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**CHALLENGES FACED BY REFUGEE SMALL-SCALE TRADERS IN KENYA:  
THE CASE OF SOMALI REFUGEE TRADERS IN EASTLEIGH, NAIROBI.**

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POLICY AND ADMINISTRATION OF KENYATTA UNIVERSITY**

**NOVEMBER 2014**

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## DECLARATION

This project is my original work and has not been presented for a degree in any other university in Kenya.

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### Supervisor's Declaration

This proposal has been submitted for the review with our approval as the appointed university supervisors.

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## **DEDICATION**

This dissertation is dedicated to my family. May Allah bless you for your relentless support and encouragement, you accorded me while undertaking this study.

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First of all, I offer my deep thanks and acknowledgement to my Allah for enabling me to accomplish this program and for all gifts of life.

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## ABSTRACT

The main aim of the study was to investigate the challenges faced by small-scale traders among Somali refugees in Eastleigh -Nairobi Kenya. The study aimed at to examining whether Somali Refugees small-scale traders face corruption as a challenge, examine whether Somali Refugees small-scale traders are affected by lack of credit and financing in their business, examine whether Somali Refugees small-scale traders face discrimination when doing business and examine whether small-scale traders refugees in Eastleigh fear that they might be deported. The study sought to answer research questions developed from the objectives. Thus, this research attempted an in-depth explanation of how these migrants achieve their livelihoods. The study will adopt a conceptual framework developed by the researcher after reviewing relevant and related literature from various sources. Descriptive design was employed and data was collected from both secondary sources as well as primary sources. The study targeted all the Somali refugees doing small-scale businesses in Eastleigh section in Nairobi and sampling was conducted using purposive sampling to identify 225 specific respondents to the study. Questionnaires were used though shall be guided as many of the respondents would have language challenges. A research assistant was used to help in data collection. Data analysis was done using descriptive statistics while inferential statistics was used to draw conclusions from the collected data and presented using pie charts, bar graphs, frequency tables and percentages. Statistical Package for Social Scientists (SPSS) was used to aid in data analysis. Ethical standards were observed throughout the study so as to realize and achieve suitable results. The study found that most Somali small scale refugee traders are indeed economically poor. The asylum and immigration system remains conducive to the reception of small scale refugee traders. Small scale traders in Eastleigh face challenges of accessing to finance. Small scale trade helps Somali small scale traders acquire finances for their day to day financial requirements and there is exclusion of Somali small scale traders from the government funding when promoting small scale trade in Kenya. Corruption in Kenya and especially in Nairobi has a significant impact on refugee businesses'. Ethos of corruption and bribery prevailed throughout the commercial sector. Organizations that deal primarily with business dominate the rankings of bribe size in Kenya. Findings show that refugees live illegally in Nairobi and are largely not entitled to protection or assistance and therefore they fear that they might be departed at any time. There are no clearly demarcated boundaries signifying a singular refugee community in Nairobi and those refugees who have been able to establish businesses and survive in Eastleigh are unlikely to pick up and leave in the near future. The study recommended that policy and legal framework needs to be put in place for the regulation and management of refugees in Kenya. To accomplish this, agencies and organizations dealing with refugee and human rights matters in Kenya need to network and lobby government authorities and others to take necessary measures to ensure that they do not turn a blind eye on refugee issues in Kenya.

## **LIST OF ABBREVIATIONS**

CARA	-	Center for Applied Research in the Apostolate
DRC	-	Democratic Republic of Congo
GoK	-	Government of Kenya
IGPs	-	Income Generating Projects
KNBS	-	Kenya National Bureau of Statistics
MFI	-	Micro Finance Institutions
NGOs	-	Non-Government Organizations
ROSCAs	-	Rotating Savings and Credit Associations
SPSS	-	Statistical Package for Social Sciences
UNCHR	-	United Nations High Commissioner for Refugees
US	-	United States

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## **DEFINITION OF TERMS**

- Competition:** Refers to the process of doing business and get market or win customers that other small-scale traders are also trying to win.
- Corruption:** This refers to dishonest or fraudulent conduct by those in power, typically involving bribery.
- Discrimination:** This refers to an action that denies social participation or human rights to categories of people based on prejudice.
- Financing:** This refers to the provision of funds for business activities, making purchases or investing in small-scale trading businesses.
- Government Regulations:** This refers to instruments by which governments and their subsidiary bodies set as requirements on businesses that have legal force to operate in the country. Refugees need to meet these requirements to start small-scale trading activities.
- Refugee:** This refers to a person who is outside their home country because he/she has suffered persecution on account of race, religion, nationality, political opinion, or because he/she is a member of a persecuted social category of persons or because he/she is fleeing a war.
- Small Scale Traders:** This refers to investors who are trading a set of businesses whose value is less than the amount where the regulatory reporting is required.

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## CHAPTER ONE: INTRODUCTION

### 1.1 Background Information

Globally, there are about 11.4 million refugees outside their countries and 26 million others displaced internally by conflict or persecution at the end of 2007 (UNHCR, 2008). The global number of people affected by conflicts increased from 24.4 to 26 million, with UNHCR providing protection or assistance either directly or indirectly to 13.7 million. By the end of 2007, there were an estimated 11.4 million refugees under UNHCR responsibility, including some 1.7 million people in refugee-like situations. Dix (2008) observes that Kenya has been receiving refugees since 1970, with mass migration since 1990. Camp populations were about 230,000 as per August, 2006. Kenya currently hosts more than 271,473 of these refugees (RCK, 2008). Furthermore, it is estimated that about 18 per cent of refugees live in urban areas compared with about 26 per cent in camps while the rest are dispersed in rural areas or other locations. UNHCR (2008) report observes that Nairobi is home to at least 40,000 refugees. The refugees come from various neighbouring countries, including Somalia, Democratic Republic of Congo, Ethiopia, Eritrea, Rwanda and Burundi. Refugees continue streaming into the urban areas even as policies by the host governments and other international agencies continue putting restrictions on their movement. More so, refugees in Nairobi have been innovative and energetic in establishing livelihood-coping strategies despite numerous barriers to their success. They have established community structures in Nairobi, and many see themselves remaining in Nairobi for the undefined future (Dix, 2008).

Eastleigh estate (also known as Nairobi's little Mogadishu) was built at the behest of British businessmen at the beginning of the 20th century (between 1910 and 1914) when Kenya was a British colony (Murunga, 2005). The estate was largely dominated by settlers of Asian origin who operated small-scale businesses such as wholesale and retail shops. Later, after Kenya's independence in 1963, many indigenous Kenyans took over as the dominant business people in Eastleigh (Campbell, 2005). Among these Kenyans

was a small group of Kenyan Somalis who grew up in Eastleigh estate and were mostly shopkeepers (Lindley, 2007). Following the civil war in Somalia in the late 1980s and early 1990s, and the eventual fall of the Siad Barre's regime in 1991, many Somalis fled to Kenya to escape the violence. Some went to refugee camps located near the border with Somalia while others opted to seek refuge in Eastleigh because of its business nature, and most of all, because of the Kenyan Somali community that had already established itself in the suburb (Lindley, 2007). The kinship ties between the arriving Somalis and the Kenyan Somalis aided this movement to Eastleigh. The early 1990s saw Eastleigh's rapid economic development, shaped, by its growing population of rural Kenyans, Sudanese, Eritreans, Ethiopians, but above all, in the largest numbers, Somalis (Lindley, 2007). As a result, Eastleigh has since become a major economic hub in Nairobi. This is because of the high demand of goods and services in the area. Refugees as well as established businessmen, invested in import and export businesses, retail outlets (from small-scale hawking and street stalls to large shopping malls), pharmacy or chemist outlets, rental and real estate development, hotels, lodges, miraa (khat / qaad) outlets, cafés and restaurants, long-distance transport companies, taxis, phone and internet bureaux, and international money transfer and exchange services (Lindley, 2007). Eastleigh thus became host to a horde of clients from other parts of Nairobi as well as other parts of the country and even from other East African countries such as Uganda, Tanzania, Rwanda and Burundi. The influx of Somalis into Eastleigh was contrary to the Kenyan government's insistence on non-existence of refugees in the urban areas. As Little (cited in Lindley, 2007) asserts, "Eastleigh is, openly informal" - neither hidden from authorities nor entirely consistent with an official, public place of business.

Kenya's history of relative political stability in a largely volatile region enables the country to host refugees from the Great Lakes region countries, namely; Burundi, the DRC, Rwanda and Uganda; Horn of Africa countries of Ethiopia, Somalia and Eritrea as well as from Sudan. Thus, the refugee population in Kenya is mainly from eight countries and Kenya shares borders with four of these, namely; Ethiopia, Somalia, Sudan and

Uganda. Some of the refugees have been in Kenya for decades as is the case with Ugandan refugees who fled the war in the 1970s and Somali and Sudanese refugees who came in the 1980s. The Government of Kenya (GoK) pursues an encampment regulation and restrictive employment policies that require all refugees to reside in camps (Grabska, 2006). The Government of Kenya in collaboration with the UNCHR always develops camps from where refugees from hostile and unstable countries would reside. Currently, there are two main refugees camps in Kenya, namely; Daadab and Kakuma. However, many others opt to be integrated with their relatives and friends in towns in Kenya with an estimation of 218,500 refugees living in Nairobi by UNCHR in 2001 (Human Rights Watch, 2002).

Kakuma Refugee Camp is located in Turkana District in North-Western Kenya which is about 1000 kilometers from Nairobi and 95 kilometers from the Kenya-Sudan border. The Camp has four sites, namely; Kakuma I (mixed nationalities), Kakuma II (predominantly Sudanese refugees), Kakuma III (mixed nationalities) and Kakuma IV (predominantly Sudanese refugees). The UNHCR put the figure of refugees in Kakuma as of February 2007 at 84,000. Dadaab Refugee Camp is located in Garissa District in the North-Eastern Province, which is around 500 kilometers from Nairobi and 80 kilometers from the Kenya-Somalia border (Dryden-Peterson & Hovil, 2003).

Dadaab refugee camp is located approximately 100 kilometers from the Kenya-Somalia border. It is situated in the Garissa District. The nearest major town is Garissa, which is the headquarters of the North Eastern Province. The camps cover a total area of 50 square km and are within an 18 km radius of Dadaab town. Dadaab hosts people that have fled various conflicts in the larger Eastern Africa region. Most have come as a consequence of the civil war in southern Somalia, including both Somalis and members of Somalia's various ethnic minority groups such as the Bantu Salmio, (2013).

Although the GoK follows an encampment regulation, not all refugees abide by this regulation as some have moved to urban centres such as Nairobi. In addition, the GoK does not strictly enforce the encampment regulation except in situations where foreigners are deemed a threat to national security as happened following the terrorist attacks in Nairobi in 1998. The exact number of refugees currently domiciled in Nairobi is subject to conjecture because of double figures caused by the cyclic movement of refugees who shuttle between the camps and Nairobi (Feller, 2005). Obtaining credible information on refugee numbers in many African countries is an insurmountable task as some of the refugees are simply not captured apart from the cyclic movements leading to double counting. For instance, the JRS Strategic Plan 2007-2010 published in 2006 states that there are 15,000 officially recognized urban refugees in Kenya with a further 120,000 being unofficial urban (UNCHR, 2001).

Kenya is one of the main asylum countries in East Africa and on the whole continent of Africa. Besides Tanzania which also hosts refugees in the region, Kenya owes its asylum country status primarily to its history of relative political stability and peace as well as its location in a region where most of the countries have been ravaged by wars that span decades, intermittent ethnic conflicts and general instability (Kemp, 1997). In 2006, Uganda adopted new refugee legislation, the Refugees Act, which repeals the obsolete CARA. Commended as 'progressive, human rights and protection oriented' (Refugee Law Project 2006), the Refugees Act reflects international standards of refugee protection provided in international legal instruments. The act recognizes the right of the refugees to work, move around freely within the country and live in the local community, rather than in camps.

Research inside Kakuma and Dadaab refugee camps in Kenya (Jamal, 2000) reveals that refugees enjoy neither basic freedoms available to nationals nor the rights enshrined in the 1951 Convention. Their right to asylum in Kenya is premised upon complying with certain restrictive conditions. Refugees have limited freedom of movement, difficulty

getting permission to work, no access to land for agricultural production, and no access to the credit or saving sector. Essentially, the refugees are confined to the camp areas. Further research by Horst (2001), on the situation of Somali refugees in Dadaab, states that the search for a livelihood is mainly complicated by the following two factors. First, Somali refugees are forced into the “informal sector” because their economic activities are considered illegal given the fact that they are not granted work permits. Second, the location of the Dadaab refugee camp further complicates attempts to secure a livelihood because the camp is located in an ecologically marginal area where refugees can hardly fall back on available natural resources.

In contrast, the ability of Liberian refugees in Ghana to exercise the rights of freedom of movement, access to employment and public education has contributed to their relative success to become self-reliant (Dick, 2002). It must also be said that even though a refugee may benefit from the rights he/she is entitled to, no success is guaranteed. For example, in Ghana where a Liberian refugee can work legally if he or she applies for a work permit, jobs are unfortunately rarely available.

Most Somalis in Kenya (both Kenyan-Somalis and Somalians) are poor, but there are also wealthy individuals, mainly from Somalia, who came with cash readily available (either in hand or in foreign bank accounts) for large investments (Lindley, 2007). Two factors characterize their business activities in Kenya. First, they operate largely outside the formal economy of the country. Second, they rely heavily, but not exclusively, on clan or kinship networks of trust in their business dealings. The limited business activities that occur in the formal sector are in hotels, real estate and transport industries (Dick, 2002). Investments and businesses run by Somalis in Kenya appear to be vulnerable because of their informal nature and situation in a largely unregulated and uninsured market. It could be argued that the unregulated parallel economy that prevailed after the formal economy crumbled in Somalia has been partially copied in or exported to Kenya.

In the course of the last 20 years, conflict in Somalia has caused many Somalis to become refugees in Kenya. They have become established in various Kenyan towns and cities and are now engaged in a range of business activities. The success of Somali business in Kenya has also attracted new investment from Somalis in the Middle East and further afield who have joined in and set up businesses there (Dick, 2002). Most Somali business activities in Kenya are centred in Nairobi's Eastleigh neighbourhood. In some respects, the vigorous unregulated economy that flourished inside Somalia after the collapse of the state there has been exported to Kenya. The economic transformation of Eastleigh has brought a new level of competition to Nairobi, substantially reducing the cost of goods and services. Growing Somali investment in Nairobi has also attracted banks and other service-providers, demonstrating that urban refugees are not necessarily a burden on the state and can be an economic asset (Dick, 2002). However, the rapid expansion of Eastleigh has created tensions between the Somali and other Kenyan communities. The loss of affordable housing has pushed many long-term inhabitants out of Eastleigh into neighbouring slums, and raised rents for those who can afford to remain. The largely informal economic activities of Somalis have also had detrimental implications for midsized shopkeepers in general and Asian businesses in particular, creating noticeable friction between the Asian and Somali business communities. Despite the many positive consequences of Somali investment, there are also examples of businesses run on fraudulent lines.

## **1.2 Statement of the Problem**

According to Sarah (2003), different places within the City of Nairobi, are strategically occupied by small-scale traders, but the same small-scale businesses are faced by various challenges hindering their development and expansion. Refugees are often viewed as a drain on the host country's meager resources yet they contribute to the economy through their businesses and trade activities within Eastleigh and other parts of Kenya.

Within Nairobi, Somali refugee small-scale traders have started settling in other areas and individual small-scale businesses outside of Eastleigh. The investors and owners of these small-scale businesses in Eastleigh, who are experiencing the limits of growth in Eastleigh first-hand, are developing strategies of expansion. Research by Kagwanja (2000) and Crisp (2003) has been done on the fate of Somalia refugees in Kenya and also economic, social and political impact in Kenya but no research has been done on the challenges faced by small-scale traders of Somalia refugees in Eastleigh-Nairobi. This study therefore, investigated the challenges faced by small-scale traders of Somalia nationals trading in Kenya: A case for Eastleigh -Nairobi Kenya from 1991-2013.

Despite thriving business and being a place of great opportunities and a home to many refugees, legal or illegal, Eastleigh is plagued by “the largely unregulated expansion of business and the increasingly overcrowded population that has outpaced maintenance and improvements to public infrastructure. Drains, sewers and rubbish collection are visibly inadequate. Roads are dilapidated, with deep and long muddy stretches “during the rainy season and rising dust when it is dry” (Lindley, 2007:4). These and other challenges faced by the Somali community necessitated this study which focused on investigating the challenges faced by small-scale traders of Somalia nationals trading in Kenya: A case for Eastleigh -Nairobi Kenya from 1991-2013.

### **1.3 Research Questions**

The study sought to answer the following questions:

1. Do Somali refugee small-scale traders face corruption as a challenge in trade?
2. Are Somali refugees small-scale traders affected by lack of credit and financing in their business?
3. Do Somali refugee’s small-scale traders face discrimination when doing business?
4. Do small-scale traders refugees in Eastleigh fear that they might be deported back to their country?

## **1.4 Objectives of the Study**

The study sought specifically to:

1. Examine the whether Somali refugee small-scale traders face corruption as a challenge.
2. Examine whether Somali refugee small-scale traders are affected by lack of credit and financing in their business.
3. Establish whether Somali refugee small-scale traders face discrimination when doing business.
4. Determine whether small-scale traders refugees in Eastleigh fear that they might be deported

## **1.5 Research Assumptions**

The study was based on the following premises:

1. Corruption is a challenge to Somali refugee small-scale traders who trade in Eastleigh, Nairobi.
2. Lack of credit and financing affect Somali refugee small-scale traders who want to finance their businesses.
3. Somali refugee small-scale traders face discrimination when doing business in Eastleigh, Nairobi.
4. Small scale trader's refugees in Eastleigh fear that they might be deported.

## **1.6 Justification of the Study**

The study sought to understand challenges faced by small scale refugee traders living in Eastleigh. It also sought to unravel the challenges that they face as they compete and expand. This informed the study to the extent that it can recommend appropriate business strategies that can be used by the Somali refugees to enhance their performance. Such a study can be of help to other refugees as they seek to establish businesses in other towns. This study explored the role of involvement of refugees in small-scale trade thus contributing to the growth of economy with a view to making relevant suggestions to

state and non-state actors and the authorities to tap the economic benefits of refugees on the economic growth and development mechanisms.

This study was hopefully motivate governments and international agencies to enhance the mainstreaming agenda of small-scale businesses among the refugees. Not much has been written both locally and internationally concerning refugees and economic growth and development processes. However, few scholars and international NGOs have produced reports and studies to explain the level of involvement of refugees in small-scale trading and the significance of these businesses to the refugees and to the host country. This study enabled the stakeholders who include mainly the NGOs which support these refugees in planning and also in developing the small-scale refugee trade in many parts of the country.

The study benefited the government in her planning and poverty eradication efforts through appropriate legislation framework on the small-scale refugee trading industry. It was also useful to the policy makers in the small-scale sector because it will identify the challenges facing the sector and hence help them come up with appropriate policies. The study also benefited the government as it intends to strengthen the small-scale sector as per Vision 2030. Potential investors gained a greater appreciation of the investment opportunities and challenges facing the small scale refugee traders.

### **1.7 Scope and Limitation of the Study**

The study was carried out in Eastleigh Nairobi, the capital city of Kenya. Kenya is located in East Africa and shares borders with Somalia to the east where it is also bound by the Indian Ocean, Ethiopia and Sudan to the north, Uganda to the west where Lake Victoria also lies and Tanzania to the south. The study was done extensively among traders at Eastleigh, Nairobi Kenya.

There were lots of limitations anticipated. First, the respondents were unwilling to disclose full information regarding the situation. This exercise also took a lot of time to

complete and this called for commitment in terms of time and cash with no exception of other fees.

## CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

### 2.1 Introduction

The number of small scale refugees' traders worldwide is alarming but the number of refugees and asylum seekers that are allowed entry into developed nations has been decreasing over the years. Since 2001, the number of small-scale refugee traders in the West has halved, with a decrease of 10 per cent from 2005 to 2006. The decreasing number of asylum seekers reflects the trend that rich countries increase their efforts to build walls to keep people out (George, 2010). This chapter looks at the theoretical framework employed in the study, literature will be reviewed depending on the variables and a conceptual framework will be identified for the study.

### 2.2 Discrimination

According to Dowrick and Golley (2004) in the year 2011, some 63,000 people, mainly from Angola, Burundi, the DRC, Rwanda and Somalia, had been recognized as refugees in South Africa. They have been granted freedom of movement, permission to work and the right to access basic social services through grants. However, documentation problems have made it difficult for refugees to enjoy these rights fully. Although the asylum and immigration system remains conducive to the reception of small-scale refugee traders, the relevant legal framework is currently undergoing reforms. This has made access to asylum challenging, particularly for individuals from non-neighbouring countries, which may be denied refuge in South Africa on the basis of the "first country of asylum" policy. Tighter border controls, implemented to reduce irregular movements and fraudulent asylum claims by immigrants, have also played a role in lessening the number of applications (Dowrick & Golley, 2004).

By the end of 2011, some 220,000 small-scale traders from Somalia, the Democratic Republic of the Congo (DRC), Ethiopia and Zimbabwe were registered in South Africa.

The country continues to be the recipient of the highest annual number of small-scale trader refugees' applications worldwide, with 106,904 applications in 2011. Mobility is a central strategy for small-scale refugee traders' to secure livelihoods. Divided between Somalia, Kenya and Ethiopia, ethnic Somalis build upon these social relations in neighboring countries to establish successful regional trade networks, selling everything, shoes, perfume and so on. An increasingly large Somali diaspora, stretching from Australia to Canada and in almost every country in between, including Iceland and Greenland, has in the last fifteen years certainly widened the scope and size of these networks, bringing ever more capital to Eastleigh in particular (McMichael, 2000).

Most Somali small-scale refugee traders are indeed economically poor. Some survive by working for other, wealthier Somalis (though business is usually a family affair). Others, including many women, are able to open their own road-side stands selling fabrics, textiles, undergarments, scarves, shoes, perfume, dishware, music tapes and CDs, fruits and vegetables, electronics, coffee, and tea. Many engage in the rather lucrative business of selling miraa, a mild narcotic that grows in abundance in the Mt. Kenya region of the country. Women especially do washing and other household chores for wealthier Somalis often in exchange for rent and/or food. There are many Somali-owned telephone calling centers and internet cafes. Some are taxi drivers, shuttling customers up and down the busy commercial thoroughfare and throughout the city (Little, 2003).

### **2.3 Lack of Finance and Access to Credit**

One of the biggest challenges these entrepreneurs face, due to the current economic downturn, is limited access to financial capital. Having access to credit, for example, is vital for entrepreneurs who wish to start or expand their own small businesses, and financial institutions are key contributors to providing such financial access. Unfortunately, while these institutions may work well for some, other business entrepreneurs struggle to qualify for a small business loan because of poor credit history (Barr, 2004) or lack of collateral. Immigrants are a good example of entrepreneurs who

struggle to qualify for a conventional bank loan to start a business, despite the high probability that they will repay their loans. Part of the problem is that some immigrant entrepreneurs may lack conventional documentation available to U.S. citizens and/or may also have limited abilities to speak English and minimal experience dealing with the U.S. banking system.

Although the main focus of microfinance program abroad has been to reduce poverty and improve the lives of those who are not served by the formal financial sector, microfinance in developed nations differs slightly in its objectives. Programme in developed nations give priority to individuals who are partially or totally excluded from the well-established financial stream. In Europe, microfinance programme were introduced to assist the unemployed in becoming self-employed. In 1980, the unemployed entrepreneurs programme in France was established to enable unemployed citizens interested in becoming self-employed to receive a single lumpsum payment for business start-up capital (Jurik, 2005).

Broadly speaking, subsequent theoretical work on microfinance has gone off in four directions. The literature that we will focus on has looked at mechanisms other than joint liability, such as frequent repayment, sequential lending and dynamic incentives (Jain & Mansuri, 2003). Another strand has focused on exploring further contractual issues that arise with respect to joint liability, such as collusion (Laffont, 2003) and group composition and matching (Guttman, 2008). Yet another strand has stepped out of the standard partial equilibrium contracting framework where there is a single lender and a group of borrowers and has begun to explore market and general equilibrium issues (Ahlin & Jiang, 2008; McIntosh & Wydick, 2005). The key issues are competition among MFIs and how microfinance affects the overall development process through wages and mobility. Finally, a set of papers has started exploring incentive issues that arise on the part of the lenders which are typically NGOs (Aubert, de Janvry & Sadoulet, 2009; Roy & Roy Chowdhury, 2008). For example, microfinance organizations often use high frequency repayments. Borrowers are typically required to repay their loans in regular

installments, beginning soon after the loan is given out. This aspect of the repayment schedule is usually explained as inducing “fiscal discipline” among borrowers. Jain and Mansuri (2003) argue that an alternative rationale for this loan repayment structure lies in the difficulty of monitoring borrowers’ actions. The potential for moral hazard leads MFIs to use innovative mechanisms, such as regularly scheduled repayments, which indirectly co-opt the better-informed informal lenders.

Conversely, this installment repayment structure allows informal lenders to survive. Further, they show that this linkage cannot only expand the volume of informal lending, but may also raise the interest rate in the informal sector. Fischer and Ghatak (2009) propose an alternative theory based on present-biased, quasi-hyperbolic preferences in order to capture the belief of many microfinance practitioners that clients benefit from the fiscal discipline required by a frequent repayment schedule. Their work is motivated by a pervasive sense among practitioners that frequent repayment is critical to achieving high repayment rates. This belief is captured well in the following observation by Muhammad Yunus that it is hard to take a huge wad of bills out of one’s pocket and pay the lender. There is enormous temptation from one’s family to use that money to meet immediate consumption needs. Borrowers find this incremental process easier than having to accumulate money to pay a lump sum because their lives are always under strain, always difficult (Guttman, 2008).

## **2.4 Corruption**

Most refugees address the issues of required taxation, duty payments, and general laws and regulations established by the Nairobi City Council and other agencies regulating business and trade through organized bribes. Back in 2003, the licenses of all textile shop owners in Garissa Lodge were temporarily suspended by a local government minister for paying lower fees for the permits than required (*The Nation*, 2003b). The minister went on to say that “There must be a conspiracy between city council workers and these

traders owning wholesale shops to deny the council of revenue because the traders are being charged like people operating kiosks (*The Nation*, 2003b).

In a more recent example, just down from the Eastleigh traffic circle toward Section III on the right-hand side, one of the newest planned Somali shopping malls, *Al-Haqq Plaza*, is now under construction. Previously a residential estate, friends of the investors indicated that “an arrangement” was made between authorities in the City Council and the businessmen (Moalin, 2004). Since many large-scale investors have such enormous up-front capital, in a country in which open corruption is part and parcel of daily life, it is rather easy for them to pursue their commercial plans.

Indeed, according to Transparency International, Kenya (TIK), Kenya is among the ‘top five’ most corrupt countries in the world (Njeru, 2004). As TIK argues, organizations that deal primarily with business dominate the rankings of bribe size, notably the Ministry of Public Works, the Ports Authority, the Kenya Revenue Authority, the Kenya Commercial Bank, and the Kenya Bureau of Standards, which demand roughly 37,000 Ksh. per bribe. TIK also reveals that the most bribe-prone institutions in Kenya are law enforcement (police, judiciary and prisons) and local authorities in Nairobi and Mombasa. The Immigration Department ranks third, followed by the Ministry of Lands and the Nairobi County.

According to UN-Habitat’s Crime Victims Survey (Stavrou, 2002), nearly 75% of all respondents reported that their businesses had been involved in bribery in the past year, with almost everyone claiming that an ethos of corruption and bribery prevailed throughout the commercial sector. Over three quarters of the businesspeople said that it is necessary to bribe public sector officials if they needed something to be done. Three-fifths of the respondents felt that such bribery was the norm, and they saw it as part of their business practice, almost as an additional tax that had to be paid to ensure the desired service. Almost all respondents felt that bribery had assumed alarming levels of

acceptability among Nairobi residents. TIK notes, however, that low income or unemployed people - and to which category refugees should be added due to their legal ambiguity in Nairobi - are significantly more vulnerable to corruption than more wealthy people. Unemployed and poor people encounter bribery in 71% of their interactions.

Corruption in Kenya and especially in Nairobi has a significant impact on refugee businesses. For wealthy entrepreneurs, the system often works to their advantage, enabling them to purchase desired properties and turn them into commercial enterprises, despite zoning laws or other restrictions. For less wealthy and poor refugees (the majority), bribery - or extortion - is a source of abuse and harassment, under which hard-earned wages often disappear into the hands of eager police, leaving the person with no money and hence nothing with which to buy necessary daily staples (Stavrou, 2002).

In light of this widespread corruption, in Eastleigh especially it is virtually impossible to distinguish between the 'formal' (official) and 'informal' (unofficial) economy. For instance, powerful businessmen 'buy' the needed authorization from officials (who are presumably regulating the formal economy) to sanction the building of large retail complexes in the 'informal' economy which have all of the traits of belonging to the formal economy in terms of size, numbers of employees, and profit. In this example, there is a strong relationship between official regulatory agencies and the large-scale, informal businesses sanctioned by them, which should be but are not subjected to the same tax laws as similar businesses in the city centre. As Hibou (1999) argues, the division into formal and informal spheres is thus not a useful distinction in Africa, since illegal practices are also [regularly] performed in the formal sector, while so-called informal economic networks operate with well-established hierarchies and are fully integrated into social life.

## **2.5 Fear of Deportation**

The colonial policies of social and spatial segregation used by the British against the indigenous African population are the same policies used today by ruling African elites against refugees and other black immigrants. At the outset, the social policies employed by the British ensured that Nairobi was an exclusive city, belonging to some groups and not to others. These ideas and social practices have remained a salient feature in the historical development of the city, contributing to the continual discrimination against refugees and immigrants living in Nairobi. For ruling elites and citizens alike, black foreigners have come to replace indigenous black Kenyans as “the source of all the city’s ills,” including rising levels of violent crime and unemployment. The constraints of the pre-independence days still form an important basis for explaining the underlying dimensions of social space in Nairobi today (Njeru, 2004).

Despite this systemic discrimination, urban refugees have managed nonetheless to forge global social and economic relations that link together their countries of origin, countries of asylum and countries of resettlement. These transnational networks have helped many urban refugees to become successful entrepreneurs and prominent businessmen, particularly in the ‘informal’ marketplace. Contrary to the official state position and popular local belief that refugees are a drain on limited national resources, urban refugees, stemming from throughout the Horn, Central, and East Africa, are largely self-sufficient. Firmly entrenched in Eastleigh, the heart of the African immigrant community in Nairobi, these transnational migrants have cultivated an ability to operate successfully within a socially hostile and economically depressive environment (Njeru, 2004).

Unlike in camp situations, there are no clearly demarcated boundaries signifying a singular refugee community in Nairobi. Refugees are widely dispersed throughout the city and intermix with a variety of local Kenyans, immigrants, asylum seekers, and foreigners and often hold a variety of documents. Where the refugee community starts and stops is hard to define. Refugees live illegally in Nairobi and are largely not entitled

to protection or assistance. The majority of resources are thus directed to camp refugees. The government's position against refugees residing in cities has caused many researchers and policy-makers to simply ignore or downplay the presence of urban refugees in Nairobi, who are, after all, supposed to be living in the camps (Atkinson & Brandolini 2010).

Due to the dismal economic situations in most Sub-Saharan African countries, coupled with ongoing wars in the Horn and the Great Lakes, refugees and migrants alike in Eastleigh are there to stay. Despite recently brokered peace deals in Congo and Sudan, protracted political crises have had a destructive economic impact that is unlikely to be rapidly reversed. Those refugees who have been able to establish businesses and survive in Eastleigh are unlikely to pick up and leave in the near future, unless their own situation in Nairobi begins to deteriorate. As Osman (2004) said, you Americans travel all over the world doing business, and no one asks you to leave, even you have peace in your country. We Somalis are doing business here, and probably we will continue to do business here.

Just as the colonial government was forced to officially recognize black urban presence in 1928 through the establishment of a Municipal Native Affairs Officer for Nairobi, perhaps it is also time for the current government of Kenya to officially recognize the presence of urban refugees. Even though refugee issues are, like "native affairs issues" once were, a low priority in a country focused on issues for Kenyans, sooner or later the government will be forced to admit what is already true. Refugees exist in Nairobi, are firmly entrenched in transnational trade networks, and are there to stay. Legal local integration is, therefore, a viable durable solution for some of Kenya's urban refugees, who have been living in protracted exile for well over a decade (Stavrou, 2002).

## **2.6 Theoretical Framework**

### **2.6.1 The Ethnic Market Niche Theory**

The ethnic market niche theory is based on the idea that immigrant entrepreneurship is focused on market niches and therefore, “ethnic strategies”. According to Aldrich and Waldinger, (2006), ethnic strategies emerge from the interaction between opportunity structures and ethnic immigrant characteristics. They have formalized their theory into what they have called an “interactive model of ethnic business development.” Within the ethnic market niche theory, immigrants become entrepreneurs in order to find alternatives to traditional employment options for immigrants in unattractive industries. The interaction of opportunity structures and ethnic group characteristics creates ethnic strategies that enable immigrant entrepreneurs’ to niche business opportunities (Campbell, 2006).

Opportunity structures are the opportunities in the economy of the host society that are present to immigrant entrepreneurs who include market conditions and access to ownership. These opportunities, particularly market conditions, are constantly changing as the economy changes (Turton, 2005). Market conditions consist of both ethnic consumer/ethnic niche markets and non-ethnic or open markets. The ethnic consumer market is typically the initial market available to immigrant entrepreneurs. This type of market often arises when non-immigrant businesses are not able to meet consumer demands of an ethnic/immigrant group for products such as food or clothing, or services such as money wiring or when natives desire ethnic goods. Ethnic markets are also labour-intensive, low-profit businesses that are not desirable business ventures for many but create business opportunities for immigrants, such as a laundry business. Finally, ethnic niche markets can have instability since consumer demands continually change so non-immigrant, mainstream firms, choose not to enter the market.

Immigrant entrepreneurs often enter non-ethnic or open markets when conditions allow access. Conditions may be underserved or abandoned markets, markets with low

economies of scale, unstable markets or markets for the provision of ethnic goods. Underserved or abandoned markets can be either industry or geographically driven. Examples include immigrant entrepreneurs opening a grocery store in an urban area where large grocery chains choose not to have a presence (Turton, 2005). This market condition can also be viewed from the perspective of the middleman minority theory. Markets with low economies of scale typically have low entry costs to open up a business and involve working long hours. An immigrant owning and operating a taxicab is an example since the costs only include the vehicle, fuel, permits and the driver's time. The construction industry is an example of an unstable market where there are seasonal and yearly peaks and valleys in market demand. The market for the provision of ethnic goods may exist because the larger population in a host society demands ethnic good or services or that immigrant-owned businesses are able to differentiate themselves by being viewed as providing authentic goods or services. Another scenario for the creation of business vacancies is when an immigrant group assimilates into the host country and the children of the first immigrant generation moves into the main stream economy and labour market since they have likely achieved a higher level of education than their parents and have more opportunities available. So, the first generation immigrant business owners will often sell their businesses when they retire to newly arriving immigrants and refugees looking for economic opportunities (Landau & Monson, 2008).

The impact of government policies on immigrants can affect the opportunities available to immigrants to start a business or the types of businesses that may be started. Some nations require a person to be a resident in order to start a business and it may be extremely difficult, or take many years for an immigrant or refugee to obtain their citizenship. Within the U.S., state and local laws and ordinances also have an impact on business ordinances. Many communities have zoning and ordinances which prohibit certain types of businesses from operating or which dramatically increase the start-up costs for a business in order to comply with the local regulations (Landau & Monson, 2008).

Government policies do not always negatively impact on the ability of an immigrant to start a business. Within the United States, the federal government, and many state and local governments, have programs and policies that promote small business development by females and minorities. Loan programs through the Small Business Administration, government procurement programs that target minority vendors and anti-trust laws all directly or indirectly can assist immigrant entrepreneurs' start and grow a business (Jacobsen, 2005).

A final predisposing factor identified is the aspiration levels of immigrant entrepreneurs. The risk tolerance of many immigrants is typically higher than residents of the host society since they have already taken risks by leaving their homeland and coming to a new country. Therefore, many immigrants are more willing to take entrepreneurial risks in starting a business. In addition, entrepreneurship is viewed as a chance of getting ahead in the host society (Jacobsen, 2005).

### **2.6.2 The Ethnic Enclave Economy Theory**

The second theory or explanation for immigrant entrepreneurship is ethnic enclave economy theory. This theory comes from a labor market perspective in explaining why immigrants seek self-employment. Workers, whether immigrant or non-immigrant, encounter a two-tiered labor market. The first tier, the primary market, consists of jobs based on the worker's education, credentials and experiences. These jobs are often called primary wage jobs, and economic and career advancement in this primary market is based upon worker performance. This is the traditional mainstream labor market in the host society where the majority of native-born workers participate (Landau & Monson, 2008).

The second tier, or secondary market, is typically a low-wage market with few opportunities for either economic or career advancement. Immigrants and minorities are

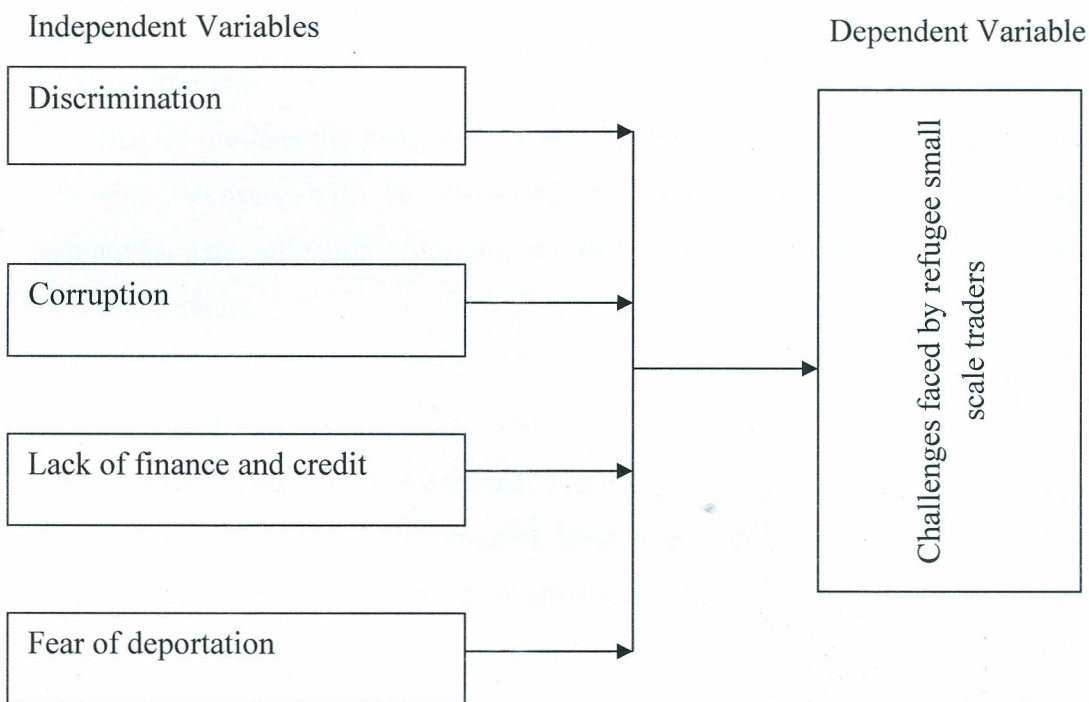
often relegated to employment opportunities in the secondary market. Immigrants many times are willing to work in the secondary market because of their immigrant status, their lack of proficiency in the language of the host country or their lack of skills. Employment in the secondary market may also be the only option for immigrants due to societal discrimination and other employment barriers (Jacobsen 2005).

Since the secondary market offers limited economic opportunities for immigrants and the primary market is not accessible, immigrants establish an ethnic enclave that has an alternative economy and labour market. An ethnic enclave is a geographic concentration of ethnic businesses providing a variety of economic activities. Businesses in the enclave serve the immigrant community within the enclave and the broader economy. Businesses that export goods or services outside the enclave often times are filling niches, as was discussed earlier with the ethnic market niche theory's opportunity structure, Zhou (2009) points out that the benefits of the ethnic enclave. Not only does it provide opportunities for immigrant entrepreneur, but also to the broader immigrant community since these newcomers are able to find employment options within the enclave and access goods and services which are not typically available in the main stream economy. The ethnic enclave often serves as a buffer for newly arrived immigrants as they orient themselves to a new country and a host society. Therefore, the ethnic enclave is more than just an alternative economy or labor-market. The ethnic enclave provides for economic and social advancement for immigrants and assists immigrants with integrating into broader society (Dowrick & Golley, 2004).

## **2.7 Conceptual Framework**

The conceptual framework is a diagrammatical presentation of variables in the study. The framework illustrates the interrelationship between dependent and independent variables. The independent variables for the study are challenges faced by refugee small-scale traders in Kenya. The independent variables are including discrimination, corruption, lack of finance and credit, fear of deportation.

**Figure 2.1: Conceptual Framework**



**Source: Researcher (2014)**

From the conceptual framework, the independent variables (discrimination, corruption, lack of finance and credit, and fear of deportation) have an effect on refugee small scale traders. Each independent variable has a different magnitude on which it affects refugee small scale traders. The conceptual framework shows that independent variables do not influence each other.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the methodology that the researcher shall employ in the study. The following sections will be discussed; research design, sampling procedure and techniques, data collection procedure and techniques, data analysis and tools that will be used in the study.

### **3.2 Research Design**

The researcher used descriptive design. The design was appropriate for this study because the study aims at collecting information from respondents on their attitudes and opinions in relation to the challenges faced by small-scale traders of Somali refugees. It sought a description of the situations on the ground regarding the trading by the Somali refugees. This is the arrangement of conditions for collection and analysis of data in a way that combines their relationship with the purpose of research (Chadran, 2004), it was the overall plan of conducting the study, helped to answer the research questions and achieve the objective of the study.

Mugenda and Mugenda (2003), describe descriptive design as a systematic, empirical inquiry into which the scientist does not have direct control of the independent variables as the manifestation has already occurred or because inherently cannot be implemented. The researcher used the descriptive research design to enable interaction with the respondents through a questionnaire.

### **3.3 Site of the Study**

The study was done in Eastleigh. Eastleigh is almost entirely inhabited by Somali, except for a few indigenous residents. The estate's commercial sector is likewise dominated by Somalis with most businesses owned by the Somali community.

Eastleigh estate was built at the behest of British businessmen at the beginning of the 20th century (between 1910 and 1914) when Kenya was a British colony (Lindley, 2007). Following the civil war in Somalia in the late-1980s and early 1990s, many Somali fled to Kenya to escape the violence. Some went to refugee camps located near the border with Somalia while others opted to seek refuge in Eastleigh because of its business nature. In the early years of 1950s and 60s before Kenya's independence the estate was largely dominated by settlers of Asian origin who operated small scale businesses such as wholesale and retail shops. Later, after independence in 1963, many indigenous Kenyans took over as the dominant business in Eastleigh (Campbell, 2005).

### **3.4 Target Population**

The study focused on Somali traders in Eastleigh estate who are 2,250 in number according to the 2009 National Census (KNBS, 2009). Eastleigh is almost entirely inhabited by Somalis, except for a few indigenous residents. The suburb's commercial sector is likewise dominated by Somalis, with most if not all businesses owned by the Somali community. As of September 2012, Eastleigh accounted for around 25% of the Nairobi City County's tax revenues. Businesses in the suburb range from small stalls to shopping malls and night lodges, and all feature Somali products are typically imported from Dubai, and China include designer clothing, jewelry, and so on.

### **3.5 Sample Design**

Since the population was not exact and was difficult to obtain all of them at the same time, the research employed purposive sampling. This implies that the respondents were identified based on the nature of their businesses and their knowledge of business environment within Kenya in general but Eastleigh specifically. The study identified 225 Somali refugees comprising the nature of their businesses including different services they provide. Researchers argued that if well-chosen, samples of about 10% of a population can often give good reliability.

### **3.6 Data Collection Instruments**

The study sourced for secondary and primary data. Secondary data was obtained from libraries, internet, organizational reports, Government publications, speeches, workshop proceedings as well as grey information and journals. The researcher used a guided questionnaire as a primary data collection instrument. The questionnaire is suitable as it enables a bigger population in shorter time, cheaper and faster as well as that it provides a greater anonymity (Stevens, 1951).

The researcher first sought permission authorization from the National Council for Science and Technology. This enabled the respondents fill the questionnaires without fear since they were already informed that the authority has been granted for the data collection.

To enhance reliability and validity, the questionnaires were first be piloted with 10 potential respondents and analysis done on them to check on the validity and reliability of the instrument. Modification was then done to ensure that the instrument becomes reliable and valid for purposes of collecting and producing accurate and reliable responses.

### **3.7 Data Analysis and Presentation**

Data obtained from the study was sorted, coded, entered, cleaned and analyzed using descriptive statistics with the aid of computer applications - Statistical Package for Social Sciences (SPSS) and Ms Excel for data analysis. This included measures of central tendencies, the mean as well as the standard deviations and coefficient of variation (CV) to identify any consistency or difference between the variables of the study. Quantitative analysis was used on data to establish patterns, relationships and trends from the information gathered. Qualitative analysis was used to analyses the data obtained through open-ended questionnaires and observation. It was presented in form of frequency tables, percentages, bar graphs and pie charts.

### **3.8 Ethical Considerations**

It is crucial to uphold the ethical principal especially when dealing with any research. Permission was sought before the questionnaires are administered and confidentiality of all information and the knowledge that results from the study was stored for a period and would be shared with Kenyatta University where the researcher is a student. Data was kept in a password-protected file and eventually deleted after some time in order to protect either the information or the author. It is mandatory and necessary to maintain ethical standards which should be clearer and signed agreements with research assistant.

The researcher recognized that the issue under study is sensitive. Therefore, there was need to protect the identity of the respondents as much as possible. This means that the questionnaires were not require the respondent's names or details that may reveal their identity.

Hence, the term ethics had something to do with the expected practices of community and its individual members. It describes what a society believes to be right or wrong. In this study, it was ethical to have confidentiality. Confidentiality was, therefore, upheld for all respondents. The names of the respondents were disclosed.

## **CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION**

### **4.1 Introduction**

This chapter provides an analysis of data collected from the field. The results have been presented in tables, figures and content delivery to highlight the major findings. They are also presented sequentially according to the research questions of the study. Mean scores and standard deviations analyses have been used to analyse the data collected. The raw data was coded, evaluated and tabulated to depict clearly the challenges faced by refugee small-scale traders in Kenya. Questionnaires were distributed to 225 respondents and only 200 were returned fully completed. This constituted a response rate of 88.8%.

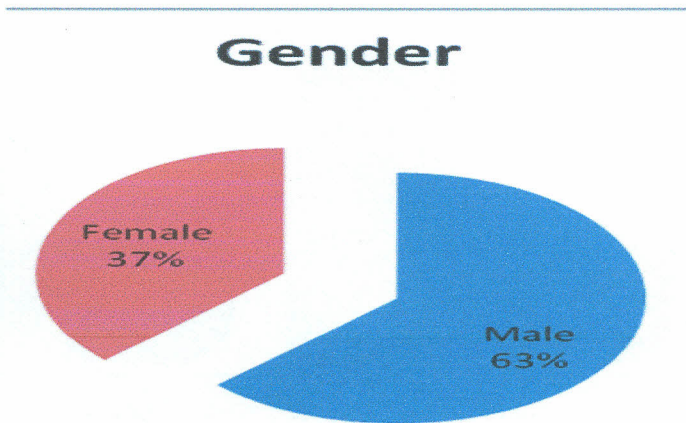
### **4.2 Demographic Characteristics**

The study sought to establish the information on the respondents employed in the study with regard to the gender, age, academic background and duration of service.

#### **4.2.1 Gender**

The respondents were asked about their gender, this was expected to guide the researcher on the conclusions regarding the degree of congruence of responses with the gender characteristics. The figure below shows the results of the findings based on the gender analysis.

**Figure 4.2: Gender**



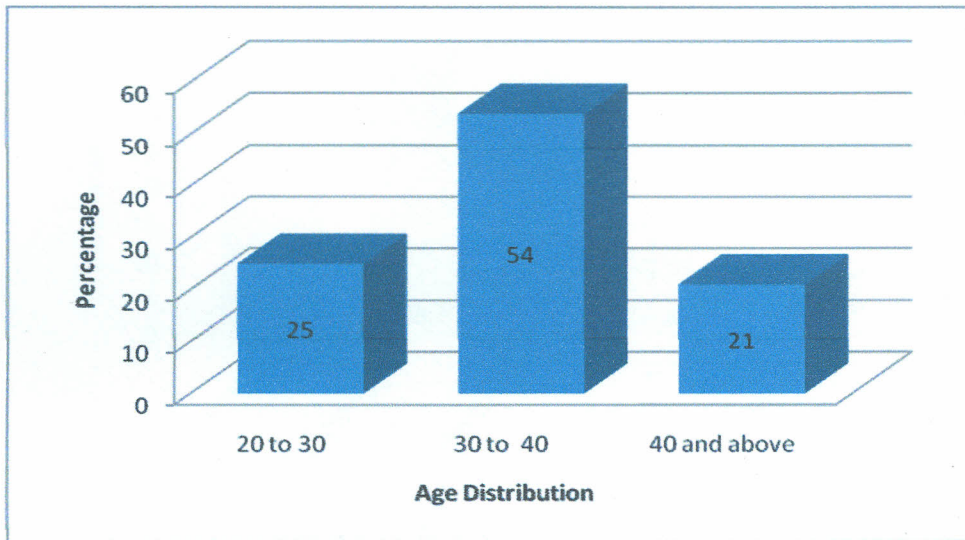
**Source: Research Data (2014)**

Figure 4.1 shows that majority of the respondent were male at 63% while female was 37% implying that most of the entrepreneurs were male. This shows that out of the study respondents, majority were men. Majority of women, generally falling within the lower income bracket, were engaged in selling their traditional food from their living quarters, sewing and selling their traditional clothes and other artifacts.

#### **4.2.2 Distribution of Age Group**

The respondents were asked to disclose their age. The figure 4.2 below shows the study finding on the distribution of age of respondents.

**Figure4.3: Distribution of Age Group**



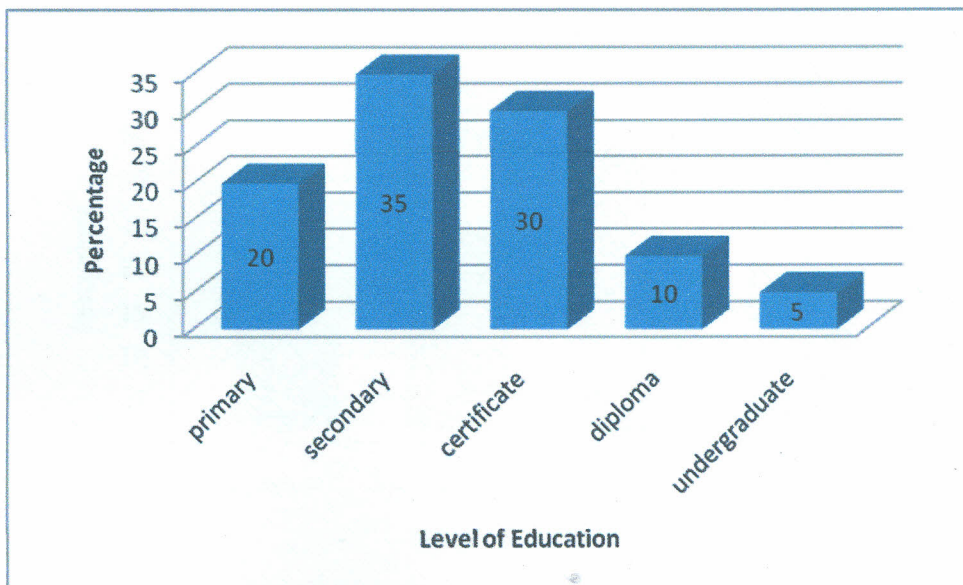
**Source: Research Data (2014)**

The results presented in figure 4.2 show that a large proportion of 54% the respondents were aged from the ages of 30 to 40 years; this was followed by a significant percentage 25% that were aged from 20-30 years while 21% of the respondents were aged above 40 years. The age composition shows that most of the respondents were of the 30 to 40 years and therefore had rich experiences as traders in Easleigh and they could also appreciate the importance of the study.

#### **4.2.3 Academic background**

The respondents were asked to indicate their academic background. Figure 4.3 shows the study findings on the respondents academic background.

**Figure 4.4: academic background**



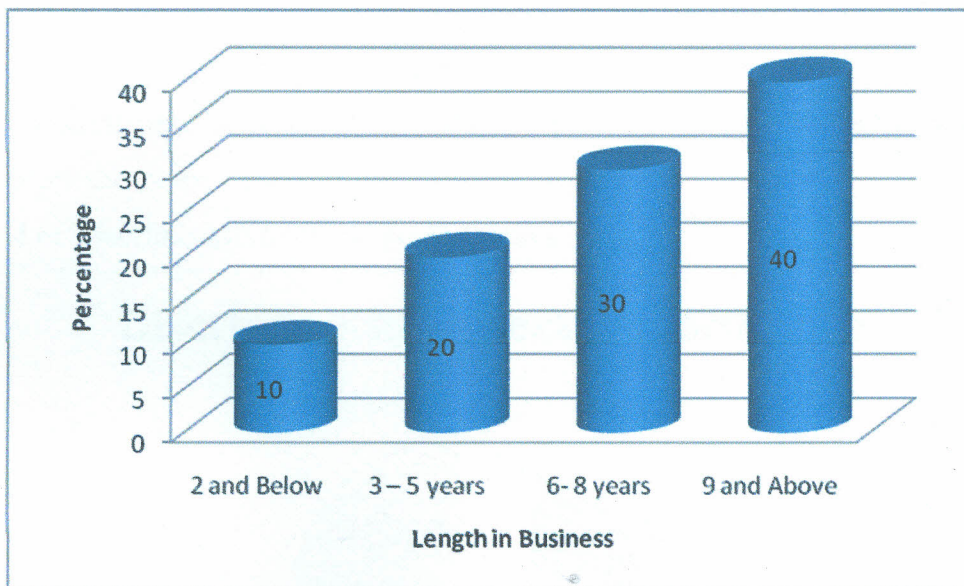
**Source: Research Data (2014)**

Results show that majority 35% of traders in Eastleigh had attained education upto secondary level. 30% were certificate holder. 20% had attained education upto primary level, 10% were diploma holders while 5% were undergraduates. Further data elicited on education through FGDs indicated that a large proportion of illiterate refugees comprise elderly women.

#### **4.2.4 Length of time in business**

The respondents were asked to indicate the length of time they had been in business. The figure below shows the study findings.

**Figure 4.5: Length of time in business**



**Source: Research Data (2014)**

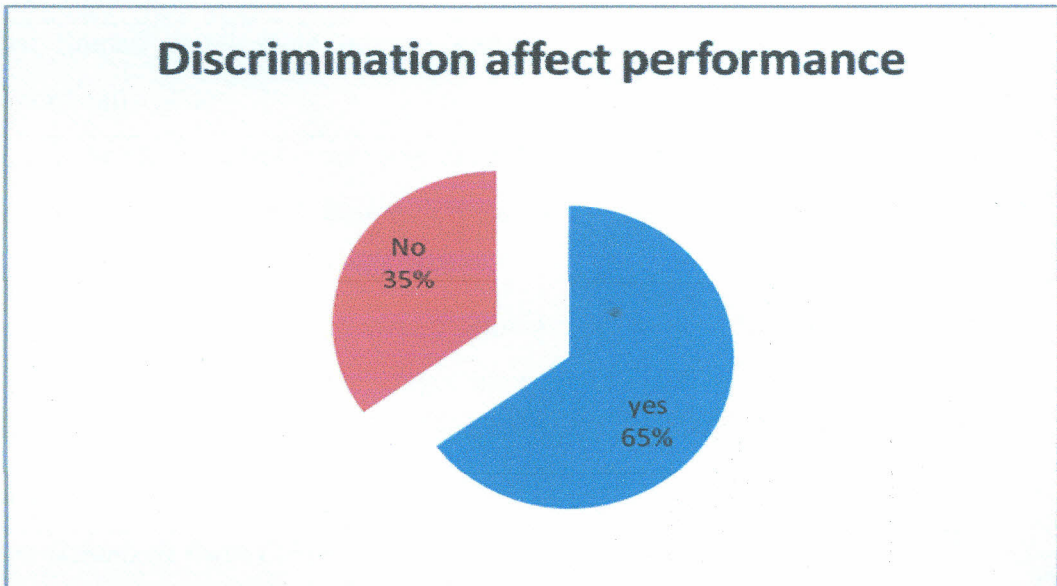
Results show that majority 40% of the traders had been trading for over 9 years. 30% had traded for 6-8 years, 20% had traded for 3-5 years while 10% had traded for less than 2 years. Findings indicate that most of the refugees in Eastleigh are self-settled and have lived in the country for a minimum of five years, residing in various parts of Nairobi city. They originate largely from the immediate neighbouring countries and most come directly from fleeing their countries and settle in urban areas. From the facts it appears that refugees have been living in Nairobi long enough to make a significant economic influence to the country's development if they are permitted to participate in the various economic sub-sectors. The figures also show that Kenya continues to receive refugees from neighboring countries that have remained politically unstable since the early 1990's.

### 4.3 Discrimination

#### 4.3.1 Discrimination affects performance

The respondents were asked to indicate whether discrimination affects performance . The figure below shows the study findings

**Figure 4.6: Discrimination affects performance**



**Source: Research Data (2014)**

Results show that majority 65% of the traders indicated that discrimination affects performance of small scale traders in Eastleigh while 35% indicated that discrimination does not affect performance of small scale traders in Eastleigh. The results also show that discrimination affects traders to a high extent in Eastleigh. Findings also indicate that Refugees living in Nairobi exist largely without legal protection or material support from the Government of Kenya and the United Nations High Commissioner for Refugees (UNHCR). This means that they lack the proper documentation and therefore suffer harassment from the police concerning their status. Yet, recognition and regularization of their status may enable them to engage freely in wage earning activities or to invest in viable business that can contribute positively to Kenya's economy. As a consequence, the Kenya Government is denied revenue that could emanate from business investments undertaken by refugees.

### 4.3.2 Factors on discrimination

**Table 4.1: Factors on discrimination**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Standard deviation</b>
Documentation problems have made it difficult for refugees to enjoy these rights fully	200	4.1544	0.7548
Most Somali small scale refugee traders are indeed economically poor	200	4.2651	0.3271
Tighter border controls are implemented to reduce irregular movements and fraudulent asylum claims by immigrants	200	4.0257	0.4567
The asylum and immigration system remains conducive to the reception of small scale refugee traders	200	4.1779	0.8655
Mobility is a central strategy for Small scale traders' refugees to secure livelihoods	200	3.0987	0.9876

**Source: Research Data (2014)**

Results show that the respondents agreed the factors raised on discrimination this was shown by the means as follows; Most Somali small scale refugee traders are indeed economically poor  $m= 4.2651$ , The asylum and immigration system remains conducive to the reception of small scale refugee traders  $m=4.1779$ . Documentation problems have made it difficult for refugees to enjoy these rights fully  $m= 4.1544$ , Tighter border controls are implemented to reduce irregular movements and fraudulent asylum claims by immigrants  $m=4.0257$ . The respondents moderately agreed that Mobility is a central strategy for Small scale traders' refugees to secure livelihoods  $m=3.0987$ .

### 4.3.3 Discussion

Somalis run thriving retail businesses in Eastleigh and live in their own community enclave perceived to be exclusionary to non-Somalis. While the majority of the other nationalities in Kenya are in small tailoring businesses, many Somalis in Eastleigh sell

expensive Jewellery imported from the Middle East. Somalis are ubiquitous in Eastleigh to the extent that the suburb is now referred to as “Little Mogadishu”. This exacerbates local resentment of Somalis and entrenches a clear Somali phobia among Kenyans generally. In a television forum, the Somali Minister of Foreign Affairs argued that refugees are not always a problem and recommended that the forum’s host tour Eastleigh and see how Somalis, through their entrepreneurial skills, had transformed that suburb into a thriving commercial centre. All the same, resentment emanates from many Kenyans seeing these businesses as not benefiting and uplifting the socio-economic situation of locals but rather as detrimental to local entrepreneurship. For example, the razing to the ground in 2000 of Garissa Lodge, a Somali-owned retail shopping mall in Eastleigh was described as arson and blamed on the Asian business community which allegedly felt threatened by competition from the Somali business community (Campbell 2006). Verdirame (1999) and Campbell (2005) make a similar observation on Somalis self-settled in Kenya’s coastal city of Mombasa in 1991 and the government’s decision to relocate them to refugee camps in response to complaints by local entrepreneurs.

Somalis are also resented for the hikes in rentals in Eastleigh which are explained in terms of Somalis having the money to pay exorbitant rentals for several months in advance thus displacing Kenyans who cannot afford to pay similar amounts. According to Kenyan respondents, Somalis can rent a whole apartment building and turn it into an all-Somali enclave to the exclusion and chagrin of Kenyans. While Kenyan home owners prey on the Somalis, Kenyans who do not own houses in Nairobi are forced to leave Eastleigh for less expensive neighbourhoods. Refugee integration cannot take place where locals feel displaced and resent refugees for this displacement (Jacobsen 2001).

To a great extent, their positive and significant participation in the economy is dependent upon legalization of their refugee status, registration of their businesses and the requisite micro-finance support that will enable them to invest in viable economic ventures. Since refugees living in urban areas do so unaided by government and UNHCR support, those in the lower income group are largely unable to access basic welfare services, including

education for their children. Indeed, the majority in the low-income bracket face more hurdles compared with their fellow refugees at the high and middle income levels. Conditions relating to the Government's style of addressing refugee affairs make it impossible for them to register their business or even acquire properties to improve their economic status. This leaves the lower income group vulnerable to all kinds of abuse.

The GTZ Programme Officer explained the uneasy relations in terms of cultural differences with the Somali Kenyans disapproving Somali refugees' rigid adherence to religious and traditional cultural values.<sup>40</sup> Despite ethnic, language and cultural ties, conflict between Somali Kenyans and Somali refugees is triggered by the fact that the two groups "have different rights and obligations towards the state and the international community" (Horst 2006b: 14). Kenyan members of parliament for the regions in which the camps are located aggravate the situation by inciting locals against the refugees (Juma and Kagwanja 2003). Protecting refugees from attacks by locals is certainly a difficult task for a government grappling with violent clashes and crimes among its own citizens besides lack of political will. Camps provide a setting in which conflicts in the country of origin are reconstructed and reproduced, and therefore spill over into the asylum country as groups with different grievances, allegiances and interests mobilize against each other leading to insecurity in the form of violent clashes among the refugees (Human Rights Watch 2002; Juma and Kagwanja 2003).

#### **4.4 Access to finance and credit**

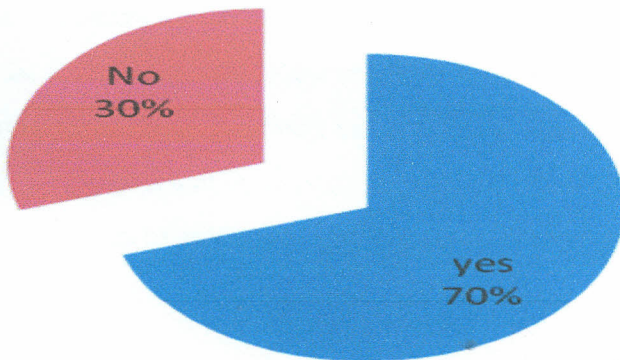
##### **4.4.1 Financial challenges**

The respondents were asked to indicate whether they face financial challenges. Results are shown in figure below.

**Figure 4.7: Financial challenges**

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## Financial Challenges



**Source: Research Data (2014)**

Results show that majority 70% of traders face financial challenges. 30% indicated that they did not face financial challenges. Only few refugees in Nairobi have access to micro-financial support while an overwhelming majority has never had such support. This is mainly attributed to their legal status and the scale of their operations. Such support is given by African Refugee Programme (ARP), Jesuit Refugee Service (JRS) and religious-based organizations, but the size of support is too insignificant to make an impact in business financing, which then means that refugees depend on *transfer earnings* to finance their businesses.

### 4.4.2 Government Assistance

The respondents were asked to indicate whether the Kenyan Government help the Somali small scale trades in overcoming the financial trading challenges they face. Results show that all traders indicated that the Kenyan government does not help the Somali small scale trades in overcoming the financial trading challenges they face. The traders indicated that establishing sustainable development in the Somali small scale trading

requires government intervention. Finding also indicate that Urban refugees in Nairobi try to sustain a livelihood through business, petty trade, wage employment or simply subsisting on transfer earnings from various sources including remittances from relatives at home or in rare instances, being supported by charitable, civil society and faith-based organizations. In fact, the majority of them are economically self-sufficient with different levels of income. Contrary to the public perception and the views of many studies, refugees in Nairobi felt strongly that their relationship with their Kenyan neighbours was very good and even better than relations with fellow refugees. On the other hand, their relationship with the government authorities appears to be strained. This is evident in the harassing manner in which identification and regulation of refugees' stay in the country is done.

#### 4.4.3 Factors on financial challenges

**Table 4.2: Factors on financial challenges**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Standard deviation</b>
The local government helps to finance Somali small scale trade within the Eastleigh	200	2.3234	0.8976
The Somali small scale traders are supported financially by various NGOs to overcome the financial challenges	200	2.2524	0.8651
There is exclusion of Somali small scale traders from the government funding when promoting small scale trade in Kenya	200	4.0625	0.3265
Somali small scale traders have played an active role in mobilizing for government finances in Kenya	200	2.0741	0.5554
As Somali small scale trader I am comfortable and satisfied with my current small scale trading environment in Eastleigh, Nairobi.	200	2.3873	0.4124
Small scale trade helps Somali small scale traders acquire finances for their day to day financial requirements	200	4.2578	0.8651

**Source: Research Data (2014)**

Results show that the small scale traders in Eastleigh agreed that Small scale trade helps Somali small scale traders acquire finances for their day to day financial requirements  $m=4.2578$  and there is exclusion of Somali small scale traders from the government funding when promoting small scale trade in Kenya  $m=4.0625$ . The respondents disagreed that as Somali small scale trader they are comfortable and satisfied with their current small scale trading environment in Eastleigh, Nairobi  $m=2.3873$ ; The local government helps to finance Somali small scale trade within the Eastleigh  $m=2.3234$ ; The Somali small scale traders are supported financially by various NGOs to overcome the financial challenges  $m=2.0741$ .

#### **4.4.4 Discussion**

According to Barr (2004) one of the biggest challenges these small scale traders face, due to the current economic downturn, is limited access to financial capital. Having access to credit, for example, is vital for traders who wish to start or expand their own small businesses, and financial institutions are key contributors in providing such financial access. Unfortunately, while these institutions may work well for some, other business entrepreneurs struggle to qualify for a small business loan because of poor credit history or lack of collateral. Immigrants are a good example of traders who struggle to qualify for a conventional bank loan to start a business, despite the high probability that they will repay their loans. Part of the problem is that some immigrant refugees may lack conventional documentation available to Kenyan citizens and/or may also have limited abilities to speak English and minimal experience dealing with the Kenyan banking system.

The lack of legal status may justify to UNHCR or assistance organizations their decision to minimize or withhold assistance for several reasons. First, there is the problem that investments in livelihoods could falter if refugees avoid making medium and long-term goals or if they are voluntarily or forcible relocated, both of which could occur because of their illegal status (Kibreab 1996). Credit serves as a source of funds to traders that can

be utilized in the production process (Awotodunbo, 2008). Ogundeji (1998) stated that refugee business like any other business can be financed through personal savings, friends or family assistance, partnership, bank loans, private placements, credit terms, hire purchase and cooperative societies. It has been observed that the refugees have been receiving the least level of credit facilities from commercial banks (Koza, 2007). Thus, microfinance, which entails the extension of credits or financial capital to small scale traders, is viewed as an effective strategy to increase productivity and reduce poverty.

Majority of poor traders have continued to face limited access to financial services, and where these services are made available, they are often at very high cost (Okojie et al, 2010, Phillip et al, 2009). Capital has for a long time been considered as a primary means of rekindling and enhancing the growth potential of the economy, especially trading activities (Eboreime, 2008). According to Eboreime (2008), a sure way of breaking the vicious circle of poverty especially in the refugee areas is through the injection of capital (Jhingan, 1975). Meir (1975) in pointing out the crucial role of capital observed that even though labour may be abundant in developing countries of Sub Saharan Africa, their output remains limited by a shortage of capital.

Eboreime (1999) found that the provision of financial capital to small scale traders actually led to output growth and increase in gross incomes. Eboreime (1999) further observed that the trend can effectively checkmate poverty as increased income is expected to generate increased saving, investment, and capital formation and eventually bring about increased productivity.

Government programmes have had little impact at the community level. They are handicapped by severe financial, political and managerial problems to the points of incapacitation (Eboreime, 2008). Eboreime further observed that the delivery systems suffer serious obstacles of implementation, resulting in facilities being uncompleted or lacking staff and equipment. Most of the problems have being attributed to the non-

involvement of the people in the planning and execution process of the scheme. This is also exacerbated by the politicization of resource allocation and non-accountability by government staff of the resources which they control.

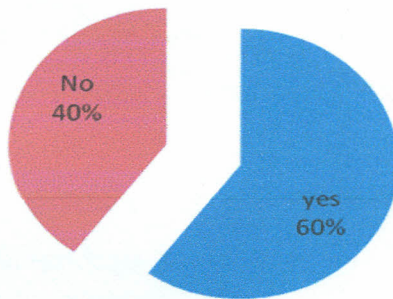
## 4.5 Corruption

### 4.5.1 Corruption affect performance of small scale traders

The respondents were asked to indicate whether corruption affect performance of small scale traders n Eastleigh.

Figure 4.8: Corruption affects performance of small scale traders

#### Corruption affects small scale traders



Source: Research Data (2014)

Results show that majority 60% of respondents indicated that corruption affect performance of small scale traders in Eastleigh. Corruption was found to affect performance of small scale traders in Eastleigh at a high extent. The Government of Kenya loses revenue from these businesses because refugees are not captured under the tax net and are able to pay for protection to the relevant authorities. Income to the Government in terms of Value Added Tax and other taxes are lost. One of the gains of refugee businesses is the creation of employment opportunities for both Kenyans and refugees.

#### 4.5.2 Factors on corruption

**Table 4.3: Factors on corruption**

Statement	N	Mean	Standard deviation
Most refugees address the issues of required taxation, duty payments, and general laws and regulations established trade through organized bribes	200	4.0233	0.8101
There must be a conspiracy between city council workers and these traders owning wholesale shops to deny the council of revenue	200	2.3215	0.3261
Organizations that deal primarily with business dominate the rankings of bribe size in Kenya	200	4.1572	0.9517
Ethos of corruption and bribery prevailed throughout the commercial sector	200	4.2648	0.5628
Bribery had assumed alarming levels of acceptability among Nairobi residents	200	4.0325	0.9654
Corruption in Kenya and especially in Nairobi has a significant impact on refugee businesses	200	4.3653	0.4325

**Source: Research Data (2014)**

Results show that the respondents agreed that Corruption in Kenya and especially in Nairobi has a significant impact on refugee businesses  $m=4.3653$ , Ethos of corruption and bribery prevailed throughout the commercial sector  $m= 4.2648$ , Organizations that deal primarily with business dominate the rankings of bribe size in Kenya  $m=4.1572$ , Bribery had assumed alarming levels of acceptability among Nairobi residents  $m=4.0325$ , Most refugees address the issues of required taxation, duty payments, and general laws and regulations established trade through organized bribes  $m= 4.0233$ . the respondents

disagreed that There must be a conspiracy between city council workers and these traders owning wholesale shops to deny the council of revenue m=2.3215.

### 4.5.3 Discussion

Kauffman and Wei (1999) examine whether bribery offers enterprises the possibility of avoiding excessive bureaucracy, by comparing average time wasted with bureaucratic negotiations and the level of bribery across countries.

They conclude that corrupt officials may instead of speeding up economic activities, actually cause administrative delays in order to attract more bribes. Traders in Eastleigh showed that Corruption is principally a governance issue, perceived as a failure of institutions and a lack of capacity to manage society by means of a framework of social, judicial, political and economic checks and balances. It is an evil, certainly universal, but more wide spread in developing countries because conditions favor it. The urge for gain is extremely strong and exacerbated by poverty. Corrupt officers always seek to bypass legal competition and hamper the rules of normal societal functioning. At the level of public markets (contracts), they influence the choice of suppliers of goods and services to the State and also influence the exact modalities of contracts and their renewal. At the level of state accorded advantages, they favor fiscal fraud, have access to privileged schools, to medical attentions, to housing and lodging, or access to shares in enterprises through undergoing privatization.

Johnson et al (1998) show that corruption distorts the development of enterprises and favours the emergence of an unofficial or underground economy. Corruption reduces fiscal income especially because it favours the growth of a non-official economy. The practices inherent to rents in the official economy divert enterprises towards parallel economies where they pay fewer taxes. Such reduction in fiscal income return affects the capacity of the state in supplying important public goods such as laws and principles of ethics and this favours the more, underground economy to the detriment of public

finance. From our findings we find that corruption can lead to reduction in the amount of tax and other levies imposed by the state on individuals. They favor the alteration of the results of juridical regulation by pushing public authorities to avoid reprimand of illegal activities or to unduly favor one group at the detriment of the other in the framework of court proceedings and other actions in justice. This situation stems from the fact that the discretionary power of many civil servants is quite extended. Moral laws and principles in the leading of public affairs are less developed and law officers charged with the responsibility of ensuring their implementation and respect are not well prepared for this task. People or organs such as accountants and the press in charge of supplying information on which to detect and apply the law are weak and most of them even part-takers of corrupt acts. This has made corruption endemic and systematic such that it is very difficult to punish an individual since many others are also guilty.

Nichols (2002) argues that corruption threatens the global market place as it affects the decisions made by the political leaders, reduces the efficacy of those in power and discourages internal and foreign investments. He further states that corruption and bribery have moved to the forefront in discussions about business and the list of countries that have been politically or economically crippled by corruption continues to grow, and businesses with long-term interests abroad will ultimately be harmed by any plans that include bribery.

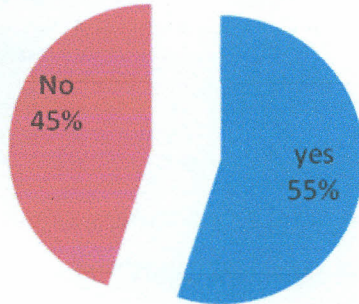
## **4.6 Fear of deportation**

### **4.6.1 Fear of deportation affect performance of small scale traders**

The respondents were asked to indicate whether fear of deportation affect performance of small-scale traders.

**Figure 4.9: Fear of deportation affects performance**

## Fear of deportation affect performance



**Source: Research Data (2014)**

The results show that majority 55% of the respondents agreed that fear of deportation affect performance of small scale traders. 45% of the respondents disagreed that fear of deportation affect performance of small scale traders.

### 4.6.2 Factors on fear of deportation

**Table 4.4: Factors on fear of deportation**

Statement	N	Mean	Standard deviation
Refugees have managed nonetheless to forge global social and economic relations that link together their countries of origin	200	3.5467	0.9876
The transnational networks have helped many refugees to become successful entrepreneurs and prominent businessmen	200	4.0298	0.7869
There are no clearly demarcated boundaries signifying a singular refugee community in	200	4.3452	0.4563

Nairobi			
Refugees live illegally in Nairobi and are largely not entitled to protection or assistance.	200	4.4865	0.9873
Those refugees who have been able to establish businesses and survive in Eastleigh are unlikely to pick up and leave in the near future	200	4.2098	0.4356

**Source: Research Data (2014)**

The table above shows that the respondents agreed that refugees live illegally in Nairobi and are largely not entitled to protection or assistance  $m=4.4865$ ; There are no clearly demarcated boundaries signifying a singular refugee community in Nairobi  $m=4.3452$ ; Those refugees who have been able to establish businesses and survive in Eastleigh are unlikely to pick up and leave in the near future  $m=4.2098$ ; The transnational networks have helped many refugees to become successful entrepreneurs and prominent businessmen  $m= 4.0298$  and Refugees have managed nonetheless to forge global social and economic relations that link together their countries of origin  $m=3.5467$ . The impact of government policies on immigrants can affect the opportunities available to immigrants to start a business or the types of businesses that may be started. Some nations require a person to be a resident in order to start a business and it may be extremely difficult, or take many years for an immigrant or refugee to obtain their citizenship.

#### **4.6.3 Discussion**

Refugees living illegally in cities may be subject to deportation or relocation to a designated settlement by the host government. As unlawful migrants, even those who previously had access to the entitlements of refugee status in a camp setting may not have the right to freedom of movement by virtue of their illegal status. Some researchers have argued that the movement to a city is a calculated choice by refugees in order to make lives for themselves. Sommers (2001) states that the actions of urban refugees “are

representative of a deliberate decision to live beyond official sanction or preference; a decision based on the careful assessment of risk and opportunity". In his in depth look at self-settling, Kuhlman cites anthropologist Art Hansen regarding the motivation of refugees in avoiding organized settlements. Hansen concluded that the unwillingness of refugees to live in designated settlements resulted from their desire to "maintain control over their own lives," even at the potential cost of poorer standards of living outside of settlements (1994: 124, citing, Hansen 1981: 31). Whether refugees move for control, work opportunities, or because they have urban backgrounds, forced relocation wrecks what connections, resources and livelihoods that they may have established in their destination cities. A legal charge brought against refugees living clandestinely in Nairobi is "illegal entry" under Kenya's Immigration Act. HRW reports that police readily admit to deporting refugees to their countries of origin without verifying that they will not face persecution upon return (Parker 2002).

Urban refugees live largely without material assistance or legal protection, leaving them vulnerable to police arrest at any time, and face high levels of xenophobia from the local population (Okoro, 2012). "The challenges faced by urban refugees in Kenya falls within the broader issue of the 'hidden' urban humanitarian challenges. Confusion over the processing of legal status for urban refugees and fear of deportation is exposing traders in Eastleigh to serious humanitarian challenges with significant protection issues (Okollo, 2012) Responding to protection issues for urban refugees is a challenge without a clearer and better plan for implementing legal status for urban refugees.

Having lost the protection of their own governments, refugees are potential victims of further abuse and aggression in the asylum country. In recognition of this situation for refugees, the 1951 Geneva Convention and its 1967 Protocol as well as the regional 1969 AU Convention among other international refugee legal instruments were designed. According to Ousman (2013) many displaced people in Nairobi have not registered upon entering Kenya and therefore have no official documents at all. Refugees interviewed with no documentation claimed that they did not register due to a lack of information on

the process, concerns that they might be deported if they were unsuccessful, the cost of repeatedly travelling to UNHCR offices and fears of arrest. Many are also put off by the length of time the RSD process entails. Others do not register because they have acquired false documentation, particularly Alien Cards and Kenyan identity cards. It is the state of not being recognised as a refugee that complicates the situation of many refugee women. Harrell-Bond (2002) observes that it is not possible for refugees to enjoy fundamental rights such as freedom of movement and the right to work unless legal obstacles are removed.

## **4.7 Discussion**

### **4.7.1 Discrimination**

Somalis run thriving retail businesses in Eastleigh and live in their own community enclave perceived to be exclusionary to non-Somalis. While the majority of the other nationalities in Kenya are in small tailoring businesses, many Somalis in Eastleigh sell expensive jewellery imported from the Middle East. Somalis are ubiquitous in Eastleigh to the extent that the suburb is now referred to as “Little Mogadishu”. This exacerbates local resentment of Somalis and entrenches a clear Somali phobia among Kenyans generally. In a television forum, the Somali Minister of Foreign Affairs argued that refugees are not always a problem and recommended that the forum’s host tour Eastleigh and see how Somalis, through their entrepreneurial skills, had transformed that suburb into a thriving commercial centre. All the same, resentment emanates from many Kenyans seeing these businesses as not benefiting and uplifting the socio-economic situation of locals but rather as detrimental to local entrepreneurship. For example, the razing to the ground in 2000 of Garissa Lodge, a Somali-owned retail shopping mall in Eastleigh was described as arson and blamed on the Asian business community which allegedly felt threatened by competition from the Somali business community (Campbell 2006). Verdirame (1999) and Campbell (2005) make a similar observation on Somalis self-settled in Kenya’s coastal city of Mombasa in 1991 and the government’s decision to relocate them to refugee camps in response to complaints by local entrepreneurs.

Somalis are also resented for the hikes in rentals in Eastleigh which are explained in terms of Somalis having the money to pay exorbitant rentals for several months in advance thus displacing Kenyans who cannot afford to pay similar amounts. According to Kenyan respondents, Somalis can rent a whole apartment building and turn it into an all-Somali enclave to the exclusion and chagrin of Kenyans. While Kenyan home owners prey on the Somalis, Kenyans who do not own houses in Nairobi are forced to leave Eastleigh for less expensive neighbourhoods. Refugee integration cannot take place where locals feel displaced and resent refugees for this displacement (Jacobsen 2001).

To a great extent, their positive and significant participation in the economy is dependent upon legalization of their refugee status, registration of their businesses and the requisite micro-finance support that will enable them to invest in viable economic ventures. Since refugees living in urban areas do so unaided by government and UNHCR support, those in the lower income group are largely unable to access basic welfare services, including education for their children. Indeed, the majority in the low-income bracket face more hurdles compared with their fellow refugees at the high and middle income levels. Conditions relating to the Government's style of addressing refugee affairs make it impossible for them to register their business or even acquire properties to improve their economic status. This leaves the lower income group vulnerable to all kinds of abuse.

The GTZ Programme Officer explained the uneasy relations in terms of cultural differences with the Somali Kenyans disapproving Somali refugees' rigid adherence to religious and traditional cultural values.<sup>40</sup> Despite ethnic, language and cultural ties, conflict between Somali Kenyans and Somali refugees is triggered by the fact that the two groups "have different rights and obligations towards the state and the international community" (Horst 2006b: 14). Kenyan members of parliament for the regions in which the camps are located aggravate the situation by inciting locals against the refugees (Juma and Kagwanja 2003). Protecting refugees from attacks by locals is certainly a difficult task for a government grappling with violent clashes and crimes among its own citizens besides lack of political will. Camps provide a setting in which conflicts in the country of

origin are reconstructed and reproduced, and therefore spill over into the asylum country as groups with different grievances, allegiances and interests mobilize against each other leading to insecurity in the form of violent clashes among the refugees (Human Rights Watch 2002; Juma & Kagwanja 2003).

#### **4.7.2 Access to finance**

According to Barr (2004) one of the biggest challenges these small scale traders face, due to the current economic downturn, is limited access to financial capital. Having access to credit, for example, is vital for traders who wish to start or expand their own small businesses, and financial institutions are key contributors in providing such financial access. Unfortunately, while these institutions may work well for some, other business entrepreneurs struggle to qualify for a small business loan because of poor credit history or lack of collateral. Immigrants are a good example of traders who struggle to qualify for a conventional bank loan to start a business, despite the high probability that they will repay their loans. Part of the problem is that some immigrant refugees may lack conventional documentation available to Kenyan citizens and/or may also have limited abilities to speak English and minimal experience dealing with the Kenyan banking system.

The lack of legal status may justify to UNHCR or assistance organizations their decision to minimize or withhold assistance for several reasons. First, there is the problem that investments in livelihoods could falter if refugees avoid making medium and long-term goals or if they are voluntarily or forcibly relocated, both of which could occur because of their illegal status (Kibreab 1996). Credit serves as a source of funds to traders that can be utilized in the production process (Awotodunbo, 2008). Ogundeji (1998) stated that refugee business like any other business can be financed through personal savings, friends or family assistance, partnership, bank loans, private placements, credit terms, hire purchase and cooperative societies. It has been observed that the refugees have been receiving the least level of credit facilities from commercial banks (Koza, 2007). Thus, microfinance, which entails the extension of credits or financial capital to small scale traders, is viewed as an effective strategy to increase productivity and reduce poverty.

Majority of poor traders have continued to face limited access to financial services, and where these services are made available, they are often at very high cost (Okojie *et al*, 2010, Phillip *et al*, 2009). Capital has for a long time been considered as a primary means of rekindling and enhancing the growth potential of the economy, especially trading activities (Eboreime, 2008). According to Eboreime (2008), a sure way of breaking the vicious circle of poverty especially in the refugee areas is through the injection of capital (Jhingan, 1975). Meir (1975) in pointing out the crucial role of capital observed that even though labour may be abundant in developing countries of Sub Saharan Africa, their output remains limited by a shortage of capital.

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#### **4.7.3 Corruption**

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Johnson et al (1998) show that corruption distorts the development of enterprises and favours the emergence of an unofficial or underground economy. Corruption reduces fiscal income especially because it favours the growth of a non-official economy. The practices inherent to rents in the official economy divert enterprises towards parallel economies where they pay fewer taxes. Such reduction in fiscal income return affects the capacity of the state in supplying important public goods such as laws and principles of ethics and this favours the more, underground economy to the detriment of public finance. From our findings we find that corruption can lead to reduction in the amount of tax and other levies imputed by the state on individuals. They favor the alteration of the results of juridical regulation by pushing public authorities to avoid reprimanding of illegal activities or to unduly favor one group at the detriment of the other in the framework of court proceedings and other actions in justice. This situation stems from the fact that the discretionary power of many civil servants is quite extended. Moral laws and principles in the leading of public affairs are less developed and law officers charged with the responsibility of ensuring their implementation and respect are not well prepared for this task. People or organs such as accountants and the press in charge of supplying

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Nichols (2002) argues that corruption threatens the global market place as it affects the decisions made by the political leaders, reduces the efficacy of those in power and discourages internal and foreign investments. He further states that corruption and bribery have moved to the forefront in discussions about business and the list of countries that have been politically or economically crippled by corruption continues to grow, and businesses with long-term interests abroad will ultimately be harmed by any plans that include bribery

#### **4.7.4 Fear of deportation**

Refugees living illegally in cities may be subject to deportation or relocation to a designated settlement by the host government. As unlawful migrants, even those who previously had access to the entitlements of refugee status in a camp setting may not have the right to freedom of movement by virtue of their illegal status. Some researchers have argued that the movement to a city is a calculated choice by refugees in order to make lives for themselves. Sommers states that the actions of urban refugees “are representative of a deliberate decision to live beyond official sanction or preference; a decision based on the careful assessment of risk and opportunity” (2001). In his in depth look at self-settling, Kuhlman cites anthropologist Art Hansen regarding the motivation of refugees in avoiding organized settlements. Hansen concluded that the unwillingness of refugees to live in designated settlements resulted from their desire to “maintain control over their own lives,” even at the potential cost of poorer standards of living outside of settlements (1994: 124, citing, Hansen 1981: 31). Whether refugees move for control, work opportunities, or because they have urban backgrounds, forced relocation wrecks what connections, resources and livelihoods that they may have established in

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## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations based on the findings.

### **5.2 Summary of findings**

#### **5.2.1 Discrimination**

Discrimination was found to be one challenge faced by small scale traders in Eastleigh. The findings indicate that most Somali small scale refugee traders are indeed economically poor. The asylum and immigration system remains conducive to the reception of small scale refugee traders. Documentation problems have made it difficult for refugees to enjoy these rights fully and also the tighter border controls are implemented to reduce irregular movements and fraudulent asylum claims by immigrants. Mobility has been found to be a central strategy for Small scale traders' refugees to secure livelihoods.

The Somali phobia in Kenya is vividly illustrated in a newspaper article that warned against the influx of Somalis in Kenya. Kimani (2012) indicated that people blamed Somalis for the outbreak of measles in Kenya and asserted that Eastleigh which accommodates thousands of Somalis was the epicentre of the outbreak. Another big influx of refugees, according to the article, would lead to environmental degradation if not a disaster. The third reason for the writer's objection to Somali presence in Kenya is that Somalis are the main source of illegal firearms for criminals in Kenya (see also Juma and Kagwanja 2003). Charges that Somalis are responsible for the proliferation of small

arms in Kenya come at a time when the country is grappling with a high rate of violent crimes.

### **5.2.2 Access to finance and credit**

Small scale traders in Eastleigh face challenges of accessing to finance. Small scale trade helps Somali small scale traders acquire finances for their day to day financial requirements and there is exclusion of Somali small scale traders from the government funding when promoting small scale trade in Kenya. Somali small scale traders are not comfortable and satisfied with their current small scale trading environment in Eastleigh, Nairobi. The local government helps to finance Somali small scale trade within the Eastleigh. The Somali small scale traders are supported financially by various NGOs to overcome the financial challenges. Lack of credit prevents refugees from making potentially productive investments and creates a barrier to the crucial self-employment activities. Many refugees interviewed by the ran businesses in their country or origin and prefer to do the same in Kenya. The inability to access formal or semi-formal sources of credit hinders their chances of starting or expanding small enterprises.

### **5.2.3 Corruption**

From the findings it noted that corruption in Kenya and especially in Nairobi has a significant impact on refugee businesses. Ethos of corruption and bribery prevailed throughout the commercial sector. Organizations that deal primarily with business dominate the rankings of bribe size in Kenya. Bribery had assumed alarming levels of acceptability among Nairobi residents (Dowrick & Golley, 2004). Most refugees address the issues of required taxation, duty payments, and general laws and regulations established trade through organized bribes. Findings indicate that there was no a conspiracy between city council workers and these traders owning wholesale shops to deny the council of revenue.

#### **5.2.4 Fear of deportation**

Findings show that refugees live illegally in Nairobi and are largely not entitled to protection or assistance and therefore they fear that they might be departed at any time. There are no clearly demarcated boundaries signifying a singular refugee community in Nairobi and those refugees who have been able to establish businesses and survive in Eastleigh are unlikely to pick up and leave in the near future. The transnational networks have helped many refugees to become successful entrepreneurs and prominent businessmen and Refugees have managed nonetheless to forge global social and economic relations that link together their countries of origin. The impact of government policies on immigrants can affect the opportunities available to immigrants to start a business or the types of businesses that may be started. Some nations require a person to be a resident in order to start a business and it may be extremely difficult, or take many years for an immigrant or refugee to obtain their citizenship.

#### **5.3 Conclusion**

Refugees Eastleigh faces several specific challenges to pursuing small scale trading. Some of these obstacles clearly exist irrespective of legal status. The challenges include discrimination, lack of credit, fear of deportation and corruption. Discriminations emanates from many Kenyans seeing these businesses as not benefiting and uplifting the socio-economic situation of locals but rather as detrimental to local entrepreneurship.

Corruption affects traders in Eastleigh. Corruption threatens the global market place as it affects the decisions made by the political leaders, reduces the efficacy of those in power and discourages internal and foreign investments. Corruption distorts the development of enterprises and favours the emergence of an unofficial or underground economy. Corruption reduces fiscal income especially because it favours the growth of a non-official economy.

Fear of deportation is another challenge. Refugees living illegally in cities may be subject to deportation or relocation to a designated settlement by the host government. As unlawful migrants, even those who previously had access to the entitlements of refugee status in a camp setting may not have the right to freedom of movement by virtue of their illegal status.

Another challenge is access to credit and finance. Lack of credit prevents refugees from making potentially productive investments and creates a barrier to the crucial self-employment activities. Many refugees interviewed by the researcher, ran businesses in their country or origin and prefer to do the same in Kenya. The inability to access formal or semi-formal sources of credit hinders their chances of starting or expanding small enterprises.

#### **5.4 Recommendations**

A policy and legal framework needs to be put in place for the regulation and management of refugees in Kenya. The policy should ideally be one that would recognize and duly register refugees who choose to live - although frugally in urban areas. While this would provide a basis for those agencies willing to assist refugees to do so without being labelled hostile to the Government, it would also regularize the stay and businesses of refugees and in turn earn the Government much needed revenue.

To accomplish this, agencies and organizations dealing with refugee and human rights matters in Kenya need to network and lobby government authorities and others to take necessary measures to ensure that they do not turn a blind eye on refugee issues in Kenya.

## **5.5 Suggestions for Further Research**

The study suggests a comparison study on refugees living in Eastleigh be done to determine whether all other refugees face discrimination just like Somali refugees. This is because discrimination was seen to be a major challenge that affects businesses in Eastleigh and there need to be further investigations on the business.

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**Appendix I: Letter of Introduction**

Kenyatta University

Dear Respondent.

**RE: CHALLENGES OF SOMALI SMALL SCALE TRADERS IN KENYA:  
THE CASE OF SOMALI REFUGEES TRADERS IN EASTLEIGH,  
NAIROBI**

I am a Masters Student at Kenyatta University currently carrying out a research on the challenges of Somali small scale traders in Kenya: the case of Somali refugees' traders in Eastleigh, Nairobi. The research is part of requirement for my program in the University. Kindly fill the questionnaire as honestly as possible to enable this research to be successful. The information you give is needed purely for academic research and will be treated as confidential.

Your assistance and cooperation is highly appreciated. Thank you.

Yours truly,

**HABIBA ALI MOHAMED**

**Appendix II: Questionnaire**

This questionnaire is to collect data for purely academic purposes. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire. *Answer all questions as indicated by either filling in the blank or ticking the option that applies.*

**SECTION A: PERSONAL INFORMATION**

- 1) What is your gender? (tick one)  
Male  Female
- 2) Age(tick one)  
20  20 to 30  30 to 40  40 and above
- 3) What is your academic background  
Certificate  diploma  undergraduate  postgraduate
- 4) For how long have you done business in Eastleigh?

Length (years)	2 and Below	3 – 5	6 – 8	9 and Above
Response				

**Part B: Discrimination**

- 5) Does discrimination affect performance of small scale traders in Eastleigh?  
Yes  No

If yes to what extent

- Very high extent
- High extent
- Low extent
- Very low extent

- 6) To what extent do you agree with the following statements?

Where 5 – Strongly Agree, 4 - Agree, 3- Neutral, 2 – Disagree and 1- Strongly Disagree

Statement	5	4	3	2	1
Documentation problems have made it difficult for refugees to enjoy these rights fully					
Most Somali small scale refugee traders are indeed economically poor					
Tighter border controls, implemented to reduce irregular movements and fraudulent asylum claims by immigrants					
The asylum and immigration system remains conducive to the reception of small scale refugee traders					
Mobility is a central strategy for Small scale traders' refugees to secure livelihoods					

In your own opinion how has discrimination affected small scale traders in Eastleigh?

.....  
 .....

**Part C: Access to finance and credit**

7) Does the small scale Somali traders face financing challenges while trading in Nairobi, Eastleigh? Yes  No

8) If yes, name the major challenges

- a. ....
- b. ....
- c. ....
- d. ....

9) Does the Kenyan government help the Somali small scale trades in overcoming the financial trading challenges they face?

Yes  No

10) Do you agree with the statement that establishing sustainable development in the Somali small scale trading requires government intervention?

Yes  No

11) To what extent do you agree with the following statements?

**Where 5 – Strongly Agree, 4 - Agree, 3- Neutral, 2 – Disagree and 1- Strongly Disagree**

Statement	5	4	3	2	1
The local government helps to finance Somali small scale trade within the Eastleigh					
The Somali small scale traders are supported financially by various NGOs to overcome the financial challenges					
There is exclusion of Somali small scale traders from the government funding when promoting small scale trade in Kenya					
Somali small scale traders have played an active role in mobilizing for government finances in Kenya					
As Somali small scale trader I am comfortable and satisfied with my current small scale trading environment in Eastleigh, Nairobi.					
Small scale trade helps Somali small scale traders acquire finances for their day to day financial requirements					

**Part D: Corruption**

12) Does corruption affect performance of small scale traders in Eastleigh?

Yes ( ) No ( )

If yes to what extent

Very high extent

High extent

Low extent

Very low extent

13) To what extent do you agree with the following statements?

Where 5 – Strongly Agree, 4 - Agree, 3- Neutral, 2 – Disagree and 1- Strongly Disagree

Statement	5	4	3	2	1
Most refugees address the issues of required taxation, duty payments, and general laws and regulations established trade through organized bribes					
There must be a conspiracy between city council workers and these traders owning wholesale shops to deny the council of revenue					
Organizations that deal primarily with business dominate the rankings of bribe size in Kenya					
Ethos of corruption and bribery prevailed throughout the commercial sector					
Bribery had assumed alarming levels of acceptability among Nairobi residents					
Corruption in Kenya and especially in Nairobi has a significant impact on refugee businesses					

**Part E : Fear of deportation**

14) Does fear of deportation affect performance of small scale traders in Eastleigh?

Yes ( )

No ( )

If yes to what extent

Very high extent

High extent

Low extent

Very low extent

15) To what extent do you agree with the following statements?

Where 5 – Strongly Agree, 4 - Agree, 3- Neutral, 2 – Disagree and 1- Strongly Disagree

Statement	5	4	3	2	1
Refugees have managed nonetheless to forge global social and economic relations that link together their countries of origin					
The transnational networks have helped many refugees to become successful entrepreneurs and prominent businessmen					
There are no clearly demarcated boundaries signifying a singular refugee community in Nairobi					
Refugees live illegally in Nairobi and are largely not entitled to protection or assistance.					
Those refugees who have been able to establish businesses and survive in Eastleigh are unlikely to pick up and leave in the near future					

### Appendix III: Budget for Project Writing and Preparation

ITEM	ESTIMATE(KSHS)
Developing proposal	2,000
Transport	2,500
Information and data gathering/collection	3,000
Data analysis	5,000
Editing	3,000
Printing and Binding	4,000
Labor	6,000
<b>Total</b>	<b>25,000</b>

**Appendix IV: Time Frame/Schedule**

	<b>2014</b>			
<b>ACTIVITIES</b>	August	September	October	November
Collecting information and developing a research topic				
Writing and developing research proposal				
Correcting and typing research proposal				
Collecting and analyzing data				
Writing the research report, typing, corrections and editing				
Binding report for submission				

**Appendix V: Map of Nairobi County**



Eastleigh Nairobi, Kenya



**NATIONAL COMMISSION FOR SCIENCE,  
TECHNOLOGY AND INNOVATION**

Telephone: +254-20-2213471,  
2241349, 310571, 2219420  
Fax: +254-20-318245, 318249  
Email: secretary@nacosti.go.ke  
Website: www.nacosti.go.ke  
When replying please quote

9<sup>th</sup> Floor, Utalii House  
Uhuru Highway  
P.O. Box 30623-00100  
NAIROBI-KENYA

Ref: No.

Date:

**16<sup>th</sup> October, 2014**

**NACOSTI/P/14/1463/3773**

Habiba Ali Mohamed  
Kenyatta University  
P.O. Box 43844-00100  
**NAIROBI.**

**RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on *“Challenges faced by refugee Small-Scale Traders in Kenya: The case of Somali Refugee Traders in Eastleigh, Nairobi,”* I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for a period ending **31<sup>st</sup> December, 2014.**

You are advised to report to **the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

  
**DR. S. K. LANGAT, OGW**  
**FOR: SECRETARY/CEO**

Copy to:

The County Commissioner  
The County Director of Education  
Nairobi County.

**THIS IS TO CERTIFY THAT:  
MS. HABIBA ALI MOHAMED  
of KENYATTA UNIVERSITY, 69225-00610  
Eastleigh-Nairobi, has been permitted to  
conduct research in *Nairobi County***

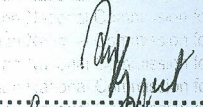
**Permit No : NACOSTI/P/14/1465/3773  
Date Of Issue : 16th October, 2014  
Fee Recieved : Ksh 2,000**

**on the topic: *CHALLENGES FACED BY  
REFUGEE SMALL-SCALE TRADERS IN  
KENYA: THE CASE OF SOMALI REFUGEE  
TRADERS IN EASTLEIGH, NAIROBI.***

**for the period ending:  
31st December, 2014**



  
.....  
**Applicant's  
Signature**

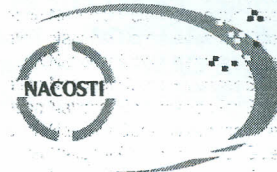
  
.....  
**Secretary  
National Commission for Science,  
Technology & Innovation**

**CONDITIONS**

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit
2. Government Officers will not be interviewed without prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice.



**REPUBLIC OF KENYA**



**National Commission for Science,  
Technology and Innovation**

**RESEARCH CLEARANCE  
PERMIT**

**Serial No. A**

**2559**

**CONDITIONS: see back page**