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Influence of informal Group Financial Welfare Contributions on the Social Networks and Social Capital among the Jua Kali Artisans in Nairobi

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Abstract

The informal sector in Kenya contributes immensely to the economic development and activities of the nation. This sector is well placed in ensuring that the sustainable development goals are achieved as the country pushes forward towards the attainment of Vision 2030. However, most of the work in this sector is to a large undocumented in terms of Human Resource development and skill transfer. The purpose of this study was to examine the influence of informal group financial welfare contributions on the social networks and social capital among the jua kali artisans in Nairobi. An exploratory research design was used by the study. The target population was 375 mechanics operating in different pockets within Nairobi. A sample size of 75 respondents in two different cohorts was taken using stratified random sampling technique and later simple random technique was used to sample out the respondents from each strata. Purposive sampling on the other hand was used to select 6 key informants and 4 FGDs that took part in the study. Data was collected through questionnaires, interview guides and Focus Group Discussions. Word cloud was used to analyse qualitative data and the quantitative data was analysed through measures of central tendency and dispersion and presented in frequencies and percentages and summarised in figures and tables. Findings indicated that social capital enhances income generating opportunities and there is a free sharing of skills among the masters of the trade and the apprentices. Further findings revealed that the collectives thrive when trust is high and leadership is good and credible. The study concluded that skill transfer was a key component of collectives in the Jua Kali sector and all members benefited whether they were in a group or not. Based on the findings, the study recommended that a similar study can be conducted in other towns and include other jua Kali groups.

Keywords: *Informal group financial welfare, financial welfare contributions, jua kali socio-networks, jua kali artisan, chama contributions*

1. Introduction

Most countries in the world have a combination of formal and informal economies. Formal economies are composed of enterprises that are certified within a legal system and are regulated by statutory and professional bodies. On the other hand, enterprises in informal economies are not regulated by government and are characterized by unregulated markets, low capital inputs, intensive labour and self-employed workers (Maslak 2018), who are usually supported by family members. It is widely accepted that the informal economy plays a vital role in the global and country specific economies. The Jua Kali sector is replicated in various clusters across the towns of the country however being an exploratory study this particular study was conducted in a cluster of jua kali in Nairobi. Social capital and social networks are two broad subjects and the study focused on both concepts as they are

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interconnected and by exploring both concepts and their role in trust building and skill transfer it will help to inform further specific studies in the areas. The collectives as expressed on the ground tend to be around ethnicity and it will be important to determine the extent to which ethnic inclusivity and diversity are embraced in the management and day to day interactions of these collectives.

According to Kenya's Economic Survey (2018), the informal economy contributed to the generation of approximately 800,000 new jobs, which was 83.4% of all new jobs in 2017(Economic Survey - KNBS, 2018). The *jua kali* sector is a prominent feature in Kenya's informal economy. This sector is made up of micro and small-scale entrepreneurs who work in makeshift structures, and most times along busy roads in urban settings. The sector has been in existence for over 30 years but little is known about it. *Jua kali* entrepreneurs are mainly engaged in businesses such as motor vehicle repairs, metalwork, woodwork, tailoring and dressmaking, manufacturing and small scale trading. One key characteristic of *jua kali* enterprises is the way they cluster in certain geographical spaces in urban centres. In these clusters, *jua kali* enterprises operate in close proximity to each other in small sheds and semi-permanent workshops. Clustering of *jua kali* enterprises may happen spontaneously or they may be forced to operate in certain parts of urban settings by authorities. Clustering of *jua kali* enterprises and artisans fosters the emergence of complex economic and non-economic interactions and relationships between actors such as entrepreneurs, artisans, suppliers and financial institutions such as banks, micro-credit institutions, among others.

Interactions between actors in *jua kali* clusters involve flow of information, skills and technology. According to Kinyanjui *et al*., flow of information in a *jua kali* cluster may range from exchange of product ideas between entrepreneurs to the copying of product designs in an entire cluster. It is within these *jua kali* clusters that artisans learn from each other highly sophisticated market relevant skills away from formal environments of learning. Skills are also transferred from one generation of artisans to the next through master-apprentice relationships (Kinyanjui, 2000). *Jua kali* artisans also transfer skills and technology amongst each other through peer networks. Peer networks grow gradually over long periods of interactions within the cluster. Peer networks in clusters are often developed based on acquaintances, ethnicity and similar trade (Kinyanjui, 2006). Sometimes these peer networks morph into collectives such as table banking/investment groups (locally known as *chama*), or welfare groups.

Jua kali artisans and entrepreneurs conduct their businesses in complex and dynamic networks where they interact and relate with other actors within and outside their clusters. Their credibility, reciprocity and trusting relationships influence how they transfer skills to each other, work as teams, and refer business opportunities to each other and how they access financial capital for start-ups and markets for their products. These informal values that enable *jua kali* artisans to effectively ply their trade is referred to as social capital (Baum, 2003). There are two broad types of social capital. Bonding social capital is characterized by strong and enduring relationships between people of equal socioeconomic status. Secondly, Bridging social capital occurs when there are complex and fluctuating contacts between people from different socioeconomic status. There is limited empirical evidence on how collectives enhance social capital and networks among *jua kali* artisans and entrepreneurs in

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Nairobi. The need to understand the intricate skill transfer in the informal sector gave impetus to conducting this research whose purpose was to establish how collectives among *jua kali* artisans and entrepreneurs in Nairobi influence their social networks and social capital. This study was conducted among different *jua kali* artisans to assess how collectives impact on trust, mutual support and future engagements. No extensive study interventions have been conducted in the Kenyan Jua Kali sector targeting specific trades to establish the influence of collectives among jua kali artisans and entrepreneurs, therefore there was need to examine the influence of informal group financial welfare contributions on the social networks and social capital among the jua kali artisans in Nairobi, Kenya.

2. Methodology

This was an exploratory study aimed at providing evidence to inform the design and implementation of interventions aimed at enhancing social networks and social capital in the *Jua kali* sector in specific trades. An exploratory research design using mixed methods for data collection and analysis was used. This design was to provide a "snapshot" of social capital and networks amongst mechanic *Jua kali* artisans and entrepreneurs in Nairobi. There were two comparison groups in this exploratory study comprising members of a collective and non-members of collectives. Primary quantitative data analysis was done using measures of central tendency and dispersion. A review of literature was done to further contextualize the methodology of this study.

The exploratory study drew respondents from a population of 375 artisans from various trades namely; motor vehicle mechanics of both genders in Nairobi. Respondents were categorised as either *jua kali* business owners, experienced artisans, supervisors, apprentices and chairpersons of various collectives. This particular study was carried out among *jua kali* mechanics in Kiambiu area, along Rabai road in Nairobi's Eastlands area. The study settled for this location because of its large cluster of mechanics from different ethnic backgrounds. There was also a contact person in the area, making entrance easier given the limited time available for this study.

Stratified random sampling technique was used to sample *jua kali* artisans who are in collectives. The study population was stratified by trade and then simple random sampling was applied to sample respondents in the mechanical trade stratum. The sampling frame was the membership registers of the *jua kali* artisans' associations. For those not in collectives the random walk approach was used determined by a fixed landmark and using the Bauer principles. Stratified random sampling was applied to minimize bias in the findings and to enhance the external validity of the study.

The study was scaled down to 150 respondents (75 in collectives/ 75 not in collectives), 4 FGDs and 6 KIIs. The sample size was organized into three broad categories namely; 'highly organised', 'moderately organised' and 'lowly organised'. Highly organised sites indicated that these sites are made up of clusters of the specific trades and have well-established collectives and leadership structures. Moderately organised sites had pockets of different trades with relatively few collectives while poorly organised had sparsely distributed *jua kali* artisans with no leadership structures. The study settled for the highly organized collectives in the mechanical field as both those who were members and those who were not members of any collective.

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Primary data was collected for this study. The study used structured questionnaires, interview guides and Focus Group Discussions. The Study used Focus Group Discussions and interview guides to gain further insights on the areas under study. Participants for focus group discussions and key informant interviews (KIIs) were selected purposively based on their knowledge of the topics and experiences in the *Jua kali* sector. Qualitative methods explored attitudes, knowledge and practice through;

Key Informant Interviews - that helped to collect first hand experts' knowledge and information about the *jua kali* sector and provide an understanding on the nature of the problems and recommendations. This tool was used to collect data from the financial institutions, leaders of collectives, master owners, master supervisors and the local chief. This information was used to corroborate that given by the respondents in the specific trade.

Focus Group Discussions - Focus group discussions were held with *Jua kali* artisans who are members of collectives and those who are non-members. This enabled the study to get qualitative comparison of similar groups of interests based on the outcome of collective intervention on financial support, trust and skill transfer.

Data was analyzed quantitatively and qualitatively. Quantitative data was analyzed using frequencies to describe the data and these were presented in pie charts and bar graphs. Qualitative data analysis was done using Word cloud (Tag cloud) which is a visual representation of text data. It displays a list of words, the importance of each being shown with font size or color. This format is useful for quickly perceiving the most prominent terms. This feature is found in the python software developed by Andreas Mueller.

The analysis of the results focused on only three FGDs and three KIIs because when analyzing the responses were very similar and thus the decision to use only three from each group.

3. Results

3.1 Demographic Characteristics of the Respondents

The study sought to find out whether the mechanics surveyed belonged to any collective (chama) and to establish how the membership to informal groups contributed to development of social capital.

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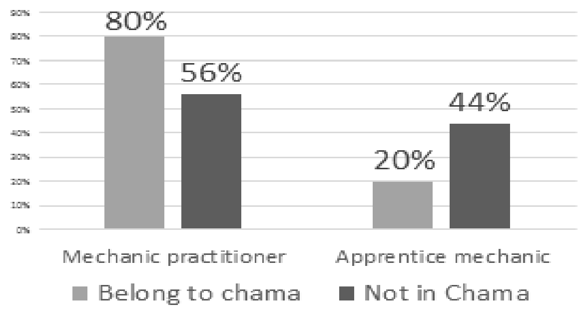
Profile of chama and non-chama members

Level of practice and chama membership



Most apprentices reported they were not in a chama because they felt they were not making enough money to contribute to chamas

Fewer apprentice mechanics were in chamas compared to practitioners

The findings revealed that mechanic practitioners (80%) were mainly members of a collective. The other group of members who belonged to *chama* were the apprentice mechanics (20%)

3.2 Influence of Informal Group Financial Welfare Contributions on the Social Networks and Social Capital among the Jua Kali Artisans

The study sought to establish whether there were any benefits of belonging to a Chama and in order to accomplish this members discussions from the Focus Group Discussions were analysed using word cloud and the responses are as shown. The actual and perceived benefits of membership are explained. The words of the respondents are highlighted.

On whether *chamas* reinforced a saving culture among members, FGD 1 reported the following: "today i'm here saving money. Before I joined *chama* I would be elsewhere wasting money with the wrong company"

The members were further asked whether *chamas* had a strong welfare component that was useful in times of trouble (sickness, bereavement), FGD 2 observed the following: the reason we are together is because of problems. In case of any sickness or death, this *chama* helps when we are together.

On whether *chama* helped achieve development goals, KII 1 reported that the *chama* has been very supportive in loans which are useful in acquiring tools and spare parts. This helps members working from the garage develop and attain their own goals.

On whether chama strengthen bonds among members especially when receiving support, KII 2 who is a chama leader reported the following:

> Yes they have benefited us a lot. Anyone who has been supported by any chama wouldn't want to leave. The only people who can assist you are the people who work with."

Despite not being in chama, non-members identified the following:

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Non memebers perceived chamas to have a strong welfare components. KII 3 further reported that; "People contribute KShs. 100 and basically they don't look at it in terms of development in any way. The KII went ahead to explain that, "I think is about addressing death when someone dies, the *chama* members provide their support through contributions which is used to buy components such as coffin."

Non chama members perceived chamas as important vehicles for development and saving. One of the FGD non-chama member reported that what can make her join *chama* is the power and ability to develop.

Trust was found to be a major factor that helped build and sustain social capital amongst mechanics in *chama*s. Reciprocity proved to be a determinant, a sustainer and to a great extent helped strengthen the trust relationships among *chama* members. Some demonstrations of trust and reciprocity from the Focused Group discussions include; *"Yes we trust each other for example when I am late for a chama meeting I might call [name] and ask him to contribute money for me and then I will refund"* (FGD 1, Chama members)

Another factor that led to building trust was adherence to *chama* norms. This built confidence among members to trust that they will be helped when in they are in need. This is implied in this communication ;*"If you are not in a group that is normal, you cannot get along with people, how will you get help from people"* (FGD 2, Chama Members). Transparency in financial reporting was another factor that made members trust that they will receive their savings when their time comes - *"We welcome the members to the office to come and check if the money that was banked match the bank slips. After 3 months we bring bank statements for the members to confirm"* (KII, Chama leader). The integrity of leaders gave members confidence to take risks in entrusting their finances to persons in non-registered saving pools. A direct quote from one of the leaders implies *"We trust each other because we are not a registered chama. There are 3 members who have opened the chamas joint account, so if 3 people can be in-charge of that money until the year end and make it available when needed doesn't this show that chama members trust us"* (KII, Chama leader). These findings show a lot of social cohesion enhanced through trust among the mechanics that were studied and thus an increase in the social capital which implies a positive cohesion for development amongst members.

The study also sought to understand the reasons why mechanics were not in a chama. It was interesting to note that the complete opposite reasons that cause trusting relationships in chamas were the ones causing other mechanics to shy away from the chamas. The factors included; Lack of commitment among peers as reported in the FGD *"I used to be in one and we used to contribute Kshs. 200…I left because the members were not serious. You will find we were 10 people and only 5 are contributing"* (FGD 3, Non-chama members). This is further compounded by a breach of trust in a chama as captured in the following quote "Or you can save and fail to get money in the end when it is your turn to receive the money. This made me lose interest…*"* (FGD 3, Non-chama members). Similarly, lack of transparency in some chamas caused individuals to shy away "……conmen are many so I won't join, whereby one saves the money and the treasurer disappears with the money. I have heard about people disappearing with money*"*. (FGD 3, Non-chama members). This may not have been supported by facts but still the fear of losing one's savings to a rogue treasurer was a motivating force for keeping away from chamas.

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The study sought to explore the connections that enhance creation of financial capital for start-ups among jua kali mechanics and entrepreneurs in the study area of Nairobi. The study found that regular meetings bind members together since they are set to achieve common goals. The members held weekly meetings to make contributions. Among the groups surveyed 39% held weekly meeting and in these meetings 31% of the membership attended all meetings, while 30% percent attended most meetings only three percent did not attend any meetings at all. The chamas had their own internal control mechanisms that ensured compliance and they also provided sanctions for the errant members "In our constitution it is written that a member who miss up to 3 meeting without notification. If it is more than that then one ceases to be a member" (FGD 1, Chama members). Chama members were bound by rules. This made them adherent to meetings and contributions "If you fail to contribute twice you are removed from the group" (FGD 2, Chama members). In order to enhance the buildup of financial capital the banks did weekly monitoring. The Banks continuously monitored chamas to encourage them to maintain active accounts with withdrawals and deposits. The interview with the bank revealed the same "…our Group Lending Officers meet with these chamas on a weekly basis to…monitor progress with repayment of loans obtained from this bank" (Female Bank official, KII). To qualify to transact with the bank Chamas savings were the collateral for Group Loans. This is an important element as it pooled resources from members and made them access more money because of the group as compared to their individual capacity to borrow from the bank. Members repaid the loans to safeguard their social capital.

They did this by use of personal relationships, social sanctions and various collateral substitutes such as reputation, group responsibility and interlinked transactions "Group lending through chamas reinforces loan repayment...members are forced to repay loans to avoid risking the chama's savings which are used as collateral" (Female Bank official, KII). Self-funding and easy access to capital was another way individuals in chamas raised money together that can be used to fund start-ups "….our main agenda is to save money until the end of the year and loan money to members who need it….""….chama helps with investment as I am able to do my own projects with the money…." (Male KII Chama Leader). "…There are also aspects of savings and investments in the chama …" (FGD 2, Chama Members). As part of building financial capital there was the aspect of information gathering from local networks. The chamas were able to gather information at low costs using the existing predefined local networks "…Before membership you'd deal with own problem and being a member you get help from the chama. Before you dealt with your problem individually and now being together helps…" (FGD 1, Chama Members).

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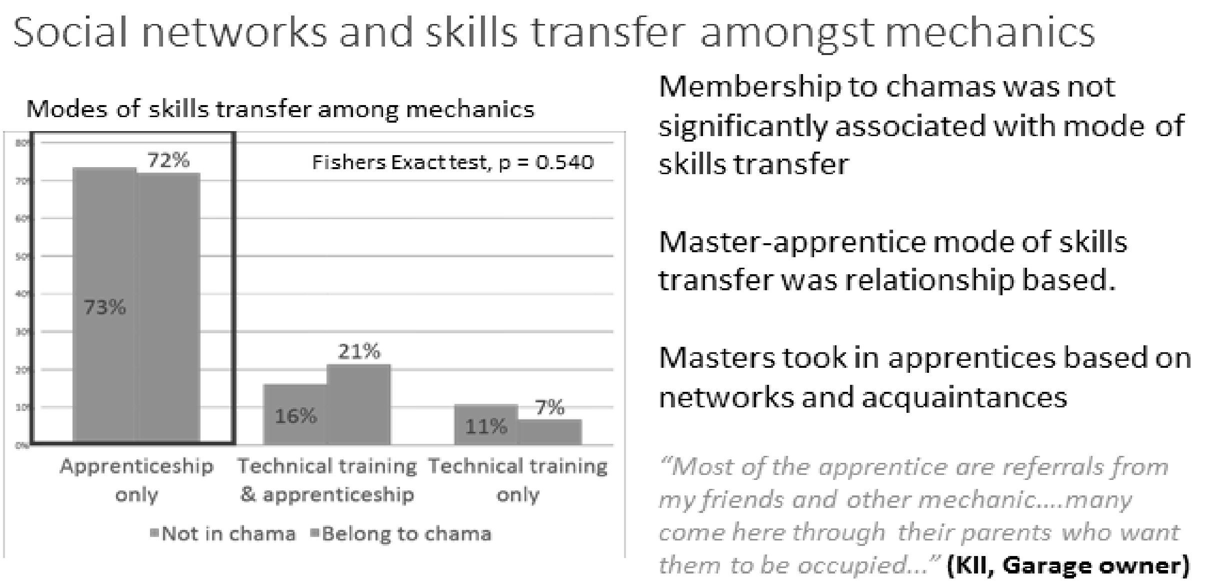

Figure 1: Bar graph showing social network and skills transfer

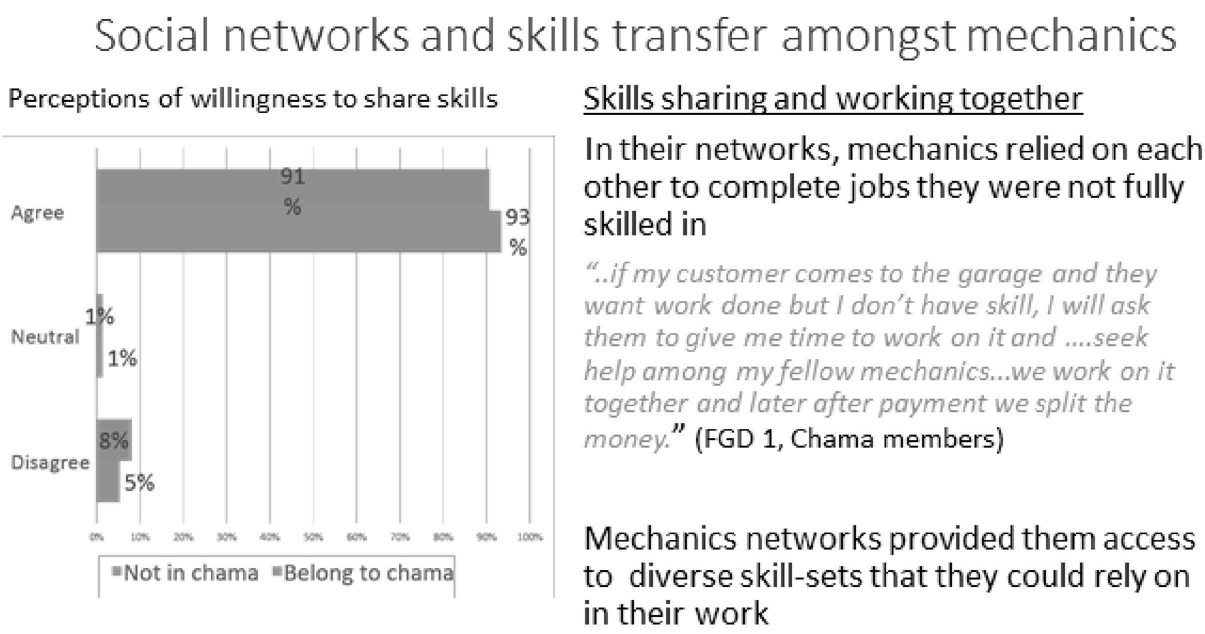

Figure 2: Bar graph showing willingness to share skills

The study found that leaders have a significant influence on building social capital. Leaders breach of trust destroys social capital "There are others that steal money… you hear money has been stolen and you don't know when it was stolen, and people have disappeared…. (FGD 2, Chama members). As they chose their members they look at the history and reputation of the person handling of finances and thus it is a key leadership characteristic "Let's say, if the members elect you as a chairman one of the things that they look at is how you handle finances. As you know our main agenda is money…." (KII 2, Chama leader). The mechanics came up with a way of ensuring the safety and security of the money handled by

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the leaders of the chama "Among the 3 signatories one of them is a garage owner. He can't dare to mess with money belonging to the youth. We made him a signatory to act as security" *(*FGD 2, Chama members).

4. Discussion

The study findings implied that Social capital is strong among mechanics regardless of whether they are in chamas or not, there was evident togetherness in skills transfer and sense of belonging among mechanics and the high need for pooling of finances brought together by a common skill of mechanics in chamas. The study determined that the social capital generated through chama membership enhances access to loans and welfare support. All chamas had a strong welfare component. Trust and financial capital are key factors in sustaining chamas. Skill development has always been assumed to be best passed in formal situations but this study was done to explore and understand the efficacy of the artisans who operate in the jua kali sector.

The study points out the fact that every group of skilled artisans has a space of teaching another one and that is the norm in the jua kali sector. The homogeneous nature of the groups helps to strengthen the resolve to stay the course and achieve the set objectives. The danger of relying on homogeneous groups is the possibility of excluding other groups or creating cartels (group capture) that may hinder the social mobility that they set out to achieve in the first place. It was clear that the members of the collectives are motivated to save and they have seen the benefits. The emphasis should be to let there be inclusivity form other trades. Being in a collective involves risk derived from the fact that people handle money on behalf of others. The potential destruction through poor governance is real and this is made worse when the majority of the members are not good with numeracy. Risk of leaders using members funds for their personal use are common and hence there is need of recognizing the chamas and let them get training. Much as the financial institutions train them, the training is narrowed to the interest of the lender and therefore the members do not get a holistic training that enhances their productivity and life skills. This is a gap that can be filled in future to harness the resources in this sector. Much as these groups seem to have achieved much there is still more to be done to enhance quality and sustainability as it was realized that the number of chamas that do not live on is much higher than those that survive the first two years of formation. The challenge to accessing the funds to join an existing group is real and more so from the perspective of youngsters willing to join the trade but cannot afford to save because they must eat. The purpose of this study was to demonstrate that in the absence of high unemployment and underemployment it is possible to develop soft skill sets that can spur leadership growth in the informal sector. Participation in the economic and social groups enhances skills in decision making, comfort and confidence in public speaking and the voice of the membership is heard in the group leadership.

Commonly in every urban center in Kenya one will find a section of the town that is run by the jua kali artisans and visibly the chamas are present for diverse skill sets. It is not surprising that the skills that feed on to one another also collaborate on making referrals for their colleagues. As an exploratory research the study brings out the uniqueness of contextualization in skill transfer and the role of soft skills in informal training and network building. The change that will be brought about with these groups is incremental and will be achieved over time. This calls for more engagement by the government and other groups that create synergies in all the sectors to create a highly productive society.

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5. Conclusion

The study concluded that Chamas among mechanics are an indicator of the underlying social capital and trust is a key ingredient in building social networks, collaboration and social capital. Social capital should be harnessed to be a vehicle for universal access to micro-credit/ finances to underserved jua kali artisans. The role of leadership in the transformation process cannot be understated. This study can inform development of financial products by micro-finance and banking institutions and form a basis for developing a comprehensive approach for government and other aid agencies to tap and train the manpower that is readily available in this sector for a developed and vibrant nation.

This was an exploratory study and it was carried out in a very small section of Nairobi. Given that the Jua Kali sector is huge there is need to expand the study area and replicate the study to other skill areas and towns. Chamas require training in financial management for them to reach their full potential in achieving their members' goals. The study mainly relied on qualitative analysis another study can be done which uses more of the quantitative approach. This is something the government can take up to enhance a sector that is already employing so many people.

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