Busara Groundwork

LESSONS LEARNED

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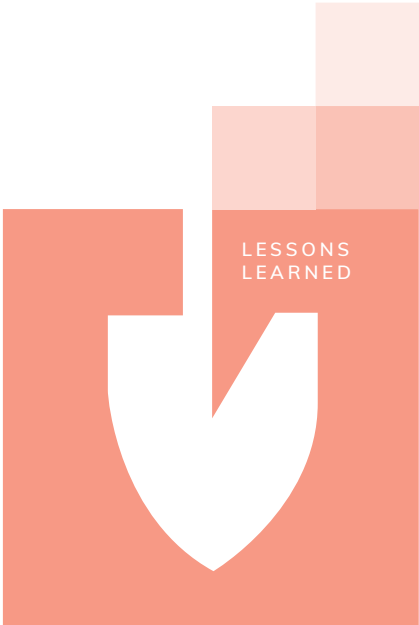
Digital platforms in retail trade and their impact on the outcomes of micro-entrepreneurs in Kenya



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There are no conflicts of interest to declare for this study.

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Abbreviations and acronyms

ME	Micro-Entrepreneur
MSME	Micro, Small, and Medium Enterprises
ILO	International Labor Organization

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Executive Summary

The rapid spread of mobile phones in the Global South has sparked interest in their potential to drive economic growth by overcoming technical and market barriers. Mobile phones' reach into low-income and marginalized populations has raised hopes for more inclusive growth, allowing more people to participate in and benefit from digital markets. Kenya provides an ideal context to explore this promise.

With a mobile phone penetration rate of 126% and 84% of adults owning a mobile device, Kenya represents a mature market for mobile technology. The dominance of the informal sector, where most Kenyans earn their livelihoods, makes this setting particularly relevant for examining the role of digital platforms.

This study investigated how micro-entrepreneurs (MEs) use digital platforms to improve their livelihoods. We explored three key mechanisms through which platforms could benefit MEs:

1. **access to more competitive stock prices to improve profit margins,**
2. **enhanced price discovery for better purchasing decisions, and**
3. **development of digital transaction histories to unlock access to formal financial services.**

We conducted this study in Kenya, Nigeria, Bangladesh, and India, but this report focuses on findings from Kenya. In Kenya, the study focused on the retail sector's business-to-business aspect of the demand side, where MEs primarily use digital platforms to source stock. We conducted three phases of research over 15 months: a qualitative phase to validate the hypothesis, a quantitative survey, and a final qualitative phase to refine our insights. The findings presented here are based on the first two phases.

Our findings show no significant association between platform usage, reduced operating costs, or increased profit margins. While on-platform MEs tended to perform better, this was more closely linked to the underlying sophistication of their businesses rather than platform use alone. Similarly, platform-based trade credit did not meaningfully increase access to capital for MEs. Few MEs reported using on-platform credit, with many either unaware of its availability or deterred by unfavorable terms. Additionally, business performance and access to platform credit were weakly linked, suggesting that even successful businesses face barriers to accessing trade credit.

However, we found no evidence of platforms creating market dependency or distorting market power. Most MEs (55%) reported using multiple platforms and felt they could easily switch between them or revert to local suppliers. This data suggests that platforms could serve as an effective channel for delivering financial and business support interventions, but only with the right incentives and conditions.

This study represents one of the most comprehensive efforts to track the economic impact of retail trade platforms in Kenya. Future research could extend this work by examining the effects of other types of platforms, particularly those that expand market access and improve incomes. Additionally, the findings highlight the need to explore structural barriers, such as labor misallocation, limited economic capacity, and wealth distribution that shape the informal sector and broader employment landscape in Kenya. Understanding these deeper economic challenges could unlock more sustainable pathways to improving livelihoods.

Context

Digital access in Kenya

The rapid proliferation of mobile phones in the Global South has fueled widespread interest in their potential to overcome technical constraints in accelerating economic growth. By enabling instant access to financial services, market information, and vast networks of potential customers and suppliers, mobile technology promises unprecedented opportunities to expand businesses, increase efficiency, and improve livelihoods. Because mobile phones have spread to low-income and marginalized populations, this technology promises more inclusive growth as more and more people can participate in and benefit from digital markets.

Kenya provides an ideal context to interrogate this promise. With a mobile phone penetration rate of 126% and 84% of adults owning a mobile device, it represents a mature market for mobile technology (Communication Authority of Kenya, 2022). Despite lagging internet usage (29%), the success of mobile-based financial services like M-Pesa demonstrates the potential of mobile technology to drive economic change. M-Pesa's reported two per cent (Suri & Jack, 2016) reduction in poverty rates illustrates the tangible impact such innovations can have. Additionally, the near-ubiquitous use of mobile money provides businesses with a built-in layer of financial infrastructure, making it easier for micro-entrepreneurs to transact, save, and invest.

Further, Kenya is interesting because of the dominance of the informal sector, where the vast majority of Kenyans earn their livelihoods. With 83% of the workforce employed in the informal economy as of 2018, self-employment is the norm, whether by choice or necessity (Federation of Kenyan Employers, 2021). Most of these micro-entrepreneurs operate as sole proprietors, earning

subsistence-level incomes while facing persistent challenges such as low productivity and limited access to capital. For them, digital tools—providing market access, financial services, and business information—hold particular promise in improving economic outcomes. Examining how mobile technology can help lift informal sector traders beyond subsistence wages offers valuable insights into whether digital platforms can drive more inclusive and sustainable prosperity.

Digital platforms

While the term digital platforms can have multiple meanings, in this study, we refer to digital marketplaces that connect buyers and sellers while offering additional services (Gawer & Cusumano, 2015). These platforms are often described using various terms, such as the gig economy, the sharing economy, or the app economy—but their common defining feature is the use of digital tools to facilitate interactions between different market participants. These platforms are crucial in shaping modern commerce and economic activity by leveraging technology to mediate exchanges.

Digital platforms have rapidly emerged to capitalize on the widespread adoption of mobile phones and growing internet access, tapping into a vast pool of potential workers, customers, and asset owners. These platforms play a crucial role in aggregating and organizing markets across various value chains—including logistics, retail, real estate, and services—by connecting buyers and sellers more efficiently. Beyond facilitating market access, they also offer services such as payment processing, financing, and business support, further integrating micro-entrepreneurs into the digital economy.

Micro-entrepreneurs (MEs)

This study defines MEs as low-capital business owners who typically operate alone or with fewer than five employees. MEs account for 70% of the employment in emerging markets and developing economies ("Widespread Informality Likely to Slow Recovery from COVID-19 in Developing Economies," 2021). Noted earlier, Kenya is a prime example. MEs were the primary stakeholders in the study, as they are intended to be the primary beneficiaries of the market access and convenience enabled by digital platforms. While capital constraints ultimately determine business size, we used the number of employees as a practical and observable scale indicator. A common explanation for why micro-entrepreneurs remain small and earn subsistence-level incomes is that informality restricts access to financial services, capital, and markets. While this is often cited as a major constraint, we chose to focus on digital platforms as a direct means of improving access to markets, financial tools, and business opportunities for micro-entrepreneurs rather than informality itself.

The study

In this context, we carried out a study focused on how Micro-Entrepreneurs(MEs) use digital platforms to improve their livelihoods. We specifically hypothesized three mechanisms through which MEs could benefit from these platforms. First, access to more competitive stock prices could potentially increase profit margins. Second, enhanced price discovery leads to more informed purchasing decisions. Third, developing digital transaction histories could unlock access to formal financial services.

Furthermore, our study went beyond examining the benefits of digital platforms to explore how MEs interacted with them and whether certain groups faced barriers to access. We investigated the psychological and behavioral factors influencing platform adoption, how MEs perceived and used digital marketplaces, and their decision-making in areas like pricing and inventory management.

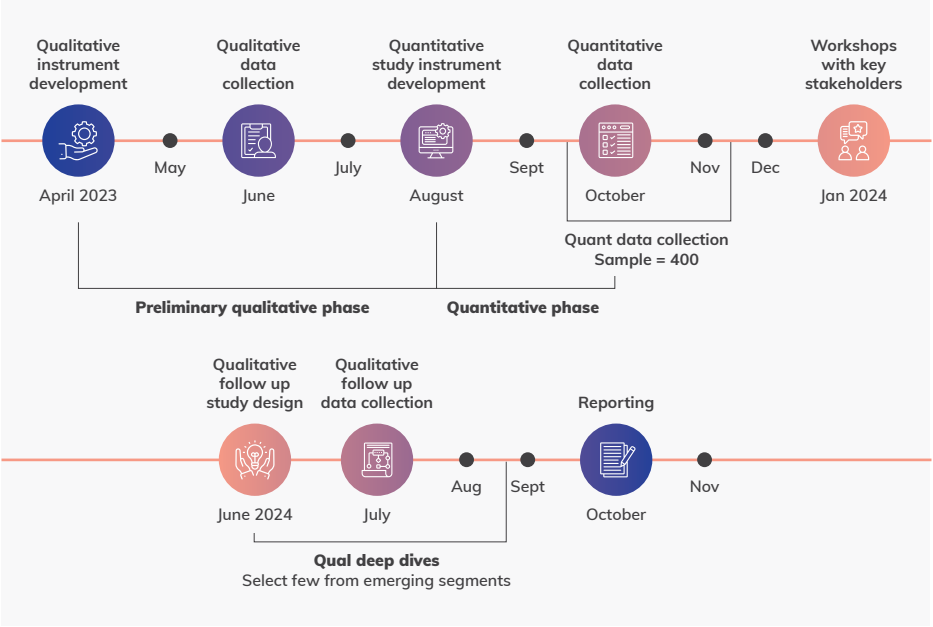
This study was conducted in Kenya, Nigeria, Bangladesh, and India, though this publication focuses on Kenyan findings. Across all four countries, we examined how digital platforms facilitate market access to improve livelihoods. While a common overarching framework guided the study, each market presented distinct economic realities, requiring us to adapt our methodology accordingly. Factors such as the types of digital platforms, the structure of value chains, and the ways technology is used vary across countries, shaping the approach and ensuring the relevance of our findings to each local context.

In Kenya, the study focused on the supply side of the retail sector, where micro-entrepreneurs primarily used digital platforms to source stock. Several key considerations drove this focus. First, Kenya's informal economy is dominated by retail and wholesale trade, making it the most relevant sector for understanding how digital platforms impact small business owners. Second, retail trade platforms aligned closely with our target demographic—micro-entrepreneurs operating on

limited capital as sole proprietors or small-scale traders. Other sectors, such as logistics, electronics, and fashion, typically require higher capital investments, excluding many of the smallest businesses.

Additionally, retail trade platforms were the most prevalent during the study. While we initially considered a broader range of platforms, many potential partners faced operational challenges due to a venture capital funding crunch following COVID-19 and U.S. Federal Reserve interest rate hikes. As a result, some platforms struggled financially or shut down, significantly narrowing our options (Startuplist Africa, 2024). Given our reliance on platform partnerships to identify and engage micro-entrepreneurs, we prioritized operational platforms willing to support the study, ensuring a broad and reliable participant base.

We conducted the study over 15 months in three phases:



- **Preliminary qualitative phase:** This phase aimed to validate our key hypothesis and map out micro-entrepreneurs' concerns and needs when interacting with digital platforms.
- **Quantitative phase:** The core of the study involved surveying 400 micro-entrepreneurs to understand their experiences with digital platforms, their perceptions of these tools, and the impact on their business economics and access to financial services.
- **Supplementary qualitative phase:** This final phase explored the patterns observed in the quantitative study, delving into the reasons behind them. It also involved developing case studies from a subset of participants to provide deeper insights into their experiences.

The preliminary qualitative phase

The research team conducted a qualitative study to explore the nuanced world of micro-enterprises (MEs) and their complex relationships with operational decisions and digital platforms. A combination of in-depth interviews, focus group discussions, observational studies, and a mystery shopper exercise was employed to uncover the layers of these interactions. Each method offered a unique lens through which to view the evolving behaviours of these enterprises.

Observational studies: Through a more discreet observation method during focus groups, the research team sought to bridge the gap between what participants reported and what they demonstrated in practice. By observing real-time interactions with platforms, researchers could detect subtle patterns and contradictions, offering a more holistic view of MEs' digital engagement that transcended mere self-reporting. Findings from the observations influenced instrument development for the interviews carried out with MEs.

Mystery shopper exercise: We performed a mystery shopper exercise to explore how demographic differences influence platform interactions. This involved

researchers downloading digital marketplace apps and going through the onboarding process. The goal was to assess onboarding requirements, possible bottlenecks, and the overall difficulty of the process.

In-depth interviews (IDIs): The interviews sought to capture individual micro-entrepreneurs' rich, personal narratives, providing a space for unfiltered reflections on successes and challenges. These one-on-one conversations revealed the deeply personal aspects of platform engagement, shedding light on how digital tools shape not just business practices but aspirations and frustrations alike. These insights would later serve as foundational building blocks for creating more detailed behavioural profiles of key segments.

Focus group discussions (FGDs): In contrast to the intimate nature of the interviews, the focus groups allowed for a collective exploration of shared and divergent experiences among MEs. These discussions illuminated the social norms governing platform usage, highlighting the unwritten rules and expectations that guide engagement. Quick polls and group dynamics offered an immediate sense of how widespread certain views and behaviours were, providing a snapshot of emerging trends and community-based attitudes toward digital platforms. The FGD focused on on-platform MEs.

We took care to ensure that women were adequately represented in in-depth interviews. To account for the overall marginalization of women, the focus group was constituted entirely of female respondents to capture the overall ME experience and the nuances particular to women. Internal Busara researchers carried out the mystery shopping exercise.

Table 1. Preliminary qualitative sample

IDIs	**On-platform**	**Off-platform**	**Total**
Female	7	8	15
Male	5	4	9
	12	12	24
Focus group			
Female	5	-	-
Observation exercise	2 retail trade platforms		

The quantitative phase

Following the qualitative inquiry, the research team conducted descriptive quantitative surveys designed to test the hypotheses and themes that had emerged from the initial study. Urban and peri-urban areas were prioritized for respondent recruitment due to their higher internet penetration and stronger presence of digital platforms. These regions provided a more fertile ground for exploring the impact and usage of digital platforms, allowing for a deeper investigation into the observed patterns. A smaller sample from peri-urban areas was included for comparative purposes. In contrast, rural areas were excluded from the Kenyan study because of the limited market penetration of the platforms we examined, making them less relevant for this research phase. We made a concerted effort to maintain at least a 50/50 gender balance in our sample to ensure that women's perspectives were well-represented in the data.

Platformed micro-enterprises (MEs) were identified through contacts provided by partnering platforms. Researchers then called the MEs to screen them, ensuring

they met the required number of employees, were verified platform customers, and operated within the retail trade industry.

Researchers visited Nairobi, Kiambu, Eldoret, Kisii, and Kisumu. For this study, respondents from Nairobi and Kisumu were classified as urban, while those from or around the larger towns of Kiambu, Kisii, and Eldoret were classified as peri-urban. Interviews were conducted using a combination of phone calls and in-person visits, depending on the availability and preferences of the micro-entrepreneurs.

Table 2. Quantitative study sample

Demographics	Male	Female	Total	Urban	Peri-urban
On-platform	132	129	261	163	93
Off-platform	59	71	130	76	54
Total	191	200	391	239	147

The sample was primarily young and educated, with most attaining at least a secondary school education.

Table 3. Education levels for the quantitative sample

Level of education	Below primary	Primary	Secondary	Tertiary
On-platform	1	13	51	34
Off-platform	-	32	49	17

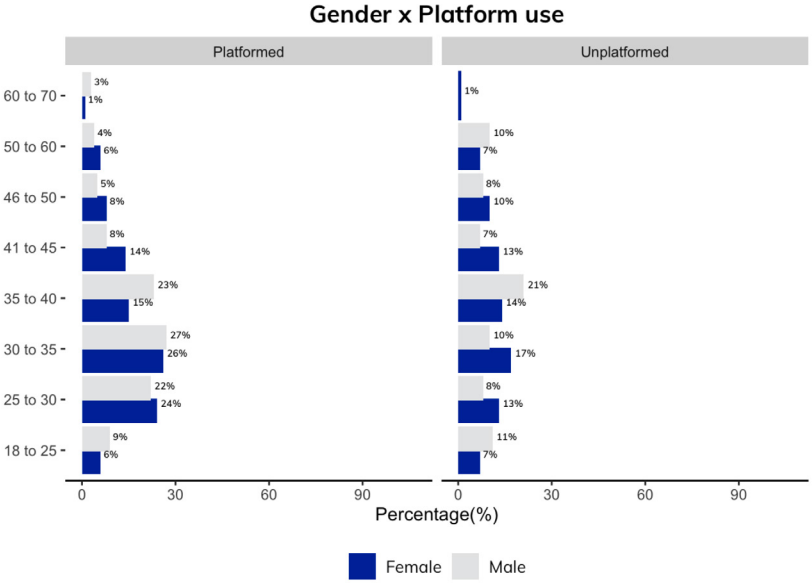


Figure 1: Age of respondents

The supplementary qualitative phase

The final phase of the research was a supplementary qualitative study, carefully designed to build on insights from the earlier stages. While the initial qualitative work and quantitative survey helped identify patterns in platform use and highlighted distinct segments of micro-entrepreneurs (MEs), this last phase aimed to dig deeper into the why behind those patterns. Specifically, it explored the underlying drivers of success among MEs, beyond just their use of digital platforms.

This phase focused on understanding the behavioural and operational factors influencing platform engagement. For instance, why do some digitally savvy MEs with the structural prerequisites still opt not to use platforms? What differentiates platform users from non-users in terms of operational details like cost structures and revenue models? Moreover, how aware are MEs of the digital financial services available through platforms, and to what extent do they use them?

The final stage of the study sought to provide a more nuanced view of ME success by asking these questions, looking past platform usage alone and uncovering the broader conditions and choices that shape outcomes.

The quantitative survey identified three personas of MEs that formed the basis of the demographics targeted in the subsequent qualitative study.

- **Platformable women:** From the survey, we identified attributes and behaviors of unplatformed micro-entrepreneurs (MEs) that closely resembled those of their platformed counterparts. We focused on the low-hanging fruit — MEs who could and perhaps should have utilized platforms. This targeted approach allowed us to effectively direct our efforts toward those most likely to adopt and benefit from the platform ecosystem.
- **Prosperous platformed MEs:** This group included positive deviants — MEs who had demonstrated both deep platform engagement and strong business outcomes. These outcomes were assessed through profit margins, income levels, expense management, and the extent to which success was attributed to platform use. For this segment, we conducted a retrospective analysis of their journey to differentiate and understand the roles of market dynamics, B2B interactions, and financial or operational behaviors in their success.
- **Struggling platformed MEs:** To contrast with the thriving group, we also studied platform users who, despite their usage, reported poor business outcomes. While we noted their level of platform engagement, these MEs were primarily recruited based on lower business incomes.

The study included 32 respondents who consistently participated in the study across the 3 months of data collection.

Table 4. Supplementary qualitative sample

	Platformable women	Struggling platformed MEs	Prosperous platformed MEs
Female	7	9	5
Male	-	4	7
Definition	▫ Unplatformed MEs from the quantitative phase that closely resembled those of their platformed counterparts ▫ Most likely to convert to platform use ▫ They at least owned and could operate a smartphone	▫ Despite using platforms, they have comparatively poor business results. ▫ These MEs were recruited based on their business income	▫ Positive platformed deviants, MEs who have shown both deep platform engagement and exemplary business outcomes ▫ Drawn from the highest third in terms of earnings

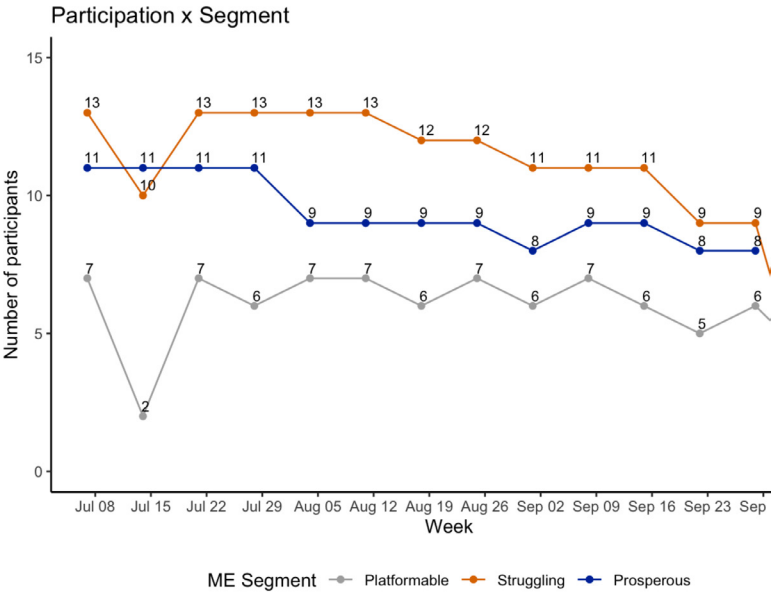


Figure 2: Attrition over the survey period

Findings

Awareness and onboarding

Platforms offered three main avenues for MEs to interact with them: downloading and using a mobile app, visiting the platform's website, or placing orders through a sales agent. These channels were often used in tandem, with agents frequently assisting MEs to navigate the app or website to place orders.

From the outset, it was clear that platform agents played a crucial role in how micro-entrepreneurs became aware of and adopted digital platforms. On-platform MEs reported discovering these retail trade platforms through friends and family and marketing campaigns such as social media or branded vehicles. However, regardless of how they initially learned about a platform, most waited to be approached by an agent or actively sought out an agent's contact before downloading and using the application.

This reliance on agents suggests that direct human interaction was key to building trust and overcoming initial hesitation. A lack of prior platform use did not necessarily indicate low digital literacy. Even among those who were unplatformed, most were already using social media and messaging apps to promote their businesses, demonstrating a familiarity with digital tools.

> *"My sister had a shop in Nairobi, so when I visited her, she told me about the apps like [Wa]soko and Kyosk. I told her I do see their vehicles but I have never bothered since I pick my products from town, so she told me to try. There was a neighbour who used to buy from Twiga, so I also inquired from her, and then they[Twiga] just started coming to my shop."* ***- Female retailer, Eldoret in Western Kenya***

The heavy reliance on agents to drive awareness poses sustainability challenges for platforms due to the significant costs, time, and effort involved. Micro-entrepreneurs appeared to require high-touch engagement, raising an important question: If MEs were digitally savvy and already aware of digital platforms, what drove this dependence on human touchpoints? More importantly, could this reliance be reduced without compromising adoption and engagement?

Two key factors likely contributed to this reliance on human touchpoints. First, MEs often required some training before they could confidently use the platforms independently. Second, direct human interaction played a crucial role in building trust, helping to make digital platforms—often perceived as abstract and intangible—feel more reliable and accessible.

> *"Yes[I need lessons], after they have done their doorstep delivery they should tell us on how to use their apps."* **- *Male retailer, Kisumu, Western Kenya***

In the quantitative survey, most of these off-platform MEs had learned about platforms through friends, family, or marketing campaigns rather than direct interactions with sales agents. In contrast, most on-platform MEs had been introduced to platforms by sales agents. Both platformed and unplatformed MEs had similar perceptions of the effort required to learn how to use digital platforms. This suggests that agents were influential not just in overcoming structural barriers like access and digital skills, but also in persuading MEs of the platforms' value, ultimately encouraging adoption.

Table 5. Platform awareness mechanism

Awareness mechanism	On-platform %	Off-platform %
A sales agent visited my shop	86	16
Friends and family	7	61
Advertising campaign or branding	3	31
Own research	2	16
Social media	1	26
Others (please specify)	1	-

Indeed, many off-platform MEs cited satisfaction with their current procurement methods or doubted the platforms' usefulness.

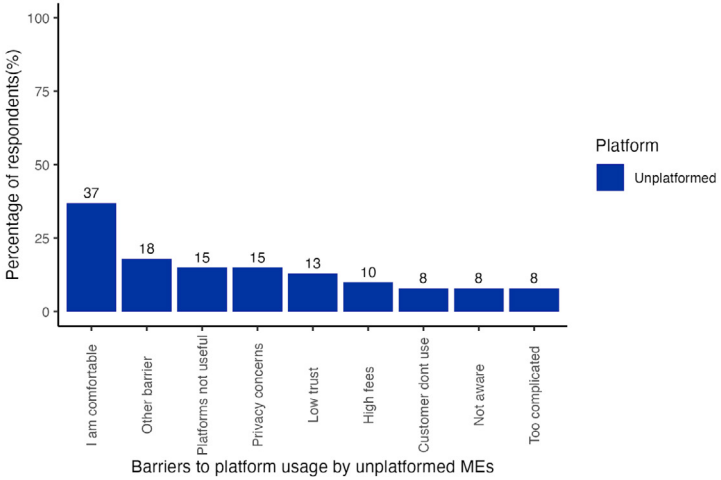


Figure 3: Barriers to platform use

Crucially, most on-platform MEs preferred to engage with digital platforms independently, turning to agents only when faced with downtime or technical issues. While adoption may initially require high-touch support, using agents remains a scalable strategy. MEs typically transition to autonomous use once they gain confidence and familiarity with the platform.

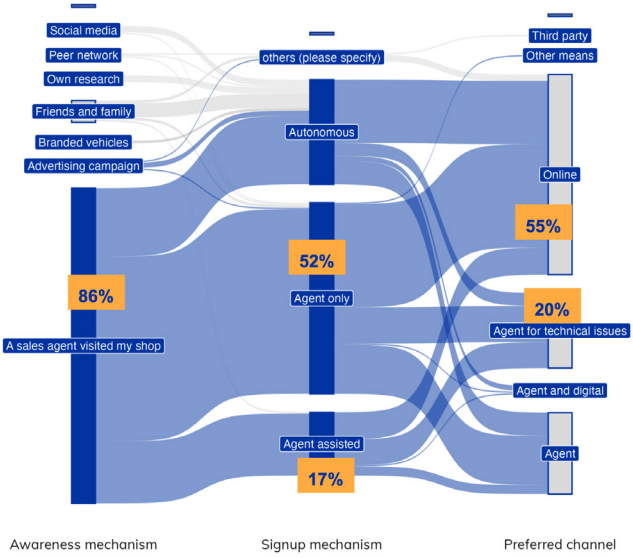


Figure 4: Onboarding mechanisms of platform users

Autonomous use was more convenient for price discovery and purchasing, and some MEs also perceived it as safer. Platforms were also actively encouraging users to interact with them independently due to concerns about the sustainability of relying heavily on sales agents. The platforms would make agents less available, limiting the days in a week they could visit existing clients or reassign them to new routes.

> *"I prefer using the digital platforms since the agents keep on changing."* **- *42-year-old prosperous female***

> *"I do make the order alone online. It's easier online."* **- *30-year-old struggling female***

> *"It is transparent, and you pay the money directly to the company because you can request through an agent, and he disappears with your money."* **- *34-year-old prosperous male***

Platformable MEs, those off-platform MEs with internet and smartphone access, were generally confident about their ability to download and use apps on their phones. When self-efficacy with technology was low, it was likely driven by age and education level. Primarily, when MEs chose not to use digital platforms, it was because they were not convinced these platforms were useful to them. Some thought their businesses were not big enough to need another supplier. Others questioned the platforms' reliability and ability to improve their margins meaningfully.

> *"Yes[I believe digital platforms are useful but]. My business is still small and I have not reached a point of ordering from them."* **- *26-year-old platformable female***

> *"No[they aren't useful], it's just a marketing strategy for themselves. They don't allow the margin for us to make profit."* **- *48-year-old platformable female***

Structural and behavioral differences still existed between on- and off-platform MEs. For example, 93% of platformed MEs had access to a smartphone,

compared to just 66% of unplatformed MEs. Platformed MEs also reported more frequent internet use, with 97% accessing the internet at least multiple times a month, compared to 73% of unplatformed MEs. However, these differences did not significantly affect platform usage, suggesting that other factors, such as perceived usefulness and agent interaction, played a more critical role in driving adoption. In the supplementary qualitative phase, we found that this preference for independent use of platforms was driven by both pull and push factors.

Additionally, a sizable minority of on-platform MEs still preferred engaging with digital platforms through sales agents. These MEs valued agents for their in-person interactions, practical advice, and assistance with special requests.

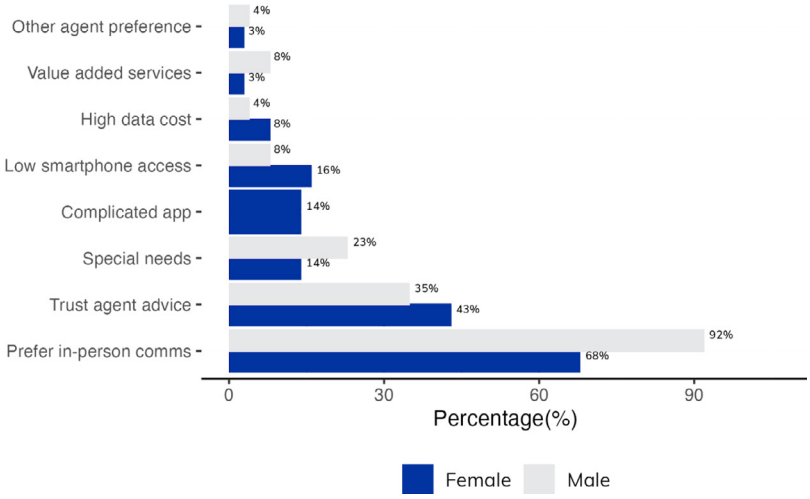


Figure 5: Reasons for preferring platform agents

Sustained use

At the outset, we had two hypotheses regarding what influenced the retention of MEs on digital platforms.

First, the availability of improved credit options would be the primary driver for sustained engagement with platforms. However, the preliminary qualitative study revealed that while credit was desirable, the combination of unclear eligibility criteria and cautious financial behavior constrained its broader adoption. Many MEs voiced frustration with the limited availability of credit on digital platforms, often finding the process vague and ambiguous. There was a general expectation that credit would become accessible after consistent platform use, mirroring the practice of local suppliers who extend credit once trust is established. However, even when credit was available, economic uncertainty made some MEs cautious about using it, limiting their willingness to take on debt and tempering their appetite for business expansion.

In the quantitative study, we found that access to platform credit was marginally associated with a lower intent to churn ($p = 0.052$). MEs who intended to increase their platform usage reported having access to platform credit at twice the rate (31%) of those who planned to decrease their usage (15%). Credit was primarily used to address liquidity constraints, whether due to a temporary shortfall in capital or a surge in demand. Platform credit was predominantly in the form of BNPL for stock. It was also heavily biased toward male MEs. 60% of those who could access credit from platforms were men.

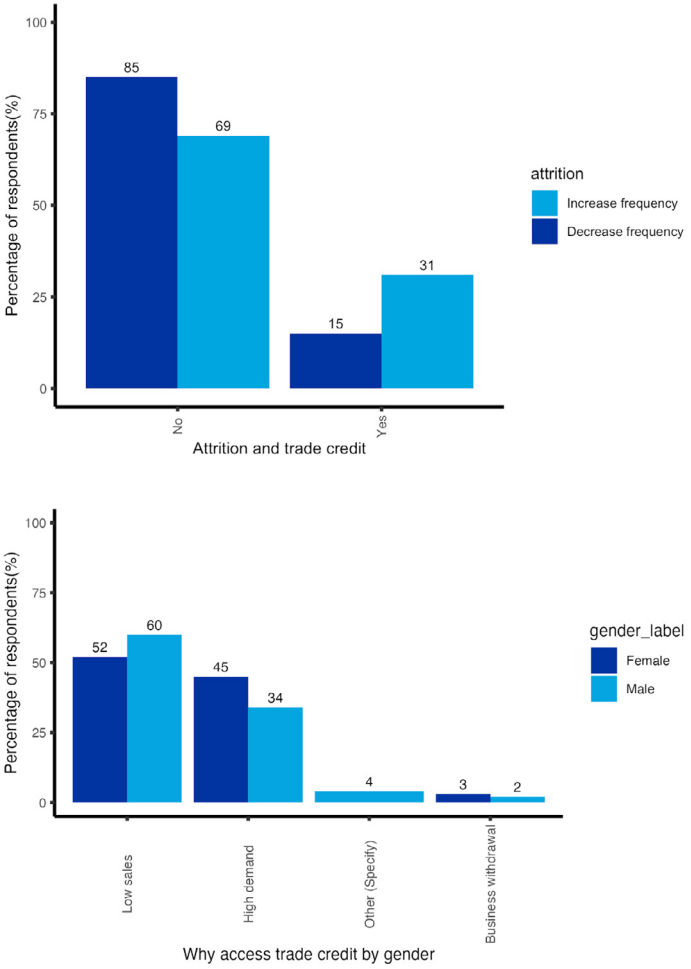


Figure 6: Trade credit and platform churn

From discussions with the platforms themselves, we uncovered that they were deliberately taking a cautious approach to providing credit to MEs, both as a means of mitigating risk and as a consequence of their own constrained capital. The effect was evident on who did and did not access credit. We did not find a significant association between business outcomes and access to platform credit. Those who did not get access to credit were just as large and profitable as those who did. We also did not observe a significant relationship between tenure of platform use, proportion of stock ordered through platforms, or usage frequency, and access to platform credit. Deeper relationships with platforms did not result in better access to BNPL for MES, as it would with their local supplier.

Our second hypothesis was that unclear terms and conditions, disagreements with platform policies, and unsatisfactory communication with platforms would drive MEs to stop using them. However, for most on-platform MEs, terms and conditions were not a major concern unless an issue arose, such as receiving damaged goods or unexpected price changes. Even in such cases, full attrition was rare, with most MEs continuing to use the platform despite occasional frustrations.

> *"Let's say you order a product and it arrives when the price has changed, or let's say they bring you a product that has been damaged, or it has a leakage, and it has already arrived, so there is nothing you can do. It helps because it gives comparison in prices so that you are aware of what has depreciated in the market or what has appreciated, or what is new in the market. Another disadvantage is they bring you goods that are damaged like when you order and the goods arrive when damaged, like flasks, they come while shuttered"* **- *40-year-old male retailer in Eldoret, Western Kenya***

Our findings in the quantitative study supported those of the preliminary qualitative study. Terms and conditions seemed to have little impact on MEs' using platforms more frequently or their intention to churn. Since terms and conditions were only salient when something went wrong and MEs could easily switch between platforms, it is likely they did not consider these terms much in their choices to use or not use platforms.

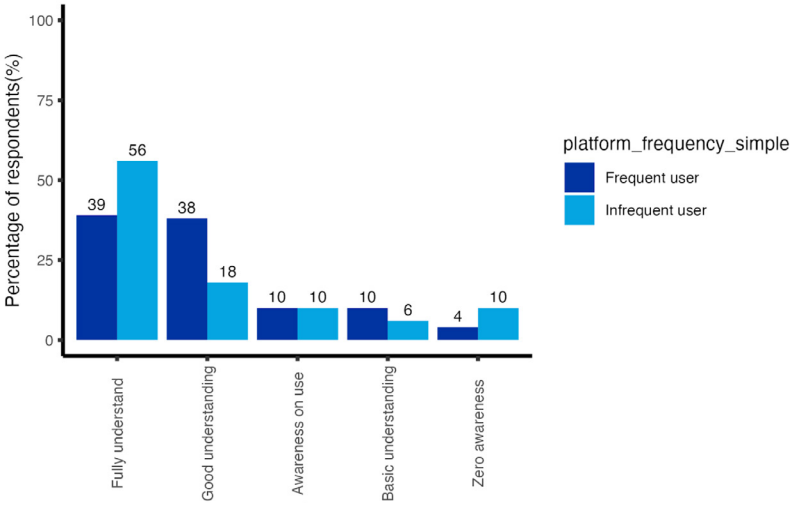


Figure 7: Understanding of T&Cs by intent to usage frequency

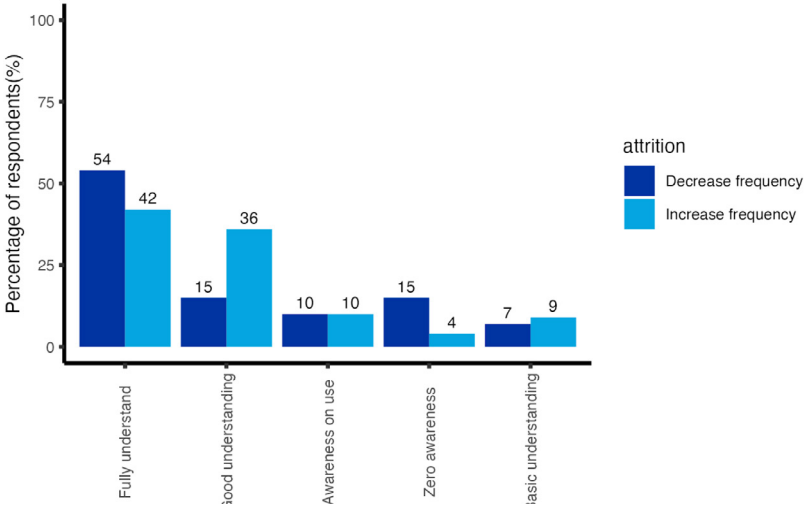


Figure 8: Understanding of T&Cs by intent to churn

MEs valued digital platforms primarily for the convenience of doorstep delivery and the transparency of easy price discovery. Being digitally savvy, many MEs did not limit themselves to a single platform. Instead, they frequently juggled multiple digital retail platforms, optimizing for the best prices and ensuring access to a broader variety of goods. The practice of multi-homing was widespread, with 55% of on-platform MEs in the quantitative study using multiple platforms simultaneously. This suggests that negative market power had not taken root in the Kenyan market, at least regarding retail trade platforms.

Additionally, platform use did not necessarily come at the expense of local distributors. MEs often purchased from local suppliers when they offered more competitive prices, using platforms as a price discovery tool to compare options. Despite this flexibility, on-platform MEs demonstrated consistent engagement, with all respondents reporting platform use at least weekly. They, however, continued to keep their options open.

> *"Yes, I do have like three different apps doing the same thing as MarketForce. I have Twiga, kiosk so I use them for window shopping to see the prices of the same product on different platforms."* **- On-platform male retailer, Eldoret, Western Kenya**

Despite their usefulness, the digital retail platforms we investigated did not directly address the most pressing needs identified by MEs during the qualitative study: greater access to capital and markets. While platforms provided more inventory options, MEs primarily wanted tools that would help them attract and serve more customers. Additionally, they expressed a strong need for trade credit to purchase stock beyond their immediate cash flow, enabling them to increase sales and navigate periods of financial strain.

For the most part, MEs seemed to churn because they could. Many MEs who intended to reduce platform usage felt they could easily switch between platforms, and losing access to digital platforms would have minimal impact on their businesses. Notably, the median churning ME (those decreasing platform usage) spent only 20% of their business expenses on platforms, compared to 40% for loyal MEs (those increasing platform usage). Churning MEs also exhibited a higher propensity to experiment with different business strategies, which may explain their openness to exploring multiple platforms or alternative stock procurement methods. Interestingly, we did not observe significant differences in self-efficacy for completing online tasks between loyal and churning platformed MEs. Income and spending were not significantly associated with MEs' intention to reduce platform usage.

Table 6. Churn and perceived switching costs

Churn and perceived switching costs	Proportion who agree or strongly agree (%)	
	Intend to increase usage	Intend to decrease usage
I can easily start using another digital platform if the one I am currently using does not help me.	91	85
My business would suffer significant losses if I lost access to the digital platform I currently use.	29	4
I am constantly looking for new and different ways to grow and improve my business	97	92
I am open to making significant changes to the way I operate my business to achieve growth and improvement	99	95

Impact

We considered several hypotheses regarding impact. First, we hypothesized that digital platforms enhanced micro-entrepreneurs' resilience, with sustained usage helping to reduce income volatility. Since retail trade platforms primarily served as stock suppliers rather than direct sales channels, their impact would be more likely seen through lowering inventory costs, reducing stockouts, expanding access to a broader variety of goods, and providing credit.

Improving business performance

From the preliminary qualitative study, MEs valued the convenience of doorstep delivery. However, whether this allowed them to respond to customer demand faster than local suppliers was unclear. Delivery typically occurred the next day, meaning local suppliers could be faster in urgent situations.

Delayed or poorly fulfilled orders sometimes caused stockouts, limiting the platforms' reliability. However, the platforms' role in facilitating price comparisons could help MEs reduce procurement costs. Some respondents also reported placing smaller, more frequent orders to manage the risk of low demand for specific goods. Most retailers in our study focused on fast-moving consumer goods, with diversification into other product categories typically requiring purchases outside these retail-focused digital platforms.

> *"They have helped since they deliver goods to the interior parts, and that saves time and transport cost. When I get that free time I get to do my other activities."* **- 31-year-old on-platform female retailer, Nairobi, Kenya**

> *"Let's say you order a product and it arrives when the price has changed, or let's say they bring you a product that has been damaged, or it has a leakage, and it has already arrived, so there's nothing you can do. [... however, the platform...]helps because it gives comparison in prices so that you are aware of what has depreciated in the market or what has appreciated, or what is new in the market. Another disadvantage is they bring you goods that are damaged, like when you order and the goods arrive when damaged, like flasks, they come while shattered."* **- 40-year-old on-platform male retailer in Eldoret, Western Kenya**

On-platform MEs reported higher income, spending, and profits than their off-platform counterparts. However, these differences may not be solely explained by platform use. We identified off-platform MEs through opportunity and snowball sampling, while on-platform MEs were recruited using platform-provided contacts. Although both groups were drawn from the same localities, differences in sampling methods may have introduced bias. We therefore examined various indicators of deeper platform use, including frequency, tenure, and the proportion

of stock sourced from platforms. Neither longer tenure[1] nor more frequent use[2] was significantly associated with higher income or profits. While a longer platform tenure correlated with higher business spending, the effect was marginal. A greater proportion of platform spending had a significant but marginal impact on ME incomes and expenses, but not profits[3].

Overall, platform users tended to run larger, more profitable businesses, but platform use was unlikely to be the primary driver of their success.

Table 7. Business performance and platform use

	On-platform (Kes)	Off-platform (Kes)
Mean income* **	61,180	43,821
Mean expenses *	38,331	32,008
Mean profit * **	22,849	11,813

* significant at .1, ** significant at .05, *** significant at <.001

Table 8. Frequency of platform vs business performance

	Frequent platform users (Kes)	Infrequent platform users (Kes)
Mean income	63,069	55,720
Mean spending	39,809	34,058
Mean profit	23,259	21,663

1 J Platform tenure's effect on income: Adjusted R2 < 0.001 F(1, 247) 1.241, DF, p=0.27. Effect on profit: Adjusted R2 = -0.004, F(1, 247) =0.129, p-value: .72
2 Effect of frequent platform use on income: #Adjusted R2= 0.001, F(1, 247)= 1.345, p=0.25, Effect on profit: Adjusted R2 = -0.003302 F(1,247)= 0.1839, p= 0.67. Effect on expenses: Adjusted R2 =0.003, F(1, 247)= 1.655, p= .20
3 Effect of proportion of on platform spending on income: Adjusted R2 = 0.0120, F(1, 247)= 6.049, p=0.015. Effect on expenses: Adjusted R2 = 0.057 F(1, 247) = 15.96, p< .001

Male and female MEs reported similar income, spending, and profits levels. We did not observe a meaningful difference in how platforms affected the incomes, expenses, or earnings of male and female MEs in the survey either. Platform use was not associated with meaningful operational differences between male and female MEs.

Table 9. Business performance by gender

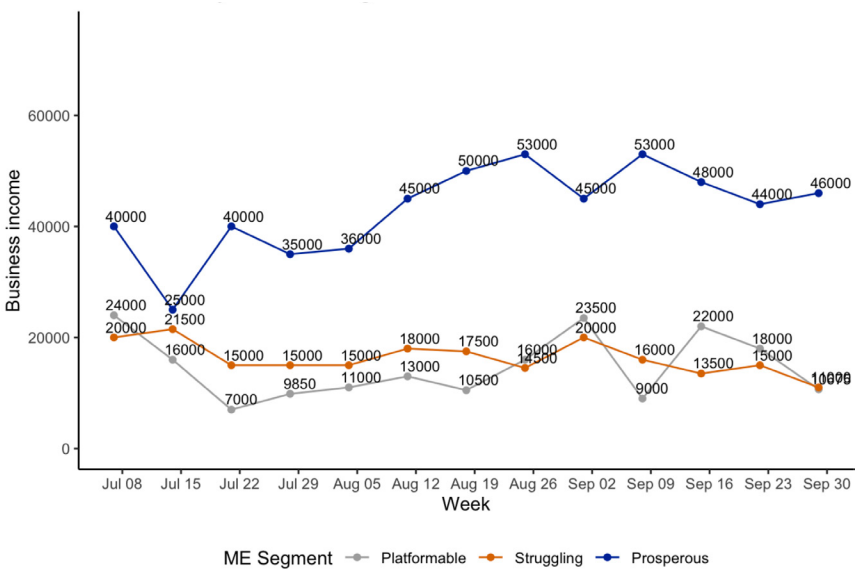
	Female	Male
Mean income[4]	52,211	59,320
Mean spending[5]	34,516	38,311
Mean profit[6]	17,695	21,008

Knowing that platform use alone had little impact on ME performance, the supplementary qualitative phase focused on identifying the factors that made some MEs more successful than others. We aimed to understand the broader context of ME livelihoods and how platform use fits their overall business practices.

We conducted weekly check-ins that captured data on income, platform use, business and household expenses, and the reasons behind any fluctuations over three months. We used this to explore whether there were meaningful differences in how platforms were used by prosperous MEs (exemplars), struggling platform users, and platformable MEs—those who could benefit from using platforms but had not yet adopted them.

4 Adjusted R2 = 0.004, F(1,370)= 2.56, p= .11 .
Outliers in income and expenses, more or less than 1.5x the interquartile range were filtered out in the analysis.
5 Adjusted R2 <.001, F(1, 370)1.471, p= .23
6 Adjusted R2 = 0.002, F(1, 370)1.577, p-= 0.21

From the outset, clear differences in income and spending patterns remained—prosperous MEs consistently outperformed their struggling counterparts. In fact, the business performance of struggling platform users closely resembled that of platformable MEs—those not currently using platforms but with the potential to do so.



*Business income was derived only from their primary business, excluding other income sources.

Figure 9: Median weekly income by segment

Salient business characteristics position MEs to take advantage of cyclical increases in demand. Higher stock levels may have made prosperous MEs better able to respond to changes in consumer demand.

Table 10. Factors leading to business success

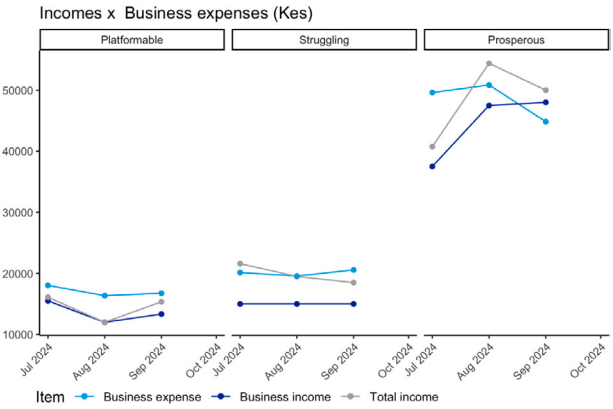
Competition	Location	Competition	Competition
Income increased to Ksh.170,000 from Ksh.150,000 because the neighboring shop had closed down during the week so some of his customers were buying from my shop. **- 28-year-old struggling male**	Income has increased steadily due to big sales on Sunday due to close proximity to the road and the church. - **23-year-old prosperous male**	There is a new diaper in the market that is very high in demand and it boost the sales of other products I sell because customers make [other] purchases whenever they buy the diaper. **- 35-year-old struggling female**	Same customer from last week made a one time large purchase hence an increase in income. **- 38-year-old struggling male**

Prosperous platformed MEs(referred to as just prosperous MEs going forward) used more lucrative means to diversify through secondary income sources and contract arrangements. Interestingly, however, running larger stock levels did not necessarily equate to more efficiency, as the median struggling ME, running a smaller business, made considerably higher net income than the median prosperous ME.

However, across all segments, MEs consistently made less than they needed to cover household and business expenses.

Table 11. Median of total business incomes and expenses of 3 months[7]

	Platformable	Struggling	Prosperous
Business income	168700	192390	465000
Second income	9000	3800	42650
Contract income	0	2800	16000
Total_income	177700	242390	582250
Total business expense	244350	247205	674450
Net income	-11360	42,610	-24,280
Total hh expense	102190	153970	153830
Deficit	-113550	-84660	-129600
Order frequency	0	7	31



Prosperous MEs were better able to respond to seasonal changes in demand, and diversification helped them maintain overall margins

Figure 10: Income and expenses of ME businesses

7 These tables show the median values for each category of income and spending. Due to the small sample size in the supplementary qualitative phase, we used medians rather than means to reduce the influence of outliers, which could distort the findings. However, because each median represents a different ME, the values cannot be added together to calculate net income or deficits.

For the micro-entrepreneurs (MEs) we studied, a contract was defined as an agreement to supply goods under specific terms. For contracts with businesses, credit was less important than consistency. Businesses valued a reliable and predictable supply of goods more than access to credit. On the other hand, contracts with individuals were almost always based on providing goods on credit, typically aligned with the customer's income cycle.

Most of these contract relationships were formed through personal networks. Trust and familiarity within these networks were key in establishing and maintaining contracts.

These contracts offered several benefits: they could provide access to credit, ensure a convenient supply of specific goods on demand, or guarantee a fixed supply at regular intervals. Credit was sometimes part of the arrangement, but not always.

There appeared to be a link between the consistency of contracts, the size of the institutions supplied, and the revenues earned by MEs. Those with stable contracts supplying larger institutions, such as churches and hotels, consistently reported higher incomes.

However, supply disruptions could undermine these benefits. For example, one ME supplying groceries to a college canteen saw reduced earnings when supply shortages interrupted the contract.

Table 12. The nature of ME contracts

	Had credit contracts with individuals only		Had supply contracts with institutions						
Total income*	131,100	582,250	469,490	760,300	450,000	1,357,003	170,600	76,000	242,390
Contract income	12,500	20,250	37,120	16,000	111,100	281,003	0	2,800	2,800
Income vs median	Lower	Higher	Higher	Higher	Higher	Higher	Lower	Lower	Lower
	Has one customer who buys on credit	Sells to multiple customers on credit who get paid weekly	Supplies to the hotel at a construction site	Supplies local churches	Supplies local hotels	Supplies local hotels	Supplied a school canteen, but had to stop	Creates a custom, fortified porridge floor for a hotel and a hospital	Supplies bottled water to his church

Business spending was primarily dominated by stock and rent. We deliberately targeted MEs in the same localities for all segments, but prosperous MEs had shops in better locations or of larger size than those in other segments.

Table 13. Business spending by segment

	Platformable	Struggling	Prosperous
Stock	202000	232830	454000
Business rent	7500	13000	18000
Electricity	0	1050	1300
Transport	9220	3750	6900
Wages	0	0	0
Total business expense	244350	247205	509325

MEs often prioritized savings over other expenses, except for food. These savings were crucial in smoothing consumption when seasonal dips in demand hit their businesses. Consistent saving despite income deficits was primarily due to social pressure through ROSCAs that obligated members to put away a fixed amount every week. Interestingly, MEs across all segments seem to enjoy the same standard of living despite differences in earnings, likely because of the volatility of income across all segments.

Table 14. Household spending by segment

	Platformable	Struggling	Prosperous
Rent	13500	13500	13500
Food	32200	33250	24500
Fuel	9700	7400	6770
Savings	20800	12900	40700
Medical care	3550	2700	3950
Repaying credit	0	2800	700
Miscellaneous	5065	7425	10000

Micro-enterprises (MEs) navigate diversification under similar conditions, considering comparable factors, yet their outcomes remain unpredictable. Both thriving and striving MEs make decisions based on opportunity, competition, and available resources, but the path to success is not linear. Some ventures succeed, while others falter—growth remains a gamble shaped by the market.

8 Most MEs reported using credit to smooth out income deficits but were unwilling to provide an exact amount borrowed hence the expense on credit is understated.

Demand fluctuates

> *"I'm planning on doing something else. One thing about a shop, it has its seasons, there are times the sales are good and sometimes the sales are low. So I'm planning on something else."* **- *Male ME in Nairobi***

Uncertainty in MEs' lives has knock-on effects on their business

> *"[... I started] In the year 2010 [...]the business was doing very well, unlike now. The economy is high so you find that if you have any money[...] when I began, I was operating in a very small space but as the business kept on growing, I rented a bigger space although right now I don't have enough commodities to fill in the space."* **- *Struggling MEs in Nairobi***

Uncertainty in MEs lives have knock-on effects on their business

> *"... Yes. When I am here, it does well. The illness challenges set me back somehow."* **- *Struggling female ME in Kisii***

As a result, MEs adopted different growth and diversification strategies based on their circumstances and needs. Some focused on survival—particularly those just starting out or whose businesses had previously done well but were now struggling. These MEs prioritized keeping their businesses afloat by reducing stock to match available capital or relying on trade credit to cover shortfalls. Others chose to expand by adding complementary products or opening new locations to increase sales. A third group, seeing limited potential in their current value chains, planned to divest and explore entirely different business opportunities.

MEs considered several factors in their choice of strategy, as illustrated below.

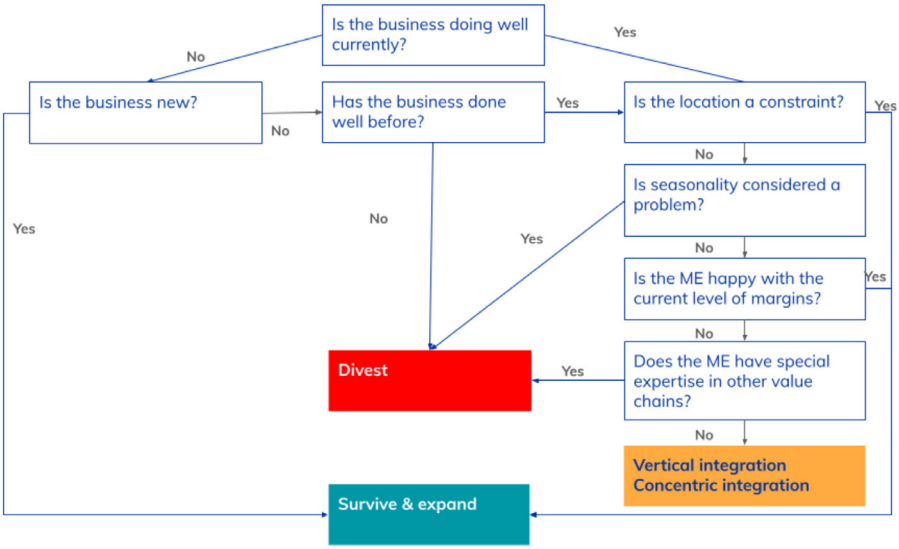


Figure 11: ME considerations in their choice of strategy

Access financial services

Crucially, MEs expected digital platforms to offer BNPL, similar to traditional suppliers. While some platforms did provide credit, it was not widely available, and credit limits were often perceived as too low to meet business needs.

Notably, income volatility—particularly among female MEs—led many to seek more flexible credit options from family, friends, and chamas (informal savings and credit groups). For these entrepreneurs, payment flexibility was a key consideration, meaning that even if credit were available from digital platforms, it would not necessarily guarantee its use.

Interestingly, only 28 percent of platform users reported accessing trade credit in the quantitative study. However, those without access did not appear to run weaker businesses or use platforms less frequently than those who did. This suggests an untapped opportunity to expand credit access to a broader pool of capable users. As mentioned, the platforms were reluctant to take on additional risk by expanding lending. However, limited uptake also stemmed from a lack of awareness or reluctance due to negative perceptions of platform credit, rather than an actual inability to qualify. In the quantitative study, 52% of platform users without access to platform credit said they did not know it was available or how to use it.

Table 15. Considerations for access to credit

	Use platform credit	Use platform credit
Smartphone access	92%	93%
At least agree that they are confident about their ability to use digital platforms	88%	79%
Mean profit	26,927 Kes	23,317 Kes
Mean expenses	39,400 Kes	37,929 Kes
Mean income	66,328 Kes	59,246 Kes
Use platforms at least once a month	80%	72%
Proportion of business expenses incurred on platforms	38	39
Tenure on the platform	2 years 4 months	2 years 4 months

In the supplementary quantitative study, nearly all MEs reported being able to access goods on credit from local suppliers—one even sourced credit directly from a large consumer goods manufacturer via their sales team. When we conducted the supplementary qualitative study, many MEs knew that BNPL was

available on digital platforms but chose not to use it. This reluctance stemmed from two main reasons: a general aversion to stacking multiple lines of credit and dissatisfaction with the platform's credit terms. For some, BNPL was seen as a last resort due to its higher interest rates, with MEs preferring to exhaust more favorable credit options from existing suppliers first.

Table 16. BNPL terms by source

Source	Manufacturers	Manufacturers	Platforms
How to qualify according to MEs	• Long tenure, high volume • Exact tenure, frequency, and value thresholds are unclear to MEs • Initiated by the platform	Consistently frequent transactions	• Consistently frequent transactions • Direct personal interaction and relationship with the supplier • Initiated by ME
Repayment period	Up to 1 week	Typically, a week, but a more extended period could be negotiated	Up to 2 weeks, but with penalties
Consequences for default	Cut off from credit	• Cut off from credit • Damage social relationships	• Cut off from credit • Late fees • Adverse listing on a Credit Reference Bureau

BNPL from manufacturers and local suppliers was typically interest-free and repaid within a week. Defaulting carried social consequences—damaged relationships and a loss of access to future credit. In contrast, platform users perceived that defaulting on digital BNPL could lead to financial penalties and listings with credit bureaus, potentially cutting them off from other sources of credit.

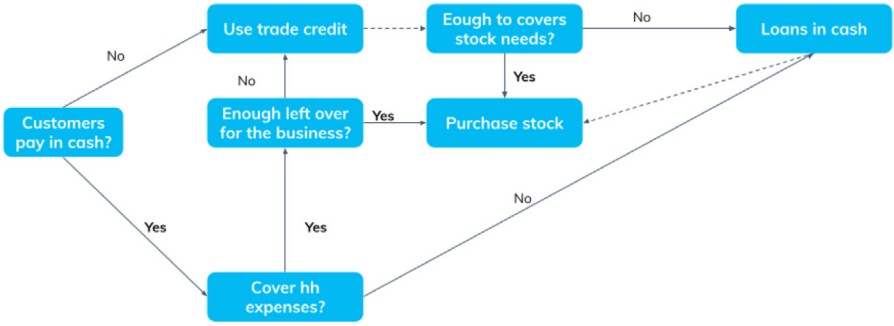


Figure 12: ME attitudes towards BNPL for stock

Attitudes toward BNPL were consistent across different ME income levels. It was generally seen as a resilience tool when business and household cash flow were tight. Most MEs were unclear about the exact credit terms offered by platforms and were less concerned with the specific interest rate. For many, the decision to use BNPL hinged simply on whether interest was charged. It was acceptable for some and unacceptable for others. For those who found it acceptable, the absolute amount seemed minuscule, although the annualized rate was as high as 64%.

> *"I haven't calculated[the interest...]They write the interest on the invoice, but I have never paid attention to it. [...It is] Very low. For example, I took goods worth nine thousand, one hundred and something shillings, but I will repay nine thousand, two hundred and twenty-two."* ***- 45-year-old on-platform male in Nairobi***

2.47%
interest rate

14
days to repay

64%
annual percentage rate

We developed composite measures to assess credit access and quality to capture a broader picture of credit availability beyond platform-provided options. These indices allowed us to evaluate whether MEs could obtain credit and the terms, reliability, and overall suitability of the credit they had access to. To measure perceptions of credit quality, we constructed an index consisting of 6 items with a Cronbach's alpha of .65. Platform use did not significantly affect the perceived quality of credit MEs had access to, with on-platform MEs giving an average of 21.6 out of a possible 36 compared to 21.3 by those off-platform[9]. Men reported slightly higher overall scores (22.6 vs 20.9 for women), but platform use had no significant impact on perceived credit quality for either men or women. This observation is not surprising considering that platforms only provided credit to a minority of their users, with most being unaware of how to access it.

Table 17. Measures of credit quality

	% who agree or strongly agree	
Measures of credit quality	**On-platform**	**Off-platform**
I can conveniently access credit when I need it	72	84
I am currently dissatisfied with the interest rate and additional amounts I have to pay on my loans	45	45
I am currently satisfied with the maximum amount of cash I can access by borrowing	51	71
I can easily switch from one lender to another depending on who gives the best loan terms	87	59
I understand what factors affect what loans I qualify for and what loans I cannot	71	84
I am satisfied with my ability to increase my credit limit over time	83	84

9 Adjusted R2< 0.001 F(1, 370) = 0.5438, p= 0.46

However, platform users seemed better equipped to access formal credit than non-users. A greater proportion of on-platform MEs reported using bank loans, sacco loans, and trade credit than those off-platform ones. This has, however, not been significantly associated with platform use and was more likely a result of their business being generally more robust.

Table 18. Sources of borrowing

Which of the following have you ever borrowed money from?	Female (%)		Male (%)	
	On-platform	Off-platform	On-platform	Off-platform
Banks	30	19	43	15
SACCOs	24	15	33	19
Trade credit/suppliers	18	9	25	17

Our second hypothesis was that digital platforms could help MEs develop new business management competencies, including better participation in digital ecosystems. In the preliminary qualitative study, we found that platform use made it easier to track stock spending through digital transaction records, offering a potential boost to record-keeping practices, an aspect often linked to improved business performance for small enterprises. Both platform users and non-users reported manually recording and reconciling expenses using a sales book. However, consistency varied, particularly among lower-income MEs whose businesses served as their primary income source. Despite understanding the importance of record keeping, these MEs found it challenging to maintain due to the blending of personal and business expenses. For them, there was little point in distinguishing between household and business spending. By streamlining expense tracking, platforms could support more consistent record-keeping, potentially enhancing financial management and long-term business outcomes.

On the other hand, platform users and non-users were already digitally savvy, suggesting that rather than platform use driving better participation in digital ecosystems, it was more likely a result of their existing digital proficiency. In the quantitative study, 55% of off-platform MEs preferred digital payments compared to 67% of on-platform MEs, likely due to existing digital proficiency.

Implications

Our findings suggest that platform use had little direct impact on business efficiency, cost savings, or profit increases. Credit access was also not meaningfully associated with platform use. Instead, platforms primarily offered convenience, streamlining inventory acquisition through doorstep delivery and price comparisons. Time is saved, and MEs value this, but it does not necessarily improve their bottom line.

This outcome is unsurprising when considering the role of retail trade platforms. First, in retail, price variations tend to be minimal due to manufacturer-recommended pricing, limiting the extent to which better information translates into higher margins. Further, these platforms do not create new markets for MEs but optimize inventory access. Informal markets have long played a role in mitigating inefficiencies in inventory access, meaning platforms may not be solving a new problem but rather digitizing an existing workaround. In many ways, these informal markets carry out redistributive functions, making them better suited to those living precariously on the uncertain incomes of their businesses (Kinyanjui, 2019).

Second, as private businesses, their primary focus is growth and profitability, not directly improving ME incomes. While access to financial services may incidentally benefit users, it is secondary to the platforms' core objective: selling goods efficiently.

Third, platforms have opportunities to improve access to financial services for their benefit. For example, we demonstrated that expanding credit access can increase customer retention and lifetime value while providing businesses with a crucial liquidity tool. However, we found no significant difference between platform users who accessed trade credit and those who did not, indicating a missed opportunity to reach MEs who could repay but remain excluded

due to awareness gaps or risk aversion. Strategic partnerships with funders and financial institutions could help platforms embed inclusive finance more effectively.

Fourth and perhaps most importantly, digital tools do not operate in isolation—MEs face structural challenges such as low consumer demand, supply chain volatility, and constrained market size. Platforms, policymakers, and funders must recognize these realities to maximize their impact. While platforms alone will not transform ME livelihoods, they offer a scalable infrastructure for targeted interventions that could enhance resilience and financial access—if the right incentives are in place.

Since our study focused on how platforms lower business costs to improve efficiency and margins, future research could explore platforms that more directly impact incomes by expanding market access. Caribou Digital has conducted extensive research on how Kenyans use platforms to manage diverse income streams and how platforms and policymakers can shape them to benefit the broader population (Caribou Digital & Jonathan Donner, eds, 2024). However, as far as we know, few published studies have examined the direct economic benefits of such platforms in the Kenyan context. By sharing our findings, we aim to encourage more research into this area and deepen understanding of how platforms can drive broader economic gains.

Many MEs enter informality out of necessity rather than choice, with their incomes and performance shaped more by broader economic conditions than platform access(Federation of Kenyan Employers, 2021). While digital tools promise higher earnings and lower costs, their impact is often constrained by the structural limitations of the market itself. If the real challenge lies in a lack of economic opportunity, focusing on individual access to digital or financial tools is unlikely to drive meaningful livelihood improvements. Digital platforms function within these resource-limited environments, where systemic

constraints ultimately define their impact on MEs, regardless of the platforms' growth or sustainability.

Focusing on tools rather than systems is an appealing approach to poverty alleviation. Tools and skills offer a tangible, immediate way to act, making it seem possible to address poverty without confronting deeper structural constraints—an easier and more manageable proposition. This idea persists because it aligns with the practical realities of working within existing limitations, using what is readily available (Greene, 2021). Moreover, its unfalsifiability makes it even more compelling; it perpetuates the hope that individuals can eventually overcome poverty with the right tools in the hands of industrious individuals, no matter how distant that horizon may be.

Experience has shown that the belief in tools as a solution to poverty may be misguided. The hype surrounding microcredit in the 2000s and financial inclusion in the 2010s generated significant academic and policy interest, yet evidence of their effectiveness remains limited. At best, the results have been mixed; at worst, they have reinforced exclusionary systems or eroded the fragile resilience of low-income people (Duvendack et al., 2011; Yang & Stanley, 2012). Time and time again, we are reminded that access alone is not a substitute for more profound structural change. We must not let our need to do what we can make us forget the main problem, or perceive it and the systems that create it as immutable, to be survived rather than changed.

It is helpful to revisit its early recognition to understand the roots of today's informal sector debates. In 1972, an ILO mission investigating unemployment in Kenya reframed the issue not just as a lack of jobs but as a problem of underemployment, where individuals, unable to find formal work, created their livelihoods within informal systems. This shift in perspective acknowledged the informal sector's legitimacy and potential as a response to what seemed like an intractable employment crisis in post-colonial Africa.

In the years following independence, many African states prioritized industrial expansion to drive economic growth and employment (International Labor Office, 1972; Mkandawire, 1985). However, despite the availability of a vast labor surplus, productivity gains often outpaced job creation. A rapidly growing and increasingly educated population in Kenya only deepened the unemployment challenge (International Labor Office, 1972). Several factors contributed to this paradox: the adoption of machinery that reduced the need for excess labor, rising wages for a small segment of formal workers that incentivized further automation, and structural economic policies that favored capital-intensive industries over labor-intensive ones (Mkandawire, 1985). As a result, the gap between those with secure employment and those without grew wider.

Recognizing this, the ILO proposed a series of measures to enhance the productivity and sustainability of the informal sector. These included expanding access to credit, improving infrastructure, and addressing the challenges associated with informality, particularly government harassment(International Labor Office, 1972). The hope was that by strengthening these self-created employment systems, informal entrepreneurs could overcome the barriers limiting their growth and economic contribution. Skeptics point out that an underlying assumption of this view is that the formal and informal sectors have a benign relationship and assert instead that the two are deeply integrated. Power imbalances between them would lead to continued marginalization of the informal sector or its exploitation (Mkandawire, 1985). More recent work on platform livelihoods has subjects bemoaning precarious and fragmented livelihoods, forcing long hours with little social protection (Caribou Digital & Jonathan Donner, eds, 2024). The informal sector is a low-risk, high-reward survival space for its participants. Rather than persist over time, the precarity serves the system as a means of keeping business costs low and even reducing the bargaining power of labor. In this case, the informal sector is an integral part of the market and expands rather than diminishes over time.

Kenya's experience over the last 30 years seems to validate this (Federation of Kenyan Employers, 2021). This dynamic has deep colonial roots with racial hierarchies in economic activities and urban planning bleeding into the neo-liberal logic of the contemporary Kenyan state (Thieme et al., 2021).

Therefore, while it is crucial to embrace the digitization and platformization of commerce as defining features of the modern economy—and to find ways to make them work for the broadest possible population (Caribou Digital & Jonathan Donner, eds, 2024) —it is equally important to reframe the problem as a structural one. Rather than focusing solely on tools for individuals and firms, we must explore alternative structural frames such as labor misallocation, economic capacity constraints, or wealth distribution (Rodrik et al., 2016). These alternative perspectives can reveal deeper interventions beyond technological access alone.

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Busara Groundwork
LESSONS LEARNED

About Busara

Busara is a research and advisory organization, working with researchers and organizations to advance and apply behavioral science in pursuit of poverty alleviation. Busara pursues a future where global human development activities respond to people's lived experience; value knowledge generated in the context it is applied; and promote culturally appropriate and inclusive practices. To accomplish this, we practice and promote behavioral science in ways that center and value the perspectives of respondents; expand the practice of research where it is applied; and build networks, processes, and tools that increase the competence of practitioners and researchers.

About Busara Groundwork

Busara Groundwork lays the groundwork for future research and program design. As think pieces, they examine the current state of knowledge and what is needed to advance it, frame important issues with a behavioral perspective, or put forward background information on a specific context.

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