



Tropentag, September 17-19, 2018, Ghent

“Global food security and food safety:
The role of universities”

Accessing and Granting Credit among Informal Milk Traders in Peri-Urban Nairobi

EMILY MYERS¹, JESSICA HECKERT¹, ALESSANDRA GALIÈ², NELLY NIJRU²

¹*International Food Policy Research Institute (IFPRI), United States of America*

²*International Livestock Research Institute (ILRI), Kenya*

Abstract

Studies on credit schemes for small-scale entrepreneurs have documented their potential to alleviate poverty, increase savings, and improve education, food-security, nutrition, and health outcomes. Other studies find mixed impacts of credit schemes on reducing income inequality, empowering women, and reducing child labour. A growing body of evidence finds that small-scale entrepreneurs in low- and middle-income countries sell their goods to customers on credit, but their businesses struggle when customers fail to repay. In this paper we examine how male and female informal milk traders from peri-urban Nairobi access and grant credit, and how these experiences affect their businesses in a context where there are few safeguards. In 2017 we conducted 48 in-depth individual interviews, 4 key informant interviews, and 6 focus group discussions with men and women who are current or former milk traders. We find that milk traders feel they must sell their product on credit to appeal to customers. This can be advantageous when they need to rid themselves of milk before it spoils, yet they have few viable strategies to recoup costs from customers who do not repay. Failure to collect credit from customers has additional ramifications for milk traders who acquired milk on credit from suppliers informally, leading to debt default. The consequences of losing income to creditors is likely more severe for women traders, who generally have less capital to fall back on relative to men. Milk traders overall avoid taking formal loans from banks because of high interest rates. Additionally, women have greater difficulty in accessing formal loans because they lack collateral. Many traders instead join a credit savings group to access financial capital, despite some negative experiences as members. For example, group leaders have stolen money saved. In summary, individual milk traders function as both creditor and lender. These dual roles may have unintended consequences that jeopardise their livelihoods. Development organisations should identify financial services and other interventions to help small-scale entrepreneurs maintain viable businesses despite the volatility of accessing and granting credit.

Keywords: Credit, dairy traders, entrepreneurship, gender, loans, value chain