



Complexities of Informal Cross Border Trade: Vulnerabilities and Coping Strategies among Traders in Namanga, Kenya

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List of Acronyms

CBS	Central Bureau of Statistics
CBTA	Cross Border Traders' Association
CEDO	Community Enterprise Development Office
GDP	Gross Domestic Product
ICBT	Informal Cross Border Trade
KENASVIT	Kenya National Alliance of Street Vendors and Informal Traders
MSE	Micro and Small Enterprises
OECD	Organization of Economic Development
SACCO	Savings Credit and Co-operative Society
SAPs	Structural Adjustment Programmes
SCO	Simplified Certificate of Origin

Abstract

We live in a transient era though something's are not transitory, for example the informal sector. The previous perception and lack of knowledge regarding the sector is quickly changing. This is as a result of the realization of the importance that the sector plays in contributing livelihood options to people especially those who are deprived – the poor, vulnerable and those at risk. This study seeks to find out vulnerabilities suffered by informal cross border traders and how they tend to cope with them. It is assumed that there are different types of entrepreneurs in Namanga and that they face vulnerability differently because of their asset portfolio. The research strategy used was qualitative analysis to obtain the informal cross border trade data. Data was collected from interviews, journals, published reports and blogs.

This paper challenges the argument that there are distinct characteristics of identifying entrepreneurs' especially micro businesses at the borderland. This is clearly shown by the similar coping strategies that they develop despite the assumption in the literature that the two groups of entrepreneurs are different. Interestingly, in regards to the outcomes, the entrepreneurs' shows contrasting features despite similar vulnerabilities that they suffer which can be attributed to the amount of social capital (asset) that they have. This research paper acknowledges that coping strategies develop by these entrepreneurs are only to act as a buffer for resilience in the short run and cannot be therefore said to be sustainable. Considering that the vulnerability suffered by the informal cross border traders can partly be attributed to the poor policy and regulatory environment, the national government therefore needs to update its policies regarding the sub sector – the informal cross border trade.

KEY WORDS

Informal, trade; Livelihood; Entrepreneurship; necessity driven, Survivalist; Growth oriented or Opportunity driven; Vulnerability; Assets

Chapter 1

Introduction

This research paper attempts to explore the vulnerabilities that informal cross border traders face while doing business and the coping strategies they have developed to deal with the vulnerabilities. The intention of this research was to look at cross-border trade activities and traders but had to be limited on the Kenyan side because of the complexities of trade activities at the borderland. The paper seeks to respond to the gap identified in the literature on the marginality of informal cross-border traders because of the ‘informality’ attached to the trade. Literature on the sector tends to focus on its survival nature especially on women informal cross-border traders looking more on what they lack rather than have. With such, this study seeks to explore the livelihood and asset portfolio of informal cross-border traders, cushioning them from vulnerabilities that may occur as a result of changes in political and economic environments. In addition, attention is further paid to the assets that traders have and use to deal or buffer them from the shocks, trends and stress.

1.1 Background

The informal sector continues to play a major role in most countries and especially developing countries. The importance of this sector has continued to be seen since the adverse effects experienced in these countries as a result of the Structural Adjustment Programs (SAPs) of the 1990s and the current financial crisis facing the world countries. This persisting crisis has led to the shrinking of the formal sector as more and more people move from the formal to the informal sector for economic activities which according to Akinboade (2005:257) acts as a “cushion or fall back plan for citizens”. The constant downturn of the formal sector has forced both skilled and semi-skilled workers formally in the formal sector to join the informal sector for alternative ways of survival. This has challenged the previous view of the informal sector as a sector that “rely on indigenous resources, family ownership, small-scale of operation, labor intensiveness, skills acquired outside the formal school system, part time labor, locally-based ventures, and unregulated and competitive markets” (Timothy and Wall 1997:320).

Previous literature on informal sector for example Hart (1973) cited by Ogalo (2010) distinguishes between the activities of the sector as either legitimate or illegitimate income opportunities. Legitimate income opportunities may include small-scale activities such as farmers, tailors, hairdressers/barber, public transport operators, petty traders while illegitimate ones may include smuggling, prostitution among others Gössling and Schumacher (2012:322-4).

Informal cross border entrepreneurship or trade which is a sub sector of informal sector plays an important role in developing countries especially Sub Sahara Africa. It not only acts as an accelerator of economic development of the countries but also regional development of the borderland areas. Though the informal cross-border trade (ICBT) discourse has gone on for a very long time still there is no agreed definition of the ‘informality’ as well as the activities that takes place in these spaces. People use **informal** to mean different things; most governments still have the notion that the activities of the informal cross border trade are illegal and have always dealt with entrepreneurs in suspicion. This is despite the benefits that ICBT has brought to the economies of borderlands as well as the country's. Some people have also associated it to small-scale and local enterprises. Others have the perception that the boundary between ‘informal’ and ‘formal’ is often not clear. For instance, Lautier (1995) observes that some traders in the informal sector can be or may choose to be regarded under some rules and regulations and not others. He goes on to give an example of how traders paying their daily or monthly taxes or dues to the local authorities but not giving payment to the social security authorities in the case of them having employees.

A study conducted by Organization of Economic cooperation and Development (OECD) (2009) defines ICBT as “trade in legitimately produced goods and services, which escapes the regulatory framework set by the government, as such avoiding certain tax and regulatory burden”. This kind of trade does not necessarily consist of micro and small traders only but also big firms that give wrong size and grouping of their goods therefore being under invoiced or masking and smuggling goods in order to avoid custom duties and taxes. The table below gives the categorization of the informal cross border trader as per the study.

Table 1: Categorization of Informal Cross-border Trade

Types of Informal Cross border trade		
Category A	Category B	Category C
Informal (Unregistered) traders or firms operating entirely outside the formal economy.	Formal (registered) firms totally disregarding trade regulations and evading duties (example avoiding official border-crossing posts).	Formal (registered) firms partly disregarding trade regulations and evading duties by resorting to illegal practices (e.g., under-invoicing, wrong classification, wrong declaration of country of origin and /or bribery of border officials)

Source: Organization for Economic Co-operation and Development Trade Policy Working Paper No. 86 (2009)

1.2 Who are the informal cross-border trade participants?

As mentioned earlier, informal cross-border traders can be small and big enterprises both from informal and formal sectors. This study which was conducted in Namanga, Kenya was interested with Micro and Small Enterprises (MSEs) and entrepreneurs who conduct business at the borderlands. Traders in Namanga can be classified into four categories: mobile street vendors, service providers such as barbers, tailors and food kiosks, traders who travel to Tanzania only to purchase goods for their store and those traders who travel to Tanzania for prolonged periods and take goods with them to sell and come back with others. These kind of traders found at the borderland can therefore be located in category A as per the OECD categorization illustrated above.

Entrepreneurs in Namanga can be further largely categorized into two types of traders or entrepreneurs; the survivalist entrepreneurs and growth-oriented or opportunity driven entrepreneurs. The first category, Survival entrepreneurs are necessity driven, as they require low capital as well as skills and technique and is usually female dominated (Berner et al. 2012). These are firms or entrepreneurs who engage into the informal economy because of a need or those forced to operate for survival reasons. Others choose to operate entirely out of the formal economy because of the perceived benefits. The second type, growth oriented enterprises mostly employ family members or at least one employees. This kind of enterprises has a potential to grow into formal businesses Rogerson (1996) as cited by Berner et al. (2012). The typology of informal cross-border traders is discussed in details in chapter 2 and 3.

1.3 Problem Statement

Most of informal cross border entrepreneurship research to date has been on economic development, focusing on regional trade statistics and local economic development. There have been several studies which focused on the impacts of cross border trade on food security and women participation on its survival nature hence on income and consumption levels. Little has therefore been done on the impacts of informal cross border trade on livelihoods strategies and outcomes other than income (Malecki 1993, USAID 1997, Ackello-Ogutu 1998, Little 2010, Awang et al. 2013, Ndlela 2006).

Although there are studies that have tried to focus on marginality of cross border trade (e.g., Peberdy 2000) limited research has been conducted towards 'informality' policies to reduce vulnerability of traders and mitigate the threats on the livelihood of informal and street traders. Peberdy (2002:36-37) argues that the characterization of ICBT as 'informal' has negative impacts on it. This has made ICBT to be viewed as an illegal activity which has made the government as well as policy makers not to take keen interest in the sector. Ignoring it hampers a lot of livelihoods, the local development of these areas and the economy of the country in general.

Many people in the borderlands have their livelihood activities in this subsector as they are unable to find formal employments. A study carried out by (Sikder & Sarkar, 2010) between the Bangladesh and India border found out that it is mostly the poor people that engage in ICBT. They note that this is mainly because they lack assets and they are therefore forced to engage into entrepreneurship for sustenance. This however contradicts the fact that some of these entrepreneurs or traders engage into ICBT because they have seen a business opportunity and not because they are poor. Different entrepreneurs at the borderlands have varying reasons why they chose to engage into ICBT and may experience different challenges too when carrying out their daily activities.

This research paper therefore aims to shed some light on how cross border entrepreneurs cope with the “informality” attached to the trade for their survival. It is equally relevant to find out the vulnerabilities that the traders go through while carrying out their daily activities and what kind of coping strategies that they adapt as well as the outcome.

1.4 Purpose of the Study

1.4.1 Objectives

- This study aims to achieve the broad objective of finding how informal cross border traders have come up with forced strategies to cope to vulnerabilities that they face while doing business.
- To inform policy makers on the impact of informal cross border trade on the border communities and vulnerabilities such as displacement, confiscation, harassment that they go through that prevent them from carrying out their business well.
- To ensure appropriate policy measures will be put in place to encourage entrepreneurial activities and mitigate the vulnerability that the street and informal cross border traders face while conducting their businesses.

1.5 Research Question

1.5.1 Main Research Question

- To what extent have different groups of informal cross border traders built sustainable livelihood?

1.5.2 Sub-Questions

- What features of traders can be used to identify them?
- What are the main vulnerabilities that different group of traders face?
- How do the informal traders reduce the vulnerability that they face?
- To what extent has public policies mitigated or increased vulnerability?

1.6 Justification

- There is no much understanding of ICBT by the government as well as the public, the study will therefore act as a reference point for such
- This study will provide policy recommendation for more realistic policies of ICBT to ensure that the sub sector activities are recognized.
- I would like to get this study to be published in one of the respected academic journals to act as a reference to future scholars in this area.

1.7 Research Design and Data Collection Techniques

The study area is located on the border area between Nairobi, Kenya and Arusha, Tanzania being the one of the busiest border points of the East Africa Community countries. The area is classified as a peri-urban area and lies 110KM from Arusha the second biggest town in Tanzania and 140KM from Nairobi, the capital of Kenya. The main livelihood activities for most households in the area leans more towards tourism and small businesses. This is quite different to most characteristics of such areas which have agriculture as one of the livelihood activities taken up by residents. This can be explained by the agro-ecological landscape of the area which has semi-arid characteristics – poor soils and low rainfall. Food stuff especially dried cereals are sourced in Tanzania which most of the time has surplus and later transported to other major towns in Kenya. The map below shows the location of study area.

Map 1: Location Map of Namanga Town, Kenya



Source: Google Maps

The location of Namanga near the borderland as well as its close proximity to these two major towns makes it a very busy border with frequent shuttling of people, goods and services. Though the study is about ICBT it was limited to the Kenyan side of the border because of trade complexities as well as time and budget constraints. I also did not have some of travel documents required by Tanzanian Authority from foreigners such as a certificate of yellow fever when entering their borders.

The anticipated target population of the study was informal cross-border traders in Namanga town, Kenya. However, on reaching the field, I found out that major parts of the town had been demolished to pave way for the construction of a one stop border post to help facilitate in trade procedure in the future. This meant that many traders had been evicted and some resettled in a market on the highway to Amboseli National Park which is quite far from the Central Business District and borderland. I therefore had to work with my back up plan of micro and small enterprises that sometimes cross over the border to trade their goods and services in Tanzania.

Field work took place between July and August 2014. The starting point for the study was through Kenya National Alliance of Street Vendors and Informal Traders (KENASVIT)¹. They later referred me to the Community Enterprise Development Offices (CEDO)² in Kajiado where Namanga falls in. CEDO introduced me to 2 formal traders associations – Cross-Border Traders' Association (CBTA)³ and Malimali Savings and Credit Co-operative Society. Snowballing sampling method was used after interviewing the chairmen of the two associations and was able to find other respondents. Referrals made it easier to be trusted by the traders as they are usually reluctant to provide information regarding their businesses. A total of 15 informal cross-border traders and street vendors were therefore selected for the study. Although the research focus was on traders, key informants who work together with the traders were also interviewed to get more information that would help enrich the study.

Since the focal point of the research was on traders' vulnerabilities that the traders suffer and assets they have at their disposal that help them cope with the trends and shocks. The research therefore employed qualitative methodologies to aid the understanding of the traders through their narrations. Semi-structured interviews and structured guides as well as direct observation of activities taking place in the study area were used to gather information pertaining to the study. Most interviews were conducted in Swahili⁴ and later transcribed to English.

1.8 Limitation of the Study

- Major parts of Namanga town had been demolished and quite a number of traders had been evicted from business premises, while some had travelled across the border to sell or purchase more stock for the business.
- The study was based on a small sample, only 15 entrepreneurs were interviewed hence the study cannot be said to be representative of informal cross border trader.

¹ Kenya National Alliance of Street Vendors and Informal Traders is an umbrella organization for association formed in 2005 to represent street vendors and other informal traders in Kenya. It currently has 6,000 members from 175 associations' country wide. <http://kenasvit.wordpress.com/>

² County Enterprise Development Office

³ Cross Border Traders' Association are private sector associations in border towns that bring together traders who conduct businesses around and across the borders.

⁴ One of the official languages in Kenya and Tanzania

- Some traders were unwilling to cooperate in the survey as they were suspicious because they had the perception that the research may be for a government and can be used against them.
- Getting time to talk to the traders as some were too engrossed in their business activities and did not have time to be interviewed. I had to wait for long for some to finish engaging their customers before I could continue with the interviews.

1.9 Structure of the Paper

The rest of the Research Paper is organized as follows: chapter 2 introduces the concept that will be used to analyse the findings and the analytical framework. Literature review is also done to conceptualize entrepreneurship that will later be used to locate different type of traders in Namanga. This chapter concludes by looking at the policy environment of informal sector in Kenya. Chapter 3 is concerned with the identification of the different type of entrepreneurs; this is done by the use of a score card. This later leads to highlighting vulnerabilities suffered by these entrepreneurs. Chapter 4 discusses the coping strategies within the asset base that the entrepreneurs have come up with to help cushion themselves from the uncertainties. Chapter 5 reviews research findings of the study and conclude by giving policy recommendation that can be used to strengthen the sub sector and make it conducive for the micro and small entrepreneurs who conduct their businesses not only in the area but the country as well.

Chapter 2

Concepts and Analytical Framework

2.1 Introduction

This study is built up on the basis that different categories of informal cross-border traders have been able to build sustainable livelihoods. This chapter will therefore try to find categorization of entrepreneurs based on their motivation to conduct informal cross-border trade, main source of income, business turnover and ploughing back of profits to business and ownership of trading license. This typology focuses on necessity driven and opportunity driven or growth-oriented entrepreneurs though it's never a clear way to distinguish the two as some entrepreneurs highlight similar characteristics (Nadin 2009:97, Smallbone and Welter, 2004). The 'informality' associated with these enterprises makes them to be vulnerable as they are unrecognized by the governments. As for analytical framework, Asset Vulnerability Framework by Caroline Moser (1998) is adapted as well as and modified to fit the context of this research paper.

2.2 Conceptualizing Entrepreneurship

There are definition problem with the concept entrepreneurship. This is because entrepreneurship is studied in a wide range of disciplines and hence scholars define it depending on the field where they work on. On one extreme, entrepreneurship can be the ability to starts a business, to provide income and well-being. On the other extreme, entrepreneurship is seen as the ability to identify problems in the market place and act upon the opportunity to initiate change.

According to Schumpeter (1950, 1961) as cited by Naude (2011:3) he defines entrepreneurship as 'coordination of production and as agent of change' (what he describes as 'creative destruction'). For him, entrepreneurship is an innovation which comes up with new ideas. This innovation comes up later after setting up business and developing them to something grand. According to him this innovation can mean an introduction of a new product in the market, opening of new markets or start of using new production method. Schumpeter therefore sees entrepreneurship as a process which comes up later and not at the initial stages of start-up.

According to Naude (2011:8) entrepreneurship is an occupational choice between being self-employed and wage earner. People therefore become entrepreneurs if profits and benefits of self-employment exceeds income and employment benefits that come with being employed. Furthermore he notes that entrepreneurship is used interchangeably with self-employment as it is not choice driven but necessity driven. This means that people engage into entrepreneurship because they are not able to get employment. These types of businesses are observed to be small-scale in nature.

Entrepreneurship in developing countries has been linked with micro and small enterprises (MSEs) (Mitullah 2003) and based on the number of employees usually less than 10 employees. Lesser and Moise-Leeman (2009:10) observes that an interesting percentage of MSEs are found in the informal economy irrespective of how developed an economy is. The informal sector is characterized by: small scale operation, family owned, labour intensive, ease of entry, skills mostly acquired outside formal education among others. These are also the same characteristics that define these MSEs. Based on that categorization, the sector therefore plays an important role in the economy of most developing countries as most derive their livelihood from there. For example, a survey carried out by Central Bureau Statistics of Kenya (CBS) as cited by Mitullah (2003:3) indicates that there are approximately 1.3 million MSEs in Kenya and they contribute to 18 percent of the country's GDP.

With this kind of statistics it can be seen that the sub-sector plays an important role in the employment creation in a country and providing income to those involved. This is however disputed by Mead and Liedholm 1998:70 who observes that MSEs don't contribute much to job creation. Increase of employment in the MSEs depends on the category of the MSE, the very small enterprises (Survivalist) are mostly involved in poverty alleviation as they create employment through new enterprises. In this case, as more people start businesses they are able to create employment for themselves and hence provide a livelihood for their households. On the other hand, existing enterprises (which are doing well) seeking to expand are the ones that create employment as they are able to increase their labour force, moving people from poverty by employing them.

2.2.1 Types of Entrepreneurs

Kirzner 1973 cited by Naude 2011 defines entrepreneur as someone who facilitates adjustment to change by spotting opportunities for profitable advantage. The entrepreneur therefore identifies the gap in the market and help find ways to fill the void. By making these changes in the market, they are able to get profits to help sustain the enterprise. Baumol (1990:6) defines an entrepreneurs according to the talent that they have ('which can be both motivation and ability') (Douhan and Henrekson 2007:2). Baumol's definition of entrepreneur is "persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige". This definition is however in relation to entrepreneurial activity of an entrepreneur. Douhan and Henrekson 2007, however notes the difference between the two terms 'entrepreneur' and 'entrepreneurial activity'. The fact that one is an entrepreneur does not necessarily make them engaged in entrepreneurial activity as sometimes they are not able to effectively react to a favourable circumstance in the market.

According to Berner et al. (2011:3) conventional economic theory states that “entrepreneurs are supposed to take risks, specialize, maximize profits, accumulate and do everything necessary to make their business grow”. However, according to ‘informal sector’ literature in Sub-Saharan Africa this is not the case. The informal economy is based upon the motives of starting an activity and how well it performs. Here enterprises are categorized based on necessity for accessing livelihood strategies and identification of opportunities for success and how they are able to manipulate them for success.

One such typology is by Berner et al. (2011).which places enterprises and entrepreneurs as either survival (ist) or growth-oriented ones. Survivalist entrepreneurs are seen as those unable to secure regular wages and employment or access to economic sector of their choice and hence turn to start businesses. Motivation of most of these entrepreneurs is to be able to access income generating opportunities as there is limited wage employment for them to provide for their livelihood and ensure wellbeing of households. This however ignores the fact that some of these entrepreneurs in this category enjoy self-employment and it is the only trade that they have ever known.

The attribute of growth-oriented or opportunity driven entrepreneurs is that they are able to spiral to large formal small business enterprises and that they have at least 1 non family worker Rogerson (1996:171). These types of entrepreneurs are risk-takers as they are apt to taking charge of opportunities that present themselves in the market. The table below shows elaborate characteristics of the categorization of enterprises by Berner et al. 2012.

Table 2: Characteristics of Survival and growth-oriented enterprises

Survival(ist)	Growth(-oriented)
<ul style="list-style-type: none"> • (Street businesses, community of the poor, microenterprises, informal own account proletariat, sub-subsistence) 	<ul style="list-style-type: none"> • (Small-scale family enterprise, intermediate sector, Petty bourgeoisie, micro accumulation)
<ul style="list-style-type: none"> • Ease of entry, low capital requirements, skills and technology 	<ul style="list-style-type: none"> • Barriers to entry
<ul style="list-style-type: none"> • Involuntary entrepreneurs 	<ul style="list-style-type: none"> • Entrepreneurs by choice. Often with background in regular employment
<ul style="list-style-type: none"> • Female majority 	<ul style="list-style-type: none"> • Male majority
<ul style="list-style-type: none"> • Maximizing security, smoothing consumption 	<ul style="list-style-type: none"> • Willingness to take risks
<ul style="list-style-type: none"> • Part of diversification strategy, often run by idle labour with interruptions and/or part-time 	<ul style="list-style-type: none"> • Specialization
<ul style="list-style-type: none"> • Embeddedness in social relations, obligation to share 	<ul style="list-style-type: none"> • Disembeddedness, ability to accumulate

Source: Berner et al. 2011: Helping a Large Number of People become a little less poor: The Logic of Survival Entrepreneurs

2.2.2 Motivation of Informal Entrepreneurs

Motivation of informal entrepreneurs here is taken to mean the intentions that led entrepreneurs to venture into business. For survivalist enterprises they operate in environments characterized by overcrowded 'market niches', they are faced with burdensome regulatory procedures to open a business and even neglect from the government. Many of the businesses here are what Lafuente and Salas (1989) categorize as craftsman because skills to trade are learnt outside formal education or inherited from family. This therefore leads the market to have the same products as entrepreneurs do not look at the new opportunities in the market rather what make them involved is as a result of necessity. For this group of traders they start businesses because that is what they are able to do in order to provide for their needs. For them, their main motive into entrepreneurship is to generate sufficient income to enable them to live or survive. For the above reason this kind of entrepreneurs are likely to engage into a number of income generating activities which helps them to reduce risk and be able to deal with uncertainties.

Opportunity or growth-oriented on the other hand motives and interests lie towards the growth of their enterprises or businesses. These entrepreneurs are innovative and they do this by identifying the missing links in the market and initiate ways in which to solve the problem they have found (Williams and Round 2009:96). Since the main motive of these opportunity entrepreneurs is to be successful they therefore reinvest their profits into the business and are likely to expand after becoming successful.

This simplistic distinction of entrepreneurs as those motivated by economic need and those driven by self-realization can only be said to hold true for informal economy of developed countries Bogenhold (1987) as cited in Bogenhold (1991). However, this has also begun to be contested as illustrated by Williams and Round (2009:97-98) that a typology of entrepreneurs can adopt either or both approaches in these countries. He observes that in developed and early transition countries people who are well educated with limited opportunities to get satisfying employment may end up starting a business out of choice therefore their motive of starting a business are trapped in between. In developing countries, most enterprises and entrepreneurs begin as necessity-driven and later work out their way to opportunity-driven enterprises. The necessity-driven or survivalist enterprises therefore act as a seed bed where most opportunity driven entrepreneurs are nurtured and hence emerge from. Their contribution to economic development should therefore be highlighted. The graduation of these enterprises will however not be discussed as they are beyond this paper.

2.3 Identification of Informal Entrepreneurs in the Study

In order to locate the two types of entrepreneurs in this study, consideration of motivation of entrepreneurs to get involved in the business that they undertake and the performance of the business will be the focus. This categorization of the entrepreneurs will be done using a score card adapted from the micro-enterprise score card developed by Gomez (2008). The indicators below will be used to locate the survivalist and the growth oriented entrepreneurs in the next section

Table 3: Indicators for Identifying Entrepreneurs

Entrepreneurs	Variable	Indicator
Survivalist or Growth-Oriented	Motivation of starting business	<ul style="list-style-type: none">• Main source of income• Aim to start business
	Performance of business	<ul style="list-style-type: none">• Re-investment of profits• Number of days of operation

2.4 Definition of Concepts

2.4.1 *Vulnerability*

The term vulnerability has been used interchangeably with poverty (Moser 1998:3). That intertwined nature of poverty and vulnerability has led to the misconception of the latter. This has prompted many people to the common understanding that all poor people are vulnerable and vulnerable people are poor, which might not be the case of the latter group. Chambers (1995:189) notes that vulnerability is not lack or want but exposure and defencelessness. He continues to suggest that it has two sides, external side that includes exposure to shocks, stress or trends and the internal side the inability to cope without damaging loss.

The definition of vulnerability has expanded and been used in different fields over time to include various elements of “livelihood security”. Livelihood security can be defined as decent and access to sustainable resources to meet basic needs. Moser (1998:3) just like Chambers and Conway (1992) advises that there is need to identify the two dimensions of vulnerability that is sensitivity or resilience (system’s ability to return to stability after shock, stress or risk). Identification of the two sides of vulnerability helps to figure out its nature and how people can cope with the risks, shock and stress and also what policy makers and researchers should prioritize on (Chambers 2006:34).

The vulnerability of informal cross-border traders can be partly attributed to the institutionalized definition of informality – (unregistered, unregulated and unrecognized by the government). The impact of the structures put in place hinder and constricts livelihood options of a people (Lowe and Schilderman 2001:8). The perception that these entrepreneurs work outside the formal economy and hence illegal which most of the time is taken that they do not pay taxes is misleading. This viewpoint has therefore led to the neglect of people in this sector not only by the policy makers but also the government. This has led it be seen as a social problem with no policies specifically directed to the informal traders. The lack of specific policies has led to the marginality of these entrepreneurs and to develop and adapt livelihood strategies in order to overcome these challenges that they face while conducting their business.

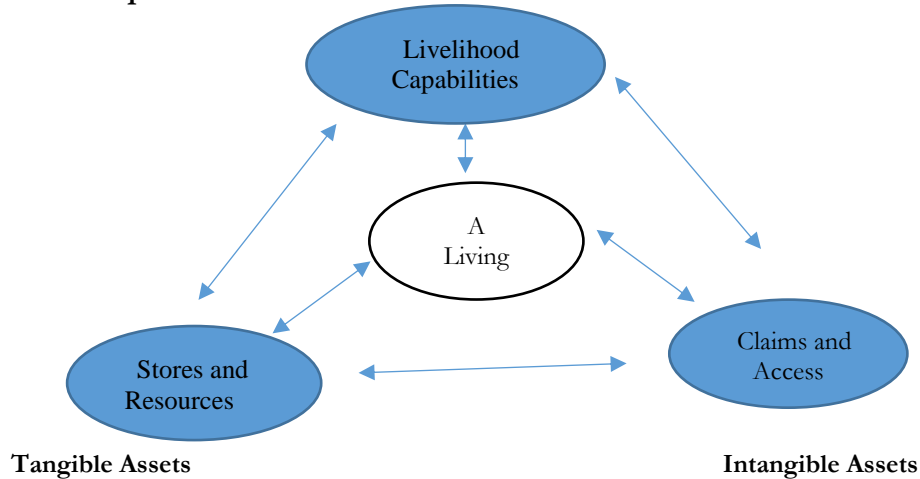
2.4.2 Livelihood

Livelihood refers to the means of gaining a living. The most used definition of livelihood is an adoption of Chambers and Conway (1992:7-8) which holds that:

*“**Livelihood** comprises of capabilities, assets (stores, resources, claims and access) and activities required for a means of living; and a livelihood is **sustainable** when it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and contributes net benefits to other livelihoods at the local and global levels and in the long and short term”.*

The type of livelihood strategy that people in this case informal cross border traders choose depends on the assets and capabilities that they have at their disposal. These assets or resources can be tangible like (human asset, productive asset and labour) and intangible assets such as social capital. Access to these assets enables informal cross-border traders to select an activity that they are able to manage in case of uncertainties. Chambers (1995:27) observes that individuals in order to improve their lives and that of their households explore other activities to increase income. These compilation of livelihood strategies helps reduce or ease vulnerabilities that they face in the future.

Figure 1: Components and Flows in a Livelihood



Source: Chambers 1995

Bebbington (1999:2021) suggests that it is important to have different dimensions of looking at the livelihood activities of different groups so that they correspond within the diverse ways how these people generate a living.

2.4.3 Coping Strategies

Coping strategies can be loosely defined as plan that individuals use to get by in times of uncertainty or when faced with a problem. This concept mainly used in livelihood security analysis is coupled with confusion of what it really entails. Davies (1993) defines ‘coping’ as a momentary response to an urgent necessity that does not occur frequently.

According to (Davies 1993:62) coping strategies are mostly practiced by people whose livelihood systems are elastic and they only take up the strategies because they would want to reduce risk. On the other hand vulnerable households take up adaptive measures planning to use all options available to them in order to reduce resilience. Davies (1993) notes that coping strategies should be reserved and only used when there is a stress

Coping strategies in this context will look at resilience the ability of a system to regain its previous state after a crisis as long as there are reserved coping strategies stocked for uncertainties. This comprises sustainability of these household as they look for short term means to deal with vulnerabilities

2.5 Analytical Framework

2.5.1 Asset Vulnerability Framework

People’s assets are not merely means through which they make a living: they also give meaning to the person’s world’ (Bebbington 1999:2022)

The study will be based on Asset Vulnerability Framework (AVF) by Caroline Moser (1998) which is an adaptation of Sustainable Livelihood Framework (SLF). This framework (AVF) just like (SLF), while looking at the evaluation of impacts of shocks, stress and trends begins from asset analysis, that is, what the vulnerable people have. Assets also known as capital are the means of resistance or recovery from negative effects of the changing environment that individuals, households and communities mobilize (Moser 1998). Generally, an asset is identified as a stock of capital – (financial, productive, human, natural or social resources) that can be acquired, developed, improved and transferred across generations. The assets recognized within asset vulnerability framework are summarized in box 1 by Moser (1996). Other assets include institutional knowledge and political assets which are deemed important but receive little coverage in livelihood studies Lowe and Schilderman (2001), McLeod (2001), Moser (1998).

Box 1: Asset Portfolio Moser 1996

Physical capital: the stock of plant, equipment, infrastructure and other productive resources owned by individuals, the business sector or the country itself.

Financial capital: the financial resources available to people (savings, supplies of credit).

Human capital: investments in education, health and nutrition of individuals. Labour is linked to investments in human capital; health status influences people's capacity to work, and skill and education determine the returns from their labour.

Social capital: an intangible asset, defined as the rules, norms, obligations, reciprocity and trust embedded in social relations, social structures, and societies' institutional arrangements. It is embedded at the micro-institutional level (communities and households) as well as in the rules and regulations governing formalized institutions in the marketplace, political system and civil society.

Natural capital: the stock of environmentally provided assets, land for shelter is also a critical productive asset.

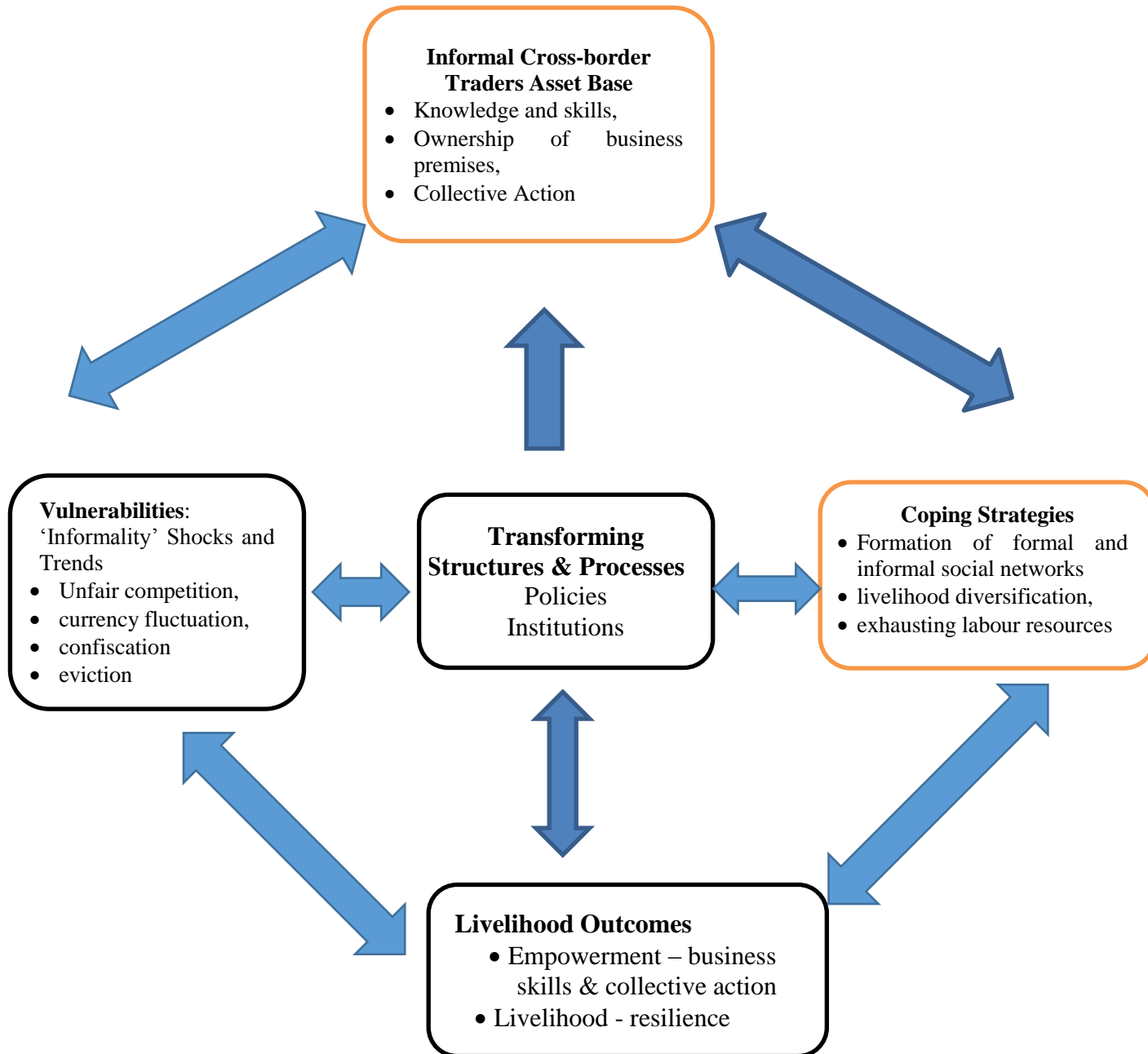
Source: Caroline Moser 1996

The poor are the managers of complex portfolio of assets and focus should be on how they can use the assets at their disposal to improve their livelihood against vulnerabilities that they may face (Moser 1998). Assets available to informal cross-border entrepreneurs in Namanga are human, social capital, productive asset and political asset. By looking at the assets that informal cross-border traders have and use to generate a living, helps to understand the livelihood strategies that they come up with when faced with vulnerabilities which includes shocks, trends and stress. Examples of shocks are currency devaluation and forced displacement, stress include lack of business shelter, while those of trends are increased competition from Tanzanian traders and the decreasing number of customers because of the decreasing disposable income. This therefore helps future understanding on the decisions that the entrepreneurs may take and enables them to have substantial ways to meet the well-being of their households.

The asset base, livelihood strategies and the income of the vulnerable group (informal cross border traders) is greatly influenced by the transforming structures in place. According to Lowe and Schilderman (2001) transforming structures provide the framework within which the vulnerable group establish and accustom themselves to coping strategies. The transforming structures (policies, power relations within institutions) can either create an enabling environment or acts as an impediment to the choice of livelihood that individuals have at hand. The vulnerabilities suffered are also informed by the transforming structures and vice versa. The vulnerabilities can also be as a result of policies put in place. For example the government ignoring the development of the informal sector by not providing the necessary infrastructure because of the definition attached to informal sector.

A generic livelihood framework has been presented in Figure 2 showing the five components: vulnerability, assets, structures and processes and livelihood strategies. The inter-connected components of the framework all contribute to the livelihood outcomes (Carney et al. 1999, Ashley and Carney 1999)

Figure 2: Generic Livelihood Framework



Source: Adopted from Carney 1999

2.6 Adaptation of Asset Vulnerability Framework to Informal Cross-Border Trade Vulnerability

Informal cross-border trade is normally associated with poverty. People who engage in this kind of activity are driven to do so by necessity in order for them to survive therefore associated with poverty. These groups of traders are also known to engage in different livelihood activities in order to share the risk should one activity have a problem. ICBT however involves different types of entrepreneurs and firms which can be both big and small, survival (ist) or growth-oriented. Hence, the adaptation of AVF to this context will require a re-definition of assets available to the different entrepreneurs as well as the factors that reshape the assets such as processes and structure as shown in Figure 3

The asset base expectation available to any informal entrepreneurs whether survivalist or growth-oriented is human capital (that is skills, knowledge either learnt at home or in seminars, or formal and informal education). The type of human capital or asset that an entrepreneur has is likely to influence the kind of business that they conduct. Other assets available the entrepreneurs include:

- Productive assets include: access to basic infrastructure which can be ownership of a business premises and the ability to conduct business in public places
- Social capital available to the entrepreneurs (social networks, membership into formal organizations such as Traders' Association, Savings and Credit Cooperative SACCOs or informal organizations such as self-help groups)

In addition to the assets available to informal cross-border entrepreneurs, there are other non-traditional capitals or assets deemed important, that is political or institutional and locational capital (Lowe and Schilderman 2001). Locational capital entails access to market – being located near immigration offices and border post. The proximity to these areas would determine an entrepreneur's livelihood strategies they take up and consequently the outcomes. Political or institutional capital refers to entrepreneurs' relation with administration that is (political office bearers, local authority, custom officials, police among others) which may have an indication on how they conduct their businesses. The relation between the entrepreneurs and the administration can determine how they engage to reduce vulnerability (e.g. building patron-client relations to find protection) or influencing policy (e.g. through collective action).

All these assets comprise the resources and opportunity that the entrepreneurs use to generate their well-being (Moser 1998, Rakodi 1999). The assets and opportunity structures become useful analytical tools for vulnerability examination (Kaztman 1999) as cited by De la Rocha (2001:7). He asserts that livelihood outcomes consist of changes in the amount and quality of resources under possession as well as changes in the opportunity structure. Their contribution towards livelihood outcomes therefore relies on their complementarity. Opportunity structure in the case policies, regulations affect how entrepreneurs manage their assets and consequently the livelihood strategies taken and how successful they are. For example, skills and knowledge got from seminars on customs procedure leads entrepreneurs to be aware of reforms efforts such as introduction of Simplified Certificate of Origin (SCO) by the government to curb smuggling problems faced by informal cross-border entrepreneurs. The awareness and knowledge on the importance of the SCO protect entrepreneurs from rent seeking by police, custom officials and council workers as well as safety hazards (physical and sexual harassment).

The table below shows the vulnerability that informal cross-border entrepreneurs go through:

Table 4: Summary of Asset Vulnerability of Informal Cross-border Entrepreneurs

Assets	Vulnerability	Type of solution
Labour	<ul style="list-style-type: none"> • Less employment opportunities • Many dependents 	<ul style="list-style-type: none"> • Diversification • Use of additional labour – women and children
Human	<ul style="list-style-type: none"> • Lack of entrepreneurship information, knowledge and skills 	<ul style="list-style-type: none"> • Formation and participation in both formal and informal organizations
Physical / productive	<ul style="list-style-type: none"> • Eviction (loss of asset), Lack of space to conduct business 	<ul style="list-style-type: none"> • Proper relocation process • Policies to address activities of informal cross-border traders
Social	<ul style="list-style-type: none"> • Few traders associations • Forced displacement have destroyed cohesion 	<ul style="list-style-type: none"> • Formation of both formal and informal organizations • Access to Government support funds

Source: Modification from Moser 1998: Asset Vulnerability Framework: Reassessing Urban Poverty Reduction Strategies.

The table below summarizes the Indicators used to address coping strategies in informal cross border vulnerability.

Table 5: Summary of Indicators

	Variable	Indicator
Coping Strategies	<ul style="list-style-type: none"> • social capital 	<ul style="list-style-type: none"> • Presence of formal and informal organizations
	<ul style="list-style-type: none"> • Presence of physical/productive asset 	<ul style="list-style-type: none"> • Ownership of business permit • Ownership of business premises
	<ul style="list-style-type: none"> • Human asset 	<ul style="list-style-type: none"> • Access to information • Influence of policies

2.7 Chapter Conclusion

This chapter formed the structure of this research. It first began by conceptualizing entrepreneurship and looked at the types of entrepreneurs as per the literature. This led to the identification of different types of entrepreneurs in the study area based on their motivation of starting business and performance of their business. Albeit the distinction of entrepreneurs in the study area into 2 - the necessity and the opportunity driven, these distinctions of entrepreneurs are transient. There is need for appreciation of the necessity driven for its seed bed role of incubating entrepreneurs who later move to another category.

The second part of the paper moves on to look at the asset vulnerability framework, which is usually used in the analysis of urban vulnerability. The framework is therefore adapted to the informal cross border entrepreneurship an activity. In this context, the framework was deemed important because the area does not deal in the usually activities of the rural areas such as farming but thrive because of trade. Furthermore, the close proximity of the study area to the major cities makes it an important area for the borderland communities to derive livelihood activities.

Chapter3

Livelihood Security

3.1 Introduction

This is the first chapter on data presentation that will discuss and report the findings from the field that was mostly done through in-depth interviews and observation. The in-depth interviews revealed that forced displacement, lack of premises for conducting business, confiscation and harassment and unfair competition from traders from Tanzania formed an integral part of the vulnerabilities among the informal cross border traders interviewed.

In the following sections, extracts of main themes that emerge in the discussion will be presented with reference to themes on livelihood strategies in regard to traders' asset portfolios that the traders have in their possession.

3.2 Profile of Informal cross border Entrepreneurs

From the interviews conducted, eight of the informants were female while seven were male respondents. From the business activities in the borderland, it was observed that most traders were women who are consistent with previous studies of informal cross border traders who are usually recorded to be female (FEMNET 2012, Peberdy 2000, Ogalo 2010, Ackello-Ogutu).

As determined by the survey, the majority of the vendors were between the ages of 20 – 40 years, five were older than 40 and two between the ages 51 – 60 years and one of the traders confessed of not knowing her age. With regard to education attainment, studies have shown that the current levels of education of informal cross border trader are on the rise (Peberdy 2000, Ogalo 2010). However, it was found that one entrepreneur had attained tertiary education, six had attained some form of secondary education, and four had only primary education while the remaining four traders had never had any formal education. The findings are consistent with studies carried out by (Alusala2010, Mijere 2009) which has associated informal traders with low levels of education. The previous studies that got increasing education levels among informal cross border traders might not have taken into account micro and small scale entrepreneurs operating businesses at the borderland.

During field work it was observed that most of the traders without any formal education engaged in curio and beadwork. This can be an indication of the type of business that they carry out – one that can be learned within the household and does not require any formal education. Lafuente and Salas (1989) notes that the motive and decisions of becoming entrepreneurs and setting up a firm can be explained by the personal characteristics of the entrepreneur such as their education level, capital base, and skills among others.

3.3 Livelihood Activities of Entrepreneurs in Namanga

Persistent economic crisis in the developing countries since the introduction of Structural Adjustment Programmes (SAPs) in 1990s has continued to cause reduction of formal employment in these countries. Rampant unemployment has therefore forced many people to look for other ways or activities in order to provide them with a means of livelihood. Unemployment coupled with the ever rising cost of living has pushed people to carry out entrepreneurial activities. Most communities in the borderlands have therefore engaged into cross border trade in order to provide for their households needs. Many of the businesses at the border can be classified as micro, small and enterprises (MSEs) which act as the back bone of the local economy and promoting both economic and social development. According to Pelham (2000) as cited by Kiraka et al. (2013) MSEs are praised for their crucial importance of promoting local economic growth and at the same time ensuring and acting as livelihood activities to those who engage in it.

Traders in Namanga can be classified into four categories:

- mobile street vendors,
- service providers such as barbers, tailors and food kiosks,
- traders who travel to Tanzania only to purchase goods for their store
- traders who travel to Tanzania and further for prolonged periods and take goods with them to sell and come back with others.

This classification is based on the kind of businesses that entrepreneurs conduct. Agricultural products such as dried cereals and consumer goods like clothes and handcrafts were the main kind of goods traded in the area. Most traders were retailers especially those operating general shops and grocery shops sourced their stock of both perishable and non-perishable foodstuffs from Tanzania because of abundance of food as well as proximity to the area. Consumer goods are mostly sourced from Nairobi such as electronics; however some traders confessed that they get cheaper consumer goods from Tanzania such they are not heavily taxed making the prices to be cheaper.

Some of the entrepreneurs interviewed had more than one business; some were involved in seasonal activities example (casual labour and animal keeping) while others provided services such as (tailoring, barber/hairdressing). The categorization of entrepreneurs illustrated in Table 3 is therefore to illustrate the diverse activities conducted at the border point though services as well as seasonal activities were omitted as they do not show direct connection with informal cross-border trade.

Table 6: Entrepreneurs who participated in the study

Entrepreneur	Line of business
General Dealer	<ul style="list-style-type: none">• Grocery shop• Hardware• Transport• Butcher
Retail	<ul style="list-style-type: none">• Liquor shop• General Shop• Restaurant
Curio sellers	<ul style="list-style-type: none">• Handcraft• Maasai bead jewelry• Maasai clothes

Source: Fieldwork July/August 2014

3.4 Locating the different types of Entrepreneurs in the Study

In order to locate the different types of entrepreneurs discussed in chapter 2 in the study. The entrepreneurs were categorized based on the typology of survivalist and growth-oriented or opportunity driven. The entrepreneurs were classified using a score card based on motivation to start a business and performance.

First, if an entrepreneur operated their business full-time, two points were awarded, one point was awarded to those who recorded that the business they were conducting was their main but not only source of income and zero points for that answered those that it was the second most important source of income. In regard to literature on micro and small businesses, entrepreneurs who engaged informal trade are usually assumed to run more than one businesses.

Secondly, reason for starting type of business was scored, two points for entrepreneurs who were motivated by a void in the market or stated that they started their business as a result of an upgrade from previous one and zero points awarded for those that recorded they started business for income generation purposes or failure of previous business. Thirdly, in relation to performance (ploughing back profits into business), if interviewees mentioned that they reinvested most times, two points were given, one point for those who answered sometimes while no point was awarded to those who mentioned that they rarely re-invest their profits. Furthermore, ownership of an operating license was further used to categorize the firms, those firms that owned an operating license two points was given for those who had a possession of an operating certificate and no points for those who did not have. This criterion was used to acknowledge that the entrepreneurs who had these documents were more established and were interested to see growth in their businesses.

From the score card benchmark, 2 kinds of entrepreneurs were located: the necessity and the opportunity driven entrepreneurs. For an entrepreneur to be opportunity driven they had to score at least 5 points out of the 8. The identification of entrepreneurs in Namanga into these 2 groups however is not distinct rather it is to show that the different entrepreneurs that operate businesses at the borderland are of different kind. This is because some of the entrepreneurs who had been located to fall under opportunity driven showed similar characteristics with the survivalist. For example, 3 of the entrepreneurs identified to be opportunity driven were conducting more than one activity and so was the case for necessity driven as majority of them had one main activity that they did full-time.

3.4.1 Necessity Driven Entrepreneurs

9 traders from the study were identified to fall into this category. From the findings these entrepreneurs had similar characteristics based on their reason to engage in informal cross-border trade such as: to take care of their families basic need, to pay school fees for their children, it being the easiest type of trade to begin. The findings can be said to be consistent with literature on the motives of entrepreneurs engaging in informal cross border trade in the borderlands. The engagement of entrepreneurs in this sector is usually to acquire income to meet and support the needs of their households as well as their welfare (Peberdy and Rogerson 2000). A detailed response regarding starting a business would be:

I have a family that I need to care and provide for, one of my children is in high and another one is joining next year, their school fees have to be paid for and they have to eat as well. This business assists me in doing so”

Respondent: 5

Interestingly, the question regarding source of income, 4 of the 9 entrepreneurs responded to having one business that they conducted full time. This contradicts, most literature regarding the informal sector have the notion that the survivalist entrepreneurs usually have a portfolio of activities as livelihood strategies to help them deal with risks or unforeseen problem. Though the sample of the study is too little to generalize, the findings show that there are no clear cut characteristics that can be used to distinguish entrepreneurs.

Box 1: The Tale of a Granny Entrepreneur

This was the easiest type of business for me to start. I had learnt beading from an early age. I have made ornaments and jewelry out of beads close to 5 decades now. I had no choice but to start this type of business because it was the easiest way for me to get money as it is the only one that I knew best. Moreover, it is what has always put food on my table and helped me to take my children to school after my husband passed on. This is why I have stuck with it for this long.

Respondent: 4

3.4.2 Opportunity Driven Entrepreneurs

6 of the entrepreneurs were found to be opportunity driven, and they had scored at least 5 points from the categorization. These entrepreneurs had common features, one, they mentioned that they accumulated capital from savings of previous businesses or employment and most of the times they plough back the profits to the business to increase stock and improve the business. Interestingly, most of the respondents also mentioned that the business helps them to get money to pay for school fees for their children and guardians.

Box 2: Motivation to Excel

I moved to Namanga from Nairobi 10 years ago, where I used to be a landlord and do small businesses on the side. One of my children was scheduled to join college and I needed to pay tuition fee which I did not have. A friend invited me to Namanga and introduced me to the business and since then it has been good. I was able to pay university fees for my first son, the business has been able to grow, it has also helped me to take my other son to university too and I also take care of my nephew in high school. I have even learnt how to bead from the Maasai women and even sell the beaded jewelry that I make though they are just few. Currently, I am the sole wholesaler of beads both in Namanga Kenya and Tanzania. I also do supply the women in Namanga with jewelry made of copper and cow horn which I get from a factory in Nairobi?

Respondent: 6

Other than the common features, respondents recorded that they were motivated to start those businesses as there were services missing in the market, they identified and began business. One respondent noted that they were motivated to start their businesses as they wanted a competitive edge as most businesses were operating on the same products, she had this to say:

Box 3: Opportunity to Thrive

There are a lot of curio shops in the Nairobi-Namanga Highway, Namanga Town as well as women hawking handcraft to tourists; everyone seems to sell the same products here. I wanted to do a business that was different so that I would get a good return. I therefore did my research and found out that carvings from Tanzania were unique from the ones in the market in Namanga, Kenya and this would make them more marketable. With my little savings from my previous bartending job, this is how I began to source goods from Tanzania. Sometimes I go as far as Zambia to get different wood carvings as well as jewelry. I do sell Part of the goods in Namanga but most of them I send to someone in Mombasa to sell them and then I pay him commission (you can say I that I have employed him). I also operate a clothes business especially during the months of November nearing Christmas season. I travel to Nairobi to get the clothes, if I find nice designs I make a lot of money. This helps me to pay school fees and buy school supplies for my children especially beginning of a year when my main business does not do so well

Respondent: 1

3.5 Policy Environment

With regards to policy environment of the informal sector, debate is usually around how to formalize it. The approach towards it is based on mainly regulations and by laws as it is never seen as a development oriented but a social problem (David et al. 2012).

In Kenya, the institutional set up of policies regarding the informal sector which informal cross border trade is a sub sector is coordinated by 3 government institutions. These ministries are: Ministry of Labour, Ministry of Trade and Industrialization and Local Government.

The Ministry of Trade, oversees the activities which mainly entails taxation and business environment. Local Government Ministry works in collaboration with Central Government to provide infrastructure to those people engaged in the informal economy, such as markets or trading areas. The ministry of labour has the overall government responsibility of MSEs sector, which makes arrangements for both the formal and informal enterprises (STEVENSON AND ST-ONGE). The regulatory framework of the sector has evolved since the government's introduction of the 'Sessional Paper No.2 of 1992 on Small Enterprise and Jua Kali Development' (NATIONAL TRADE POLICY). This was a measure taken to alleviate the rampant unemployment by promoting the SMEs sector. Another regulation is Sessional Paper No.2 of 2005 on the "Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction". This publication was to guarantee creation of a favorable environment to ensure success of the sector. (David et al. 2012). Other important regulations are the Local Government Acts, which mainly stipulate duties and powers of local authorities. For example allocation of business area in the rightful zones, issuance of business permits as well as facilitates license registration.

The recent regulatory framework in the sector is the Micro and Small Enterprise Act No. 55 of 2012. The main objective and goal of the framework is to develop legal and institutional framework which amalgamates the different institutional frameworks for SMEs (Ongolo and Awino 2013). The table below summarizes the different institutional frameworks consolidated

Box 4: Situational Framework of the Informal Sector: SMEs Act

(a); The department of Micro and small Enterprises in collaboration with the other relevant ministries and stakeholders is envisaged to perform Functions like formulating and reviewing policies and programs for micro and small enterprises; Developing infrastructure for micro and small enterprises; Promoting market access and provision of marketing services; Promoting product development and innovation; Capacity building programs for micro and small enterprises; Facilitate technology development, acquisition and transfer; Acquisition of land for micro and small enterprises use; Develop mechanisms, tools and programs for collection of comprehensive data disaggregated by sex, region and age among others in collaboration with key stakeholders to enable proper planning for micro and small enterprise sector.

(b) National Council for Micro and Small enterprises (NCMSE); the council is envisioned to improve the coordination of the sector and the other sectors. Specifically, the council is expected to perform functions like Coordinating, harmonizing and facilitating the integration of various public and private sector activities, programmes and development plans relating to Micro and small Enterprise sector; Monitoring and evaluating the implementation of existing policies and programmes related to or affecting micro and small enterprises and advise the government on appropriate policies and course of action to be taken. Resource mobilization for the development of MSEs and opportunities for the development of the micro and small enterprises as well as managing the Micro and Small Enterprise Development Fund.

(c) Micro and Small Enterprises Development Fund: Proposed Act provides for the establishment of a Micro and Small Enterprises Development Fund. The purpose of the fund will be to finance the promotion and development of Micro and Small Enterprises in accordance with this Act; to provide affordable and accessible credit to Micro and Small Enterprises; to finance Capacity Building of Micro and Small Enterprises; and to finance research, development, innovation and transfer of technology.

(d) The SME Act further provides Prominence to Micro and Small Enterprise Associations in policy formulation and management of the MSME sector by providing for Registrar of MSE associations who will be responsible for the registration and regulation of the MSE associations, and thereby enhance stakeholder

Source: Otong'olo and Awino 2013:

Chapter 4

Asset Management, Coping Strategies and Outcomes

4.1 Introduction

This chapter will highlight the vulnerabilities of informal cross-border traders, asset analysis and how they have been able to cope with the challenges that face their livelihood. In this context ‘coping’ is taken to refer to involuntary response taken to minimize disasters. It will also look at outcomes from the traders’ ability to cope with the vulnerabilities that they face.

4.2 Vulnerability that Informal Cross border Traders Suffer

4.2.1 Confiscation of goods

As much as the Constitution of Kenya guarantees citizens right to earn a living, legislation to ensure that this happen is yet to be expanded to the informal sector (Muiruri 2010:92). The negative perception of the informal sector has led to its marginalization. There are no clear cut policies by the national government directed to this sector to help in its regulation. This might be the reason why there is no policy and regulations regarding the sub sector.

This duty has however been extended to the local governments that deals with the sector especially when it comes to trade through the local government by laws which sometimes contradicts the Constitution. The ability of the traders to conduct their business effectively is usually hindered by the regulations put in place by the local authorities.

From the study review, ownership of business premises was assessed by asking whether entrepreneurs owned trading or business license. It was found out that the opportunity driven entrepreneurs were mostly operating from permanent structures. Traders operating from the permanent structures were seen to be more secure as they were able to pay an operating fee of \$ 90.30 per annum. The ability to pay such an amount led to the assumption that they were opportunity driven. This was however not true for all the entrepreneurs ranked in that category as recorded earlier, some showed similar characteristics with necessity driven and hence operated from open spaces.

The traders interviewed said that when they lack money to pay for trading fees and this leads to the council askaris confiscating their goods. The interview then asked how they deal with such a challenge, one of the respondent said:

If you are not able to pay for trading fees and the council askari confiscate your goods, you can go for your goods at their offices but they have to charge you according to the number of days. Asked how much they are meant to pay in case of an arrest, he said that the County Government does not have a standard charge but one pays whatever amount the askari will ask you to”.

Respondent: 14

4.2.2 *Evictions*

Major challenge that informal traders mostly face is a place to conduct business. The government’s inability to provide public places for trading has seen traders encroach open spaces in the centre of business areas in towns. Parcels of land in Namanga are mainly privately owned by individuals especially the Maasai community and the government. Some entrepreneurs are land and property owners while others have encroached into unused land in the town. The settlement of traders in areas not demarcated is illegal as the areas have no tenure and no allocation has been done by the government or local authorities this leads to future evictions (Muiruri 2010:12).

Over the past year, the governments of the East African Community which Kenya is and Tanzania are member States have embarked on a project to construct a one stop border post. The importance of the one stop border post is to fast track the clearance of goods at the border point which is usually seen as a trade barrier because of the several hours or even days that the clearance can take. The construction has therefore seen the government reclaim land in the area, to pave way for the construction of the ultra-modern facility as well as continuation of the Athi-River-Namanga road on the Kenyan side⁵. This has led to the loss of income; property as more than half of the town was demolished to pave way for the construction.

4.2.3 *Currency Fluctuation*

Businesses at the borderlands accept currencies of both Kenya and Tanzania as a medium of exchange. The residents have found a way of exchanging currency, for example the currency of the countries are exchanged at the value of Kshs. 25 to Tanzania sh.500. This is facilitated by the presence of numerous illegal moneychangers and the exchanging kiosks at the border; as there is only one licensed forex bureau at the border post at the immigration offices and at the few banks that operate in the area.

⁵<http://www.standardmedia.co.ke/ktn/video/watch/2000074696/-state-to-pay-out-one-billion-shillings-to-land-owners-in-namanga-as-compensation>

This makes the traders vulnerable to being handed fake currency by the mushrooming money changers connected to tycoons in the town. The traders also complained about the large amount of money they pay as commission while exchanging.

4.2.4 Unfair competition from Tanzanian traders

The presence of non-tariff barriers (NTB) in the Kenya – Tanzania border at Namanga has hindered the activities of the Kenyan entrepreneurs conducting businesses at the borderland. This is even after the elimination of NTBs by the tripartite agreement between East African Community (EAC), Common Market of Eastern and Southern Africa (COMESA), Southern Africa Development Corporation (SADC) (TMSA, 2011). The Tanzania Government has taken measure to prohibit Kenyan traders conducting business on the Tanzanian side without work permit. This means that the Kenyan traders who cross over to conduct business are harassed by Tanzanian authorities. However, the Kenyan government follows the agreement and allows traders from Tanzania to trade without any prohibitions. The competition on the Kenyan side is therefore high as the Tanzania traders come with cheaper goods and hence sell them cheaply. One trader attested that:

“.....goods from Tanzania are transported to the Kenyan side by cars and sold at a cheaper price preventing customers to come to our shops. Do you expect someone in Namanga to buy expensive goods and they can get them in a cheaper price somewhere else”?

Respondent: Keziah Wambui

Another trader had this to say:

“Most of these traders from Tanzania are mobile traders they therefore hawk goods at people’s homes therefore very few people come to the market “

Respondent: 12

4.3 Asset Analysis and Coping Strategy

4.3.1 *Productive Asset*

Improved income has always been acknowledged by many researchers as the most important livelihood outcome, with little concentration on the asset base which enables a person to engage in economic activities in the first place and eventually earn that income. Research result in this case revealed that productive asset such as ownership or availability of business premises other than being a basic need for traders also determines the goods that a trader sells. This is therefore a determinant of income a trader gets and the ability to respond to future vulnerability.

From the study review, ownership of business premises was assessed by asking one specific question of whether entrepreneurs owned trading or business license. Most of those traders interviewed did not own any of the two as their businesses are not registered with either the national government or County government. One trader's response was:

"I deal with making ornaments and get small amount of money per day if I manage to sell them. Where would I find such money to buy a license and I cannot even afford to increase my stock. Even if I had money, I do not think I would have paid for a license. I do not have a conducive environment to conduct my business as my stall by the roadside suffers from the poor state of the road and the Local Government do not take care of the situation"

Respondent: 13

4.3.1.1 Formation of Patron-Client Relationship

Even though most of the necessity driven entrepreneurs confessed of not owning a trading license they however confirmed of paying operating fees to the Local Government. It was found out that the amount of operating fees depended on the kind of structure that a trader owns or operates from. From the study, this group of traders pay operating fees depending on daily sales that they make. During an informal conversation with one of the trader's she revealed that she does not pay trading fees or have a business permit. When asked her reasons she had this to say:

"I deal with making ornaments and get small amount of money per day if I manage to sell them. Where would I find such money to buy a license and I cannot even afford to increase my stock. Even if I had money, I do not think I would have paid for a license. I do not have a conducive environment to conduct my business as my stall by the roadside suffers from the poor state of the road and the Local Government do not take care of the situation"

Respondent: 13

The respondents were then asked with how they deal with the challenge of their goods being confiscated, one of the respondent said:

“If you are not able to pay for trading fees and the council askari confiscate your goods, you can get your goods at their offices but they have to charge you according to the number of days. Asked how much they are meant to pay in case of an arrest, he said that the County Government does not have a standard charge but one pays whatever amount the askari will ask you to”

Respondent: 12

To prevent their goods being confiscated or paying for a fine, the traders have developed client-patronage as a coping mechanism to prevent the vulnerability. The traders interviewed said that when they lack money to pay for trading fees and the council officer confiscate their goods they have to make a trade-off between giving petty rents or losing their goods and a day's income. These traders have therefore turned to giving informal payments to County Council officers in order to avoid confiscation of goods or eviction from their business premises should they fail to pay. One of the respondents had this to say:

“.....if I don't have the \$0.34 that is paid fortnightly, I talk to the Council Officer in the area to take whatever amount and therefore you don't get issued with a receipt”

Respondent: 13

Asked about the consequences of being caught by another Council Officer when counter checking payments, the trader said that:

“It is impossible for another officer to come and counter check, this is because each officer has their own section of the town to collect revenue from therefore no one goes to another person's territory

Respondent: 4”

4.3.2 *Human Capital*

Investment in human capital has been recognized in the development arena as an important poverty alleviation measures (Klugman, 2010). Human capital investment is long term measures taken to ensure that the capacity of individuals is built to enable them to undertake their livelihoods. This helps not only to raise the living standards of the people but also spurs the country to economic growth as more and more people are able to get into employment or engage into employment creation. In this study, human capital was focused on entrepreneurial knowledge and skills that the informal entrepreneurs have. This was mainly assessed by asking entrepreneurs of knowledge concerning custom procedures.

From the findings the entrepreneurs were found to be aware of the custom protocol. They recorded that most of the knowledge and skills they acquire are through seminars and baraza⁶ held by KRA, East Africa Community (EAC) Customs among other organizations. This is done through the traders association (CBTA).

As much as these traders saying that they have acquired skills on trading across the borders, this has however not stopped them from engaging into 'informal trade'. They attribute their continued engagement to

4.3.2.1 Diversification of Livelihood Activities

Diversification of livelihood activities is an important coping or livelihood strategies mostly considered by the vulnerable. The ability of an entrepreneur to diverse their livelihood activities depends on their asset base. Ellis (1998:1) defines livelihood diversification as "process by which families construct a diverse portfolio of activities and social support capabilities in order to survive and to improve their standards of living". According to Ellis 1998 the causes and consequences of diversification depend on an array of factors, in this of informal cross border trade it can be as a result of asset and social relations held by the entrepreneurs.

In the survey carried out, one question on livelihood activities concerned the main source of income of the informal cross-border traders and street vendors. From the interviews 9 traders affirmed that they had more than one business to act as a source of income while 6 respondents said that the business they were operating was their main and only source of income. The follow up question was on regards to reason of starting the businesses that they operate.

Trying to find how different entrepreneurs diversify their livelihood activities becomes troublesome based on the previous categorization given to the entrepreneurs. This is because some of the entrepreneurs who were identified as growth oriented had more than one business. It did not however disqualify them from being opportunity driven because the aggregate points according to the 4 questions that determined an entrepreneur's category. In regard to diversification of livelihood activities, it therefore becomes hard to categorize them.

⁶

Some of the entrepreneurs have resorted to starting other businesses in order to prevent them from slipping back to point of not having any source of livelihood. In some cases the businesses that they carry out is not enough to provide the needs of a household this leads them to engage in other activities or conduct another business. This provided the following response from the traders:

“When I began doing business, it was a small grocery stall selling vegetable. I then added fruits. I then added boiled and roasted maize besides my stall. The business later expanded and I opened a cereal shop from where I operate now a days’

Respondent: 5

From the analysis provided by the traders, it is evident that having varied businesses is a resilience means that the traders adopt to enable them to respond to new vulnerabilities. Having diverse livelihood activities not only helps traders from accumulation of funds for business expansion but also supplement income when other businesses are not doing as well.

4.3.2.2 Exhaustion of Household Labour

Labour according to Kaztman 1999 as cited by De la Rocha (2001) is the most important asset in any poor household and the only that they may have amply. This is due to the choice that households have to combine resources in order to enable them engage in an income generating activity. However, De la Rocha (2001:8) argues that resources can only become assets if and only when they can minimize vulnerability and as real tools for wellbeing improvement. Engagement of labour to other activities for income generating helps households to resist or even recover from negative effects of the changing economic situation such as employment or even increasing the income base of the household.

The demographic characteristics of a household such as age, composition and gender of informal traders’ household plays an important part when considering or making choices of income-generating activities. Having room to make choices on the type of activities to engage on, might also determine the coping strategy that traders’ may consider should there be a failure. Moser (1998:6) suggests that during deteriorating economic times and decreasing income, the first response is usually mobilizing additional labour. As much as household can have reserve labour or a good number of people who are able to work De la Rocha (2001:8) emphasizes that the labour can only become an asset when they are able to get wages or income. During the field work study this was confirmed by one trader who revealed that:

“The current rising standards of living in this country (Kenya) forced my husband to start a small business for me so that we can share the burden of providing for our family”

Respondent 14

Informal cross-border traders with larger households with low number of dependents (i.e. children and old people) are able to engage into a number of businesses to supplement income. This means that more people in the household can be able to take part in income generating activities. However, in some household with high number of children, they can only help in operating family business during the weekend and sometimes in the evening after school. Most of the traders interviewed said that they do not engage the labour of children in their business as it was against law. Some however confessed that they sometimes send their children across the borders to help them buy new stock 'as they are agile and can go quickly to bring goods unlike them'. One of the informal cross border traders said that:

“During school holidays and sometimes during the weekend my daughters and granddaughters help me to make ornaments. I do beading during the day and hawk the ornaments in the evening when most passenger buses leave for Nairobi. If I get help from my children it means that some days I can hawk during the day as this is when most tourists cross to Tanzania”.

Respondent: 7

The statements above from the traders contradicts the observation made by De la Rocha (2001) that labour can only become a resource when it is able to bring wages. This is not the case as the parents are able to engage into other activities which increase household income. Example of the woman that said that getting help from her children and grandchildren to make ornaments means that she has enough goods to sell during the week which assumes that she sells all the ornament hence an increase of income.

4.3.3 Social Capital

The ever increasing economic crisis in Kenya has led to the continuous migration of people to urban areas, borderlands and has also seen the increase of the informal economy. This movement of people has therefore brought about separation in the traditional and long-term social and kinship networks patterns Moser 1998. The degree of considering a community as an asset to reduce vulnerabilities and increase opportunities depends on the “stock of social capital” (Moser 1998:13). Putnam (1998) as cited by Moser (1998:4) defines “stocks of social capital” as the informal and organized reciprocal networks of trust and norms embedded in the organization of communities - with social institutions both hierarchical and horizontal in structure

The interview focused on the knowledge of any business association or groups (formal and informal) that existed in Namanga Town that the traders knew or were members. The support and mutual networks in Namanga were found to be of various types: membership into formal or informal organisations. Majority of those interviewed were aware of such and even volunteered that they were members. One trader who was more conversant with other groups and association that traders in the area belonged to said:

“I belong to Cross Border Traders Association – Namanga Branch, that is the most famous as most traders are members. The other ones that I may know in this area is Malimali Savings and Credit Cooperative Society (SACCO) and many small small chamas⁷”

Respondent: 11

In order to identify the entrepreneur's social network, the interview focused on the role of social networks in overcoming vulnerability suffered by survivalist and opportunity driven entrepreneurs. One question asked concerned membership into a social organization in which helped to identify the category of the entrepreneur. This provided the following results. It was also noted that different entrepreneurs were members of different association. The indicators for identifying the different entrepreneurs was based on the monthly contribution into these organisations

The growth oriented entrepreneurs were recorded to be members of Malimali Savings and Co-operative Society (SACCO). Malimali SACCO started in 2006 with 104 members giving monthly contribution of Kshs. 500 per month but has currently increased their monthly contribution to Kshs. 1,000 per month. Members of this organization can get loans at 12% interest rate and members range from traders to those in formal employment. The SACCO has been successful and they have been able to start investments, example buying land and operating a shop that sells phone and phone accessories. They also supply gas and gas cylinders in the area and deal with mobile money and have one employee. The members meet once a year during the annual general meeting where they discuss the progress of SACCO and what to do with profits, whether to plough back into the business or share as dividends. The association or organization is strictly financial in nature and do not offer business skills to its members.

On the other hand, majority of the survivalist entrepreneurs were members of Cross-border Traders Association (CBTA) – Namanga Branch. The formation of this group has brought about savings and borrowing mechanisms which have not only been able to empower members financially but also with business skills. CBTA has 150 registered members but only 70 are active members. They have a monthly contribution of Kshs. 100 per month and have weekly contributions that they invest in Merry-Go- Round (MGR) or revolving funds. They have recently started ‘Ngumbato’ or table banking⁸, where a trader for example can begin with saving Kshs. 500 and accumulate it to Kshs. 3000 and repay after a month with 10% interest.

⁷ ‘Chama’ is a local name for Rotating Savings and Credit Association, a form of self-help groups that are informal and unregistered.

⁸ Ngumbato is local name for table banking – is a resource mobilization initiative to enable members build a financial base for starting or improving small enterprises. It is a strategy used for group capacity building while also topping up to the usually revolving funds.

Interestingly, the interview conducted with the traders revealed that some entrepreneurs located in the growth-oriented area are also members of CBTA. This can be as a result of the benefits that the association enjoys for example empowerment of access to information and business skills provided to them by different organisations. This takes me back to when I started the identification of the traders in the area that the strata of entrepreneurs is not distinct and that one group can show an array of characteristics. It is near impossible to confidently say that there are only two types of entrepreneurs in Namanga.

4.3.3.1 Representation by Traders' Association

During the study, the respondents were asked if they were consulted before the start of the project. It was found that they were only notified by the East African Community Custom Office in Namanga on the planned construction. There were grievances on how the whole issue was handled especially by the government. They accused the government of making big promises of compensation to both property owners and business owner but only the former were compensated. Asked how they dealt with the issue, they said that they channelled their grievances through the Cross Border Traders Association.

The former chairman of the association said that they have been able to curb the situation, through the traders becoming watchdogs of any unfamiliar business people in the area or vehicles with Tanzanian car plates selling goods on the Kenyan side. If a case is seen, the information is relayed to CBTA who informs the police or custom officers. Traders have however complained on the laxity of the government in dealing with the issue which has led to the continued suffering of the traders in the area. They therefore asked the Government of Kenya to act swiftly by reciprocating the measures to prohibit Tanzanian traders from selling their goods in Kenya.

4.4 Collective Action as Means to Outcome

The existence of social networks is important as it ensures that the traders' capacities are strengthened and they also get empowered to deal with everyday challenges that they face. The organization of these traders or individuals into associations or groups is usually voluntary and is as a result of perceived coercion. This is what Mancur Olson (1956) as cited in Ostrom (2006) termed as 'zero contribution thesis' where self-interested individuals in small groups act to achieve their common interest or the groups. Individuals organize themselves in voluntary groups in order to gain the benefits of trade and to provide mutual protection against risks among others (Ostrom 2006:145-48).

Formation of a traders association in Namanga has facilitated traders and even residents to access information through seminars and workshops organized by government agencies and other institutions. CBTA has been able to invite traders in Namanga to many seminars organized by different organizations such as United States Agency for International Development (USAID), Trade Mark East Africa (TMEA), Kenya Revenue Authorities (KRA), Ministry of East Africa Affairs, Commerce and Tourism and Ministry of Industrialization and Enterprise Development.

There have been various trainings concerning trade activities at the borderland which are designed specifically for the micro and small scale entrepreneurs who operate on these spaces. One of the key informants asserted that through these seminars the knowledge base of the traders has been enhanced regarding: customs procedures on documentation, rule of origin of products, tariffs, sanitary and phytosanitary measures (SPS) among others.

Linking with other CBTA branches in the country and The East Africa Community has enabled the traders to engage in platforms and policy proposals. Example simplified Trade Regime (STR) of COMESA, Joint Border Committee (JBC) have been able to capacity build and create awareness among the traders. One trader offered the following analysis:

“When I first began business, I used to use illegal routes to pass my goods from Tanzania to Kenya. These borders are porous and hence difficult for the government to manage and as you know, small business people always look for easy way. For example I used to buy one sack of rice and maybe sugar, why would I go through KRA and KEPHIS for inspection when it can cost me money. I just hire a motorbike to transport the goods to my shop”

Respondent: 1

The point here is that access to information and target information specifically ensures that the recipients are aware of what takes place in their environment. This has enabled entrepreneurs to exercise their rights, demand and take advantage of opportunities. This has not only helped in service accessibility but also holding those at the top accountable for continued proper service delivery. This is opined by a trader as follows:

“During these seminars, I have learnt that through the Simplified Trade Regime all I need is a simplified certificate of origin and my goods can be cleared legally, in the shortest time possible as long as my goods are from EAC and COMESA countries and they cost below \$2000”.

Respondent: 1

Influence on Policy

From the study, it was found out that the survivalist and the opportunity driven entrepreneurs have different outcomes mainly because of the different asset base that they hold. The kind of asset possession paves way on its effective utilization and how it can be used as leverage against vulnerabilities. The asset base also determines the successfulness or resilience of traders should they face new challenges.

Chapter 5

Conclusion and Policy Recommendations

5.1 Conclusion

The key objective of this research paper was to find out the vulnerabilities that informal cross border traders go through while conducting their business. The main question discussed in this research paper is – ‘to what extent has different groups of informal cross border traders been able to build sustainable livelihood?’ To answer this research question, the Asset Vulnerability Framework together with concepts like vulnerability and livelihood were discussed. The motive of the study was to examine how the asset base of the entrepreneurs enables them to come up with coping strategies to buffer them from shocks and trends.

The point of departure in this paper is the marginality of the informal cross border trade because of the ‘illegality’ attached to it. The view point that this is a sector occupied by ‘unrecognized’ activities puts livelihood of those involved at risk. This denies them the right to earn a living which the Constitution of Kenya guarantees. Furthermore, the disinterestedness of the government to keenly look at the needs of the informal cross border trade only makes it more problematic. Lack of comprehensive policies and proper regulatory environment has been seen to lead to continuous development of unscrupulous ideas by those in informal cross border trade.

Findings from the study were as follows. Businesses at the borderland were found to be micro enterprises and were classified into 4 – mobile traders, service providers, traders who go to Tanzania to purchase their supplies and traders who go Tanzania to sell goods and come back with some to sell in Kenya. These traders were further organized into two groups as it was acknowledged that there were different types of entrepreneurs in Namanga. This categorization was done based on a scorecard, those who scored 5 points and above were classified as opportunity driven while those who had less than 5 points were said to be necessity driven. Some of the characteristics were not clear cut to a particular group for example, some opportunity driven entrepreneurs had diversified livelihoods which is usually a characteristic of the necessity driven entrepreneurs.

This lack of distinctiveness in the categorization of the entrepreneurs is further seen in their asset portfolio which enables them to cope with vulnerabilities. This paper found out that other than human capital, the entrepreneurs recorded similar outcome. With productive assets, the opportunity driven entrepreneurs owned a business premise that would be said to be ‘permanent’ compared to the necessity driven who operated from temporary structures. With regards to social capital the opportunity driven were found to be members of more than one organization with different degree which all served different purposes – access to information and finances. The necessity driven, other than the main traders association in the area they were members in informal groups such as self-help groups for access to finances and other support mechanism that these kinds of groups provide.

In terms of human capital, most of the entrepreneurs from both divide are members of Cross Border Traders Association which is an engine of empowerment. It is through the association that they access information from the government agencies as well as other organization.

Coping strategies of the informal cross border traders in Namanga are varied. Since the study had earlier recognized that there are two types of entrepreneurs in the area, it was expected that they would show different coping strategies. However from the findings, both entrepreneurs showed similar ways of coping with vulnerabilities. Both groups of entrepreneurs acknowledged knowing child labour laws, but admitted to engage the labour of children only during the evening and school holidays. As much as this can be seen as 'erosive' measures which may affect the entrepreneurs' household in the long run, findings shows that most respondent's income from business goes towards paying school fees.

To answer the main question of the study, I would say that the informal traders have not been able to build sustainable livelihoods. This is in line with the coping strategies that they have developed since they are short term though it has been able to ensure that they are resilient. This is as a result of the dynamic nature of the vulnerabilities that they suffer and hence there is no one particular way of developing long term coping strategies.

5.2 Policy Recommendation

Based on the policy environment of the informal cross border trade and the discussion, the following recommendations are given:

The problem of informal cross border trade stems from the lack of recognition of the participant who takes part in the trade and what is traded and the amount traded. Therefore there is need for the government to carry out a census of the sub sector to ascertain the complexities. With this:

Specific policies directed to the sub sector should be made in order to facilitate its development and minimize the illegality. These policies should put in mind the heterogeneity of the traders in order to know how certain measures can impact the groups. Example of formalization of the informal sector, which should offer perks of being formal and not red tape.

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