacked wealthy customers due to the security situation.

Most of the customers in Kibera [who have money], when they come to our shops, they feel they are not secure because there are so many boys running with their [gun] [...]. But those who wanted to borrow [i.e. purchase medication on credit] couldn't fear anything come. (Juliah 29-09)

In short, the prevalence of armed youth gangs caused a *capital shortage* for the businesses of the women because it reduced the profit and therefore the capital to reinvest in the businesses.

Thirdly, the security situation resulted directly in *capital loss*. Seemingly, the thieves had developed a system to find out where they could rob a considerable amount of capital whenever somebody had managed to accumulate capital. As one woman told me, neighbours were often involved in those thefts because they gave information to robbers (Helen 04-09). Several incidents which were reported by my interviewees illustrate how much the exacerbated security situation (and the resulting capital loss) hindered the consolidation of a sustainable business. In the following, I want to use the two examples of Helen and Sara to clarify this connection.

Helen had saved a respectable amount of money on her bank account, namely 50,000 KSh. With this money she planned to boost the material stock of her dress making business in order to increase her profit and to subsequently stabilize and expand her business. After she had bought the material and stored it in her business room, thieves were informed about the existence of the material, broke into her business room at night and stole the complete stock. As simultaneously school fees had to be paid, this robbery did not only result in a failure of Helen's plan to expand her business, but also in a severe deterioration of her economic situation. Lacking profit from her business, Helen had to take out a credit of 50,000 KSh from a bank for the school fees. As the



interest rate of the credit was quite high (24 per cent) and she had to pay back the credit over a period of one year, Helen went deeper into debt because of that credit. The repayment of the credit impeded that Helen could invest money in her business. The resulting decrease of profit led her further and further into debt. Logically, the robbery of her business stock did not only affect her business but also the amount of her contributions to the GS&L group. (Helen 04-09; 05-09; 04-10)

Sara, a hairdresser, also reported *structural capital loss* due to the operations of youth gangs. During a period of one and a half years, thieves managed to break into her business location nine times(!). On these occasions the robbers stole nine TVs, seven DVD players and at least 90,000 KSh in cash. Calculating with the prices that Sara told me (one TV was worth 6,000 KSh; one DVD player equalled 3,000 KSh), Sara had made a capital loss of more than 165,000 KSh within one and a half years. (Sara 14-09) If she had invested this bulk of money, she could have stabilized and expanded her business substantially.

To summarize, women with businesses in Kibera could not build up sustainable businesses due to the security situation in the slum. Numerous women told me that, if they had enough capital, they would transfer their businesses to a location outside of Kibera because it was impossible to strengthen their businesses within the slum area. Anne was one of these women.

If you buy a lot of material and if they [the youth gangs] see you, they will come and steal. So it is a risk to stay here in Kibera [with your business]. If you have money, you have to go. You have to come out of this place because there are a lot of thieves. (Anne 18-09)

Obviously, the security situation was one factor which was outside the range of YDF, but which had a very strong influence on the potential for economic empowerment of the women. The GS&L system could not change this factor because it was politically determined. Capital loss due to thefts was, however, only one of several interacting structural factors in this regard. In the following, I will dwell on additional influences on the economic situation of the women.

### (3) Price Increases

As mentioned above, the post-election riots did not only lead to the prevalence of armed youth gangs which threatened the inhabitants and the businesses of people in Kibera, they also caused an exceptional increase in prices. The interviewed women reported unusual price increases in all areas of their lives since 2007/8. Costs for food, transport, rent and raw materials for their businesses had risen excessively. Examples from my interviews illustrate how excessive the price increases were in Kibera. Helen told me that her rent had been raised from 3,300 KSh to 5,200 KSh per month within one year. This is a price increase of 58 per cent. Transport prices, which were fundamental to many women because they relied on them to transport material for their businesses, had doubled. (Helen 04-09). Food prices had increased likewise. Maize meal is the most central food product for the nutrition of Kenya's population. One package of maize meal (called 'unga') had risen from 70 KSh at the time of post-election violence to 120 KSh at the time I was in Kenya. This equalled a price increase of 71 per cent (Helen 05-09). As Franziska reported, costs for raw material had also increased. The price for the vegetables she needed for her vegetable selling business had quintupled since 2007.

I remember that at that time [in 2007] [...] we were buying a bucket of potatoes for 100 shillings [at the market]. Today I was in the market and it was 500 shillings a bucket of potatoes. (Franziska 25-09)

To illustrate the price increases using a source apart from the interviews, the figure below depicts the trend of the Consumer Price Inflation for the years 2007-2012.

### Consumer Price Inflation in Kenya 2007- 2012

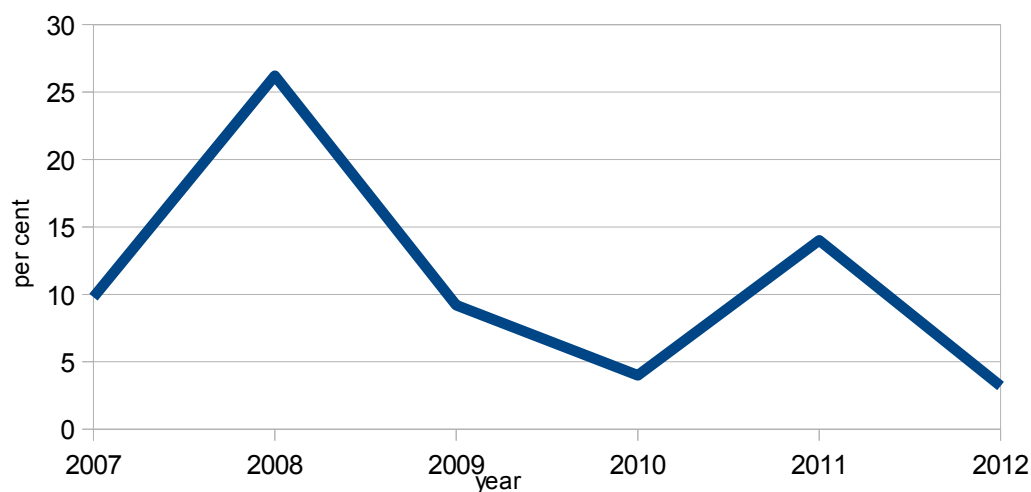


Figure 12: Trend of Consumer Price Inflation in Kenya<sup>28</sup>

Most of the women I interviewed ran businesses in the self-employed small-scale business sector (called 'jua kali' sector, see below). **The price increases were detrimental to the economic situation of the women because the women were not able to pass on the higher costs to their customers.** The reason for this was that the price increases did not coincide with a rise of wages in the informal employment sector in which many inhabitants of Kibera worked. Therefore, the price increases meant a profit reduction for the women due to higher costs. **Likewise, the capital reinvested in the businesses of the women decreased because the amount of profit withdrawn from the business increased due to higher household expenditures.** Therefore, the ability of the women to expand the businesses was severely limited. Franziska expressed the effects of the price increases on her economic situation as follows.

[L]ife is hard for now. You can go there [to your kibanda<sup>29</sup>] and you can sell and you can sell and you see that you have money, but at the end of the day you have nothing [because input costs and household expenditures are much higher than before]. [...] From 2007 up to now, from the time of post-election, I don't know where the money has gone - no costumers, no money, no raw material for selling. (Franziska 25-09)

<sup>28</sup> The data of the graph are based on the following sources. The data for the years 2007- 2011 were taken from World Bank (2013), the data for 2012 are based on Kenya National Bureau of Statistics (2012).

<sup>29</sup> Kibanda is a Swahili word for 'hut' or 'shack'. In Kenya it was also used to denote the business location of street vendors.

The declining profitability of the women's businesses led to a spiral of foregone profit because the women were forced to produce on a very small-scale level. Two of the dressmakers I interviewed described this phenomenon vividly. Due to lack of capital they could not buy a larger amount of material (which they could have bought at a better price). As a consequence, they had to spend on transport to buy material in town every time they received an order from a customer. Had they disposed of more capital to buy a bigger quantity of material at once, they could have saved money for transport, especially if one considers that transport costs had also increased. Apart from a lacking stock, the women suffered from foregone income because they lacked marketing possibilities. Due to a lack of capital and material, the two dressmakers could not produce samples to show to potential customers. (Helen 04-10; Lucy 26-09) Foregone income due to lack of marketing possibilities was also mentioned by business women from other branches.

The economy of Kibera was characterized by a very high dependence among the small-scale business people. Therefore, the declining profit of one branch (e.g. vegetable sellers) was detrimental to all other branches because in case of lacking income households reduced their expenditures for certain services (e.g. dressmakers, hairdressers) and purchased necessary things (like food or medication) on credit.

#### (4) School Fees for Higher Education

Besides a precarious security situation and an excessive increase of prices, another factor had a strong influence on the potential of economic empowerment of women, namely school fees. As my analyses revealed, **school fees and in particular school fees for secondary school and tertiary education were an essential cause for the economy of capital shortage**. The amount of money to be paid for secondary school was so tremendous that none of the households of the women I interviewed was able to pay it from its income. The table below illustrates the reason for this. In many cases, even the expenditures for food exceeded the financial capacity of the households due to the exceptional price increases of food. When the households also had to pay high school fees, the financial capacity of the households was overextended. 10 women from my sample had children in secondary school or university. In all cases, except one, the household expenditures exceeded the household's income, in some cases

even considerably. Franziska was the only exception to that because she had found a sponsor who took over the school fees for her daughter in secondary school. The table illustrates the high burden of households from expenditures for food and educational fees.

	Household income (yearly)	Expenditures for food (yearly)	Expenditures for school and/ or university fees (yearly)
Helen	125,000 KSh	169,200 KSh	72,000 KSh
Irene	163,800 KSh	180,600 Ksh	124,000 KSh
Jane	115,200 KSh	139,320 KSh	25,500 KSh
Lucy	176,000 KSh	151,200 KSh	81,000 KSh
Maria	108,000 KSh	180,000 KSh	60,000 KSh
Sara	156,000 KSh	216,000 KSh	80,100 KSh

*Table 11: Households' Expenditures for Food and School/ University (based on household budget sheets)*

The expenditures for food must probably be considered lower than shown in the table, because after some time in the field I found out that the women often indicated the amount of money they would have used in case that they had “eaten well”. Most of the times, the women economized the expenditures for food as much as possible. Nevertheless, the deviation of the given numbers cannot be assumed to be very high. Thus, the table above is a good indicator for the burden on households in Kibera from costs for food and school fees. Many of the women talked about this pressure from school fees during the interviews. As they were aware of this financial burden, some of them, but not the majority, decided against higher education for their children (Faith 20-08; Jane 30-07, Tamaris 21-09). Tamaris described the connection between her business, which did not provide a sustainable income, and her inability to provide higher education to her children in the following way.

The business is going on well, but you can't make big things with it. For example, that business can't make me take all my children to college. The business can only manage to facilitate the basic needs: to buy food, clothes, something small. (Tamaris 21- 09)

Women who decided to provide their children with higher education, in spite of its high costs, expressed the detrimental effect of the fees on their lives very clearly. Helen, whose story has already been mentioned above, told me that “[s]chool fees were the expenditures which made me go into debts.” (Helen 05-09) After she had lost her business capital through the burglary, the payment of school fees weakened the base of her household so much that she was forced to take out a credit from a bank.

School fees did not only lead to indebtedness of the households, they also contributed to a deterioration of the economic base of the women's businesses. The cost for higher education was so high that it made economic empowerment of the women impossible. The majority of the interviewed women ran businesses in the small-scale business sector. **After deducting the amount for school fees from the profit of their businesses, no capital was left to reinvest in the businesses.** Women with children in secondary school or university told me about this harmful effect of school fees on their businesses. Sara was one of them.

This year I only borrowed for school fees [and not for my business] from the GS&L group, [I] even [borrowed] from the bank. My biggest problem are the school fees and medicine. One of my kids will be out of school in December. So [next year when] I will not have to spend a lot for school fees, I will expand my business. (Sara 14-09)

Also, the quantitative data I collected from the women support the thesis of the detrimental effect of school fees on the businesses of the women. Comparing the households with children in higher schools (secondary and tertiary) and the ones with children in only primary education, one could assume that the former households will have a higher income which enables them to send their children to a higher school. Considering the data from my sample, however, it turns out that the opposite is the case. The households with children in higher schools on average earned less than households with children only in primary schools. Their income was on average 161,714 KSh per year, while the latter earned 24 per cent more, namely 201,022 KSh per year. This connection affirms the thesis presented above that school fees of higher education weaken the parents' small-scale businesses – the high amount of school fees limits the possibilities to reinvest capital in the businesses and therefore reduces the income from the businesses.

### (5) Lack of Social Welfare System

Apart from the tenuous security situation caused by armed youth gangs, another factor of insecurity experienced by the women in Kibera was the lack of a social welfare system. The consequence was that in case of emergencies the women used their savings or took out credits to pay hospital bills and the like. As mentioned in chapter 4.3.3, the GS&L system could only partly support the women on these occasions because there was not enough lendable money. Both, the reduction of their savings and the burden from credits in case of emergencies, had an immediate effect on the businesses of the women because they consequently lacked money to invest in their businesses. Lacking any security provided by a social welfare system, **the family system was a vital part of the safety network that helped people deal with capital shortage in times of emergencies**. My analyses revealed that the impact of this missing welfare system on the businesses of the women depended on the role they had in their family systems.

There were two main factors which influenced the financial burden that women had to bear within their families. Firstly, the financial burden decreased if the women had a husband and a good relationship with him. In this case, the husbands often supported their wives with the amount they were supposed to give to family members, whenever the women were unable to obtain the money themselves (Karen 12-09; Tara 27-09). A second criterion for the women's financial responsibility in their families was the number of other family members who were able to contribute cash to the family members in need of cash. The following quote illustrates that the financial responsibility of Anastacia in her family system was quite low.

Yesterday my mother had to go to the hospital. I gave her 300 shillings, my brother contributed 10,000 shillings. If I have money, I send it to her. If I don't have, she is okay with it. So she doesn't wait for me because I have elder brothers and sisters [who are capable of supporting her with cash]. (Anastacia 27-09)

Sara's example, in contrast, represents the complete opposite of the low financial responsibility of Anastacia. Not only did she lack a husband who supported her, but she also had to bear the brunt of the financial burden of her whole family system.

[My husband] drinks a lot. If he is told about school fees, he is not ready to give. [...] I have two kids who are in secondary school which I find difficult to pay [...]. Then there is another girl who is under medication. To get the money for the medicine is a challenge to me. [...] I don't know how I can be helped. I don't have relatives who can help me, because my father has deceased, my husband is not willing to help me. I am

also a breadwinner for my mother because she had an accident and she can't walk. So I am the one who is providing food, everything for her. (Sara 08-08)

It is obvious that a woman like Sara who is so burdened with financial expenditures from her whole family system was not able improve her business. All of her profits went either directly into expenditures or into the payment of interest for all the credits she had to take out to manage her expenses somehow. Most of these expenses would be paid by a social welfare system if there was one. As the contrasting examples of Anastacia and Sara show, the absence of a general social welfare system caused a high inequality between the women in the slum. On the one side there were the lucky ones who had a husband and/or financially stable relatives; on the other side there were those who had to pay for hazards in their families and for which the state did not take responsibility.

#### (6) Labour Market/ Employment Policy

The absence of the state in Kenya (and in Kibera in particular) did not only result in the lack of a social welfare system. It also led to an ineffective labour market and employment policy, especially for people working in the so-called 'jua kali sector'. 'Jua kali' is a Swahili term for the Kenyan informal economic sector and means 'hot sun' because the workers in this sector are exposed to harsh conditions without protection. During our interview, one woman explained to me what it meant for her to work in this sector.

Jua kali is that you are not waiting for someone to pay you. You are the one to pay yourself. Jua kali is like struggling, you have to struggle so that you can survive. (Anastacia 27-09)

The jua kali sector does not only comprise small-scale business people, but also many people who are dependent on unregulated labour relations. This means that they have temporary work contracts for some weeks before they become jobless again and need to find a new temporary job. As the workers receive only subsistence wages<sup>30</sup>, they cannot accumulate savings for the time they are jobless. The fact that many of the women I interviewed worked in the jua kali sector was not because they chose to do so but because of lacking employment opportunities in the formal labour market. Several of my interviewees said that they would prefer a job in the formal economy instead of

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<sup>30</sup> In informal talks people mentioned that jua kali workers received 500 KSh or less per day.



having an informal business. They argued that their informal businesses were liable to high instability and the income was incalculable, whereas being employed formally would provide them with a regular income which would help them meet the expenses of their households. Several women drew special attention to the difficulty of paying school fees regularly three times per year, while the income from their businesses was highly irregular (Anastacia 27-09; Helen 04-09; Karen 07-08). Comparing the quantitative data from the household budgets, I discovered that the households with husbands who were dependent on temporary work contracts struggled more with their expenses than the households where the husbands had informal businesses. The reason for this was that the informal businesses of the husbands, in contrast to the businesses of their wives, provided a sufficient or sometimes even sizeable amount of profit which met the expenses of the households .

#### (7) Gendered Structure of the Informal Economy

To explain why the husbands' businesses were more successful, although they were also based on the informal economy, is only possible if the aspect of gender is factored into the analysis of the informal economy. Gender is a vital differentiating factor in every economy<sup>31</sup> – the informal economy of Kibera was no exception to that. **Including the aspect of gender into my analysis, I found out that women were running far less capital-intensive businesses than men.** This resulted in lower income, because those businesses had a lower profit margin and struggled more with factors like competition (see below).

Out the 24 women I interviewed, 22 women had their own income, with 21 of them having a significantly lower income than their husbands. On average, the income of the married women I interviewed made up only 47 per cent of their husbands' incomes.<sup>32</sup> While in general the husbands had businesses in more favourable business locations outside the slum area, the women chose the location and the branch of their businesses so that they could simultaneously attend to their household duties. The reason for this was, as I came to know in informal talks, that domestic work in Kenyan

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<sup>31</sup> For this argument see for example Degele (2008): 60-9.

<sup>32</sup> On average, the married women in my sample earned 82,140 KSh per year, while their husbands earned 176,421 KSh.

households was traditionally an exclusively female responsibility<sup>33</sup>. The fact that men owned more capital-intensive businesses than women has two main reasons. Firstly, men disposed of more capital because they were still favoured regarding the inheritance of family capital<sup>34</sup>. Secondly, many men in the slum did not take responsibility for the expenditures of the households they lived in. Consequently, women frequently covered the major costs.

[M]any men [in Kibera] are not responsible – they want to drink, they don't want to go to look for work. So the divorce rate here in the slum is high because the women are so pressured. They are the ones to look for money, they are the ones to pay house rent. And that is why many of them are in these GS&L groups and not men. (Kitavi 03-10)

As men often decided not to take the same responsibility for the financial expenditures of the household as women, they were able to invest more capital in their businesses and to build up a more sustainable economic base. The director of UCC told me that there was one GS&L group which had been highly successful and stable over the years. Interestingly, this was the only group which was composed mainly of male members (Kitavi 03-10). Their success supports the argument that women are trapped in more low-profit businesses in comparison to men and that they have to spend a higher amount of their profits on household expenses. As David Kitavi told me, the men from the mentioned GS&L group were able to use the loans to invest in their businesses and therefore were able to steadily increase the amount of lendable money within their group. Consequently, they were able to invest even more and to constantly receive more profit.

#### (8) Competition

Due to lack of capital women in Kibera who started a business in the small-scale sector seemed to start very similar businesses, with selling fruits and vegetables being one of the most common (Eve 14-09; informal talk with DKA staff member). The reason was that **the seed capital which was necessary to start a vegetables selling business,**

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<sup>33</sup> The adherence to these traditional roles seemed to differ between ethnic groups. Kikuyu women were reportedly less pressured by those roles.

<sup>34</sup> For this argument see, for example, the report of The International Women's Human Rights Clinic, Georgetown University Law Center and The Federation of Women Lawyers Kenya (2009) which illustrates that "[d]espite provisions of the Law of Succession Act that apparently give some protection to women [...], [in practice still] many women are unable to inherit property from their spouses, fathers, and other relatives." (p. 130)

**for example, was very small.** Considering the branches in which my interviewees conducted their businesses, underlines this argument. A total of 18 women had their own businesses – six of them sold vegetables and/or fruits, three of them were dressmakers, three of them were hairdressers, two of them sold pre-prepared food to construction workers, one sold charcoal and one produced basket cookers. This meant that every time a woman opened up a business, there was more competition for the others. The consequences were low diversification and consequently, reduced profit for everyone. Two of the women told me that **diversification was difficult not only due to capital shortage, but also because there seemed to exist a wide-spread practice of theft of business ideas.** Due to this theft of ideas, Joyce had had to change her business three times. The two quotes below from Joyce and Eve illustrate the impact of this phenomenon on the businesses of the women. Joyce was the owner of a kiosk, Eve was a vegetable seller.

[At the beginning] I was just cooking meat and ugali. [...] After I started to cook meat, there were many people who were cooking meat [too]. So my business went down. [...] [My business is better now,] [b]ecause what I do – there are not many people who do it. (Joyce 12-09)

I see, the problem [of the economy in Kibera] is this – I tried to do search outside. The women who are selling vegetables now are so many. Everybody who comes to start a business is going for vegetables. So we are so many. I came to realize that. So I think that is the big problem. The customers are so few, but the sellers are much more. [...] So my prayer is [that] I am going to find [something] what is not [yet sold] in that area and I want to start to sell it. [...] I tried to sell sukuma wiki<sup>35</sup>, [suddenly] every woman who was around me [was also selling it]. [...] I started to sell big tomatoes [...], everybody [started to sell them too]. (Eve 14-09)

Joyce was able to diversify her business because she was not as much burdened by structural factors as other women. I will describe this in detail below. Therefore, Joyce was able to invest more capital in her business. Eve, in contrast, also had plans to diversify her vegetable selling business, but she was not able to raise the necessary amount of capital due to a high financial burden as a single mother with children at school and a high financial responsibility within her family network. Tara, a charcoal seller, could put into numbers her foregone income which was caused by increasing competition and theft of ideas within the small-scale business sector.

[Last year] I decided that I can sell charcoal, when I saw that there are no people who are selling charcoal. [...] My business [...] now [...] is down because there are so many people who are selling charcoal. So the competition is high. [...] If the job was well, I

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<sup>35</sup> Sukuma wiki is a green vegetable similar to spinach and a core ingredient of the Kenyan cuisine.

could get two times more than now. But for now there are so many people doing the same job. It was better before. (Tara 27-09)

This means that Tara suffered a profit loss of 50 per cent because due to capital shortage she was unable to diversify her business and therefore had to continue doing an unprofitable business. According to my observations in the field, the profit loss caused by fierce competition was similar in other small-scale business branches.

#### (9) Lack of Finance

As I will show in chapter 4.3.8.2, my interviewees resorted to various sources of credit in times of capital shortage. However, none of these sources – except banks – could provide them with a sufficient amount of money to start a business or to expand a business. Due to high interest rates and short repayment periods, for many women banks were not an acceptable source to borrow money for their businesses. Therefore, many businesswomen lacked the possibility of taking out larger credits to expand their businesses or to start a new business and thereby increase their profit (and income). Several of my interviewees had business plans they had not been able to realize. When I asked them why they had not realized their plans, the answers were always very similar – they lacked a reasonable source of finance (Anastacia 27-09; Beth 18-09; Eve 14-09; Helen 04-09; Jane 30-07; Maria 25-07).

#### An Exceptional Example

In my sample there was just one woman who had her own business and earned more money than her husband – Joyce. She had built up a business which could be called 'sustainable' because it provided enough profit for Joyce's expenditures. Furthermore, Joyce was able to put aside a sufficient amount of savings. The savings were used by Joyce in case of emergency and for further investment in the business. Although Joyce's income was not decisively higher than her husband's (she earned 13 per cent more than him), her income of 216,000 KSh per year was far above the income of all other women in my sample. Therefore, Joyce was the only case from my interviewees where one could say that economic empowerment had taken place. I refer to the example of Joyce here because it shows clearly how much economic empowerment

was intertwined with the macrofactors mentioned above. **The reason why Joyce was able to build up a sustainable business** was not that she participated in the GS&L system, but it **was connected to the fact that three of the above mentioned structural factors did *not* concern her life (anymore)**. Firstly, she did not have to pay school fees anymore because all her children were already out of school. Secondly, the price increases did not affect her as much as other women because she did not have to spend much on food, since three of her four children had already left the house. Thirdly, she did not have any financial responsibility for relatives. Joyce told me that she had not been able to expand her business until beginning of the year 2011. When I asked her for the reasons, her answer was the following.

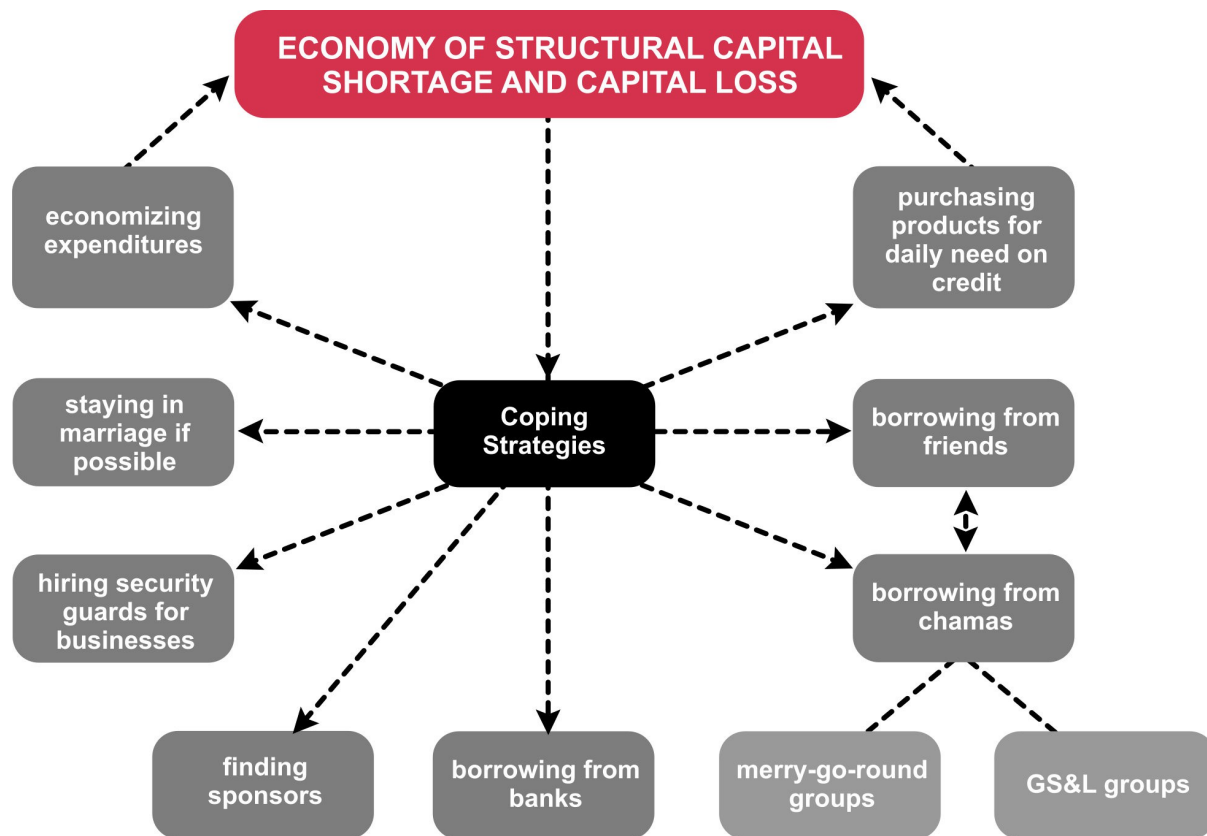
Things are better now because there are not a lot of people in the house who are eating. That time when [all my] [...] children were [still] in the house [...], we were eating everything [i.e. the whole profit of the business]. We used everything in the house. But now we can buy food and some money is left [for other purposes]. [...] Here in Kenya food is so expensive. Food, school and hospital they are so expensive. [...] [J]ust last year [...] I was starting to save some money. I opened a bank account last year. The other days I couldn't, there was no money. [...] [U]ntil 2010 my son was in a boarding school and I used the money [from my business] for him. (Joyce 12-09)

Joyce was not only in a favourable position because her children were already out of school and almost all of them out of the house, but she was not supposed to support members of her family either. She did not have older relatives whom to support, and her children and grandchildren did not depend on her income. Only her youngest son still took his meals in the household. Due to her ability to save and use the money for her business, Joyce managed to stabilize and expand her business through diversification. It is common knowledge that diversification leads to greater stability and therefore security of businesses, because it minimizes the impact of external influences. Due to the fact that diversification can act as a buffer against the impact of external factors, it usually also leads to an increased income, which was also the case with Joyce.

#### **4.3.8.2 Strategies to Cope with the 'Economy of Structural Capital Shortage and Loss'**

To guarantee their own and their families' surviving, the women developed manifold strategies to minimize the risks inherent in the *economy of structural capital shortage and capital loss* they lived in. The figure below provides a condensed overview of the

strategies described in the following. Not only does it illustrate the variety of strategies, but it also shows that there is a negative feedback loop between some of the strategies and the condition of the economy in Kibera – strategies like 'economizing expenditures' and 'purchasing products on credit' contribute to a further capital shortage within the economy.



*Figure 13: Strategies to Cope with the Economy of Structural Capital Shortage and Capital Loss (based on author's own research results)*

**Economizing expenditures was a common strategy applied by the women** in times of capital shortage. For example, those interviewees who struggled a lot with their expenditures told me that they did not go to the hairdresser. In severe cases, like the already mentioned case of Mercy, whose husband lost his job, the costs for food and the number of meals were reduced.

**A second strategy of the women was to purchase daily necessities on credit.** Therefore, the economy of structural capital shortage and loss in Kibera led inevitably

also to an *economy of structural debt*. After a while in the field, I came to realize that almost everybody seemed to be indebted to somebody. For the women who could not raise sufficient money to buy food every day it was a common strategy to make debts at the grocery shop.

If I [have to] buy food and I don't have money, I just go to the shop, I take flour, oil. Yes, and when I do work tomorrow [and have some income], I come [back] and pay. (Karen 12-09)

However, it seemed to be possible to 'borrow' not only food at the grocery shop, but apparently everything. Eve told me that some people would „borrow her vegetables“. When I had difficulties to understand how it was possible to borrow vegetables, she explained to me that the customers ate her vegetables, but promised to pay them as soon as they had money.

It turned out, however, that **this practice of purchasing things on credit often contributed to a further capital and income loss. The women experienced capital loss due to a run-away-mentality** which was caused by missing protection of the credits they gave to their customers. Judith was able to put this loss in numbers.

Sometimes I get [profit], sometimes I loose [business capital]. I am cooking food and sell it where new houses are being constructed. The problem of my work is that I deliver the food from Monday until Saturday. On Saturday the people are supposed to pay. Some of them, however, run away with the money [i.e. my business capital, because they do not pay]. [...] I could earn 6,000 shillings in a good month, but as people run away, I earn just 4,000. (Judith 19-09)

Loosing 2,000 KSh out of potential 6,000 KSh per month equals an income loss of one third, which seemed to be structural as it happened every week.

The just mentioned credit practice often also contributed to the ruin of businesses, as the example of Julia shows. As her business was a pharmacy, Julia had to deal with an unsolvable moral dilemma which turned out to be detrimental to her business. Due to the lack of a general health insurance in Kenya, the decision whether she would 'lend' medication to her customers was morally charged because the lack of medicine could lead to the death of people. Therefore, she could not do what was economically best for her, but she acted out of a sense of moral obligation, as she explained to me.

Within Kibera the income is so low, so sometimes you see them [the customers] and they are sick. They want some medicine. It's like you are giving them [medicaments] for free. [...] [The customer] he is having 30 shillings, but the drug [normally] goes [for the price of] 100 shillings and he really needs the drugs. So you have to give [the drug to]

the customer on credit. Some of them could come back, others just run away with the money. [...] [The business became worse until I had to close it because] at first I had a stock. Then most of the customers they wanted [to buy medicine] on credit. The stock was reducing and I could not add the stock [anymore]. (Juliah 29-09)

Obviously, the absence of the state with regard to a social welfare system also had an impact on the failure of businesses, like Juliah's pharmacy in Kibera.

A third strategy of the women was a response to the risk of capital loss by theft. **Several women**, however not all, **hired private security guards** to protect their businesses at night because the police seemingly could not ensure sufficient security for their businesses. People called those guards 'Maasai' because many of them came from this tribe. It seemed that some women did not have information about how to protect their business with the help of guards, others could not afford or did not want to afford the cost of hiring a guard. Usually people paid 10 KSh per day (300 KSh per month) to the watchmen.

Coping with the capital shortage they faced in their everyday lives, the women applied several other strategies, namely staying in their marriages, finding sponsors and borrowing from different sources like banks, friends and chamas. The analysis of these strategies illustrates that all of them had the same goal, namely to create a safety network for the women and their families in order to have access to liquid funds in case of need. A first **important part of this safety network was the husband**. If they had a husband and a good relationship with him, the women were better able to balance income irregularities of the informal economy because they received income from two sources (the husbands' and their own income). Anastacia expressed this need of mutual help in marriage as follows.

My husband helps me. If I were the [only] one [in the household earning money], I couldn't survive. We do help each other. We have to. (Anastacia 27-09)

Therefore, the husband was one of the central factors determining the success of the businesses of the women and the success of their chamas. As the women were highly aware of the economic importance of their husbands, their first and foremost goal was always to stay in marriage and not to leave their husbands. Thus, as already mentioned above, women with problems in their marriages were given advice about how they could stay with their husbands in the GS&L group (Esther 19-09).



**Another vital part of the women's safety network were the so-called chamas.** As mentioned above, these associations did not only comprise the GS&L groups but also merry-go-round groups. Apparently, the women were often in more than one merry-go-round group and each of them had its own function for the women – one was, for example, meant to cover the rent, another was meant to pay for food (Eve 14-09; Franziska 25-09). As mentioned in chapter 4.1.4, the women often combined several merry-go-round groups in times of income shortage and paid the contribution to one group with the money they got from another group (Franziska 25-09). **Out of all the lending opportunities the women seemed to clearly favour the GS&L groups.** Unlike friends, the repayment period of the GS&L groups was seen as adequate and therefore, there was a relatively low pressure of repayment. Unlike banks, the interest rates of the loans from the groups (i.e. ten per cent) were considered reasonable, although both of the interviewed chairwomen mentioned independently of one another that they would prefer even lower interest rates. Furthermore, the GS&L groups seemed to be important to the women not only because they offered the possibility of borrowing money, but also because they constituted a form of social capital. This social capital could be transferred into economic capital when the women needed money. For example, the statutes of many groups contained a paragraph where it was fixed that the members would support each other financially in emergencies like sickness or death. Another advantage seemed to be that the group members also belonged to the network of 'friends' from whom the women could borrow money. For instance, Juliah 'borrowed' from other group members to pay back her the loan she took out from the group.

[I]f I don't have the money to return my loan, Sara may pay for me, Helen may pay for me. She makes me a call 'Juliah, I have paid your loan, you didn't come [to the group meeting], you didn't send [the money to my M-Pesa<sup>36</sup> account].' So next time I prepare to pay her loan, pay her debt. That's how we support each other. Like 'You boost me, I boost you next time.' (Juliah 29-09)

**Many women told me about their practice to borrow from 'friends'.** It took me some time to find out that those 'friends' were probably not the same people a European middle-class person would call a friend. Rather, a 'friend' was everybody who belonged to the social network of the women and who was a potential creditor in case of need. Therefore, 'friends' played a core role in the economic strategies of

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<sup>36</sup> M-Pesa is a service of money transfer through mobile phones which is highly popular in Kenya because many people lack a bank account.

women in Kibera. In comparison to banks, these private persons often did not charge interest for the loans they gave to other people. However, many women mentioned the high pressure of repayment in case of lending from 'friends'. This seemed to be mainly due to the general capital shortage in the slum because of which all people tried to get their money back as soon as possible. As a consequence, the women applied the strategy of splitting the credit and borrowing from several persons. When the date of repayment arrived and the women were not able to pay, they often borrowed from another 'friend' to pay back the outstanding loan in time.

For me, I don't like to borrow from a bank. That's why I like to be friend with people who can help you in time of need because this person will give you 2,000 shillings and won't ask for profit. [...] They do demand [their money back] but if you have promised them you will give [it to] them after two days, just make sure [that you pay them back]. Maybe in that two days, you don't have money. You end up looking for someone else [to borrow from] so that you can pay this person. We do it like that. And life continues. (Anastacia 27-09)

I discovered that the possibility of borrowing from friends was also tightly connected to the loans the women took out from the chamas. Whenever the women were not able to pay back their loans to the chama on the payment date, they borrowed from a friend. Knowing that they would get a new loan on the same date (which was a common practice), the women could make sure that they would repay this person within few hours.

In June, I took a loan of 5,000 shillings for hospital. In September I still had a balance of 2,200 shillings for that loan. So I borrowed 2,200 shillings from a friend in order to clear the balance and to be able to take another loan. So I took another loan of 5,000 shillings. From that 5,000 shillings I paid back 2,200 to my friend. (Eve 14-09)

When the women were highly indebted, they sometimes used the money from the GS&L group (savings or loans) to pay back their debts to private persons. Two women told me explicitly that they did so – Helen, who was indebted with more than 30 persons, and Maureen, who had debts with more than 10 people (Helen 04-09; Maureen 14-09).

While borrowing from the businesses of other people and from 'friends' seemed to be quite common, **borrowing from a bank was considered to be a disadvantageous method to access liquid funds** by all women with whom I spoke about the issue of banks. The women mentioned the high interest rates and a high pressure for repayment as the core disadvantages of credits from banks. Thus, the women opted

for these borrowing strategies only if they could not gain access to money in any other way. In the case of Helen and Sara the pressure from school fees for secondary school led to lending from a bank. Tara had to take out a loan from the bank to pay the hospital bill when her son was born. Tamaris took out a credit from the bank because she needed capital for her business and could not receive enough money from the GS&L group.

**Another method to cover the expenditures**, especially the high costs of secondary education, **was to find sponsors through personal relationships**. This strategy seemed to be common especially among the single mothers. Accordingly, Eve had managed to find two wazungu<sup>37</sup> sponsors for her children's school fees through churchial relations. Franziska also had someone who took over the school fees for her daughter in secondary school, but she did not tell me who this person was. (Eve 14-09; Franziska 25-09)

#### **4.4 SUMMARY**

Chapter 4 dealt with the results from the empirical part of the diploma thesis. Chapter 4.1 provided an introduction to the field. It was argued that the Kenyan society is characterized by great inequality and that urban structures in cities like Nairobi still reflect the unequal order established by the colonial government. A neglect of slum areas leads to the fact that inhabitants in slums like Kibera lack basic services like sanitation and garbage disposal. After presenting information and data about YDF and the UCC project and GS&L programme, I reflected about the process of data collection in chapter 4.2. I showed that the relationships I built in the field had an influence on the outcome of my research. Apart from that, factors like being a woman and not-speaking the mother tongue of the interviewed women had an impact on my data. Chapter 4.3 presented the results of the data analysis and addressed a variety of questions. In chapter 4.3.1, I showed that the women used the largest part of the loans for their businesses. Other loan uses were school fees and hospital bills. An outcome of this sub-chapter was that the loans were too small to cover the needs for loans of all women. This result was further confirmed in chapter 4.3.2, where I showed that the

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<sup>37</sup> Muzungu (plural: wazungu) is a Swahili word and is commonly used to designate a white person.

women could only take out loans for one per cent of the amount they had to spend on school fees. Likewise, in case of emergencies (chapter 4.3.3), the available amount for lending in the groups was not sufficient. Chapter 4.3.4 dealt with the different areas of empowerment. Referring to the data I collected in the field, I showed that, while sustainable economic and personal empowerment had not been achieved, social empowerment was strengthened by the GS&L programme. One GS&L group was able to use this social empowerment to empower itself legally by purchasing a plot of land. Moreover, I showed that political empowerment was not possible due to the political situation in Kenya. Comparing the Imani Group and the Pendo Group in chapter 4.3.5, I determined the factors which contributed to the success of the Pendo Group and the non-success of the Imani Group. A higher income of their husbands and financially more stable single mothers, organisational factors like trust and leadership, the educational level of their children and the regional (and ethnic) origin of the group members were the reasons why the Pendo Group was more successful in realizing a collective project. Chapter 4.3.6 showed that the success of the GS&L programme as a whole was dependent on institutional support, i.e. groups needed to be supported by a programme manager, for example. This was not reflected by the current approach of YDF, namely to provide minimal support to the groups. The question of whether the GS&L programme also benefitted the poorest of the poor in Kibera was answered negatively in chapter 4.3.7. As it was shown, the poorest inhabitants of Kibera were single mothers and/ or households with a high number of children. Those households were not able to raise the required weekly contributions for the GS&L groups. Chapter 4.3.8 finally addressed the macrofactors which lay outside of the range of the GS&L programme, but which had a significant influence on the potential for economic empowerment of women in Kibera. I showed that the women had developed a panoply of strategies to combat the problems resulting from those macrofactors, with loans from the GS&L groups being one of them.

## 5. Conclusion

### 5.1 RÉSUMÉ

In the theoretical part of this thesis it was shown that there are various studies on microcredit and empowerment. Especially in the last years, many studies could not find a positive relation between microcredit and empowerment. Rachbauer who applied a wide concept of empowerment in his research argues that microcredit programmes and development programmes in general cannot lead to empowerment, since they operate only on the micro-level. Therefore, they cannot influence macrofactors which are also important for empowerment. In the empirical part of my thesis the argument of Rachbauer was confirmed. The GS&L programme of YDF could not contribute to an overall empowerment of women in Kibera. However, in some subareas of empowerment, defined by Hanappi-Egger et al. and CIDA, positive changes could be achieved. The women were able to increase their social capital by relying on the network of the GS&L group. Furthermore, one group used this social capital successfully in order to achieve legal empowerment through the purchase of a plot of land. The data from the fieldwork could not confirm an increase in income for the majority of the women. I argued that especially macrofactors, like school fees, competition or price increases, made an increase in income difficult to achieve. Nevertheless, the credits from the GS&L groups fulfilled an important economic function for the women. They used the loans as a form of bridge financing which was essential in their lives because they lived in an economy characterized by structural capital shortage and capital loss. This observation is similar to the historical role of microcredits for women in Europe which I outlined in chapter 2.2 quoting Lemire who says that “[t]he hunt for and use of credit formed part of the[...] [women's] daily lives, a mechanism that enabled many to get by and a few to flourish.” (Lemire 2001: 4) This quote is an adequate description of the role that microcredits played for the women from my sample. An institutionalisation of the credit system in the form of cooperatives in Europe led to an economic upswing. In chapter 5.2, I will suggest the formation of a cooperative in order to enhance positive economic effects of the GS&L programme.

In short, this thesis shows that the functioning of the GS&L programme was influenced by several macrofactors, the socio-economic background of the group members and

organisational factors within YDF. In the next chapter, I will give recommendations which take these factors into account.

## **5.2 RECOMMENDATIONS**

As I showed in this thesis, the GS&L programme of YDF had several strengths. These were in particular the fact that it provided a social network for women in the slum and that women were given the opportunity to borrow small sums in times of income shortage. In the following, I will outline how these strengths of the programme could be further developed and which complementary measures could be taken in order to enhance the positive effects of the GS&L programme.

### Support of Groups

In order to enhance the social component of the GS&L programme, the groups should be supported by a programme manager and if possible by a social worker. This would prevent problems within the groups and a consequent breakdown of groups. A proper monitoring system should be introduced to assess the operation of the groups and to spot specific needs for support of the groups. The help of a social worker would be recommendable because the women would be able to talk about their personal problems with her. This social worker would also be able to facilitate processes of change within the groups, when – as in the case of the Imani Group – a poor leadership hinders the progress of the group. When I was in the field, I realized that an exchange of ideas would benefit all groups, especially the newer ones. A successful group like the Pendo Group could share its experiences with other groups and therefore motivate them to realize similar goals. This exchange of experiences could be facilitated by the programme manager or the social worker. Another possibility is to establish a mentoring system in which women from more successful groups would assist less successful and new groups as consultants. YDF could offer members from successful groups financial incentives to take over this task.

### Enhancement of Economic Empowerment Effect

As I showed in this thesis, women could hardly improve their economic situation if they stayed with small-scale businesses. Therefore, the long-term goal of the GS&L programme of YDF should be to support women to change their businesses towards more capital-intensive businesses. For this purpose, the lendable amount of money in the groups must be increased. This is only possible through an increase in savings. As I illustrated, mistrust and lacking deposit insurance were essential in limiting the savings in the groups. I suggest three measures to solve this problem. Firstly, to raise trust within the groups, secondly, to offer incentives so that the women save more and thirdly, to introduce deposit insurance. One trust-building measure could be that the women visit the families of all group members in upcountry, as it was done by the Pendo Group. Moreover, the admission of new members per year and the total number of members per group should be limited because otherwise the bond of trust within the group cannot be guaranteed. My suggestion would be a maximum of 15 women per group. A second measure to motivate the women to contribute more savings to the groups would be the following. Interest payments should be made dependent on the savings accumulated during the year. At the time I was in Kenya, the women got back the amount of interest they paid for *loans* during the year. This led to a low rate of savings. Therefore, in order to stimulate savings, the women should receive an amount of interest calculated *on the basis of the amount they saved* in the group. Thirdly, a deposit insurance would motivate wealthier women to save more. I will describe below what deposit insurance could look like.

In order to increase the economic support for business women (or women who want to open a business), the GS&L programme could provide credits for businesses with special terms and conditions. A lower interest rate (of 5 per cent, for example) and a longer repayment period would be two suggestions for such special conditions.

In order to further raise the available amount for credits, the groups could join forces in a cooperative, so that poorer groups could benefit from the savings of more well-off groups. David Kitavi mentioned this idea in an informal talk with me and the results of this thesis suggest that the realization of this idea would boost the effect of the GS&L programme to a high degree. To increase the readiness of groups to participate in the cooperative, it would be necessary to establish deposit insurance. To build up such

insurance, all groups should have the obligation to contribute a yearly amount to a damage fund, which the groups could resort to in case of credit default. In order to minimize the risk of moral hazard, non-repayment of credits should result in sanctions, like for example a credit stop for half a year. The level of the sanctions should be dependent on the amount which has not been repaid.

For groups which do not dispose of a high amount of savings so that all members are able to take larger credits to boost their businesses, I propose two potential strategies. Firstly, a fixed amount of savings of every woman should be put aside and, after a period of time, this amount should be used to realize a common project, like a jointly managed business or the purchase of a plot of land (as it was done by the Pendo Group). An alternative would be that the women collectively put aside money and that after a while they give the money to one of their members who has a business idea. After the loan has been repaid, the next woman will be able to realize her business idea. David Kitavi told me that a possibility would be that YDF could co-finance projects of women, while the women would pay back this funding to YDF as a credit with favourable terms. As this would facilitate the realization of the groups' projects, I recommend the implementation of this idea. Another measure to promote collective projects would be that the groups are obliged to define a common vision in their statutes, as it was the case with the Pendo Group.

#### Attenuation of Influences from Macrofactors

Although it seems that the macrofactors described in chapter 4.3.8 constantly affect the women's lives, there are ways in which the GS&L programme and YDF can support the women to attenuate the effects of some of the macrofactors. Especially regarding the school fees there seem to be possibilities to minimize costs. As David Kitavi told me, in Kenya there are bursaries for children whose parents are not able to pay school fees. Many poor people, however, do not apply for those bursaries because they do not know about the application process. In order to diminish the highly negative effects of school fees shown in this thesis, an urgent recommendation is that YDF should support GS&L group members (and other people) with the application for the mentioned bursaries. The lack of a social welfare system cannot be compensated by a microcredit programme like GS&L. However, the insurance aspect could be fixed



in the groups' constitutions so that the groups put aside a certain amount of savings every month for emergencies, as it was the case with the Pendo Group.

### **5.3 PERSPECTIVES**

As shown in the previous chapter, microcredit programmes need a panoply of complementary measures in order to have a significant effect on the lives of women in a slum like Kibera. Unfortunately, as I observed in Kenya, many projects adapted a microcredit component without these complementary measures because they probably still followed the myth of microcredits as a panacea in the fight against poverty. Although the examined microcredit programme had positive effects on the lives of the involved women, the group of the poorest was not the beneficiary of the programme. As I argued, development projects often do not have the power to change the macrofactors that reproduce poverty. Therefore, the government of Kenya should take its responsibility for development processes in the country, so that more inhabitants benefit from the wealth of the country and more Kenyans are able to unfold their potentials.

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## 6.2 INTERVIEWS

### Experts

Bundi, James 18-07

Kitavi, David 18-07; 03-10

### Imani Group

Beth 18-09

Eve 27-07; 14-09

Faith 20-08

Helen 06-08; 04-09; 05-09;  
19-09; 26-09; 04-10

Jane 30-07

Joyce 31-07; 12-09

Juliah 29-09

Karen 07-08; 12-09

Maria 25-07

Maureen 21-08; 14-09

Mercy 17-08; 13-09

Nancy 22-08; 26-09

Sara 08-08; 14-09

Anne 18-09 } former members  
Judith 19-09 } of the Imani group

### Pendo Group

Anastacia 27-09

Esther 19-09

Franziska 25-09

Irene 21-09

Lucy 26-09

Patricia 03-10

Susan 29-09

Tamaris 21-09

Tara 27-09

## 7. Appendix

### 7.1 INTERVIEW QUESTIONS

#### Expert interviews

- Could you tell me a little bit about the project of 'Ushirika Children Centre' – when did it start, what is its aim, how many people are involved? What are the similarities and differences of the project in comparison to other forms of microcredit systems operating in Kibera?
- Why was the project initiated?
- How do the savings and credit groups work exactly?
- Where does the money come from? Is an external bank involved or is it only based on the women's own savings?
- Are there any interest rates? If yes, what is the exact rate? Has it changed?
- Is there a significant fault rate? If yes, what is the exact rate? Why do you think that women drop out?
- According to which criteria are the credits distributed to the women? Are there criteria that exclude some groups of women (e.g. unmarried women, very poor women)?
- Are there accompanying training programmes for the women?
- Where do you see the strengths of the programme? Where do you see deficits and how could one change these deficits? Does the participation of the women in the GS&L groups contribute to an improvement of living conditions for women and their families? Which processes of change do you observe in the lives of the women (personal, social, economic, political, legal area)?
- How widespread is microcredit in Kibera?

### Single interviews with the women

- Could you tell me the most important facts about your life (in particular job and family)?
- Why did you decide to join the credit and savings group? When did you join it?
- How has the participation in the GS&L group changed your life? If you look back on the time before you received your first credit, what has changed in comparison to the time after you joined the GS&L group?
- How would you describe the relationship with your husband? Have you been affected by domestic violence?
- What is your present economic situation like? What are the problems and what are the causes for these problems?
- Do you have your own business? If yes: When did you start it? Why did you start it? Would you have started a different kind of business if you had had more money? Would you prefer to be employed and receive a regular salary instead of being self-employed? What are the main challenges you face with your business? What are your plans for the future with your business? How much money would you need to realize your ideas? Does the security situation in Kibera affect your business? If yes: In which ways?
- When we have a look at the budget of your household: What are the expenditures of your household? What is the income of your household? To which extent does your husband (if married) contribute to the income?
- Whenever you get a credit, what do you use the credit for? What will you do with the savings at the end of the year?
- Do you also borrow from other institutions like banks or from private persons?
- Is it an important aim for you to pay the school fees for your children by means of the received credit?
- What do you think about the GS&L project? Where do you see strengths and deficits? Do you know women who dropped out? Why did they drop out?
- Do you engage in any political activities/ groups in the community?

- Could you give me some general information about you and your family? Age, mother tongue, level of education, number of children, sex of children, age of children, school enrolment of children and their level of education, year of migration to Nairobi, type of work of husband, amount of income of husband.

## 7.2 EXAMPLES OF HOUSEHOLD BUDGET SHEETS

- Jocye, interviewed on 31-07-2012

*married: yes*

*contribution of husband to household income: yes*

*number of children: 4 (all of them finished school)*

<b>Income</b>	<b>daily</b>	<b>weekly</b>	<b>monthly</b>	<b>yearly</b>
Income from her kiosk			18000	216000
Income of her husband			16000	192000
Income from letting houses			9000	108000
				<b>516000</b>
<b>Expenditures</b>	<b>daily</b>	<b>weekly</b>	<b>monthly</b>	<b>yearly</b>
Food, water, soap, steelwool, paraffin, charcoal	400		12000	144000
Rent for kiosk			2000	24000
Maasai for guarding the kiosk			300	3600
Electricity			200	2400
Mobile phone	10		300	3600
School trips for grandchildren				1800
Body lotion, body spray, vaseline			475	5700
Clothes				4500
Transport		180	774	9288
Contribution in mosque		50	215	2580
				<b>201468</b>

- Esther, interviewed on 19-09- 2012

*married: yes*

*contribution of husband to household income: yes*

*number of children: 2 (1 child in primary school, 1 preschool child)*

<b>Income</b>	<b>daily</b>	<b>weekly</b>	<b>monthly</b>	<b>yearly</b>
Income from teaching			4000	48000
Income from extra tuition			1000	12000
Income from joint business with husband (grocery shop)			5000	60000
				<b>120000</b>
<b>Expenditures</b>	<b>daily</b>	<b>weekly</b>	<b>monthly</b>	<b>yearly</b>
Food	500		15000	180000
House rent			2000	24000
Electricity			300	3600
School fees			1500	18000
Clothes and School uniform				4500
Water			300	3600
Soap			260	3120
Charcoal			1300	15600
Body lotion			240	2880
Tissue paper, sanitary towel			290	3480
Tithe and offering			1100	13200
Hair dressing and shaving				2040
Maasai for guarding the shop			600	7200
				<b>281220</b>

### **7.3 ABSTRACT**

In the last four centuries, microcredits have become a popular means to combat poverty world-wide. One of the arguments used to support microcredits is that they will lead to the empowerment of women. However, especially in the last years, critical studies on the question of whether microcredit leads to empowerment have been published. This diploma thesis deals with the controversial topic through theoretical consideration as well as through an empirical study.

The theoretical part of the diploma thesis describes the historical development of microcredits in different countries. Apart from that, an overview of the panoply of studies about microcredit and empowerment describes the current state of research.

The empirical part of the diploma thesis presents the results of a research conducted in a microcredit programme in the slum of Kibera (Nairobi/ Kenya), where savings and loan groups have been established. The author concerned herself with the question of how the group savings and loan system influenced the lives of the women involved and whether empowerment had taken place by means of the provided microcredits. The outcome of the study suggests that the examined microcredit programme has not resulted in an overall empowerment of women, but yet has had positive effects on their lives. In particular, women benefitted from the programme in the social area. Moreover, women profited from the opportunity of using microcredits as a form of bridge financing which helped them deal with the short-comings of the slum economy they lived in. While the savings and loan groups comprised women from different income groups, the poorest income group was not able to participate and benefit from the programme because it lacked the necessary resources. The diploma thesis describes the wide range of factors which influenced the success of the savings and loan groups – organisational processes, socio-economic characteristics of the group members and macrostructures. The thesis closes by suggesting recommendations whose implementation could lead to an increased effectiveness of the examined microcredit programme.

## **7.4 ZUSAMMENFASSUNG**

Mikrokredite haben sich in den letzten vier Jahrzehnten zu einem populären und weltweit verbreiteten Armutsbekämpfungsmittel entwickelt. Eines der Argumente für die Einführung von Mikrokrediten ist, dass diese zu einer Ermächtigung (Empowerment) von Frauen führen würden. In den letzten Jahren wurden jedoch zunehmend kritische Studien zum Zusammenhang zwischen Mikrokrediten und Empowerment veröffentlicht. Die Diplomarbeit nimmt sowohl auf theoretischer als auch auf empirischer Ebene Stellung zum kontrovers diskutierten Thema Mikrokredite.

Im theoretischen Teil der Arbeit wird die historische Entwicklung von Mikrokrediten nachgezeichnet. Ein Vergleich von verschiedenen Studien zu Mikrokrediten und Empowerment zeigt den derzeitigen Forschungsstand auf.

Die empirische Untersuchung, die die Basis für den empirischen Teil der Arbeit ist, wurde in einem Mikrokreditprogramm im Slum Kibera (Nairobi/ Kenia) durchgeführt. Die Autorin ist dabei der Frage nachgegangen, welche Auswirkungen die durch das Programm geförderten Kredit- und Spargruppen auf das Leben der Frauen hatten und ob Empowerment stattgefunden hat. Die Ergebnisse der Studie zeigen, dass Mikrokredite im untersuchten Programm zwar nicht zu einem ganzheitlichen Empowerment geführt haben, dass jedoch positive Effekte erzielt wurden. So kam es vor allem im sozialen Bereich zu Verbesserungen und die Frauen konnten von den Krediten als Zwischenfinanzierung profitieren – eine Möglichkeit, die ihnen half, mit den schwierigen Bedingungen der Slumökonomie umzugehen. Ein weiterer Schluss aus den untersuchten Daten ist, dass am untersuchten Mikrokreditprogramm Frauen aus unterschiedlichen Einkommensschichten teilnahmen, dass jedoch die Gruppe der Ärmsten nicht erreicht wurde. Die ärmste Einkommensgruppe in Kibera verfügte nicht über die notwendigen Ressourcen, um am Programm teilzunehmen. Bei der Untersuchung der Faktoren, die den Erfolg der Kredit- und Spargruppen beeinflussten, hat sich gezeigt, wie wichtig die sozioökonomische Situation der Gruppenmitglieder ist und wie stark der Einfluss von institutionellen Bedingungen in der Trägerorganisation, wie auch von makrostrukturellen Bedingungen ist. Die Arbeit zeigt abschließend mögliche Maßnahmen auf, die zu einer Erhöhung der Wirksamkeit des untersuchten Mikrokreditprogramms führen können.

## **7.5 CURRICULUM VITAE**

### **PERSONAL DATA**

Name: Elisabeth Hofbeck  
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### **EDUCATION**

#### **University of Vienna**

Diplomstudium 'International Development', since October 2007  
Bachelor Studies 'Social and Cultural Anthropology', October 2007 – May 2011  
Master Studies 'Social and Cultural Anthropology', since October 2011

#### **Stuttgart Media University (HdM)**

Bachelor Studies 'Sales Promotion and Marketing', October 2006 – September 2007

#### **Secondary School**

Gymnasium Berchtesgaden, September 1997 – June 2006

#### **Primary School**

Grundschule Schönau am Königssee, September 1993 – August 1997

### **SPECIAL FIELDS OF STUDY**

Gender Studies  
East Africa  
Solidarity Economy

### **PUBLICATIONS**

Article about the Global Waste Problem, published in "GLOBAL NEWS"  
(magazine of GLOBAL2000), No. 4, 2011  
Article about Forced Marriage of Women, published in "Stimme", No. 70, 2009  
Radio programme about Forced Marriage of Women, broadcast 16<sup>th</sup> December  
2008 on Radio Orange, Vienna