

Doctoral Thesis



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THE LOCAL DEVELOPMENT DYNAMICS OF THE THIRD SECTOR IN KENYA: THE EMPOWERMENT DIMENSION

by

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Dedication

*To Rosalia Hugh Mallya my mum; Ida Wambui my wife and; Rosalia Nkafulana my daughter.
Great women who make great things happen!*

*To the memory of my late Sister Gloria Maria Linda and my late son Baby Vincent Kiguru.
Gloria and Vincent we loved you so much, but God loved you more!*

*This research is also dedicated to Amani, an Italian NGO that assists many vulnerable orphan and street children in Africa; mainly in South Sudan, Kenya and Zambia. Visit the site if Amani here
<http://www.amaniforAfrica.it/>*

Abstract

This dissertation contributes to the local development discourse by presenting a third sector perspective from the Sub Saharan Africa. The study examines the third sector in Kenya using a seven point criteria constructed from various schools of thought. The criteria is made of aspects such as organization, autonomy, profit distribution, governance, degree of voluntarism, contribution to social inclusion and extent of entrepreneurial dynamism. It studies selected third sector organizations that include cooperatives, faith based organizations, non-governmental organizations, micro-finance institutions and self-help groups. The study uses these organizations to understand the contribution of the sector in solving social problems.

The study uses different sets of designs, methodologies and data for each of the sections on the third sector actors. In some cases, data are drawn from Kenya Bureau of Statistics, government ministries, UN bodies, the Central Bank of Kenya, and both Kenyan and international public data domains. The section on self-help groups that has been used for empirical analysis uses two sets of data: one from the administrative offices of Riruta Location made of 523 observations and another collected by the researcher from a sample of 122 self-help groups. The former tests success self-rating determinants while the latter tests economic empowerment effects. The study also applies case studies in order to corroborate empirical and statistical findings.

A number of findings emanate from the study. First, the traditional cultural way of life and the cooperative activities amongst different ethnic communities provided important initial conditions for the build-up of the third sector in Kenya. Second, the colonial administration played a role in the formation of the modern third sector through their policy on community development and other policies that encouraged cooperation between government and third sector actors in service delivery. Third, in post-independence Kenya, the *Harambee* concept gave the sector an indigenous image anchored in community dimension, mutual and self-help emphasis. Fourth, the growth of some aspects of this sector suffered as a result of excessive government control between independence to the 2000s. Fifth, World Bank induced changes that swept across Africa in the 1980's to 2000's had both positive and negative influence on the sector. Last but not least, the coming to power of a new government in 2002 brought about an increase in the number of civil society actors.

The third sector in Kenya helps to fill welfare gaps as a result of minimal, absent or shrinking public service spending. Although the term "third sector" is not commonly used in Kenya, its multiple actors contribute in the promotion of social inclusion of marginalized persons and regions. It helps to empower individuals economically, enhancing civic participation, infrastructure building and social welfare provision. Before 1980s the government controlled the sector closely, in the 1990s however it became more autonomous. The sector is also characterized by an explicit pursuance of a social mission, limited profit distribution and a resource mix approach. Though the policies of most of the sectors actors are quite enabling, the policies governing some of the actors are not conducive.

This study is unique in two distinct ways. First, unlike earlier studies which were particularly actor-specific, the study offers a systematic approach to the discourse on the third sector in Kenya with respect to local development. Previous studies looked at the civil societies, non-profit organizations and other individual third sector actors separately. The holistic and systematic approach of this study demonstrates the collective contribution of the third sector in enhancing social welfare and development of the local communities. Secondly, it has explored the challenges faced by the sector which must be redressed in order to sustain its vibrancy.

The study did suffer from lack of quality data. However, triangulation was used to ensure that much is learnt from the available data and to overcome any ensuing analytical limitations.

Key Words: Local development, third sector, social enterprise, social economy, solidarity economy and social innovation

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Above all and everything, I give gratitude, glory, praise and honour to God.

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INTRODUCTION

There is strong evidence that living standards in Kenya have deteriorated over the past two decades. In 1994, Welfare Monitoring Survey estimated the poverty index or the extent of deprivation in terms of longevity, knowledge and decent living standards at 47 percent while in 2004 it was at 56 percent (Mualuko 2007; UNDP 1990).

In recent times, comparable figures of the Welfare Monitoring Surveys are not readily available. However, the World Bank study on Kenya in 2009 found that living standards had deteriorated and poverty levels had risen due to quadruple shocks. These shocks included rapid population growth, the impact of 2007 post-election violence, spike in food and energy prices and the global economic crisis of the late 2000s. Deterioration in living standards transcended lack of material well-being and physical deprivation to include exposure to vulnerability and exploitation, lack of infrastructure, marginalization from civic participation and dearth of employment opportunities (Kristjanson, et al. 2010; Narayan, et al. 1999).

In 2006, the proportion of the Kenyan population suffering from food poverty i.e. those whose total income was insufficient to meet their food needs was estimated at 20 percent (Republic of Kenya, 2006a). Moreover, statistics reveal that more than 50 percent of the Kenyan districts had above 50 percent poverty levels, with the worst performing rural districts recording as high as 90 to 97 percent (Republic of Kenya, 2011b). It is therefore evident that a sizeable proportion of Kenyan population lives in extreme poverty and is experiencing social exclusion.

Since independence, efforts to eradicate poverty in Kenya have been articulated through various government policies (Mualuko, 2007). In the 1960s and 1970s, the policies focused on community development through self-help that was branded as *Harambees* (Republic of Kenya, 1965). Through these policies, communities were encouraged to develop projects through local resources while the government provided recurrent operational costs (Mbithi and Rasmusson, 1977). In 1980s, the

District Focus for Rural Development Policy commonly known as ‘District Focus Approach’ (DFA) was promulgated. Though it failed after sometime, the DFA made a first attempt to decentralize resources through a provincial system to address community challenges (Mulinge 2012). In 1980s and 1990s, the World Bank’s Structural Adjustment Programmes (SAPs) were introduced in Kenya amidst a myriad challenges to help the economy become more market oriented through macro-economic stabilization, privatization and deregulation (Karingi and Mahinda, 2001). From 2003 to 2007, the government initiated the Economic Recovery Strategy (ERS) that allowed several resources to be devolved to the local authorities, constituencies and districts as part of its policy to address poverty (Republic of Kenya, 2003).

The aforementioned plans suffered a number of challenges and could thus not deal a dent on poverty and ultimately help empower people (Obudho, Akatch and Aduwo 1988; World Bank, 2002; 2009). Notable impediments included weak involvement of grassroots structures, poor institutional framework, weaknesses in planning, implementation processes and political manipulation. The previously protected institutions of the poor were put in direct competition with market forces. This had the effect of alienating poor people from basic services thus promoting inequality. Other challenges associated with social service provision included corruption and inadequate technical and administrative capabilities (World Bank, 2002; Rono, 2002; Chitere and Ireri, 2004; Gikonyo, 2009; Kenya National Anti-Corruption Committee, 2008; and Institute of Economic Affairs, 2010). The central government also did not transfer fully decision making powers to local levels which hampered local participation (Mulinge, 2012).

There was a felt inability to correctly identify local communities’ priorities in the above plans. This stemmed from poor involvement of all stakeholders at both planning and implementation levels. The end result was the marginalization of vulnerable people, communities and investment in projects of little significance to the communities (Owanga, 2003). According to Hillman (1991) and Ruto, Ongwenyi and Mugo (2009) some of the communities that faced marginalization included

minorities, rural communities, slum communities, pastoralists, Arid and Semi-Arid Lands communities, communities supporting opposition political parties among others. These communities were severely constrained by lack of quality schools, quality health facilities, poor sanitation, security, lack of clean water and abuse of human rights (Makoloo, 2005). They also suffered from gender disparities where women had little access to opportunities (Suda, 2002).

The challenges brought about by the marginalizing development process in Kenya contributed to the rise in community-initiatives aimed at addressing socio-economic disparities. Apart from contributing to local development, these initiatives have led to the growth of the Kenyan third sector with unique dimensions of self-help, mutual help, voluntarism, cooperation and community action (Kanyinga and Mitullah, 2007). The community-initiatives sought to address social and other types of exclusions, promote equitable wealth distribution and assist in employment creation. They also did provide practical solutions in the mitigation of disasters, promotion of peace, and in finding solutions to a myriad challenges (Chelogoy, Anyango and Odembo, 2004; UNDP, 1990).

The said initiatives are carried out by community/third sector actors made up of formal and informal institutions such as faith based organizations, civil societies, kinship groupings and community based organizations (Chelogoy, Anyango and Odembo, 2004). While the third sector/community-actors may seem to have a little impact at the national level, they have made tremendous strides in the improvement of welfare within their local communities. They therefore complement the public sector by offering services, developing infrastructure and improving levels of policy and civic engagement in Kenya (Kanyinga and Mitullah, 2007).

The Research Problem

Research indicates that the third sector provides solutions to local development challenges manifested in the form of exclusionary dynamics of contemporary economy and politics. It constitutes important innovations which transform the way societies deal with social problems

(Vicari, 2008). It not only takes into cognizance people's needs but also builds on their capabilities. The sector embraces a diversity of voluntary actors and institutional forms that are autonomous from the state (Hache, 2011). Some of the third sector organizations include voluntary and community organizations, charities, social enterprises, and cooperatives (McGuire, 2010).

In Europe and USA, there is a documented evidence that the third sector plays a role in reducing social exclusion (Borzaga and Gui, 2001; Spear, et al., 2001). There is however dearth of information on the impact of the sector in African countries as research in this area is limited (Salamon and Anheier, 1997). In Kenya, for example, the concept of a locally embedded third sector has only been used in limited ways. Wanyama (2002) used the concept but focused narrowly on the role played by community-based groups in transforming the governance structure. Available studies have tended to focus on civil society; non-profits, non-governmental organizations and on the informal sector (Chelogoy, Anyango and Odembo, 2004; Kanyinga and Mitullah, 2007).

The above studies are limited since they do not take into account the social enterprise dimension and other aspects embraced by the sector in its efforts to contribute to socio-economic welfare of communities. The social enterprise dimension is considered to be an innovative feature of the third sector as it enables it to pursue multiple resources which are then used to address social needs (Borzaga & Tortia, 2007). It therefore becomes of necessity to study the organizational form adopted by these institutions with respect to Kenyan legal structures, the political economy of welfare provision, culture, traditions and history. Further, in order to understand their practical contribution, it will be important to examine their engagement in the delivery of social services, promotion of integration for disadvantaged groups and ultimately their contribution to local development.

Contextually, research on social enterprising aspects of the third sector in Kenya is minimal. Closest efforts in this area were isolated studies of institutional actors such as micro finance, cooperatives,

faith based organizations and non-governmental organizations. For example Ndemo (2006) found that some religious communities supported what he referred to as ‘faith based enterprises’ which used market resources and strategies to finance their work. In another research, Kanyinga and Mittulah (2007) ascertained that the bulk of resources generated by most community service organizations were internally generated through members’ contributions or enterprise activities.

Prevailing studies have hence been carried out on specific actors of the third sector. They have however not attempted to demonstrate the universal third sector contribution on a collective, systematic and holistic way. The purpose of this study is to provide contributions towards addressing the identified gap.

Objectives of the Study

The study examines the third sector in Kenya with respect to local development by focusing on faith based organizations, cooperatives, non-governmental organizations, micro-finance institutions and self-help groups. It uses third sector and social enterprise discourses to examine social-welfare organizations. The strength of using the third sector approach stems from its ability to provide an umbrella to all organizations of the civil society and those stemming from the community (Borzaga, Nogales and Galera, 2008). The third sector encapsulates all organizations with an explicit social mission and accords them a particular positioning with respect to state, market and communities (Defourny and Pestoff, 2008). On its part, the social enterprise discourse, examines how third sector organizations use market and other resources to address social challenges in their communities.

The study’s analysis has been developed alongside the following themes;

- The evolution, size, characteristics, role and influence of the sector
- The social entrepreneurial trend amongst the third sector organizations
- The contribution of the third sector in delivering social services
- The impact of the sector on local development

The study examines the relief provided by third sector actors in bridging the gap left by government and market forces in Kenya. Of interest is the degree of sector-innovation in enhancing social inclusion, addressing disempowering dimensions of poverty, helping poor people access welfare through mutual assistance and paving way for eventual grassroots driven economic development. It further demonstrates how third sector actors contribute to the development process by addressing a myriad of social problems faced in Kenya. Some of these problems include distributive problems, conflicts, unemployment, lack of access to health facilities, gender inequalities, hunger and illiteracy amongst others. In providing solutions to these and other challenges, the third sector helps move a sizeable proportion of the poor into the inclusion bracket, assisting them to cross the poverty line (Bourguignon, 2004).

The Structure of the Dissertation

The study has five main chapters. Chapter one presents conceptual framework, relevant empirical and theoretical literature on the third sector and its dimensions. The chapter looks at the background, theories and concepts mainly emanating from developed countries. It then examines the contribution of the third sector in developing countries and explores its innovative characteristics and dimensions with respect to local development.

Chapter two examines evolution of the third sector in Kenya. It starts with a historical background dating back to the pre-colonial era. It presents a descriptive overview of selected actors; faith based organizations, cooperatives, non-governmental organizations and micro finance organizations. This chapter in particular discusses the role and influence of government policies, *Harambee* movement and elements of local culture in the growth of third sector in Kenya.

Chapter three samples out community based organizations also known as self-help groups and accords them a deeper analysis. An in-depth study of the self-help groups is done to deepen insights of the work of grassroots associations in social welfare activism. The chapter uses two sets of data;

administrative data collected from local government offices and data collected by the researcher. From the two sets of data, three econometric models are estimated to test for success self-rating, resource mobilization and economic empowerment effects.

As an extension of chapter three, the fourth chapter examines ten self-help organizations in order to corroborate the former. The chapter provides background information of the selected organizations, success and challenges, their role in the delivery of social services and tests each of them against the seven points criteria; organization, autonomy, profit distribution, governance, degree of voluntarism, contribution to social inclusion and extent of entrepreneurial dynamism.

Chapter five discusses the findings of the study and how it relates to the wider literature reviewed. The discussion is made in accordance with the four objectives and will be enriched by the results of data and theoretical analyses in the preceding chapters. This chapter also highlights specific conclusions and recommendations for policy makers and areas of future study.

CHAPTER ONE: LITERATURE REVIEW ON THE THIRD SECTOR

1.1: Chapter Introduction

This chapter examines local development in the light of the third sector discourse. Its highlights include concepts such as social economy, solidarity economy and social enterprise. The chapter ends by looking at the evolution of third sector in developing countries and provides an import for theoretical and empirical framework.

1.2 Local Development

Several studies demonstrate that local development is about expanding the capacities of development agents in all dimensions (social, political, cultural and economic) of their communities (Chambers, 1999; Mulwa, 2010; Manyasa, Etyang, & Wawire, 2014) . By doing so it helps in strengthening social structures to act in favor of local issues incorporating aspects such as culture, ethical and ideological values (Bennett & Krebs, 1991). Effective local development also offers the possibility of creating solid and lasting foundations for sustainable and graduated anti-poverty interventions (GRIPS, 2003; Isakson, 2007; Amis, 1999). Competencies developed at a regional level become not only the source of competitive advantage but also acts to open way for economic progress.

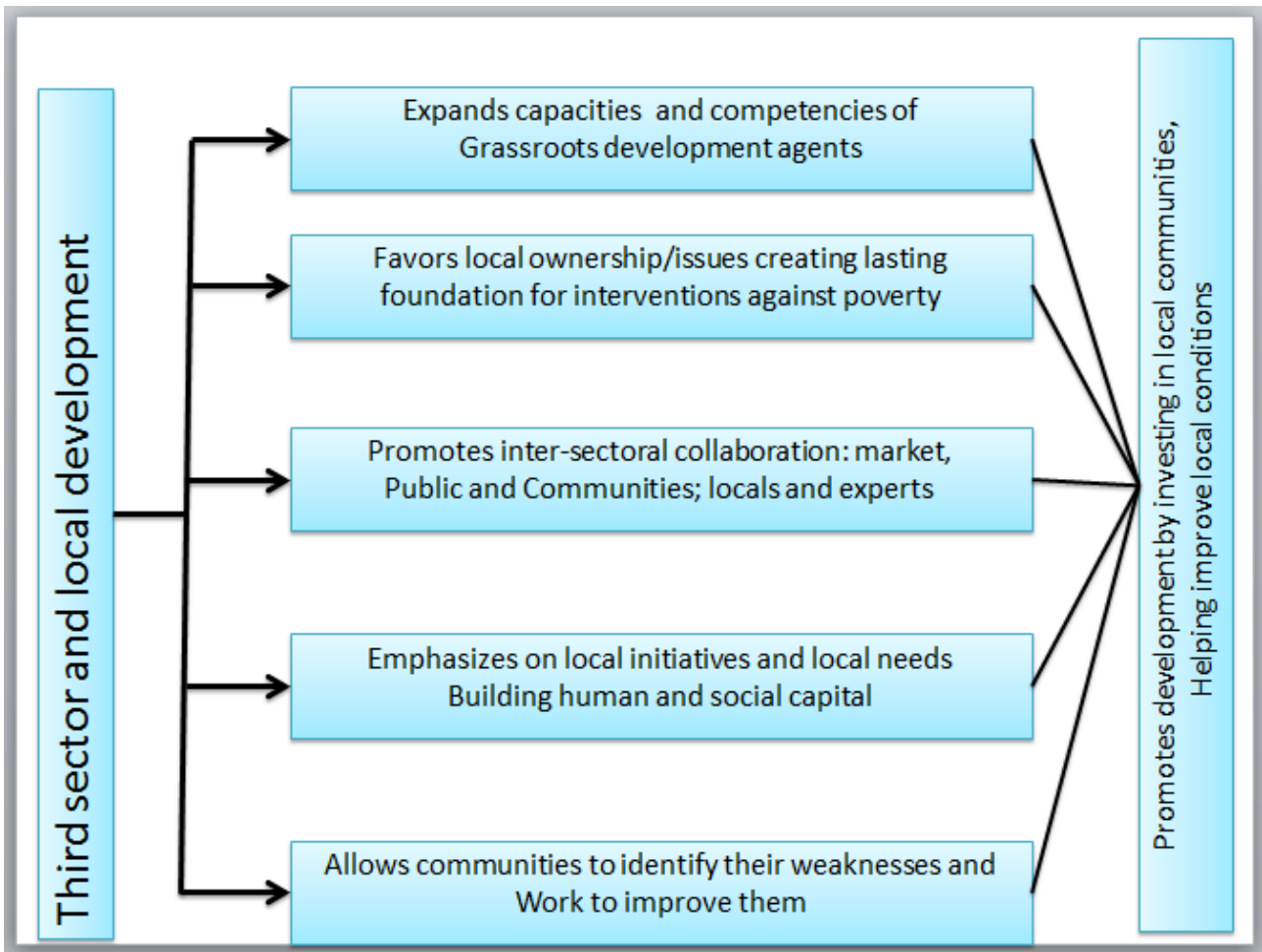


Figure 1.1: Third Sector and local development

According to Swinburn (2006) the purpose of local development is to ensure that human conditions, economic capacity and future prospects of an area are improved. The UNDP (1999) human development report provides dimensions for consideration when working to improve human conditions. They include life quality, education and sustainable livelihoods. Communities are therefore expected to work towards improving their investment climate, increasing productivity of their localities and ultimately promote innovative approaches to poverty eradication. For this improvement to be achieved, a collaboration between the market, state and private sector is needed (Bennett & Krebs, 1991).

An effective local development strategy utilizes strategic resources both market based and non-market to strengthen local initiatives. The market based resources mainly emanate from the private sector while non-market resources emanate from the public and the third sector (Coffey & Polese, 1995). Apart from utilizing the above strategic resources, an effective local development strategy brings together locals and experts in a collaborative endeavor to address existing challenges. By so doing, it addresses barriers of involvement by encouraging participation of communities according to their own ways of organizing (Chambers, 1999).

The primary focus becomes to address the needs and aspirations of local communities through strengthening local social groups, organizations, institutions and impacting the environment positively (Panico, Fleitas, & Barquero, 2002). This strategy emphasizes local initiatives and local participation deviating from the current practice where the “expert led” development mainly associated with the neo-classical economics elevates economic growth at the expense of the needs of people (Mulwa, 2010). It is therefore important that local development should transcend the neo-classical economic growth perspective to account for other dimensions such as local conditions, human capital, social capital and civic abilities (Swinburn, 2006; Manyasa, Etyang, & Wawire, 2014).

There are unique sets of conditions that act to enhance or constrain the potential for local economic development. These conditions include human capital, social capital, employment opportunities, investment opportunities and local innovativeness (Sarker, 2004; Abel & Deitz, 2011; Andriopoulou & Tsakoglou, 2011). Some communities with better conditions and are presumed to be in a better off position while some have a bare minimum of these conditions and hence suffer from poor local development. Weaker communities should work to improve the qualities of these conditions in order to achieve better development prospects. They need to make investments in order to improve the quality of life, create new economic opportunities and fight poverty.

We choose to focus on the third sector as an agent of local development in this dissertation. The third sector promotes development by investing in the local communities and hence helps to improve the local conditions thereby promoting endogenous capacities for development (Borzaga, Nogales, & Galera, 2008). This makes the sector a unique actor of local development as it spurs innovations to address the challenges of local development through pursuing a typology of entrepreneurship that focuses on addressing local problems (Defourny & Pestoff, 2008). Its contributions entail enhancing organic participatory development, facilitating access and use of locally available resources, enhancing bottom up approaches to development and considering local conditions in the pursuance of local development (Birkholzer, 2009).

1.3: Historical Background of the Third Sector

The third sector discourse has been constructed differently in Europe, the United States of America (USA) and other parts of the world (Defourny and Pestoff, 2008). The European third sector is an extension of the welfare state. That of the United States has little to do with the state but stems mainly from individual efforts (Pestoff, 2005b). In other regions of the world the sector has idiosyncrasies that are location specific. These idiosyncrasies may include affluence of a country, the prevailing political system, presence or absence of welfare, local culture and traditions and enabling ambient in terms of legislation and support in terms of resources (Evers & Laville, 2004).

The prominence of the third sector is attributed to inadequacies of modern welfare state among other reasons. The welfare state had made social investments to respond to basic needs of its citizens and accelerate creation of full employment. It failed partly because of the erosion of social capital and individual responsibility (Cameron, 2011). The welfare state was accused of coddling the poor, making them unproductive, dependent and thus delaying social progress. Consequently, instead of creating employment, it gave incentives to opt for voluntary unemployment (Crouse & Waters, 2010). Heavy taxes were also required to sustain welfare, jeopardizing competitiveness and productivity of states. The nature of contemporary globalization, characterised by the quest for

economic growth and search for competitiveness, dictated that an efficient alternative to welfare provision had to be found. Heavy taxation contributed to capital flight as investors looked for countries that had favourable tax regimes (Camdesus, 1998).

The third sector compensated for the weaknesses of the welfare state through offering alternative sources of public services. This explains why different scholars are in agreement on the fact that the sector rose to modernize (Kendall and Knapp, 2000), democratize (Pestoff, 2005b) and to cover for the inadequacies of the welfare state (Defourny and Pestoff, 2008). Its rise contributed to the growth of voluntary activities making citizens actively involved in the production of social services (Osborne, 2008). This participation in the co-production of services enhanced civic participation enabling citizens assume greater responsibility for solving their own problems instead of solely relying on the state.

With the proliferation of the third sector, the welfare state could not continue its business as usual. The sector contributed to the reorganization of the welfare state through encouraging efficiency and effectiveness in the provision of public services (Hopkins, 2010). States also did support it by developing enabling legal ambients in accordance with their different traditions (Defourny and Pestoff, 2008). These traditions were broadly classified as ‘philanthropy’ in United Kingdom (UK) and Ireland; ‘civic commitment’ in the Scandinavian countries; ‘subsidiarity’ in Belgium, Netherlands and Germany and ‘cooperation’ in Denmark, Sweden, Italy, Belgium and France. There were also other traditions where the family played a prominent role in the provision of welfare and they included Italy, Spain, Portugal and Greece. From the different traditions, three main types of organizations emerged; cooperatives, mutuals and associations (Evers & Laville, 2004).

The third sector continued expanding and becoming dynamic after the Second World War (Kendall, 2009). As the sector expanded, so did innovative institutions and associations emerge within it

focused on promoting social inclusion and were viewed as important actors in the socio-political evolution of states. They were in the form of charitable organizations, civic organizations, social enterprises and cooperative endeavours that were based on moralistic, altruistic and voluntary commitments (Defourny and Pestoff, 2008). These associations were also influenced by philosophies such as egalitarianism and solidarity that emphasized an inter-generational debt of responsibilities. The rise of such associations with an over-riding social dimension provided the impetus for the growth of the third sector (Evers and Laville, 2004).

According to a study by Defourny and Pestoff (2008), third sector actors are specifically structured to address needs according to their inherent designs and in response to the prevailing ambient surrounding them. For example, mutual aid societies got entrenched into the welfare government. They were launched in the early 19th century to handle problems of disability, sickness and old age on the basis of solidarity. They later became part of a broader architecture of social security. When compulsory insurance schemes were introduced by states, the mutual societies became the alternative insurance sources (Kendall, 2009).

Cooperatives on the other hand, found themselves in competitive environment prompting them to specialise in activities connected to the work of their members (Hopkins, 2010). Social enterprises rose to address social problems by pursuing a resource-mix approach making them idiosyncratic from other actors of the third sector (Defourny and Nyssens, 2012; Defourny and Pestoff, 2008). At around the same time, various associations arose looking at different aspects of human needs such as health, gender and democracy. They championed for the rights of the vulnerable and liberation of those trapped in the informal economy (Borzaga, Nogales, & Galera, 2008; Lyons, 2001). In several countries such as Germany, Austria and Belgium, these associations became private pioneers of social services and were later supported and regulated by the state (Borzaga and Defourny, 2001).

1.1.1: The European Model of the Third Sector

In a study that sought to conceptualize the third sector at a European level in 2008, images of the third sector from 13 countries of Europe were presented by various scholars under the EMES framework. These countries were Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Norway, Poland, Portugal, Spain, Sweden and United Kingdom. From the study it became evident that the third sector is an integral driver of economic and social progress (Defourny and Pestoff, 2008). Its organizations promoted social inclusion, economic empowerment and environmental justice. They were also innovative in delivering services to vulnerable people. According to the study, the sector was characterized by both distinct legal formations and ethos that put social and environmental interests above economic imperatives. The sector has historically addressed double 'market' failures, where both state and private sector fail to produce or deliver much needed and valued goods and services, or do so in a way that is unjust or unfair (Evers and Laville, 2004).

The third sector comprises of a range of institutions falling in the space between the state, community and the private sector (Nyssens, Adam and Johnson, 2006). Its organizations are value drivers whose objective is to maximize the solutions to social problems. It creates value by embedding itself in a tripolar iteration in between the market, state and community (Nyssens, Adam, & Johnson, 2006). This is exemplified in the manner in which the sector mixes both social and entrepreneurial dimension in response to community challenges. The value created becomes unique from that of conventional economics focused solely on rational calculations, selfishness and profit motivations (Becchetti, Conzo, & Pisani, 2009).

Different countries have contributed in different ways towards its growth. Those in Europe place a limit on surplus distribution while in the USA they place a constraint on distribution of surpluses

(Evers and Laville, 2004). The residual of third sector organizations is principally invested in the organization to further social environmental and cultural objectives (Borzaga and Defourny, 2001).

The third sector gets regulatory and financial support from the state while it also participates in the delivery of public services. The sector also competes with the private sector for market resources. Kuhnle and Selle (1992), model the relationship between the third sector and the state based on resources from the state. They categorized third sector organizations as near or distant depending on whether they are dependent or independent on resources from the state. Pestoff (2005b) instead, evaluated the third sector organizations from a welfare mix perspective, conceptualizing that the sector tapped its resources from the state, the market and the community.

The term third sector helps in providing an all-encompassing umbrella to voluntary organizations helping them overcome the differences amongst different national models (Borzaga, Nogales and Galera, 2008). According to the United Kingdom National Council for Voluntary Organisations (2009), the third sector refers to non-governmental organizations which are value-driven and principally reinvest their surpluses to further social environmental or cultural objectives. The council further defines the third sector to include the following organizations;

- a) Charitable foundations, trusts and general charities whose primary purpose is to award grants to other voluntary organizations, institutions or individuals to undertake works that will contribute to solving social problems.
- b) Civil society: Organizations of the civil society bring people together to pursue their collective interests while helping them to make a positive difference to their lives and/or the lives of others.
- c) Community organizations: Organizations that work within a confined local or regional focus. Community organizations may have a legal status or a constitution but there are numerous groups which have neither.

- d) Cooperatives: These are autonomous associations of persons united voluntarily to meet their common economic, social-cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.
- e) General charities: Private, non-profit making bodies serving persons.
- f) Non-governmental organizations: Organizations working in the fields of global development, social and economic justice and the environment.
- g) Not for profit sector: Include non-profit organizations comprising those that are for private benefit, and those that are non-commercial (for instance housing associations). The category includes other organizations close to government such as universities and hospitals.
- h) Registered charities: Charities registered with the Charity Commission. A charity must register if it has a permanent endowment, a total income of more than Sterling Pounds 5,000 a year or a ratable occupation of any land, including buildings.
- i) Social enterprises: Associations trading for a social purpose. They include cooperatives, community businesses, trading arms of charities and a variety of other businesses that use their trading activity to meet social goals.

1.1.2: Non-Profit Organizations and the Social Economy

Three approaches in the study of the third sector have developed over time depending on different specific traditions and national contexts (Defourny and Pestof, 2008; Borzaga and Defourny, 2001). These approaches are the non-profit approach, the social and solidarity economy approach and the social enterprise approach. The third sector, is the umbrella term embedding all these approaches.

According to Laville, Fraisse and Lhuillier, (2008) social and solidarity economy concepts originate from the French tradition (European Economic and Social Committee, 2006). On one hand the social economy combines legal approaches to ethical and organizational principles but does not place a ban on distribution of profits. Solidarity economy on the other hand, is a type of a

development model that promotes citizen participation in the production of goods and services (Allard, Davidson, & Matthaei, 2008).

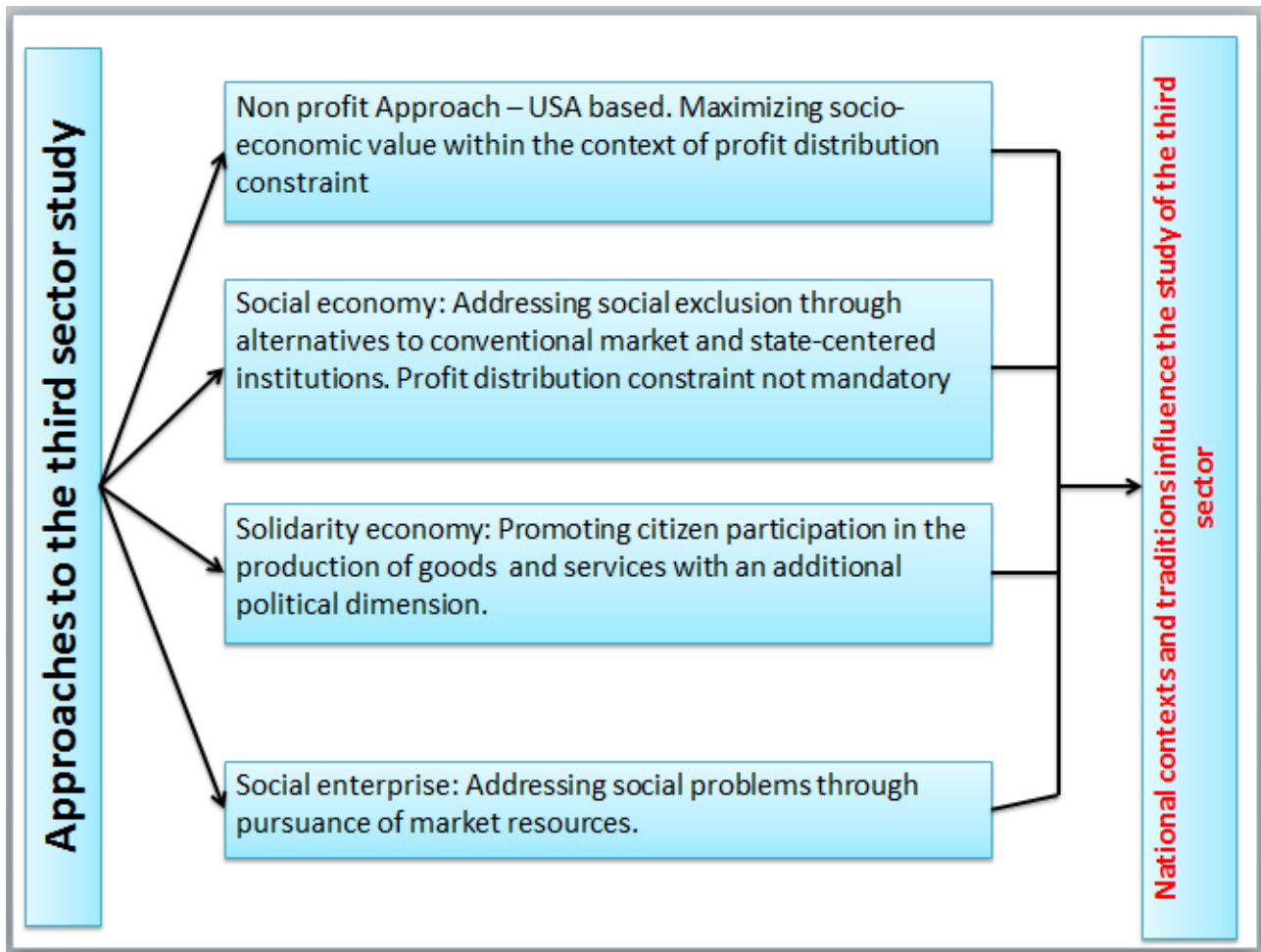


Figure 1.2: Approaches to the third sector discourse.

The social economy helps supplement or complement the existing social order. It focusses on addressing pockets of problems without changing the status quo (Ethan,2010). Through its work, it aims to address social exclusion using alternatives to conventional market and state-centered institutions. The social economy is also seen as a model around which social and economic life of communities are organized so as to help build inclusive economies (Noya & Clarence, 2007). The social economy hence plays an important role in solving problems of socio-economic inclusion and poverty. It fosters citizenship and social capital bringing about the enhancement of democratic

participation . The social economy therefore has an important role of not only improving the lives of vulnerable people but of entire communities.

Viewed in the light of local development, the social economy is a necessary movement towards countering a globalization based on selfish agenda. Accordingly, this type of globalization concentrates wealth in a few individuals (Birkholzer, 2009) leading to the escalation of poverty, marginalization and deprivation in certain localities or communities. Social economy comes in to give globalization a humane dimension. There are a myriad social economy organizations. The European Parliamentary Committee on Social Affairs (2009) defines these organizations as private businesses, independent of the public authorities, which meet needs and demands of their members and those of general interest. These businesses have a capacity for providing innovative responses to social needs that emerge over time. In essence addressing people's needs should be the end of these organizations.

The social economy brings together cooperatives, mutual societies, associations and foundations. The main aim of these organizations is to benefit their members or a larger collective, rather than generating profit for investors (Borzaga, Nogales and Galera, 2008). The social economy organizations embrace democratic decision making processes and may either choose to limit distribution of profits or they may incorporate a non-distribution constraint in their operations (Laville, Fraise and Lhuillier, 2008).

The solidarity economy is also characterised by pursuance of the resource mix approach. By its work it incorporates redistribution and encourages voluntary commitment; promotes a political dimension that looks at the interaction between the economy and democracy (Everling, 2003). According to Ethan (2010) solidarity economy promotes collaboration and commitment aimed at achieving transformative values. It integrates concepts such as reciprocity and redistribution. It also adds a socio-political dimension to the socio-economic dimension thus expanding it (Laville,

Levesque and Mendell, 2006). The socio-political dimension is the aspect that accords importance to the voice of the civil society, while the socio-economic dimension concentrates on the reciprocal dynamics. The solidarity economy is hence viewed from a pluralistic dimension where there are myriad principles and a variety of resources on one hand and intermediacy location dimension placing it in between the public and the market on the other.

The non-profit sector originated in the United States late 19th Century. The sector's organizations mainly arose to supplement public action and help in the creation of public goods (Defourny and Borzaga, 2001). They organizations emerged due to reduced public service spending and to provide essential safety nets in deprived neighbourhoods (Milbourne, 2009). The goals of these organizations over time became to maximize both social and economic values. Accordingly therefore, non-profits fall between the two extremes of social and commercial enterprises. They work to attract grants or through mobilizing resources from different sources including capital investments and other structured capital financing. They however are not allowed to distribute any residuals to shareholders (Emerson, 2000).

During 1960's and 1970's the non-profit sector was assisted to expand through state support. Over time this close connection with the state was withdrawn, encouraging the sector to become independent (Borzaga & Defourny, 2001). The state in order to continue supporting the sector awarded it tax exemption and this has become the main way in which the non-profit sector is legally defined (Dees, Emerson, & Economy, 2001). Organizations entitled to tax exemption are not expected to use their earnings to the benefit of their promoters. Organizations falling into this category implement a range of public benefit activities including schools, colleges, universities, hospitals, museums, libraries, day care centres and social services.

1.1.3: Social Enterprises and the Third Sector

Social enterprises have been defined as new organizations, which constitute a transformation of the third sector. They are an entrepreneurial dynamic within the sector and their organizations are seen as multiple-goal, multi-stakeholder and multiple-resource enterprises (Defourny and Nyssens, 2006). These organizations have complex mixture of goals comprising of social, economic and socio-political goals. They pursue specific social missions to benefit their local communities. The main impacts of their activities are social inclusion and enhanced civic participation thus enlarging the democratic space and production of social capital (Swyngedouw, 2005). They achieve their objectives through enlisting different stakeholders including volunteers, promoters, staff, and beneficiaries amongst others (Evers, 2001).

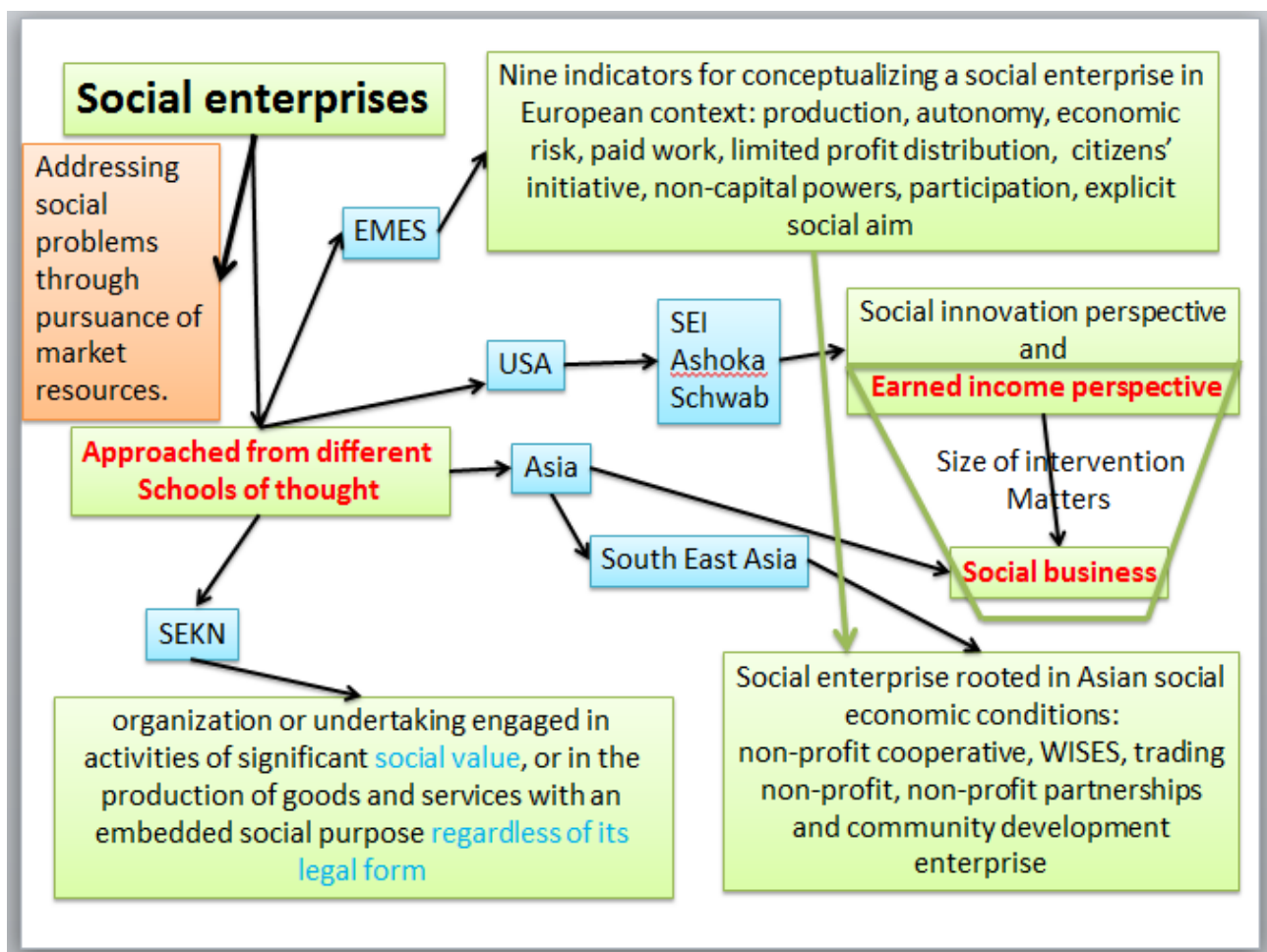


Figure 1.3: Approaches to the social enterprise debate from different schools of thought

Social enterprises help in building bridges between diverse dimensions of the third sector. They are organizations which are active market actors and do rely on market and other resources such as grants, subsidies and other forms of monetary and non-monetary contributions. Conversely, they also address member's needs and other broader community interests (Defourny and Nyssens, 2006). The most important factor used to identify a social enterprise is its explicit social mission in response to needs that are either inadequately met or not met at all by both public and market sectors. Achieving a social impact is the basic motivation on which a social enterprise is founded (Galera and Borzaga, 2009).

The financial viability of a social enterprise depends on the efforts of its members to secure adequate resources to support the enterprise's social mission. These resources can have a hybrid character and come from trading activities, public subsidies and from voluntary resources obtained as a result of the mobilization of social capital. Social enterprises hence can be said to be located in an intermediate space, at the crossroads of market, state and civil society (Evers and Laville, 2004). In this arena they pursue collective action around shared interests, purposes and values.

1.2: A Historical Survey of the Social Enterprise Concept

Dees, Defourny and Nyssens provide a historical account of the social enterprise concept on various accounts. They contend that the social enterprise debate gained prominence in the academic discourse over the last four decades. According to Defourny and Nyssens (2012) this concept surfaced in Europe in the 1990's from isolated episodes such as the establishment of the *Impresa Sociale Journal* in Italy. In the US it can be traced to various writings on the same subject by a number of authors including Dees and Young (Young, 1997; Dees, 1998). However according to Light (2008), the social enterprise discourse is not yet mature as it is yet to determine its rightful space in the fields of entrepreneurship and economics.

Extensive interest in social enterprises caught the attention of policy makers leading to state recognition in different corners of the world. For example, as early as 1991, the Italian government passed a law creating social cooperatives (Vanek, 2001). In time, scholars across the globe directed their efforts to studying the behavior of social enterprises. This interest in the subject led to the creation of different research groups in the world such as the Arnova, EMES, Social Enterprise Initiative (SEI) of the Harvard Business School, European Research Institute on Cooperatives and Social Enterprises (EURICSE) in the University of Trento and Social Enterprises Knowledge Network (SEKN) of Latin America among others.

1.2.1: Europe

The multi-disciplinary journal of *Impresa Sociale*, 1990, was published in the Italian language and offered an in-depth analysis of evolution and development of the Italian non-profit sector (Defourny and Nyssens, 2012). The journal looked at the contribution of the non-profit sector to social and economic growth in Italy overtime, culminating in the study of social enterprise practice and theory as the concept gained ground. It studied the evolution, characteristics, potential and limitations of initiatives of societal benefit organizations with a special focus on vulnerable populations. The journal also highlighted innovations in the organization of human and material resources within the non-profit sector and social enterprises. This journal did in time become an important point of reference for the Italian and European debate on the third sector, social economy and social enterprise discourses (Impresa Sociale, 2009).

The earlier efforts in Europe such as those of the *Impresa Sociale* and other in-country efforts led to the EMES Research Network in 1996. EMES brought together researchers and research centers that had an interest on social enterprises in the European Union (Defourny and Nyssens, 2008). It was able to merge the European national differences by providing a common approach to the study of social enterprises. The activities of this network led to the publication of a seminal European work

on social enterprises entitled “Emergence of the Social Enterprise in Europe” (Borzaga and Defourny, 2001). The EMES Research Network did not provide a precise definition of social enterprise in this pioneering work but identified nine indicators for the conceptualization of institutional features of a social enterprise in a European context (Spear and Bidet, 2010). The first four of these features referred to the economic and entrepreneurial dimension, while the last five dealt with the social dimensions. The features are as follow:

- 1) Continuous production activity for goods and/or services
- 2) High degree of autonomy
- 3) A significant level of economic risk
- 4) A minimum amount of paid work
- 5) Limited profit distribution
- 6) An initiative launched by a group of citizens
- 7) A decision-making power not based on capital ownership
- 8) Participatory nature, involving persons affected by the activity
- 9) An explicit aim to benefit the community

The EMES indicators were not meant to represent the qualification conditions of a social enterprise for any organization but rather they constituted a prescriptive criteria, describing an abstract construction. It was meant to enable researchers to position themselves within the large space of the social enterprise discourse (Fazzi, 2009). Based on the EMES indicators, Defourny and Nysenns (2012) defined a social enterprise as, a not-for-profit private organization providing goods or services directly related to its explicit aim to benefit the community. They further explained that a social enterprise embraces collective dynamics made of different stakeholders in its governing body and that it places a high value on its autonomy, bearing economic risks linked to its activities. Therefore, an ideal social enterprise would be seen as a multiple-goal, multi-stakeholder and multiple resource enterprise. A social enterprise hence refers to a specific type of enterprise

characterized by the pursuit of social objectives and by normative bonds to the distribution of profits (Fazzi, 2009).

The contribution of the EMES Research network was quite important in Europe. The evolution of the discourse and specific features attached to social enterprises were unveiled in the different countries of Europe. It was found that different countries had different ways on how they implemented the idea of social enterprise (Borzaga and Defourny, 2001). European countries such as France, Portugal, Spain and Greece adopted the cooperative model following an initial experience of Italy. This model encouraged private organizations to assist the state in providing social services and fostering integration of vulnerable people. They additionally helped in developing economic activities aimed at work integration of socially excluded persons or long-term unemployed persons and those at risk of exclusion from the labour market.

Other countries such as Belgium and UK adopted company models which had no legal forms but incorporated all types of business corporations that were not driven by profit maximization and enrichment of their members (Defourny and Nysens, 2010). Following the example of UK and Belgium, in 2005, Italy passed a law on social enterprise, not restricting the social enterprise label to a particular form of an enterprise but, enabling various types of organizations including the investor owned to adopt the label of social enterprise (Galera and Borzaga, 2009).

1.2.2: United States

In the United States, the Social Enterprise Initiative by Harvard Business School was created in 1993 to advance studies on innovative techniques for sustainable social progress (Defourny and Nyssens, 2012). The Initiative involved practitioners, academics and policy makers who came together to generate knowledge about social change brought about by social enterprises (Financial, 2010). Through its work, the Social Enterprise Initiative did act as a catalyst for creating social value amongst its adherents. Over the years, the initiative has created over 500 social enterprise

cases and contributed to social enterprise research worldwide (Harvard Business School, 2012). More importantly, the initiative also contributes in the academic formation and consultancy in the areas of social enterprise.

Progressively, foundations such as Schwab, Ashoka and Skoll emerged and were involved in venture philanthropy promoting social innovation as a central dimension of social enterprises (Kerlin, 2006). In the United States, the social enterprise discourse came to be seen in two perspectives; the social innovation perspective and the earned income perspective. The social innovation perspective attached Schumpeterian features of systemic innovation to social enterprises and exalted individual entrepreneur giving him/her, extra ordinary characteristics.

The earned income perspective focused on the pursuance of market resources where profits are in turn invested to serve a social purpose (Defourny and Nyssens, 2010). This perspective is also associated with venture philanthropy where investments are made with a social purpose that goes beyond economic motivations (Yunus & Weber, 2008). Earned income comprises fees charged for services or goods offered by the non-profit organizations. In recent times, earned income has exceeded donations as a source of funds for public charities in the US. However the earned income perspective has also been criticized as it may lead to a mission drift where an organization may concentrate on generating more income at the expense of achieving its social impact (Dees, 2003).

1.2.3: Latin America

In 2001, the Harvard Business School in partnership with business schools of Latin America and Avina Foundation founded the Social Enterprise Knowledge Network (SEKN) to boost the intellectual capital on social enterprise in Latin America. The network was created to promote social enterprise research, teaching and networking. It was hoped that the comparative experiences within and among countries, could play an important role in strengthening management and addressing challenges faced by the social enterprises of Latin America. Over time, SEKN has

developed publications on Latin American social enterprises and helped shape the academic discourse on the subject within the region. SEKN defines a social enterprise as, any kind of organization or undertaking engaged in activities of significant social value, or in the production of goods and services with an embedded social purpose regardless of its legal form (SEKN, 2011).

1.2.4: Asia

From the year 2009 to 2011, EMES enlarged the study of social enterprises to five countries in Eastern Asia namely China, Hong Kong, Taiwan, Japan and South Korea. Opening the study to South East Asia was done with the aim of searching for features of social enterprise dynamics that are rooted in the Asian history, tradition and social economic conditions (Defourny and Kuan, 2011).

The study found five typologies of social enterprises in South East Asia (Defourny and Kim, 2011). One of the typologies is the trading non-profit organization which sought to achieve financial sustainability through the delivery of social services. They charged fees for services or did set up subsidiaries to earn market income. The second type identified were, work integration social enterprises (WISEs) which provided stable or temporary job opportunities and employment related trainings to people at risk of being unemployed. WISEs took the form of social welfare enterprises or certified enterprises or other non-profit endeavours.

The third included the non-profit cooperative in which collective self-employment and unmet needs were pursued on a cooperative tradition. Non-profit cooperatives included consumer, worker, farmer, and cooperatives for the elderly populations. The fourth was made up of the non-profit partnerships where private companies supported non-profits or established joint initiatives with non-profits organization to pursue a social mission. The last typology was the community development enterprise made of multi-stakeholder partnerships between profit making, non-profits making organization and the public in order to promote participatory local development. The last

two characteristics are similar to those established by activities of Professor Muhamed Yunus in Bangladesh. In 1971, he established the Grameen Bank in cooperation with the government while in 2007, he established a Yoghurt Company in cooperation with Danone Company (Yunus and Weber, 2008)

1.3: Social Enterprise, Social Entrepreneurship and Social Entrepreneur

It is evident that the third sector discourse has developed following distinct paths in different parts of the world such as in the United States, Europe, Latin America, Asia and Africa. As the discourse matures and progresses, three concepts have come to be associated with it namely: social enterprise, social entrepreneurship and social entrepreneur (Defourny and Nyssens, 2010). Each of these terminologies displays different contextual and distinct meanings in the field (Hulgard, 2010). Both social entrepreneurship and social enterprise derive their impetus in Europe and USA from the welfare crisis of 1970s to the 1980s, a period when policies on the discourse began emerging (Borzaga and Santuari, 2003). In Europe, social entrepreneurship paved way for the privatization of the public welfare services and brought about an experimentation of state-civil society cooperation (Hulgard, 2010).

1.3.1: Social Enterprises

Social enterprises are directly involved in production of goods and services on a continuous basis. The goods created or services offered are part of the solutions to the challenges they seek to address (Borzaga, Nogales and Galera, 2008). Social enterprises are voluntarily created by a group of people belonging to a community who share a need. The enterprises are governed by these people autonomously and are not controlled by resource providers be they public or private. The promoters of social enterprises assume total or part of the risk of the initiative (Defourny and Nyssens, 2010). They increase the survival of the organizations through providing or helping in resource mobilization.

Social enterprises combine monetary and non-monetary resources, voluntary and paid workers. Many of them however have a minimal number of paid workers. Some social enterprises distribute profit in a limited way while others do not (Borzaga & Defourny, 2001). This helps in avoiding profit maximizing behaviour and ensuring that the organization sticks to the goal of solving the social challenges it faces in the communities. As far as decision making is concerned, the principle of "one member, one vote" applies and not the strength of capital investment. This tenet ensures that all people investing in the social enterprise have equal voices. Beneficiaries are also involved in the decision making process and hence they are not passive recipients of benefits but also part of the solution creation mechanism to the community challenges. They promote responsibility and a heightened civic participation at a local level.

According to Defourny and Nyssens (2010) social enterprise discourse has a conceptual and a location specific theme. These conceptual definitions originate mainly from regional bodies. EMES for example, has given the discourse characteristics based on European experience. SEKN on its part has concentrated on the Latin American situation, while the Social Enterprise Initiative of the Harvard Business School, the Ashoka, Skoll and Schwab foundations have focused on the American experience (Defourny and Nyssens, 2010). Most recently EMES has helped to bring out experiences of social enterprise in accordance to East Asia experience (Defourny and Kim, 2011).

According to Defourny and Nyssens (2012), three important schools of thought on social enterprise have emerged over time; the earned income, the social innovation and the EMES approach. The social innovation models advanced by Ashoka emphasize the heroic activities undertaken by individual entrepreneurs in responding to a social problem in dynamic and innovative ways (Drayton, 2003). The earned income approach is propagated in the social business as developed by Yunus and Weber (2008). Accordingly, a social business is created and designed to address social problems. It is a non-loss, non-dividend business. It is also financially self-sustainable and its

profits are reinvested in the business, with the aim of increasing social impact or used to start other social businesses.

There are similarities and disparities both at regional and global levels with respect to different ways in which the positioning of social enterprises between market, state and civil society has been conceptualized. Social enterprises in the United States are strongly positioned in between the market and the civil society (Defourny and Nyssens, 2012). In Europe, social enterprises are placed at the center of the civil society, market and the state, while in Asia they are placed in between the market and the state with some little involvement of the civil society (Defourny and Kim, 2011). The concept of the civil society in East Asia is nascent and is still unknown to the ordinary people, who are more familiar with neighbourhood or informal networks at different levels (Defourny and Kim, 2011). Apart from the local dynamics, the Asian model is also influenced by schools of thought from both the United States and Europe.

Bode, Evers and Schulz (2004) in their study on WISEs in East Germany, advance the concept of social enterprises as hybrids in which organizations get formed simultaneously by a) public guarantees and interventions; b) concepts and pressures from the market and c) by influences from civil society. They also explain that social enterprises may transcend the well-known forms of hybrids and may adopt other important components. These other important components of hybridization may include a) the mix of resources from the state, market and the community; b) the mixed goal structures and c) a mix in the organizational culture within the domain of the three sectors.

The activities of social enterprises connect entrepreneurship to social realities and vice versa (Steyaert and Hjorth, 2006). By connecting entrepreneurship to social realities, the space of entrepreneurship is embedded into the society. It thus paves way for a multi-discursive construction of entrepreneurship beyond any economic or progress instrumentalist reductionism. Connecting

social issues into entrepreneurship enables social change to happen and leads to community transformation. Hence, social enterprises do express new forms of entrepreneurship. The social enterprise concept stresses social innovation processes undertaken by social entrepreneurs responding to a social problem in dynamic and innovative ways.

Some studies have looked at social enterprises in the light of the size of intervention. According to Drayton (2002) and Light (2008), a social enterprise provides solutions to large scale social problems. The focus on 'size of intervention' restricts actions of social enterprises to large interventions and disregards activities of small social entrepreneurs. That notwithstanding, Borzaga, Galera, Nogales (2008) in their definition of social enterprises included organizations providing access to basic services in their local communities. The size and magnitude of intervention in this case is therefore not important, but the mix between entrepreneurship and social mission. Extending the social enterprise discourse to the general field of entrepreneurship, Dees (1998), sees entrepreneurship as a complex social creative process that influences, multiplies, transforms, re-images and alters the outlook of the space of society in which it is grounded and contextualized. Hence social enterprises do express a new form of entrepreneurship and are therefore establishing a separate domain of interest in the field of entrepreneurship (Borzaga and Defourny, 2001).

Yunus and Weber (2008) equate social enterprises to social businesses. A social business completes and improves the structure of capitalism by emphasizing on the dignity of all people. Social businesses are hence set up to achieve both personal gain and pursue specific social goals. Like other businesses, a social business employs workers, creates goods or services and provides them to customers consistent with its objective. A social business company is evaluated on its ability to create social benefits for those whose lives it touches. It may earn a profit, but the investors who support it do not take any profits out of the company except for recouping an amount equivalent to their investment over a period of time.

A social business company is cause-driven rather than profit driven, and acts as an agent of change to enhance social inclusion. It is not a charity, but a business in every sense and it has to recover its full costs while achieving its social objective. According to Cuskelly and Frances (2008) running a social business, requires a different mind-set from that of running a charity. A social business ensures that there is a good mix of both business and social objectives culminating in a positive societal impact (Yunus and Weber, 2008).

As can be seen above, the understanding of social enterprises is broad. It brings together participants of the social economy, social investors and all organizations whose aim is not profit maximization but improving social impacts through their activities. Birkholzer (2009) looks at social enterprises as local players in development while Borzaga, Depedri and Tortia (2010) and Spear, Defourny and Favreau (2001) see them as agents of distribution of economic benefits to the socially excluded. Though there are diverse approaches towards social enterprises, there are some important elements of convergence which include social, environmental and financial impacts. Despite this convergence, measuring the performance of social enterprises presents a formidable challenge especially on the dimensions of environmental and social impacts (Savedoff, Levine and Birdsall, 2006). Though the social enterprise concept has been subjected to a plurality of definitions and has a context and location specificity, it is generally seen as the pursuance of market resources to finance social objectives (Borzaga and Defourny, 2001).

These enterprises do play a great role to enable the excluded people become active participants of the economy and society. On a wider scale they give globalization a humane face, stripping its tendency to polarize individuals and economies both in the developed and developing world's leading to social as well as territorial exclusion (Birkholzer, 2009). They also promote ecological, cultural and other community goods and services. In a direct way, social enterprises are playing an important distributive role (Borzaga, Depedri and Tortia 2010), fighting poverty and social

exclusion, (Spear, 2001) and are creating jobs and promoting employment for the socially disadvantaged (Borzaga and Loss, 2002).

Economic development pursued for its own sake tends to exclude many people. Social enterprises come in to provide an enabling environment for the inclusion of marginalized people and communities. Borzaga, Galera, Nogales (2008) strengthen this argument by identifying seven contributions made by social enterprises in economic development. These contributions are: a) production and provision of basic services to communities while also targeting individuals who cannot afford them; b) involving different stakeholders on matters of resource allocation; c) empowering communities in making decisions; d) creating employment and integrating those excluded from social economic opportunities; e) contributing to enhancing social capital and strengthening trust networks; f) contributing to the growth and development of remote areas and lastly, g) assisting to incorporate informal activities into the formal sector.

Social enterprises have emerged as potent tools to combat poverty, promote human rights and development at the grassroots levels (Brine, 2010). Because of their local embeddedness, they are able to discover unique solutions befitting a specific context thereby contributing to human and economic development and ultimately to the achievement of the millennium development goals in the poor sections of the world. According to Mair, Robinson and Hockets (2006) social enterprises address basic needs, influence behavior change, help in allocating resources more fairly and contribute to formalizing human rights. Bourguignon (2004) demonstrated the power of distribution in reducing both intra country and global poverty. He argued that, growth combined with equitable distribution of resources enables many poor people to cross the poverty line resulting in a big middle income class and normalizing the income levels in the country. By their work, social enterprises are important additional distributive agents distinct from the state (Borzaga, Depedri and Tortia, 2010).

In addressing the poverty problem, social enterprises are in essence bringing a transformation of the traditional capitalistic paradigm where self-interest is the driving force behind all enterprising activities. The capitalistic paradigm induces the appeal for self-enrichment and creation of individual wealth disregarding other people's conditions. As a result, it introduces a welfare paradigm through transactions that have equity problems. As a result of the equity problem one party to the transaction may be forced to transact against its dignity. Social enterprises could help humanity not only in solving poverty and environmental problems but also in resolving dignity and equity problems.

Social enterprises do also help in the build-up of social capital. In the modern society, relational goods such as trust or friendship require coordinated effort and do suffer from coordination failures. The selfish capitalist processes have contributed in the suffocation of relational goods. Social enterprises come in to fill the void as they are value based and view people as the end and not the means to their mission (Bland, 2012).

1.3.2: Social Entrepreneurship

Though Young, (1999) argues that there is no common conceptualization of social entrepreneurship, Nichols, (2006) contends that social entrepreneurship is a term applied to the activities of grassroots activists, non-governmental organizations, policy makers, international institutions and corporations amongst others. These are organization which address a range of social issues in innovative and creative ways. The entrepreneurial approach to social problems addresses pitfalls of the market, government and philanthropy.

According to Dees (1998), social entrepreneurship combines passion to address a specific social mission with the proficiency of business like discipline, innovation and high level determination. Hence, in addition to its innovativeness and the not-for-profit character, social entrepreneurship can include social purpose business and for profit activities. Examples of social purpose businesses

include profit community development banks or hybrid organizations mixing non-profit and for-profit elements such as homeless shelters.

According to Hulgard (2010), social entrepreneurship is different though closely related to the corporate strategies such as corporate social responsibility, corporate social innovation and the triple bottom-line. These bottom-lines embed the need for survival, addressing the social mission and taking care of environmental concerns. Social entrepreneurship means different things to different sectors of the economy. For example, the public sector in Europe sees social entrepreneurship as an experiment for more participative social policies that are responsive to the needs of the citizens (Ferri and Urbano, 2011). Within the third sector, social entrepreneurship represents a transition of the non-profit and voluntary associations towards becoming market agents. Hulgard (2010), defines social entrepreneurship as the creation of social value, produced in collaboration with people and community organizations. This collaboration results in social innovations that usually imply an economic activity. Conversely, Bacq and Janssen (2011) define the same as entrepreneurial initiatives aimed at ecological, cultural and social change.

Accordingly, social entrepreneurship has four important characteristics; social value, civil society, innovation and economic activity. Social value is linked to improvement of people's welfare through their ability to access basic services. The second aspect limits social entrepreneurship to the civil society, setting it apart from the private commercial sector and the public sector (Young, 2006). The realm of innovation highlights the fact that social entrepreneurship is about developing new approaches to social problems. The activities of social entrepreneurship have an economic impact on both the community and the enterprise (Drayton, 2006). In this case, social entrepreneurship has peculiar set of characteristics that distinguishes it from commercial entrepreneurship and non-entrepreneurial social activities. Social entrepreneurship is hence conceived differently in Europe and the United States due to different conceptions of capitalism and the role of the government in welfare activities (Bacq and Janssen, 2011).

In the United States social entrepreneurship is used to address the challenges of funding the non-profits through the market and their relationship with the corporates. The United States social entrepreneurship model is based on individual actor's financial success and short term financial profits. Social entrepreneurship is also used as a metaphor referring to innovative projects (Drayton, 2006). On the other hand, in Europe, social entrepreneurship is part and parcel of the social economy. This model values collective action where the social entrepreneur is embedded in a network of support that helps his/her enterprise activities to succeed and has a longer term perspective (Hulgard, 2010; Bacq and Janssen, 2011).

There are a number of distinctions that can be made between commercial and social entrepreneurship. Social entrepreneurship comes in to cover for market failure through its social mission. It also has a distinct way in which it mobilizes financial, material and human resources. Its performance measurement is key, making it more accountable to stakeholders (Borzaga, Nogales and Galera, 2008). Alternatively, commercial enterprises are constituted to create profits for their owners. According to Steyaert and Hjorth (2006) social entrepreneurship has two dimensions; the first being the aspect of bringing market orientation to social issues by promoting professionalization of the non-profit and public sectors. The second dimension is that of entrepreneurial activities focused on solving local needs of communities.

1.3.3: Social Entrepreneur

Dees (1998) attaches specific value dimensions to the social entrepreneur who he also refers to as a 'social leader'. Accordingly, the social entrepreneur is envisioned as a value creator, agent of social change and a resourceful pursuer of economic opportunities. As an agent of change in the social economy, the social entrepreneur plays an important role by adopting a mission of creating and sustaining social value. In addition Dees provides that, a social entrepreneur recognizes and pursues new opportunities to serve a specific social mission while engaging in a process of continuous

innovation, learning and adaptation. Consequently, the social entrepreneur acts boldly without being limited by resources currently in hand and maintains a heightened sense of accountability to the constituencies served for outcomes created.

Social entrepreneurs are reformers and revolutionaries in accordance to the Schumpeterian entrepreneur (Young, 1999). They however have an additional dimension of working to achieve a particular social mission. While working to achieve this social mission, they make fundamental changes in the way things are done in the social sector. According to Ashoka (2012), social entrepreneurs have bold visions, and they work to attack the underlying causes of problems rather than only treating the symptoms. By doing their work, they help in the creation of societal changes and bring about sustainable improvements (Thompson, 2002). Social entrepreneurs are also likened to conventional entrepreneurs because they break new grounds, develop new models and pioneer new approaches. Their innovation is captured in the way they structure their core programs or assemble the resources for their work. They also look for innovative ways to ensure continuous funding for their activities as long as they are creating social value. Though innovation is marred by uncertainty and risk of failure, they develop the ability to manage ambiguities and risks as they pursue their mission. They treat failures of a project as a learning experience and not a personal tragedy (Light, 2008).

Though social entrepreneurs may act at a specific locality, their actions have the potential to stimulate global improvements whether in education, health care, economic development, arts or any other social field. Social entrepreneurs are distinguished from commercial entrepreneurs or socially responsible businesses because of their mission to create and sustain social value (Barendsen and Gardner, 2004). For a social entrepreneur, the explicitness of the social mission is fundamental. Their profits are meant to serve a social end and not to be an end in themselves. Social entrepreneurs are evaluated on their ability to achieve social impacts and they focus on long term social returns on investment.

Just like commercial entrepreneurs, social entrepreneurs recognize and pursue new opportunities. Problems within their communities may provide the opportunity to pursue entrepreneurial activities. They are able to do this because they are not simply driven by the perception of a social need or by compassion, rather they have a vision of how to achieve improvement of the community in question (Dees, 1998). According to Ashoka (2012), social entrepreneurs are individuals with innovative solutions to society's most pressing problems. They are also ambitious and persistent. They tackle major issues and offer new ideas for wide scale change. The key element about social entrepreneurs is persistence combined with willingness to make adjustments as they get more experience. Social entrepreneurs never give up, they are constantly in search of ways to surmount obstacles. This is achieved because social entrepreneurs are constantly in a process of innovation, adaptation and learning (Ashoka, 2012).

Social entrepreneurs exhibit a heightened sense of accountability by seeking to have a sound understanding of the constituencies they are serving. They make sure that they have correctly assessed needs and values of the people they intend to serve and the communities in which they operate. This requires close connections with those communities (Leadbeater, 1997). They understand the expectations and values of their investors, including anyone who invests money, time and expertise to help them. They seek to provide real social improvements to their beneficiaries and their communities, as well as attractive (social and financial) returns to their investors (Yunus and Weber, 2008). Creating a fit between investor values and community needs is an important part of the challenge. When feasible, social entrepreneurs create market-like feedback mechanisms to reinforce accountability. They assess their progress in terms of social, financial and managerial outcomes and not simply in terms of their size, outputs or processes (Sayedoff, Levine and Birdsall, 2006). They use experiential information to institute corrections as need arises.

Summarily, social entrepreneurship may be seen as the simultaneous maximization of public good for societal purposes through the increasing use of business like practices and entrepreneurial spirit (Hockets, 2010).

1.4: Third Sector in the Developing World

Salomon and Anheier (1997) present a seminal study of the third sector in the developing world. The study looked at the third sector in five developing countries; Brazil, India, Ghana, Egypt and Thailand. According to the study, these countries had a number of similarities. The first of these similarities was low per capita income, which meant that countries under study had tremendous social and economic needs which were difficult to meet through public and market interventions alone. All countries studied depended on agriculture with a tiny middle class. They were also struggling to democratize themselves, with some having authoritarian regimes.

Welfare spending in these countries was also quite insignificant and fell below 20% of the total gross national product. The fact that these countries had a low welfare budget allocation meant that they would have a big size of the third sector in accordance to the market failure or government failure models. The model posits an inverse relationship between the scale of the government social welfare provision and the size of the third sector.

A close connection was also found between the presence of religious organizations and the third sector activities. This has been attributed to the religious motivated sentiments of altruism and philanthropy (Grier, 1997). Salomon and Anheier postulated that Christianity and particularly Protestantism permit the flourishing of the third sector because of its emphasis on individualism and its strong independence from state control. Gaduh (2012) also found that different religions had different impacts on the rise of the third sector depending on the weight they assigned to charitable acts in terms of time and resources, supporting individual action, commitment to institution building and their relationship with the state.

All the countries studied were dependent on development assistance. For Egypt and Ghana this assistance accounted for substantial portions of their gross national product. Conversely, in India, Indonesia and Brazil foreign aid reliance was insignificant.

Salomon and Anheier (1997) used their common framework made up of five characteristics to study the third sector in these countries. The framework was as follows;

- 1) Organization: third sector organizations possess some institutional reality
- 2) Autonomy: They are private and separate from the government
- 3) Profit distribution: They do not distribute profits to owners or directors
- 4) Governance: They are equipped to control their own activities
- 5) Degree of voluntarism: They have a meaningful degree of voluntary participation

They found that there was a sizeable set of organizations that met the criteria of third sector entities. The sector constituted formal organizations comprising of religious organizations, civil society actors and informal associations of people from various communities. Despite the presence of various organizations, this sector was found to be less developed in all countries under study. The sector was also smaller in comparison to that of the developed world in terms of resources and labour force. The most diffused words used to describe the sector were non-governmental organizations and non-profit organizations. Accordingly, the non-profit sector as a term was used mainly to refer to the non-governmental organizations. This had the problem of locking out many organizations of the third sector. Those locked out included professional associations, social welfare associations, credit and savings associations, self-help groups and other types of formal and informal associational and cooperation oriented associations.

Another finding was the fact that the third sector resources were mobilized from both traditional and non-traditional sources of funding more than sourcing for funds from abroad. Much revenue actually came from domestic sources such as fees, income generating activities and other types of

transactional activities. Country variations also affected the scale and dynamics of the third sector activities. The variations included political regimes, religion, colonialism, constrained social development and legal treatment (Salomon and Anheier, 1997). In particular, the type of political regime determined the vibrancy of the sector. Authoritarian regimes would tend to discourage grassroots cooperation activities for fear that they could be politicized and be used to fuel revolutions (Branch and Cheeseman, 2007). A situation like this promotes a third sector that is not independent and which fits to the prevailing structures avoiding to challenge any excesses within the political order. In essence, the organizations arising in this case will be characterized by passivity and submissiveness rather than empowerment and autonomy.

The major problem of the study carried out by Salomon and Anheier was the fact that it equated the term third sector to non-profit organizations. As has been indicated above, the non-profit organizations are a sub-set of the third sector amongst others such as the social economy organizations and the civil society organizations (Borzaga and Defourny, 2001; Borzaga, Nogales and Galera, 2008). The second criticism anchors on the question of the non-distribution of organizational residuals which is mainly a characteristic of the United States non-profit sector (Avers and Laville, 2004). Most third sector organizations in the developing countries are constituted to help improve the economic conditions of their members despite having community dimensions and hence cannot refrain from sharing their residues (Chelogy, Anyango and Odembo, 2004). This sharing of residues however, does not affect their social welfare contribution within their communities or turn them to profit seeking organizations as they are committed to addressing the social mission that initially brought them together.

1.5: Import for Theoretical and Empirical Research

This study is based on two theoretical approaches; the EMES framework that mainly approaches the third sector from a welfare perspective and one advanced by Salomon and Anheier (1997 and 1999)

in both welfare and non-welfare economies. The two approaches have provided broad frameworks in which organizations of the third sector would be studied. Within the EMES framework, the third sector is conceptualised within the social and solidarity economies. Salomon and Anheier (1997) on their part conceptualise the third sector from a five criteria approach made up of organization, autonomy, profit distribution, governance and degree of voluntarism. With this criteria they studied dimensions of the global civil society from different economies embracing varying degrees of welfare.

In both frameworks, organizations of the third sector are created by individuals and groups of people concerned about endemic social problems in their communities. They aim to deliver social services to the poor and economically disadvantaged populations. Their initiatives become the basis for the establishment of self-help, mutual help, charity and voluntary community action. The frameworks also recognize that the needs of disadvantaged poor people are diverse and do require creative local actors. The EMES emphasis is on the welfare state while Salomon and Anheier emphasize other types of resources. The EMES framework has mainly been applied in Europe and in South East Asia (Borzaga and Defourny, 2001; Defourny and Pestoff, 2008 and Defourny and Kim, 2011). Salomon and Ahneier applied their framework in a more general way to study the third sector in advanced and developing economies (Salomon and Anheier, 1997; Salomon, et al., 1999)

An organization, whether for-profit or otherwise, is a dynamic and an adaptive entity whose survival depends on its ability to perform various activities with greater efficiency. The organization hence, needs to be aware of various comparative dynamics and other factors within its environment capable of influencing its efficiency (Porter, 1985). Third sector organizations' dynamism is embedded along three pillars; financial sustainability, social impact and environmental impact. Salomon et al. (1999) provide that, relationships with both national and international sources of resources are important for the third sector. While these organizations combine entrepreneurship

and social aims in different ways, they do so within the domains of the state, market and community (Borzaga and Tortia, 2007; Pestoff, 2005a).

EMES conceptualises third sector organizations to be at the crossroads of three stake-holding domains; state, market and community. The relationship of the sector within the domains is dependent on various issues such as welfare, legality, local cultures and traditions. Conversely, their ability to address social aims increases and strengthens relations with their stakeholders (Borzaga and Defourny, 2001). These domains help third sector actors pursue financial sustainability through devising incentive mixes to motivate involved stakeholders. Incentive mixes emerge as a key link between stakeholders and organisations, representing the main adaptive modality used by the sector actors to pursue their objectives.

Activities of third sector organizations have positive impacts on communities and environment. They invest to generate social and environmental value as well as social and financial returns (Freireich, 2009). Though there are challenges in measuring social impact arising from data quality, attribution, methodological issues, confounding factors and biases, the localised knowledge and experience of third sector organizations overcomes these challenges (Savedoff, Levine and Birdsall, 2006). Issues of quantity and quality are quite relative as impacts are measured depending on objectives and focus of different organizations. Some organizations may be reaching fewer beneficiaries but having to perform complex tasks as opposed to others reaching many but having less complex tasks to attend to.

The two theories contribute significantly to the efforts of this study to bring out characteristics of the third sector in Kenya. In combining the two frameworks seven aspects of the third sector have been selected made of organization, autonomy, profit distribution, governance, degree of voluntarism, contribution to social inclusion and extent of entrepreneurial dynamism. These aspects will be used to provide a framework of analysis into organizations of this sector in Kenya. The

EMES and Salomon and Anheier's frameworks will translate into tools for creating a common language and an understanding from which further discussions on the subject may be catalysed.

In the empirical section of this study the contributions of the third sector will be testing self-perception of success of self-help organizations against the age of the self-help group, total number of members, number of economic empowerment activities, number of social welfare activities, number of educational activities, number of resource mobilization activities, estimated income and number of challenges.

The premise or hypothesis underlying this study is that third sector organizations must possess certain capabilities in order to be successful. Success of an organization depends on how well it carries its roles and functions, its ability to survive and achieve satisfactory performance (Phelan and Lewin, 1999). It entails the ability to develop specific types of competencies and efficiencies over time enabling the organization to achieve its desired impacts (Ebrahim & Rangan, 2010). Alternatively success may also entail how well an organization's vision is translated into actions and measurable impacts. According to Porter and Kramer (1999) success entails how well organizational plans are implemented or modified with respect to new information received from the environment.

The capabilities tested in this study and have been supported by previous research are:

1. Experience and age: Farinas & Moreno, 2000 using the data of Spanish Manufacturing firms observe that failure rate decreases with age. This means that organizational age determines how well and efficiently its functions are carried out. Hence younger firms are more likely to be concerned with resolving strategic issues such as determining appropriate opportunities, competitive strategy and immersing themselves in the new operational environment (Stichcombe, 1965). They also have little knowledge of the external environmental factors in comparison with older organizations. Younger firms also suffer from lack of resources (Mohan-Neill, 1995). Coad

& Tamvada (2008) on their side found that age has a negative influence on growth, meaning that younger firms are more likely to experience growth more than older ones. Since failure rate is more likely the younger the organization, and higher growth is more likely the younger the organization there is therefore however mixed evidence that firm growth influences success.

2. Membership: Dyba (2005) demonstrates that membership is critical to organizational performance and improvement. Organizations of all kinds including those of the third sector are therefore required to incorporate a sufficient number of members believing in their mission. This is the rationale behind consumer or purchasing groups where members perceive that they can achieve some gains by cooperating with each other (Schotanus, Telgen, & de Boer, 2008). Some organizations such as cooperatives or micro-finance require many members to succeed in their operations. Achieving a certain threshold as far as membership is concerned enables them to get required resources and capital to facilitate their operations and promote their objectives. Since community based organizations are meant to foster development in their local communities, having large membership signifies broad acceptance and ownership (Bhatliwala, 2002). A huge organizational following therefore would connote that the organization is addressing community's felt needs. It would also mean that the development agenda propagated by the organization is popular and is able to attract community investments while assisting in the development of self help capabilities. Schotanus, Telgen, & de Boer (2008) go further to provide preconditions for a successful collective action to include trust, formality, uniformity, common objectives, communication, enforcement of compliance, sharing gains and losses, commitment and support.

3. Economic activities: Using longitudinal data of about two thousand firms, Pandya & Rao (1998) show that firm level diversification has positive impact on performance. The study found that on average, diversified firms showed better performance in comparison to undiversified firms on both risk and return dimensions. The same findings were made by Chiang (2010) who studied diversification among computer software organizations in the USA. Within the third sector this

diversification has been given names such as mixed economy of care (Kendall & Knapp 2000) or the pursuance of a mix of resources (Borzaga & Defourny, 2001). Organizations able to pursue a mix of resources are better able to influence their performance in a better way.

4. Social welfare: According to McMillan (2010) the third sector provides a myriad of social services including employment, personalised and responsive services and others such as social housing and domiciliary care for older people and populations under difficult circumstances. In developing countries this sector plays a bigger role in poverty reduction and in assisting those on the brink of marginalization. Some of the work done by the sector in these countries includes addressing food insecurity, peace keeping, disaster mitigation and lobby and advocacy among others . Despite a great contribution of the sector in social welfare provision there is a dearth of empirical evidence on the same (Pestoff & Brandsen, 2012).

5. Educational activities: Third sector institutions play an important role in education (McGuire, 2010). They are felt in learning and skills provision, especially with respect to the most disadvantaged and excluded groups of learners. The sector has a role to mainstream provision of education for the disengaged or ‘hard to reach’ learners through provision of outreach and learner support services (Hancock, 2013). Educational activities may take the form of establishing schools, vocational institutions and higher learning institutions or alternatively building community capacities on specific areas of interest. There are various advantages of third sector involvement in education especially in the developing countries. Some populations and locations are very remote and do face marginalization, the sector comes in to bring inclusion. On the other hand the sector plays a role in human capital formation

5. Resource mobilization: In addition to the common objective of normal firms, the third sector aims at solving particular problems experienced by communities (Borzaga, Nogales and Galera, 2007). This means that unlike other organizations they need to develop superior abilities to acquire

and maintain resources in order to meet their objectives very effectively (Sheppard, 1995). Third sector organizations therefore have a very specific and unique position in any economy as far as resource mobilization is concerned. Defourny and Pestoff (2008) tried to capture this position by placing the third sector in between the public sector, private sector and the community. This positioning implies that the sector pursues public, community and private resources, pursues both non-profit or profit making strategies and uses both formal and informal means to address and perpetuate its social impacts.

6. Number of Challenges: A certain threshold of challenges is good for the organization and could help boost organizational performance. When an organization is overwhelmed by challenges then it will experience performance problems. These challenges could take the form of collective action challenges (Bennedsen, Wolfenzon, Anderso, & González, 2010), inability of organizational members or the board to fulfil their functions (Hauser, 2013), financial, legal and corruption (Beck, Demirgüç, & Mak, 2002), human capital (Marimuthu, Arokiasamy, & Ismail, 2009) among others. Organizations can only be able to withstand a certain level of challenges without affecting its performance, when this threshold is exceeded then organizational performance is affected negatively.

7. Financial Resources: According to Bretherton & Chaston (2005) there is clear evidence that performing organizations have access to adequate resources. Access to resources becomes a source of their sustainable competitive advantage and superior performance. Though resource dependence approach assumes that access to resources whether financial or otherwise enables a firm to become a better performer there are other views to the contrary (Inmyxai & Takahashi, 2010). According to Grant (2002) having these resources may not be adequate as firms must be able to formulate strategy and to deploy such resources in order to achieve their desired impacts.

8. Gender diversity: Prihatiningtias (2012) found no link between gender diversity and organizational performance in Indonesia. This same result was supported by Marinova, Plantenga, & Remery (2010) using data from Netherlands and Denmark. Accordingly organizational performance is based on individuals. Gender diversity by itself therefore may not lead to improved performance in the absence of a culture that promotes inter-gender collaboration. Consequently, firms may need to carefully consider what added value is likely to result from gender diversity in their organizations. Though gender diversity may not have an effect on organizational performance, it has taken centre stage because of the need to broaden the participation of women in development and lessen their marginalization (United Nations, 2002).

9. Networking: Networks are important for an organization. Padgett (1993) using 1400 to 1434 Florentine genealogy data demonstrates that networks matter. According to this study a less affluent family of Cosimo de Medici was able to outdo a highly affluent family of Sforzi to assume the political leadership of Florence for more than a 1000 years. Other scholars have demonstrated that there is a positive influence of networking on competitiveness in both product or supplier markets. The organization's environment is much broader encompassing its social network of external contacts. These external contacts have implications for the organization's survival and livelihood (Grannovetter, 1983). It is also evident that firms organized in networks have higher survival chances and that prestigious partners help firms go to IPO faster and gain higher valuations than firms which do not have these partnerships (Korir, Maru, Kipruto, & Koskei, 2012).

CHAPTER TWO: THE THIRD SECTOR IN KENYA

2.1 Background

Kenya has a growing third sector which plays an important role in addressing existing socio-economic problems (Matanga 2000). The sector plays an important role in addressing the lack of community capacity that majorly contributes to poverty escalation. It also addresses a variety of issues including; the provision of social services, civic participation enhancement, humanitarian assistance, education provision, improving the skills to sustain better agricultural production, rural and urban micro-enterprise development, sustainable community health services, environmental protection, infrastructure development and employment creation (Sall, 2009). The third sector actors also addresses gender concerns through special support to women and their organizations.

In Kenya, the terms “*third sector, social economy and social enterprises* are quite new as opposed to the terms voluntary sector, civil society organizations (CSOs), non-profit organizations (NPOs) and civil society (Kingoro and Bujra 2009). The civil society is an umbrella term that embeds non-profits, non-governmental organizations (NGOs), community based organizations (CBOs), faith based organizations (FBOs), trade unions, farmers’ associations, academia, professional associations, students movements, service clubs, foundations, trusts, kinship and traditional welfare associations and other socioeconomic and cultural groupings (Chelogoy, Anyango and Odembo 2004; Gamba and Komo 2005; Kanyinga and Mitullah, 2007). Despite the fact that third sector as a term has not been used in earlier studies with reference to these organizations in Kenya, they meet some of the criteria set by Salomon and Anheier (1997) and also do bear semblance to the third sector and social economy organizations in other parts of the world. In this study they will be referred to as third sector organizations.

In Kenya, the third sector is made up of formal, quasi-formal and informal community service organizations. Formal organizations are those that have a clear registration regime. Quasi formal

organizations have no clear registration regime while the informal associations such as cultural and kinship and neighbourhood groupings are not registered at all, but do play a socio-economic empowerment role to their members.

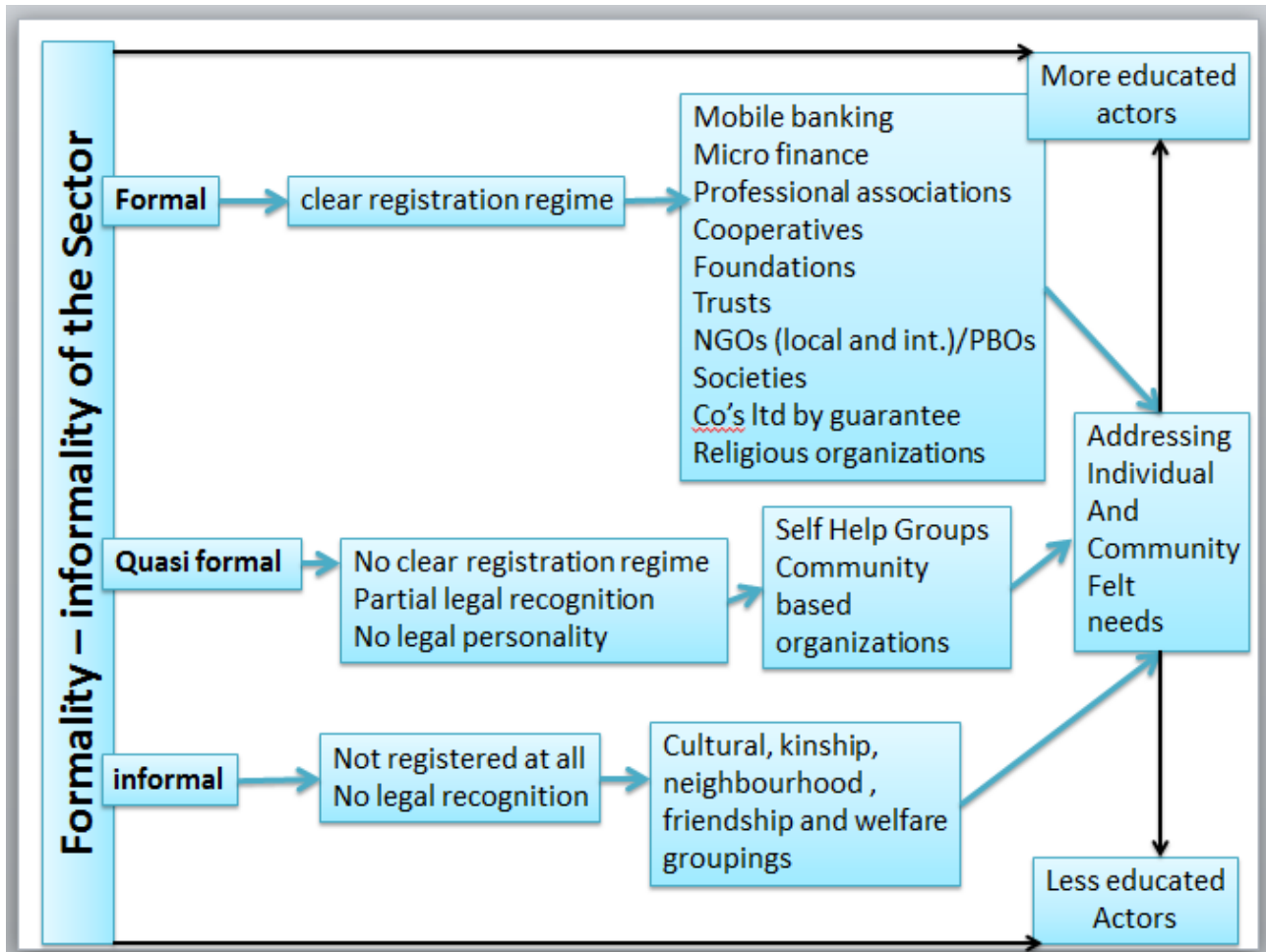


Figure 2.1.1: Formality-informality continuum of the third sector in Kenya

These organizations (formal, quasi-formal and informal) address challenges faced by economically disadvantaged people. They are present in remote and backward regions where for-profit firms would find it unsustainable and unprofitable to invest or where the government has allocated little resources. Their work sustains economic development at micro levels. Their contribution is quite unique and distinct from that of the private sector (market) and the public sector (government) (Omiti and Nyanamba, 2007).

The growth of the modern Kenyan voluntary sector can be traced back to the colonial period in the 1900s. It included NGOs mainly linked to churches and voluntary and charitable organizations (VCOs) that were concerned with social welfare. Among the earliest non-governmental organizations to operate in Kenya were the Young Women's and Young Men's Christian Associations (YWCA and YMCA) which started operating in the early 1930s (Chelogy, Anyango and Odembo, 2004). Earlier on, in 1908, the first cooperatives were established to market agricultural produce for white settlers. Up to 1940s cooperatives and associations were a preserve of White Settlers as the colonial administration discouraged natives to form or join them. The colonial prohibition was relaxed 1945 leading to the formation of several Kenyan-based associations, cooperatives and other charitable organizations concerned with welfare and survival needs (Cooperative Alliance of Kenya, 2009).

Since gaining independence in 1963, the successive regimes in Kenya have intermittently sought to incorporate third sector organizations in combating poverty, illiteracy and disease. This is because government alone is unable to address the challenges effectively (Wanyande and Okebe, 2009). In the 1960s, churches were the largest providers of social services including health care, primary and secondary education. Other important players of the sector were NGOs, cooperatives and self-help groups. Micro-finance joined the fray in the 1980's.

The Kenyan third sector also comprises international NGOs. International NGOs invest their resources to address poverty challenges, strengthen the Kenyan institutions and develop the capacities of local civil societies. The third sector in Kenya is unique because it contains the informal organizations who operate without registration or any license respectively (Republic of Kenya, 2009a). Informal third sector organizations are not formally recognised in law, hence exposing them to a myriad challenges including lack of access to markets and related benefits, limited access to information, infrastructure, lack of linkages with important networks and inadequate access to business skills and technology (Mittullah, 2010). Formal, quasi-formal and

informal civil society organizations have made a unique contribution in the constitution of the third sector in Kenya. Their contributions are tied to the specific type of sector challenges, registration or non-registration, degree of formality and informality, associational problems and resource related issues.

In line with the foregoing discussions, the objectives of this chapter will be to provide a general picture of the work done by some of the third sector organizations in Kenya. The chapter presents a descriptive analysis of faith based organizations, cooperative movement, non-governmental organizations and micro finance institutions respectively. These organizations have been chosen because they display third sector attributes while working to address community based challenges.

The following themes will inform the study of the said organizations:

- History, events and important influences attributed to the work of the specific organizations
- Characteristics, institutional nature, relevance and viability, size and potential
- Effectiveness in solving the socio-economic and welfare challenges
- Entrepreneurial dynamism

Important historical influences on the third sector in Kenya have also been studied at length in this chapter, and they include; the pre-colonial cooperative activities amongst the different communities, activities of the colonial government and activities of the post-independent Kenyan government in regulating and supporting the sector and lastly cultural contributions to the growth of the sector through the *Harambee* spirit.

2.2 Policies and Cultural influences on the Growth of the Third Sector in Kenya

2.2.1 Pre-Colonial Kenya

The traditional Kenyan practices in various communities give strong proof that cooperation and self-help culture existed long before the onset of colonialism. Traditional practices were either in

the form of household work (Martin, 1990), communal work or contribution towards individual and communal causes (Hakansson, 1994). The indigenous communities of pre-colonial Kenya developed different names for self-help and cooperation activities (Mbithi and Rasmusson 1977). Among them are *King'arua* among the Taita, *Bulala* among the Luhya, *Ngwato* among the Kikuyu, *Nyoluoro* among the Luo, *kithinga nyumba* for the Meru, *kipagenge* among the Kalenjin, *iskashato* among the Kenyan Somali, and *egesangio* among the Kisii to name just a few (Ouma 1987).

According to NGO Law Monitor (2011), traditionally, Kenyans lived in communities characterized by strong patterns of social ties and relations. People came together to promote mutual interests, pool resources, express ideas and participate in the governance of their communities as the communal structures afforded them the vehicles to do so (Ochieng, 1991). These structures included ethnic and kinship groups, such as families, clans and lineages, as well as councils of elders and age groups (Sobania, 2003).

The traditional society was characterized by collective ownership. Community members were responsible for producing needed goods and services and ensuring that basic needs of all members were met (Ouma, 1987). They would also assist each other in times of difficulties and hardship (Kenyatta, 1965). The same traditional spirit of mutual aid that existed and functioned during the pre-colonial times found a new expression in the late 1960s when the *Harambee* movement came to epitomize a national self-help movement (Ngau, 1987).

2.2.2 Colonialism and Local Community Development through Self-help

The contribution of the colonial government in developing cooperation and self-help ideas amongst Kenyans took the form of community development approach that was focussed on addressing social welfare (Wallis, 1976). Community Development had its origins in the British colonies in 1922. The objective of this strategy was to provide adequate community-based skills to Africans. In order to accelerate community development of the natives, in 1925 the British Education Policy in

Tropical Africa focused on addressing the welfare of the community and inculcating ideals of citizenship and service (Martin, 1990). In 1935, the policy focused on cooperation, initiative and self-help, aimed at improving the conditions of the native communities (Smyth, 2004).

In 1944, community development activities were directed towards implementing mass education (White, 1996). Schools in the colonies were divided into three categories; village, regional and urban and had a role to educate the local population. The colonial government also created schools to educate a native elite that could serve at the lower ranks of the colonial civil service. Alongside education, efforts were directed towards fostering democratic values and enhancing cooperation. Strengthening democracy was considered fundamental in order to change people's lives for the better. Mass education on the other hand was implemented to eliminate illiteracy among the young and the old members of the community. Mass education strategy was adopted in Kenya because it had been applied successfully to educate the working populations in Britain (Brockliss and Sheldon, 2012). In 1947, the British Colonial Office developed a paper with a focus on local government in Africa. At this time, and in successive years, more efforts were laid on reforms and development of colonies in preparation for the creation of self-government among the natives. Hence, the colonial government started encouraging programs that stemmed from local initiatives (Holford, 1998).

In 1946, a Social Welfare Organization was established as a section of the colonial administration to spearhead community development endeavours. From 1950 to 1961 this organization was headed by the Commissioner for Community Development. Later, from 1954 to 1963, the Social Welfare Organization became a department of the Ministry of Community Development. Under the Ministry of Community Development, Kabete Jeans School, later named *Kenya Institute of Administration*, was established in 1925, for purposes of training village guides (Republic of Kenya 2009a). In 1946 it trained Social Welfare Workers who later became Community Development Assistants.

Between 1946 and 1952, several social (community) welfare centres or halls were constructed in Kenyan Districts (Mwiandi, 2006). The centres played a community empowerment role by providing informal education, venues for meetings, and enabling social interaction and recreation to take place. These centres were managed by Community Development Assistants with the help of District Officers for Community Development (Wallis, 1976).

The end of the Second World War marked the beginning of major social welfare work. During this time, Family Remittance Officers, later known as Civil Reabsorption Officers, were posted to some districts to help the veteran soldiers in reintegration into the society (Lewis, 2001). In 1949, Civil Reabsorption Officers were re-appointed as District Officers for Community Development. The settlers however did not support the new created roles of the District Officers for Community Development, leading to their eventual disbandment.

At the same time, the colonial government also encouraged women's self-help work amongst the African communities (Wiper, 1971). This self-help activity took the form of spinning and weaving at small centres, which were established and run by European women. The centres later grew into District Home Craft Centres or District Training Centres. Several women from the centres formed women's clubs once they returned to their native communities. By 1950's women's clubs had been established all over Kenya. In the same year, these clubs were placed under the women section of community development (Wallis, 1976).

In the late 1940s the community development approach changed its focus from social welfare activities to community betterment. Later in 1950s, women's clubs also became involved in community betterment activities (Wallis, 1976). The community betterment work done included fencing, pit latrines construction and improvement of houses. In 1957, Community Development Officers replaced community development assistants and had the role of implementing community betterment work. The community betterment work during this time also included soil conservation,

homestead improvement, farm planning, building of cattle sheds, bush clearing, construction of roads and constructing water dams. This work was done by self-help groups and continued up to 1963 (Berman, 1992).

While implementing the community betterment work, the colonial government used force to get people to work (Martin, 1990). People were not remunerated for their participation in community work, instead they were penalized for non-participation. Hence, people viewed the idea of community development negatively and they loathed it (Mbithi and Rasmuson, 1977). Despite its challenges, with time, Community Development activities took the form of provision of social welfare centres, training institutions for community development workers, setting up agricultural pilot schemes for demonstration purposes, establishment of women's clubs and community betterment work (Lewis, 2000).

There are a few reasons that justify the efforts of the colonial government in initiating community development approach in Kenya. Firstly, the Cold War presented a threat of proliferation of communism in the world (Martin, 1990). The USA saw community development as a strategy which could build stable domestic societies, and as a result help check the communist threat. The USA therefore, invested in community development propagation in Kenya through the colonial government. Secondly, this program was restricted to African areas as a measure to reduce tension between Europeans and the natives (Mbithi and Rasmuson, 1977). The tensions at the time were as a result of the European settlement into large arable areas of African land, forbidding Africans from growing cash crops, restricting free movement of Africans and racial discrimination in all walks of life (Honsby, 2012). Hence, it was hoped that the community development programme would contain Africans in their localities by keeping them occupied.

The community development approach was criticized by Mbithi and Rasmuson (1977) for having had several weaknesses. First, force was used to coerce people to do community work, hence

making it punitive instead of being seen as a development tool. Secondly, as a planning model, community development emphasized generalized methods of implementation and was intolerant of competing and better ideas. It also ignored micro level variations by being insensitive to various localized contexts. Thirdly, abstract development planning was considered superior and was imposed on communities. Knowledge was also presumed to only flow from top down, hence the grassroots voices in the development discourse were quelled and forced to become passive. Trained community development officers were considered more knowledgeable in comparison to the community members with whom they worked together. The approach also fostered human rights abuses by constraining the natives in settlements and diverting their attention from actively pursuing their rights.

2.2.3 Development Endeavours in Post-Independence Kenya

The end of colonialism left Africans with an increased number of unmet needs and gaps, especially as modernization under colonial rule had changed the African habits and expectations (Jennings, 2008). This meant that, during the initial years of independence, countries had to struggle to find creative ways of addressing these gaps (Amutabi, 2009). Some countries tried and registered notable successes, challenges and frustrations in planning and implementing development endeavours. Much of the frustration was based on inability to achieve broad based development for rural populations (Kehinde, 2004).

As a result of weak colonial legacy, most African development programmes at independence proved to be weak, alien and irrelevant to the nature of grassroots developmental effort (Mbithi and Rasmusson, 1977). This realization made several countries attempt localized approaches to development in order to improve self-reliance through the use of indigenous resources. This was to ensure that projects were designed to meet local needs. For example Tanzania adopted the *Ujamaa* (communitarianism) policy. This policy was created to propagate African socialism, family values

and brotherhood (Nyerere, 1987). *Ujamaa* was built on the assumption that capitalism was exploitative and prone to cause class conflict amongst the poor and the rich in Tanzania. It aimed at introducing a classless, non-exploitative society characterized by equitable distribution. Unfortunately, *Ujamaa* failed to address opportunism amongst the elite and was therefore met with mass resistance (Ibhawoh and Dibua, 2003). The Tanzanian government on its part used force to ensure compliance to the policy in order to make *Ujamaa* successful (Boesen, Madsen and Moody, 1977).

Another example is that of Zambia, where a policy of *Humanism* was introduced. *Humanism* aimed at creating a unique value economy based on African and Christian heritage. The government took stakes in most enterprises in order to discourage exploitation by owners of capital. In the late 1980s it was estimated that 80% of the Zambian economy was made up of state run enterprises. Unfortunately, the nationalized industries later became wasteful and inefficient (Bigsten and Mugerwa, 2000). Both *Ujamaa* and *Humanism* failed to attract grassroots support and were seen as top-down development strategies. They did not generate popular support and participation from citizens and were characterized by government high-handedness. Hence, they had little chance of withstanding the sweeping democratic changes dictated by the structural adjustment programmes in the 1980s. The *Harambee* policy in Kenya did manage to survive however, though with enormous challenges and tensions between the elite and the masses (Ngau, 1987).

The national development approaches propagated immediately after independence were meant to meet needs that the colonial state had either explicitly ignored or had paid scant attention to (Young, 2004). This was the case of the *Harambee* movement in Kenya, which was able to express itself both at the elite level and also within the networking endeavours of grassroots village communities. The associational activities of these village communities were later seen in the light of “the economy of affection” (Heyden, 2006). The economy of affection was built on notions of trust and mutual obligation. It provided entitlements not only to daily subsistence but also to

assistance in times of stress. Accordingly, the economy of affection characterized the mode of existence within and outside the formal structures. It provided a safety net for the poor and also served to enhance development by transferring surpluses from the formal to the informal sector and vice versa. At the same time it incentivised the poor to provide resources to build up needed development infrastructure within their community. Even when the formal institutional structures expanded their mandate, the economy of affection continued to provide for those in need.

2.2.4 Post-Colonial Reorganization of Kenya's Development

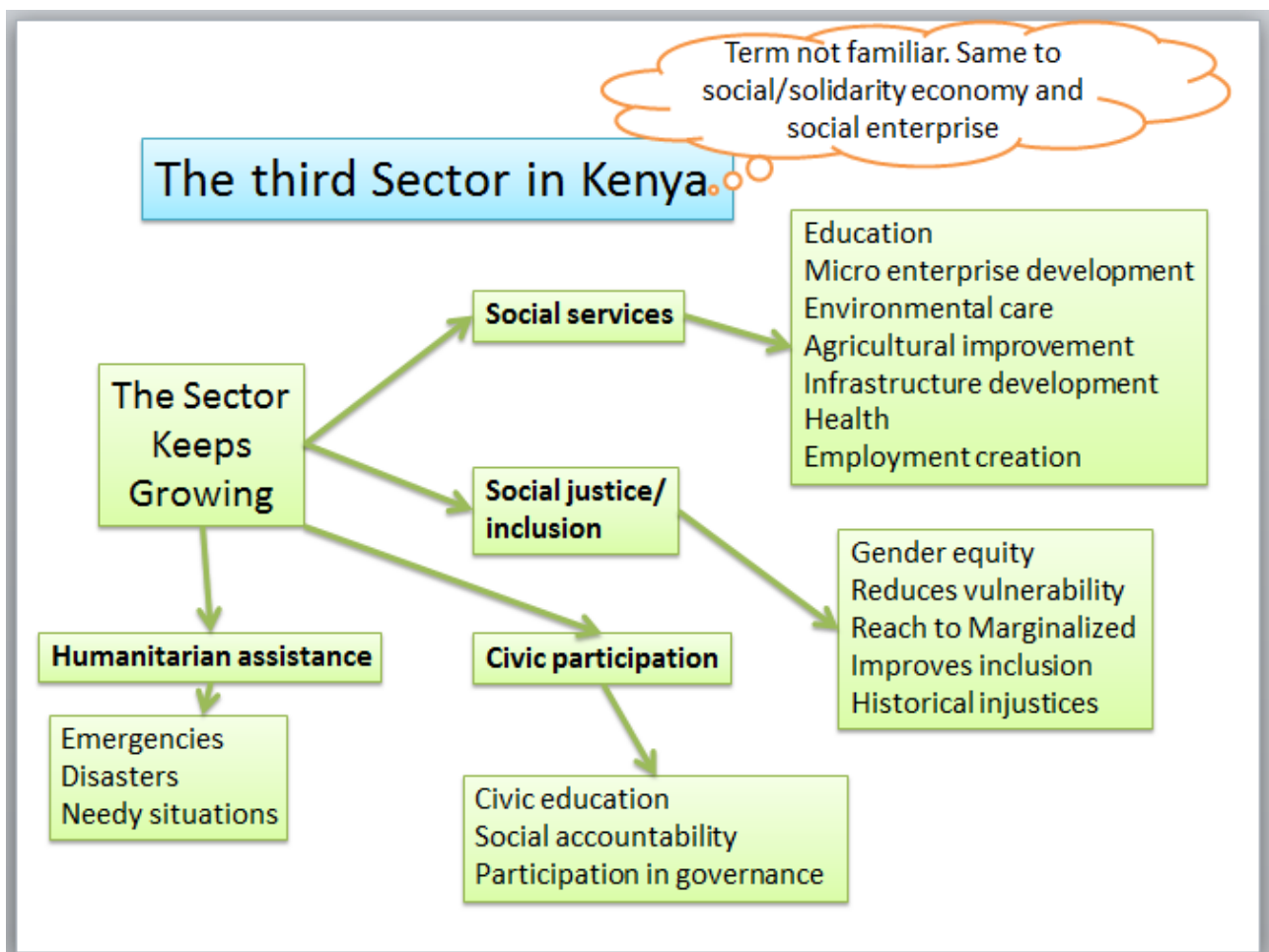


Figure 2.2.1: The work of the third sector in Kenya

In mid-1960's, development committees were established at the provincial and district levels, alongside the creation of posts for provincial planning officers and District Development Officers.

The role of the above committees and officers was to ensure the coordination of rural development work at district and provincial levels (KHRC and SPAN, 2010). This was followed by the 1974-1978 Development Plan that consigned the district to as a planning unit while entrusting District Development Committees with the responsibility for formulating and administering district plans. In 1983 the government redefined the District Development Committee's role as District Focus Approach (Wallis, 1990). The District Development Committee was made up of the District Commissioner, District Development Officer, departmental heads of all ministries represented in the district, leaders of the national party, clerks of local authorities and representatives of development oriented parastatals.

Though the District Focus Approach as a tool was developed to empower rural populations, it failed in this mission and instead served to constrain popular participation in planning, implementing and evaluation of programs (JICA 2008). The District Focus Approach organs made of provincial and district development committees were in reality established as a reaction to the perceived need to control self-help and associative activities. The two development committees exercised this control by discouraging self-help activities and meetings of perceived political opponents. They also only provided financial support to economically oriented projects that made substantial use of labour and were in line with government policy. The policy that time, categorically rejected social projects for fears that they could easily be politicized (Branch and Cheeseman, 2007).

2.3 The *Harambee* Self-help Movement in Kenya

2.3.1 Background

The term *Harambee* is commonly used in reference to cooperative, mutual and self-help socio-economic development efforts in Kenya. *Harambee* embodies ideals of cooperation, mutual assistance, joint effort, mutual social responsibility and self-reliance. It is seen both as an informal grassroots development strategy (Akong'a, 1988) and as a formal strategy that mobilizes resources

for local development (Godfrey and Mutiso, 1973). It is a tool that contribute to the process of development by blending together efforts of the people, community service organizations and the government in a co-operative endeavour (Male, 1976).

Harambee has a deep cultural meaning in Kenya and various activities are associated with it (Mbithi and Rasmusson, 1977). The term was popularized during anti-colonial political activism in the 1950 and 1960s (Odinga, 1967; Ouma, 1987). After independence the term was mainly used by Kenya's political elite in their speeches to connote mutual self-help activities (Chepkwony, 2008). Most common definitions of the term *Harambee* are "pulling together", "pooling together" or "mutual assistance and development". People at the grassroots see *Harambee* self-help groups as a way to solve their individual and community socio-economic and welfare challenges (Male, 1976). The development planner on the other hand sees *Harambee* as a tool to mobilize additional resources for local development (Republic of Kenya, 2009a). Hence it is a way or a strategy in which development and welfare of the people is enhanced.

The origin of the term *Harambee* has been a bone of contention among scholars. According to Ombudo (1986) the term *Harambee* originates from a Bantu word *Halambee* that means "let us pull together". The word was originally used by porters at the coastal parts of Kenya like Mombasa, Lamu, Malindi and later throughout the country. Sobania (2003) attributes the term to a Swahili work slang or work gang cry that comes from two words "*aaa*" which means "ready" and "*mbee*" meaning "push". According to Transparency International (2001), *Harambee* is a colloquialism of an Indian origin which translates to pooling effort. The word entered Kenya via members of the Indian community employed in Kenya-Uganda railway construction during the colonial period. Etymologically, it is derived from two words "*Hare*" meaning "Praise" and "*Ambe*" meaning one of the Hindu Gods associated with wealth and good health. These words would be shouted in different turns by supervisors and other workers during times of collective strenuous effort.

2.3.2 Harambee and Kenyan Nationalism

Harambee is also considered as an integral element of Kenyan Nationalism. The word was adopted as a political slogan to ignite nationalistic feelings against colonialism in the 1950s and as a development slogan in post-independence Kenya (Odinga, 1967). It has also been engraved in the Kenyan coat of arms (Chepkwony, 2008). It encourages Kenyans to give their best in order to complete any task at hand for self, mutual and community development. *Harambee* therefore is a unique Kenyan institution, rooted in the African tradition of mutual responsibility. In traditional communities, people pooled efforts in activities which required intensive labour such as hut building, cleaning virgin land and bringing in the harvest (Ouma, 1987). *Harambee* has also been described as a way of life in Kenya and a traditional custom for Kenyans (Republic of Kenya, 1979). Accordingly, the word *Harambee* is used to symbolize micro and macro self-help aspects of local development in Kenya. It became a major social-political and economic force for both rural and urban societies (Male, 1976). It is evident that the *Harambee* Movement became a complicated composite dynamic of both grassroots and elite interests.

One of the first major national *Harambee* efforts in the 1920s raised funds to send the would be Kenya's first President to England to petition the British Government for the return of African lands (Transparency International Kenya, 2001). Following independence, *Harambee* was integrated into the development strategy as a form of cost sharing between government and project beneficiaries. Initially beneficiaries contributed cash, materials or communal labour to government initiated projects for example laying water pipes and providing labour for rural access roads (Thomas, 1980). The concept evolved quickly as communities started initiating projects such as schools, health centres, and water projects. which they would finance by public fund raising on the expectation that the state would provide the recurrent expenditures (Ngau, 1987).

2.3.3 Harambee and Development Resource Mobilization

At a national level, *Harambee* was envisioned as a key strategy to pool resources in a bid to promote development. In this regard, it was seen as a way of mobilizing resources in order to provide equal access to education, health and social security in a cooperative manner. It was also a rallying platform through which poverty, illiteracy and disease would be fought (Republic of Kenya, 1965). Hence *Harambee* enabled people to come together and pool resources in order to create a firm foundation for progress. It also re-asserted the strength of a people bound by a common goal to take responsibility for their own development (Transparency International Kenya, 2001).

The *Harambee* movement has since developed to become diverse and it comprises projects run by community members on a cooperative basis for their own benefit and their immediate community. It also entails fundraising to address individual or mutual problems or to build local projects, and mostly refers to mammoth fund raising rallies for government projects (Godfrey and Mutiso, 1973). The *Harambee* movement is associated with self-reliant communities who pursue community organized action through mobilization and efficient use of local resources in the build-up of stronger social networks (Mwiria, 1999). This not only acts to improve local capacity in terms of planning, management and participation in implementing local development activities but it also improves people's confidence and self-reliance (Chieni, 2001).

The *Harambee* self-help movement did survive various attempts by the executive to hijack and cripple it, and seemed to have carved its own unique identity. This crippling was in the form of resource allocation creating a feeling of deprivation in the politically less favoured sections and massive dependence in the favoured sections (Male, 1976). The movement was also marred by other challenges such as bureaucratic control (Ngau 1987), politicization (Barkan and Holmquist, 1989) and massive corruption (Honsby, 2012).

In 1966, there was a rift in the government which led to the formation of an opposition party by dissenters. The executive then established a powerful government, whose control was grounded in the ability to direct political activity at the grassroots via the prefectural structure of the provincial administration. This system was designed as a mechanism to root out any impending opposition within the government. In addition Kenya became a *de facto* one party state in order to suppress the opposition (Branch and Cheeseman, 2007). Dissenters were made to remain on the fringes of power and their ability to build ground support was curtailed. In the meantime the government put in effort to ensure that the *Harambee* movement did not provide any political forum to the opponents. It also instituted a licensing regime, administered by the provincial administration to deny opponents political legitimacy that patronizing *Harambee* projects afforded (Waiguru, 2002).

In the 1970s, the projects were becoming bigger in scale as opposed to the original *Harambee* initiatives which had small projects such as dispensaries, primary schools, and village polytechnics. During this time, the local elites were initiating tertiary institutions such as hospitals, post-secondary training institutes among others (Mbithi and Rasmusson, 1977). This evolution had two problems; they inflated the government expenditure on projects whose establishment it had no control and secondly, patronage on the projects had become an effective tool of political mobilization, making any notable challenge to established politicians difficult (Ngau, 1987). In response, the government introduced a further regulation, which required *Harambee* projects to be registered with the Ministry of Social Services in order to be eligible for Government assistance (Transparency International Kenya, 2001).

2.3.4 Political influence on *Harambee*

The evolution of the *Harambee* from 1980's onwards has not been studied as extensively as in the 1970s. However, its politicization in the 1980s was more pronounced than earlier. The 1980's marked what has been referred to by political scientists as the era of elite fragmentation, political

liberalization and state informalization (Branch and Cheeseman, 2007). In 1982, Kenya experienced an abortive military coup which was mainly engineered by forces who had been deliberately excluded from political benefits. The coup had dramatic consequences, with the government banning all manner of opposition by declaring Kenya a *de jure* one party state. Political exclusion of the opponents became severe during the 1980s (Yeager and Miller, 1993). The government also resorted to coercive measures in order to cow the opposition. During this same time, there was the introduction of the Structural Adjustment Programs popularly referred to as the SAPs which were meant to accelerate economic reform through liberalization and structural reform. The SAPs introduced transformation in a wide ranging trade and macro-economic policies impacting on production costs and incentive structures (Wanyama, 2009).

In order to ensure that the dissenters were completely weakened, the patronage of the *Harambee* movement was put under the control of the president in the 1980s (Widner, 1992). Communities, as well as local people, lost the *Harambee* initiative to the provincial administration who would coerce contributions from the public towards presidential *Harambees*. By the turn of the decade *Harambee* had become effectively nationalized. The strong patronization of the *Harambee* by the political elite had the effect of weakening and crowding out the self-help aspect of the Movement (Ngau, 1987) with the fact that contributions from the political elite accounted for more than 70% on many occasions (Waiguru, 2002).

The time horizon for the one party state in Kenya was shortened by a strong movement of political liberalization that swept across Africa in the 1990s. As part of a short term survival measure, government officials resorted to great corruption (Branch and Cheeseman, 2007). There was also deliberate de-institutionalization of some of the state organs. Militia gangs were formed, aided or abated by the state's security operators with a main reason to create zones of support for the government and the ruling party (Waki, *et al.* 2008). The government repressed the opposition movement by torturing, and detaining its protagonists. The international community responded by

halting foreign aid and financial support to Kenya pending political and economic reforms (Murunga and Nasongo, 2007).

With the intense pressure from both within the country and from international circles, Kenya reverted to a multi-party political system in 1991. With the return of multi-partism *Harambee*, became a competing strategy amongst opposing parties. The fundraising *Harambee* activities would hence increase around the electioneering periods. During the 1980s and 1990s, the *Harambee* movement evolved from being a community resource mobilization strategy into a theatre of political contest (Waiguru, 2002). These contests continued to the 2000's when civil societies alarmed by the negative trend that threatened the very nature (i.e. the self-help aspect) of *Harambee* demanded for a close supervision and accountability in the political patronage of the movement. The main concern of civil societies hangs on the notion that political patronage cripples the self-help aspect of the Movement (Transparency International Kenya, 2001).

The growth of the *Harambee* self-help movement since the 1960's to present demonstrates that cooperating for mutual help and community development is esteemed in Kenya. The Movement was a dynamic combination of peasant spontaneity, development dynamics, and political dynamism (Ngau, 1987). The state bureaucracy, the participation of the masses and the benefits that accrued to both the grassroots populations and the elite, provided an unprecedented growth in *Harambee* activity. Different actors have provided idiosyncratic dimensions of growth to the movement in accordance to their interests. Though the peasants used it to attract resources to help in addressing their needs, they were also overwhelmed by development staff, bureaucracy and political elite who sought to put their participation under control. The political class on the other hand, had to respond to the demands of *Harambee* in order to retain their legitimacy. This dynamism had a perverse distortion on the self-help nature of *Harambee* (Barkan and Holmquist, 1989).

Government and external assistance to local *Harambee* self-help was helpful in some instances and harmful in others. An overabundance of external assistance led to disadvantages such as ignoring local needs, wastage of resources where there was sufficiency, and creating a sense of dependency (Male, 1976). According to Widner (1992), when people are over-assisted, no matter how vulnerable they are, they assume that the world owes them a living. Little or lack of assistance on the other hand brings in the feeling of relative deprivation and loss of self-confidence and discourages people from taking an active role in development. Hence, where self-help diminishes, alienation is experienced with some communities becoming unhappy with the central government. This alienation was seen in the *Harambee* when force was used to induce participation (Ngau, 1987).

Leadership was quite important for the *Harambee* Movement. Patronizing the Movement meant that one could easily outdo political opponents. Patronage brought about intense leadership rivalry by the elite. At times this competitiveness and wrangles led to discontinuity of projects and duplication of efforts (Matanga, 2000). Consequently, there were a couple of uncompleted abandoned projects. Leadership squabbles also tended to take away the peasant ability to control the flow of projects (Wallis, 1980). Hence in the 1970's a number of *Harambee* projects were under-utilized and had placed a burden on the people and the elite more than was feasible (Okumu and Holmquist, 1984).

Ngau (1987), states that there was a relationship between the size of the projects initiated and the political leadership position held by the elite leaders of *Harambee* projects. Leaders with higher positions tended to initiate more costly projects than those in lower positions. In many cases, the peasants did not have a voice once the big projects had been chosen. They just participated in these projects hoping that they would benefit from them. *Harambee* leadership in several instances did serve to advance the interests of the political elite and not so much those of the community. On the

other hand, some ethnic communities benefitted more than others from *Harambee* projects (Tsuchiya, 1978).

Harambee had a dimension that was spontaneous, populist, informal and based on peasant initiative. The grassroots micro self-help spontaneity posed considerable problems when they were considered in the light of governmental central planning (Republic of Kenya, 2009b). It also became a political impossibility to deny permission to communities that strongly desired a *Harambee* project (Ngau, 1987). This tension came to affect the quality and nature of *Harambee* Movement in Kenya.

Local administrators played an important role in the continuity of projects because of their seeming stable jobs and legitimate administrative power as opposed to politicians (Mbithi and Rasmuson, 1977). They became part and parcel of the implementation committees and the main actors capable of attracting resources to a particular project. This had the effect of making projects be identified with their knowledge. Administrators used their administrative powers to deal with associational problems and enforced contributions required for the *Harambee* projects (Barkan 1994).

Community development staff subsequently deviated from their role and assumed an aura of importance and authority. The reason being that they were considered the technical experts and it was within their mandate to approve or disapprove projects for registration and government funding (Ngau, 1987). They asserted their authority by withholding information, either dispensing or withholding government aid and approval of projects (Waiguru, 2002). They had serious difficulties in relating to small scale actions of self-help groups and were antagonistic towards grassroots initiatives; which caused resentment and withdrawal. The community development staff in various circumstances had the effect of changing the concept of self-help to social welfare (Throup, 1993).

In time, the *Harambee* Movement became constrained in the space between the peasant economy, political elite leadership, community development staff and the provincial administration. There was occasional rivalry between the provincial administration and the community development staff, each playing around with the legitimate authority bestowed on him or her (Wamwere, 1993). This led to unpleasant scenarios where the community members started receiving conflicting directives from multiple authorities. As this situation worsened a disinterest was created in *Harambees*. The community development workers and the political elite did much to change the self-help concept of *Harambee* to a political philanthropy. The bureaucrats on their side forcefully extracted resources for development from the community members (Ngau, 1987).

Political influence was judged based on the amount of contribution made and other prominent personalities attracted to a particular *Harambee* fundraising function (Transparency International, 2003). In this way, *Harambee* was used to create a political oligarchy preserving a few people in power (Everingham, 1997). It became difficult for other persons to enter into politics as *Harambee* provided a system in which the political class could consolidate their hold on the communities. Politicians therefore were pre-disposed to corruption and the *Harambee* Movement provided a sure way to legitimize stolen public funds (Wamwere, 1993). During electioneering periods the number of *Harambee* fund-raisings increased at alarming rates. In the long-run, in a subtle way, *Harambee* initiated a process that was slowly becoming a subversion of democracy as politicians used it to bribe voters (Transparency International Kenya, 2001). In 2003, the Government instituted a taskforce to study the weaknesses of *Harambee* in order to improve its efficacy for development in Kenya. The following phrase was quoted directly from the report of the taskforce:

Harambee has become a means of distributing poverty amongst the poor. In politics, Harambees have become auctions, where poor voters sell political offices to the highest bidder,... even presidency. ... Eventually this has led to the commercialization of leadership and power. ... Harambee has given Kenyans not the best but the richest leaders.... rendered

... good ideas and ideals obsolete. Through Harambee, the most corrupt have become local heroes, celebrities and role models for the youth and encouraged Kenyans to embrace corruption (Parliamentary Taskforce on Harambee, 2003).

The findings of the taskforce were incorporated in the Elections Act 2012 that advised that (Silverman, 2000; Birgegaard & Genberg, 1994) *Harambees* be banned during electioneering periods. At the regional level, *Harambee* tended to amplify the developmental differences across regions (Barkan and Holmquist, 1989). This was attributed to the fact that there were different propensities in the regions to mobilize resources for projects. Hence regional inequalities became evident, as *Harambee* was used differently across the country thus bringing about a sense of relative deprivation. The rich regions fared better and the poor performed poorly (Male, 1976). Opportunism was another problem that weighed heavily on the *Harambee* Movement. Some people embezzled money that was raised for *Harambee* projects while others issued huge cheques meant to attract attention that later bounced (Waithima, 2012). This forced the government to introduce a code of conduct to deal with the problems of opportunistic behavior in the *Harambee* Movement during late 1970's and early 1980's and in 2011 it banned all *Harambee* fundraising activities by politicians eight months before elections (Republic of Kenya, 2011a).

The Government exercised control on *Harambee* Movement through local administrative machine made up of chiefs and community development staff. Community development committees were introduced in 1964 to channel enthusiasm for self-help to useful directions (Republic of Kenya, 2009b). In 1970's however, it became evident that the *Harambee* projects had been politicized and that the autonomy of many self-help groups were in jeopardy. Stringent requirements for projects approval were introduced and the bureaucracy strengthened (Ngau, 1987). *Harambee* was thus placed under the direct control of the community development division of the ministry of cooperatives and social services. The heavy regulatory regime created disincentives for locally based development (Transparency International, 2003).

Response within the local communities in Kenya to the increasing contradictions, and disillusionment within the *Harambee* Movement, took various forms such as apathy, withholding voluntary efforts, and refusal to participate (Ngau, 1987). Individuals and groups chose to withdraw or defy the conventional *Harambee* activities, or to engage in other forms of community action which they would be in control of. These efforts were in the form of cooperative activities for mutual assistance, mainly taking the form of self-help groups (Ochanda, 2012a).

2.3.5 *Harambee* and Grassroots Self-help Endeavours

The formation of grassroots self-help organizations is linked to the failure of political leadership, administration and community development staff and conventional approaches to social problems. The preference for the grassroots self-help organization meant to a greater extent that people wanted to have greater control their own lives (Ochanda, 2012a). The grassroots organizations tended to be informal, populist in nature and were bound by ideology rather than bureaucracy. Despite this fact, the bureaucracy still maintains the policy making mandate, ensuring that *Harambee* movement evolves to become a formidable development instrument in Kenya (Republic of Kenya, 2009c).

The cooperative and associative activities in Kenya are mainly inspired by the *Harambee* culture. The post-independence *Harambee* vision encompassed local initiatives that contributed to the development process by enabling inclusion and equitable distribution of resources. The *Harambee* Movement had both a centralized bureaucratic image, and a localized spontaneous grassroots image. The bureaucratic image emanated from the policy and the political elites. The spontaneity image was associated with local village people and initiatives which took the form of self-help, mutual help and community development activities. *Harambee* fundraising and any other means of resource mobilization including entrepreneurship were pursued by both sides of the divide as important means to which local citizens, by addressing their own issues, contribute to the development agenda.

2.4 Religious Organizations in Kenya

2.4.1 Background

Religious organizations are key agents of social and economic development in Kenya and Sub-Saharan Africa. They do this through their work of empowering the poor and having a presence in economically backward areas of countries (Kamaara, 2000). According to Olarinmoye, (2012) religious organizations are silent actors in development, who provide alternatives to secular approaches of addressing socio-economic issues. Their spiritual teachings based on a transcendental power gives hope, meaning and purpose to the poor (James, 2012).

In countries dominated by oppressive regime, they are associated with the struggle for democratic and socio-economic transformation (Okulu, 2003a). They are also recognised for their work in policy and advocacy which contributes to restructuring local and international political ordering.

Barro and Mcleary (2003), equate religion to culture on its ability to influence social interactions and economic outcomes. Accordingly, religion affects personal traits such as honesty, work ethic and altruistic behavior. Different religions have unique philosophical orientations as far as service and justice is concerned. For example; Hinduism highlights social service, Judaism calls for justice, Christianity invokes preference for the poor, Islam demands action and charity, while African Traditional Religion emphasises support for the weak (Magesa, 1997; Mbiti, 1999). Different religions also, have different symbols which according to Durkheim (1912) represent not only God, but the society as well. Religion is hence, not only a source of individual values but also of social identity (Gaduh, 2012). It enhances cooperation and collaboration as manifested in behavior comprising of willingness to helping, trusting and tolerating one another.

Contribution of religion in Kenya can be seen on three fronts; first, it acts as a medium for facilitating connectivity between humans and deities; secondly, it is a framework for morality and

ethics that appeals to people's conscience; third, it contributes to providing the infrastructure that facilitates human welfare and development (Ochanda, Were, Wamalwa and Kabugi, 2003). In concrete terms, religion contributes to solving human and ecological problems. According to John Paul II (1997) religion invests in people's hopes by being present in both sad and happy situations of their lives. It promotes common good by addressing distributive injustices, inequalities, corruption, underdevelopment and oppression through direct interventions or advocacy. Though this may be seen as a distinct mission of religion it is complementary to that of the state.

Religious actors have been present in the lives of Kenyans in Various ways. Okullu (2003a) demonstrated that these actors do play a big role in the society by accompanying the weak. This is seen in their work of feeding hungry populations, assisting refugees, providing water and intervening in dispute situations among others. According to Magesa (2004) enunciates that religious actors have kingly, prophetic and divine roles. The kingly role is manifested through provision of services and infrastructure to address temporal needs. The prophetic role brings change to the unjust socio-economic and political structures in the society. The divine mission is that of pre-destination. Njoroge (1999) shows that religious accompaniment is vivid in Kenya through different interventions.

The purpose of this section is to discuss the contribution of religious actors to social economic welfare in Kenya. In so doing, the section will first examine the development of religion in Kenya in the light of its positive and negative contributions. Secondly it will analyse its contribution to health and education sectors. Then by studying the umbrella religious organizations' activities, it will shed light on other contributions made by religious actors in Kenya. The contribution of religious actors will be considered in the light of the broader third sector in Kenya.

2.4.2. Religion and Socio-Economic Welfare

Literature on religion and development focuses on relationship between economic development and Protestantism, Catholicism and Islam (Grier, 1997). This literature originating from Weberian time associates the propensity to develop economically with certain religions. These religions have better work ethic, better personal moral values and entrepreneurship abilities. Moreover, most studies tend to focus on religion and economic development (Ajaegbu, 2012; Olarinmoye, 2012). The other strand of literature looks at secularization effect. They argue that as societies become richer, religion becomes less significant to them. They hence, suggest that there is a positive correlation between non-believing and affluence (Peterson, 2007).

Studies contend that estimating the contribution of religious actors in development is a challenge because of lack of data (Botchewey, 2007). Community development activities of religious actors can be seen in areas comprising social capital building, peace building, health services and education provision among others. While religion has the ability to offer hope for the revitalization of society, it is capable to either motivate or discourage participation in civic activities and to reject or accept a particular social ordering (Escobar, 1997).

Religion can also become a negative force degenerating into militancy, promoting horrific violence and prejudice hence limiting any progress towards social solidarity. In this regard, Kim (2007) argues that religions are capable to degenerate to conservatism, bigotry or extremism. In discouraging civic participation, they could make adherents to be concerned more about the transcendental order other than reality. Hence, religion becomes an alternative to civic order and not its component (Candland, 2000). Aloofness from civic participation by religious actors was criticised by Okullu in 2003. Accordingly, higher civic involvement enables religion to contribute to social change which generates the social capital for community development, complementing state and market forces (Okullu, 2003b).

Religious actors also contribute to the promotion of justice and equality. Their actions may help break harmful constructs resulting from prejudice, poor distribution mechanisms and generally accepted oppressive tendencies. On this, Kim (2007) gives an example of Indian culture where negative social constructs are used to oppress groups of people delineating them to lower castes. Religious organizations in India have been working to change these constructs. In the USA, religious actors played an important role in changing the construct of the masses against racism through leading civic campaigns in the 1960s.

In this case, religion can be used to empower the oppressed to stand against injustices. It does this by challenging them not to accept negative social labels tagged on them and encourages them to emulate attitudes consonant with a positive self-image. Religion has an ethical contribution which is an important reputational signal preceding all social interactions. It can have an impact on believers' relationship to socio-political issues and also global development. In today's highly secularized context, religion has taken the form of supporting global development and strengthening activist pressures for social policies to end human miseries (Freston, 2007).

Kham & Bahar, (2008) find that relationship between religion and development is likely to be complementary as long as there is inter religious understanding that occurs when different religions promote attitudes of moderation as opposed to extremism. They also found that peaceful co-existence between various religious groups within a country, was fundamental for development and betterment of people's welfare. Accordingly, they argue that in societies where belief in God is more pronounced, values of honesty, hard work and integrity would be more prevalent leading to reduction of uncertainties and improved efficiency in social interactions. Therefore the "God" aspect of religion becomes a uniting factor amongst different religions.

Religion therefore contributes to enhancing economic growth and development by promoting positive attitude towards honesty. Since the concept of 'truthful living' is a major emphasis in

religious practice, it induces a sincere attitude in all interactions and dealings. Truthful living may increase social capital, levels of trust and reduce levels of corruption and criminal activities. It may also encourage thrift, which could stimulate saving, investing and therefore economic growth.

Faithfulness to religious teachings may lead to better health when followers desist from “sinful” activities such as drug abuse, overeating, gambling, among others (Magesa, 2013). Religious teachings also promotes positive regards towards the vulnerable and weaker members of society. The public are made to understand that sharing and caring are important dimensions of being a religious person. In promoting the sharing dimension, different religions have different practices such as the *Zakaat* amongst the Moslems, the idea of “*being a brother’s keeper*” among the Christians and *helping the weak* among the African Traditional Religion adherents. Practically all religions of the world have incorporated the aspect of charity as an important dimension of their existence (McCleary, 2008).

Possible negative effects of religion on social economic welfare include religious restrictions on capital accumulation, profit-making, credit markets and interest. Religious practices may increase resource allocation towards faith activities and infrastructure, thereby removing resources from market and social welfare activities (Grier, 1997). Where considerable time and resources are directed towards faith activities, economic, social welfare and production activities suffer. The transcendental aspect of religion, despite having a predestination dimension have also practical challenges. Unscrupulous religious actors may exploit it negatively to enforce spurious beliefs.

Some of these beliefs could take the form of miracles on either health or financial well-being. As a consequence, people’s medical conditions get complicated resulting in deaths as they boycott medical attention. Other examples where spurious beliefs may be propagated are associated with the rise of churches that are based on “prosperity gospel” which tend to attract the poor looking for “deliverance from poverty” while at the same time ripping them off their income (Association of

Bible Students, 2007). Where care is not taken, religions could turn into dangerous cults. Such cults could degenerate into terrorist groups propagating fundamentalist ideas (Magnus, 1996), encouraging ritual murders (McIntyre, 2012) or cultic suicides (Wasswa, 2002)

2.4.3 Historical Background of Muslim and Christian Religions in Kenya

The earliest history of foreign religion in Kenya and East Africa is associated with an uneasy relationship between Islam and Christianity. This history is divided into various historical periods. The first period is presumed to have started in the 6th Century ending in the 13th century. This was a period of early settlement of the Arabs in the coastal areas of Kenya and East Africa. This period is associated with *Hijira* where convert Muslim Arabs were migrating from place to place escaping animosity directed to them by non-Muslims in their countries. Several of these migrants had earlier trading relationship with East Africa, hence when the persecution started, East Africa became their safe haven. In the coastal towns of Eastern Africa, they were welcomed by the Swahili people and the local Bantu ethnic communities (Bosha, 1993). The new Arab migrants settled in Lamu, Mombasa, and other coastal towns. With time, interactions with the Swahili and other ethnic communities led to intermarriages. The Arabs learnt the local culture and the Swahili language and in turn, the natives adopted Islam as a religion.

The second period commonly referred to as the *Shirazi* epoch is associated with the settlement of Arab dynasties along the Eastern Africa Coast and on the Comoros Islands between 13th and 15th Centuries. While the early interactions were limited to the coastal areas, there is some evidence of penetration into the interior mainly for trade. Initially, the wealth of the *Shirazis* was gotten from sea trade with Arabia and the Persian Gulf and not with the interior of Eastern Africa (Vittori & Bremer, 2009). With time the Arabs in partnership with the Swahili moved inland, trading in cloths from India, beads, spices, metal like swords and daggers and other items from Asia. From the mainland they got leopard skins, tortoise shells, rhinoceros horns, ostrich feathers, wax, ivory,

slaves, cloves, and gold (Mukuthuria, 2009). There is no evidence of forced Islamization at this time. Islam was adopted voluntarily by local communities and also among the slaves.

The *Shirazi* period ended with Portuguese colonization of the region in early 16th century. The Portuguese, led by Vasco da Gama were interested in trading with India and the Far East and also in diminishing the influence of Islam which had threatened Portugal and Spain (Nthamburi, 1982). The Portuguese, in order to achieve their mission formed an alliance with an Ethiopian Christian Monarch. This intention made Portuguese to encounter hostility from Muslims who had earlier settled in all the places they went along the Eastern Coast. They were later welcomed in Malindi, partly because the ruler of Malindi was always at war with his more powerful neighbour in Mombasa. The Portuguese then established that there were gold deposits along the Coast in the hands of hostile forces. In order to gain a monopoly over the gold trade, Portugal sent an army in 1505 which managed to gain control of the hostile territories.

Little attempts were made to convert the local populations to Christianity. However there were small episodes of conversions to Christianity between 1500 to 1600. For example in 1506, 40 people were baptized. In 1591, an apparent heir to the Sultan of Zanzibar was also baptized which caused much tension. In 1599, 600 people were baptized including the exiled ruler of Pemba who was in Mombasa. Conversions to Christianity continued in a slow pace as the natives loathed the Portuguese who were considered inhuman and had a negative reputation of stealing and cruelty. The behaviour of the Portuguese had a negative effect on their plans to convert the East Africans to Christianity.

In 1631, the Arabs made a successful offensive against the Portuguese. From then on the struggle for dominance continued till 1729 when the Portuguese were defeated and expelled from East African Coast to Mozambique. After the defeat of the Portuguese, few Christians, mainly Indians from Goa remained. There were no Christians from the indigenous population. The fall of the

Portuguese was mainly associated to the lack of local support as they sacrificed it in pursuance of commercial aims. Their denouncing of Islam also played a part in creating major opposition against them.

The third period coincides with the defeat of the Portuguese and the rise of the Sultan of Zanzibar who hailed from Oman during the 1800s. The Sultan extended his hegemony to Mombasa after having conquered it. He promoted trade with Mombasa by providing spices, ivory, cloves, cowrie shells, and slaves. Zanzibar on its part imported cloth, firearms and hardware (Vittori and Bremer, 2009). The Sultan of Zanzibar did not actively promote Islam in the interior. Islam was nevertheless adopted among both slaves and some of the inland ethnic communities, especially those associated with trade.

Slave trade was quite a horrific human activity, exposing people to much suffering. The pains of slave trade in East Africa attracted the attention of David Livingstone a missionary from the London Missionary Society (1840- 1843). Livingstone came to Africa as a missionary cum explorer (BBC, 2012). He worked hard to end slave trade and by 1863, slavery had been abolished officially in Europe and in America although illegal slave trade continued. The published works of David Livingstone opened the African continent to trade and missionaries activities (Livingstone, 1857). These works provided an important impetus for colonization of Africa by European powers, and also to Christian missionary activities (Livingstone, 1865). During this same period Ludwig Krapf began his Missionary activities in 1844, courtesy of the Church Missionary Society and later the Methodist Church. Krapf worked until 1862 during which he translated the Bible's New Testament into Swahili. Catholic missionaries also made their way into Kenya in 1863 after having established themselves permanently in Zanzibar.

Early missionaries' work in Africa provided adequate data capable of arousing interest of their countries. This led to the Berlin West African Conference of 1884-1885, where Africa was

partitioned and eventually colonized by European powers. This had implications for religious activities and helped in ending slave trade in East Africa. Penetration was also made easier into the interior, paving way for greater diffusion of both Islam and Christian religions (Nthamburi, 1991: Vittori and Bremer, 2009). Christian activities continued to increase with Independent Churches of Africa and the Pentecostal Churches joining the fray by mid-1800s and more so during the colonization and after independence.

Independent churches arose out of the desire to indigenize Christianity by incorporating African traditional religious world views. These indigenous religions resented the decadence that they felt was tolerated by mainstream Christianity. They also abhorred domination by European settlers, forced labor, segregation on the basis of colour, and assault on African people, practices and culture (Imunde & Padwick, 2008). The strength of African Independent Churches was in their spiritual and social capital. They have a greater influence at the grassroots (Imunde & Padwick, 2008).

There are other churches that are considered independent or evangelical. By 2007 the office of the Attorney General in Kenya had registered a total of 8,520 churches in Kenya, with 6,740 applications for registration waiting to be processed. It was also estimated that by 2009 Kenya could have roughly 10,000 registered churches (East African Standard, 2007).

2.4.4 Religion in present-day Kenya

Approximately 83% of Kenyans are Christians. Of the Christians, Catholics form about 23% of the population while 47% of the Christian population are Protestants. Other Christians form 13 percent of the population. Islam in Kenya is a religion of approximately 11.2 percent of the population, or approximately 4.3 million people.

Table 2.4.1: Religion in Present Kenya

Religion	Number	Percentage
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Protestant	18,307,466	47.66%
Catholic	9,010,684	23.46%
Other Christian	4,559,584	11.87%
Muslim	4,304,798	11.21%
No religion	983,361	2.56%
Traditionalist	635,352	1.65%
Other religion	557,450	1.45%
Hindu	53,393	0.14%
Total	38,412,088	100%

Source: Kenya Bureau of Statistics 2010

The Muslims in Kenya are mostly found in the Coastal regions and North Eastern Province. However there are pockets of Muslims in other areas of the country. The majority of Kenyan Muslims are Sunni, followed by the Shi'a. 2.5% of the population do not profess any religion, 1.7% profess African Traditional Religion while 1.5 is made up of other small religions in Kenya.

2.4.5 Religious Organizations, Slavery and Colonialism in Kenya

It is impossible to discuss about Christian and Muslim Religion in Kenya without touching on the subject of slavery. The scourge of slavery will forever continue to haunt Africa. Slavery seems to have been sanctioned by major religions especially Christianity and Islam. It is said that while 20 million Africans were sold into slavery about 80 million died during the hunt for slaves (Bales and Soodalter, 2009). Subsequently, because of the ills of slavery, religious actors became part of the movement that championed for its abolition. Their actions pushed their governments to intervene in order to stop the vice (Livingstone, 1857). According to Nthamburi (1982), the missionaries put up facilities for reintegration of slaves along the coastal areas of East Africa including Zanzibar and Comoros. They assisted different types of slaves; those who had escaped from their masters and those bought back to freedom either by missionaries or the British naval forces plying the Indian Ocean. The reintegration settlements were governed with cruelty and little freedom was allowed to the freed slaves. The slaves were subjected to bad treatment, beatings and scourging at the hands of missionaries (Temu, 1972). They were used as a source of cheap labour under the pretext that they

were being taught skilled trades and manual work. However the missionaries did also assist the freed slaves with literary education.

Several studies indicate that early missionaries invited their home countries to annex and colonize countries in East Africa thus, “*the cross preceded the flag*”. Apologists maintain that missionaries were convinced that in order to effectively deal with slave trade, European governments had to assume responsibility of introducing legitimate trade and education in the region. Accordingly, government’s work would supplement missionary efforts (Nthamburi, 1991). Dissenting views sustain that the missionaries had no different plans from the colonizers, in fact they only came to prepare grounds for them (Mukuthuria, 2009) and aided the colonization process at its initial stage. This view is supported by Jomo Kenyatta, first president of Kenya as quoted by Walker (2002);

When Missionaries arrived, Africans had the land while the Missionaries had the Bible. They taught us how to pray with our eyes closed. When we opened them, they had the land and we had the Bible (Walker, 2002:144).

According to Kenyatta (1965), Colonization was just as worse as slavery; and a great assault on the African culture. It also led to the occupation of African lands by white settlers who condemned Africans to forced and cheap labour, high taxation and racial segregation. In 1919 the colonial government promulgated a policy on forced labour. Despite being associated with the colonialists, the missionaries undertook advocacy on behalf of Africans to challenge the excesses of the colonial government. Missionary protests led to the issuance of the 1923 Devonshire paper that directed colonial government to ensure that African interests were made paramount.

The year 1952 is associated with the inception of *Mau Mau* uprising. The *Mau Mau* was a Kenyan liberation movement created to fight for the return of African lands from colonialists through armed struggle. Missionaries sided with the government’s position on *Mau Mau*. The colonial government used excessive force against the adherents of *Mau Mau*. Missionaries and other religious leaders

never raised a voice in the face of these atrocities against the local populations. Their quietness strongly indicated that they were actually part of the huge colonial enterprise and that they had to play it safe in order to continue benefiting from colonialism.

2.4.6 Some Contributions of Religious Organizations in Kenya

One of the major contributions of Christianity and Islam in Kenya has been the proliferation of the Swahili language. Swahili has facilitated communication among different ethnic communities, and acted as a medium through which education and trade take place (Bosha, 1993). Swahili language is spoken in most countries of East and Central Africa; Kenya, Uganda, Tanzania, Burundi, Rwanda, Democratic Republic of Congo and Congo Brazzaville. Early manuscripts of the Swahili Language date back to 1780 and are written in Arabic Alphabets. Originally Swahili was used to spread Islam amongst the local populations by Arab preachers, it hence got influenced by Arabic language (Bosha, 1994). The first Arab Imams customarily switched to Arabic whenever the local languages and Swahili did not provide appropriate translations for their message. Through Islam religion many Arab words became part of the Swahili language.

When the Christian missionaries came to Kenya, they translated the Bible into Swahili and helped in the creation of the Swahili dictionary. They also introduced into Swahili, words that had no equivalent meaning from their countries. Apart from religious actors, the proliferation of Swahili as a *lingua franca* in Eastern Africa is attributed to many other factors such as trade, colonization and governmental policies after independence (Nthamburi, 1991; Mukuthuria, 2009). Apart from Swahili, English too was gradually introduced as an important medium of communication among the Eastern African countries by Missionaries. English became the language of academic instruction and commerce.

Religious organizations were mandated by the colonial government to implement education, health and other community development infrastructure for Africans. This signifies that collaboration

between religious actors and the State in Kenya on matters of socio-economic development started in 1900s. As a result of this mandate, religious organizations introduced vocational training institutions, special schools for the physically challenged and homes for old people who had no one to care for them. Today, over fifty per cent of medical work (hospitals and clinics) in the rural areas falls under the ambit of religious actors. They are also heavily involved in rural development programs and agriculture improvement through cooperatives, farm input provision and in field extension services. The religious actors are hence seen as partnering with the government in helping to alleviate human suffering.

After independence, the religious organizations got more immersed in development and advocacy. They extended their presence in the arid and semi-arid, remote and marginalised regions, constituting the poorest populations in Kenya. In these regions, basic government welfare-services such as education, health and water provision are lacking. The regions also suffer from constant disputes as a result of scarce resources. Some of these disputes have assumed serious proportions at times leading to fatalities (Mayoyo, 2012). The disputes are also caused by negative exploits of ethnicity, political and other interests (TJRC, 2013). In adverse situations, faith organizations help to maintain calm and initiate reconciliation processes. Where there are fatalities they provide emergency support and psycho-social assistance.

Religious organizations have been engaged in a wide range of services as broad in scale as those delivered by secular and state counterparts. Their services include education, health, economic empowerment and in-kind support to the poor. They also do offer humanitarian relief in crises as well as other less conventional forms of service such as legal aid and human rights advocacy. The scale of their service provision varies from one context to another. According Tadroz (2010) religious actors account for 50 per cent of health service provision in the Democratic Republic of Congo, 40 per cent in Kenya and Lesotho, and 55 per cent in Uganda.

2.4.7 Religious Organizations and Education in Kenya

Involvement of religious actors in the education sector in Kenya can be traced back to colonial days. According to Eshiwani (1990), formal education was introduced to the people of Kenya by missionaries as a strategy for evangelism. The missionaries dominated in the provision and administration of education throughout the colonial period. Some of the centres they established grew into large institutions and are among the best schools in the country. According to Shidende (1996), some missionaries believed that they had a mandate to reform the social sector of African life. This was to be achieved through equipping Africans with Christian education.

Eshiwani, (1993) notes that by the time of independence in 1963, religious organizations had played a big role in establishing educational institutions and continue to do so today. It is for this reason that the government included religious sponsors in the management of public secondary schools in its policy of 1968 which was revised in 1980 (Mabeya, Ndiku and Njino, 2010). Wainaina, (1991), indicated that churches were allowed to open schools and take part in preparing syllabuses for Religious Education in post independent Kenya.

Mosomi (2008), maintains that in recognising their function as sponsors, religious actors are always consulted with regard to staffing, representation in school committees and board of governors in their sponsored schools and other educational projects. They are also allowed the use of school and project buildings free of charge. The table below shows the distribution of the sponsorship of Kenyan secondary schools by different actors.

Table 2.4.2: Sponsorship of Kenyan Secondary Schools

Secondary school location	No of Schools	Percentage
Religious	1,042	61.80
Government	232	13.76
Local Authority	30	1.78

Community	136	8.07
NGO/CBO	6	0.36
Private	240	14.23
Total	1,686	100

Source: Republic of Kenya open data project, 2011

65% of school sponsors are religious organizations. Most of the religious sponsored schools i.e. 967 are considered to be public schools meaning, that the government provides recurrent expenses. 73 of the religious sponsored schools are private and are on a 100% sponsorship by the religious organizations.

Table 2.4.3: Sponsorship of Health Facilities in Kenya

Facility	Frequency	Percentage
Religious	1,058	26.85
Government	2,222	56.40
Local authority	111	2.82
NGO/CBO	69	1.75
Private	354	8.98
Other ministry	126	3.20
Total	3,940	100

Source: Republic of Kenya open data project, 2011

26.85% of health facilities sponsors are religious organizations. A few of these facilities operate under the auspices of the ministry of health. The government through the ministry of health runs 56.40% of all health facilities. 8.98% of the facilities are sponsored by private practitioners while the CBOs and NGOs sponsor 1.75%. Other government ministries sponsor 3.20%.

Table 2.4.4: Sponsorship of Different types of Health Facilities

Facility	Religious sponsor	Other sponsors	total
Hospital MoH and Mission District, sub districts	85	121	206

Referral Hospital and Provincial Hospitals	0	10	10
Health Centres	140	536	676
Dispensaries	803	1,640	2,443
Private Hospitals	0	1	1
Private Clinics and Medical Centres	0	206	206
Nursing Homes and Maternity Hospitals	17	206	223
Special Treatment Hospitals	7	55	62
Institutions Health Facilities- Schools, Universities, Employer	4	329	333
	1,056	3,104	4,160

Source: Republic of Kenya open data project, 2011

The health facilities classification is in accordance with the government of Kenya's open data portal. The religious health facilities include 7.75% hospitals, 0.18% referral hospitals, 72.77% dispensaries and 12% health centres. Other facilities are 0.45% private hospitals, 2.07% clinics and medical centres, 1.35% special treatment hospitals and 1.17% institutional health facilities.

2.4.8 Other initiatives by Religious Organizations

2.4.8.1 Interventions against the HIV/AIDS pandemic

Religious actors have been involved in prevention, care and support programs against HIV/AIDS. Within churches and mosques, it is now natural to discuss HIV/AIDS and related issues (Diakonia, 2008). As a result, stigma of HIV/AIDS has been reduced and more people today, are seeking health services and living positively. Religious actors have also been criticised for not openly discussing HIV/AIDS initially as they considered it too controversial. They are hence considered to have indirectly contributed to the pandemic's escalation (Haynes, 2007). The blame is exacerbated by the fact that they did not accept scientific and artificial efforts to prevent the spread of the disease (Ouko, 2007). Today, however, there are many structures, both formal and informal to

address the AIDS issue within religious communities (Amanze, 2010). These structures address issues of stigma, psychosocial care, material assistance and prevention (KARDS, 2003).

2.4.8.2 The Inter Religious Council of Kenya

In 1983, the umbrella religious bodies in Kenya formed the Inter Religious Council of Kenya (IRCK). The IRCK is not an umbrella body but a coalition of all faith communities in Kenya. IRCK encourages religious communities to pursue interfaith dialogue and collaboration for common action whenever necessary. It also encourages mobilization of moral and social resources to address shared concerns. In its work with different religious bodies, IRCK places strong emphasis on organic solidarity and harmony.

IRCK is a community of religious leaders brought together by a common cause. Some themes addressed by IRCK's programs comprise health and children, governance and economic justice, peace and conflict transformation, gender and youth empowerment, community development and trainings to religious leaders. Health programs mainly target children and women. IRCK also provides psycho-social support to hundreds of people living with HIV/AIDS (PLWHA). Of concern to IRCK are issues of maternal, child health and survival.

In promotion of social and economic justice, IRCK has programs on social budgeting, community monitoring and social intelligence report. The IRCK peace and conflict transformation takes the form of 'arms down' campaign which advocates for active non-violence. Youth are taken through an alternative rites of passage which includes formal and life skills education. This program involves the active participation of religious leaders who meet regularly to iron out issues that could lead to inter-religious and inter-ethnic violence. The organization trains religious leaders on various topical issues affecting society. This training is always done on the premise that those trained will take the teachings down to their followers. IRCK works to promote human dignity and inter-gender equity. The main beneficiaries in this area are the survivors of gender based violence especially in

areas prone to domestic violence. In their gender programs, they also address issues facing the youth.

2.4.8.3 The Kenya Episcopal Conference

The Kenya Episcopal Conference is the top governance arm of the Catholic Church in Kenya. It is governed through 15 commissions. Seven of which deal with matters relating to Catholic doctrinal issues and internal management. Two commissions are involved with inter-religious dialogue. Other commissions encompass education, justice and peace, development and social services, health, social communication, migrants and seafarers. Some of the practical works pursued by the Catholic Church include relief and emergency activities, school feeding programmes, construction of dams, peace building and HIV/AIDS mitigation.

The Catholic Church has also established several universities, health facilities and educational institutions in Kenya. The social development activities of the Catholic Church have been localized within dioceses through structures known as “*Caritas*” or development offices. These bodies implement programmes according to the needs of their dioceses. The KEC also has engagements at national levels in line with the themes of its commissions.

2.4.8.4 National Council of Churches in Kenya (NCCCK)

The National Council of Churches in Kenya (NCCCK) was established in 1913. It is a protestant umbrella body bringing together 26 church members, nine associate members made up of associations and interfaith institutions, and six fraternal members who only have a relationship with NCCCK.

Some of the projects operated by NCCCK encompass civic education, famine response, HIV/AIDS mitigation, gender empowerment, working with pastoralist communities, refugee project, peace building and conflict transformation. NCCCK has both national and grassroots programmes. The

umbrella body implements national programmes while the local member churches respond to local needs. It also runs a number of universities and several training institutes on behalf of its members. The members of NCKK have many local programs depending on the needs of their followers.

2.4.8.5 Organization of African Independent Churches (OAIC)

OAIC draws its membership from grassroots Christian churches whose values and beliefs stem from African Tradition, Hebrew and Christian Scriptures (Imunde and Padwick, 2008). Their practice of worship is a continuation of African Traditional values into the Christian faith. Though a majority of these denominations have few followers, there are a few large indigenous churches with membership numbering in millions. Member of OAIC churches are generally drawn from the poor and less educated inhabitants of the rural areas and informal urban settlements (shanty areas and slums).

OAIC is involved in community health programs. Its members also work to promote sustainable livelihoods through enhancing the abilities of their members in production and other income generating activities. They have programs on peace and reconciliation amongst different communities. On social justice they advocate for equal distribution of resources (OAIC, 2013).

2.4.8.6 Supreme Council Kenya Muslims (SUPKEM)

The Supreme Council of Kenya Muslims (SUPKEM) is the umbrella body of all Muslim organizations, societies, mosque committees and different Muslim groups in Kenya. Membership to the Council does not include individual Muslims but groups and associations.

The Council implements five major programmes; education, HIV/AIDS, civic education, civil society empowerment, peace building and conflict transformation. Some of the social programmes operated by the Council include homes for destitute children, schools, radio station and health centres. SUPKEM, through the community mosques responds to local needs at grassroots levels.

2.4.9 Summary of religious interventions

In summary, religious organizations do contribute to the social economic welfare of Kenyans. Government data shows that they are involved in education and health. The case studies of religious umbrella organizations indicates that they are involved in peace building, assisting the socially excluded and the vulnerable, agriculture, water and the development of remote and hardship areas. They also contribute in areas such as community, gender, civic and economic empowerment, youth formation, civil society strengthening and media.

Religious organizations make a formidable contribution in infrastructure building and solving practical challenges. They help end harmful cultural practices, promotion of peaceful coexistence, social integration and provision of a myriad of social services. Through their work, they help complement government efforts in improving the quality of life of the masses.

Their work demonstrates that they are an important element of the third sector in Kenya. They address local challenges in innovative ways. Their programs cut across all sections of the society. Their investments are also found in the most difficult, marginalised and remote areas. Religious investments have a strong humane element.

2.5 The Cooperative Movement in Kenya

2.5.1 Background

The cooperative movement is associated with economic liberation and empowerment of many people and communities in Kenya (International Cooperative Alliance, 2012). Its development has largely been a success story with the country being supposed to have an organized cooperative sector and huge membership in comparison to other countries in Sub Saharan Africa (Muthuma, 2011). The movement in Kenya employs more than 250,000 people both directly and indirectly.

The cooperative movement has an important socio-economic significance. It plays a crucial role in enhancing food security, building social capital, promoting socio economic welfare and contributes to improving the gross domestic product (Republic of Kenya, 2004a). It traverses the rural and urban; formal and informal; micro and macro sectors of the economy. The sector plays a role of stimulating the spirit of enterprise and assisting individuals and communities socio-economically better of thus enhancing social inclusion. As a result of this, the government has been keen to sustain it (Republic of Kenya 2008q).

Despite its positive role, the cooperative sector has had many challenges (Wanyama, 2009). These challenges include poor management, insufficient capital, inadequate technical capacity and negative political interference. In order to address these challenges, the government has been investing in strengthening its governance and technical capacity. In order to promote the growth and proliferation of the sector, the government also plans to encourage community based organizations and groups to transform into cooperatives (Republic of Kenya, 2008c).

The cooperative movement development in Kenya is well documented. However, the role played by the movement in reinforcing the third sector has not been given much attention. Existing studies have explored the development of the sector (Ouma, 1987), its contribution in the build-up of social capital, evolution of its sub-sectors (Muthuma 2011; Kuria 2012), policy evolution (Manyara 2004) and use of information and communication technology in the cooperative world (Gunga, 2011).

This section intends to study:

- How the cooperative movement has promoted socio-economic welfare of Kenyans
- The role played by the cooperative movement in the build-up of Kenya's third sector.

In order to meet the above objectives, the section will examine the evolution, policies and the socio economic aspects of the of the movement.

2.5.2 Historical background of the cooperative movement on Kenya

2.5.2.1 Cooperation in Pre-Colonial Kenya

Cooperation plays an important role in the lives of Kenyan people and emanates from the pre-colonial times of the traditional societies. Cooperation was in essence a vital aspect and dimension of the indigenous culture (Ouma 1987). Traditional cooperation facilitated achievement of social economic and welfare needs. Despite being an important aspect of traditional life, cooperation was spontaneous and it did not have formal structures. Formalization of the cooperation structures into cooperatives were developed during the colonial era. At this time, cooperatives came to serve as avenues of effecting community development initiatives, introducing the culture of thrift and played a role in education (Gamba and Komo, 2005). These new aspects of cooperation replaced the traditional cooperation practice (Ngigi, 2004b).

2.5.2.2 Cooperative Development in Colonial Kenya

Pioneer cooperative activities were started in the dairy and grain sectors. These earliest efforts could be traced to 1908, when the Lumbwa Cooperative society at present day Kipkelion in the Rift Valley Province was created to purchase fertilizer, chemicals, seeds and other farm inputs. It was mandated to market farm and dairy produce and address other challenges of technological constraints so as to take advantage of economies of scale at the time (Bwisa 2010; Adler and Munene, 2000). Apart from marketing, the society was also charged with the collection of members' milk for collective processing. In 1925, the settlers dairy farmers around Naivasha formed the Kenya Co-operative Creamery and in 1928 the farmers around Nanyuki set-up the Nanyuki Co-operative Creamery. In the beginning, the three co-operative creameries operated independently of each other and were export-oriented. Unfortunately during that time, the depression of 1930s shrunk international markets for dairy products. This economic downturn had

the result of forcing the three creameries to turn their attention to the much smaller domestic market and in 1931, all the creameries merged under the Kenya Cooperatives Creamery (Ngigi, 2004a).

In 1895, the Church Mission Society started experimentation on wheat production in Machakos. These experimentations enabled the first commercial wheat production in 1904, by settler farmers on 1200 acres. As wheat production was gaining ground, the settler farmers registered Unga Ltd in 1908, to help in processing of grains (Anadajayasekaram, *et al.* 2007). By 1919, wheat was planted in over 12000 acres establishing it as a commercially viable crop. In the same year the settlers established the British East Africa Maize Growers Association which evolved to become the Kenya Farmers Association in 1923. Earlier on in 1922, settlers in Uasin Gishu formed the Plateau Maize Growers Association which also constructed a grain mill. The Plateau Maize Growers Association enacted a legislation requiring all the wheat produced in Uasin Gishu to be sold through it. Later in 1927, it merged with Kenya Farmers Association. At this same time, another association was formed in Nairobi known as Wheat Grain Growers Association which incorporated Kenya Grain Mills Ltd. In 1928, Unga acquired controlling interests in Kenya Grain Mills forcing Wheat Grain Growers Association to become part of the Kenya Farmers Associations (Haxley, 1957). Hence, after 1928, Kenya Farmers Association became the sole representative organization for most of the settler grain farmers. With time, it assumed a monopolistic position on grain issues in Kenya (Makanda and Ohemke, 1995).

Experimentation with cash crops continued in various parts of Kenya in early 1900s (Bigsten and Coullier, 1995). It was found that fertile lands in the interior highlands of Kenya and in Uganda were productive and conducive. The fertile areas attracted the interest of settlers. In order to open up landlocked interior for farming and trade, a railway was built from Mombasa towards Uganda (Kapila, 2011). When the railroad was complete in 1906, thousands of settlers moved into the interiors to establish plantations which mainly concentrated on cash crops. The earliest cooperative

that was formed to market the cash crops was the Kenya Planters Cooperative Union. It was charged with the responsibility of processing and marketing coffee (Honsby, 2012).

Cooperatives in Kenya during the early colonial period focussed on agricultural activities. Their primary aim was to promote and protect the interests of white settler farmers and to enhance their productivity and generate reasonable income to run the affairs of the colonies. They also exported cash crops that were required to fuel industrialization in Britain (Wanyama, Dolvetere and Pollet, 2009). To achieve their triple goals of enhancing productivity, financing colonial government affairs and fuelling industrialisation in their home countries, the British farmer possessed about 20% of Kenya's fertile lands. This rendered many natives landless and disgruntled. The settlers christened the possessed lands "white highlands". These lands were mainly located near the Kenya-Uganda railway line (Karanja, 1996).

The greatest challenge faced by settlers during this period was the continuous and steady supply of labour, generation of enough revenue for routine administration and financing of development activities. In order to solve these challenges, the settler government imposed heavy head and hut taxes on the native population (Weber, 2009). The colonial state also discouraged native farmers from growing cash crops and establishing cooperatives; this would have affected the settler economy by interfering with labour outflow in their farms and estates (Kimler and Bates, 1982). Natives were also denied the advantage of marketing and transportation of their produce which in turn forced them to rely on Asian middlemen for the sale of their produce (Kanogo and Maxon, 1992).

Economic inequalities, exclusion from political participation, high taxation and the poor payments received from the middlemen during the colonial period led to the birth of several African associations (Kenya Land Alliance, 2004). Pioneer indigenous associations included East African Association and Kikuyu Central Association formed in 1920s. Young Kavirondo Association,

Ukamba Members Association, North Kavirondo Central Association and Kikuyu Provincial Association were all formed in the 1930s. These associations, advocated for consideration of African land claims and greater educational and economic opportunities. The Associations also served as welfare organizations concerned with the personal improvement of their members. (Kenya State House, 2001).

These associations gradually formed the basis of resources mobilization to facilitate organized resistance against colonial injustice. Their activities later led to changes in government policy with regard to issues of African participation in the cooperative movement and political participation. During the early stages of organized resistance, African welfare associations made attempts to register as savings and credit associations under the Department of Co-operative Development. Their attempts were rejected by on grounds that natives were not yet ready for such an initiative (Alila and Obado, 1990). As stated earlier, the settlers blocked all attempts by natives to benefit from the cooperative movement in the early 1930s.

The first legislation to regulate and govern cooperatives in Kenya is the Cooperative Societies' Ordinance Act of 1931 (Adler and Munene, 2000). This saw the registration of Kenya Cooperative Creamery in February 1931 and Kenya Farmers Association the same year and thereafter Kenya Planters Cooperative Union in 1937. Since during this time the natives were forbidden from growing cash crops, the bulk of their production was mainly food crops (Nangulu, 2001). Eventually, the colonial administration was forced to enact the 1945 Cooperative Ordinance that allowed the participation of the natives in the cooperative movements as a result of several factors. These factors encompassed the Great Depression of 1930s, pressure from emerging native associations and from Colonial Office in Britain. The new law also permitted native farmers to plant cash crops (Kanogo and Maxon, 1992). This law was eventually followed by establishment of the Department of cooperatives and the office of the Registrar of Cooperatives in 1946. These institutions were created to support native cooperatives (Manyara, 2006).

After the 1945 Cooperative Ordinance, the growth of cooperatives did not pick up as expected. By 1952, only 160 cooperatives had been registered. This is because many natives were suspicious that the colonial government would use the cooperative movement to exploit them (Ouma, 1987). This mistrust fizzled away in the 1950s, as the cooperative movement slowly became popular among farmers and colonial civil servants. Farmers too, did join the movement because it offered better prices for primary products (Nangulu, 2001).

At this time, the political climate was also changing, as the resistance movement was becoming more apparent culminating into a war of liberation. The liberation war was dubbed *Mau Mau* an acronym connoting *Mzungu Aende Ulaya, Mwafrika Apate Uhuru* (the white people should go to Europe for the African to be independent). The *Mau Mau* rebellion became intense, forcing the colonial government to declare a state of emergency in 1952 (International Communist League, 2011). The period was also generally characterized by strong sentiments against colonialism in the entire country. With this deteriorating political climate, the colonial state encouraged the formation of cooperatives in order to provide markets for the African farmers and build a middle class as a strategy to deal with radicalism (Kanogo and Maxon, 1992).

The registration of cooperatives became rapid in 1951. An initial development in cooperative development was made in 1954 when the Swynnerton Plan was developed. It was a strategy to improve agriculture and better land tenure among the natives (Gamba and Komo, 2005). The colonial administration was directed to promote native's output through improved farming practices. This was to be achieved by availing high yielding seeds and other farm inputs. Improved farming practices would lead to high returns within and out of the country. With high returns, the colonial state would make adequate revenue. Moreover, it would also boost the natives purchasing power and demand could be created among natives for products made by European firms (Nangulu 2001).

The years 1951-1959 saw the registration of 511 cooperatives. In the 1960s, there was a dramatic relaxation of government supervision and control. This move was geared towards encouraging the creation of as many cooperative societies as possible. At the same time, the colonial state created the Special Crops Development Authority to promote growing of tea by natives under the auspices of the ministry of Agriculture. The Special Crops Development Authority was renamed Kenya Tea Development Authority after independence in 1963. The number of cooperatives continue to grow and by 1963 their number was estimated at 1000 (Kanogo and Maxon, 1992).

2.5.2.3 Cooperative Development in Independent Kenya

After independence, the new government saw the cooperative movement as a vehicle to introduce African Socialism and strengthen ties amongst people from different regions of Kenya (Republic of Kenya, 1965). The government established the Kenya National Federation of Cooperatives in 1964 as the apex body for the movement and thereafter in 1965, registered the cooperative bank (Bwisa, 2010). In the same year the government published the Sessional Paper 10 entitled “African Socialism and its application to planning in Kenya” which outlined the government plan to eradicating poverty, ignorance and disease. According to the sessional paper, the idea of promoting cooperation and self-help among Kenyans was to become key in the country’s development process (Republic of Kenya, 1965).

The sessional paper was then followed by the enactment of the first Cooperatives Societies Act, Cap 490 in 1966 based on recommendations of the International Labour Organization (Wanyama, 2009). This legislation stipulated the conditions under which a cooperative society could be registered and outlined typologies of activities and internal structuring of primary cooperatives and secondary cooperatives (unions). The Act established the office of the Commissioner of Cooperatives, who had the dual roles of registration and cooperative development. Under this Act, the Government acted as regulator, financier and manager of the movement. The commissioner was

empowered to ensure that all cooperative societies complied with the provisions of the law. According to Muthuma (2011) the commissioner was also allowed to inspect account records of any cooperative society at any time, appoint or approve auditors of societies, hold an inquiry into operations of a society, appoint a care-taker committee for troubled societies or dissolve them as a last resort.

During the first decade after independence, the cooperative movement experienced challenges on governance, financial capitalization and human capital. The movement became a vehicle to enrich a few people and institutionalize power in the hands of the privileged (Ouma, 1987). Hence, in 1967, the Nordic Cooperative Development Programme, World Bank, United States and Germany extended assistance to the Kenyan Cooperative Movement to help it address some of these challenges (Wanyama, 2009). The Nordic Cooperative Project established a Cooperative College in order to address human capital challenges faced by the movement. The college became the main training institution for the cooperative movement. It organized training courses for cooperative managers and union staff (Muthuma, 2011). In addition to international assistance, the government availed free credit and free extension services to cooperatives. Later on, in order to solve the distributional problems, the government introduced the policy of equalization of incomes based on acreage (Kanogo and Maxon, 1992).

In 1970, the government developed Sessional Paper 8 on cooperative development, which focused on diffusion and growth of the cooperative movement. In 1974, the cooperative department was transformed into a ministry of cooperative development with a mandate to develop the sector into a viable and competent economic actor (Republic of Kenya, 1987). Producer cooperatives became directly linked to parastatals (state corporations) and statutory boards which were run by the state. At this same time, primary agricultural cooperatives and state corporations were facing challenges, prompting the publication of sessional paper 14 of 1974 on cooperative development policy. This paper had two important motives; it urged primary cooperatives to view state corporations as

collaborators and stipulated government protection of the movement against competition (Wanyama, 2009). An important development in the history of the cooperative movement in Kenya was the development of the Kenya Cooperative Insurance Services in 1979 as a distinct company. The company extended insurance services to cooperatives in rural areas which were of little interest to mainstream insurance providers (Kanogo and Maxon, 1992).

Some of the identified problems faced by cooperative movements in 1980s were lack of cooperative education, poor investments, misuse of positions and deteriorating honesty and integrity by the cooperative societies (Hussi, *et al.* 1993). The government was also blamed for poor supervision and control, and heavy interference. Some of the problems had their genesis at the dawn of independence. Special advantages and privileges that were accorded to cooperative movement by the government were abused, opening room for nepotism, corruption, gross-mismanagement and financial indiscipline (Wanyama, Dolvetere and Pollet, 2009).

2.5.2.4 The liberalization period

Structural Adjustment Programmes were also introduced by the World Bank in the 1980s in order to accelerate liberalization and institutional reforms. The Structural Adjustment Programmes introduced transformation in wide ranging trade and macro-economic policies impacting on production costs, incentive structures and cooperative sector competitiveness. The liberalization of the sector was institutionalized in 1986 with the publication of Sessional Paper on Renewed Growth and Economic Management of the Economy. This sessional paper removed all government monopolistic tendencies, divested government investment in commercial activities and encouraged the private sector to run and invest in the government owned organizations and parastatals including the cooperative sector (Parsitau 2008; Anderson, *et al.* 2005).

Key in the liberalization process at the end of the Cold War, was the reduction in the public sector budget and consumption, removal of tariff and non-tariff trade barriers, withdrawal of direct and

indirect protection of certain industries and restructuring of all public organizations (Rono, 2002). The cooperative movement was strongly affected by this reform process. The government cut down the budget for cooperative development department and withdrew key services from the movement (International Cooperative Alliance, 1996). This was done with the expectation that cooperatives would adjust quickly and organize themselves to provide these services. This time was also characterised by adverse economic conditions. The government on its part, pursued a massive divestiture strategy from most of the sectors that were heavily dependent on its assistance. The sudden removal of government protection made cooperatives to become economic orphans in the country leading to the collapse of several cooperative societies (Mbogoh, 2000).

The liberalization of the market attracted new actors in the sectors where cooperatives had enjoyed a monopoly. The market was now comprised of many sellers and buyers, who were guided by efficiency, competitive pricing and transparency (Wanyama, Dolveterere and Pollet, 2009). In the agricultural sector, the marketing practices changed radically. Previously, the ownership of the produce rested with the state marketing board, which then delegated the same to cooperatives. Thus, cooperatives could claim ownership of the produce until the point of export when ownership reverted back to the marketing board. In the liberalized market system, ownership of the produce became rather disjointed. An individual farmer owned it up to the point he/she sold it to the next owner, who could either be a private buyer or a cooperative society (Bangura, 1992). Cooperatives had to compete with other players to buy and sell agricultural produce if they were to remain in business.

This new marketing environment had fundamental implications for the cooperative movement. For instance, since membership in agricultural cooperatives was previously motivated by the desire to get access to the only marketing channel for produce, the availability of several market channels in the new era posed a threat of reduction in cooperative membership as members now had the option to sell their produce to alternative buyers. This meant that cooperatives had to offer something

unique in order to be competitive and relevant (Gamba and Komo, 2005). Hence, several cooperative societies merged to form cooperative unions in order to start value addition activities for their members' produce. Cooperatives, faced by private market players who were very efficient and competitive, succumbed to various consequences; some were able to successfully fit in the new market structure and became competitive while others had difficulties to adjust and thus their survival was in jeopardy (Wanyama, 2009).

2.5.2.5 Period of Intense Sector Legislation

The Cooperatives Societies Act 490 was eventually repealed and replaced by the cooperative societies Act, No 12 of 1997. This new law was created to address the weaknesses of Cap 490 and the emerging challenges faced by the cooperative movement (Manyara, 2004). Later in the same year, Sessional paper no. 6 of 1997 on "Cooperatives in a Liberalized Economic Environment" was created. They did set an important pedestal for the professionalization of the sector. It provided for a member based, autonomous and member controlled movement. Government controls were also abruptly removed in attempts liberalize the cooperative sector. This move left a regulatory vacuum, a chaotic reorganization and haphazard structuring of the sector. There were hence many mergers, disputes and splits. Quite a number of cooperative societies were split into small and uneconomic units. Mismanagement and opportunism became rampant. Despite these challenges and pandemonium in the sector, by 1999, 7000 cooperatives had been created across the country (Muthuma, 2011). To worsen the situation, in 1999, the Ministry of Cooperatives was dissolved becoming a department in the Ministry of Agriculture and Rural Development. This downgrading resulted to less budget and staff for the sector.

In 2002, the opposition movement under the National Alliance for the Rainbow Coalition assumed power replacing the Kenya African National Union which had ruled the country since 1963. The new government introduced policies geared towards rehabilitation of the national economy and

poverty reduction (Republic of Kenya, 2004a). In 2003, the ministry of Cooperatives was revived under the name Ministry of Cooperative Development and Marketing. In the same year the number of registered cooperative societies had reached 10,297 with a total membership of 5.9 million and an income of about Euro 74,000,000 (Kenya Shillings 7.4 billion) contributing to 30% of national saving (Owen, 2007). In 2004, a draft Sessional Paper on Cooperative Development in Kenya was developed. According to the Paper, the country had registered 10,700 cooperatives with more than 6 million members and mobilized savings of over Euro 1.05 billion (Kenya Shillings 105 billion). In the same year a Cooperatives Amendment Act was enacted paving way for creation of Savings and Credit Cooperative (SACCO) Societies law (Republic of Kenya, 2004b).

The Savings and Credit Cooperatives Societies Act was finally enacted in 2008. It provided for the formation of the Sacco Societies Regulatory Authority, creation of depositors protection fund, amongst other provisions such as licensing, regulation and supervision. Credit cooperatives were to be allowed to engage in trade or investment activities to diversify their income; foreign trade, money transfers and other banking services prescribed by the regulatory authority (Republic of Kenya, 2008a). The Act did introduce minimum liquidity and capital requirements that credit cooperatives were to comply with. Financial statements of credit cooperatives were required to comply with the prescribed disclosure requirements outlined in the international financial reporting standards (Republic of Kenya, 2008d). Under the Cooperative Societies Act 2008, the credit cooperatives were only required to retain 20% of their surpluses in statutory reserves and would usually pay off the rest in the form of interest or dividends to their members. It also allowed the Savings and Credit Cooperatives Societies to receive deposits from members and non-members through a service known as front office savings activities. The Act also set stringent minimal requirements for Savings and Credit Cooperatives Societies taking deposits comprising minimal core capital of Euro 100,000 (Kenya Shillings 10,000,000), managerial moral suitability and a comprehensive four year business plan (FSD Kenya, 2011).

In 2007, the government published Vision 2030, in which contribution of the cooperative sector was recognized with respect to strengthening the agriculture sector, reducing exclusion faced by informal sector, accessing financial services to masses and in improving production of goods and services (Republic of Kenya, 2007). According to the government, the innovativeness, commercial orientation and ultimate modernization of various sectors in the economy depended to a great extent on the effectiveness of the cooperative movement. The government was therefore mandated to help improve the technical and management capacity of cooperatives.

In order to solve the problem of exclusion brought about by informality, government was to encourage formation of producer groups and link them to formal market operators (Republic of Kenya, 2008a). Cooperatives were also to be encouraged to get involved in value addition activities, housing activities, promoting cultural tourism, preserving indigenous cultures and enhancing penetration of financial services to excluded populations. To strengthen community based organizations, government was to encourage them to upgrade to cooperatives (Republic of Kenya, 2008d). This move however, would need special considerations of and a special sub-sector law introduced (Thomas, 2004).

Another policy on cooperative development was instituted in 2008. This policy aimed at restructuring, strengthening and transformation of cooperatives into vibrant entities against poverty through wealth and employment creation (Wanyama, 2009). In the same year, the Ministry of Cooperative Development and Marketing developed a strategic plan for the period 2008 to 2012. The plan was to support the growth of the sector through strengthening its customer orientation, financial viability, business process effectiveness and learning processes in order to achieve sustainable growth (Republic of Kenya, 2009a). The Ministry's strategic plan was followed by a marketing strategy which focused on revitalizing the cooperative movement, making it a true instrument for socio economic empowerment (Republic of Kenya, 2009b).

2.5.3 The evolving industrial organization of the cooperative movement in Kenya

From the 1900s to-date the evolution of the cooperative sector in Kenya has been quite dynamic. While some of the components of the cooperative movement structure have endured, others became vestigial with time. Factors that continue to influence the movement include government policies, liberalization wave, global economic conditions, intra and extra organizational dynamics, and cooperative industry dynamics (Kuria, 2012).

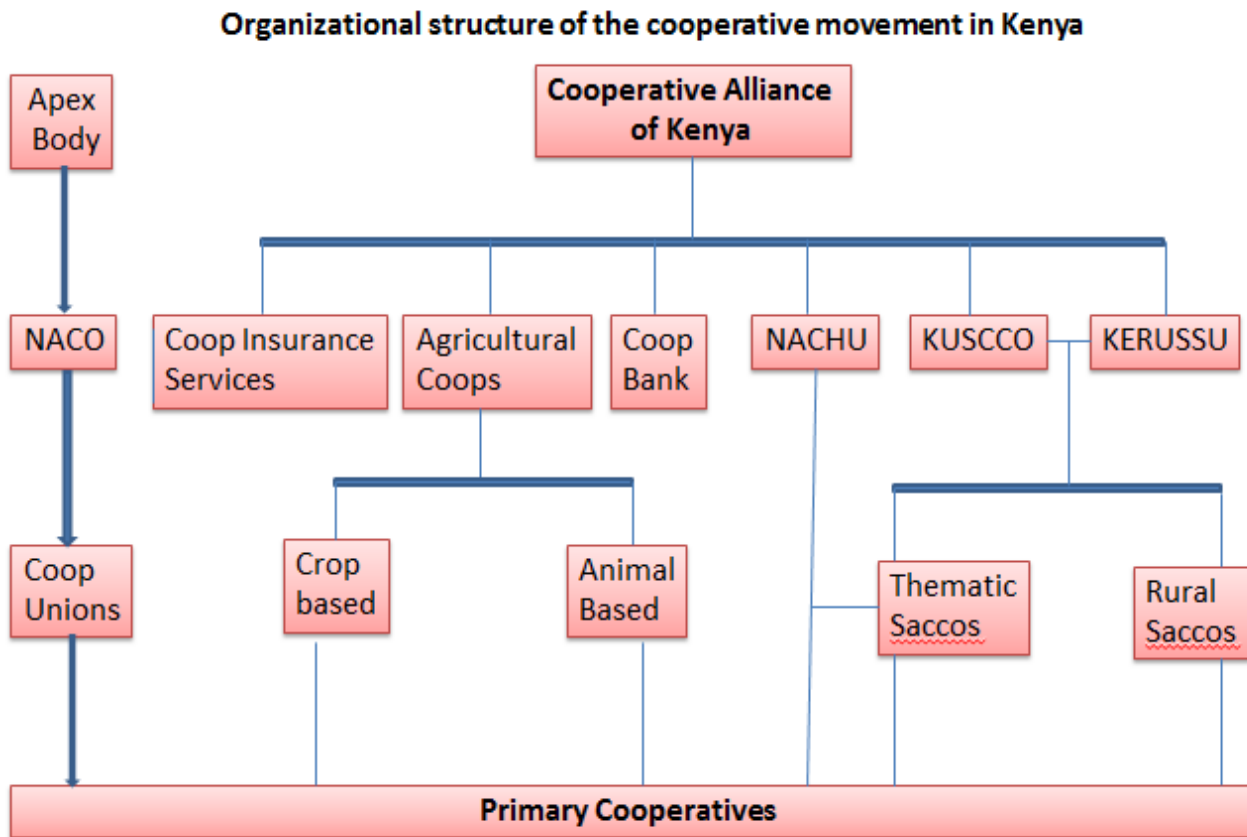
At the onset of cooperative movement in Kenya, the sector was mainly organized around experimentation on agricultural activities; cash crops, grains and dairy farming. It is evident that much sector re-organization before 1930s took place in terms of acquisitions and mergers across the different co-operators. The legislation of the sector came in the mid 1930's and this had an important implication in setting the pace for the growth of the sector. In the early years, the cooperative sector did not have a definite structure but was characterised by independent cooperatives, coalition and acquisitions.

After independence in 1963, the government reorganized the sector. The cooperative structure was organized into three tiers made up of grassroots cooperatives, cooperative unions at the district level and national cooperatives organizations (Karanja, 1974). It also established the cooperative bank of Kenya, another structure that would be important in the development of the cooperative movement (Alila and Ikiara, 1993). The government then published the Cooperatives Societies Act cap 490 of 1966 and created the office of the Commissioner of Cooperatives that replaced the Colonial Registrar of Cooperatives (Hans, 1988).

In 1964, the government created the Kenya National Federation of Cooperatives as an apex body tasked with the promotion of cooperative development, uniting and harmonizing activities of the movement. The apex body was to become a focal point on matters associated with cooperative policy and law, conflict resolution and representation both at national and international forums

(Wanyama, 2007). Generally, Kenya National Federation of Cooperatives was tasked to be the official national and international voice of Kenyan cooperative movement (Hussi, *et al.* 1993). It drew its membership from grassroots cooperatives, district unions to the national cooperative organizations and by 1990 it had a membership of 8,000 cooperatives.

Figure 2.5.1



Source: Author

However over the years Kenya National Federation of Cooperatives started performing poorly in its mandate as it veered from its conceptual role and assumed technical activities undertaken by national cooperative organizations and district cooperative unions. It also experienced problems such as nepotism, gross mismanagement, inability to pay its International Cooperative Alliance fee and bad leadership. By 1990s it had lost about 96% of its subscribers and was headed for collapse (Wanyama, 2009). In 2005 the Ministry of Cooperatives stepped in to save it. The federation's leadership was replaced with a transitory technical team. By 2007 the new leadership had revised the by-laws of the apex body and endorsed a new governance structure. This governance structure had five components; general assembly as the supreme and ultimate authority comprising of 75 delegates, the national governing council composed of eight national cooperative organizations

chairpersons. The technical committee was made up of the executive officers of the national cooperative organizations, regional and national representatives consisting of the commissioner of cooperative development, executive director and seven elected regional representatives and lastly, a secretariat comprising the executive director and the heads of the four organs.

The transitory team managed to create a new funding strategy for the apex body. It demarcated the cooperative movement into national cooperative organizations and other cooperatives. National cooperative organizations less than Euro 500,000 (Kenya Shillings 50,000,000) turnover would pay a subscription fee of Euro 500 (Kenya Shillings 50,000), while those with an income of Euro 2,500,000 (Kenya Shillings 250,000,000) would pay Euro 5,000 (Kenya Shillings 500,000). District union cooperatives and primary cooperatives with an income of less than Euro 50,000 (Kenya Shillings 5,000,000) would pay a subscription fee of Euro 50 (Kenya Shillings 5,000) while those with a turnover of Euro 3,500,000 (Kenya Shillings 350,000,000) and above would pay Euro 1,000 (Kenya Shillings 100,000). All cooperatives were required to pay an annual membership fee of Euro 30 (Kenya Shillings 3,000) and buy shares with a nominal value of Euro 20 (Kenya Shillings 2,000). The re-engineering process continued to 2009 when Kenya National Federation of Cooperatives was dissolved and a new apex body known as the Cooperative Alliance of Kenya formed to replace it. Cooperative Alliance of Kenya was mandated with the task of uniting the cooperative movement, policy advocacy and being a spokesperson of the movement in and out of Kenya, improving awareness about the movement and enlisting support for the movement (Cooperative Alliance of Kenya, 2009).

An important structure for the cooperative movement created after independence was the cooperative bank, registered in 1965 and licensed as a bank in 1968. The bank became the first post-independence national cooperative organization (Bwisa, 2010). It joined earlier national cooperative organizations comprising Kenya Farmers Association, Kenya Cooperative Creamery and Kenya Planters Cooperative Union. The bank aimed at mobilizing savings and credit for the

cooperative sector. 70% of its shares were allocated to the cooperative, while 30% was held by individual co-operators. In 2008, the bank sold Kenya Shillings 700 million shares through a successful public offer which reduced the cooperative movement shares to 65%. The bank mobilized a capital base of Euro 135,000,000 (Kenya Shillings 13.5 billion) by the end of 2008 (Wahome, 2008). Averagely, the bank lends approximately Euro 35,000,000 (Kenya Shillings 3.5 billion) to Savings and Credit Cooperative Societies to boost their liquidity so as to meet members' demand for loans associated with personal emergencies and recurring seasonal expenses. Lastly, by 2011 the bank was employing an average of 3193 staff with a large branch network, penetrating and taking services to all areas of Kenya (Cooperative Bank of Kenya, 2012).

In order to help the sector cushion against risks 1978, the first insurance company known as Cooperative Insurance Services was incorporated (Kuria, 2012). The idea of introducing co-operative insurance in Kenya was first conceived early in 1968 by the Kenya National Federation of Co-operatives. These consultations continued up to 1972 when initial attempts were made at creating the Insurance Agency. This led to the registration of a Co-operative Insurance Society of Kenya in 1975, under the Co-operative Societies Act CAP 490. In 1999 Cooperative Insurance Services changed its name to Cooperative Insurance Company of Kenya (Oyebanji, *et al.* 2010). This change was necessitated by the liberalization climate which demanded agility and dynamism. Cooperative Insurance Company then opened its services to other sectors of the economy while maintaining its special relationship with the cooperative sector. The cooperative movement still retains ownership of Cooperative Insurance Company. To-date, the insurer is the largest insurance company in Kenya employing 800 staff and has branches in all major towns (Kenya Companies, 2012).

The most powerful component of the cooperative sector in Kenya is made up of the Savings and Credit Cooperative Societies. They have their origin in colonial times when Africans started welfare association groups to address social and economic challenges faced by their members (Muthuma,

2011). Though the natives were not allowed to form cooperatives, their associations not only provided avenues for addressing welfare needs but were later seen as a threat to the colonial establishment (Republic of Kenya, 1964b). This led to the enactment of the 1945 ordinance which provided an enabling environment for natives to join the cooperative movement. The first to join and benefit from the cooperatives included colonial civil servants. The participation of the civil servants in the movement led to its growth from 1950s onwards. Earlier savings and credit cooperatives societies were a component of other cooperatives. They however did not fit in well leading to a feeling that there was a need for an association that would address their needs. As a result, in 1973 the Kenya Union of Savings and Credit Cooperatives Societies was formed to respond to those needs (Oyebanji *et al*, 2010). It's main objective were to promote and develop the savings and credit cooperatives, provide information, foster education and training, consultancy and research, representation of the Savings and Credit Cooperatives Societies, risk management and general managerial assistance. Members of Kenya Union of Savings and Credit Cooperatives come from diverse economic backgrounds based on common bond such as salaries, farm activities, trade, informal sector artisans (referred to as *Jua Kali* in Kenya), transport business and community based Savings and Credit Cooperatives Societies (Mudibo 2005; Wanyama, 2009). The first major success for Kenya Union of Savings and Credit Cooperatives Societies on policy advocacy was the enactment of the 2004 Cooperative Societies Amendment Act that paved way to the Savings and Credit Cooperatives Societies Act of 2008. The Act allowed the formation of the Sacco Societies Regulation Authority.

In order to ensure the development of rural areas, the government introduced the idea of rural savings and credit cooperative societies in 1990s. This was done by directing cooperatives to turn their financial services into savings and credit cooperative societies. This move was meant to separate financial services from non-financial services. In early 1990s the government found that mixing the credit and savings activities with other non-financial services was becoming costly to the

cooperative societies. Different typologies of rural Savings and Credit Cooperatives Societies emerged to cater for specific agricultural activities, such as tea, coffee, dairy, among others (Nair and Todd, 2007). To respond to the needs of the rural Savings and Credit Cooperatives Societies, the Kenya Rural Savings and Credit Cooperative Societies Union was registered in 1998 as a cooperative union. By 2009, it had a membership of 48 rural Savings and Credit Cooperatives Societies. Kenya Rural Savings and Credit Cooperative Societies offered services such as advocacy, credit, and training. It trained its members on microfinance, cooperative principles, HIV awareness, management and accounting. Additionally, Kenya Rural Savings and Credit Cooperative Societies is involved in product development and inspection of Savings and Credit Cooperatives Societies. Its advocacy role directed to championing for a new Savings and Credit Cooperatives Societies law and favourable taxation (Wanyama, 2009 and Oyebanji *et al* 2010). Kenya Rural Savings and Credit Cooperative Societies is a loosely integrated network.

All Kenya Rural Savings and Credit Cooperative Union members also belong to the Kenya Union of Savings and Credit Cooperatives, the industry-wide umbrella organization. Its members are large with an average membership of more than 25,000. Its largest savings and credit cooperative society has more than 120,000 members. All its savings and credit cooperative societies offer Front Office Service Activities. Some have extensive rural networks covering several districts, operate mobile banking units, have Automated Teller Machines, and offer money transfer services. Following difficulties in several commodity markets in the recent times, these Savings and Credit Cooperative Societies started to diversify their membership, including opening up of their common bond (Nair and Todd, 2007).

Another important structure of the Kenyan Cooperative Movement is the National Cooperative Housing Union . It was registered in 1979 under the Cooperative Societies Act cap 490 in response to the efforts of humanitarian organizations involving trade unions, churches and cooperatives that felt the need to have an umbrella organization that would address rapid urbanization and

proliferation of slums. National Cooperative Housing Union was created to address these issues and in time it became the apex body for all the housing cooperative societies in Kenya. Through its members made up of 210 housing cooperative societies countrywide, it serves approximately 200,000 people (Oyeyinka *et al.* 2010). National Cooperative Housing Union's vision is to facilitate access to decent and affordable shelter through the Cooperative Housing model. It contributes to improved shelter and quality of life among low-income communities through training, education, technical and financial services. Its services and activities are spread out nationally with the majority of the target group being women and youth. The union's addresses housing and shelter needs in both rural and urban areas through its primary cooperatives (Adler and Munene, 2000). It also has a non-financial services component that is accessible to non-members.

Kenya Planters Cooperative Union is another national cooperative organization incorporated at Ruiru by coffee growers' cooperative societies in 1937. It is owned by 300 co-operative societies, representing about 700,000 small scale farmers and about 2,000 plantation estates in the country. The union was formed as a stockist organization for essential farm inputs such as fertilizers, chemicals, tools and machinery. These inputs were later resold to farmers at affordable prices. The union was also involved in extension services, provision of credit and value addition activities. In 1945, it was incorporated for the second time as a limited company under the Company Ordinance Act of 1933. This meant that Kenya Planters Cooperative Union was now having a double registration as a limited company and also as a cooperative society. Though these registrations implied that the union could effectively offer diversified services to its members that time, it affected badly its stability and financial performance in later years. In 2008 media reports warned of imminent collapse of the union following a study commissioned by the European Union. The coffee miller was struggling with a heavy debt burden occasioned by unpaid bank loans and farmer debts.

The challenges of Kenya Planters Cooperative Union continued deepening with Kenya Commercial Bank placing it under receivership in October 2009 over Euro 6,440,000 (Kenya Shillings 644 million) debt. Creditors descended on its assets a year later, with auctioneers advertising intended sale of its buildings. In a bid to save the union, the Ministry of Cooperative Development and Marketing placed a *caveat emptor* was on its assets (International Coffee report, 2009). The Union disputed the debt through a case filed by its new receivership directors. They asked for a forensic audit to be done and figures reconciled before any payments were made (Wahome, 2011). In September 2011, the government intervened by pledging a rescue package of Euro 7,000,000 (Kenya Shillings 700 million) in the 2011/12 national budget to rescue the miller. The government was also to spend over Euro 40,000,000 (Kenya Shillings 4 billion), writing off debts owed by farmers, as it moved to entice them to return to coffee farming and benefit from prevailing high international coffee prices. By the financial year 2011/2012 the rescue package was yet to be used pending the outcome of the lawsuit which was expected to provide directions guiding parties on settlement modalities. The litigations led to the stop of its activities and its facilities were rendered idle. Finally, to respond to farmers needs the Ministry of Cooperative Development and Marketing formed the Kenya Coffee Co-operative Exporters in 2011. The body took up the marketing of coffee thus leaving Kenya Planters Cooperative Union with no direct role in facilitating coffee business in the country. Kenya Planters Union on its part continues struggling but faces a high danger of its imminent collapse.

As earlier discussed the Kenya Cooperative Creamery also a national cooperative organization was as a result of a merger between primary societies and an apex processing creamery. Its goal was to give a single voice to dairy farmers and provide an ample scope for their representation. The cooperative was charged with the responsibility of improving milk production and market dominance. It was also to keep the dairy sector abreast with technological improvements. It aimed at improving these challenges by reducing challenges associated with collective action. In order to

achieve its aims, Kenya Cooperative Creamery successfully lobbied for enactment of the Kenya Dairy Industry Act; Chapter 336 of the Laws of Kenya, in 1958. The Act provided for the creation of Kenya Dairy Board to regulate the dairy industry.

In August 2000 KCC was re-incorporated as KCC Limited 2000 (abbreviated KCC-2000) and was acquired through a competitive bidding process (AFCA, 2010). In 2003, the government reclaimed KCC from the private investors and re-registered it as the New Kenya Co-operative Creameries Ltd in June the same year with the intent of revamping it and selling it to farmers upon its stabilization (Wanyama, 2009). However, Muchira (2012) postulates that revamping the New KCC does not appear as rosy. The process has been marred by managerial and financial challenges just as the case with its predecessor, Kenya Cooperative Creamery.

Table 2.5.1: Cooperative membership 2003 to 2007

Type of cooperative	2003	2004	2005	2006	2007
SACCOs	3,500,000	3,642,000	4,602,000	5,420,000	6,286,000
Agricultural	1,153,000	1,024,000	1,140,000	1,238,000	1,318,000
Other non agric	265,000	319,000	333,000	370,000	334,000
Cooperative unions	624	625	639	639	569

Source: MoCDM

The loss of the monopoly status, coupled with the business-oriented demands of the market, has seen a great restructuring of the cooperative industry in Kenya. For instance, though agricultural activities remain predominant in the cooperative ventures, those that are no longer profitable (like cotton and pyrethrum in Kenya) are increasingly being abandoned in favour of others (like dairy, savings and credit) that are more viable on the market. Hence many of these cooperatives have been forced to diversify in order to survive. This move towards diversification of ventures partly explains, for example, why Kenya is witnessing substantial growth of cooperatives in the financial sector. Savings and Credit Cooperative Societies have more members and exhibit phenomenal growth than all other types of cooperatives. As mentioned earlier, Savings and Credit Cooperative Societies are made on the basis of a common bond. There are six types of Savings and Credit

Cooperative Societies formed by the following bonds: salary based, rural based, traders, *jua kali*, transport and community based.

Table 2.5.2: Annual Cooperative movement turnover 2003-2007 (Millions Kenya Shillings)

Year	2003	2004	2005	2006	2007
SACCOs	9,761	10,359	11,609	13,511	14,409
Agric coops	8,519	8,602	9,297	10,204	10,467
Other non agric	963	251	275	305	238
Coop unions	963	763	746	746	1,145

Source: MoCDM. Exchange rate Kenya Shillings 100 = Euro 1

In order to keep afloat, cooperatives are steadily becoming multi-functional by taking on activities as demanded by members and market forces. For example, most agricultural cooperatives in the above table are also venturing in savings, credit and value addition. To this end, cooperative ventures in Kenya are increasingly becoming market-driven and responsive to changing circumstances so as to increase competitiveness and member returns. They continue to seek and exploit new market niches, products and invest in quality management. Their pricing and interest rate policies are increasingly responding to the prevailing market conditions rather than blindly being a function of state policy, as was the case in the past. Cooperatives are also hiring professionals and investing in strong management systems to respond adequately to competition. They are also displaying preference for a growth oriented approach in terms of asset base, business turn-over, market share and profitability (Yeboah 2005; Tesfaye, 2005).

Table 2.5.3: Types of cooperatives 1997 to 2007

	1997	1999	2001	2003	2005	2007
Savings and credits	3,179	3,538	3,925	4,200	4,678	5,122
Agricultural	3,784	4,199	4,372	4,166	4,304	4,414
Other non agric	1,276	1,325	1,382	1,838	1,885	2,000
Unions	83	89	89	93	99	99

Source MoCDM

There has been a general positive trend in the development of the various types of cooperatives as can be seen in the table above. One possible explanation is that liberalization facilitated purification and revamping of the cooperative sector. Competitive co-operatives survived the liberalization process while insolvent and non-competitive ones were closed down. In addition, new co-operatives that were run professionally and were less dependent on state support emerged.

Cooperative and third sector fit

There are two distinct categories in the cooperative movement; agricultural and non-agricultural (Wanyama, 2009). Available data has shown a steady in both categories. Agricultural cooperatives work to market members' produce, assist in value addition, provide extension and training services. They procure farm inputs and machinery, selling them to farmers at affordable prices. They also help their members access financial services. Most agricultural cooperatives are based in places easily accessible by rural farmers and may either be crop based or animal based. Crop cooperatives are involved in the production and marketing of fruits, vegetables, legumes and grains, coffee, tea, tobacco, cotton, pyrethrum and horticultural plants. Animal based cooperatives are involved in the production and marketing of dairy products, poultry, fish and other animal products.

Non-agricultural cooperatives are mainly urban based, though few may be found in rural areas. They mainly offer financial services including savings and credits. Some activities of these cooperatives include creative and visual arts, transport sector, informal sector, also popularly known as the *Jua Kali* sector and in the housing sector. Their services are not only limited to finance, they also try to respond to other needs of their members. Other service packages offered by these cooperatives include medical; enterprise and investments research, consultancy training and education, insurance services, information communication and technology and livelihood empowerment.

For the better part of the history of the cooperative industry in Kenya, agriculture and credit have been the ‘traditional cooperative’ sectors. Agriculture cooperatives were pioneer cooperatives in the colonial days, followed by the credit cooperatives which mainly developed among urban class workers. With time, much reorganization has happened in the cooperative sector that has interfered with the traditional cooperative industrial organization, and the traditional constructs of the sector.

Cooperative development in Kenya was partly influenced by the colonialist regime and strived to find its own evolutionary path after Kenya’s independence. In order to improve the effectiveness of the cooperatives, the colonial state encouraged vertical integration of cooperatives to form apex bodies such as the Kenya Farmers Association, Kenya Planters Cooperative Union and Kenya Cooperative Creamery. In an attempt to promote organic harmony within the cooperative movement, post-independent government established Kenya National Federation of Cooperative as the apex organization. Hence, the structure of the cooperative movement maintained a federative structure for most part of 1960s to 1980s.

With time the national cooperative organizations and Kenya National Federation of Cooperatives experienced problems due to poor management and inability to offer quality services to its members. This led to a fragmented movement with a decentralised fluid structure as the apex bodies slowly lost their mandate. Due to their inability to provide members with competitive services, some non-performing apex organizations lost their significance in the liberalized economy.

2.5.4 Summary

The liberalization process found most cooperatives already unstable. Some of the problems faced by the movement faced included a persistence of low business efficiency, weak capital base, heavy indebtedness and limited credit-worthiness. Other challenges comprised weak entrepreneurial capability of managers and board members as well as unbalanced organizational structures (Birgegaard and Genberg, 1994). Several producer and marketing cooperatives had been ill-

prepared to face a liberalized economy, implying that they faced the danger of imminent collapse and withering in the new era. Only competitive cooperatives did survive the demands of liberalization era and have continued to grow in business and membership (Wanyama, 2009). The challenges brought about by market liberalization is part and parcel of the industrial re-organization process that faced the cooperative sector.

Savings and credits cooperative societies became more successful with time and replaced agricultural cooperatives as the dominant model in Kenya. Three main reasons accounted for their success; first, they largely relied on their own financial resources to transact, thereby avoiding the pitfall of dependency. Second, being in the financial sector, their services were always on demand unlike agricultural co-operatives that were dependent on the performance of farming activities. Their activities were also in tandem with the new market economy and they tended to respond to the ever imminent need for access to capital by needy segments of society in Kenya. They also reached large numbers of depositors and used their savings to provide diversified range of loans to individual members (Zeller, 2003).

Their third key strength was their ability to reach out to people who would have otherwise remained excluded from financial markets. These cooperatives reached many poor people because of their breadth of outreach. Besides, they also ventured into other 'non-traditional' sectors like housing, consumer, cottage industry, distilleries and social-welfare investments.

2.6 Non-Governmental Organizations in Kenya

2.6.1 Background

Non-Governmental Organizations are increasingly being recognized as potent forces for social and economic development and valuable agents in the promotion of qualitative and quantitative development of the economy (Republic of Kenya, 2006c; 2006d). They contribute to rising

productivity and also act as agents of distribution. Their work also contributes to enhanced employment creation and improved rural-urban balance.

Origins of non-governmental organizations in Kenya can be traced to the emergence of church based and independent secular organizations, which pursued voluntary development initiatives during the colonial era (Chelogy, Anyango and Odembo, 2004). In the 1940s numerous social groupings were formed mainly consisting of women groups. It is considered that these groupings were the precursor of present day, *Maendeleo Ya Wanawake Organizations* (MYWO), the apex body representing women issues in Kenya. Apart from women groupings, there were local charitable organizations, large church based initiatives such as the Young Men Christian Association (YMCA) and the Young Women Christian Association (YWCA) that were operational in Kenya by 1930. Indigenous ethnic welfare associations such as the Kavirondo Taxpayers Welfare Association (KTWA) were also formed by the migrant workers who travelled to the cities to look for employment opportunities. Some of these organizations took political overtones during the decolonization struggle. Other service based associations sprang up after the Second World War II among them being war veterans associations, occupational associations and professional bodies (Mbote, 2000).

By independence in 1963, the non-governmental organization sector did not have a proper regulatory framework. In order to address this anomaly, in 1964, the government established the Kenya National Council of Social Services, a company limited by guarantee without share capital to act as an umbrella body for the sector. This body was placed under the ministry of culture and social services. At that time, non-governmental organizations only provided welfare activities as development was conceived as the responsibility of the state (Munio and Musumba, 1995). Apart from the establishment of Kenya National Council of Social Services, there were no further attempts to legislate them. Non-governmental organizations were hence registered under various laws including the company Act, the Societies Act, Trust Act or as community based organizations

under the Ministry of Culture and Social Services. Lack of clear administration system for non-governmental organizations accounted for the dearth of proper statistics on the sector prior to 1990s (Mbote, 2000).

The 1980s were characterized by civil strife, conflicts, internal displacements, and a deterioration of the socio economic and political stability (Honsby, 2012). The state reduced its role in welfare service provision because of the demands of the structural adjustments programmes. A need therefore arose for non-governmental organizations to help fill the resultant gaps. The haphazard liberation of the economy had the effect of hurting many poor people and denied them access to basic services such as education and health (Rono, 2002). Apart from addressing welfare needs, non-governmental organizations reconstituted themselves to address challenges brought about by distributive injustice. They positioned themselves to champion against social exclusion and marginalization of communities as well as individuals. Non-governmental organizations also took the responsibility of pushing for political reforms and favourable policies especially during the 1980s when there was a general decline of political freedoms (Kingoro and Bujra, 2009).

As a result of the general political environment decline in the 1980s, some unscrupulous non-governmental organizations sprang up, which concentrated in business activities and ignored their social mandate. Others pursued activities that considered a security risk to the country (Mbote, 2000). Some non-governmental organizations had enormous resources from international donors which were not used well. Others, possessed enormous powers that threatened government sovereignty (Kanyinga and Mitullah, 2007). The concerns on security, prompted the government to set up an inter-ministerial task force on non-governmental organizations in 1986. The task force recommended that the non-governmental organizations sector be coordinated within a development framework. Non-governmental organizations on their part, sensing the possibility of a restrictive policy regime, managed to successfully lobby for a provision on self-regulation (Ndegwa, 1996).

2.6.2 Regulating the Sector

After independence, non-governmental organizations were coordinated by the Kenya National Council of Social Services under the Ministry of Culture and Social Services. By 1986 it became apparent that the Kenya National Council of Social Services had failed on its mandate to coordinate the NGOs as it was marred by inefficiencies. It was also evident that the work of non-governmental organizations in development was phenomenal. The Ministry of Culture and Social Services presented a proposition to the cabinet to legislate and coordinate activities of non-governmental organizations. The proposition did not materialize and by 1989 the coordination of non-governmental organizations was taken over by the office of the President (Mbote, 2000). In 1990 the non-governmental organizations coordination Act of Kenya was enacted and got the presidential assent in January 1991. This Act envisaged the establishment of a single regulator of all charitable organizations operating in Kenya. However, this has not been possible since non-governmental organizations continue to be registered under various laws (NGO Coordination Board, 2009).

Part 1(2) of the Act defined NGOs as “*private voluntary grouping of individuals or associations not operated for profits or for commercial purposes but which have organized themselves nationally or internationally for the promotion of social welfare, development, charity or research through mobilization of resources*” (Republic of Kenya, 1990). The Act established a governmental agency known as the Coordination Board under section 7 and a self-regulatory agency known as the non-governmental organizations Council under section 23 to govern the non-governmental organizations operations. Among others, the work of the board entailed maintaining the register of non-governmental organizations, coordinating and facilitating their work, scrutinizing their reports, advising the government, providing policy guidelines for them, approving the council reports and providing a code of conduct for them. The act placed the non-governmental organizations coordination board under the office of the deputy President within Ministry of state for National Heritage and Culture (Republic of Kenya, 2009d). The Council was empowered to adopt an

independent structure and rules and to ensure self-regulation of non-governmental organizations via the code of conduct on matters of funding, foreign affiliation, national security, training and institutional building.

In 1992 the rules and regulations non-governmental organizations council for interpreting and implementing the Act were approved (Republic of Kenya, 1992a). In 1995 the Council prepared the non-governmental organizations code of conduct. The code outlined the following values: probity, self-regulation, justice, service, cooperation, prudence and respect. The Act had sections within it considered unfavourable to non-governmental organizations prosperity. These sections covered aspects of duration and validity of registration, power of appeals and council membership. Non-governmental organizations successfully lobbied the government for compromises and amendments on the law.

In 2006 the office of the President developed a sessional paper on non-governmental organizations. The sessional paper sought to address impediments affecting optimal performance by non-governmental organizations. According to the paper some of these impediments included weak operational definition of non-governmental organizations, registration, policy, self-regulations, arbitration within the non-governmental organizations council and sector governance. These problems made the non-governmental organizations sector become subservient to international governance. They experienced wrangling at the level of the council and were also vulnerable to misappropriation of resources and were exposed to lack of transparency and accountability. The policy sought to establish modalities for better collaboration between the sector, government and other stakeholders. It expanded the 1990 definition of non-governmental organizations by according them four traits that have contributed to the distinctiveness of the sector. The traits designated the sector as being made up of organized institutions that are voluntary, self-governing, self-regulating and not for profit. The paper also allowed for government sub-contracting to non-governmental organizations based on competitiveness.

In 2009, the non-governmental organizations coordination board carried out a national survey aimed at generating information to assist it improve its regulatory functions and boost sector effectiveness. The survey was also necessitated by low compliance on requirement of annual returns. The challenge of low returns made the work of quantifying the actual sector's contribution difficult for the board. It also made it hard to identify opportunities for improving sector effectiveness (Republic of Kenya, 2009d). The survey generated several insights, among them being a realization that the non-governmental organizations sector had evolved considerably since the enactment of the non-governmental organizations coordination Act of 1990. The sector had also expanded beyond the current ability of the board. It presented an opportunity for stimulating economic growth and improved social welfare and simultaneously created room for abuses.

Several non-governmental organizations could not be traced by the survey, leading to the conclusion that they had either ceased operations without informing the board, had filled wrong information about their addresses or had shifted from their original area of operation. It was hence recommended that there was a need to review the regulatory framework in order to ensure professionalism. Armed with the survey findings, the board presented a suggestion to the government for a risk based proportionate approach in regulating the sector. In 2012 a bill was presented in parliament to change the present mandate of the board into an authority. The bill proposed solutions to the short comings identified in the 2009 survey and specified that non-governmental organizations may engage in economic activities through subsidiary bodies (Republic of Kenya, 2012a)

Dating back to 1970s, relationship between non-governmental organizations and successive governments in Kenya has always been uneasy. The government has been accused of frustrating their efforts, harassing, attacking, incarcerating and even assassinating non-governmental organizations staff and leaders, and restricting operations (Tristan, 2009). The sector also faced the predicament of being deregistered arbitrarily without further recourse. Before the 1990's,

government restricted associational activities through the Public Order Act and the chief's Act. Non-governmental organizations were required to get certificates for all their meetings. This regulation was successfully challenged in 1996 (Bagaka, 2012). Another challenge facing the sector is the issue of donor influence and control. A significant portion of their budget is donor driven which could easily result to their ineffectiveness to respond to local needs as *“he who pays the piper plays the tune”* (Kanyinga and Mitullah, 2007). More still, with the increased economic instability in donor countries funds are drying up, and the sustainability of the sector is becoming a problem. Other sectoral challenges include; short term focus which does not augur well with their continuity and sustainability, internal democracy challenges, misappropriation of resources and accountability to its stakeholders: government, the public and donors (Republic of Kenya, 2009d).

2.6.3 Sector Growth

The numerical growth in the number of the non-governmental organizations has been phenomenal over the years. The number of non-governmental organizations in 1980s was twice that of 1970s. There was astronomical growth in their number from 1980s to 1990s. While the growth of 1990s was five times that of 1980s, it was 200% that of 1970s. By the end of the 2000's the number of NGOs in Kenya had reached about 6075. The growth recorded in the 2000s is attributed to the impact of globalization and increase in the democratic space

Table 2.6.1: NGO Number by Years

<i>Year</i>	<i>Number</i>
1970s	120
1980s	250
1990s	1,254
2000s	6,075

Source: Sessional Paper No.1 on NGOs of 2006 and Kanyinga and Mitullah (2007) and NGO Coordination Board (2009)

The sector has been growing at a rate of 400 organizations per year (NGO Coordination Board, 2009). According to above survey, non-governmental organizations are spread all over the country

and vary from small organizations operating locally, to international organizations with regional programmes. They also range from organizations run by small teams of volunteers to mega organizations employing hundreds of fully paid staff of diverse professions using sophisticated systems and procedures.

Table 2.6.2: Classification by NGO type and concentration

Type	Number (Total = 170)	Percentage Distribution (total = 170)
International	26	15%
National	117	69%
Regional	29	17%
Rural	112	66%
Urban	61	36%

Source: UN 2004 Kenyan NGOs Directory

According to UN database of 2004, about 66% of the non-governmental organizations were working in urban centres while 36% in rural areas. Approximately 26% categorized themselves as being international and 69% national. 17% categorized themselves as regional. These results are consistent with those obtained by the non-governmental organizations coordination board in 2009 where they found that national non-governmental organizations were about 63% of the entire non-governmental organizations sector while the international were 18%.

By 2012, eleven thousand Euro 110 (Kenyan shillings 11,000) was paid to register national non-governmental organizations, while Euro 220 (Kenya Shillings 22,000) was required for international non-governmental organizations.

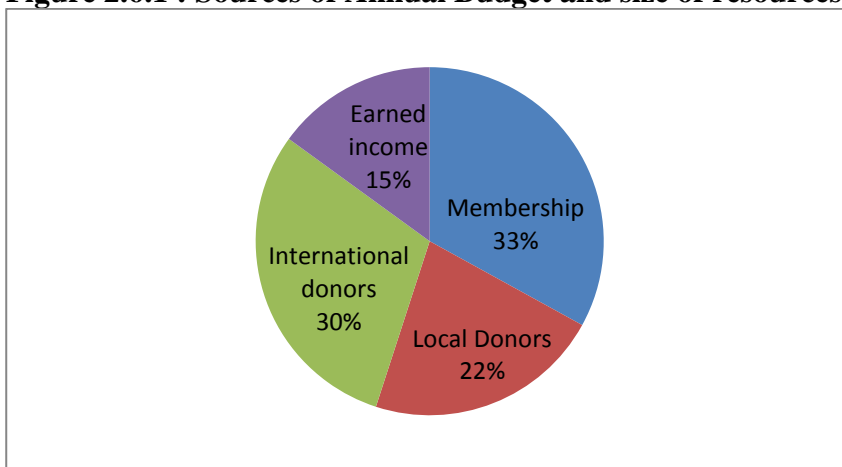
By 2007, the non-governmental organizations Coordination Board had registered 5929 non-governmental organizations. However 22% of the registered non-governmental organizations could not be traced in the 2009 survey. The distribution of the remaining 4692 non-governmental organizations is as follows: North Eastern Kenya has 2%, North Eastern and Eastern provinces are the neediest areas in Kenya. The fact that there are a few number of non-governmental organizations in these regions signals the lack of conducive infrastructure. Nairobi has 41% of all

non-governmental organizations in the country. There is a tendency for new non-governmental organizations to set up offices in Nairobi while preparing to establish offices in their registered areas of operation. Rift Valley happens to have the second largest proportion (21%) of non-governmental organizations in Kenya. Many reasons explain this trend. Rift Valley is the biggest province in Kenya with many urban centres. Much of the violence after the 2007 elections took place in this province, prompting several non-governmental organizations to move there in order to promote peace building.

2.6.4 Resource Mix in Non-governmental organizations

Non-governmental organizations have many approaches to mobilize resources for their activities. In the figure above, 33% of non-governmental organizations utilize membership fee as a key strategy for resource mobilization. Mitulah and Kanyinga (2007) established that membership fee makes up a dominant source of revenue for the sector. In their study the proportion of membership fee was 81%. In this study it is 33% but it remains the most popular means of resource mobilization. Despite the fact that membership fee is quite popular, it was found to only contribute to an overall 5.6% of the resource needs of the organizations. Local donors include community members or contributions from some religious organizations or from government devolved resources.

Figure 2.6.1 : Sources of Annual Budget and size of resources



Source: UN 2004 Kenyan NGOs Directory

The local donors contribute about 22% of the required resources. Mitulah and Kanyinga (2007) established that local donors contributed 5.6% of total resource needs. 15% of non-governmental organizations have their own income generating activities. Lastly, 33% of the sector's resources emanate from use donor resources. These results differ from Mitulah and Kanyinga (2007) and the non-governmental consortium (2009) which place donor dependency at 80% to 95% respectively.

2.6.5 Non-Governmental Organizations Contributions to Social Welfare

There have been various estimations of the contribution of the sector to the economic development of Kenya. The 2006 sessional paper no. 1 on non-governmental organizations, estimated that in 2003, they had revenue of approximately Euro 800 million (Kenya Shillings 80 billion). In 2007 Mitulah and Kanyinga estimated a turnover of Euro 2,000,000 (Kenya Shillings 20 billion) annually. The Non-Governmental Organizations Coordination Board in 2006 financial year made an estimate of annual revenue totalling Euro 68,000,000 (Kenya Shillings 68 billion). The total gross domestic product of Kenya in 2006 was Euro 13,910,000 (Kenya Shillings 1.391 trillion). This means that during 2006, the contribution of the sector to the economy was approximately 5.5%. This sector makes a significant contribution to the economy of Kenya by contributing directly to the GDP, delivering development, social welfare and creating jobs.

Table 2.6.3: NGOs' contributions to social welfare

	Frequency (total=170)	% (total =170)
Community Support and Development	96	56.47%
environment	63	37.06%
Housing	25	14.71%
Agriculture and nutrition	67	39.41%
education	122	71.77%
Health	140	82.35%
Childcare	45	26.47%
Arts and culture	27	15.88%
Aging	15	8.82%
Disabled	22	12.94%

Source: 2004 UN NGO directory

The UN 2004 non-governmental organizations Directory divided the sector's interventions into social, political and economic categories. Each of these broad areas was further sub-divided into specific interventions as in the table above. Accordingly, majority (57%) carried out community support and development activities. Community development is a broader term referring to community self-help and mutual assistance activities meant to help individuals or build up community based infrastructure such as roads, schools, bridges or the provision of an important public good like water (Republic of Kenya, 1964a).

Education occupies about 71% of non-governmental organizations interventions. Organizations working in this sector provide early childhood education, primary, secondary, tertiary or adult literacy education. 82% of them offer health related services. These services include physical and mental health, HIV/AIDS mitigation programs and family planning services. The 2009 survey decried that there were very few non-governmental organizations addressing the population problem in Kenya yet population explosion is a major problem to the country. 39% of non-governmental organizations address issues of agriculture, food and nutrition in Kenya. Food security is a great concern, as the country is always being hit by famine, the latest being in 2008 (Gettleman, 2008).

Table 2.6.4: Types of economic interventions by NGOs

	Frequency (total =170)	% Dist (total=170)
Management and finance administration	26	15.29%
Small business and enterprise development	73	42.94%
Vocational skills and employment creation	58	34.12%
Credit and savings	35	20.59%
Microfinance	26	15.29%
Cooperatives	17	10.00%
Poverty eradication	84	49.41%

Source: 2004 UN NGO directory

49% non-governmental organizations work to eradicate poverty. According to (Golle, 2006) non-governmental organizations help in poverty eradication through their innovative approaches in targeting the poor. In Kenya, their work was recognized as relevant in solving problems faced as a result of rural and urban poverty. They do this through the build-up of community resources and assets. An example being their work in nurturing entrepreneurial skills among the poor. They do this by providing a number of financial services through institutions such as cooperatives or micro finance. However the greatest contribution of non-governmental organizations has been that of job-creation. Mitulah and Kanyinga (2007) estimated that the sector directly employs approximately four hundred thousand people and engages the services of one hundred and fifty thousand volunteers. Some of these receive payments for their voluntary services.

Non-governmental organizations have also been credited for their work in integrating vulnerable persons who would otherwise not be employed. Among them are the disabled, former prisoners and women. Non-governmental organizations helped in mitigating the effects of Structural Adjustment Programmes in Kenya. The Structural Adjustment Programmes reduced the role of government as a provider of social services in areas such as education and health. These services were termed as non-productive sectors of the economy, and pressure was put on the private sector to fill the void left by the state (Rono, 2002). Poor children could not access primary school education and also a sizeable population could not access health services as a result of cost sharing.

Table 2.6.5: Types of political interventions by NGOs

	Frequency (total =170)	% distribution
National policy	36	21.18%
Democracy	58	34.12%
conflict resolution	47	27.65%
Human rights	65	38.24%
women rights	3	1.76%
peace and security	45	26.47%
Violence	42	24.71

Source: 2004 UN NGO directory

Issues of human rights have always topped the agendas of non-governmental organizations and this has kept excesses of the state in check. Respect for human rights continues to be a challenge and is addressed by about 65% of the non-governmental organizations. Kenya has also had important transitions from a single party regime to multi-party politics. Non-governmental organizations have ensured that the populace is educated on the intricacies of democracy and governance processes. As can be seen in the figure above, 58% implement activities to enhance democracy. In 2007, violence erupted in the country after the presidential election results were disputed. This violence made non-governmental organizations realize that the Kenyan society had many cracks that needed to be addressed. There was also a need to educate people on peaceful coexistence and on finding peaceful solutions to conflicts. Lastly, non-governmental organizations, through advocacy, worked to ensure that policies are made to benefit society. Advocacy in essence gives an important voice to weaker members of the society.

Table 2.6.7: NGO capacity building strategies

	Frequency (total=170)	% (100%=170)
Training and capacity building	104	61.18%
Gender mainstreaming	76	44.71%
Research	46	27.06%
Communication/information	89	52.35%
Science and Technology	14	8.24%
Computer literacy	36	21.18%
Institutional building	27	15.88%
Advocacy	12	7.06%

Source: 2004 UN NGO Directory

As the development discourse leans towards developing skills and tools for strengthening societies, non-governmental organizations tend to use various strategies to empower communities. Capacity development is a fundamental mandate of the sector. Much of the sector's work undertaken by 61% aims at strengthening community and national capacities through trainings, research and policy advice. Capacity building activities complement traditional service and welfare provision. Equally, capacity development implies assisting government become responsible and legitimate in

addressing human rights issues in its development discourse (Theodore , 2011). In working to promote gender mainstreaming, two issues become fundamental in a patriarchal society such as Kenya. First, ensure that voices of men and women are heard equally in various aspects of governance. Secondly, ensuring that in all sectors, policy formulation is undertaken on the basis of sex-disaggregated data and with an awareness concerning the differential impacts of policy decision on the lives of men and women (United Nations, 2002).

Non-governmental organizations working on research mainly examine issues of social economic justice. Through their research activities gaps existing between perceived notions of justice and actual reality are identified. Lastly, non-governmental organizations research helps to spur or better the practice of social innovation in addressing human based challenges (Ochanda, Mungai and Akinyi, 2009). Other strategies include institutional building and advocacy.

2.6.6 Non-governmental organizations fit in the third sector discourse

Summarily, numerical growth of the sector from the 1990s is mainly attributed to the enactment of the NGO Coordination Act of 1990. In the 2000s this growth is mainly attributed to the changing political landscape in Kenya which allowed for more community and grassroots participation in governance. Earlier on in the 1980s, structural adjustment programmes had reduced the role of government as a service provider, bringing about a social welfare crisis. The sector came in to provide some solace to the poor. Human rights abuses and lack of democratic freedoms in Kenya during the 1990s also contributed to the rise of non-governmental organizations in the country.

Non-governmental organizations are found in all provinces of Kenya. Provinces with better infrastructure tend to attract more of them. This is quite unfortunate because provinces without better infrastructure are often marginalised and this is where majority of the needy population is. The fact that non-governmental organizations tend to avoid the neediest places contributes to a new phenomenon to be known as “*the marginalization of the excluded by agents of social inclusion*”.

This condition is in line with a model expounded by Posner (2004) where he elaborates that in situations of difficulties, civil societies find it hard to thrive. However, there are a few non-governmental organizations working in hardship areas where other actors find it a challenge to operate. The government could provide incentives to encourage non-governmental organizations to work in the remote areas.

With the present global recession and donor fatigue non-governmental organizations find that their core activities exceed inflow of grants and donations. They are increasingly being compelled either to reduce the quantity and/or quality of their work, or find new sources of funds to cover the difference. Reaching out to new donors with innovative fund-raising approaches is usually the first step (Viravaidya and Hayssen, 2001). Redesigning program activities to include cost-recovery components, whereby beneficiaries or clients pay part of program costs, is a second approach. A third alternative is for the non-governmental organizations to mobilize resources through commercial ventures or social enterprises. Dependence on grants and donations can inhibit the autonomy of non-governmental organizations in choosing the kind of programs and activities they may undertake. It also makes it hard to select the most effective intervention strategies to achieve program goals. However it is encouraging that by 2004, 46% of the non-governmental organizations had already started some social enterprises or revenue generating activities to finance their social missions.

The contribution of the non-governmental organizations to social, political and economic development cannot be overemphasized. They contribute approximately 5.5% of the gross domestic product as well as in the provision of important infrastructure, employment and job creation. The added value of non-governmental organizations is that they take into consideration vulnerable populations and backward regions that would otherwise be ignored without their interventions. Their role in stimulating the enterprise spirit amongst the grassroots is also

fundamental. They also play a role in widening democratic space, promoting human rights and in enhancing peaceful coexistence among various communities.

2.7 Micro-Finance in Kenya

2.7.1 Background

Microfinance refers to small-scale financial services for the poor mainly in the form of credit and saving services (Robinson, 2001). It also includes services such as training, insurance, housing and investment services. Globally, micro finance institutions provide an avenue for the poor to improve their livelihoods and to have a greater impact on their countries' economic growth.

Microfinance has become an important development discourse in relation to global poverty reduction efforts. Its protagonists base their argument on the popular proposition that enabling poor households access credit and other financial services not helps them increase their incomes but also makes them acquire self-confidence and eventually assists them escape poverty (Biosca, Mosley, & Lenton, 2011). Conflicting evidence shows that people below the poverty line experience negligible income increases after borrowing than what is promoted in the popular assumptions. The poor tend to use acquired loans to meet consumption needs ((Morduch, 1998; Gulli, 1998).

Despite contrary arguments, micro finance is largely perceived as an important mechanism for promoting financial inclusion of the poor. Kiiru, (2007) demonstrates that microfinance plays a role in improving household incomes by availing affordable financial services to rural and urban poor populations. It also provides an important alternative to traditional finance through its ability to extend outreach to marginalised populations using innovative and unconventional strategies. Some of the strategies it uses include the formation of joint liability groups among borrowers and compulsory savings which not only help cushion the default risk but creates a non-traditional social collateral. The fact that individual group members engage in intensive monitoring of each other,

they in turn become concerned with each other's success creating positive social capital as a result. In this case good performance is not only an individual affair but a collaborative endeavour. Because of its element of promoting access to finance among the excluded, there are arguments micro finance should to be looked at as an important component of development and human rights (Becchetti, Conzo, & Pisani, 2009).

In Kenya, microfinance is in its initial development stages, having started with activities of non-governmental organizations and faith actors early 1980. The sector started becoming vibrant only in the last 10 years as a result of the activities of the central bank in ensuring a favourable legislation regime. Rapid promotion of the sector was done because there was a general concern that access to financial services and products was out of the reach for a majority of Kenyans since the time of independence.

Kiiru and Mburu (2007) argued that the poor are a prime market for credit services because of their liquidity needs for either consumption smoothing, entrepreneurship or other self-development purposes. By helping the poor access finance where there is a dearth of other agents makes micro-finance institutions be equated to agents of distribution. They thus promote empowerment through enabling the movement out of subsistence and vulnerability. Distribution whatever its form, helps move a sizeable population proportion out of the poverty line (Bourguignon, 2004).

In this section the role played by the micro finance industry in enhancing inclusion of the poor and in contributing to the growth of the third sector in Kenya will be studied. The study will explore the background of micro finance in the country and its contribution in enhancing social inclusion.

2.7.2 Beginnings of Micro Finance in Kenya

Operations of micro finance in Kenya can be traced to 1984 when the Kenya Rural Enterprise Programme (K-Rep) was formed as an non-governmental organizations support programme for

Small and Micro Enterprises (Dondo, 1994). In 2002 K-Rep extended its mandate to deposit-taking when it became the first licensed micro credit bank in Kenya (Owen, 2007). With time other players such as Faulu, Kenya Women Finance Trust, Small and Medium Enterprise Program, Jamii Bora Trust mainly supported by K-Rep emerged. A unique institution among these was the Kenya Post Savings Bank, established in 1910 with a mandate of encouraging micro-savings. By the year 2000, the Central Bank of Kenya singled out the above and other 7 institutions including K-Rep as pioneer players in the micro finance sector (Central Bank of Kenya, 2000). The 12 micro finance organizations joined together to form the Association of Micro Finance Institutions (AMFI), registered under the Societies Act of 1999. The association is at the moment considered as the apex micro finance body in Kenya, representing the entire landscape of microfinance industry. Its roles entail representation, lobby and advocacy, members' capacity building, performance monitoring and networking (Mokoro, *et al.* 2010).

At the onset of micro finance in Kenya, about 60% of the population was defined as poor in absolute terms and mostly out of the scope of modern banking services. The coming in of micro finance acted as a two edged sword; it helped increase access to financial services while increasing the social inclusion space. Its strength being to assist in accessing financial services to the poor and also helping them to improve the quality of their businesses.

During the National Baseline Survey in 1999, it was estimated that there were close to 1.3 million Small and Micro Enterprises (SMEs), employing nearly 2.3 million people and accounting for 29% of the country's total employment. SMEs contributed 18% overall gross domestic product and 25% non-agricultural gross domestic product. By the year 2000, only 10.4% of the SME sector was able to receive credit and other financial services from the formal banking system (CBK, 2000). This lack of adequate extension of financial services was attributed to the fact that the formal banking sector had over the years perceived the informal sector as risky and not commercially viable.

2.7.3 Micro finance and empowerment of the poor

In order to address exclusion of the poor from financial services, gross domestic product made attempts to provide micro-finance (Kingoro and Bujra, 2009). The non-governmental organizations practiced micro-finance, alongside other social welfare activities. In 2000, major micro-finance institutions had 102,304 active clients with a loan portfolio of Euro 16,000,000 (Kenya Shillings 1.6 billion). They also had a total of 103,856 active savers (voluntary and forced) with a total value of Euro 8,120,000 (Kenya Shillings 812,000,000) at end of the year (Mix Market 2012). In the year 2000, the main concern of Central Bank was that micro finance institutions served a limited number of people. Hence, there was a need to build up strategies to reach a large number of people, necessary for both financial viability and impacting the development effort (Central Bank of Kenya, 2000). This concern was addressed in 2005 when the Financial Sector Deepening (FSD) initiative was founded with the assistance of World Bank to improve financial inclusion (FSD, 2009).

A key contribution of the financial sector deepening initiative has been its periodic surveys on financial access and inclusion. The surveys were christened, “*Finaccess*”, and were conducted in 2006 and 2009. The 2006 survey found that only 19% of Kenyans had formal financial services access through commercial banks, building societies and the Post Bank (FSD, 2006). In 2009 this access was estimated at 22.6% (FSD 2011). According to the 2006 study, an additional 8% were served by savings and credit cooperative societies and micro financial institutions, while 35% depended primarily on informal financial services such as rotating savings and credit associations and accumulating savings and credit associations. The survey also found that about 38% of Kenyans were excluded from any form of financial services, whether formal or informal, and labelled them “the unbanked” (FSD, 2008). Finally, the study found that access to financial services varied across the country and was highest in Nairobi and other urban areas. Nairobi alone had the greatest number of bank branches which totalled 194 out of 443 (Central Bank of Kenya, 2006). According to the results of the 2006 Finaccess study, most rural areas lacked access to any form of

financial services. On the positive side however, more people were able to access financial services in comparison to 1980s.

FSD (2008), using the 2006 survey data, found that there were a range of factors influencing financial services people preferred at any particular time. The factors comprised cost and distance, literacy, income source and gender. The study also established that employed people were likely to have access to banks and savings and credits cooperative societies. Farmers were more likely to use their agricultural savings and credits cooperative societies especially in places where they are effective. Wealthy people have a tendency to use formal financial services. Older males were also more likely to use formal services than older ladies. On the overall, the informal financial services were found to be wide spread. In 2009, micro finance institutions doubled their intake from that of 2006 from 1.7% to 3.4%. The Finaccess report, indicated that in 2009 the percentage of informal sector participants had risen to 35.5% (FSD, 2011).

The rise of the informal sector happened in tandem with the rise of formal inclusive finance, such as mobile banking and a greater diffusion of savings and credits cooperative societies. It is estimated that approximately Euro 12,000,000 (Kenya Shillings 1.2 billion) was mobilized by informal groups monthly in 2006. Over 50% of these funds were mobilised through rotating savings and credit association Euro 6,900,000 (Kenya Shillings 690,000,000). While rotating savings and credit associations were the most used informal services, they were also the least well-organized of the informal group systems in use (Kanyinga and Mitullah 2007). Though informal finance had great risks and inconveniences, it continued to be used by many people because of its simplicity, convenience and the fact that it brought familiar people together (Liu and Spanjers, 2005).

2.7.4 Legislating the Micro Finance Sector

From the beginnings of micro finance in Kenya in the 1980s to early 1990s, little effort was directed towards micro finance industry's regulatory needs. As a result, micro finance institutions were

licensed under different Acts of parliament namely; the Non-Governmental Organizations Coordination Act, Companies Limited by Guarantee Act, Trust Act, Societies Act, Cooperative Act, Companies Act, Banking Act and Kenya Post Office Savings Bank Act (Central Bank of Kenya, 2001). The Central Bank of Kenya also found that there were varying experiences of other Central Banks participation in micro finance worldwide (Kiplagat, 1998). This meant that on a global scale, there was lack of expertise in the area, which made most Central Banks quite cautious in regulating the sector. Despite this legal lacuna, the Central Bank of Kenya set some minimal requirements for micro finance institutions involved in deposits collection. They were required to satisfy regulations that governed operations of commercial banks and non-banking financial institutions (NBFIs). These regulations however, did not address issues of ownership, governance and accountability (Gichira, 1991). These weaknesses contributed towards poor performance and eventual demise of many micro finance institutions. In a bid to solve this problem, in 1998, the Central Bank of Kenya laid groundwork for constructive policies and creation of an enabling environment for them (Kanga, 1998). The areas of consideration included: how to supervise micro finance institutions without hampering their development; finding a way to strategically mesh micro finance institutions' needs within the existing banking system and encouraging accomplished micro finance institutions to convert into banks while still maintaining micro finance as the core of their business (Wamavumo, 1998).

In 2002 and 2003, Central Bank, working together with the Association of Micro Finance Institutions proposed a micro finance bill that was tabled in parliament. The bill categorized micro finance institutions into three main tiers (Ochanda, 2002). The first tier was made up of small micro finance organizations which were presumed to be self-regulating and thus would not require a regulatory framework from the government. The informally constituted micro finance institutions included rotating savings and credit associations, club pools and financial services associations. The second tier included non-governmental organizations and formally constituted micro finance

organizations that did not take deposits from the public but accepted cash collateral tied to loan contracts. These institutions were to be supervised by Association of Micro Finance Institutions and audit firms (Ochanda, 2002). Hence, the legislation was to empower the Association of Micro Finance Institutions to be in a position to enforce compliance with its regulations. The last tier included deposit taking institutions which were to be licensed, supervised and inspected by the Central Bank of Kenya. It also proposed a share capital base of Euro 500,000 (Kenya Shillings 50,000,000) for programs in urban areas and Euro 200,000 (Kenya Shillings 20,000,000) for those in the rural areas. Savings and credit cooperative societies and the Kenya Post Office Savings Bank were not covered in this bill (Central Bank of Kenya, 2002). In 2004, amendments were made to the bill putting an emphasis on deposit-taking institutions. Accordingly, the Minister for Finance was to be empowered to issue regulations for the conduct of credit by microfinance institutions (Central Bank of Kenya, 2004).

A significant step in the development of microfinance industry in Kenya was made in December 2006 when the Microfinance Act was passed. The Act specified regulations about the establishment, licensing and supervision of large microfinance institutions. These institutions were placed under the control of the Central Bank (Muthuma, 2011). Accordingly, the law aimed at creating an enabling environment that would promote performance and sustainability of deposit-taking microfinance institutions, while at the same time protecting depositors' interests. The Act finally settled on two tiers of microfinance institutions: nationwide microfinance institutions, whose minimum core capital was prescribed at Euro 600,000 (Kenya Shillings 60,000,000), and community microfinance institutions, with a minimum core capital of Euro 200,000 (Kenya Shillings 20,000,000) (Central Bank of Kenya, 2006).

By mid-2009, the Central Bank had licensed two large microfinance institutions to become deposit-taking institutions which broadened their mandate from being solely microcredit lenders and allowed them to mobilize market based funds domestically (Central Bank of Kenya,

2009). The Microfinance Act also offered new business opportunities to microfinance institutions that enabled them to offer a wider range of financial services and products including savings, lending, money transfers and micro-insurance. The law introduced direct competition between microfinance institutions and other financial institutions. The law did not regulate micro finance interest rates because they deal with risky portfolio as compared to other financial institutions (Republic of Kenya, 2006b).

2.7.5 Industrial Organization of Micro Finance in Kenya

The universe of micro finance players in Kenya is so diverse and its size cannot be accurately estimated (Ochanda, 2002). Association of Micro Finance Institutions has a total of 52 member institutions serving approximately 650,000 people (AMFI Kenya, 2010). The mix market data estimates that the number of micro finance clients in Kenya was 1.5 million by 2009 (Mix Market, 2012). Both Association of Micro Finance Institutions and Mix Market may not take cognizance of small and informal players. If all players were taken into consideration the number of industry players would be much bigger. However, since no other data is available by the time of this study, the mix market, central bank of Kenya, Association of Micro Finance Institutions and Finaccess data will be used to demonstrate the economic impact of micro finance in improving financial services access.

Table 2.7.1: Universe of micro-finance players in Kenya

Formal	Sub Formal	Informal
Micro finance institutions	Community based organizations	Association of Savings and Credit Associations
Banks	Non-Governmental Organizations	Rotating Savings and Credit Associations
Non-Banking Financial Institutions	Faith Based Organizations	Individual money lenders
	Charitable institutions	

Source: Author

Micro finance players cut across formality, sub-formality and informality (Kanyinga and Mitullah, 2007). The informal sector is mainly characterized by small players while the formal sector has large players such as banks and registered institutions. Faith based organizations (FBOs), community based organizations, non-governmental organizations (NGOs) and charitable institutions operate within the formal and sub-formal sectors. They do this as a strategy to move the poor from the periphery to the mainstream core (Mokoro, *et al.* 2010). The informal sector is made up of rotating savings and credit associations and association of savings and credit associations groups and individuals money lenders locally commonly known as “*shylocks*”. All other organizations have rules and agreements but individual money lenders operate purely on profit motives and are ruthless to defaulters (Ochanda, 2002).

In Kenya, the first institutions offering microfinance were non-profit organizations and local non-governmental organizations driven by a development paradigm. The initial experience was quite new and it was done by the trial and error method and there was a mixture of formality and informality. Proper structures of micro finance developed as organizations gained more experience. Even the Central Bank was hesitant to introduce regulations as there were fewer similar experiences globally. The trend towards formalization of the microfinance practice started in earnest in 2002 (Central Bank of Kenya, 2002). During this time, successful micro finance institutions started transforming or up-scaling themselves into banks. Commercial financial institutions like banks also started ‘downscaling’ into offering micro finance services in order to profitably serve the poor niche (Dokulilová, Karel and Zetek, 2009). The entry of many players into the industry did introduce new dynamics into the micro finance sector, with concerns that commercialization of microfinance would surpass their social mission. There was the danger that in the long run, financial sustainability would be considered as the measure of success at the expense of social impact. Hence, micro finance institutions had to be on guard that their focus centres on the explicit social aim while pursuing financial sustainability (Hattel and Halpern, 2001).

Micro finance continues to play a significant role in the lives of the poor. It does this by responding to their needs, concerns and voices through provision of easy access to financial services. This is shown by the growth in the number of savers and borrowers from the inception of micro finance in 1984 to the year 2009. According to Mix Market data, the population of micro finance borrowers continued to rise from 0.6 million in 2000 to 1.5 million in 2009, while that of savers was 900,000 in 2000 and increased to 6.4 million in 2009 (Mix Market, 2012). The reason for this phenomenal outreach over a short period included the fact that the setting of micro finance was embedded within the socio-cultural institutions, values and other community structures. Hence, poor people found it easy to deal with these institutions and did not feel humiliated, intimidated or fearful of them, as is the case with formal institutions. In essence, microfinance addressed the psychological disempowering dimensions of powerlessness and hopelessness as identified by Narayan, *et al.* (1999). This critical role played by micro finance led to the growth in the number of its users in Kenya.

2.7.6 Formality and Informality of the Micro Finance Sector in Kenya

According to Dondo (2005), the microfinance sector in Kenya comprises organizations which can be categorized into three “sub-systems”: the informal system, the formal subsidized system and the formal non-subsidized system. The informal system includes financial arrangements between relatives and friends, traditional money lenders (known locally as “*shylocks*”), Accumulating Savings and Credit Associations, Rotating Savings and Credit Associations and Village Savings and Credit Associations also known as Village Savings and Loan Associations. Credit from friends and relatives also constituted an important source of start-up capital for many micro enterprises in urban areas. Informal financial arrangements are deeply rooted in the cultures of many ethnic communities (FSD, 2010; Chelogoy, Anyango and Odembo, 2004). The popularity of these informal arrangements has been due to geographic proximity between lenders and borrowers, friendlier credit terms, and fewer bureaucratic requirements. Repayment arrangements tend to be

open-ended and are based on reciprocity (Zeller, 2003). In Kenya, informal groups or Rotating Savings and Credit Associations are generally referred to as *chamas* (Swahili word for associations). There are thousands of such *chamas* and they typically allow their members to save using a ‘merry-go-round’ system and also offer a variety of other financial services such as loans and investments (Chelogy, Anyango and Odembo, 2004). Rotating Savings and Credit Associations and Associations Savings and Credit Associations provide credit to those who would otherwise be ineligible to borrow from formal sources. They also mobilise savings, serve as a social capital builder, and help in providing a form of social insurance (Raiser, 1997).

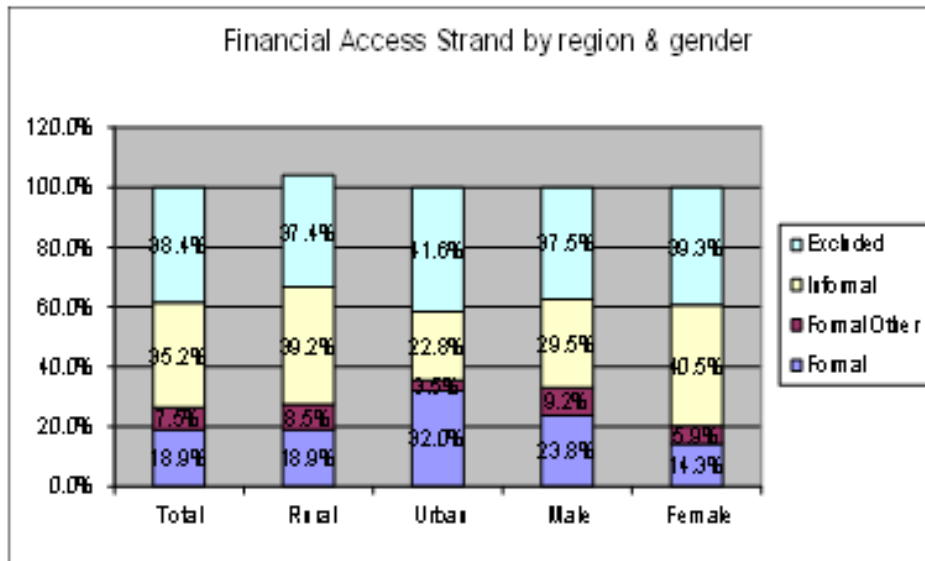
The Village Savings and Loan Associations are location and community specific. They are voluntary groups consisting of 5 to 30 individuals, established to mobilize funds from group members for lending back to group members. The members could either be mixed gender or one gender, residing in the same village or location (FSD, 2010). These associations are built on the principle of pooled individual savings as the foundation for building capital, with motivation to save coming from the group. Mobilization of financial resources in the form of equity capital is raised in order to establish a locally owned and managed financial institution (Ledgerwood, 2000). In turn a local institution benefits its members through providing micro loans and savings depository. Other potential products and services include money transfer and micro insurance.

Formal subsidized system comprises institutions that provide financial services and receive subsidies. The main actors are Microfinance non-governmental organizations with special credit programs for small and micro enterprises benefiting from foreign aid agencies (Dondo, 2005). Microfinance organizations range from small charitable organizations operating in a limited geographical area to large institutions in several regions of the country. In this category, there are also government agencies that have been developed to offer financial support for micro-enterprises, and to economically empower communities with limited access to credit (Republic of Kenya,

2009a). Lastly, the formal non-subsidized system includes commercial banks, non-bank financial institutions, Savings and Credit Co-operative Societies (SACCOs) and micro finance institutions.

Below data from the national survey carried out by Financial Sector Deepening Initiative on the financial access strand and use of different financial services by Kenya’s adult population:

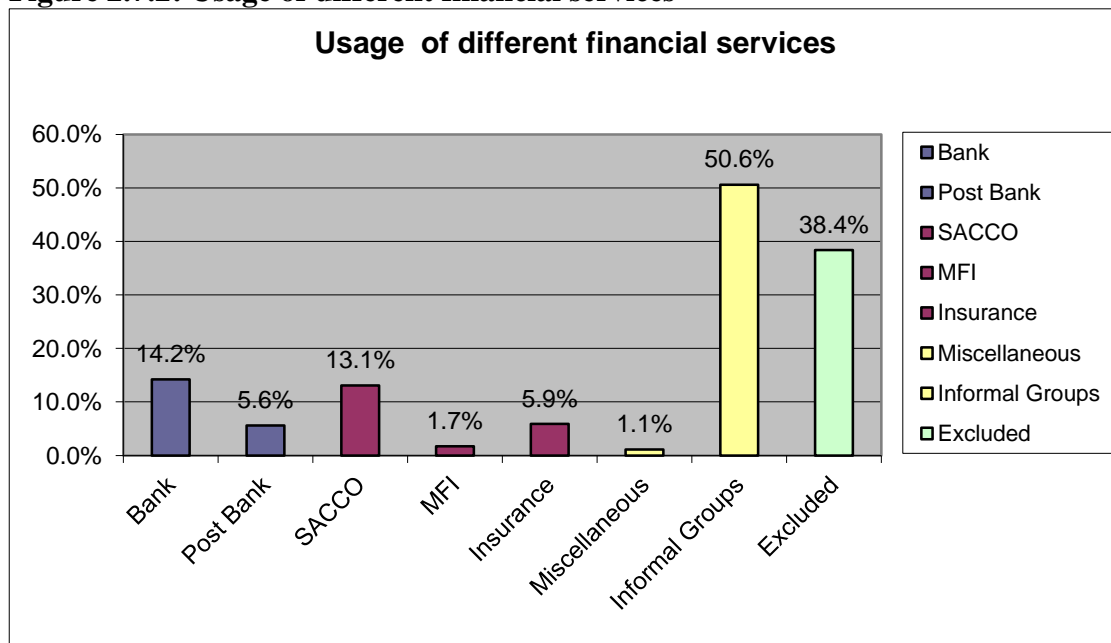
Figure 2.7.1: Financial access strand by region and gender



Source: *Financial Access in Kenya, Financial Sector Deepening (FSD) Kenya, October 2007*

38.4% of the population were excluded from any access to financial services in 2006. This may have changed as from 2009 with the introduction of mobile-phone based money transfer and mobile banking in Kenya which helped in the inclusion of a sizeable part of the population. At the same time there was a huge section of the population (35%) using informal finance. 7.5% were using other formal finance means while 18.9% were in formal finance. Women’s access to financial services was less than that of men as 40.5% of women relied only on informal financial service; almost double the percentage of men within this group. 39.3% of women were also financially excluded in 2006, a percentage larger than the national financially excluded.

Figure 2.7.2: Usage of different financial services

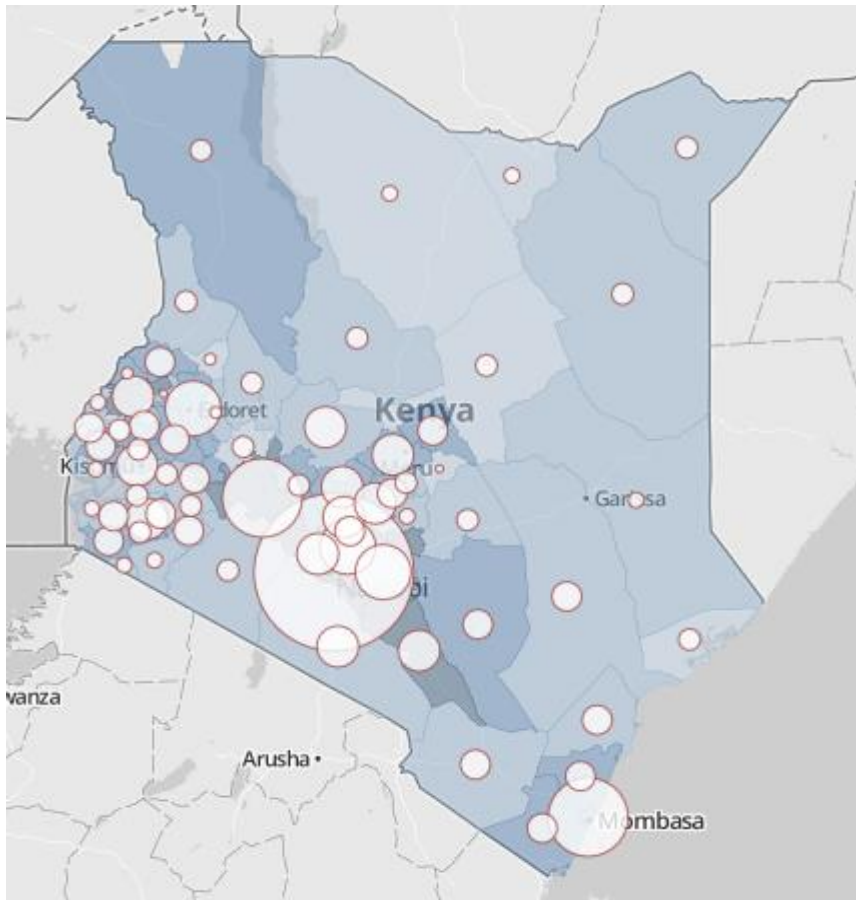


Source: *Financial Access in Kenya, Financial Sector Deepening (FSD) Kenya, October 2007*

Kenya's micro finance institutions currently serve a very small percentage of Kenya's adult population; with only 1.7% of adults using their services in 2006. Micro finance clients also use informal financial services like accumulating and rotating savings and credit associations. This group made up 35.2% of Kenya's estimated adult population of 17.4 million in 2006. Growth of microfinance and its easy access will serve to attract more financially excluded low-income Kenyans. The financially excluded made up 38.4% of the adult population in 2006, providing a huge potential market growth for micro finance sector by approximately 6 million clients.

Micro finance institutions have to tap on the large informal and excluded sector. In order to exploit this potential market, there is need to introduce products that will respond well to market needs (Robinson, 2001). Micro finance institutions also have to learn to respond well to increasing competition from banks, savings and credit cooperatives and other financial institutions. The competition has hastened commercialization of micro finance institutions in Kenya.

Figure 2.7.3 Map of Financial Access in Kenya



The Kenya Financial Map of Financial Inclusion provides the landscape of financial services providers. It provides insight into access to finance and financial inclusion within Kenya (Mix Market, 2013)

These institutions have been forced to become entrepreneurial in order to respond to ever changing needs of their customers. They also pursue market resources like conventional mainstream financial institutions; hence they take out loans, issue bonds, charge interest and also benefit from other forms of transaction charges (The Economist, 2008).

Table 2.7.2: Number of Loans and Borrowers 2000 to 2008 of MFIs

	Gross Loans in Euro (Millions)	Gross Loans (Millions of Kenya Shillings)	Number of borrowers (Millions of people)
2000	0.183	18.30	0.06
2001	0.295	29.50	0.08
2002	0.486	48.60	0.15
2003	1.001	100.10	0.25
2004	1.630	163.00	0.40
2005	2.360	236.00	0.66
2006	5.418	541.80	0.92
2007	7.824	782.40	1.10
2008	11.13	1,113.00	1.50
2013	22.00	2,200.00	1.50

Source: Mix Market Data 2013. Kenya Shillings 100 = 1 Euro (2011 Ppp)

The data above shows that the gross loan portfolio rose from Euro 183,000 (Kenya Shillings 18,300,000) in 2000 to Euro 1,000,000 (Kenya Shillings 100,000,000) in 2003, Euro 5,410,000 (Kenya Shillings 541,000,000) in 2006 and lastly Euro 11,130,000 (Kenya Shillings 1.113 billion) in 2009 and Euro 22,000,000 (Kenya Shillings 2.2 billion) in 2013. This growth in loans portfolio is quite phenomenal and seems to be doubling or tripling after two years. The growth in the loans portfolio seems to be backed by the growth in the number of borrowers. From a paltry 600,000 clients in 2000, this number grew to 1.5 million clients in 2008 and ultimately 2013.

The number of micro finance users and transactions continued to increase during the time of the global financial crisis, meaning that micro finance assisted quite a lot in cushioning the risks associated with the period. It is important to note that there were more loans borrowed in the year 2008. This was the year when Kenya experienced the post elections violence (PEV), after a disputed electoral results. The country experienced wanton destruction of life and property and so many businesses suffered. After the conflict, there was need for finance to help in restoration of businesses and property. Micro finance did play a great role in the reconstruction process (Woodworth, 2011). The post electoral violence period did also affect various micro finance

programmes negatively especially the small ones who could not be able to cushion themselves against adverse macro-economic shocks.

Table 2.7.3: Deposits and Savers in MFIs

	Deposits in Euro	Deposits (Millions of Kenya Shillings)	Number of savers (Millions of people)
2000			89,406
2001			113,472
2002			188,123
2003	594,051.73	59,405,173	292,273
2004	845,873.82	84,587,382	1,347,239
2005	1,845,299.58	184,529,958	1,688,937
2006	3,119,129.11	311,912,911	2,472,358
2007	8,108,582.52	810,858,252	3,652,226
2008	8,818,805.84	881,880,584	4,912,965
2009	11,770,461.74	1,177,046,174	6,441,961
2010	15,456,368.51	1,545,636,851	7,243,455
2013	26,000,000.00	2.6 billion	8.8 million

Source: Mix Market Data 2012

Most micro finance institutions do provide other services such as micro savings, micro insurance and transfer services among others (Central Bank of Kenya, 2002; Republic of Kenya, 1992b). The table above shows savings activities of micro finance institutions in Kenya since 2003. The number of deposits was Euro 15,000,000 (Kenya Shillings 1.5 billion) by 2010 while there were 7.2 million depositors. Some of these deposits include mandatory deposits which are prerequisites for loans qualifications, while others were voluntary deposits. Growth in savings from 2007 to 2008 was not as impressive as previously or thereafter. This period coincided with post electoral violence which directed micro finance resources to reconstruction. Savings activities were very minimal.

As seen above, the post-election violence negatively impacted on the savings activities. More micro finance resources were used to finance reconstruction loans. Some clients were also not able to service their loans and save as before. This led to the collapse of several small micro finance programs that could not withstand shocks of such magnitude (Ochanda, Wakinya, *et al.* 2010).

The surviving micro finance institutions helped their clients start afresh after that difficult period. It is a fact that a big proportion of these clients could not get assistance from conventional banks. Hence micro finance had an important post conflict reconstruction role during 2008. This was true during the post elections violence period where the application of financial resources from conventional providers was limited or was completely impossible.

In demonstrating that micro finance institutions play a great role in the lives of the poor, Dondo (1991) assigns to them roles such as credit management, technical training, technical assistance, marketing outlets, and provision of pre-constructed commercial sheds. He also observes that credit is either individualized or group based. Credit helps the poor generate income, making it possible to move to higher levels of self-sustainability and take care of their temporal emergencies. The trainings offered by micro finance institutions assists individuals to develop entrepreneurship and vocational skills, enhancing business creativity as a result. SME proprietors also receive technical assistance meant to improve their routine practices in areas such as book keeping, inventory, costing, marketing, production and appropriate technology exploitation.

2.7.7 Challenges faced by the Micro Finance Industry in Kenya

Despite their impacts, micro finance institutions in Kenya face a number of challenges in the areas of resource mobilization, technology, corporate governance, organizational development matters and maintenance of high standards of performance. They also face a challenge in expanding their capital base (Kimenyi, 2000). Most micro finance institutions get stuck with the resources they mobilized at the start-up phase which get depleted with time denying the programmes the opportunity to reach a sufficient capacity. This can be solved if micro finance institutions considered diversifying their resources, acquiring soft loans, commercial loans or even exploring ways and means of accessing equity funding. Micro finance institutions grapple with the fact that

their return on investment may not be sufficient to attract venture capitalists. However, well run institutions can generate good levels of performance that can attract socially responsible investors.

The main concern of micro finance is to deliver poor people from poverty while at the same time being vigilant in monitoring of operational efficiency, profitability, portfolio quality, market share, and client retention. These institutions are hence, required to build effective governance that will assist them resort to commercial sources of capital. There is a critical need for transparent reporting and adherence to industry standards of good performance. Only effective governance can provide the level of accountability required by investors and lenders. Effective governance also helps institutions deal with defaults, poor clients' orientation, weak group cohesion, loans diversion and double loans (Esipisu, 1996).

There is a trend towards commercialization of micro finance. While they are competing with banks and other actors to acquire market resources, they may lose their social mission. This may happen as the quest for sustainability and profitability replace the quest to help the poor solve poverty problems. With this in mind, they may also contribute in enhancing the lack of access to finance among the poor. The mix between survival, growth and social needs presents a complex dynamic that requires expertise in handling.

2.7.8 Micro finance fit in the third sector discourse

By providing finance services to the poor micro finance institutions enable them to save and in turn gain access credit so as to satisfy a wide range of business, consumption, personal, social and asset-building needs.

MFIs also treat the poor with dignity. Micro finance officers provide other services such as follow up and technical support in a bid to help them. Despite the fact that some of its clients may be

illiterate and be unable to complete all the necessary paperwork required to access formal financial services, these clients feel safer in a micro-finance institution.

Micro finance also plays a great role in promoting gender equity through empowering women economically (Anyanzwa and Adero, 2008). It has been shown that the percentage of women using informal finance is about double than that of men, underscoring a gendered dimension of poverty. By focusing on women, they therefore contribute to reducing inequality between men and women. Micro finance therefore play an important inclusion role in Kenya by providing access to financial services among the poor. It also provides the opportunity to formalize the informal economy and move the country towards achievement of the Millennium Development Goals and betterment of its human development index.

CHAPTER THREE: SELF-HELP GROUPS AND LOCAL DEVELOPMENT IN RIRUTA LOCATION IN NAIROBI, KENYA

3.1 Chapter Introduction

Self-help groups are grassroots associations within communities initiating development from the bottom. They bring together community members into collective action so that their voices may not be taken for granted when decisions concerning social, economic and politics are made (Kinyanjui, 2010). They do this by identifying and mobilizing local resources to solve problems. This active form of participation in solving individual and community problems improves the feeling of belongingness and promotes a deeper identification with the community (Ouma, 1987). Self-help groups exemplify a typical form of community organization for welfare promotion among the grassroots.

Self-help groups, also known as mutual help, mutual aid, or support groups, are groups of people who provide mutual support for each other while addressing a community based concern (Ahmadi, 2007). These groups are deeply embedded in the village communities and represent a grassroots model of social activism.

In Kenya, self-help groups were formally recognized through registration under the Department of Social Services in the Ministry of Gender, Children and Social Development. Self-help groups are numerous compared to other actors of the civil society organizations in Kenya. Self-helps operate primarily at the village and community level. They exist to advance interests of their members and the immediate needs of their local communities (Republic of Kenya, 2009a).

Once founded, the officials of a self-help group meet with a local community development assistant or the district officer in charge of social development to formally request registration. There is a

minimum requirement of 7 to 10 founder-members required for registration. However there is no minimum capital or assets requirements at the time of registration (NGO Law Monitor, 2011).

To be registered, self-help groups are expected to submit an application letter, duly filled registration form from the concerned ministry, their constitution (with a clearly defined purpose or project), a list of members, evidence of local resource mobilization and detailed minutes of democratic elections (Republic of Kenya, 2008b). An application fee of Euro 10 (Kenya shillings 1,000) is payable by organizations choosing the self-help group mode while Euro 50 (Kenya Shillings 5,000) is payable by those electing the community based organizations option. Non-compliance with these requirements can lead to denial of registration.

There is no specific government guideline that stipulates the differences between community based organizations and self-help groups. In essence the common practice has been to inter-change the two, making them mean the same. However the perception within the ministry ranks and the public is that self-help groups concentrate benefits to their members while extending some of it to their immediate community. Community based organizations on the other hand have a bigger community outreach. In terms of resource mobilization the community based organizations are presumed to have more capabilities than the self helps. In essence self helps are encouraged to aspire to become community based organizations once they mature.

In practice, the registration process can take up to four weeks because all applications are approved by the district officer in charge of social development. The applicants are required to seek recommendation from the local chief and district officer before their application for registration is finalized. The registration process is complete when the group receives a certificate of registration. Once the group comes into existence, the self-help groups are required to renew their registration every year. This renewal is done through payment of an annual fee, presently at Euro 10 (Kenya Shillings 1,000). With changes in governments, the ministry charged with the responsibility over

self-help groups also change. Ministerial changes also require the groups to change their certificates accordingly, which is usually done at a fee of between Euro 10 to 50 (Kenya Shillings 1000 to 5000) depending on whether the group is a self-help or a community based organization.

The District Social Development Office in every district has regulatory authority over self-help groups and community based organizations. During the period 2008 to 2013 the Department of Social Development in the Ministry of Gender, Children and Social Development had overall regulatory authority and sets the general regulations and criteria for operation (Republic of Kenya, 2008b and 2009). Depending on where a self-help group operates, it may give notice to the District Officer in charge of social development in case of an intended dissolution. Generally, Kenyan law provides a conducive framework for self-help groups to seek and secure funding. Local resource mobilization through *Harambee* (public fund-raisers) is recognized, as long as it adheres to the guidelines of the Public Collections Act, Cap 106, which are generally enabling (Republic of Kenya, 2009e). The collections are regulated by a chief, district officer or district commissioner. All collections made are deemed to be for the fulfilment of a specific purpose identified by the self-help group.

Self-help groups are marred by legislative limitations. There is no systematic legislation of the self-help groups and a refined treatment in law. Hence, self-help groups are not legal entities but are considered as entries in the ministry registers (NGO Law Monitor, 2011). The government drafted a National Community Policy in 2009 that is making an attempt to give self-help groups a legal recognition. The policy however, does not propose a registration model envisaged for the self-help groups (Republic of Kenya, 2009e). In order to solve the legislative problems and other challenges faced by self-help groups, in 2008 a National Community Based Organizations Consortium was formed in Kenya. Its mandate was representation, giving a voice and advocacy for the self-helps.

The self-help movement in Kenya has passed through various important stages dating from pre-colonial time. Traditionally, these groups focused on mutual assistance on various occasions such as farming, building, marriages, funerals and other special projects of the villages (Ouma, 1987). During the colonial era the groups were used to advance mass education and help local citizens address social welfare (Wallis, 1976). Today, self-helps address various issues and challenges faced by individuals and society in general. By doing so, they are forced to generate resources using various means (Sall, 2009). Their work has contributed to small development initiatives in both rural and urban areas.

The aim of this chapter is to explore contributions made by self-helps towards local development in Riruta location in Nairobi, Kenya. The chapter addresses this by examining how self-helps' address concerns facing their group members and communities in the light of the third sector discourse. Self-helps by nature are micro-actors whose contributions in development activities are felt at the level of the community. They could contribute significantly in promoting social inclusion and building social capital at the grassroots. They in essence heighten the sense of responsibility among community members. Good utilization of the self helps could improve what Coleman (1988) referred to as the sense of obligation, reciprocity and expectation fulfilment. By their work, they fill the gaps left by the state on one hand and the market on the other. Available studies on self-helps have focused on self-reliance (Mbithi and Rasmusson, 1977), government patronage (Male, 1976), social relationships and resources (Barkan and Holmquist, 1989), their role in economic empowerment (Ochanda, 2012a) and their experience with respect to the *Harambee* movement (Ngau 1987) among others. However none of the available studies have acknowledged the role played by the self-help movement in filling gaps left by the state and the market in Kenya.

In order to achieve its aim, this chapter will build an understanding of how the self-helps fit in the third sector discourse by investigating three salient factors. It will first look at the determinants of the self-helps self-perception of success in the process of pursuing their social mission. While doing

this it will employ the use of an Ordered Probit Model. Secondly the chapter will use a Poisson Distribution Model to study the determinants of effectiveness in resource mobilization, and lastly using the same model determinants of economic empowerment will be studied. The study shall therefore be guided by the following hypotheses

- Hypothesis 1: The propensity of the self-help groups to perceive themselves as being successful is increased by positive changes in capabilities
- Hypothesis 2: A unit change in economic empowerment activities has a positive effect on the expected positive changes in capabilities in the organization
- Hypothesis 3: A unit change in total resource mobilization activities has a positive effect on the expected positive changes in capabilities in the organization

3.2 Methodology

The methodology section provides an account of methodological framework that guided the study. This is followed by research design and justification. A narrative account of the data collection procedures employed in the study is also presented. The last section deals with the analytic approaches and techniques applied in the study. The chapter then concludes with a discussion.

3.2.1 Research Site

The Research was carried out in Riruta location of Dagoretti District in Nairobi, Kenya. Nairobi covers a total area of 684 km² and has a population of 3,138,369. The population has grown 3.8 times since 1979. This growth is partly attributed to high rate of rural-urban migration. Kenya as a country generally, has a high population growth rate estimated at an annual rate of 2.3%. This population growth rate contributes to high rate of unemployment and causes pressure on scarce resources including government services (Republic of Kenya, 2007).

Riruta was selected as the research site for this study, because of a number of reasons. The researcher was familiar with this area and that made data collection easier. It is usually very difficult to collect data from grassroots organizations. These organizations tend to be suspicious of researchers for various reasons, hence familiarity helps a lot. Riruta Location comprises both middle and lower class of Nairobi. It is considered the headquarter of Dagoretti District, hosting important administrative offices. Dagoretti District covers an area of 39Km² and has a total population of 240,509. Riruta Location is one of the six locations of the district and has a total area of 7.3 Km² and a total population of 65,958 (Kenya Bureau of Statistics, 2009). The large Riruta residential facility is mainly for middle level income people. On its western side rests Kawangware slums. On the eastern side lies the peri-urban Waithaka, where agricultural activities take place.

A tributary of Nairobi River known as *Kagicu* passes through Riruta. It has a number of small private clinics, public primary schools, butcheries, churches, a number of micro businesses such as saloons and barber shops, retail, clothing businesses and bars. Micro-grocery businesses are mainly run by women while bars and taxi businesses are run by men; micro-retail shops are evenly distributed between both genders. The Satellite Centre has a market with business stalls being managed by a network-coalition of self-help groups known as Kawangware-Ndurarua-Satelite (*Kandusat*) and Youth Economic Empowerment Program (YEEP). The formation of self-help groups coalitions is an important characteristic of self-helps not only in Riruta but also in Nairobi.

It is not easy to quantify the unemployment rate in Riruta. However, most youth are idle and do not have access to employment opportunities. In fact, youth and women are categorized as some of the vulnerable groups. This idleness exposes them to despair and criminal activities in search of livelihoods. A number of youth however, have started small income generating endeavours such as *mkokoteni* (hand-carts), recycling of solid waste and small urban agricultural activities. As a result of joblessness, security is deteriorating as youth engage in violent crimes. Few young people are penalized each year as a result of criminal activities. Because of poverty, young ladies may fall prey

to sexual exploitation. A few lucky youth are absorbed into some of the micro-enterprises in Riruta, while others get assisted by some of the existing non-governmental organizations, faith based organizations or the self-help groups in the region.

Table 3.1: Dagoretti District Population

Place	Population	% Distribution
Kawangware Location	86,824,	36.10
Riruta Location	65,958	27.42
Kenyatta/Golf Course Location	30,253	12.58
Uthiru/Ruthimitu Location	23,016	9.57
Waithaka Location	19,937	8.29
Mutuini Location	14,521	6.04
Dagoretti Constituency	240,509	100.00

Source: Kenya Bureau of Statistics, 2009

According to table 3.1, the population in the other locations of Dagoretti District is distributed as follow: Kawangware 36.1%, Kenyatta/Golf Course 12.58%, Uthiru/ Ruthimitu 9.57%, Waithaka 8.29 and lastly Mutuini at 6.04%. Riruta is the second biggest location of Dagoretti District having 27.42% of the total population.

3.2.2 Research Design

The research design used for this study is triangulation i.e. qualitative and quantitative methodologies using a combination of observation and interviews. Triangulation was deemed appropriate because the use of different sources or methods corroborate each other. Though Silverman (2000) advises against triangulation, he contends that it may improve the reliability of a single method. In order to make triangulation effective Silverman suggests that it must be grounded in theory and that the methods and data should account for the meaning and structure.

3.2.3 Sources of Data

The research relied on three main methods of data collection; Riruta Location administrative data, semi-structured interviews and direct observations.

3.2.3.1 Riruta Location Administration Archives

The initial data for this research was provided by the provincial administration offices of Riruta Location. The location archives covered the period between January 1984 to August 2010. During this period, approximately 523 community based organizations were registered in Riruta Location. The archival materials comprised self-help groups registration forms, constitutions, proposals, official communications, dispute resolutions processes, resource mobilization activities and minutes. In order to capture this data in a systematic manner, the researcher developed a standard instrument whose variables included demographic information about the self-help groups, objectives, real work done, resource mobilization strategies and the type of resource mobilization activities.

The archival data had major limitations. It did not show whether the organizations did exist beyond the time of their registration. It could also not provide an understanding of organizational dynamics such as challenges and successes.

In order to minimize the weaknesses of the archival data, the list derived from the location was used as a sample frame for a fresh data collection exercise. However, despite the weaknesses of the data, it was used in econometric analysis and its results compared with data from the field. Tables 3.2 to 3.5 summarize information on creation, registrations and membership of the Riruta self-help groups according to the location archival data.

Table 3.2: Self-help groups creation by year

Year of creation	Frequency	Percentage
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1984-1990	2	0.38
1991-1995	5	0.96
1996-2000	24	4.59
2001-2005	193	36.90
2006-2010	299	57.17
Total	523	100

Source: Author from the Riruta self-help group archival data 1984-2010

Table 3.2 shows that very few self-help groups were created from 1980s to 2000. Data shows that only 2 groups were created between 1984 and 1990. There were only five groups that were created from 1991 to 1995 while 24 groups were created between 1996 and 2000. There was a phenomenal increase in the creation of self-help groups from 2001. 193 groups were formed between 2001 and 2005.

In just a period of five years beginning 2001, the creation of self-help groups was six times more than the previous decade. Between 2006 and 2010, 299 self-help groups were created. This phenomenal increase in self-help associational activities indicates that Kenya had experienced a major transformation in terms of civil liberties as a result of a change in government among other factors. The data on table 3.2 is complemented with the data in table 3.3 below.

Table 3.3: Self-help group registrations by year

Year of registration	Frequency	Percentage
1984-1990	2	0.38
1991-1995	2	0.38
1996-2000	6	1.15
2001-2005	161	30.78
2006-2010	352	67.30
Total	523	100

Source: Author from Riruta Location Archival Data 1984-2010

From table 3.3, we find that there were fewer self-help groups registered from 1984 to 2000. Only 2 groups were registered between 1984 and 1990, 2 more were registered between 1991 and 1995, while 6 others were registered between 1996 and 2000. In two decades, only 10 self-help groups

were registered. The trend changed as from 2001 as 161 groups were registered between 2001 and 2005 and later 352 were registered between 2006 and 2010.

Many self-help groups were hence created and registered between 2001 and 2010. In total 492 groups were created during the period while 513 groups were registered. A small proportion of the groups registered in the 2000s included those that had been formed in the previous decade and were either operating without being registered, had been denied registration or those that their registration had been unduly delayed. In essence therefore, between 2001 and 2010 approximately 49 groups were being created annually while 51 organizations were being registered. The phenomenal increase in registrations of the groups certainly had a positive effect on the number of created organizations over the years.

Despite its positive effect, this registration process had many latent weaknesses. The self-help groups were not recognized in the Kenyan law as legal entities. The certificate that the self-help groups received only helped them be recognized in the community, open a bank account, conduct business and be able to conduct resource mobilization activities. They however could not enter into binding contracts as entities as their members were jointly and severally liable. This weakness cost them many opportunities.

Table 3.4: Distribution of group membership by gender

Member type	Total	Minimum per group	Average per group	Maximum per group
Male members	1,974	0	10.15	88
Female members	1,721	0	10.42	108
Both genders	3,695	5		120

Source: Author computations from Riruta Location data

Table 3.4 shows that the average participation of males in self-help groups is 10.15 while it is 10.42 among female members. The ratio of male to female participation in the self-help groups is 1:1.025 indicating more participation in self-help activities by women. The minimum number of gender

based participation in the groups is 0, meaning that several groups were comprised of only one gender either male or female. The maximum number of male members in the self-help groups is 88 while it was 108 for female members. The minimum number of members in any one group was 5 while the maximum number was 120.

Table 3.5: Self-help group membership disaggregation by area and gender in Riruta Location

Area	Males	Females	Total	male to female to male Ratio
Kawangware	673	967	1,640	0.70:1
Riruta	448	393	841	1.14:1
Ngando	374	372	746	1.01:1
Satelite	226	242	468	0.93:1
Total	1,721	1,974	3,695	0.87:1

Source: Author computations

In Table 3.5, membership of self-help groups was demarcated according to the region of residence. In Riruta, the total number of self-help members was 841; male members totalled 448 and 393 for female members. Overall the ratio of male to female membership in Riruta was 1.14:1 meaning that there was more male participation in self-help group activities. In Ngando, total membership was 746 (374 males and 372 females); the ratio of male to female was 1.01:1 meaning that there was slightly more participation of men in self-help groups. Women participation was lowest in Kawangware at 0.70:1 female to male ratio. The ratio was also low at 0.93:1 female to male in Satelite. Overall male to female ratio membership in self-help groups is 0.87:1 signifying in general more female participation in self-help group activities in Riruta.

3.2.3.2 Semi-structured interviews

The second data collection exercise was done using semi-structured interviews and questionnaires. The questionnaires contained questions that sought information on bio-data, scope of intervention, networking, self-help group activities, extent of stakeholder involvement, human capital, resource mobilization strategies, expenditure, organizational challenges and successes. The total number of

respondents was captured and demarcated within the four major regions of the location. This data was collected between August and December 2011.

Table 3.6: Number of interviewed Respondents according to Location

Residence	Frequency	Percentage
Ngando	39	31.97
Riruta	37	30.33
Satelite	24	19.67
Kawangware	22	18.03
Total	122	100

Table 3.6 shows that many respondents (31.97%) resided in Ngando followed by those residing in Riruta comprising of 30.33%. Satelite comprised of 19.67% while in Kawangware there were 18.03% of the total respondents.

In order to ensure that the research instruments (questionnaires, focus group discussion guidelines and observation checklists) would be understood, they were tested on three self-help groups. They were also tested among seven people identified by the researcher who had knowledge of self-help groups operations. From the tool testing exercise, the researcher adjusted the tools on the basis of feedback received.

From the contacts provided by the location archival data, the researcher made telephone calls to representatives of self-help groups to set the date for interview appointments. The process of data collection was slow since in some cases members requested the researcher to wait until they were all available. Hence, the researcher had to be equipped with days of the month and dates when these groups were meeting. During meetings, it was much easier for the researcher to get full information about the groups and complete the questionnaire.

Many groups did not have a meeting during the time the researcher was available for the data collection exercise. In some cases, it was also difficult for the researcher to get information as those found were not in leadership positions. To overcome this challenge, the researcher deployed

assistants who continued with the data collection exercise once he had left. Also, it was difficult to track other groups because of challenges explained later in this section. In the long run, the researcher only managed to reach 122 groups for the interviews.

3.2.3.3 Direct observations

From the data collected in the field, the researcher identified a group of 10 respondents who were approached for further interviews for purposes of developing case studies. These groups also invited the researcher to participate in some of their activities. During these times, the groups availed more information to the researcher and even produced their organizational documents. Majority of the groups approached were those that had existed for five years and had a membership of 10 and above.

Observations enabled the researcher to acquire a better understanding of the context within which ordinary members, staff members and board members interacted on a regular basis. The direct observations of each self-help group took place over four weeks and were spread out to capture different group activities. The observations took 1-1½ hours at a time. The researcher adopted the stance of “observer as participant” in which the researcher’s observer activities were known to the group. The researcher participated in some of the group activities, meetings and special events.

Some groups were highly interested in the researcher’s work and invited him to explain it. Others even asked the researcher to organize some training for them on social entrepreneurship. This was important as during these interactive sessions, self-help group members had discussions on how it applied to their own settings and at times, provided more information about themselves to the researcher. Hence, these observational events enabled the acquisition of latent information about the groups and to clarify points that were not captured in the questionnaire interviews. This was

possible because the researcher was allowed to view annual general meeting minutes, historical documents and in some cases the books of accounts.

While applying the observation method, the researcher focused on the naturally occurring, ordinary events. This ensured that the data collected was in close proximity to the specific self-help group situation and were therefore locally grounded in context (Milles and Huberman, 1994). The data obtained from direct observations was limited to contemporary events and so the researcher turned to documentation in order to investigate the influences of past events.

During the data collection process, the researcher experienced a number of challenges. When some of the prospective respondents were called, they responded well and identified themselves with the groups in question. However, when the researcher requested for an interview opportunity, they disassociated themselves from their groups. Secondly, about 15 to 20% of telephone contacts provided, belonged to people who were less active group members or those who had severed relationships with their groups and hence had little or no information about the group operations.

In some cases, it was not clear whether the groups had ceased to exist, since the respondents did not associate themselves with the groups in question. There were also those groups which had already disintegrated and the group certificate was being used by one of the splinter groups. The other splinter in most cases had sought their own separate registration certificate.

Most groups had no offices and were meeting in members' residential places, social halls, schools or church premises. There were some groups whose contact information had changed and they had not updated this information with the registration offices. Some of these problems are not unique to self-help groups; a recent report in Kenya indicated the same problem for the non-governmental organization sector (Republic of Kenya, 2009d).

There were also those groups which got their registration in Riruta and migrated to operate in other places. Conversely, there were groups which came to get their certificates in Riruta despite residing in other areas. When it came to the actual interviews, questions on finance were considered too sensitive. One problem experienced was the fact that some groups considered the researcher to be a government or donor agent. Depending on the nature of the relationship the groups had with the government or donors, they either shared their information or withheld it. However, to solve this problem, the researcher organized training sessions on social entrepreneurship for the self-help groups. The training session enabled bonding between the self-help groups and the researcher and helped in overcoming data collection mistrust.

The researcher was able to decipher the basis for government suspicion by the self-help groups. Some groups had borrowed moneys from some governmental agencies in the hope of carrying out investments. Unfortunately some investments did not pick up as was planned. As a result, they were struggling to pay back their loans but not according to the original schedule. There was fear that if they were to be forced to pay according to the original schedule, their activities could have been hampered. There are also those that received grants from the government for specific purposes and had little to show from the grants. Other groups thought that the researcher was an agent of a donor organization. Hence, they were willing to share their information easily. The researcher however, corrected these perceptions at the beginning of all interviews and in the letter of request for the interview.

Due to the fact that some self-help groups had ceased to exist, data collection difficulties, while others declined the interviews, others still had either changed their address or were at large. Thus from an original population of 523, the researcher was only able to interview a sample of 122 self-help groups. It is this data therefore that was used in the statistical and empirical analysis.

Since the researcher collected the data in person, there was keenness to ensure that all information received was correct and that there was little probability of bias. To limit the biases, the researcher ran one model using data collected from the field and another model using the objective data collected from the administrative offices.

3.2.4 Data Analysis and Interpretation

This section presents the analysis of data obtained to study the contribution of the self-help groups towards local development in Riruta Location in Nairobi, Kenya. The first part of the analysis presents descriptive statistics, the second presents econometric models with the third presenting the discussions.

In analysing the bio-data, basic information about self-help groups was examined. The main focus of analysis was organizational background, age of the self-help groups, community of residence and scope of service provision.

3.3 Descriptive statistics

Section One: Self-help Groups Bio Data

Table 3.7: Ages of the responding self-help groups by 2011

Age	Frequency	Percentage
0-2	33	27.05
3-5	44	36.07
6-8	26	21.31
9-11	13	10.66
12-14	4	3.28
15-17	2	1.64
Total	122	100.00

Source: Author computations

In table 3.7 27.05% of self helps were aged between 0 and 2 years by the time of data collection. Others were as follow 3-5 years (36.07%), 6-8 years (21.31%), 9-11 years (10.66%), 12-14 years (3.28%) while those age 15-17 years were 1.64%.

The oldest organizations were established in 1994 and were aged 17 by time of data collection. As can be seen there were fewer organizations aged 12 to 17 as this time coincides with a less-enabling government ambient that discouraged cooperation and associational activities through its tough bureaucracy. Despite the bureaucracy, several groups found expression in the grassroots and operated informally and never sought registration (Ndegwa, 1996).

Signs of change appeared in the 2000s with the number of self-help groups starting to rise. For example, there was a rise in the number of groups between 2000 and 2004. In 2002, the existing government during that time, lost to the opposition movement. This change in government became later a catalyst for the growth of self-help groups. Hence as can be seen with the encouragement of associational and cooperation activities, the number of younger self-help groups kept on rising till the year 2011.

Table 3.8: Educational levels within the self-help groups

Education	Frequency	Percentage
Not specified	1,036	28.04
Secondary	919	24.87
Primary	886	23.98
Tertiary	431	11.66
Some literacy	290	7.85
No literacy	133	3.60
Total	3,695	100.00

Generally, most self-help group members have completed either primary (23.98%) or secondary school (24.87%) education. There was a good participation of members with a tertiary school education whose overall estimation was 11.66%. Several self-help groups had people with low literacy skills who comprised approximately 7.85% of the total self-help group membership. However, a significant number (28.04%) did not indicate their literacy levels.

Table 3.9: Distribution of member age profiles in self-help groups

Member ages	Number	Overall proportion
Not specified	1,156	31.29
18-30	1,160	31.39
31-40	967	26.17
41-50	301	8.15
51-60	87	2.35
61-over	24	0.65
Totals	3,695	100.00

Source: Author

The 18 to 30 age group comprised 31.39% of the entire self-help groups' population. Members aged 31 to 40 comprised 26.17% of the total membership population. The 41 to 50 age-group comprised 8.15% of the entire population. The 51 to 60 age group was approximately 2.35% while the 61 and above group was approximately 0.65%. From this analysis, it emerges that membership of self-help groups mainly comprises 18 to 30 and 31 to 40 age groups. There were also those who did not specify the age-groups of their members comprising 31.29% of the total sample population.

Table 3.10: Experiential duration within the self-help groups by members

Experience duration in self-help group	Number of members	Percentage
Not specified	1,157	31.31
five-above	533	14.42
two year	513	13.88
three year	427	11.56
one year	394	10.66
less than a year	380	10.28
four year	291	7.88
Total	3,695	100.00

Source: computations based on the location data

Members with five years' experience made up 14.42% of the overall sample population. 13.88% had two years' experience while 11.56% had three years' experience in the groups. In general the duration of membership signals the degree of loyalty. There is evidence that new people join self-help groups each year. This signals that self-help group services are needed and do attract community attention. 31.31% did not specify their experiential duration.

Table 3.11: Organizational stakeholders according to gender

	Male	Female	Ratio M:F
Beneficiaries	2039	2417	0.84:1
Members	1974	1721	1.15:1
Volunteers	388	296	1.31:1
Board	344	282	1.22:1
Staff	176	157	1.12:1
Promoters	223	0	
Average	857	812	1.12:0.83

Stakeholders were categorized into board members, staff, volunteers, beneficiaries, promoters and members. The ratio of male to female board membership was 1.22:1; male to female staff membership was 1.12:1, male to female volunteers 1.31:1 and male to female members 1.15:1. There were more female than male beneficiaries with the male to female ratio being 0.84:1. Lastly, the promoters of the self-help groups were all male.

Table 3.12: Scope of Service Provision

Target area	Frequency	Percentage
Village	19	15.57
Location	48	39.34
Division	27	22.13
District	16	13.11
Province	5	4.10
National	7	5.74
Total	122	100

Source: Author computations

39.34% of self-help groups work within the scope of a location; 22.13% have a divisional scope; 15.57% have the scope of a village. 13.11% work within the scope of a district; while 4.10% cover a province and 5.74% work within a national scope. As can be seen, most self-help groups in Riruta have a locational, a village or a divisional scope. This shows that they are embedded within their communities.

Section Two: Self-help Groups Activities

Table 3.13: Activities undertaken by Self-Help Groups

Activity	Frequency	Percentage (out of 122)
Economic activities	109	89.34
Social activities	101	82.79
Educational activities	94	77.05

Source: Author Computations

89.34% of 122 groups implemented economic activities, while 82.39% out of 122 groups implementing social activities and only 77.05% of these were implementing educational activities.

Analyses of each of these activities is according to tables 3.13 to 3.15 below.

Table 3.14: Self-help group's economic empowerment activities

Activities	Frequency (out of 122)	Percentage
Business support	74	60.66
Financial support to members	73	59.84
Employment creation	62	50.82
Savings promotion	54	44.26
Revolving fund	54	44.26
Skills building	37	30.33
Property investment	29	23.77
Marketing activities	16	13.11
Agricultural business	14	11.48
Stock market investments	6	4.92

Source: Author

The economic empowerment activities include business support activities by 60.66% out of the 122 self-help groups which could either be in the form of financial or non-financial services. 59.84% of the groups supported their members financially. This financial support was used to address emergencies, finance development activities or to cater for precautionary needs and could have acted as a form of insurance.

50.82% of the 122 groups created employment opportunities for their members and community residents. This was done through groups establishing work integration endeavours or enabling members acquire job-skills that will enhance their competitiveness in the labour market. The focus

of the self helps is to nurture individual skills till the time required skill are acquired enabling their beneficiaries to become competitive. Self-help groups serve many other functions such as helping members acquire their own houses and implementing different kinds of individual or communal projects.

Table 3.15: Social welfare activities

Activity	Frequency (out of 122)	Percentage
Women empowerment	56	45.90
Guidance and counselling	55	45.08
Spiritual activities	47	38.52
Youth empowerment	38	31.15
Community integration	32	26.23
Environmental care	30	24.59
Health related services	29	23.77
Water services	23	18.85
Human rights	21	17.21
Transport services	9	7.38

Source: Author

45.90% of the groups implement activities to empower women by pursuing educational activities, maternal health care and other services of benefit to women. 45.08% are involved in guidance and counselling activities. 38.52% of the groups engage in spiritual activities. Youth empowerment is pursued by 31.15% of the groups and involves sports activities, entertainment and performing arts. These activities are meant to keep the youth occupied and productive.

Health related services (23.77%) are numerous and may take the form of assisting those infected and affected by HIV/AIDS, providing medical care, disability support and nutritional programs. Those working on community integration (26.23%) could be working in areas of human rights, peace building and reconciliation, community policing, culture and development. Environmental care is undertaken by 24.59% of the groups taking into account sanitation activities, disaster management and disease prevention activities.

Table 3.16: Educational and knowledge based activities

Activity	Frequency (out of 122)	Percentage
Awareness and education on drugs	52	42.62
General capacity building activities	52	42.62
Implementing schooling activities	34	27.87
Implementing vocational education	34	27.87
Civic awareness and education	34	27.87
Community based research and dissemination	18	14.75
Implementing community library services	16	13.11

Source: Author computations

The drug abuse problem is addressed by 42.62% of the groups who have programs on drugs awareness and education. They offer rehabilitation and re-integration services by accompanying victims with psychological services. They also offer preventive education to curb drug abuse.

In order to improve the specific skills of the community members, about 42.62% self-help groups are engaged in capacity building activities. Some of the skills include parenting, social accountability and life skills. 27.87% implement schooling activities by running nursery, primary or secondary schools or alternatively, they provide other types of assistance to students. 27.87% are involved in implementing vocational education programs. These are programs meant to equip the community members with employable skills either through a direct school based program or through an apprenticeship program. Among other educational activities pursued, are community based research and civic awareness by 14.75% self-help groups. Lastly, there are 13.11% groups that provide libraries and reading spaces to the community.

Section Three: Networks and Collaboration

Table 3.17: Networking relationships amongst self-help groups

Activity	Frequency/122	Percentage
Collaboration with finance institutions	33	27.05
Collaboration with a parent organization	29	23.77
Collaboration with government agencies	21	17.21
Other types of collaboration	18	14.75
Collaboration with other self-help groups	12	9.84
Not collaborating	89	72.95

Source: Author computations

Information collected on networking and collaborating in Table 3.17, provided materials to examine how self-help groups enhance their activities through cooperation with different stakeholders. The net result was that very few self-help groups averaging 18% pursue networking activities.

Organizations that indicated to collaborate with a financial institution were only 27.05% of the entire sample. This means that there is a high likelihood that many of the remaining self-help groups may not have access to basic financial services. There is a distancing of the remaining 73% self-help groups from financial institutions. Approximately 23.77% groups indicated to have a parent organization. This parent organization could either be a church, a company or mostly a non-profit organization.

Only 17.21% groups reported to have a relationship with government agencies. The remaining did not cultivate this relationship, despite the fact that the government has a number of devolved resources that could benefit them. Only 14.75% indicated that they were pursuing collaborations with donors and other capacity building organizations. Evidently only 27% of the self-help groups pursued active networking. The rest i.e. 73% did not pursue any networking at all.

Table 3.18: Self-help group relationship with parent organization

Benefit	Frequency	Percentage
Networking	11	37.93
Loans	5	17.24
Capacity building	3	10.34
Spiritual	3	10.34
Material	2	6.90
Funding	2	6.90
Marketing	1	3.45
Logistic	1	3.45
Consultancy	1	3.45
	29	100

Source: Author computations

In table 3.18, only 29 of the 122 self-help groups benefitted from having a parental relationship. Of these, 37.93% benefitted from networking opportunities. 10.34% indicated that they benefitted from

capacity building activities. 6.90% were being assisted materially with a similar proportion benefiting from funding. Other benefits included spirituality (10.34%), loans processing (17.24%) marketing (3.45%) logistics (3.45%) which could take the form of free office space and other benefits that enable effectiveness in their work, and consultancy (3.45%).

Table 3.19: Relationship with a government agency

Benefit	Frequency	Percentage
Consultancy	6	28.57
Networking	6	28.57
Funding	3	14.29
Capacity building	3	14.29
Material assistance	2	9.52
Loans	1	4.76
Total	21	100

Source: Author

Relationship with government is only pursued by 21 self-help groups out of the entire sample of 122. Among the 21, this relationship benefited them in consultancy (28.57%), networking (28.57%), funding (14.29%) and capacity building (14.29%). Other benefits accruing from relating with government agencies included material assistance (9.52%) and loans access (4.76%). According to the 2009 draft Community Development Report, the government has a number of devolved resources that self-help groups could benefit from. However, from these results it is evident that very few self-help groups collaborate with the government.

Table 3.20: Relationship with financiers

Benefit	Frequency	Percentage
Financial services	21	63.64
Loans	12	36.36
Total	33	100

Source: Author computations

Only 33 out of 122 self-help groups according to table 3.20 stated that they had a relationship with a financier. The main benefits of collaborating with financiers included access to financial services (63.64%) and accessing loans (36.36%).

Table 3.11: Relationship with other self-help groups

Benefit	Frequency	Percentage
General networking	5	41.67
Consultancy	4	33.33
Funding	1	8.33
Capacity building	1	8.33
Advocacy	1	8.33
Total	12	100.00

Source: Author computations

Only 12 out of 122, indicated having a relationship with other self-help groups. Out of these, 41.67% collaborated to enhance general networking. 33.33% benefitted by consulting with each other; sharing experiences and ideas, monitoring and evaluation or in peer monitoring. Other benefits include funding (8.33%), capacity building (8.33%) and advocacy (8.33%).

Table 3.22: Benefits Emanating from other networks

Benefits	Frequency	Percentage
Funding	10	55.56
Capacity building	2	11.11
Religious	1	5.56
Material assistance	1	5.56
General networking	1	5.56
Marketing	1	5.56
Advocacy	1	5.56
Consultancy	1	5.56
Total	18	100.00

Source: Author computations

Only 18 self-help groups had other types of relationships which benefitted them. These were relationships with specific types of people or institutions. The benefits of these relationship were mainly funding (55.56%) or capacity building (11.11%). Other benefits included religious (5.56%), material assistance (5.56%), networking (5.56%), marketing (5.56%), advocacy (5.56%) and consultancy (5.56%).

Section Four: Success and Governance

Table 3.23: Self-perception of success

Self-help group success rating	Frequency	Percentage
1	9	7.38
2	35	28.69
3	57	46.72
4	20	16.39
5	1	0.82
Total	122	100.00

Key: 1= very poor; 2= poor; 3 = fair; 4 = good; 5 = excellent

The self-help groups were asked to provide a self-perception of success of their overall performance on a Likert rating scale with the poorest ratings being 1 and the best being 5. Most of the groups (46.72%) rated their success at 3; 28.69% rated their success at 2 while 16.39% settled for 4. Those who rated their performance at 1 i.e. poorest performers were 7.38% while 0.82% considered their performance excellent at 5. Mostly the self helps rated themselves inadequately meaning that they felt that they needed to do more than they were doing at the moment. They however faced constraints in reaching their peak performance.

Table 3.24: Organizational Meetings

Number of meetings	General meetings frequency (out of 122)	Management meetings frequency (out of 122)	Board meetings frequency (out of 122)
0	65	17	63
1-5	32	31	11
6-10	4	4	4
11-15	17	35	20
20 and above	4	35	24
Total	122	122	122

Source: Author computations

According to table 3.24, only 57 out of 122 self-help groups held general meetings. It is through general meetings that important decisions affecting self-help groups are made. It is during such meetings that elections are held and special bodies such as management, committees, the board and trustees are chosen or mandated. 65 groups held no general meetings at all while 32 held 1-5

general meetings annually. Of the remaining, 4 held 6-10, 17 held 11-15 while the remaining 4 held 20 and above general meetings.

Out of the 105 self-help groups hold management meetings, 35 groups had 11 to 15 management meetings, 31 had 1 to 5 meetings while 35 had above 20 meetings. Most groups held monthly management meetings. Only 17 groups never had management meetings during the year. 59 self-help groups held board meetings. Out of these, 11 had 1 to 5 board meetings, 20 had 11 to 15, 4 had 6 to 10 board meetings while 24 had more than 20 board meetings annually. Out of the 122 self-help groups 63 never had board meetings.

Section Five: Resource Mobilization

Table 3.25: Self-help group resource mobilisation strategies

Resource mobilization strategy	Frequency/122	Percentage
Proceeds from members contribution	92	75.41
Proceeds from business projects	55	45.08
Loans borrowed by the self-help group	34	27.87
Donor grants	24	19.67
Proceeds from contributions of other well wishers	21	17.21
Proceeds from transaction fees	19	15.57
Contributions of the immediate community	19	15.57
Proceeds from own assets	13	10.66
Government resources	9	7.38
Proceeds from investment in stocks and shares	5	4.10
Proceeds from other sources	1	0.82

Source: Author Compilation

Table 3.25 captures different resource mobilization strategies used by self-help groups. The bulk of resources (75.41%) were raised through members' contribution; 45.08% had a business projects; 27.87% had access to loans, it is not clear whether the loans were from institutions or from

individual members; 19.67% were able to access donor grants; while 17.21% got their resources from proceeds and contributions of well-wishers.

In addition, 15.57% mobilized resources from proceeds of transaction fees; while another 15.57% raised resources from contributions of the immediate community. Some (7.38%) were able to access government resources; while others (4.10%) had investments in stocks and shares or other sources (0.82%). From these findings, most groups raise their financial resources through proceeds from member contributions, with few raising resources through proceeds from other sources and own assets. However, there is the element of resource mix from different sources which in essence likens the self-help groups to social enterprises.

Table 3.26: Self-help group Resources mix

Number of strategies used to raise resources	Frequency (out of 122)	Percentage
0	2	1.64
1	48	39.34
2	24	19.67
3	24	19.67
4	6	4.92
5	10	8.20
6	6	4.92
7	1	0.82
9	1	0.82
Total	122	100.00

Source: Author computations

Majority (39.34%) groups mobilized resources from one source or activity. 19.67% had 2 resource mobilization activities. Another group of 19.67% had three sources. Much fewer groups were able to mobilize income from more than 5 sources. 1.64% groups indicated that they did not have any resource mobilization strategy.

Table 3.27: Self-help group annual income estimates in Euro

Estimated income in Euro	Frequency	Percent
100	1	0.82
300	2	1.64
500	2	1.64
1,000	3	2.46
1,200	1	0.82
2,500	62	50.82
5,000	21	17.21
7,500	14	11.48
10,000	8	6.56
10,001	8	6.56
Total	122	100.00

Source: Author Computations.

The respondents were required by the study to provide annual estimates of their yearly income. All 122 self-help groups provided their yearly income estimates, where majority (50.82%) reported an estimated income of Euro 2,500 (Kenya Shillings 250,000). 17.21% indicated that they had an annual income of Euro 5,000 (Kenya Shillings 500,000) and 11.48% had an annual income of Euro 7,500 (Kenya Shillings 750,000). 6.56% attracted an annual income of Euro 10,000 (Kenya Shillings 1,000,000). Another 6.56% was able to attract an income of more than Euro 10,000 (Kenya Shillings 1,000,000). There were fewer groups earning below Euro 1,000 (Kenya Shillings 100,000). However the lowest income earners made Euro 100 (Kenya Shillings 10,000) per year.

Section 6: Challenges

Table 3.28: Self-help group challenges

Challenges	Frequency /122	Percentage
Inadequate finances	92	75.41
Membership challenges	72	59.02
Inappropriate technology	69	56.56
Competition	49	40.16
Legal challenges	40	32.79
Inadequate human capital	40	32.79
Insecurity	36	29.51
Staff challenges	32	26.23
Poor organizational structure and design	28	22.95
Tension with the community	15	12.30
Donors/funders challenges	8	6.56

Source: Author

Table 3.28 shows challenges faced by self-help groups. Financial inadequacy was a problem facing 75.41% of the entire sample. Groups either lacked capital, finances for their operational and recurrent expenses, development expenses or could not meet their overall financial obligations. About 59.02% experienced membership challenges which manifested themselves in free riding, loss of members, transparency problems, nepotism, member disputes or vested interests.

56.56% faced the challenge of inappropriate technology. Technology in this case refers to those tools aiding the effectiveness of the production process. Their lack makes groups unable to effectively address their mission.

Other challenges included competition (40.16%), inadequate human capital (32.79%) and legal challenges (32.79%). Legal challenges were due to the limiting nature of the self-help group registration, scarce resources, collective action challenges or membership problems. In most cases the disputes were always solved by the locational administrator (the chief) applying the Chief's Act Cap 128 (Republic of Kenya, 2012b) but in other cases they involved a court jurisdiction. Other challenges faced by self-help groups included insecurity (29.51%), staff challenges (26.23%), poor organizational structure and design (22.95%), tension with the community of residence (12.30%) and problems with donors (6.56%).

The descriptive statistics section has brought out important human development dimensions made of economic empowerment, education and social welfare pursued by self-help groups. In accordance to the UNDP (1999) the three dimensions are central to enhancing the quality of life.

The economic empowerment activities are pursued for three purposes. The first being to contribute to the survival of the self-help groups as organizations. This is in line with the resource dependence approach where it is considered that key to organizational survival is the ability to acquire and maintain resources (Pfeffer & Salancik, 1978).

Economic empowerment improves income earning abilities of self-help group members by providing a regular income, a source of employment, contributing towards member's welfare and assisting them with credit facilities. These activities are in essence, pursued with a view to sustain the self-help groups' social missions. Garai, Mazumder, & Maiti (2012) using data from Bengal India for women proved that self-help group members were more empowered than non-members. This result demonstrated that self-help groups were effective in empowering their members economically. This same result was achieved on an empirical study by Das (2013) in Assam, India where data confirmed that self-help groups helps improved their members' economic conditions. These improvements were reflected in terms of increases in income, savings, value of assets, amount of borrowing and betterment in consumption provisions.

This study has demonstrated that the choice of economic activities is highly dependent on members and community needs. These activities are community driven and are intended to solve specific problems. Jayawarna (2010) demonstrates that community based enterprises respond to community needs and to those of the vulnerable people in a better way than commercially oriented firms do. In this study the self helps pursued knowledge based and educational activities to improve specific skills and ensure general capacity of group members and the community in general is developed. They include; school education, vocational training, skills development, capacity development, educational sponsorships, research and dissemination, corruption awareness, civic education, child rights awareness, human rights education and advocacy and maintenance of community libraries. The concept of developing the capacity of individuals and communities is at the centre of development discourse (Theodore , 2011).

Social welfare activities are pursued to address social challenges experienced by communities. They include youth and gender empowerment activities, guidance and counselling, HIV/AIDS interventions, spiritual activities, child assistance, legal aid, peace building and reconciliation. Self-help groups are also involved in community policing, social cohesion and integration of the

marginalised as well as sporting activities. Self helps as third sector actors cannot divorce themselves from delivering social services in their communities. In essence their primary characteristic as social enterprises is the pursuance of an explicit social aim in accordance with Borzaga and Defourny (2001). They also help the government respond to the ever growing demand for social services. They are solving problems related to health, water, transport, security and myriad others in unique ways using simple and uncomplicated tools.

3.4 The Econometric Models

This section has three main objectives. The first is to study factors determining self-perception of success of self-help groups. This part will use data collected in the field by the researcher and will estimate an Ordered Probit Model. The self-perception of success was a subjective assessment of the overall performance in achieving the self-help groups' social economic empowerment mission. This data contains 11 variables and 122 observations. The explanatory variables have been highlighted in table 3.29 below and thereafter explained. The hypothesis of this section will be:

- Hypothesis 1: The propensity of the self-help groups to perceive themselves as being successful is increased by positive changes in organizational capabilities

The second objective aimed at testing the determinants of self-help groups-empowerment effects. This was done through estimating a Poisson Distribution model, using archival data from the administrative offices of Riruta Location. This same model and data was used to achieve the third objective whose aim was to test for resource mobilization effects. The archival data was administrative and hence highly objective. It contained 7 variables and was made of 523 observations. The explanatory variables for the two Poisson Distribution Models are listed in Table 3.38 and thereafter explained. The two models under this section were used to corroborate the results of the Ordered Probit Model whose data was collected by the researcher. This section tested the following two hypotheses:

- Hypothesis 2: A unit change in economic empowerment activities has a positive effect on the expected positive changes in organizational capabilities
- Hypothesis 3: A unit change in total resource mobilization activities has a positive effect on the expected positive changes in organizational capabilities

3.4.1 Model I: Ordered Probit Model

Model I tested for self-perception of success. The self-help groups were requested to rate their success levels from 1 meaning very poor to 5 meaning excellent. They assessed success by looking at overall capabilities required to help them deliver their objectives. This is in line with Potocki and Brocato (2002) who explained capability as the inherent propensities required to achieve objectives. Successful groups have higher objective-completion propensities and hence are considered to have higher capabilities. The objective-completion propensities in our case, were unique to each group. These propensities were also dependent on specific objectives that each group addressed.

We chose to study the impact of the explanatory variables on the dependent variable for several reasons. The first being to determine the way the groups rated their success in relation to their objectives which provided their reasons for existence. In essence the groups' challenges, progress, environmental effects and growth over time were important.

Success could also be viewed as either survival (Phelan and Lewin, 1999) or performance (Agwaral, 1997). It entails the ability to develop specific types of efficiencies over time (Strotmann, 2006). Other studies look at success in terms of social and cultural capital, ability to pursue a mix of resources, balancing of social and entrepreneurial mission, embeddedness within the local community among others (Borzaga and Defourny, 2001; DeTienne, Shepherd, and De Castro, 2008; Lengyel, 2002).

The Ordered Probit Model in this section was used to test hypothesis 1 as stated in section 3.4 above.

Hypothesis 1: The propensity of the self-help groups to perceive themselves as being successful is increased by positive changes in organizational capabilities

Table 3.29: Model I Variables Description

Observations	122
Variables	11
variable name	Variable label
Sucrate	Self-perception of success
Age	Age of the self-help group
Totmem	Total number of members
Econacts	Number of economic empowerment activities
Socacts	Number of social welfare activities
Eduacts	Number of educational activities
Resmob	Number of resource mobilization activities
Chalnos	Number of challenges
Logstinc	Log of estimated annual income
Malemem	Total number of male members
Femem	Total number of female members

There are 122 observations in total according to Table 3.29. The dependent variable is self-perception of success. This variable is ordered from 1 which represents very poor 2 representing poor, 3 representing satisfactory, 4 representing good and 5 representing excellent. The variable represents a subjective self-assessment by self-help groups on how they perceived their overall performance in relation to the achievement of their mission. 8 variables were used as explanatory variables and these include the age of the self-help group, membership number, number of economic empowerment activities, number of social welfare activities, number of educational activities, number of resource mobilization activities, log of estimated annual income and total challenges. Economic empowerment activities included business financial support, assistance during difficult moments or to meet important needs, assisting members with marketing, business consultancies and education. Resource mobilization activities included donor resources, member

contributions, transaction fee, community contributions, government contribution or business income.

Table 3.30: Model I Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Success rate	122	2.74	.87	0	5
Age of groups	122	5.05	3.50	0	17
Total members	122	30.00	91.37	4	1,000
Economic activities	122	3.41	2.20	0	9
Social activities	122	6.11	5.73	0	25
Education activities	122	3.05	2.75	0	10
Resource mobilization strategies	122	2.41	1.68	0	9
Log of estimated income	122	5.53	.34	4	6
Total challenges	122	5.68	3.20	0	15

There are no missing observations for all variables. The summary statistics of each variable are as captured in Table 3.30 above. They include mean, standard deviation, the minimum and maximum number of values for each variable. The dependent variable self-perception of success is an ordered variable of scale 5.

Table 3.31: Model I Coefficient of Correlation

```

      |  sucrate   age econacts  socacts  eduacts  chalnos  stakesh  logstinc  totmen
-----+-----
sucrate |  1.0000
    age | -0.0180  1.0000
econacts |  0.1004  0.0306  1.0000
socacts  |  0.1381 -0.1186  0.3165  1.0000
eduacts  |  0.0834 -0.0648  0.4198  0.7148  1.0000
chalnos  | -0.1974  0.1490  0.1733  0.1689  0.3136  1.0000
stakesh  |  0.0579 -0.0030  0.1606  0.2767  0.3482  0.1485  1.0000
logstinc |  0.2992  0.0232  0.0759 -0.0139 -0.0113  0.1433  0.1222  1.0000
totmen   |  0.1331 -0.0054  0.0364  0.1834 -0.0470 -0.1182  0.0566  0.1575  1.0000

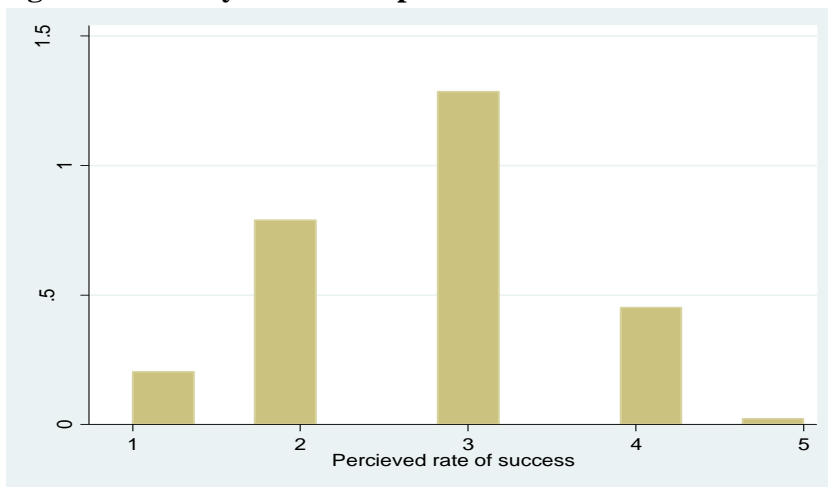
```

The variables were tested for correlation. Their correlation coefficients show that there is no linear association among them apart from education activities (eduacts) and social activities (socacts) at

0.7148. The linear associations for eduacts and economic activities (econacts) is 0.4198; socacts and econacts is 0.3165; while number of challenges (chalnos) and eduacts is 0.3136.

Two variables i.e. eduacts and socacts had a high linear association amongst themselves. Since this collinearity was high, the educats variable was excluded from the Ordered Probit regression. This was done to eliminate biasing the final results.

Figure 3.1: Analysis of the dependent variable



The dependent variable is ordered hence making Ordinary Least Squares regression inappropriate. This implies that it is not possible to establish a numerical value for the distance between the different categories. Furthermore, the predicted values may be higher than 5 or lower than 1 and this is not possible for an ordered variable.

Table 3.32: Distribution of the dependent variable

	Percentiles	Smallest		
1%	1	0		
5%	1	1		
10%	2	1	Observations	122
25%	2	1	Sum of Wgt.	122
50%	3		Mean	2.737705
		Largest	Std. Dev.	.8701029
75%	3	4		
90%	4	4	Variance	.757079
95%	4	4	Skewness	-.2987485
99%	4	5	Kurtosis	3.150795

The variance of self-perception of success is approximately 0.76. This low variance indicates little variability in the data set. The distribution of this variable does not display signs of over-dispersion. Skewness indicates the distribution asymmetry and deviation from a normal distribution. In our case the skewness is -0.2987 which is less than 0, indicating that most values are concentrated on the left of the mean, with extreme values to the right. Conversely, Kurtosis which analyses distributions in terms of flattening or "peakedness" is 3.15 which is greater than 3 indicating a Leptokurtic distribution, which is sharper than a normal distribution and has values concentrated around the mean and thinner tails. This also indicates a low probability for extreme values.

3.4.1.1 Ordered Probit Model Specification

The perceived rate of success variable takes on 1-5 values which are ordered.

$$y_i = \begin{cases} 1 \\ 2 \\ \cdot \\ \cdot \\ j \end{cases} \quad i = 1, 2, \dots, n$$

The Ordered Probit Model will estimate the statistical significance and direction of the relationship of each explanatory variable on the self-help groups' self-perception of success, as well as the marginal effect of each relationship. For the self-help groups' self-perception of success, it is more appropriate to use the Ordered Probit because while accounting for the categorical nature of the dependent variable, it accounts for the ordinal nature of success categories.

The ordered probit model will then take the following form

$$y^* = \alpha + \beta_1 x_1 + \beta_2 x_2 + \dots + \beta_n x_n + \varepsilon, \quad \varepsilon \sim N(0,1)$$

or in our case

$$y^* = \alpha + \beta_1 age + \beta_2 econacts + \beta_3 socacts + \beta_4 eduacts + \beta_5 chal.nos + \beta_6 stakesh + \beta_7 \log stinc + \beta_8 totmem + \varepsilon$$

Where y^* is the unobservable dependent variable "the self-help groups' self-perception of success"

coded as 1, 2, 3, 4, 5. β is the vector of estimated parameters and x is the vector of explanatory

variables. ε is the error term which is assumed to be normally distributed.

The success rate of an individual self-help group falls in category n . As with the Probit Model, we assume that the observed y is generated by a latent variable y^* . Hence the self-perception of success data y , are related to the underlying latent variable y^* , through the thresholds μ_n where $n = 1, 2, \dots, 5$. Hence

$$y_i = \begin{cases} 1 \Rightarrow \text{if } \mu_0 = -\infty \leq y_i^* < \mu_1 \\ 2 \Rightarrow \text{if } \mu_1 \leq y_i^* < \mu_2 \\ 3 \Rightarrow \text{if } \mu_2 \leq y_i^* < \mu_3 \\ 4 \Rightarrow \text{if } \mu_3 \leq y_i^* < \mu_4 \\ 5 \Rightarrow \text{if } \mu_4 \leq y_i^* < \mu_5 = \infty \end{cases}$$

$\mu_1, \mu_2, \mu_3, \mu_4$ and μ_5 are defined as thresholds between which categorical responses are estimated. The Ordered Probit model will hence give the thresholds μ and parameters β .

The thresholds μ shows the range of the normal distribution associated with the specific value of the response variable. The remaining parameter, β , represents the effect of changes in the explanatory variables on the underlying scale.

The marginal impacts of factors x on the underlying success rate can be evaluated in the following way

$$\partial \text{Prob}(y = n) / \partial x = -[F(\mu_n - \beta'x) - F(\mu_{n-1} - \beta'x)]\beta \quad n = 1, \dots, 5$$

Marginal effects are instantaneous rates of change, computed for an x variable while holding all other variables constant. They provide the probability of a good approximation for the amount of change in self-perception of success that will be produced by a unit change in x . In other words the marginal effect is the partial first derivative of y with respect to x . It is calculated at one specific value of the dependent variable. The sign of the marginal effect is not necessarily the same as the sign of β since $f(\mu_{n-1} - x\beta) - f(\mu_n - x\beta)$ can be negative. Indeed it is possible for marginal effects of x_k to change signs as x_k changes.

Computation of the marginal effect is particularly meaningful for the Ordered Probit Model because the value of the regression coefficient is not readily interpretable. This makes the effect of variables x on the intermediate categories ambiguous. Since the marginal effect depends on the levels of all variables, we must decide on the values of the variables to use when computing the effect. More commonly the marginal effect is computed at the mean values of all variables.

$$\frac{\partial \Pr(y = n | \bar{x})}{\partial x_k} = \beta_k [f(\mu_{n-1} - \bar{x} \beta) - f(\mu_n - \bar{x} \beta)].$$

In our case however we shall pick the observable values of y_i and use them to calculate the marginal effects.

Table 3.33: Ordered Probit Model of self-perception of success excluding educats

Self-perception of success	Coef.	Std. Err.	P> z
Economic activities	.0148592	.0508521	0.770
Social activities	.0261494	.0197993	0.187
Log of estimated income	1.117152	.3311122	0.001
Age of self help group	.0169205	.0290013	0.560
Resource mobilization activities	.0884881	.0728312	0.224
Number of challenges	-.1067551	.0338996	0.002
Total members	.0002723	.0011702	0.816

A regression model was estimated with the basic variables and the outputs are according to Table 3.33 above. As already noted the output values of the regression coefficients of the Ordered Probit Model are not readily interpretable as the effect of variables x on the intermediate categories is considered ambiguous. We hence proceed to compute the marginal effects of the model whose outputs are as in Table 3.34 below.

Table 3.34 Ordered Probit Model marginal effects in perceived rate of success

Variable	dy/dx	Std. Err.	P> z
Economic activities	.0031446	.01076	0.770
Social activities	.005534	.00423	0.190
Log of estimated income	.2364217	.07521	0.002
Age of self help group	.0035809	.00617	0.562
Resource mobilization activities	.0187266	.01568	0.232
Number of challenges	-.0225925	.00778	0.004
Total members	.0000576	.00025	0.816

Mfx predicted at $y_i = 4$

In the case of the Ordered Probit on perceived rate of success, the marginal effect was computed at value 4. A regression model was estimated excluding the education activities variable. This was because of the high coefficient of correlation between it and the social activities variable. The marginal effect was estimated for the regression at different values (1,2,3,4 and 5). In the model, at 1 and 2 all the variable signs changed and were not significant, while at 3 and 5 the results were less significant than those at 4. As explained above, the sign of the marginal effect is not necessarily the same as the sign of the coefficient, since the instantaneous change between the thresholds could be negative. In our case at $y_i = 4$, more convincing results were obtained that were statistically significant as in the Table 3.34 above.

The marginal effects of each explanatory variable on each rate of success as reported in Table 3.34 above explains the propensity of the explanatory variable to decrease or increase the probability that the perceived rate of success will be of a specific class. A positive value means that the explanatory variable increases the propensity of the self-help group's self-perception of success with an increase in its magnitude.

The Ordered Probit identified that more earned estimated income increased the propensity of the self-help groups self-perception of success while more challenges within the self-help groups reduced it. In reality, it is also true that self-help groups that are able to attract more income are considered more successful. This is because they are able to meet their objectives with less strain unlike those that are unable to attract income.

It is however tricky whenever interpreting financial related variables such as estimated income in relation to the dependent variable because of the problems of endogeneity. In this case, for example while finance increases the propensity for self-perception of success, the reverse could also be true i.e. the self-perception of success could also enhance the propensity for better earned estimated income. Hence, this study has only concentrated in finding the correlations and not the causal

relations. In this estimation, endogeneity has not been checked. This could either be done by instrumental variable analysis or randomized experiments that were not possible at this stage. Endogeneity could result from omitted variables, self-selection, reverse causality or data errors and could contribute to parameter estimates that may be biased, inconsistent and wrong.

More challenges faced by self-help groups increase the propensity of the probability of negative self-perception. An increase in these challenges increases the propensity of failure perception. If the self-help groups would like to improve the propensity to perceive themselves in a better light, therefore, they ought to strive to minimize their challenges. In this case too, endogeneity could not be ruled out as there could be cases of reverse causality for instance, less successful organizations are likely to undergo more challenges.

The Ordered Probit Model econometric analysis has demonstrated that the propensity of the probability of success for the self-help groups is also influenced positively though not significantly by increases in economic empowerment activities, social welfare activities, age of the self-help group, resource mobilization activities and by the increase in the number of members.

3.4.2 Model II: Poisson Regression Model

Model II tested for economic empowerment effects. The self-help groups were requested to indicate their total number of economic empowerment activities. The minimum number of economic empowerment activities were 0 while the maximum were 4. Economic empowerment activities are pursued by the groups to assist improve the income earning abilities of their members. Pursuing economic empowerment activities is the primary social value created and sustained by the self-help groups. Profit is not the gauge of economic empowerment activities but the overall empowerment of members and the social impact wrought in the communities.

According to Menzel (1999), economic social value considered in a welfare dimension constitutes preferences or evaluative claims about an aggregate or community of persons. Accordingly, societal value is pursued by maximizing the sum of all the individual utilities of a community's members. The economic empowerment activities therefore do promote collective member's welfare and hence constitute an important social value to the groups.

We chose to study the effects of the dependent variable on the explanatory variables. The primary objective of self-help groups is to economically empower its members. This mission, is pursued in tandem with providing solutions to challenges facing communities. In most cases, the desire to address community challenges is what triggers the formation of self-help groups. After formation, groups undertake other activities to ensure achievement of their objectives. Hence, it becomes important to investigate whether pursuance of group members' economic empowerment has in essence, a positive effect on other activities undertaken.

This section will test the following hypothesis

Hypothesis 2: A unit change in economic empowerment activities has a positive effect on the expected positive changes of organizational capabilities

Table 3.35: Model II Variables Description

Variable name	Variable label	Total observations	Min	Max
Ecomp	Economic empowerment activities	523	0	4
Toremo	Total resource mobilization activities	523	0	7
Regyr	Year of self-help group registration	523	1984	2010
Villoutr	Total service outreach villages	523	1	4
Network	Total self-help group networks	523	0	4
Totchals	Total number of challenges	141	1	6
Totmem	Total self-help group members	523	5	120

The variables are as listed in Table 3.35 above. The dependent variable is economic empowerment activities. Economic empowerment activities comprised employment creation, market and value chain development, property investment, revolving fund, stocks and agri-business. Resource

mobilization activities encompassed member contributions, proceeds from transaction fee, property and businesses; community and well-wishers contributions, government and donor resources.

Table 3.36: Model II Correlation coefficients

	ecom	toremo	regyr	villoutr	network	totchals	totmem
ecom	1.0000						
toremo	0.3159	1.0000					
regyr	0.2833	0.2657	1.0000				
villoutr	-0.0462	-0.1300	-0.0813	1.0000			
network	0.0616	-0.0246	0.0623	0.1605	1.0000		
totchals	-0.1420	0.0530	0.0139	-0.0765	0.0018	1.0000	
totmem	-0.0196	0.0540	0.0018	0.0677	0.0591	-0.0054	1.0000

The variables were correlated to find linear association. The linear relationship among them was found to be negligible and hence they were all used in the regression model.

Table 3.37: Summary distribution of total economic empowerment activities

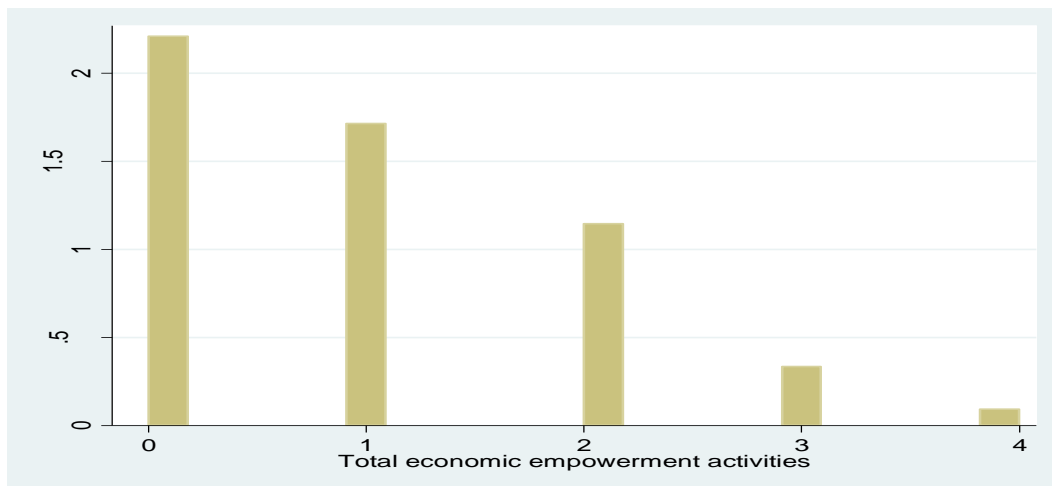
The dependent variable; total economic empowerment activities, has count characteristics. The properties of these variables are further explained as follow

	Percentile	Smallest		
1%	0	0		
5%	0	0		
10%	0	0		
25%	0	0	Obs	523
			Sum of WGT	523
50%	1		Mean	.98
		Largest	Std deviation	1.01
			Variance	1.01
75%	2	4		
90%	2	4	Skewness	.81
95%	3	4	Kurtosis	2.99
99%	4	4		

The minimum observation of the variable is made up of 0 counts while the maximum is 4. Though the variance is larger than the mean, it is within the limits of equi-dispersion as the difference between the mean and the variance is 0.030249. The variance is hence not greater than might be expected in a Poisson distribution, making a Poisson regression appropriate. In cases where the

variance would be much greater than the mean leading to over-dispersion, a Poisson distribution would be inappropriate and a Negative Binomial Regression would be appropriate. Further analysis of the variable is made in the histogram below.

Figure 3.2: Model II histogram distribution of the dependent variable



As can be seen the data are strongly skewed to the left, meaning that a linear regression analysis would be inappropriate for reasons already stated above.

Count variables are not continuous and hence applying a linear regression model on them can result in estimates that are inefficient, inconsistent and biased. For count variables, models such as the Poisson Regression or the Negative Binomial Regression models are appropriate. In a Poisson Regression, the probability of a count is determined by a Poisson Distribution, where the mean of the distribution is a function of the independent variables. This model has the defining characteristic that the conditional mean of the outcome is equal to the conditional mean of the variance.

Let y be a random variable indicating a number of times an event has occurred during an interval of time.

y has a Poisson distribution with parameter $\lambda > 0$ if

$$\Pr(y | \lambda) = \frac{\exp(-\lambda)\lambda^y}{y!} \quad \text{for } y = 0, 1, 2, \dots \quad (1)$$

$$E(y) = \lambda$$

The parameter λ also known as the *rate* is the expected number of times an event has occurred per unit time. It could also be thought as the mean of the expected count. Hence, as λ increases as the mass of the distribution shifts to the right.

$$\text{Var}(y) = E(y) = \lambda$$

The variance equals the mean, a characteristic known as *equidispersion*. In practice, however, count variables have a variance greater than the mean, a characteristic known as *overdispersion*. As λ increases the probability of 0's decreases and the Poisson distribution approximates a normal distribution. A critical assumption of a Poisson process is that events are independent.

3.4.2.1 Estimating the Poisson regression model

A Poisson regression model is estimated, where the number of event y has a Poisson distribution with a conditional mean that depends on an event's characteristics. The model is hence expressed as

$$(2)$$

$$\lambda_i = E(y_i | x_i) = \exp(x_i \beta)$$

x_i = explanatory variables as listed in Table 3.38

The exponential of $x_i \beta$ forces the expected λ to be positive which is required for the Poisson distribution.

Since y is a count variable, it can only have non-negative integer values. The probability of a count given x is given by

$$\Pr(y_i | x_i) = \frac{\exp(-\lambda)\lambda_i^{y_i}}{y_i!}$$

For the Poisson Regression Model, the expected value of y for a given x is given by

$$\lambda = E(y | x) = \exp(x\beta) \quad (3)$$

Since the model is nonlinear the value of the marginal effect depends on both the coefficient for x_k and $E(y | x)$. The larger the value of $E(y | x)$, the larger the rate of change in $E(y | x)$. Further, since $E(y | x)$ depends on the value of all dependent variables, the value of the marginal effect depends on the level of all the variables. Often, the marginal effect is computed with all variables held at their means. The marginal effect is the partial derivative of $E(y | x)$ with respect to x_k and is computed using the chain rule as follow

$$\frac{\partial E(y | x)}{\partial x_k} = \frac{\partial \exp(x\beta)}{\partial x\beta} \frac{\partial x\beta}{\partial x_k} = \exp(x\beta)\beta_k = E(y | x)\beta_k$$

Table 3.38: Poisson Regression Model Outputs for Economic Empowerment Activities

Variable	Coef	Std Err	Significance
Total resource mobilization activities	.3363773	.0962254	0.000
Board meetings	.0312306	.0203367	0.125
Organizational meetings	.0006095	.00468	0.896
Registration year	.0544732	.0307126	0.076
Total members	.0004188	.0065446	0.949
Village outreach	.2075913	.1937157	0.284
Network	-.2121747	.1654673	0.200
Total challenges	-.1412141	.0786354	0.073
Constant	-111.0878	61.52863	0.071

A Poisson model was estimated with the basic variables and the outputs are according to Table 3.38. The marginal effects of the Poisson Model were computed. As noted above, the value of the marginal effect depended on the value of all independent variables. The outputs of the marginal effect computations of the model are as in the table below.

Table 3.39: Poisson Regression Model marginal effects outputs for economic empowerment activities

Variable	dy/dx	Std Err	Significance
Total resource mobilization activities	.3051293	.08129	0.000
Board meetings	.0283294	.0183	0.122
Organizational meetings	.0005529	.02756	0.896
Registration year	.0494129	.02756	0.073
Total members	.0003799	.00594	0.949
Village outreach	.188307	.17469	0.281
Network	-.1924647	.14896	0.196
Total challenges	-.128096	.07084	0.071

According to the outputs of the marginal effects of the Poisson regression model, a unit change in resource mobilization activities has a positive effect on the expected changes in the number of economic empowerment activities. Successful resource mobilization activities are important in deciding whether or not a self-help group will take on more economic empowerment activities. Additional economic empowerment activities emerge with extra financial burden to groups. This being the case, groups with abilities to create extra resources are able to counterbalance this challenge and create more empowerment activities for their members.

Effective resource mobilization also enhances the organizational survival capabilities. Self-help groups are organizations that have some social enterprise characteristics and hence do survive well by mixing resources (Borzaga and Defourny, 2001). These resources could be raised from a combination of government sources, community, business activities (Borzaga, Nogales and Galera, 2008) or local and international funding organizations in the case of developing countries (Ochanda, Akinyi, & Mungai, 2009).

In this study, there has been some evidence that resource mobilization is a challenge and that self-help groups' main challenge is to attract resources in order to finance their mission effectively, hence this leads to their underperformance. Although traditional economic theory would suggest that the decision to abandon economic activity is based upon under performance, Meyer & Zucker,

(2006) found that efficient business performance is not necessarily the most important determinant of organizational survival. Self-help groups', despite their sub-optimal resources, have several other factors contributing to their survival motivation. These include the feelings of social security provided by the sense of belonging to the group and the pull of their social mission.

A second important relationship was provided by unit changes in the year of registration meaning that a unit change in registrations, had a significant positive effect on the expected changes in the number of economic empowerment activities. Once registered, self-help groups see themselves as legal associations. Since registration accords them recognition by the community and other institutions, they carry out their activities with increased confidence.

Unit increases in number of Board meetings had positive effect on expected changes in the number of economic activities. To a lesser extent too, members meetings had the same effect. Meetings play an important role in decision making on future activities to be undertaken. Board meetings do help guide future expected activities much better than the entire membership. This is because the board is a specialized body with a mandate to oversee overall implementation of group activities. A Self-help group with a board structure therefore tends to fare better on future expected economic activities.

Conversely, a unit change in the number of challenges facing a self-help group, has a negative effect on the expected changes in the number of economic empowerment activities. Challenges could be internal or external. Organizations may have control over some challenges and may not be able to control others (Porter, 1985). Several self-help groups seemed to face many challenges that they were not in control of. These challenges had the effect of diminishing their effectiveness. Examples of challenges included legal disputes, free riding and vested interests. Granted that self-help groups were not considered as legal entities, their disputes could not be arbitrated by the industrial tribunal. They had to deal with complexities surrounding their legality before court

proceedings could begin. The dispute therefore, though having started from simple issues unearthed a whole plethora of challenges that have a great toll on productivity, time and energy.

3.4.3 Model III: Poisson Regression Model

Model III tested for resource mobilization effects. The self-help groups were requested to indicate their total number of resource mobilization activities. The minimum number of resource mobilization activities were 1 while the maximum were 7. Resource mobilization is a strategy, comprising mix of mechanisms employed in order to directly finance groups' production and delivery of their services in a manner that is efficient and sustainable (Chawla & Berman, 1996).

We chose to study the effects of the dependent variable on the explanatory variables. The primary objective of resource mobilization activities is to ensure that finances are available to enable groups accomplish their objectives. According to the resource dependence approach, ability to attract resources increases competitive advantages of organizations (Nemati, Bhatti, Muqsal, Mansoor and Naveed, 2010; Pfeffer and Salancik, 1978).

In testing for resource mobilization effects we utilized the Poisson Regression Model. This model has been deeply expounded in 3.4.2 above.

The hypothesis in this section is as follow:

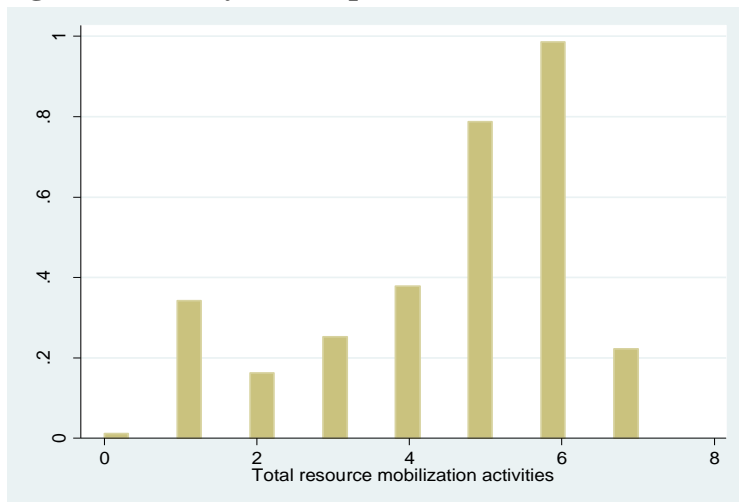
Hypothesis 3: A unit change in total resource mobilization activities has a positive effect on the expected positive changes in organizational capabilities

Table 3.40 Summary distribution of total resource mobilization activities

Percentiles				
		Smallest		
1%	1	0		
5%	1	0		
10%	1	1	observations	523
25%	4	1	Sum of wgt	523
			Mean	4.56
50%	5		Std dev	1.18
		Largest		
75%	6	7	Variance	3.16
90%	6	7	Skewness	-.809
95%	7	7	Kurtosis	2.60
99%	7	7		

The minimum observable value of the total resource mobilization variable is 1 count. The variance is smaller than the mean however it is within the limits of equi-dispersion as the difference between the variance and the mean is 1.4 which is expected in a Poisson Distribution. A further analysis of the variable is in accordance with the histogram in Figure 3.3 below

Figure 3.3: Analysis of dependent variable



The graph is skewed to the right. This makes a Linear Regression analysis inappropriate for various reasons already stated in the analysis of the total resource mobilization variable in Table 3.40. The total resource mobilization is a count variable, making it appropriate to use a Poisson Regression Model in its analysis.

Table 3.41: Poisson Model Outputs for Total Resource Mobilization Activities

Variable	Coefficient	Standard error	Significance
Total socio-economic empowerment activities	.0467515	.0095771	0.000
Board meetings	-.0018177	.0055581	0.744
Organizational meetings	.0022947	.0011135	0.039
Registration year	-.001736	.0012456	0.163
Total members	.0018922	.0015771	0.230
Village outreach	-.0493348	.0305353	0.106
Networks	-.0340826	.0280474	0.224
Total challenges	.0366861	.0191674	0.056
Constant	4.709302	2.498886	0.059

A Poisson Model was estimated with the basic variables and the outputs are according to Table 3.41 above. The marginal effects were then calculated and are captured in Table 3.42 below. As stated earlier, in a Poisson distribution, the marginal effects are dependent on the values of all independent variables.

Table 3.42: Poisson Marginal Effects Outputs for Total Resource Mobilization Activities

Variable	dy/dx	Standard error	Significance
Total socio-economic empowerment activities	.212	.043	0.000
Board meetings	-.008	.025	0.744
Organizational meetings	.010	.005	0.039
Registration year	-.008	.006	0.162
Total members	.008	.007	0.230
Village outreach	-.224	.138	0.106
Networks	-.155	.128	0.224
Total challenges	.166	.087	0.055
Constant			

The marginal effects of the Poisson Regression Model shows that a unit change in social-economic empowerment activities has a positive effect on the expected changes in resource mobilization activities. This is explained by the fact that the success of social economic empowerment activities is dependent on the ability to mobilize resources. The mere existence of an additional socio-economic empowerment activity implies a resource burden to the organization or a possible opportunity which may be used to mobilize the required additional resources (Pfeffer and Salancik, 1978; Dees, 1998).

Different economic empowerment activities tend to require different resource mobilization strategies. Conversely, in some cases different socio-economic empowerment activities could provide different sources of mobilizing resources. For example, where a group began with an agricultural activity, this provided one source of income for it. In case it took another activity such as an environmental one, this also provided another source of resources. And more income areas will manifest themselves as the group takes in more socio-economic empowerment activities. At times also one socio-economic empowerment activity which is a resource mobilizer could also beget other activities which are resource mobilizers too. Alternatively, groups may start with one socio-economic empowerment activity which helps mobilize resources but they may realize that they are incurring other costs as well to maintain the activity. In their effort to start another activity to help them save the associated costs of the previous activity, they may also create another socio-economic empowerment activity that helps in mobilizing additional resources.

From the Poisson output, a unit change in organizational meetings has a positive effect on the expected changes in resource mobilization activities. This could imply that organizations that organize more meetings are able to generate more ideas on resource mobilization. Also, organizations that meet often denote great amounts of commitments from members who in essence would be ready to sacrifice for their organizations. Meetings are the channels where organizational weaknesses are laid bare and strategies to address them formulated. Meetings also have the effect of bringing out the best in each member for the benefit of the group.

In the meetings, members share different expertise and experiences which when harnessed by the group contribute positively in the resource mobilization aspect. More organizational meetings also help address collective action and agency challenges and reduce instances of information asymmetry (Hansmann, 1996). By this, cases of vested interests are addressed and people encouraged to work for the common good leading to a great feeling of organizational ownership among members and by extension the confidence to invest their energies to build the said

organization. Continuous meetings also imply continuous enlightenment of organizational members. Members get the chance to educate one another on various issues of importance to their organization hence improving the quality of their human capital. This mutual learning assists in improving on their abilities to raise resources.

Lastly, a unit change in challenges has a positive effect on the expected changes in resource mobilization activities. Increased challenges usually indicate an attack on the organization thus affecting its survival capability. Members will therefore invest energies to fight for the organization to ensure that it continues to survive. In any case, the collapse of the organization does not augur well for the members. There are fears of losing reputation or being seen to be failures. Organizational members may also find that switching costs of abandoning their present activities to be too costly as opposed to continuing with it. Sheppard (1995) proves that an increase in challenges might not lead to the failure of an organization because of the switching costs and specific investments entailed. In this case therefore, members of a group will tend to look at their energy investments over time. This energy is seen as an important investment which they will be ready to defend hence their increased efforts in resource mobilization during threatening times.

The other reason as to why the challenges would be associated with increased resource mobilization is centered in the hope for a better future and that the organization would be able to overcome the challenges and be able to serve its mission. Lastly, self-help groups are mainly started as means of livelihoods for members. When they face challenges, this means that members livelihoods get affected negatively. Efforts in resource mobilization are meant to reinforce the groups efficacy. According to Inmyxai and Takahashi (2009), resources in this case entail human capital, intangible and tangible resources. These three types of resources are important to intervene during times of stress for the organization.

There is a great difference in the above two models on the total challenges. While a unit change in challenges had a positive effect on the expected changes in resource mobilization activities, it had a negative effect on the expected changes in economic empowerment activities. One reason for this could be due to the fact that during times of stress, organizational resources are diverted to address the stress and not its social mission. At the crisis times, organizations tend to formulate short term actions as opposed to addressing the long term mission of the organization. These findings are in line with Strotmann (2007) where during difficulties, much more organizational efforts are channeled towards solving the stress factor as opposed to pursuing the core business.

3.5 Chapter Discussions

A majority of self-help groups were established and registered between 2001 and 2010 and very few were registered before this period. It is important to note that the decade beginning the year 2000 marked the entry of a new government in Kenya under National Rainbow Coalition Movement (NARC) that replaced the earlier government under Kenya African National Union (KANU) that had held power since independence in 1963. While earlier governments were unenthusiastic towards grassroots cooperation and associational activities, the new government provided an ambient that allowed such activities to flourish. Hence, this encouraged self-help groups and other associations to be created.

An important development in the 2000's was the registration of self-help groups. Data shows that this registration process was correlated with the creation of new self-help groups. The registration provided a form of quasi legal recognition that served to authenticate groups activities. Along with the registrations there were also a number of incentives in terms of devolved resources that were set aside by the government to aid local development which self-help groups were also encouraged to tap into.

The study has also demonstrated that self-help groups have a greater participation of women in comparison to men. This signifies that these groups provide a basis in which traditional gendered power structures that feminize poverty are altered through grassroots activities. By encouraging equality between women and men, they allow equal enjoyment of rights, opportunities and rewards by women and men. Most groups had a proportionate inter-gender participation and representation. This signifies low barriers between women and men on issues of local development, which is an important initial condition in the community empowerment agenda. This aspect if harnessed could help promoting equal realization of dignity and human rights for both women and men, and the elimination of gender based poverty and injustice. The work of self helps is therefore quite essential in encouraging a just distribution of resources and ensuring equal benefits for both women and men. Thus, these groups contribute immensely to gender mainstreaming and empowerment from the grassroots levels which is in line with the call of the United Nations (2002).

From the research activities the researcher found that local authorities did not have up to date knowledge of groups within their localities. There was also a disconnect between the social development offices and the administrative offices as far as the management of these groups was concerned. The formidable challenge that needs quick redress relates to the management of data relating to groups. This brings about the need to develop a data depository for the self-help groups by the social development office which would be updated on regular basis. The directory should be made available to the members of the public, other governmental organs and interested stakeholders. One way to update this depository would be to institute a submission of returns by self-help groups. At the end of the year, groups should also file simple returns that should accompany their registration renewals. The form should include simple details such as information about the membership, residence and office, challenges, activities implemented and financial information. This information would become handy in helping appropriate offices respond to the challenges faced by the self-help groups at any time.

The study established that self-help groups have a strong local communitarian dimension. Most of their work is within the scope of a location, division or the village. Very few have a wider scope reaching the district, the province or the national level. This demonstrates that self-help groups are strongly embedded in their residential communities, befitting them the title of community enterprises. Consequently, they have an extra ability to understand their community needs. With this understanding, they are in a position to develop simple localized and inexpensive solutions towards community challenges. The law in this case needs to define clearly the scope of effective service provision for these groups borrowing from experiences in other parts of the world such as the Community Interest Companies of UK and the Social Cooperatives of Italy which have a similar community orientation.

Networking proves to be a great challenge for the self-help groups. Less than 20% of the groups in this study seem to maintain networking activities while 80% does not. Inability to network is a great contributor to the low performance of these associations. Networking could prove to be a very important resource for self-help groups. It could be pursued for purposes of knowledge expansion, scaling of the activities and promoting collaborative action among a group of peers for various purposes. One argument that strongly favours social networking is the issue of resources. Well networked organizations have an inherent ability to acquire and maintain resources (Sheppard, 1995). Self helps hence should explore benefits wrought by both strong and weak ties. Each of these ties have idiosyncratic benefits (Granovetter, 1983). Other obvious purposes to which people and organizations seek to network include: seeking for advice, cooperation, socialization, emotional support and other technical reasons, (Anuska, Doreian , & Vladmir , 2010).

Most self helps concentrated in one or two areas to raise required resources. They did not have the ability to diversify. This could be explained by the fact that human capabilities in most self helps are low. Hence, pursuing complex resource mobilization strategies is far-fetched for them. Huy & Zott (2009) demonstrate that resource mobilization requires special skills including use of affective

influence meant to build three kinds of trust in regards to the organization. These forms of trust center on the firm's integrity, the competence of promoters and ability to cultivate relationships. Chawla & Berman (1996) on the other hand demonstrate that effective resource mobilization is a function of organizational capabilities which may be minimal or lacking in the self helps. Accordingly, there is a need to develop a resource mobilization strategy that looks at issues such as current resource situation, existing needs, resources needed and future projections.

Self-help groups acting in a local perspective do contribute to the development of communities in a localized and innovative way using simple and inexpensive tools. According to the 1986 Participatory Poverty Assessment (PPA) report in Kenya, the difficulty in accessing government services made the poor to form indigenous social networks which became the basis for mutual social insurance through labour assistance and gift exchange. The social capital embodied in these social networks binds the poor people together and fuels innovation that springs up in economic activities (Republic of Kenya, 1986). However this study has established the presence of weak social capital *inter*, *intra* and *extra* groups. This weak social capital constrains the pace to which these groups could contribute to local development. The government needs to invest in strengthening social capital in all its forms at the grassroots.

Their localized capacity building activities are very diverse and have various types of impacts. A vibrant grassroots movement in essence, complements the efforts of the national government in strengthening local economies. The localized nature of the self-help groups makes them part and parcel of the community structure; hence they are the first actors to respond to any delightful or stress call in any specific community and ultimately are also the last actors to remain after all other temporal interventions have left.

This study has demonstrated that social innovation is manifested in the self-help groups community interventions. This innovation is linked to finding solutions for addressing pressures and crises

within modern societies, which are characterized by generalized privatization culture and unjust economic allocations (Laville and Nyssens, 2000). Unjust economic allocations lead to exclusion of a sizeable population proportion and condemns it to serious lack, powerlessness, educational disadvantages, insecurity and feelings of rejection and alienation (Narayan, *et al.* 1999). Kenya has suffered from unjust allocations and distributional irregularities; this condition has been locally referred to as “historical injustices” (Maathai, 2009). Hence, through their work, self-help groups help to decrease the effects of historical injustices, social exclusion and bring other positive outcomes such as increasing affiliation or integration, interdependence and participation in various dimensions of life, thus helping people live their lives with dignity.

According to this study, self-help groups would fit well within the social enterprise discourse. They display an entrepreneurial dynamic in the way they mobilize resources. All groups had at least one resource mobilization activity. There is also strong evidence that all self-help groups have an explicit social mission that takes precedence over all activities that they undertake. The self-help groups are unique in that they are constituted to be of help to both their members and their communities (Republic of Kenya, 2009a). In most cases, the situation of group-members is not much different from that of their communities. As far as multi-stakeholder governance is concerned, it can be seen that there are different categories of members and stakeholders in the groups divided into promoters, board, staff, beneficiaries and volunteers. Participation of the different groups of stakeholders in the governance of the groups is context specific. Members of the groups are also allowed to share the residuals of their produce and there is no restrictive cap placed on this distribution unless stated in their constitution. Most of these characteristics are in conformity with those of (Borzaga & Defourny, 2001) and (Salomon & Anheier, 1997).

Though self-help groups may be seen to be socially innovative, their capacity to innovate in a much better way is marred by inadequate human capital. Despite the presence of literate members within groups, their level of education cannot allow them to undertake high level conceptualization

activities. This becomes a reason for poor networking and also presents an inability to take advantage of emerging opportunities. For the process of social innovation at the local community levels to grow, there is a need for capacity building on various issues. This would enable them respond adequately to local challenges in an innovative way more than they are doing presently. Self-help groups could also do much better if they were able to diversify their resource mobilization strategies. The ability to pursue an effective diversified resource mobilization strategy requires an empowered and creative human capital.

There is a poor legal framework that holds back the local development potential of self-help groups. Self-help groups are not legal entities but are considered as entities in the register of the appropriate ministry. The only guideline available for these organizations is spelt out in the registration form and is quite sketchy. The fact that its legal provisions are quite weak contributes to weakening of the enterprise dimension of the groups. There is therefore need for a conducive legal environment which will address all present challenges faced by self-help groups. The government acknowledged this weakness in its draft community development policy of 2009 and is looking for a proper legislative home regime for self-help groups. This study would recommend a legislative regime that would enhance their social entrepreneurial abilities. This would reinforce their contributions to empower members and communities on one hand and strengthen their entrepreneurial dimension on the other.

Self-help groups are also limited financially. Access to finance would be vital in breaking up the vicious cycle of poverty amongst grassroots communities. It would help create tools that would enable households to address multiple challenges facing them. Access to finance would strengthen the self-help group enterprise and increase their earned resources. More financial resources would help them become more capacitated to meet their social and survival objectives. In essence, self-help groups present a possibility of becoming fully-fledged social enterprises if they could access resources with ease. At present however, given their limited resources, it's unlikely that they have

any residuals that could be invested to strengthen their organizational capacities. Data also showed that only 25% of the groups were able to access financial services. The rest did not have access to these services as they did not have bank accounts. We recommend that there should be a deliberate attempt to encourage self helps to develop relationships with banks through the social development offices.

Data shows that there was a generalised poor self-perception of success among the self-help groups. It is evident that self-help groups are not confident of their performance placing it between average and below. This in effect shows a dissatisfaction with their performance. Their underperformance is linked to poor abilities in procuring enough resources to finance their activities. Other problems faced by the groups too compound this challenge and they include collective action problems, poor social and human capital and inadequate legal ambient. An appropriate capacity building programme should be geared towards improving aspects that will contribute towards refining the self-perception of success and ultimately enhance their abilities to contribute to local development.

CHAPTER FOUR: CASE STUDIES OF SELF-HELP GROUPS

4.1: Chapter Introduction

Case studies of ten self-help groups are presented in this section to aid in corroborating findings provided in the statistical chapter. These case studies have looked at the self-help groups' dimension, turnover, year of creation, contributions to job creation, challenges and involved voluntary efforts. Each case is unique and looks at how the enterprise activities of each group contributes to solving the problem of social exclusion and ultimately contributing to local development. The conclusion is made in the light of third sector theoretical framework.

4.2: Case 1: Dagoretti Shangaa Women Self Help Group

Dagoretti Shangaa Women Empowerment Center (DASWEC) was initiated in 2002 by a group of 15 Christian women who had earlier attended a series of courses in leadership and micro finance courtesy of *Caritas Internationalis*, a Catholic development organization. This group was later registered in 2003 as a self-help group.

The group initially started as a revolving fund initiative and later developed as savings and loans scheme where members were allowed to take loans amounting to three times their savings. The members who were allowed to borrow were those whose savings had reached Euro 20 (Kenya Shillings 2000). The basic monthly savings per member was Euro 2 (Kenya Shillings 200). With this initial activity, the group was able to benefit about 300 members from the Riruta community.

In order to guarantee that all members had an equal opportunity to take loans, they were placed into cell groups of 10 to 20. Members of the same cell would guarantee or be guaranteed by others in the same cell. The main collateral was their cell group savings and group pressure.

The group later ventured into other activities like civic education, technical skills training, HIV/Aids awareness and training in entrepreneurship. Its activities benefitted both its members and the community. In the year 2004, the group established a computer college to enhance computer literacy among the women of Riruta. This initiative created employment for two members and one volunteer, all being youth. In 2005, the group started a secondary school for children from poor backgrounds who were required to pay a smaller fee so as to meet the school's recurrent expenses. The school hired five teachers and three support staff and two teacher-volunteers. DASWEC was able to enlist an average of 30 candidates each year to sit for Kenya Certificate of Secondary Education (KCSE).

In order to support its activities, DASWEC pursues a mixed approach to resource mobilization. Hence it set up income generating activities that included a cybercafé, rental houses, community recreation facilities, a resource centre, a tailoring and hairdressing centre. They also sought for resources from the government, members' contributions, international organizations, the community and well-wishers.

In 2004, the group was split into two after a disagreement over the use of Euro 3,500 (Kenya Shillings 350,000) that was given to them by National Aids Control Council to help in AIDS awareness. An agreement to allow the formation of a splinter group was overseen by the area chief. The splinter group was also registered as a self-help group. Despite the split, the two groups were then helped to collaborate in implementing the project to its completion and give a final report jointly under the leadership of DASWEC. After this, they decided to run their activities independently.

The second challenge was a temporary closure of the computer school after a division of assets and liabilities with the splinter group. Some of the computers, furniture, training materials, and the group's proceeds were a subject of the division. The group also experienced a loss of Euro 685

(Kenya Shillings 68,500) as a result of poor investment. These challenges contributed to temporarily weakening of the computer school activities.

As a result of the split, members of the splinter group decided not to repay their loans to DASWEC preferring to pay to their new group instead. There were also those members who did not want to be associated to any of the groups and recovering the loans from them proved costly and difficult. Other challenges included inability to provide loans to all members due to overstretched resources. The quality of some of the activities had also to be sacrificed because of lack of funds to efficiently carry them out. The group also suffered from inability to provide the best learning environment in its secondary school, as it operated from rented premises. Maintaining the school and the income generating activities was a difficult task because of inadequate capital and human resources.

On a brighter side, DASWEC managed to mobilize two women groups of at least twenty members each after the split. These members were assisted to access loans which they used to strengthen or start small businesses. The group also managed to sustain its computer school and establish additional vocational skills training activities. Their members and the community were assisted to learn practical skills such as tie and dye, tailoring and soap making. Since 2005, the secondary school has enrolled over 300 candidates and registered good performance, with some students joining local universities and mid-level colleges. DASWEC has also trained about 250 youth in computer literacy over the same period. As a result of its activities, DASWEC received the UN Habitat Poverty Alleviation award in 2006.

DASWEC generates income from all its activities. Its total annual income is approximately Euro 15,000 (Kenya Shillings 1,500,000). Twenty two Percent of this income is generated from the computer school adding up to Euro 3,300 (Kenya Shillings 330,000) per year. Membership contributions (5%) adding up to Euro 750 (Kenya Shillings 75,000), transaction fees (7%) totalling to Euro 1,050 (Kenya Shillings 105,000) similarly community contribution at Euro 1,050 (Kenya

Shillings 105,000). The biggest annual earner is the secondary school (35%) contributing Euro 5,250 (Kenya Shillings 525,000) per year. The vocational training activities (15%) contribute Euro 2,250 (Kenya Shillings 225,000), and funding from the international community constituting 9% amounting to approximately Euro 1,350 (Kenya Shillings 135,000).

DASWEC has benefitted the Riruta community in a number of ways. To begin with, its secondary school was mainly established to educate children orphaned as a result of HIV/AIDS. Secondly, its revolving fund enabled its members pursue projects of their own choice thus empowering them economically. The micro finance project was eventually opened up to the community members. In time it also started vocational, computer training and life skills activities to its members and the community at large.

As can be seen the DASWEC case shows that it could be a close asymptote of a social enterprise in accordance to the resource mix approach (Borzaga and Defourny, 2001). Its enterprise activities are mainly pursued to fulfil social aims. In line with the empirical findings, increases in resource mobilization activities within DASWEC led to an increase in economic empowerment activities. This is clearly evidenced by having started with a revolving fund project, and over the years diversifying its resource mobilization strategies.

4.3: Case 2: KITO International Self Help Group

KITO International Self Help Group is located at the heart of Kawangware slums. KITO works with street youths and helps in bridging their societal integration gap created after undergoing institutional rehabilitation process. The organization was started in 2009 by a former street boy in collaboration with an American benefactor. The two had the vision to simultaneously help former street children create connections with the community. In addition they aimed at assisting communities attain better understanding of former street youths. The group is registered as a

community based organization and has plans to upgrade itself to a non-governmental organization so as to overcome the limitations of its current registration.

KITO's desire is to assist former Street youth effectively tackle poverty, avoid exploitation and be safe from violence. It achieves this by helping them move away from street-life and by nurturing them towards financial independence. Its work is aimed at helping street youths become competitive and build their self-esteem. The work of KITO takes the form of a work integration social enterprise program.

To achieve its objectives, KITO runs a business that sells environmental-friendly products (eco-light bulbs and other appliances). It also operates other initiatives such as making of handicrafts, sandals and bags. From these initiatives and other fundraising activities KITO generates a total of approximately Euro 20,000 (Kenya Shillings 2,000,000) annually. In its business, it employs former street youth as marketers and producers. On an annual basis about 20 young people are employed. These youth learn how to interact with the society through their marketing activities. They also gain useful work and life skills. KITO has also employed a social worker to help the street youth address their self-esteem issues. In order to mobilize resources, KITO relies on its business activities and donations of well-wishers in the community and abroad. Most of the professional services such as psycho-social support services are usually offered by volunteers.

Even at its infant stage, KITO has experienced some challenges. The premier challenge was the fall out between the two founding members. This fall out affected the operations of the group for sometime. However the group was able to move on with its activities and stabilize with time.

Given that KITO assists former street youth, some of their beneficiaries subsequently drop out as they find the formation process to be too tedious and long, not offering them instant satisfactory rewards. Regrettably some of the youth engage in petty theft of project resources time and again. On their part, some girls drift back to prostitution since they feel that it takes them a long time to

learn the necessary skills from KITO. Additionally, former street children have various psychosocial challenges emanating from their having been in the streets, habits and public stigma.

KITO has had several youth intakes since its inception. A few of its graduates are now admitted in secondary schools and middle level tertiary institutions in Kenya. Successful apprentices of KITO have been able to find job placements. Some alumni have become mentors to other youths still trapped in street life. KITO's work has attracted increased contribution and voluntary efforts from the community in recognition of its positive role in integrating street youth. The indirect effect of the integration programme is the fact that the apprentices are able to contribute to their family incomes thus stopping their siblings from joining street life.

In terms of networking, the organization has attracted both local and international members on its Board, with some hailing from the UK and USA. The organization also works with various rehabilitation centres in Nairobi. In 2010, the founder of KITO founder was awarded a 2010 Cordes fellowship which enabled him travel to Ixtapa, Mexico for the Opportunity Collaboration Conference of Worldwide Social Entrepreneurs. He was also selected as a Hedef Fellow to attend the same conference in 2011 where he was given the chance to speak about the activities of KITO at TEDx in California, USA.

KITO's efforts are unique. First, they concentrate on assisting street youth, an aspect that had been left out by most institutions working with street populations. Generally, institutions concentrate on working with street children mostly aged up to 18 years. Hence working with street youth from 18 years and above has proved to be quite unique. Given the fact that this is a pioneer effort in this area within Riruta Community, it is also providing avenues for learning and improvement and eventually provide some lessons for future interventions.

Kito raises its income mainly from its enterprises comprising environmental products and handicrafts. These products are sold both to the local and international markets. The proceeds of

Kito are used to pay salaries and take some of its beneficiaries back to school or to vocational institutions. They also use them to sponsor outreach activities such as talent and cultural shows. As can be seen, Kito exists to fulfil the goal of meeting community's social needs.

4.4: Case 3: Mkokoset Self Help Group

Mkokoset was established in January 2005 and registered in August of the same year as a cooperative effort involving 12 former street youth in the Satellite area of Riruta. The main aim of establishing Mkokoset was to create employment for former street youth around Riruta Satellite. Initially, a football team *Kamageera* Football Club united the group. Once they came together in 2005, they decided to start a hand-cart business as a means of transporting goods in Satellite. Secondly, Mkokoset had an aim of helping to prevent its members from engaging in criminal activities.

The group later discovered that all its members could not be served adequately by the hand-carts transport business only. Hence in 2006 they started looking for capacity building opportunities that would enhance their skills to expand their activities. A local consultancy provided them with this needed formation. In 2007 the group was able to form collaborations with the Ministry of Water in Kenya where they managed to secure a 20,000-litre tank to help in supplying water to residents of Riruta. In the same year, the group started food kiosk. In 2009, the group was given 20 dairy goats by the Kenyan Ministry of Agriculture and today the group benefits from selling its milk and its goats. Lastly in 2010, the group was also able to establish a candle making business producing 300 candles per day. All these activities earn the group about Euro 7,000 (Kenya Shillings 700,000) per year. While all the 12 members benefit directly from Mkokoset, other former street youth also benefit from the activities of the group.

Mkokoset as a group has had numerous challenges in the process. Firstly, some free riding members fiercely claim to be entitled to full benefits just like the hard working ones. The group has also lost

some of its members because of deaths and other causes. Alcoholism and excessive drug abuse is also a major problem associated with the group. Most of its members have little reading and writing abilities; even the most learned among them are barely educated. Moreover, most of the group members lack national identity cards and this locks them out of job opportunities and exposes them to constant harassment by law enforcers.

However, Mkokoset has registered notable successes despite its challenges. It has played an important role in the integration of former street youth into the society. In fact some of these youth were able to find their marriage partners from the same community, showing that Mkokoset has helped its members get fully integrated back to the society. It has also been able to create and sustain a number of projects for the benefit of its members and the community. At an individual level, the director of Mkokoset was chosen by World Vision to coordinate its activities for the youth in Riruta in 2010.

Mkokoset just like Kito is a unique case in that it deals with former street youth. It is however goes further to embrace cooperative ideals among its members. All planning, strategizing and implementation of activities are done by members and decisions concerning all income earned are made by the entire group. Though the group has many problems, these youth help each other in many ways including drawing each other away from criminal activities and being in solidarity during adverse and joyful moments facing any of their members.

4.5: Case 4: Africa Sanalimu Art Ensemble

Africa Sanaelimu Art Ensemble (ASAE) is a group of talented creative performing artists who double up as educationists. The group was established to use performing arts in the form of cultural music, narration and dance as a social media in propagating community education on various issues. The group represents a multi-cultural ethnic nature of Kenya in their educational endeavors. This group was started in Mathare Valley slums.

Although ASAE was registered in 2009, it has a history dating to 1998. In that year, a number of Catholic youths in Babadogo Parish, came together to help spread values propagated by faith in their community. These youth also aimed at creating employment opportunities through performing arts. Some of the youths who joined the group were already engaged in other activities such as shoe shining, garbage collection, laundry and car washing *inter alia*.

ASAE makes an average income of approximately Euro 60,000 (Kenya Shillings 6,000,000) from its entire portfolio of activities annually. After its establishment, ASAE undertook to use its artistic abilities to entertain and educate. Its name *Sanaelimu* is derived from two Swahili words: *sanaa* which means art and *elimu* which means education. ASAE pursues an entrepreneurial approach where it targets the high-end markets and uses its proceeds to educate the poorer sections of society. In a year, ASAE employs an average of 40 youth from the slums.

Its activities are African traditional performances based mainly on the Kenyan culture, educational theatrical performances and African aerobics. ASAE also offers entertainment on social occasions such as weddings and company celebrations. Its educational activities are mainly done in national theatres, schools, churches, organizational premises and in public gatherings. Most of ASAE's resources are from its business activities. It also receives a few donations.

ASAE has had various challenges. Disputes among its founders have led to some of them leaving the group. Lack of constant funding has also affected the organization in many ways. Availability of expert human capital to conceptualize and design projects for the organization, market and identify business opportunities among others is a challenge faced by ASAE. Lastly, all ASAE members are less educated with the director only having completed primary school.

The group has made great strides since its formation. They have been participating in major events and festivals in Nairobi including performing at the State House, universities and top companies. The group has implemented major educational programs especially on human rights. ASAE is a

member of Ngoma Kikwetu, a Kenyan network of performing artists affiliated to the Kenya National Theatre. In 2010, ASAE represented Kenya in South Africa during the World Cup as Kenya's cultural ambassadors. They also travel and perform in various countries during summer festivals and global celebrations such as the London and Beijing Olympics.

ASAE is a unique enterprise as it combines performing arts and education. Over the years, communities have not only been entertained on various aspects but they have also been educated on topical issues such as human rights, health, reproductive health, civic issues, *inter alia*. The biggest benefit to its members has been their exposure to the international community events. The other aspect of ASAE is changing the traditional constructs in Kenya that performing arts do not present a competitive way to earn a living. Proceeds received by ASAE, are mainly used to finance cultural escapades and community education activities. Since most of the members come from very poor families, whatever they earn, contributes significantly in improving their own economic situation.

4.6: Case 5: Riruta Environmental Group

Riruta Environmental Group (REG) was started in 1998 by 30 members of a football club in Riruta Satellite Community. The group got registered in 1999. At the beginning of REG, the team had problems raising finances to meet their fixtures. They started carrying out environmental clean-up activities after training sessions and over the weekends to raise funds for the matches and to advertise themselves to the communities. The activities of this group matured over time and they identified their mission as that of linking sports to development.

With time, REG became a popular group. With the aid of some funds from the community, the group bought a couple of hand-carts and plastic bags. They then started commercializing their services to the residents of Riruta. Riruta residents would pay Euro1.50 (Kenya Shillings 150) for a pack of four plastic bags and garbage collection services. In time the group attracted funding from a local donor. The donor however realized that the group suffered from lack of quality human capital

and decided to recruit professionals to help in mentoring the group members. The group subsequently bought three lorries, a piece of land in Nairobi and put up structures and made sophisticated machines to recycle solid waste and glasses. Apart from its environmental activities, REG uses its premises for youth formation. REG employs about 50 youths although it targets to offer employment to about 200 youth.

REG has had a number of challenges in its growth process. The first challenge was a disagreement with its first donor who went ahead made decisions on behalf of the group without consulting it. Secondly, it has had to deal with issues of vested interests and free riding among members. It was not spared from financial difficulties and hence it could not meet all its objectives with ease. Lastly, as a result of poor human capital, the group is not able to network effectively and also take advantage of emerging opportunities adequately.

From 2009 the group was able to make an annual business income of Euro 2,500 (Kenya Shillings 250,000) from its members and its business activities. In 2010 it made an income of Euro 4,000 (Kenya Shillings 400,000) while in 2011 it made an income of Euro 6,000 (Kenya Shillings 600,000). REG also benefits from donor funds which total to approximately Euro 25,000 (Kenya Shillings 2,500,000).

Some of its social activities at the moment include youth formation, job skills training and reproductive health issues and spreading awareness about human trafficking. So far, REG earned awards from international organizations and some commendations from the National Environmental Management Authority (NEMA) and has participated in local and international conferences on issues of solid waste management.

REG pioneered the idea of linking sports to local development in Riruta and Dagoretti area. From this idea, it has concentrated in making a special contribution to environmental conservation. Some of its projects include making different products from recycled glass, making of bio-diesel and

methane from used vegetable oil, sorting and processing plastic garbage and selling it to recycling companies. REG also educates the community on how to manage their waste and participates in environmental advocacy. On special occasions REG sponsors community clean ups, talent activities and conferences with environmental and/or human rights themes in Riruta and Dagoretti. One great contribution to the Riruta Community arising out of REG activities is the fact that there are no longer any more road-side dumping sites.

REG has a social enterprise dimension. First, it raises its resources from a variety of sources. Secondly, it works to solve the pressing environmental challenges faced by Riruta Community. It also reinvests all its surplus in the project or in its member's development and to promote community benefits.

4.7: Case 6: KOBWA Self Help Group

KOBWA is an acronym of Kivuli Old Boys Welfare Association. Events leading to the formation of this group started in 1994 with youth formation activities within Riruta that included former street youth rehabilitated by Koinonia Community. Koinonia is a Kenyan NGO that runs several street children homes in the wider Nairobi. The youth formation activities took economic and social dimensions.

The economic dimension started in 1998 when several youth were taken to tertiary level institutions to acquire vocational skills in carpentry and joinery, welding, building construction, plumbing, electric engineering, motor vehicle engineering and catering. At the same time, most youth with similar skills joined together so as to commercialize their skills. The group also started workshops in welding, carpentry, carving, motor vehicle repair and fabric art and were manned by either the former rehabilitees of Koinonia or the youth from the surrounding community. Moreover, a small savings and credit association known as Employment and Enterprise Programme (EEP) was

established with the hope of helping the former street youth learn the culture of saving and be able to access credit opportunities.

It was believed that the integration of former street youth would be much more successful if pursued in tandem with the participation of members of the community. However, the successive joining of members from the community in an activity meant that several former street youth were crowded out. Koinonia then thought of a social dimension approach to youth formation with the aim of increasing the self-esteem of former street youth.

The social formation began in 2005 and tackled issues such as the benefits of education, African culture, reproductive health, drugs awareness and counselling, career formation, self-esteem, self-assertiveness, societal integration and psycho-social challenges faced by street children and youth in daily life. These formations continued up to 2007 when this group of youth decided to constitute themselves as KOBWA and got registered as a self-help group.

In constituting KOBWA the former street youth had a number of objectives. They intended to offer psycho-social support to their members in order to boost their confidence. Peer mentoring was also among its initial objectives. The group was cognisant of the fact that the streets offered the former street youth survival skills but not competitive skills. KOBWA was hence tasked with the role of facilitating the acquisition of these skills. Thus, an industrial liaison activity was pursued to link the youth to the job markets. As the youth got jobs, they experienced stigma from their places of work.

The group has had a number of challenges since its initiation in 2007. Dependency on Koinonia has been a major challenge. Members joined the group with expectations that they would be noticed by Koinonia Community and ultimately get employed. This dependency has had the effect of making the group less creative and innovative in finding new ways of meeting its objectives as opposed to being preoccupied with getting employment opportunities within Koinonia. When employment

opportunities were not forthcoming, many of KOBWA members became disillusioned and demotivated and left the organisation. Active member drastically reduced from 80-30.

KOBWA is a member of the larger Koinonia Community and *ipso facto* they get affected by the problems experienced by the larger Koinonia. Because of this lack of autonomy and independence its vision has been asphyxiated with a few of its members splitting from it and forming other independent groups. At the moment there are two of such groups.

As a result of the human formation activities, KOBWA eventually started bidding for contracts. They have been able to secure and service a contract to supply foodstuffs to street youth rehabilitation homes including those run by the government since 2009. KOBWA was able to establish concrete economic empowerment projects as part of its work integration program. Other projects of KOBWA include a carpentry workshop and a grain retail shop.

KOBWA also, constituted itself to advocate for its members in their work places and also to educate the wider public, especially public schools about street children. Their encounters with the public, are meant to lessen the stigma experienced by former street children and youth and to minimise re-integration challenges. They also visit rehabilitation centres where, they mentor former street children, helping them with school work, psycho-social support and advice.

KOBWA undertook as part of its mandate to advice Koinonia Community on ways to improve its impact on rehabilitation and reintegration of former street youth. In 2010 KOBWA was integrated into the wider Dagoretti and later Kenya Network of Street Children Caregivers where they now advice on street youth rehabilitation and reintegration. At the same time, the group started hosting an annual national conferences of former street youth dubbed as *Kongamano la Vijana kwa Base* (Former Street Youth Conference) where issues of rehabilitation and reintegration are discussed in detail. The group also participates in international conferences where issues of street children and youth are discussed.

In 2009, members of KOBWA concerned by the plight of former street girls after rehabilitation, helped in establishing another organization for them. This organization was to address various issues facing young street women and girls. The new group was christened Get together Girls (G2G). KOBWA contributed in the initial formation process mainly concentrating on psycho-social issues and the governance structure. The girls later established a tailoring and designs business concentrating on women clothing. G2G has since become an important collaborating partner of KOBWA.

In 2009 and 2010 KOBWA helped Koinonia with its internal problems and it still stands as an important support structure to Koinonia. Its mentoring activities are successful as more youngsters are proceeding to tertiary institutions including the university. Since societal reintegration is a great challenge among the children leaving institutions of care, successful former street youth have also been encouraged to receive children leaving rehabilitation homes. Those received by bigger youth are the ones that cannot find a conducive ambient for re-integration in their own families. This is because their families could be seriously dysfunctional or their personal changes as a result of adolescence makes it hard to fit in their families.

KOBWA's capital was raised from group members and well-wishers. On average KOBWA earns Euro 12,000 (Kenya Shillings 1,200,000) annually from its business activities. Donations to the group amount to Euro 7,000 (Kenya Shillings 700,000) emanating from both local and international donors. KOBWA's proceeds are mainly used to pay salaries to its approximately 30 working members. Another portion is used to finance its conferences and outreach programmes to street children institutions.

KOBWA, by its work to enhance better re-integration of former street youth into the society embraces both inductive and deductive dimensions. It has formulated unique levels of engagement from its parent organization to the national organs. It also has presented a unique aspect in the

advocacy arena where it has given voice to those directly affected by the problem they are addressing. KOBWA's work to reduce stigma, instil self-confidence and raise self-esteem among street youth will eventually help street youth become better at undertaking their civil responsibilities as socially included citizens.

4.8: Case 7: Dagoretti Youth Developers Group (DYDG)

Dagoretti Youth Developers Group (DYDG) was an initiative of Young Women Campaigners against HIV/AIDS (YWCAHA) based in Dagoretti District, which came up with an idea of involving youth in their activities. YWCAHA proposed that the youths form a group of thirty members and were to be funded to raise awareness of HIV/AIDS. Dagoretti Youth Developers was born through this initiative as a group of young artists that came together with an aim of reaching out to the other youths with the message of HIV/AIDS. There were other groups which were formed during this time under the auspices of YWCAHA but majority were not successful since their expectations in terms of financial support from YWCAHA were higher and unrealistic. Despite this challenge, YWCAHA worked with a few groups to encourage the youths use their artistic talents to sensitize other youths on issues of HIV/AIDS.

Hence DYDG got its initial mandate from YWCAHA. This group was formed in 2009 but got registered in 2010. The main objective of the group was to help the youth realize their full potential and therefore create employment. Through the use of drama and oral narrations the group was able to perform at various functions attracting the attention of well-wishers and the government. The group got funds from the National Aids Control Council (NACC) amounting to Euro 3,500 (Kenya Shillings 350,000) and a loan of Euro 500 (Kenya Shillings 50,000) from the Youth Enterprise Fund in Kenya. It became difficult for them to repay their loan since they did not have sound business projects. Hence, they have no plans of applying for other loans until they put up a stable

business. However, they continue mobilizing revenues through performing in functions, donations and fundraising.

DYDG is trying to influence the government get involved in talent development. Most of its members have little education. They also aim to change the societal construct that only the educated get jobs. Accordingly, they believe that youth with little education could pursue avenues ignored by those with formal education. It encourages talented youths to use artistic performance as a means of livelihood. The group also engages in skills training and work integration. Some of its members have managed to find jobs as artists or in other fields. Apart from becoming role models to others in the group, those who have successfully gotten jobs also give back to the group in terms of time and finances.

Constant change of leadership has negatively impacted on continuity of projects. This has been a source of conflict amongst the membership. The group also suffers from financial instability, free riding, lack of commitment from some members and it also has no facilities to operate from.

The group has made notable successes. They have managed to network with other CBOs and self helps in Dagoretti and also contributed to the formation of the Dagoretti Action Against Gender Violence (DAAGV). The group has also built a solid partnership with the National Aids Control Council (NACC), National Organization of Peer Educators (NOPE), and Women Empowerment Link (WEL) which work on Gender Based Violence issues. Some of their members are now officially recognized as trainers of trainers (ToTs) on various issues on gender violence. The group has a formal recognition and awards from the government on their work in HIV/AIDS awareness and dissemination of messages against stigma and discrimination. The group feels that the best effect has been experienced within the membership as they have become more confident, believing in themselves and can compete in the job market.

DYDG has challenges in balancing between its social mission and entrepreneurial activities. Their high orientation on advocacy activities is a traded off with their resource mobilization activities. This is the case because of the influence of the parent organization who had HIV/AIDS awareness through performing arts as their objective. This shadow of the parent organization encapsulates the creativity of DYDG and hence it has only concentrated on its original mandate with the resources provided by YWCAHA.

On a positive note, DYDG has had a positive influence on youth who had less educational chances. These youth are able to express themselves to wider publics and also educate them. Since these youth are the propagators of a health campaign, this fact also helps them to know how to protect themselves from contracting HIV. The group has also become instrumental in bringing out other aspects that were latent on inter-gender relations. In essence, it has helped empower young uneducated women and assisted them to become self-confident.

4.9: Case 8: Ngando Mai Women Group

Ngando Mai Women Group is a self-help group which was started in 1997 around Dagoretti Corner, Ngando area. It was registered as a self-help group on 11th March 2005. The main problem that the group sought to address at that time was joblessness among women. Most of its members had problems in raising income needed to bring up their families, as some were single parents. Hence the group aimed at creating job opportunities for these women in order to improve their economic status, and also to involve them on issues of community building.

The group identified water scarcity as a major problem during that time. They hence made it their vision to ensure that Ngando and the community around get access to clean water. They therefore provided water service to individuals, homes, hotels (food kiosks) and so on. They also got involved in private or personal contracts such as laundry activities and other domestic duties, while others engaged in small business activities.

Group members contributed Euro 3 (Kenya Shillings 300) on a monthly basis. This money was part of the merry-go-round process and also was used as seed capital for their projects. From an initial membership of sixty at the time of formation, the group now stands at thirty. As the group members become more financially independent, they move on. This can be seen from both positive and negative dimensions. On a positive note the group can boast of helping empower its members economically. However the negative part is that once the members move on, the group is weakened.

The group has undergone various challenges, one being drastic reduction in the number of members. Some members opted to venture in business activities, while others got employed elsewhere. At the same time others relocated to different areas forcing them not to fully participate in the group. Other members have also been ex-communicated from the group mainly for lack of active participation. The elderly members continue to quit, although this is complemented by new members coming on board. The exit of the founding members has the effect of blurring the original motivation and impetus that led to the starting of the initiative.

It has also been challenging for the group to increase its income and therefore meet some of its initial objectives. Ngando Mai has not been very successful in networking and as a result of which it has not benefitted fully from devolved government and other resources.

Despite its many challenges, the group has met its objective of supplying the community with clean water. From the savings, the group has also bought plots of land and uses them for developing homes for their members. The annual turnover of the group is approximately Euro 9,000 (Kenya Shillings 900,000). The proceeds are shared or invested in assets for the benefit of group members.

Ngando Mai is a unique group in that it addresses the issue of single parenthood and helps the affected women ease the burden entailed in bringing up their families. The most notable contribution of the group has been to push its members to financial independence. It also extends its

benefits to the wider community through its water services. Access to clean water is a widespread problem in the poorer sections of Nairobi such as in the Ngando area where the group is located.

4.10 Case 9: Mariamu Academy Self Help

Mariamu Academy Self Help Group was started in 1995 by a group of people residing in Riruta East. The concern of this group was the inability of many poor children to access secondary education because of lack of school fees. Hence, they created a school which would admit children from poor families at a subsidized cost. They rented an acre of land where they erected make shift structures made of wood and iron sheets to accommodate students. In this simple way, a school was started, which attracted about 100 students.

In 1995, the school found a donor from Europe. The donor proposed to help the school purchase land, and to pay the staff. He however insisted that the school had to be professionalized and that some of the founding members had to be dropped from the new arrangement. That idea brought a big problem amongst the founding members leading to a split. One group remained with the donor while the other went on to start another initiative with the same motive known as Matrix School.

Mariamu Academy managed to acquire a plot of land of about 3 acres where they erected a secondary and a vocational school. The school has enabled a number of children from poor families access secondary education and has also assisted quite a number acquire vocational skills. The school is quite self-sufficient as it has a stable source of income from its donors and school fees. It employs a total of 10 teachers and 5 support staff. On an annual basis it graduates 40 secondary school candidates and about 30 vocational school candidates in carpentry, electrical wiring and plumbing.

The school has not explored alternative funding opportunities though it charges a small fee to its students. It has enormous funding currently although that could cause serious problems in case the

donor withdraws support. Mariamu School is totally in the hands of the donor and its members are only there to stamp anything that comes from him. The heavy influence of the donor has also had the effect of alienating the self-help group from the community.

Despite the heavy control by its donor, Mariamu school has managed to help several children from poor families in and around Riruta get educated. On the other hand, it has benefitted the community by providing employment opportunities. Its facilities are also used for other social functions such as youth formation activities, weddings and for meetings of various kinds.

4.11: Case 10: Congo Western Community Self Help Group (CWCG)

Congo Western Community Group was registered in 1994. It brings together members of the Abaluhya Community from the Western Province of Kenya. The group was formed to help raise resources to finance medical bills and funeral expenses for its members. Group members meet on a fortnight basis and each contributes Euro 3 (Kenya Shillings 300). This money is usually invested in shares or deposited in the account of the group or in the newly created mobile money savings account (also known as *M-shwari* in Kenya). By the end of 2010 the group had a total of Euro 30,000 (Kenya Shillings 3,000,000).

When a member of the group or those included in the insurance plan dies, the entire group meets, fundraises before withdrawing money from the group's resources. Members can join or leave the group at will. To be able to access help from the group, a member is required to have saved a total of Euro 36 (Kenya Shillings 3,600). Group members are also assisted during their weddings and during births. The group also has other benefits in that it has helped all its members enrol in the National Hospital Insurance Fund (NHIF) which provides in-patient insurance and National Social Security Fund which provides retirements benefits at old age.

This group has a membership of about 300 people. Members who are not able to attend the meetings send their contributions through the mobile money transfer (also known as *M-pesa* in Kenya) to the group treasurer. However, there is a threshold for missing meetings. Hence it is not enough to always make contributions without attending meetings. Members present in meetings do not usually exceed 30 persons at a time. Hence the members have come up with a way to sub-divide themselves to smaller groups in order that they may be able to manage themselves better.

The group's executive serve on a voluntary basis for a term of three years. Apart from the executive committee, the group has also been sub-divided into ten 30 member sub-groups for ease of management. The group leaders also elected for a period of 3 years serve on a voluntary basis. The meeting places are usually held in members' homesteads on a rotational basis, this ensures that all members ultimately know each other.

Group members of CWCG are bound together by their need to help insure each other. As a result, they have created an informal insurance scheme that helps members during their most difficult moments or other moments that require heavy financial inputs. Moments like this are usually capable of depleting individual resources hence pushing people into poverty. The intervention of CWCG is therefore both precautionary and preventive barring people from sinking into poverty in the occurrence of an event.

4.12: Chapter Discussion

Response to needs

Self-help groups are member based organizations within specific communities. They are constituted to respond to problems experienced by members which in most cases are not very distinct from those of the wider community. Hence, in trying to find solutions to their own problems they assist their communities in the process. Thus they are embedded within their communities and attract

local support. This local support helps the group towards self-sustainability and independence and incentivise members in carrying out their social mission.

All self-help groups analysed above have unique motivations. DASWEC and Ngando Mai Women Group mainly focussed on women empowerment. KITO, Mkokoset and KOBWA concentrated on re-integration of former street youth into society. ASAE, REG and DYDG have an aim of creating employment opportunities for youth. Mariamu Academy Group and DASWEC worked to assist children from poor families access secondary school and vocational education. Lastly, CWCG was created to provide micro-insurance and also assist in funding important functions among its members.

Self-help groups are not created for profit making purposes but to address genuine community felt needs. They have a clear social mission and strategies to achieve their objectives. This mission could be to address the needs of the members, empower the vulnerable members of society or address a specific challenge. In a bid to respond to their call to mission, the groups usually start from simple efforts which in time grow spreading their benefits widely. An example of this is DASWEC which began from a revolving fund initiative to incorporating other activities. KOBWA too began from psychological counselling for the street youth to full-fledged reintegration activities that included apprenticeship activities, industrial liaison to high level advocacy.

In the cases studied, it is quite evident that the self-help groups were created to respond to different challenges in their communities. Some of these challenges are joblessness, integrating individuals marginalized from the wider society, dealing with issues of stigma, enhancing peaceful inter-ethnic co-existence and improving capacities of their communities in several issues affecting them. Self helps by their work, represent a grassroots focused approach to problem solution, meaning that, people take the first steps to solve their own problems before other actors arrive to help them. Hence, groups manage in most times to find solutions to their problems before outside intervention.

Resource Mobilization

All groups studied pursued a resource mix strategy to raise funds. Among the strategies are commercialization of social services, contributions from group members, fundraising from the community and donations from government, local or international donors. It is evident that most self-help groups relied on internally self-generated resources. The ability to sustain resources to address social aims constitutes their entrepreneurial dynamic, as it entails a certain amount of risk in doing so.

Having enough resources remains a great challenge for all the ten self-help groups studied above. All groups were overstretched resource wise. They served a large number of beneficiaries more than their resources can permit. This is a clear indication that the services offered by self-help groups are needed in their communities. To illustrate this there is DASWEC which was serving a very large micro-finance constituency with minimal resources. Moreover the group resources shrank after it was split into two. This problems had a toll on the size of resources that remained at the disposal for serving its remaining constituency. Apart from DAWEC, other groups too had ambitious objectives which superseded their resources. They hence therefore either addressed these objectives partially or did not address them at all.

In Kenya there are a number of resources both private and public available for the work of the civil society. For example the Draft Community Development Report of 2009 and Kenya's second vision 2030 medium plan of 2013 provides that there are a number of decentralized local community development resources (Republic of Kenya, 2013). They include Constituency Development Fund (CDF), Local Authority Transfer Fund (LATF), Youth Enterprise Development Fund (YEDF), Women Enterprise Fund (WEF), Orphans and Vulnerable Children Cash Transfer, Social Protection Fund and Constituency Bursary Fund, Uwezo Fund (Capability fund) and Njaa Marufuku (fund against hunger). These resources are allocated to enhance social protection and empower the

most vulnerable members of the society with the preferred protagonists being grassroots organizations.

The above report also indicates that self-help groups are capable of benefitting from international NGOs, bilateral donors and Micro-Finance Institutions. The reality however is the fact that very few CBOs benefitting from these resources. The 10 self-help groups studied above help us to generate various reasons for the inability to carry out resource mobilization effectively. First being the fact there is a cumbersome bureaucracy entailed in accessing the said facilities which the self-help groups prefer to keep away from. Secondly, most CBOs may not have the right and timely information of how to access these facilities. Lastly, groups feel safe to operate with their own self-generated resources.

Donor influence

Donor resources were quite helpful in many instances. However they tended to have an adverse effect on some groups in two ways; first, where the donor tended to much involved in group activities, the group lost its autonomy thus altered its original vision and became alienated from the community. Hence there is need for care where donor influence has to increase in projects. This was the case with the Mariamu Academy, which not only lost its autonomy but became highly dependent on the donor. At times donor based imposed professionalism tended to crowd out group members and interfered with the founding social mission. REG is a vivid example of this. Donor strong involvement in the project in the name of professionalism had an effect of replacing the local action with professional action. The professional actors later found themselves alienated from the community. In the overall strong donor involvement not only caused tension to groups, but at times led to split of groups into two groups; the one favoured by the donor and the jilted group.

Where donors are deeply involved in the self-help group activities, there is a high likelihood that they would eventually alienate the founding self-help group members in case a conflict develops. Donors could at times overstep their mandate and develop interest in the group's assets. More challenges are always being experienced where there is no consultation between the self-help groups and the donors concerned. Some donors assumed a patronizing attitude which affected groups negatively. One case is that of REG where donor-based non consultative decisions had effect of alienating the founding members. The donors deliberately chased the founding members from their own group and replaced them with their own preferred people. This not only affected the group from being able to accomplish its mission effectively but it also led to massive property losses from the group. The losses were of a great magnitude and it will take a long time for the group to recover. By alienating the founding members from their group, the donors brought in people who did not have the burden of the group at heart and hence they were not obliged to protect the group's assets as they had no strong feelings of ownership.

Secondly, there is the Mariamu Academy Self Help Group where donors led to the split of the original group but also made to the group highly dependent and alienated from the community. Associated with these cases is a situation like that of Kito international where donors withdrew their support as a result of disagreeing with the groups' founding members. These disagreements in most cases do occur where donors propose methods which groups find difficult to apply based on their experience within their residential communities. From these cases, donors are advised to devise appropriate mechanisms in which their interference in group activities may help in building social capital and group capabilities. They should also be careful so as their interventions may not only empower but also be sensitive to the local realities and cultures.

Parental Organizational Influence

Kobwa and DYDG were established by parent organizations to assist groups of vulnerable people. The two groups found themselves highly dependent on the resources provided by their parent organizations who included Koinonia Community and YWCAHA respectively. Parental dependence had the effect of making these groups unable to assume their own identity, build a sense of direction and establish independent actions from those originally proposed by the parent organizations.

Problems usually became compounded when the said parent organizations' support gets diminished, this situation may end up threatening the very existence of these groups. Groups may find themselves left miserable or at the mercy of a few influential members. Depending on the capabilities of these members and the ease in which to attract resources to perpetuate their work, the groups may continue with vigor or they may face discontinuation.

Self Help Group Challenges

Self-help groups did experience a number of challenges. A common challenge experienced is related to the problem of collective action which manifested itself in free riding. Some group members wanted to be entitled to group benefits with minimal contributions. These types of problems manifested themselves in REG, MKOKOSET, KOBWA and DASWEC. On the other hand leadership wrangles and fights for resources also hampered the activities of many self-help groups. A case is given where the administration had to prevail upon the splitting of the one group as a result of wrangles over resources. These wrangles and the ensuing assets distribution process usually leaves the groups in dispute much weaker and with less ability to address their social mission.

There is therefore need for structured mechanisms to ensure that groups are not weakened after gruelling disputes. In essence an incentive system could be in-built into the self helps to ensure that group assets are not affected but disgruntled members are helped to exit the group through

alternative incentive system. The fact that investments cannot be owned by the self-help group, will always bring the risk that opportunistic behavior will always be manifested among members. Upgrading the self-help groups' power of representation and ability to own will greatly solve the present challenges.

Groups had also unique and idiosyncratic challenges only specific to them. Kito International for example had challenges to retain a few of its beneficiaries till programme end. These beneficiaries were fending for themselves and they found the formation process long, denying them opportunities to find alternative livelihoods. Providing extra programme oriented incentives in order to enhance retention is not easy for Kito and this in a way works to constrain the scope of envisaged benefits to its beneficiaries.

Other groups experienced membership problems. These problems are mainly attributed to the informal nature of the self-help groups among other causes. For example groups such as Mkokoset, DYDG, ASAE, and REG experienced collective action problems which exposed them to opportunism, selfishness and joy-riding among some of their members. The groups also experienced petty thefts and misuse of their properties time and again by both members and beneficiaries.

Kobwa, Ngando Mai and DYDG experienced frequent transitions where founding and older members left on one hand and new members come in on the other. Members' reasons for leaving groups included ex-communication as a result of indiscipline, relocation, getting a new job or occupation or simply voluntary severance. Groups that experienced rapid transition problems were mainly those constituted by the youth. This is owing to the fact that the youth is a transitional stage with people trying to decipher what they will do in life. Once they find their mission, it dictates their direction and hence may not hold onto the past activities that are not of equal benefits. The exit of older and founding group members had a negative effect on institutional memory and also

contributed in groups weakening. The transitions are compounded by the informality of self-help groups. A simple mandatory returns requirement would help in this area.

Several other self-help groups had to deal with disputes. They included Kito, Kobwa, Reg and DASWEC. The disputes in most cases could not be easily solved legally owing to the clumsy nature of the self-help groups. Several of the disputes could be solved locally at the Chief's office. However where recourse was made to the courts of law it became difficult to sustain such a case owing to the fact that self-help groups have no power of representation, or perpetual succession. They do not exist in law and hence they cannot sue, be sued or even own a property on their own. This is a serious legal lacuna and if not solved in time it may contribute to the rise of opportunism as a negative exploit.

Self Help Group Networking

Most self-help groups tried several ways to build networks. All the cases listed had some form of good networking experiences. Though they had inadequate resources they still did a good job in addressing their social missions. Most of the groups had either some sort of recognition, award, with some having developed the ability to participate in international conferences. Examples of high level networking included ASAE, Kito and REG which have both national and international networks. ASAE networks in a bigger way, in that at all years, they are able to join summer festivals in Europe and also be represented in global festivals as Kenyan cultural ambassadors. These groups have also done so well to build networks with the local government and other local organizations.

ASAE, Kito and REG had acquired wider networking scope at international levels. Kito's networks extended to Mexico and USA. On an annual basis, the group acquired fellowships to attend international conferences and participate in talk shows. ASAE through its networks with international regional governments and friends participates in festivals and fairs. So far most of its

global activities have been in Europe, Asia and Africa. ASAE has benefitted in various ways from its networks; marketing and facilitation of its activities, payment for international travels and accommodations. Other organizations too benefitted from networking, for example DASWEC and REG, got recognized both locally and internationally. They got commendation from the government and international organizations such as the UNEP, UN-Habitat among others. REG also has been able to attend conferences in India through the support of its networks. From these conferences it not only shares its experience but also learns from other global environmental endeavors. In all cases presented, there is evidence that effective networking benefitted the organizations studied. It provided a basis for resource mobilization, capacity development, experience sharing, markets development and the carrying out of collaborative actions.

Social Innovation

Social innovation is the buzz word that permeates most of the groups chosen for case studies. First groups raised resources in unique ways either through the sale of products, merchandising, attracting both local and international voluntary efforts and from donations from members and well-wishers. Each group was addressing a service gap in unique ways reaching out to the most vulnerable sections of the community. Mkokoset in particular is singled out for bringing together a group of former street youth into a cooperative endeavour. The beneficiaries not only own their endeavour but have been helped to feel as part and parcel of the society that had excluded them. In essence the group members are even allowed to marry from the society that scorned them earlier on. DYDG and ASAE also have made the less educated youth to market their artistic skills far and wide beyond their scope of imagination. The most important thing is that people in the crevices of the society are made to feel that they have a dignity and they too can contribute to local development. REG has also pioneered in the production of bio-diesel in Kenya. Activities of these groups are radically forcing the Riruta Community to change its constructs bringing about street youth.

A great contribution of groups such as Mkokoset, Kobwa and Kito International is that of helping vulnerable and excluded youth get integrated nationally. Many of the beneficiaries of these three groups have no identity cards. One reason attributed to this lack owes to the fact that the said beneficiaries emanate from serious family and societal dysfunctionalities. The procedures and regulations that have been laid out to acquire the national identity cards are hence too cumbersome and in most cases difficult for them. They hence are in need of such organizations that act as enablers to help them manage these regulations. The absence of the three organizations would render them excluded from the national benefits denying them their human dignity. The government hence needs closer collaboration with such groups so as it may, through them address the plight of vulnerable people left out by its bureaucracy.

Most groups are constituted by people with very low human capital. The study found that more than 20% of the members lacked primary school. This was very evident in ASAE, DYDG and Mkokoset. This educational lack has the tendency to hamper group ability to carry out their mission effectively. Despite this anomaly, self helps present an ample opportunity for the government to use in reaching to those who are vulnerable at the grassroots and assist in improving their human capital and other capabilities.

There is inevitably great amount of social innovation wrought by self-help groups at a local grassroots levels. For example Kobwa, Mkokoset, REG and Kito apart from their work on promoting re-integration of street youth had also positive influence on the behavior change of their beneficiaries, helped change public constructs about former street youth and enhanced their access to public services. They help these youth realize that they too can be responsible citizens and participate fully in the development of their own communities. In promoting this, the groups work through a cooperative ownership model where former street youth are encouraged to invest time through formation in order to acquire membership status. The feeling of organizational ownership acts to improve self-esteem among the former street youth a great deal. The organizations are also

renowned for their work in advocating with the government and the media on behalf of the street populations.

ASAE uses performing arts to educate the society. Through its work, it has contributed to immense exposure of its members both in Kenya and internationally. Their work exposes the Kenyan culture to the world and at the same time the young artists apart from developing their artistic talents are exposed to the exotic cultures. While on the other hand DYDG has the same effect on the artistic talents of young people, it does so on a smaller scale in comparison to ASAE. Its unique niche is educating the community against HIV/AIDS. DYDG has a great effect on the self-esteem of its members considered to have lower educational achievements. It helps them to believe in their own potential and in their inherent abilities. The activities are helping deconstructing the common constructs that only the educated are resourceful. It encourages the less educated too to see themselves as important development resources within their own communities.

Social innovation is about reducing vulnerability within communities. Ngando Mai works on this by assisting single mothers. It helps them come together to not only share about their difficulties but also to find common ways in which they can empower themselves and contribute to local development. Its main contribution to local development is through addressing the local water problems experienced in the community. Through its work, its members have been helped to own houses, pursue other self-development activities and be able to better care for their children. CWDG on its part, sensing vulnerability experienced by its members during moments of difficulties improvised a micro-insurance scheme. Difficult moments such as funerals and sicknesses are capable of condemning families to extreme poverty. Precautionary pooling of resources helps much avoid negative unforeseen consequences.

Self Help Groups and the Seven Points Criteria

In conclusion, self-help groups have both an entrepreneurial and a social dynamic. The entrepreneurial dynamic can be seen in the way these groups mobilize resources. Social dynamism is seen as the *raison d'être* for starting such organizations. Through their activities their members are economically and socially empowered and by extension their communities. The delivery of their services fits well within the criteria made of organization, autonomy, profit distribution, governance, degree of voluntarism, contribution to social inclusion and extent of entrepreneurial dynamism. Each is as explained below:

As far as the organization dimension is concerned, self-help groups display some form of an organization albeit quasi formal. The clumsy government recognition and the associational bond within its membership exemplify this organization. The lack of a refined treatment in law however weakens this organizational dimension.

These organizations are groups of autonomous actors. Their action is not dependent on external influence. These groups are created voluntarily by people at the grassroots and not directly by public authorities or other market or non-market entities even though they may benefit from grants and donations.

By nature and common practice, self-help organizations have no cap on how much of their residuals they may distribute at any one time. However, self-help groups have a self-imposed social contract that binds them to their communities that constrains the residuals they may decide to appropriate at any one time. The social contract helps them find a delicate balance between whatever will be distributed to members and what will be apportioned to addressing their mission.

Self-help groups are based on participatory governance. They involve local people taking initiatives, because they want to address a specific change and are ready to take an initiative in order

to bring about the envisaged change. They believe that no outside authority or organisation can take the initiative in the same way like they would. For this purpose they actively come up with appropriate decisions on their situation and get organized around it. They do not submit into passive submissiveness. Self-help group members create their constitution and elect their leaders and decide on what activities they may undertake from time to time.

Volunteering is a natural aspect of self-help groups. All groups have a high degree of voluntarism. Members and community residents dedicate time and other resources in pursuance of group activities. In some cases members receive no payment for the efforts invested in the groups or where there is payment it is not commensurate to those efforts. There are however other benefits that accrue to membership such as the sense of belonging and the joy of ownership associated with being a group member.

The work done by self-help groups to contribute to social inclusion at the grassroots is immense. Some of its beneficiaries include ex-prisoners, street youth, commercial sex workers, the disabled, elderly, the sick and children. Their work entails bringing about civic awareness, job creation, promoting reintegration, community education, environmental conservation among others. Through their work individuals or entire communities of people who are systematically blocked from rights, opportunities and resources are helped to slowly reverse the unfavourable conditions.

Lastly, self-help groups have an inherent entrepreneurial dimension within them. Their financial viability is dependent on the efforts of their members. These members have a responsibility of ensuring that their groups attract adequate financial resources at any one time. From the data it was seen that several groups exercised the resource mix approach. A majority of the groups had one major resource mobilization activity. Unlike pure for profit organizations, these grassroots groups address two aspects; one being the survival of their group and the other being their social mission.

CHAPTER FIVE: LIMITATIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Limitations

The study relied on self-reported data. In Kenya, it is hard to find credible datasets on the third sector. The available data portal, the Kenya Open Data, is still under construction having been created in 2008. This portal has in most times incomplete data and a complete lack of data for the actors of the third sector. Some Kenyan ministries have also refused to share data in this portal citing confidentiality. Hence the last time the portal was updated was in 2008, one year after it was launched. Other agencies such as the Kenya National Bureau of Statistics have mostly data on formal organization and lacks data on grassroots organizations through the panoply of actors examined in this dissertation.

There are inherent limitations with self-reported data. In most cases self-reported data is limited by the fact that it can rarely be independently verifiable. The responses of people whether in interviews, focus groups, or on questionnaires at face value may contain several potential sources of bias. The biases could arise from selective memory, telescoping, attribution or exaggeration. Selective memory entails remembering or not remembering experiences or events that occurred at some point in the past. Telescoping is about recalling events that occurred at one time as if they occurred at another time. Attribution on the other hand is the act of attributing positive events and outcomes to one's own agency but attributing negative events and outcomes to external forces while exaggeration is the act of representing outcomes or embellishing events as more significant than is actually suggested from data. In order to address the problems of data limitations, the study used triangulation.

Secondly, there were challenges with sampling. Not all the elements of the sample frame could be reached by the researcher. The study utilized data from various sources to complement the data from the available sample. There were also problems of non-response making problems of generalizability of the sample difficult.

Lastly, there is a dearth of literature on the third sector, social economy and social enterprises in Kenya and Sub-Saharan Africa. The literature used from the other parts of the world could not do justice to the reality in Kenya. Literature available focused on specific actors or influences and these provided important resource material to the researcher.

5.2 Conclusions

Though the term “third sector” is unfamiliar in Kenya, this sector’s importance in the Kenyan economy is widely felt in the socio, economic and political domains. The sector contributes in the provision of social services, the empowerment of many people at the periphery of the society and ultimately to local development. It is not possible to quantify the exact magnitude of the contribution of this sector but its impacts is evident.

The sector’s actors did evolve differently, from the pre-colonial era where associational activities were mainly based on cultural reciprocity. This sector was given initial impetus for formal growth with activities of the colonial government. At this time, cooperatives, faith based activities and indigenous associations for social welfare were the dominant actors. The post-colonial government also contributed to its growth through legislating it. Later the sector was emboldened by the creation of the *Harambee* cooperative spirit by anti-colonial movement. With various influences over time, the sector grew and incorporated other actors such as self-help groups and micro finance institutions.

The third sector in Kenya has also been shaped differently by various organizations constituting it. Religious organizations, civil societies, community based and grassroots organizations give it a charity and social perspective. Cooperatives and micro finance institutions help it manifest a market oriented perspective. Religious and civil society actors are mainly concerned with empowering people at the periphery of society through their work in education and health especially in remote areas. Cooperatives and micro-finance institutions bring people together so as take advantage of market opportunities. Cooperatives mainly focus on economic empowerment of their members. Micro-finance institutions are not necessarily member based but are created based on the need to assist poor and vulnerable people access financial services. Cooperatives are dominant in agriculture and formal employment sectors. Micro finance may have their presence in both formal and informal settings. The third sector generally contributes to improving productive and service sectors of the economy and personal development of people.

Non-governmental organizations in Kenya are associated with improved civic participation, capacity building and provision of basic social services and infrastructure improvement. Their presence helps in widening the democratic space, improving the human rights situation and taking services to poor population and marginalized regions. They create job opportunities in their areas of operations and contribute to increasing communities' assets base. They are quite innovative in their empowerment agenda and were among the first implementers of micro finance in the 1980s. Micro finance is considered the latest entrant into the third sector in Kenya. It has played a great role in expanding the financial inclusion and reducing informality.

Self-help groups on their part are associated with grassroots activism where members of local communities take action to solve their challenges. These groups have a unique mandate that comprises both a communitarian orientation and a focus on members' concerns. They are usually created to solve a social problem facing either the community or their members. Their initial pull for social mission later develops into a catalyst for entrepreneurial activities. They become

entrepreneurial because of their search for survival and effort-perpetuation. This search for survival enhances their entrepreneurial performance with time, making them market players, though in insignificant ways because of various inherent incapacities within groups. Self helps therefore, have the potential to become effective market or third sector players with additional capacity support and improved legal identity.

Several influences have aided the growth of the third sector in Kenya. First, the state tried to protect the sector from competition and also developed enabling policies to structure it. From the colonial era, there has been a succession of policies aimed at promoting the diffusion of the sector. Secondly, the *Harambee* spirit, an important Kenyan culture encouraging cooperation for individual and mutual assistance also contributed to its proliferation. Lastly, the lack of a welfare state in Kenya, did allow the sector to grow in order to fill the gap left by the state. It is posited that there is a direct relationship between lack of welfare and the growth of the third sector (Salomon and Anheir, 1997). However, some of the sector's actors have had tensed relations with successive governments in the country. Until 2002, there was suppression of the activities of some third sector actors by the state, which curtailed the growth of the sector. This situation changed after 2002 giving the sector a new lease of life.

The third sector in Kenya possesses all the features proposed by Salomon and Anheier (1997) though to some varying degree. As far as organization is concerned, all actors, apart from self-help groups, possess a definite institutional reality. This institutional reality is provided by legal definition and industrial organization of a particular actor. All actors are autonomous from the state. They constitute efforts launched and implemented independently by a group of citizens, who share a common need. On profit distribution, some third sector actors are not constrained as proposed by Salomon and Anheier. These include cooperatives and self-help groups. All actors however, have some profit distribution constraints. The surplus they get is usually reinvested in their organizations. Governance takes different forms among actors. Legislations in place have allowed them the

autonomy to control their own activities. Actors decide on how to vote and who to incorporate in their decision making processes. The third sector in Kenya involves much volunteering activities. These may be manifested in terms of investment of resources, time, effort and ideas. Various actors mainstream the volunteering aspect according to their need.

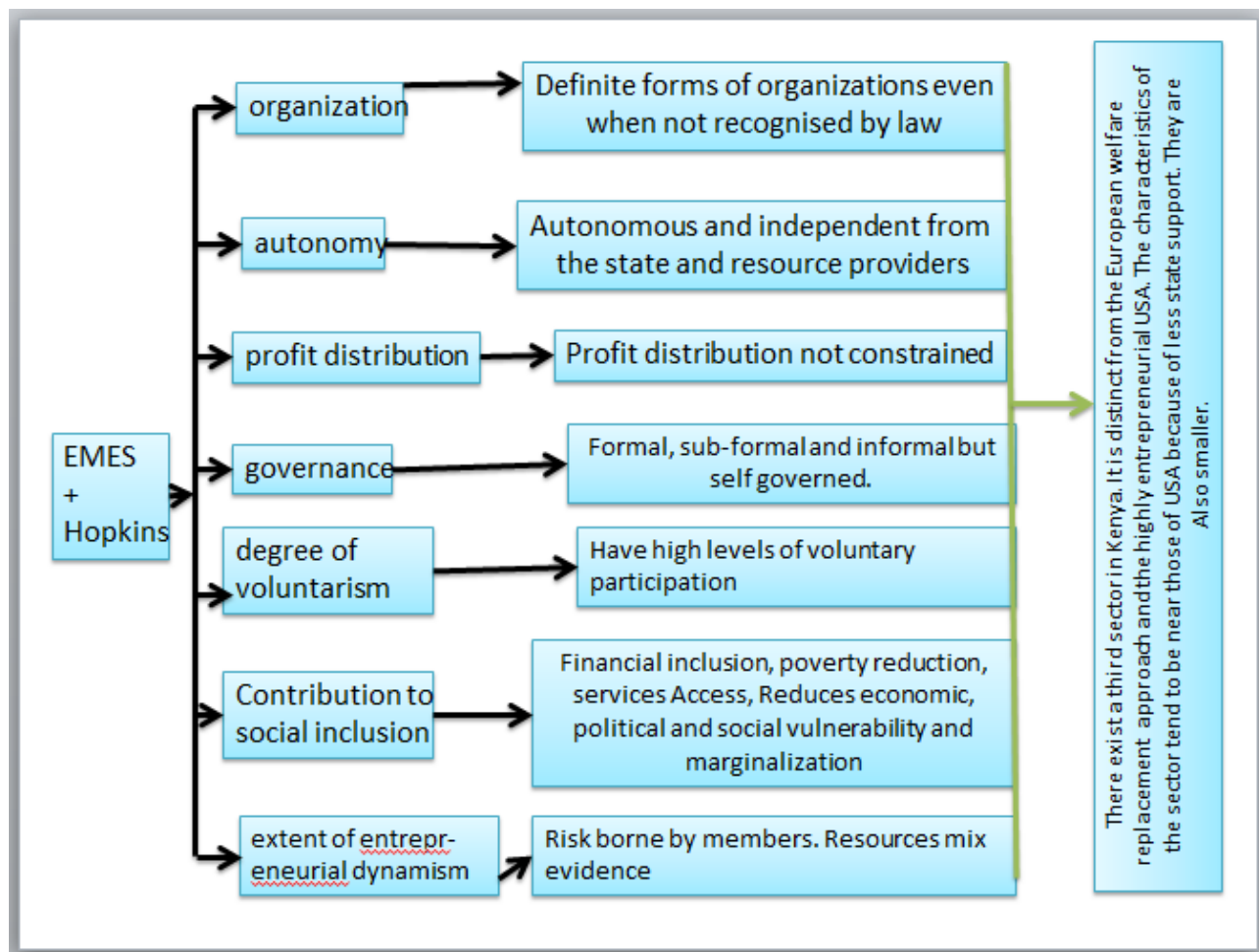


Figure 5.2.1: Overview of the third sector in Kenya

Different third sector actors have made unique contributions in the domain of social inclusion. These contributions are either in the social, political or economic domains. Non-governmental organizations, faith based organizations and self-helps have always worked in enhancing integration, civil liberties, social assistance and advocacy. Cooperatives and micro finance institutions on their part work to enhance financial inclusion which does contribute to economic empowerment of communities. International non-governmental organization and foundations have

also played a big role in building capacities of the third sector in Kenya through funding or human capital strengthening. Notwithstanding, third sector actors have contributed towards job creation and poverty reduction.

The extent of entrepreneurial dynamism takes various dimensions amongst different actors in Kenyan third sector. Survival and continued perpetuation of social impacts is a pertinent concern for these actors. In order to develop appropriate strategies to ensure survival, some rely on member resources, while others raise resources from the market, local and international communities and from the state. The ability to attract resources is usually dependent on the quality of human capital the specific actor is able to attract at any specific time. It is evident that some actors are able to influence resource providers more than others. The most disadvantaged actors are self-help groups owing to clumsiness of their legal identity and poor human capital.

Unlike third sector organizations in Europe, those in Kenya are not an extension of the welfare state. Hence, state financial contribution towards them is minimal. Their resources are mainly internally generated or from local and international community. The sector arises from the need for services among its promoters and their local communities. In essence, the sector may not necessarily be seen to complement the state but at times may substitute it. Given the importance of the third sector in Kenya, the state needs to support it in terms of resources and legislation so that it may continue to grow and enable inclusion of many marginalised and vulnerable people.

From the study, it is evident that the third sector contributes immensely to the local development of communities in Kenya. Each actor of the third sector makes an important unique contribution as compared to the other. A unique feature of this sector is the cooperative approach through which communities pursue solutions to their challenges. A second unique feature is that of empowerment and consideration of the vulnerable populations. It becomes evident that the sector moves people

from their original state to a new and improved state. The sector does not discriminate and is all inclusive hence it helps in promoting high level integration which is highly needed in Kenya today.

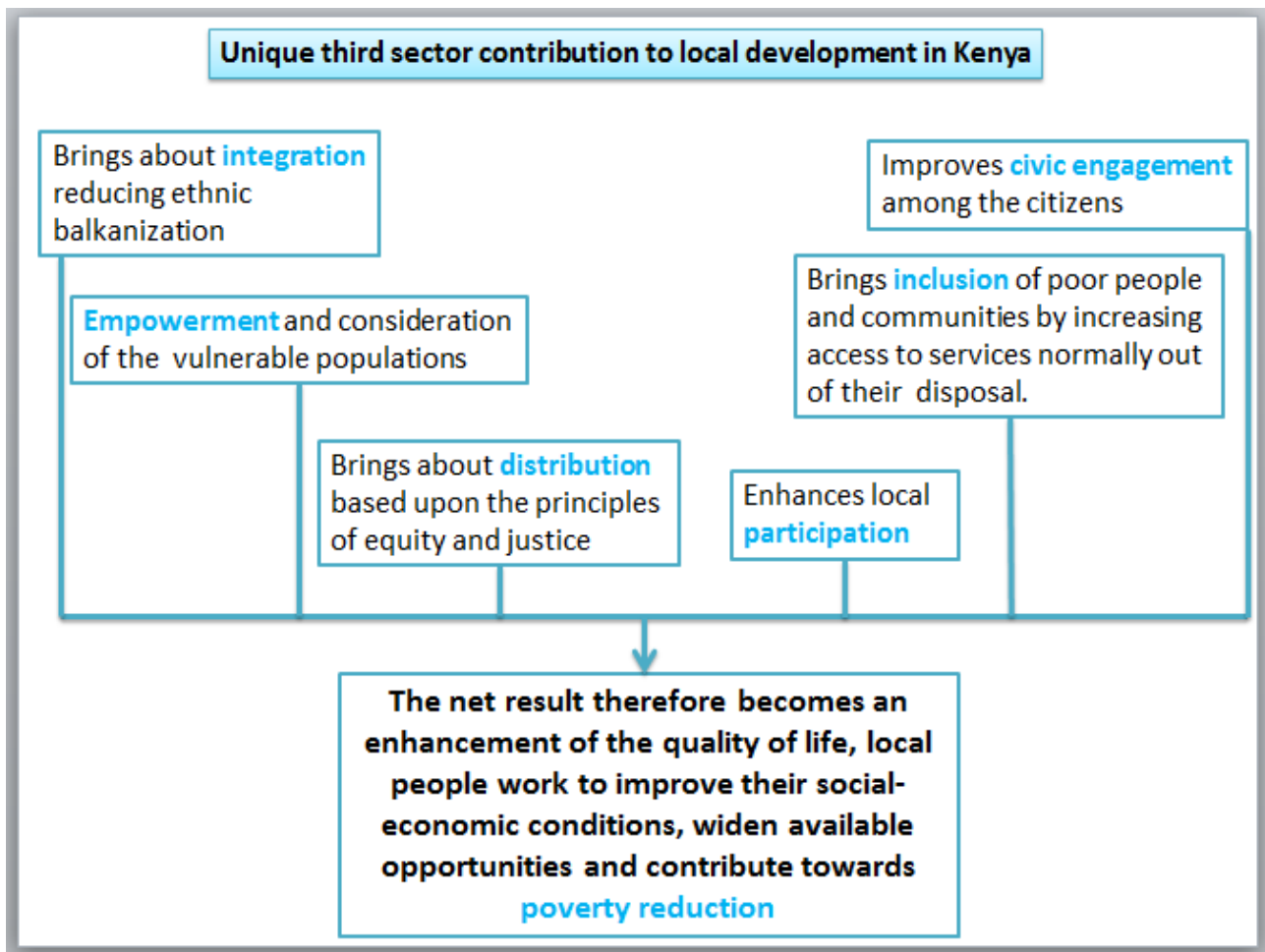


Figure 5.2.2: The unique local development contribution of the third sector in Kenya

The sector plays a distributive role, reduces marginalization and injustice caused by the politics, history and economics. It increases inclusion of poor people and communities by increasing access to services normally out of their disposal. The net result therefore becomes an enhancement of the quality of life, people start to experience better social-economic conditions, the expansion of available opportunities and a general poverty reduction.

5.3 Recommendations

The study recommends the following as the topics for further research

1. The nature and role of the third sector in Kenya taking into account the absence of a welfare economy
2. Disentangling impacts and examining interdependencies among third sector actors in Kenya

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