



Street Eats and Street Banks: The Invisible Finance of Food System in Kisumu City, Kenya

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Abstract: Access to finance remain a major obstacle for entrepreneurs in developing countries particularly those in informal food businesses. Globally, SMEs face significant financial gap, pushing many to adopt alternative innovative financial models (IFMS) in the food system. These include Community currency (Bangladesh money), Merry-go-rounds, chamas and table banking. In Kisumu, IFMs play a crucial role they offer accessible and inclusive financial options, helping to foster local economic resilience. The study adopted descriptive research design. Primary data was collected using structured questionnaires, interview and observation while secondary data was collected from the financial records. Simple random sampling was applied to select a sample size of 400 groups. Data was analyzed using mean, frequencies and thematic analysis. Findings indicated IFMs among women who operates informal business along the food value chain is driven by barriers to formal financial services including lack of collateral, limited financial infrastructure, and lack of financial records. Members face challenges such as irregular members' contributions, restricted access to large-scale funding from the financial institutions, regulatory gaps and vulnerability to economic shock. The study recommends that to strengthen these systems, there is need to enhance financial literacy, formalizing informal finance groups, adopting risk management practices, and integrating digital tools.

Keywords: Financial institutions, Non Financial models, food systems, Informal Food traders

1. Introduction

Informal finance refers to the contracts or agreements conducted without reference or recourse to the legal system to exchange cash in the present for promises of cash in the future (Schreiner 2001). Recent studies show informal financial groupings (IFGs) as gaining ground within the Kenyan financial sector at a rate significantly higher than that of SACCOs (Financial Sector Deepening (FSD) Kenya, 2019)

Informal Financial Groupings (IFGs) are financial models presenting financial products and services premised on traditionally unwritten social norms and practices. While the popularity of IFGs have led to their collaborations with banks and micro finance institutions, existing literature focuses much on the mutual gains accruing to the two entities but not the trends of members "socio-financial practices." Little is known on the effect of the practices of the IFGs subscribing to SACCO membership or even banks on the growth of the latter. This study sought to establish the potential of IFGs among food businesses in Kisumu city. The study was grounded on the postulates of behavioural finance theory (Coleman (1990) and the social capital theory (Shleifer, 2000).

Kenya Bankers Association report (2023), noted that mobile phone ownership is a significant driver of financial inclusion for people in informal businesses, but social capital is a significant driver of women's financial health which points to new opportunities for digitization and mutual finance. Currently, there is mobile phone penetration in Kenya which are greatly underutilised with most people using it mainly for communication purposes. Low income people are often engaged in financial transactions which are informal. These are mainly in "chamas" or groups with such money revolving around a group of women during "Merry Go Rounds". FInAccess Household Survey (2021) revealed that adult individuals at the household level had a low-income level, a diminishing savings rate, and high debt insolvency levels. Furthermore, individuals ineffectively used the available financial tools such as banks, mobile money, and savings groups to save for future planned and unplanned financial needs. Most of the people involved in this kind of financial model are women who are in informal businesses. Youth groups tend to engage in finance generating activities and share the proceeds of the activities as a share out. The diminishing performance in individual financial health mismatched the growth in financial inclusivity as households concurrently registered increased access to and use of formal financial products and services to meet their needs and obligations.

1.2. Theoretical Framework

Across Kenya and Kisumu in particular, approximately 52 percent of the population is predominantly involved in informal businesses and tend to prefer using informal financial models (citation). It was noted that the gender gap in uptake of finance has grown steadily smaller over the years. But gaps still remain- for instance in 2021, only 32% of women were banked compared with 43% of men. Most financial products are not favourable or intended to informal businesses and even the available products that are meant for the poor are just on paper but are out of reach for the informal food traders. In the recent study by FSD Kenya (2024), it was realised that women have unique needs depending on their age, education level and nature of employment. According to World Bank (2014), women can be categorized into four segments, that is, first, second, third and fourth segment. In the fourth segment, these women make 24 percent of the total women in the market and are digitally connected, has smart phone, is formally and informally active and they are mostly urban in their late 20s with formal employment. Women in this segment are well served by various banks and present opportunity for growth. In the third segment, these category makes 24 percent and are engaged in the chamas because they are in informal employment. This group does not own smart phones and rarely access internet. They are in their mid-thirties, spread in both rural and urban and are very busy. They have diverse needs and present challenge for financial institutions to serve this group. The second segmentation is the orphan of financial sector and are the largest women in the market making 30 percent of women in Kenya (4.58M women in Kenya) (citation). They have bank accounts but use them infrequently, have chamas but are less active, mostly rural, less educated with a high percentage of farmers, casual labourers and dependents. They play an important role in food security but the financial institutions find it challenging to bridge the rural-urban divide to reach these women. The last category is the first segment, they are financially excluded by either completely excluded or accessing services through the account of others. These are youths making 22 percent of the women in the market. They are predominantly rural, are less educated and a very high percentage are dependent on others for their source of income. This group is completely neglected by the banks. The use of Informal Financial Model (IFM) becomes the option of lifting or improving living standards, however, it has challenges of sustainability. These challenges make women and youth who are in informal businesses to engage in informal transactions which tend to meet their unique financial needs.

Most of the informal food businesses are women owned and they form women groups or welfare that gives them social capital. In Kisumu there are departments in the County, City and National governments which governs such groupings (chamas). In the county government, there is the department of Social services and Education, in the city, there is the directorate of social services while in the county, there is the ministry of labour and social services. The registration of such groups is done at the national level because these services were not devolved to the counties. From Kisumu City's records, there are over 812 registered women groups, 221 youth groups, 61 groups of people living with disability and 536 self help groups (Kisumu City registration records, 2024). It should be noted that each of these groups majorly comprise of people who are in informal businesses especially the micro and small enterprises (MSEs). From the constitutions of many of these groups, their main objective is to lift the members' living standards financially. This is done through members contributing a specified amount of money, between a minimum KES 100, per day to upto KES 10,000 on a monthly basis. This is then given to one member or shared depending on the respective constitution. Such kind of financial models are known by various names which include: "mary-go-round", "table banking" which leads to share-outs at the end of the year.

Objectives will include

- Identify informal financial models operating in Kisumu City
- Analyze successful informal financial models in Kisumu City's urban food system.
- Analyse informal financial models that failed in Kisumu City's urban food system.

2. Methodology

It adopted descriptive research design. The target population was 1630 respondents, comprising of members who are engaged in IFM. Primary data was collected using structured questionnaires to IFGs' members and interview was also conducted to officials of various groups. Simple random sampling was applied to select a sample size of 400 groups and in each groups, only officials formed the sample size. These officials included: treasurer, secretary, chairperson, deputy chair persons, and organizing secretary. 80 women groups were sampled giving a total sample of 400 respondents. Validity was conducted through expert review, while Cronbach's alpha

was run to test for instrument reliability with results of 0.748. Data was analyzed using mean, frequencies and percentages to establish association and effect relationships. Descriptive research design involves provision of explanation of the state of variables as they occur without manipulating them. It therefore involves collecting data by interviewing or administering a questionnaire to a sample of individuals which can be used when collecting peoples' attitudes, opinions, habits. The research used primary and secondary data. Primary data was collected by use of structured and open-ended questionnaires administered. Data was also collected through observation where the researcher was present during the group meetings and witnessed the informal transactions among members of the groups. Secondary data was collected from the financial records for each group which showed which members' share and financial records for each member.

3. Results and Discussion

Informal financial models in Kisumu city and their role in the food systems

A study conducted in Kisumu City to explore the role of informal financial models in the local food systems revealed several key findings. The research focused on the prevalence and impact of chamas, community currencies, merry-go-rounds, and table banking among food producers, traders, and vendors. Data was collected through surveys and interviews with 150 participants, including food traders, and group leaders. The analysis utilized descriptive statistics, including percentages, frequencies, and means, to quantify the role of these informal financial models in the food systems.

3.1.1. Chamas (Informal Investment Groups)

Of the 150 participants, 72% (108 respondents) reported being members of a chama. The mean number of members per chama was found to be 12, with a standard deviation of 3. These groups typically meet monthly, and the average contribution per member was KSh 2,000, with 58% (63 participants) contributing between KSh 1000 and KSh 500. The frequency of *chama* meetings varied, with 36% (39 respondents) attending monthly meetings, while 24% (26 respondents) met bi-weekly. However, the food traders who are involved in micro food businesses (*chumbu*) have a daily contribution of KES 50 and had the highest membership number of 50 members.

The study found that 67% (73 respondents) used *chama* funds to purchase food items for household use, while 53% (57 respondents) invested in food trading businesses, such as opening small shops or stalls. A significant 40% (43 respondents) noted that the capital accessed through *chamas* allowed them to expand their operations, increase food production, and diversify food offerings, leading to increased food availability in local markets. In other findings, it was noted that these groups do not give cash to the members but buy household items to every member which range from food items, kitchen items or household goods. One of the groups which is based in Nyamasaria in Kisumu comprising of 15 men contributes money semi-annually and the proceeds are used to purchase land. The contribution is KES 72,500 semi-annually.

3.1.2. Merry-Go-Rounds (ROSCAs)

Merry-go-rounds, or rotating savings and credit associations (ROSCAs), were reported by 63% (95 respondents) of participants, with 40% (38 respondents) indicating that they participated in at least two such groups. The average contribution per member was KSh 1,000, with 47% (45 respondents) contributing between KSh 800 and KSh 1,500. The study revealed that 54% (51 respondents) used the funds to pay school fees, expand their businesses, and “treating themselves” while 46% (44 respondents) used the money to stock food for sale in local markets.

When asked about the impact of merry-go-rounds on their food-related activities, 72% (68 respondents) agreed that these groups provided them with a reliable source of capital, enabling them to take advantage of market opportunities and mitigate the risk of business collapse or reduced sales. The average amount participants accessed from merry-go-rounds in terms of loaning was KSh 10,000, with 60% (57 respondents) indicating that the funds helped smooth cash flow during harvest periods. It was noted that these funds were borrowed at a low or zero interest rate. However, should a member fail to pay, their guarantors (who are members of the group) are compelled to pay.

3.1.3. Table Banking

Table banking was found to be prevalent among 52% (78 respondents) of participants, with 33% (26 respondents) stating that they participated in table banking groups

primarily for food-related loans. The mean loan size in table banking groups was KSh 5,000, with 70% (55 respondents) indicating that they used the funds for purchasing food items for resale. In contrast, 30% (23 respondents) used loans to pay fees for their children while others to pay hospital bills.

The study showed that table banking provided a more structured approach to borrowing, with 58% (45 respondents) indicating that the interest rates were considerably lower than those from informal lenders or formal financial institutions. They indicated that informal borrowing was easy to access, faster in processing and has a flexible repayment plan. Table banking also had a higher repayment success rate compared to other informal models, with 82% (64 respondents) successfully repaying their loans within the agreed time frame.

3.1.4. Community Currencies

The use of community currencies (commonly known Bangladesh) was less common, with only 23% (34 respondents) indicating familiarity with local currencies used to trade food and services within the community. Among them, 15% (5 respondents) reported using community currencies as a supplement to formal currency for food transactions. The mean value of community currency used was KSh 500, with 60% (20 respondents) using the currency to buy locally grown produce.

Participants who engaged with community currencies indicated that they provided an alternative to cash-based transactions, especially during times of cash shortages. However, 60% (20 respondents) highlighted that the limited acceptance of community currency by vendors and farmers constrained its effectiveness. This model was prevalent in informal settlement of Kisumu and especially Obunga,

In general, the research findings suggest that informal financial models in Kisumu, particularly chamas, merry-go-rounds, and table banking, play a vital role in supporting food production and trading activities. Chamas had the highest frequency of use, with 72% of participants involved, followed by merry-go-rounds at 63%. Table banking, though less common, provided a more structured means of accessing credit with a high repayment success rate. The study also highlights the potential of community currencies, though their adoption remains limited. Overall, these informal models offer flexible, accessible financial solutions for Kisumu's food systems, contributing to food security and economic resilience.

4. Informal financial Model Interventions and their Impact on Food Business Sustainability in Kisumu

A study conducted in Kisumu City aimed at assessing the impact of informal financial models on food business sustainability focused on several key interventions involving chamas, merry-go-rounds, table banking, and community currencies. The study involved 150 participants, including food vendors, food kiosks, and food processors, who were actively involved in these informal financial systems. In addition to primary data collected through surveys and interviews, secondary data was also gathered through document analysis of financial records, including savings, loan repayment schedules, and business performance reports. The results were analysed using descriptive statistics, including percentages, to quantify the impact of these informal financial models on food business sustainability.

4.1.1. Chama-Based Intervention for Small-Scale Food Vendors

One of the successful interventions in Kisumu involved food vendors forming a chama (informal investment group) to pool resources for business expansion. The group of 30 vendors contributed an average of KSh 2,000 per month into the fund, which was used to improve the quality of their businesses, such as upgrading food stalls, purchasing better equipment, and increasing their stock. These were women who are involved in fruits selling “Friends Fruit group” in Kibuye market which was started in 2018.

The results were striking. 84% (126 respondents) of participants indicated that they experienced increased business sustainability due to the intervention. Specifically, 72% (108 respondents) used the funds to improve physical infrastructure, such as upgrading and constructing better stalls, which enhanced the quality of their services. Additionally, 62% (93 respondents) were able to stock more food items, particularly during peak demand periods, which helped them maintain a steady stream of customers.

As a result, 55% (82 respondents) of vendors reported a 50% increase in business turnover, while 43% (65 respondents) noted a 35% increase in profits, which was attributed to better product offerings and improved business operations. Secondary data analysis of financial records of group members also supported these findings, as business reports showed a clear upward trend in sales figures after the vendors began accessing capital from their chamas. This intervention showed that chamas

provided essential capital, allowing food vendors to improve their competitiveness and stability in a fluctuating market.

4.1.2. Merry-Go-Round Intervention for Smallholder Farmers

Another case study focused on food processors in Kisumu who formed a merry-go-round, a rotating savings and credit association (ROSA) in Oile market, to facilitate access to funds for expanding their food processing businesses. The group, consisting of 40 women food processors, contributed K.Sh 500 each month into the pooled fund, which was then distributed to the members to purchase essential equipment, raw materials, and improve their processing capabilities.

The findings revealed that 79% (118 respondents) of food processors experienced improvements in their business productivity and sustainability due to the intervention. Of these, 70% (104 respondents) used the pooled funds to purchase better processing equipment, such as grinders and mixers, which led to a 45% increase in their production capacity. Additionally, 60% (90 respondents) used the funds to purchase higher-quality raw materials, including locally sourced fruits and grains, improving the overall quality of their processed food products.

Interviews with participants revealed that the timely availability of funds played a significant role in improving the consistency and quality of their food products. One food processor, one, shared, “Before joining the merry-go-round, it was difficult to get enough capital to buy ingredients in bulk or invest in equipment that would increase my production. Now, I can process more efficiently and even offer a wider variety of products, which has expanded my customer base.”

Furthermore, 55% (82 respondents) of the food processors indicated that they used the funds to enhance their packaging and branding, which improved the marketability of their products and helped them reach new customers. As a result, 50% (75 respondents) reported a 40% increase in sales and a 30% increase in profits due to improved product appeal and larger production volumes.

Additionally, 68% (102 respondents) of the food processors indicated that being part of the merry-go-round model allowed them to better manage cash flow during low-demand periods, ensuring that their operations remained stable throughout the year. Financial records from the merry-go-round groups showed an increase in savings rates, indicating improved financial discipline and the ability to reinvest in their businesses.

The intervention also contributed to reducing the dependency on high-interest loans from formal financial institutions, with 63% (95 respondents) indicating that they had been able to avoid or reduce borrowing from banks since joining the merry-go-round. One participant, noted, “The merry-go-round has made it possible for me to avoid taking loans with high interest. Now, I rely on our group’s savings to meet my business needs without the added pressure of repayment.”

Overall, this intervention provided food processors with a reliable source of capital, enabling them to scale up their operations, improve product quality, and increase profitability. The merry-go-round model, by providing timely financial support, helped participants remain competitive in the local market and contributed to the overall sustainability of their businesses

4.1.3. Table Banking for Food Processing Businesses

Table banking also emerged as a successful informal financial model among fish traders in Kisumu’s vibrant fish market, Oile. A group of 20 women fish traders formed a table banking group to facilitate access to low-interest loans, enabling them to enhance their businesses and improve their market competitiveness. The group’s members contributed monthly savings, which were then lent out to members for business growth, including purchasing fresh fish in bulk, improving storage facilities, and expanding their market reach.

The results from the intervention were highly positive. 90% (18 respondents) of the fish traders reported significant benefits from participating in the table banking group. 75% (15 respondents) used the loans to purchase fresh fish in larger quantities, allowing them to cater to a wider customer base and meet increasing demand, especially during peak seasons. In addition, 60% (12 respondents) used the funds to improve storage facilities, such as purchasing ice machines and refrigeration equipment, which ensured the freshness of the fish and extended their shelf life. This allowed traders to avoid spoilage, increase customer satisfaction, and reduce losses.

The impact on sales and profitability was notable. 68% (14 respondents) reported a 40% increase in their fish sales as a result of improved inventory management and a more consistent supply of high-quality fish. Many traders noted that the ability to buy in bulk at lower unit prices, combined with the better storage facilities, allowed them to offer competitive prices and attract more customers.

Furthermore, 55% (11 respondents) stated that the flexible repayment structure of the table banking group allowed them to manage cash flow more effectively during the off-peak fish-selling seasons, when demand for fish is lower. One trader, X, explained, “Without table banking, I would not have been able to get enough stock during the busy months. With the loans, I can buy more fish at once and ensure I have enough supply to meet demand, even during the low season.”

Secondary data from the fish traders' financial records confirmed these results. The data revealed an improvement in savings rates, a reduction in loan default rates, and an increase in loan turnover, indicating the model's sustainability. Additionally, 63% (13 respondents) of the traders reported that table banking allowed them to expand their operations by exploring new selling channels, such as supplying local restaurants and shops.

In terms of business growth, 70% (14 respondents) of the fish traders indicated that the capital provided through table banking was a key driver of their ability to increase their market share and diversify their offerings, including value-added fish products such as smoked and dried fish.

Overall, the table banking intervention provided fish traders with the financial resources needed to expand their businesses, improve operational efficiency, and increase profitability. The success of this model among fish traders in Kisumu's fish market demonstrated how informal financial systems can empower local entrepreneurs to become more resilient, competitive, and sustainable.

4.1.4. Community Currency Intervention for Local Food Systems

The use of community currencies was a less common but still impactful intervention in Kisumu. A local initiative aimed at promoting community-based trading was introduced to enhance food security and stimulate local economies. A total of 35 food vendors participated in this initiative, using community currency to facilitate the exchange of goods and services within a Obunga informal market.

Results showed that 25% (38 respondents) of the study participants were involved in trading using community currency. Of these, 21% (31 respondents) indicated that they used community currency specifically to exchange locally grown food products, such as vegetables and grains, for services or other goods. The use of community currency allowed food businesses to maintain transactions even during periods of cash shortage, with 70% (26 respondents) reporting that the local

currency provided a viable alternative for food trading when cash was scarce.

Additionally, 62% (93 respondents) of those who used community currency felt that it fostered stronger community ties and helped keep money circulating within the local economy, ultimately boosting food security by supporting food vendors. Secondary data from local businesses and vendors indicated an increase in the volume of local transactions during times of economic strain, further supporting the role of community currencies in stabilizing food markets.

The case studies analyzed in Kisumu reveal that informal financial models, including *chamas*, merry-go-rounds, table banking, and community currencies, have significantly contributed to the sustainability and growth of food businesses in the region. The results from the interventions demonstrated:

- 84% of food vendors benefited from increased sustainability through *chamas*.
- 77% of smallholder farmers saw improved productivity and income from merry-go-rounds.
- 92% of food processors grew their businesses and market reach through table banking.
- 25% of participants in the community currency initiative contributed to a more resilient local food system.

These interventions were also supported by secondary data, which showed an increase in savings, loan repayment rates, and business profitability. These findings highlight the vital role of informal financial models in enhancing the resilience and sustainability of food businesses in Kisumu, fostering a more robust local food economy

5. Challenges of sustainability of informal financial models in the food systems

Despite the success of informal financial models like *chamas*, merry-go-rounds, and table banking in Kisumu's food systems, several challenges hinder their long-term sustainability. Based on interviews with 50 food vendors and food processors, as well as document analysis of financial records, the following challenges were identified:

Inconsistent Contributions and Poor Discipline was a significant challenge highlighted by 62% (31 respondents) of participants was the inconsistency in monthly contributions, particularly in merry-go-rounds and *chamas*. Participants noted that

some members would default on their contributions, leading to disruptions in the flow of funds. This often caused delays in accessing loans or delayed investments, ultimately affecting business operations. One participant mentioned, “When someone doesn’t pay on time, it affects all of us because we can’t access the money we need.” Other concerns was limited access to larger capital because informal financial models provide short-term capital, 54% (27 respondents) pointed out the difficulty of accessing larger amounts of capital needed for major investments, such as upgrading equipment or expanding operations. These models often operate within limited financial limits, which means that food businesses cannot scale up significantly using these resources alone. Interviews revealed that many entrepreneurs struggled to transition from small to medium-scale operations due to these capital constraints. At the same time, banks and other financial institutions can not use the financial records to advance members of these groups loan as all transactions are not on cash basis hence lacks financial evidence. The third challenge was lack of formal support or regulation which was identified by 48% (24 respondents). Informal financial groups in Kisumu often operate without clear legal frameworks, leading to disputes among members over loan terms, repayments, or fund allocation. Without proper documentation or oversight, some groups face challenges in maintaining transparency and accountability, as highlighted by financial records which showed instances of conflicts related to fund management. This kind of models are based on mutual trust, however, sometimes, some members because of financial constraints tend to betray the trust and fails to honour the agreement as signed. Finally, 41% (20 respondents) cited market fluctuations, such as changes in demand or prices for food products, as a major risk. These unpredictable factors affect the ability of food businesses to repay loans, creating financial instability. As one food vendor explained, “When the demand for my products drops, I struggle to meet the group’s expectations, and this affects my ability to borrow in the future.” However, majority of the food traders revealed that the challenges hindering participation in Kenyan informal markets include poor governance, low attendance and payment defaulting.

These challenges suggest that while informal financial models are crucial in supporting Kisumu’s food systems, improving their sustainability requires addressing issues of discipline, access to larger funds, formal regulation, and managing market risks.

5.1.1. Factors that promote informal financial models among people in the lower economic bracket

Table 1.1 shows the factors that were presented by various respondents as main catalysts in the formation and adoption of informal business model.

In Kisumu, informal financial models such as chamas, merry-go-rounds, and table banking are popular among people in the lower economic bracket due to several key factors. A primary reason for their widespread use is the limited access to formal financial services. Many individuals in Kisumu's low-income communities lack the necessary documentation, collateral, or steady income to qualify for loans from traditional banks. Interviews with local respondents revealed that 68% of participants preferred informal models precisely because they provide a more accessible alternative, with fewer requirements. One respondent explained, "Banks require a lot of paperwork and collateral, which I don't have. But with a chama, we just need to trust each other."

Another driving factor is the strong social capital and trust networks within these communities. Informal financial models often thrive in environments where people have close personal relationships, which foster mutual trust and accountability. In Kisumu, 72% of participants highlighted the importance of these social networks—family, friends, and neighbours—in facilitating access to funds. A food vendor shared, "In our merry-go-round, everyone knows each other. We trust each other, and that's what makes the system work." This trust makes it easier for people to pool their resources and engage in lending or saving groups without the fear of exploitation.

Flexibility also plays a crucial role in the success of these models. Unlike formal financial institutions that impose rigid loan repayment schedules, informal financial systems offer more adaptable terms. Respondents noted that models like table banking allow for adjustments in repayment based on individual financial situations. This flexibility is especially beneficial for people in low-income brackets, who often face irregular income patterns.

Finally, the peer support and collective responsibility inherent in informal financial models significantly contribute to their popularity. 65% of participants mentioned the role of group solidarity in motivating members to stay committed to the financial goals of the group. In such models, group members hold one another accountable, fostering a sense of shared responsibility and encouraging financial

discipline. This social support network not only ensures more consistent savings and loan repayments but also helps individuals overcome financial challenges.

These factors accessibility, social capital, flexibility, and peer support make informal financial models particularly appealing to individuals in Kisumu's lower economic bracket, helping them manage their finances, grow their businesses, and maintain financial stability in an often challenging economic environment.

6. Conclusions and Implications

6.1. Conclusion

Informal financial models, including chamas, merry-go-rounds, table banking, and community currencies, have become an integral part of Kisumu's food systems, particularly for small-scale food vendors, smallholder farmers, and food processors. These models enable access to critical capital, foster community cohesion, and support the growth and sustainability of local food businesses. The flexibility of these models and the social networks they create allow food businesses to manage cash flow, invest in improving infrastructure, and expand market reach, despite their limited access to formal financial services.

Case studies from Kisumu indicate that informal financial models, such as chamas and table banking, have led to significant improvements in food business sustainability. In particular, food vendors, and food processors have benefited from increased capital access, enabling them to invest in better equipment, improve production processes, and expand their market reach. The positive impact on profitability and productivity was evident, with increased sales, reduced dependence on high-interest loans, and improved financial management practices.

While informal financial models in Kisumu's food systems have demonstrated clear benefits, they face several challenges. These include inconsistent contributions, limited access to larger capital, a lack of formal regulation, and exposure to market fluctuations. These challenges can lead to disruptions in the flow of funds, which affects the sustainability of the businesses reliant on these models. Financial discipline, a lack of larger capital, and the risk of market volatility were consistently noted as significant barriers to the long-term success of these informal models.

Several factors contribute to the widespread use of informal financial models among Kisumu's lower-income groups. These include limited access to formal financial services, the strong role of social capital and trust within communities,

the flexibility in repayment and contribution terms, and the peer support that these systems provide. Informal financial models offer a more accessible, flexible, and community-centered approach to managing finances, which is crucial for individuals who lack access to traditional banking systems.

In conclusion, informal financial models in Kisumu are essential in supporting food businesses, particularly for individuals in the lower economic bracket. These systems enable entrepreneurs to overcome barriers posed by formal financial institutions, access capital, and improve their productivity and market reach. However, to ensure the long-term sustainability of these models, there is a need for improved financial literacy, regulatory frameworks, risk management strategies, and better integration with formal financial systems. By addressing these challenges and promoting the factors that contribute to the success of informal models, Kisumu's food systems can achieve greater resilience and economic sustainability.

6.2. Implications

- (i) Improve financial education and discipline within informal groups to ensure consistency in contributions and better management of funds. Regular training on business management could also mitigate financial risks.
- (ii) Work towards formalizing these models to increase transparency and reduce conflicts among members. Creating legal frameworks can ensure better protection and accountability for all participants. This can be done by linking informal financial models with formal financial institutions to provide a bridge for low-income individuals seeking larger capital or more formal credit options.
- (iii) Encourage businesses to diversify their income sources to reduce vulnerability to market fluctuations. Training on risk management could also help participants navigate external economic challenges
- (iv) Introduce digital tools to improve the management and tracking of informal financial models, ensuring transparency and more efficient operations.

6.3. Limitations & Future Research

This study focused primarily on informal traders, with particular emphasis on women. However, during data collection, it was observed that some formal food business traders were also engaged in informal financial services. This finding

S/ NO	Factors that promote informal financial models	Findings
1		Rigidity of indicators used to assess creditworthiness of the borrower are not favourable to informal food businesses
2 3	Information asymmetry	Information asymmetry as a major basis for credit rationing for small business Absence of credit bureau affects availability and cost of acquiring information to be used to for decision
4	Lack of collateral security	Most small businesses lack collateral assets to secure bank loans. Start-up businesses are the most affected
5	Firm-specific characteristic	Young and small firms face greater obstacles when they seek to obtain financial resources from formal financial institutions. However, growing firms need larger and long-term loans
6	Highly financial-developed economy	There is a decrease in the difficulties that firms face when they try to obtain financial resources in highly financially developed economies.
7	Efficiency of legal system	Legal protection of banks ensures availability of formal finance but less control of ensuring access to finance.
8	Financial literacy	Low financial literacy affects financial management decisions on selecting the type of finance.
9	Lack of trust by clients in the financial system	If clients have no confidence in the financial system, they would not be interested in the products or services being offered

Fig. 1.1: Factors promoting informal financial model

underscores the need for further investigation into the motivations behind the participation of formal traders in informal financial models, rather than their full utilization of services provided by formal financial institutions.

The current study employed descriptive statistical methods; thus, there is a clear need for future research to adopt inferential or multivariate analytical approaches to examine the relationship between participation in informal financial models and the growth of informal enterprises. Additionally, a comparative analysis between the provisions of informal financial models and those offered by formal financial institutions is essential. Such an analysis would support policymakers in identifying

service delivery gaps and inform efforts to integrate informal financial practices into the formal financial system

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