

Informal Entrepreneurial Financing Mechanisms: The Rise of Chama and Esusu in Sub-Saharan Africa.

Abstract

The purpose of this research is to examine women's barriers to accessing finance in the context of two sub-Saharan African countries (Kenya and Nigeria) with strong patriarchal structures and how they have managed to overcome these barriers. Current research portrays entrepreneurship as desirable and flexible, however, there are a myriad of contextual challenges and structural inequalities facing women entrepreneurs when accessing business finance. Using Ubuntu Feminism as the theoretical lens for this study to both criticise patriarchy and eurocentric constructions of feminism, we explore the strategies women have used to overcome structural barriers using the strength of 'togetherness'. We use semi-structured interviews with 20 women entrepreneurs (10 Kenyan and 10 Nigerian women) to interrogate the richness and depth of the participant's reflections on their experiences in accessing finance. Our findings reveal that gender plays a key role in influencing women's access to enterprise finance in the two Sub-Saharan African contexts. Women are affected by gender stereotyping, family responsibilities and limited formal education in their pursuit of business finance. However, despite the gendered barriers towards women's access to enterprise finance from mainstream financial systems, women are navigating these challenges by designing informal entrepreneurial financing mechanisms. This study contributes to the growing insight into women's entrepreneurship in Africa and challenges the linear arguments of women's entrepreneurship in Africa, by portraying women's agency through informal entrepreneurial financing mechanisms powered by Ubuntu Feminism. In practice, this paper raises policy-relevant questions and encourages an examination of social perceptions and gender connotations when considering issues of accessing finance in a Sub-Saharan context. While financial institutions and policymakers may assume a 'one size fits all' approach to business financial support, the social factors which define gender mean that women are using their agency to navigate patriarchy to design alternative financing mechanisms to support their businesses.

Keywords: Entrepreneurial finance, Informal mechanisms, Esusu, Chama, Women entrepreneurship, sub-Saharan Africa

Introduction and Problem Statement

In many nations across the world there has been significant growth in the level of female entrepreneurs, this spans from developed economies (McAdam, 2013; Sindani, 2024) such as the US, Australia, Canada, to the developing economies of Sub-saharan Africa (Aliyu, 2013). Also, as Sub-saharan African countries yearn for economic prosperity through the growth and development of entrepreneurship, policymakers and governments are turning to female entrepreneurs as a way of achieving this (Adetiloye et al., 2020). However, female business owners face diverse challenges of which access to finance is most critical (Onoshakpor et al., 2025). Research suggests that their inability to access finance comes from a lack of accumulated personal funds (Bastian, Sidani & El-Amine, 2018; Sindani, 2023), which results in lower levels of overall capitalisation, reduced ratios of debt finance and venture capital financing (Onoshakpor, et al., 2022).

Evidence suggests that male entrepreneurs are twice as likely to secure finance than females in Africa, suggesting some form of gendered influence in accessing business finance (Onoshakpor et al., 2025; Thabethe, 2006). While these barriers reflect much of the findings of the Western literature, there is still a dearth of knowledge from non-Western contexts and sub-Saharan African contexts in particular (Sindani, 2024). In addition to highlighting the challenges around access to finance for female entrepreneurs from mainstream finance institutions, the ways in which these disadvantaged groups finance their businesses are underexplored and could also serve as a relevant contribution to the female entrepreneurship literature. This research, therefore, examines women's barriers to accessing finance in the context of two sub-Saharan African countries (Kenya and Nigeria) with strong patriarchal structures and their survival strategies.

Theory

We adopt Ubuntu Feminism to explore accessing finance strategies by women entrepreneurs in sub-Saharan African context. Ubuntu Feminism advanced by Chipango (2025) is based on the African communal ethic of Ubuntu which means 'I am because we are'. Ubuntu is a zulu word for humanness and expressed as 'a person is a person through other persons'. It is rooted in the tenets of compassion, empathy, sympathy, sharing, equality, reciprocity and interdependence. Therefore, we can argue that communal existence that supports the 'needy' and 'vulnerable' in this case, women entrepreneurs in sub-Saharan Africa has led to the grouping and re-grouping to design informal financing mechanisms that serve the needs of women-led enterprises. As it is said, Ubuntu seeks to strengthen and maintain communities (sharing), a strengthened business would employ more people, feed homes and contribute overall to the local and national economy. Arguably, Ubuntu feminism transcends intersectionality and goes beyond highlighting differences to avoid the risk of 'Othering' but rather focuses on communal benefits through sharing (Chipango, 2025; Simba, 2021). It is a vehicle for redistribution while being critical of patriarchy and eurocentric constructions of feminism (Chipango, 2025; Munthali and Kirina, 2023).

Methodology

This paper adopts an interpretivist research paradigm, which acknowledges that reality is multiple, complex, local, specific in nature and multi-layered (Guba & Lincoln, 1994). As such, a qualitative research approach was used (Hussain, Elyas & Nasseef, 2013) to explore the lived experiences of these women entrepreneurs in Kenya and Nigeria. 20 semi-structured interviews were conducted with women entrepreneurs (10 Kenyan and 10 Nigerian) to examine the financing mechanisms in their everyday entrepreneurial processes and their impact on their entrepreneurial performance. All participants were selected via purposive sampling (Creswell & Creswell, 2018) to enable us to gather rich and extensive experiences from these women entrepreneurs. It was a requirement that potential interviewees had to own and operate micro-enterprises, from various sectors for at least one year, with less than five employees (Elaiian, 1996). Interviewees were informally recruited as participants by the first author and the second author who are both Kenyan and Nigerian natives respectively. The average duration of the interviews with women entrepreneurs was 45-60 minutes.

Table 1. Overview of participants.

Participant	Gender	Country of Operation	Type of Business	Type of Finance Accessed
Atieno	F	Kenya	Welding and Glassware	Chama Informal shylocks/middlemen
Vuguza	F	Kenya	Grocery	Chama
Kula	F	Kenya	Taylor/Clothes making	Personal funds
Atoti	F	Kenya	EPZ clothes	Personal funds
Mama Queen	F	Kenya	Cereals	Personal funds
Auma	F	Kenya	Mtumba (second-hand clothes)	Chama
Lineti	F	Kenya	Boutique	Personal funds
Fanisi	F	Kenya	Grocery	Chama
Damari	F	Kenya	Grocery	Chama

Korini	F	Kenya	Cereals	Personal funds
Nkechi	F	Nigeria	Event catering	Personal funds
Chioma	F	Nigeria	Fast food	Personal funds
Ngozi	F	Nigeria	Catering and event management	Microfinance bank funds Esusu
Fumi	F	Nigeria	Catering indoor and outdoor kitchen	Personal funds
Bumi	F	Nigeria	Outdoor catering	Commercial bank funds Government funds Esusu
Akon	F	Nigeria	Outdoor catering	Loan Shark Microfinance banks Esusu
Ekaette	F	Nigeria	Outdoor catering	Personal funds Salaried account
Aisha	F	Nigeria	Real Estate	Personal funds Commercial bank funds
Hadiza	F	Nigeria	Real Estate	Personal funds
Tobe	F	Nigeria	Outdoor catering	Microfinance bank funds

Data Analysis

This study then adopted thematic analysis because it is an appropriate method used when seeking to understand experiences, thoughts, or behaviours (Braun and Clarke, 2012). This thematic framework according to Braun and Clarke (2006) is the most widely accepted and involves a six-step process: familiarizing ourselves with the data, creating initial codes, identifying relevant themes, reviewing the themes, giving names to the themes, and finally producing a report with the aim of identify any gender gaps that may exist and the impact of the social construction of gender on how women-owned businesses access finance. This iterative process allowed us to explore the context of gender and entrepreneurship using the transcribed interviews at a level of depth that is lacking in quantitative analysis while allowing

for flexibility, doing this transparently to ensure confidence in our findings. The data analysis process was recursive rather than linear, this meant that some steps prompted and required us to circle back to earlier steps due to a newly emerging theme that merited further investigation (Braun and Clarke, 2006; Dodd, Anderson, & Jack, 2023).

Findings

Based on the coding and thematic analytical process, the findings were grouped into four major categories of themes which emerged. The study shows that women's access to entrepreneurial finance in both Kenyan and Nigerian contexts is mainly hindered by *gender stereotyping, gendered family responsibilities, and limited formal education* constructing the entrepreneurial realities of the women across both country contexts under investigation. . However, women are overcoming these challenges and gender barriers by *adopting informal non-traditional financing mechanisms* to facilitate their enterprises.

In both Kenyan and Nigerian contexts, women entrepreneurs indicated that due to the ***gender stereotypes*** and structural inequalities embedded in the patriarchal African contexts and mainstream financial institutions, women have difficulty in accessing finance from mainstream institutions due to lack of collateral security requirements evident in their lack of land ownership and capital goods. Emphasising this point, Atieno and Hadiza... said,

“is that the conditions are also not friendlyso sometimes for the conditions, they'll tell you to bring collateral like uh landed documents, property. Now for a person who is starting small, I don't think that is advisable (Hazida - Nigerian Entrepreneur)

Banks really despise us Jua Kali people so much because our businesses are small. When you approach them for a loan, they ask for so many things and application processes.... They first ask for evidence of ownership of assets, especially title deed or car logbook, guarantors, savings account, or income payslip etc for security, to guarantee you have income that will pay back loan. I don't have any land, and it's a known fact many women here in our culture don't own land, and he (my husband) can't even give me his to go apply for a loan with. (Atieno - Kenyan Entrepreneur)

The above excerpts highlight first-hand evidence of how access to financial resources in the mainstream banking system is both highly classed and gendered. Access to finance is gendered due to patriarchal cultural ascriptions that despise women's low borrowing capacities and privilege men who 'have bigger ideas and borrow bigger' in the eyes of the financiers (Stevenson and St-Onge, 2005:31). Equally, the presence of prohibiting cultural inheritance laws that favour the male child over the female child, women are disadvantaged in the sense that they are culturally barred from land and property ownership rights. As such, most women's inability to meet the strict collateral security requirements imposed by banks automatically excludes them from accessing loans and entrepreneurial finance from banks.

Participants also mentioned that the family dynamics is inherently gendered and designed in such a way that assigns childcare, *family responsibilities*, and other domestic roles disproportionately to women alone, forcing women to choose and situate their business in sectors that allows them flexibility and sometimes locating businesses at home or close to home. These sorts of businesses are characterised as small, with low growth profit margins and therefore difficult to secure funds by formal financial institutions. In line with this, Chioma and

It's just 24 hours we have in a day and in that 24 hours you need to sleep, you need to also pay attention to your children, pay attention to your husband, pay attention to your business...so you need to also pay attention to everything. So, it's a whole lot of work...you need to be an all-rounder to be successful, it makes doing business difficult and to receive any type of funding (Chioma-Nigerian Entrepreneur)

Jua Kali is flexible. Because I don't have a standard opening time, I see the flexibility as beneficial because I can organise my selling around my house chores. but the challenge is that i don't go to market daily, which mak (Fanisi - Kenya entrepreneur)

Put together, the excerpts above exemplify the trade-offs and everyday realities of women navigating patriarchy and gendered roles of domesticity alongside entrepreneurial activities. This finding corroborates with previous studies (see Jayawarna, Swail and Jones 2020; Sindani, 2024) on women's choice of flexible enterprise in feminine sectors as the most appealing, to be able to reconcile both their domestic and business responsibilities. Majority of women's understanding of flexibility is perceived as a welcome opportunity to 'balance things' between their domestic tasks all of which do not contribute to substantive tangible production but are important daily household chores for family survival. Unfortunately, these domestic duties often come at the expense of their enterprises, since they cannot expand the business this further hinders their access to loans from mainstream financial institutions.

Due to *limited formal education*, most women establish small micro-enterprises with low growth potential and profitability and therefore lack credibility and visibility of their businesses which impacts on their accessibility to finance.

Yes, I did take a few informal lessons a while back and I think that has really helped a lot with the way that I am running my business right... Funmi (Nigerian entrepreneur)

yeah it has because the truth is basically having an education of any form gives you an edge, most times you handle things a lot better; you handle things more rationally because you have better insights. Basically, when I'm having conversations with my contemporaries, I see I have an edge most times....Aisha (Nigerian entrepreneur)

As shown in the excerpts above, the majority of women entrepreneurs in both the Kenyan and Nigerian contexts have limited formal education and lack of employment opportunities and managerial experience, which ultimately impacts on their access to enterprise funds. However, although having limited access mainstream finance in a persistent structural gendered barrier for women in most of the Global South contexts (Joseph, Nevo and Nwolisa, 2021) most women entrepreneurs in the Kenyan and Nigerian contexts, are now circumnavigating these structural barrier by exercising their own agency and in the spirit of Ubuntu ‘i am because we are’(Chipango, 2025) now resort to ***non-traditional financing mechanisms*** of collective rotary group contributions known as *Esusu* in Nigeria, and *Chama* in Kenyan as a financing avenue to facilitate their enterprises. The following excerpts emphasis this point,

I started to run a women's contribution group by the leading of the holy spirit; I started 3 years ago and we've been running successfully till now and so I said to myself all the bulk money I've been able to raise has always been through my contribution from other women. I will go back to this contribution [Esusu funding] and raise this money (to buy property to expand the business) that I'm looking for, so I did. I saved my money for contributions for three years; I went back in 2019 and collected contributions in January for the first time. Normally I don't collect early and I put all the money together and I was able to raise two-thirds of the money that I needed for my business...(Bumi- Nigerian Entrepreneurs)

....And we have five lines [groups] in Esusu; we have one group for N2.5 million per month, we have a group for N1 million a month, we have a group for N500,000 a month, and we have two groups of N250,000 every month, and so we have women who contribute 5 million every month, so it's the savings from Esusu lines that make our businesses survive... (Hadizai- Nigerian Entrepreneurs)

I began doing Mitumba with about Ksh.10,000 (\$100) from my former sales merchandise promotions job, and another Ksh.20,000 (\$200) I got from my Merry-go-round Chama. I can say it was not difficult to start, and since it's open-air, it's not much of a hassle to start. That's the good side of it. (Damari - Kenyan Entrepreneur)

As shown in the above excerpts, women entrepreneurs through their own ways of organising and agency find their own means of financing. These findings suggest that women are pushing back systemic structural barriers and creating their contribution systems for social lending schemes and ‘table banking’ through small self-help groups called ‘Chama’ in Kenya and ‘Esusu’ in Nigeria where they engage in rotation savings schemes to get additional finance for their enterprises.

Discussion and Implications for Policy

This study examined the barriers to women's access to finance in two sub-Saharan African country (Kenya and Nigeria) contexts with strong patriarchal structures and women have navigate and overcome these structural barriers. The findings highlight that women's access to enterprise funds is underpinned by limited formal education, gendered family responsibilities, gender stereotypes in financial institutions. However, findings also reveal that women entrepreneurs are also exercising their own agency through Esusu and Chama, self-lending groups rotation savings schemes to get additional finance for their enterprises. This study's findings are important for theory and practice because they bring forth an in-depth understanding of women's entrepreneurship in marginalised contexts. Theoretically, the study extends Ubuntu feminist analysis (Chipango, 2025) underscoring collective agency exercised by women entrepreneurs in both contexts. Overall, the findings are relevant for policy makers specifically regarding overhauling of structural barriers to women's access to finance for women entrepreneurs in African contexts. As women resort to obtaining finance from informal social lending schemes (Esusu and Chama), financial institutions and policy makers still assume a 'one size fits all' in enterprise policy approach to financial support for microenterprises, the entrepreneurial experiences of women entrepreneurs suggest that a holistic enterprise financing approach needs to be considered. Furthermore, inclusive financial and legislative systems that support women's informal financing mechanisms and for government enterprise funds need to be extended to cover unregistered self help (Esusu and Chama) groups which facilitate informal table banking financing options for most women entrepreneurs.

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