

BUSINESS ASSOCIATIONS: A STRATEGY TO REDUCE UNCERTAINTIES IN
THE INFORMAL BUSINESS SECTOR IN KENYA?

A THESIS SUBMITTED TO
THE STANFORD PROGRAM IN INTERNATIONAL LEGAL STUDIES
AT THE STANFORD LAW SCHOOL
STANFORD UNIVERSITY
IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF
MASTER OF SCIENCE OF LAW

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May 2004

REGISTRAR'S OFFICE

MAY 03 2004

STANFORD LAW SCHOOL

Abstract

This paper studies business associations in the *jua kali* sector – the informal business sector in Kenya. The *jua kali* sector employs a substantial portion of the working population in Kenya. However, many *jua kali* entrepreneurs are reluctant to rely on formal institutions, such as courts for their contracting practices. Instead, there exist approximately 500 *jua kali* associations with the potential to establish a more stable structure to reduce uncertainties in business transactions, provide members with services and collectively bargain with government authorities. This study seeks to explore whether *jua kali* associations create a more predictable business environment for their members in situations where the government fails to provide services.

Although, it might be argued that legal reforms which incorporate informal norms into formal institutions would be more efficient (De Soto 1989), the orientation and likely transition to formality is at best a medium to long term possibility in Kenya. Therefore, considering the present situation, it is here argued that stable informal institutions in the form of *jua kali* associations can create a more predictable business environment.

At an initial stage of this study, interviews were carried out with *jua kali* entrepreneurs belonging to the same business association on one street in Nairobi. The intention of the interviews was to provide a snapshot of everyday life for small-scale business entrepreneurs in the *jua kali* sector. This paper is intended to be the first

phase of a larger study; therefore the final chapter puts forth a research agenda for future empirical research.

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