Surviving on the Margins: A Systematic Review of Micro Informal Business, Poverty, and Livelihoods in Kenya

Abstract

Micro informal enterprises employ the majority of Kenya's working population, yet most of them do not grow. They persist. This review asks why, and it reads the evidence through a survival-and-poverty lens rather than a growth one. Following a structured, PRISMA-informed protocol, it synthesises peer-reviewed studies, national statistics, and grey literature on Kenya's micro informal sector — the *jua kali* artisans, street vendors, *mama mbogas*, kiosk owners, and boda boda operators who make up the country's real labour market. Three findings stand out. First, the sector is defined by survivalist logic: most firms exist to smooth household consumption, not to accumulate capital, and their scale reflects risk management, not a lack of ambition. Second, the binding constraints are structural and mutually reinforcing — thin capital, unsafe savings, insecure trading space, harassment by county enforcement, and near-total exclusion from social protection. Third, the interventions promoted as solutions, from mobile money to state credit, have delivered real but uneven gains; mobile money moved households out of poverty, while flagship state credit largely financed consumption and defaulted. The review concludes that formalisation, framed as registration, misreads the problem. What survivalist enterprise needs first is security — of savings, of space, and of income against shocks. Policy that starts there will do more for the poor than policy that starts with a licence.

Keywords: informal economy; micro-enterprise; *jua kali*; Kenya; poverty; survivalist enterprise; livelihoods; social protection; mobile money; formalisation

1. Introduction

Most Kenyans who work do not have a formal job. They have a hustle. They sell vegetables from a stall, weld gates in an open-air yard, ride a motorbike taxi, or run a kiosk from the front room of a house. The Kenya National Bureau of Statistics puts informal employment at roughly 83 per cent of the workforce, and the informal sector added the overwhelming majority of all new jobs in recent years (KNBS, 2025). Put simply, the informal micro-enterprise is not the exception in Kenya's economy. It is the economy.

The scale is not only a matter of headcount. The sector carries real economic weight. The *jua kali* segment alone is estimated to turn over on the order of a trillion and a half shillings a year, and micro, small, and medium enterprises together were estimated to contribute roughly a third of national output (KNBS, 2016). More striking still is its role at the margin of the labour market. In a recent year the informal sector generated the great bulk of all new jobs in the country — on the order of seven hundred thousand of them — while the formal sector added a fraction of that (KNBS, 2025). When a young Kenyan leaves school and looks for work, the job they find, if they find one, is almost certainly informal. More than eight in ten new labour-market entrants are absorbed into informal work, and as young people leave full-time study through their late teens and early twenties, informal self-employment becomes the dominant activity (British Council, 2017; UNDP, n.d.; Mastercard Foundation, 2026). The sector is not a residual. It is the first destination.

This matters for how the sector is studied. For decades, policy and much of the research treated informality as a transitional problem — a waiting room that workers would leave once the formal economy grew large enough to absorb them. That has not happened. The formal sector has not scaled to meet the labour force, and the informal sector has not shrunk. It has grown. If informal micro-enterprise is a permanent feature of the economy rather than a temporary overflow, then the questions worth asking change. The question is no longer only how to move firms into formality. It is how the people running these firms survive, why so few of them accumulate, and what would actually make their lives more secure.

This review takes that second set of questions as its focus. It reads the Kenyan evidence through a survival-and-poverty lens. That choice is deliberate. A large and influential body of work approaches micro-enterprise through a growth lens, asking what separates the firm that stays a one-person stall from the firm that hires staff and builds premises. That work is valuable, and this review draws on it. But it can obscure a basic fact about the sector: most micro informal firms are not failed growth firms. They are survivalist units, run to keep a household fed and housed, and their behaviour makes sense only when read on those terms.

There is a further reason to prefer the survival lens in the Kenyan case specifically. The country has become a global reference point for two things that bear directly on micro-enterprise: mobile money, which was pioneered here and studied intensively, and, more recently, an ambitious state attempt to lend directly to the informal sector. Both are natural experiments in what helps the poor micro-firm and what does not. Reading them through a growth lens — did firms get bigger? — misses most of what they reveal. Reading them through a survival lens — did households become more secure? — is where their lessons actually sit. Kenya is, in this sense, an unusually informative place to ask the survival question, because the country has already run large tests of the answers.

Three questions organise the review. First, what is the nature of Kenya's micro informal sector — who runs these firms, at what scale, and with what logic? Second, what constrains them, and how do those constraints connect to poverty? Third, what does the evidence say about the interventions aimed at them — credit, savings, mobile money, training, and formalisation — when success is measured by household welfare rather than firm growth?

The contribution is threefold. First, the review consolidates a scattered literature — development economics, urban studies, gender research, national statistics, and policy evaluation — into a single synthesis organised around survival. Second, it foregrounds the digital and regulatory shifts of the last fifteen years, from M-Pesa to county-level vendor governance, which older informal-sector scholarship predates. Third, it reframes the formalisation debate around security rather than registration, and draws out what that reframing means for policy. The rest of the article proceeds as follows. Section 2 defines the key terms and sets out the theory. Section 3 reviews the literature. Section 4 describes the Kenyan context. Section 5 sets out the method. Section 6 presents the findings. Section 7 discusses them. Section 8 concludes.

2. Definitions and Conceptual Framework

2.1 What counts as a micro informal enterprise

Two words in this review carry a lot of weight, and both need defining. "Micro" is the easier one. Kenya's Micro and Small Enterprises Act, No. 55 of 2012, defines a micro-enterprise as a firm employing fewer than ten people, with an annual turnover below one million shillings, and with asset and capital thresholds set by sector (Republic of Kenya, 2012; see also Republic of Kenya, 2020). This review uses that definition, with one qualification drawn from the data: the typical micro informal firm in Kenya is far smaller than the ceiling. It employs one or two people, often just the owner, and frequently the owner alone. The legal category runs up to nine employees. The lived reality clusters at one.

"Informal" is harder, because the term has never had a single agreed meaning. The concept entered development economics through Keith Hart's study of urban labour in Ghana (Hart, 1973) and, in the same period, through the International Labour Organization's employment mission to Kenya (ILO, 1972). That Kenyan report is not incidental to this review; it is one of the founding documents of the entire field, and it framed the informal sector as a source of productive, if precarious, self-employment. Since then, definitions have multiplied. The most durable synthesis is Chen's (2012), which treats the informal economy as the set of economic units and workers that operate outside effective state regulation — unregistered, untaxed, or unprotected by labour law — without implying that such activity is illegal or unproductive.

A definitional caveat follows immediately from this. Because informality is defined by what a firm is *outside* of — registration, taxation, regulation — it is inherently hard to measure, and cross-country estimates rely on indirect methods that carry wide error bars (Schneider & Enste, 2000). Every statistic in this review should be read with that caveat attached.

For this review, a micro informal enterprise is a firm with fewer than ten workers (in practice, one or two) that operates wholly or partly outside formal registration, taxation, and labour regulation. The in-scope population is concrete: street and market vendors, *mama mbogas* selling vegetables, kiosk and duka owners, *jua kali* artisans in metalwork, carpentry, and repair, tailors, food sellers, and boda boda riders. Out of scope are registered firms above the micro threshold, smallholder agricultural production as such, and the professional or digital "gig" economy, which follows a different logic and deserves separate treatment.

2.2 Survivalist versus growth-oriented enterprise

The single most useful distinction in this literature separates survivalist enterprises from growth-oriented ones. A growth-oriented micro-enterprise is run to accumulate — to reinvest profit, expand, and build assets. A survivalist enterprise is run to live. Its purpose is to generate enough income to smooth household consumption, and its owner often entered self-employment not by choice but for lack of a wage job. The two types look similar from the outside. A vegetable stall and a small trading business can occupy the same square metre of pavement. But they behave differently, respond to interventions differently, and mean different things for poverty.

This distinction reorganises how the evidence should be read. Consider a common finding: that most micro-enterprises do not grow. Through a growth lens, that reads as failure — a firm that should have expanded and did not. Through a survival lens, it reads differently. If the firm exists to keep a household afloat, and it does that, then it has succeeded on its own terms, even while remaining a one-person stall for a decade. The refusal to reinvest may not be a symptom of missing credit or missing skill. It may be rational risk management by a household that cannot afford to gamble its only income. This review holds that distinction throughout.

2.3 Three ways of explaining informality

Why does the informal sector exist and persist? The literature offers three broad answers, usefully catalogued by Chen (2012) and, more recently, surveyed by Dell'Anno (2022). Each carries a different implication for policy.

The **dualist** school, rooted in Hart (1973) and the ILO (1972) Kenya report, sees the informal sector as a set of survival activities that are largely separate from the formal economy. People are in it because the modern sector cannot absorb them — because the labour force grows faster than formal jobs, and because workers' skills do not match modern demand. On this reading, informality is a symptom of exclusion, and it acts as a safety net for the poor. The policy implication is to grow the formal economy and support the informal one as a buffer. Recent cross-country evidence sits close to this view: La Porta and Shleifer (2014) find that informal firms are overwhelmingly small, unproductive, and disconnected from the formal sector, that they rarely become formal firms, and that economic growth comes mainly from the formal sector rather than from the graduation of informal ones — a pattern most consistent with the dualist, poverty-driven account.

The **structuralist** school, associated with Moser (1978) and Castells and Portes (1989), rejects the idea that the two economies are separate. It sees informal micro-enterprises as subordinated units linked to the formal economy through subcontracting and supply chains, whose low costs prop up the profits of larger firms. On this reading, informality is not exclusion but exploitation — the poor absorbing risk and cost so that capital does not have to. The policy implication is to regulate those linkages and protect informal workers.

The **legalist** school, associated with de Soto (1989, 2000), argues that informal operators are entrepreneurs who choose informality to escape the cost, time, and bureaucracy of registration. Give them property rights and cheaper formalisation, the argument runs, and their capital will be unlocked. On this reading, informality is a rational response to a hostile legal environment. The policy implication is deregulation and titling.

This review does not adopt one school and discard the others. Its survival-and-poverty lens sits closest to the dualist tradition, because survivalist enterprise is fundamentally about exclusion and coping. But the Kenyan evidence, as later sections show, contains clear structuralist elements — vendors bearing risk that formal actors offload — and it also contains a legalist truth, in that formalisation is genuinely costly and often pointless for a survivalist firm. The framework here is therefore pluralist: it treats the three schools as complementary lenses on a heterogeneous sector rather than as rival theories competing to be sole winner.

3. Literature Review

3.1 From the ILO Kenya report to the present

The scholarly conversation about the informal sector began, in part, in Kenya. The ILO's 1972 employment mission coined the sector as a policy category and argued that it was not marginal backwardness but a source of efficient, labour-intensive livelihood that deserved support rather than suppression (ILO, 1972). Hart's (1973) fieldwork gave the concept its analytical spine. For the next two decades, Kenyan research on the sector — much of it on the *jua kali* artisans of Nairobi and the towns — documented its scale, its skills, and its exclusion from credit and premises. King's (1996) longitudinal study of Nairobi's artisans, following the same workers across two decades, is the landmark of this period; it recorded both the ingenuity of the sector and the low ceiling on its growth, a ceiling that later quantitative work would confirm. A parallel strand in urban studies, associated with Roy (2005), reframed informality not as a bounded "sector" at all but as a mode of urban life and a form of survivalism in the cities of the global South — a reading that fits the Kenyan micro-firm, which lives as much in the contested space of the pavement as in any economic category (Roy & AlSayyad, 2004).

Two shifts have reshaped the field since. The first is methodological. The rise of randomised field experiments in development economics brought a new kind of evidence, testing specific interventions — cash grants, savings accounts, training — against control groups. The second is technological and regulatory. Mobile money arrived in 2007 and spread to near-universal use, and devolution in 2013 handed the governance of urban trading space to county governments. Both changed the terrain that the older literature described. This review therefore weights recent evidence heavily, while treating the foundational work as the frame.

3.2 The growth literature and its limits

A substantial strand of research asks what constrains micro-enterprise growth. The landmark study is de Mel, McKenzie, and Woodruff (2008), who gave randomised cash and in-kind grants to Sri Lankan micro-firms and found high average returns to capital — evidence that these firms are credit-constrained and could grow if financed. The finding travelled, prompting replications across Africa and a large literature on capital, training, and returns. The signal from this work is real: many micro-firms face binding capital constraints, and relieving them can raise profits.

But the same literature carries a warning for anyone reading it through a survival lens. Returns to capital in these experiments are highly heterogeneous. They concentrate among a minority of firms — often male-headed, often already larger — while many firms, particularly the smallest and those headed by women, show low or zero returns (de Mel et al., 2008). The Ghanaian replication sharpened the point. When researchers gave capital to micro-firms in Ghana, cash and in-kind grants raised profits for larger, male-run and some female-run firms, but the smallest subsistence-level women's firms showed no gain at all — the capital did not stick to the business, a pattern the authors described as a "flypaper" problem, where money lands wherever the household most needs it rather than where the experiment intended. Put simply, the growth literature does not show that all micro-firms are latent growth firms held back only by capital. It shows that some are, and that most are not. For the survivalist majority, an injection of capital does not become a bigger business. It becomes household consumption — a finding that recurs, as Section 6 shows, in Kenya's own state-credit experience.

There is a second strand of the growth literature worth naming: business training. Programmes that teach basic record-keeping, pricing, and management have been trialled widely, on the theory that human capital, not just financial capital, holds micro-firms back. The results are modest. Training tends to change what owners know and, sometimes, what they do, but its effect on profits and survival is small and often fades. As with capital, the honest reading is that training helps a motivated, growth-oriented minority at the margin, and does little for the survivalist firm whose problem was never a knowledge gap. Neither instrument is useless. Both are simply aimed, if the goal is poverty reduction, at the wrong part of the sector.

3.3 The savings and financial-access literature

If capital is not the whole story, savings is a large part of the rest. Dupas and Robinson's (2013) field experiment in rural Kenya gave a sample of micro-entrepreneurs access to a basic, safe savings account. Market women — vegetable sellers in particular — increased their business investment and private expenditure substantially, even though the accounts paid no meaningful interest and charged withdrawal fees. The constraint being relieved was not the return on savings. It was the simple ability to keep money safe from the demands of relatives, the temptation of spending, and the risk of theft. Before such interventions, the majority of poor Kenyans held no formal account of any kind, saving instead through livestock, cash at home, or rotating groups (Dupas & Robinson, 2013).

This literature reframes the financial constraint. The problem is not only that the poor cannot borrow. It is that they cannot safely save. And a safe store of value turns out to matter enormously for a survivalist firm, because it is the mechanism by which a household absorbs shocks without liquidating the business. The implication runs directly counter to a credit-first policy instinct: for many survivalist firms, a savings device is a more powerful tool than a loan, and a good deal less dangerous.

This reframing also lands amid a wider reassessment of microcredit. The great hope of the 1990s and 2000s was that lending to the poor would unlock enterprise and lift households out of poverty. The randomised evidence has been sobering. Banerjee, Duflo, Glennerster, and Kinnan (2015), evaluating the introduction of group microcredit, found modest effects — some increase in business investment among those already inclined to invest, but no transformation of incomes, health, education, or women's empowerment. Microcredit turned out to be a useful financial tool for some, not the engine of escape it was billed as. Read through this review's lens, that null-ish result is unsurprising: a loan does not fix a savings problem, and it does not by itself make a survivalist firm into a growing one.

The credit side of this literature deserves its own note, because the absence of formal credit does not mean the absence of credit. Where banks do not reach, informal mechanisms fill the gap. Rotating savings and credit associations (ROSCAs), *chamas*, and savings and credit co-operatives (SACCOs) provide the working capital and the lump sums that survivalist firms use to restock, to cover school fees, and to ride out lean weeks. These institutions are not merely financial. They are social; membership brings the discipline of peers and the reputational collateral that a poor borrower cannot otherwise offer. The economics of these arrangements is well theorised — Besley, Coate, and Loury (1993) showed how a rotating fund lets members reach a lump sum sooner than solitary saving would allow — and the Kenyan evidence adds a gendered twist: Anderson and Baland (2002), studying ROSCAs in a Nairobi slum, found that women join them partly as a commitment device to protect savings from competing household claims. That is the same insight the savings experiments reached, arrived at from a different direction. But the informal credit market has a darker end. Where financial literacy is thin and formal options absent, predatory lenders move in, charging punishing rates and enforcing repayment through pressure that can deepen the very poverty the loan was meant to relieve. The credit landscape facing the survivalist firm is therefore not empty. It is populated — by mutual-aid institutions that help and by predatory ones that harm — and any policy that treats "access to credit" as an unqualified good has not looked closely at which credit.

3.4 The gender literature

Women dominate large parts of Kenya's micro informal sector, especially food vending and petty trade. The average informal-sector worker, by some accounts, is a woman in her twenties running a micro-enterprise (Laterite, 2021). The pattern is regional, not merely Kenyan: across Sub-Saharan Africa, women entrepreneurs cluster in the smallest, lowest-productivity, most survivalist activities, and a persistent gender gap in enterprise performance follows from differences in sector, capital, and legal and property rights rather than from any deficit of effort (Hallward-Driemeier, 2013). The *mama mboga* — the vegetable seller who links smallholder farmers to urban consumers — has become both an economic mainstay and a political symbol. The gender literature makes three points that this review carries forward. First, women's micro-enterprises are more likely to be survivalist, more likely to be home-based or mobile, and more exposed to harassment. Second, they interact with household obligations in ways that shape investment: income is claimed by the household before it can be reinvested, which is precisely why safe savings devices matter so much for women (Dupas & Robinson, 2013). Third, women bore a disproportionate share of the losses when shocks hit, as the COVID-19 evidence in Section 6 shows.

3.5 The gaps this review addresses

Three gaps justify this synthesis. First, the Kenyan evidence is fragmented across disciplines that rarely cite one another — experimental economics, urban geography, gender studies, and policy evaluation. Second, most syntheses adopt a growth frame, which systematically underweights the survivalist majority. Third, the field has not fully absorbed the two big shifts of the last fifteen years — mobile money and devolved urban governance — into a single account of how survivalist enterprise now works. This review addresses all three.

4. The Kenyan Context

4.1 Scale and composition

The numbers are the starting point, and they are striking. Informal employment stands at roughly 83 per cent of Kenya's total workforce, amounting to around 18 million workers, and the sector generates the large majority of new jobs each year (KNBS, 2025). Against this, the formal wage sector employs only a few million. The 2016 MSME survey, the most detailed official mapping of the sector, estimated that micro, small, and medium enterprises contributed roughly a third of GDP, with the overwhelming majority of establishments falling in the micro category (KNBS, 2016). By activity, the sector concentrates heavily in one place:

wholesale and retail trade and the repair of vehicles account for the largest share of informal establishments, on the order of three in every five. Accommodation and food services and manufacturing follow, each in the low-to-mid teens as a share of the total — the manufacturing figure being the *jua kali* workshops of metalwork, carpentry, and repair that gave the sector its name (KNBS, 2016). Two things follow from this concentration. It means the sector is, first and foremost, a trading sector: most informal firms buy and resell rather than make. And it means that the fortunes of the sector are tightly bound to consumer demand and to the security of the physical spaces where trade happens — the markets, pavements, and roadsides that Section 4.3 turns to.

Two features of the composition matter for a poverty analysis. First, the modal firm is tiny: a single operator, little or no hired labour, minimal fixed assets. The legal ceiling for a micro-enterprise is nine employees; the lived reality sits at one or two. Second, the sector is young and female-weighted at its base, especially in the trade and food segments where survivalist logic is strongest. Accounts of the sector describe the average informal worker as a woman in her twenties running a micro-enterprise (Laterite, 2021). That demographic profile — young, female, trading, tiny — is the profile of survivalist enterprise, and it should be held in mind through everything that follows.

4.2 The financial ecosystem

Kenya's micro informal sector operates inside a financial ecosystem that is, in one dimension, world-leading and, in another, deeply thin. The world-leading part is mobile money. M-Pesa launched in 2007 and now reaches almost every household in the country (Jack & Suri, 2011, 2016; Suri, 2017). It has become the default channel through which micro-firms receive payment, pay suppliers, store value, and send and receive transfers. A vegetable seller who a generation ago dealt only in cash now takes payment by phone, keeps a float in a mobile wallet, and can receive a transfer from a relative in another town within seconds. That infrastructure is genuinely transformative, and Section 6 returns to what it has done for poverty.

The thin part is formal credit and safe savings. Despite mobile money's spread, many survivalist firms remain outside formal banking. Before the mobile-money era, only a small minority of poor Kenyans held any formal savings account, and many saved instead through livestock, cash hidden at home, or rotating groups (Dupas & Robinson, 2013). The gap has narrowed but not closed. For working capital and lump sums, survivalist firms still lean on rotating savings and credit associations (ROSCAs), savings and credit co-operatives (SACCOs), and *chamas* — and, at the harmful end of the market, on predatory informal lenders whose rates and enforcement can trap a borrower deeper in poverty. The financial story of the Kenyan micro-firm is therefore split, and the split is the point: extraordinarily well served for payments and transfers, and still poorly served for the safe savings and fair credit that a survivalist firm most needs.

4.3 The regulatory and governance context

Since devolution in 2013, the governance of urban trading space has largely sat with county governments. This is where the survivalist firm meets the state most directly, and the encounter is frequently hostile. Street vendors report harassment, eviction, extortion, and the solicitation of bribes by county enforcement officers, often despite holding permits and trading in designated areas (ICJ Kenya, 2024). This is not a uniquely Kenyan pathology. WIEGO's multi-city Informal Economy Monitoring Study, which included Nakuru among its sites, documented the same forces across the global South: vendors squeezed between insecure space, hostile regulation, and enforcement risk, with their livelihoods shaped as much by urban policy as by market demand (Roever, 2014; Chen, Roever, & Skinner, 2016; Roever & Skinner, 2016). The supply of legal vending space falls far short of the number of vendors, and licensing regimes rarely reflect how street trade actually works, where the vendor follows customer flow rather than staying inside a fixed zone. National legislative attempts to protect vendors — successive Street Vendors (Protection of Livelihood) Bills — have been introduced but have struggled to translate into secure, enforced rights on the ground (Republic of Kenya, 2019). Some proposals have gone as far as attaching criminal penalties, including the threat of imprisonment, for enforcement officers who harass licensed vendors — an indication of how serious the problem is understood to be, and, in the gap between such proposals and daily practice, of how far recognition still sits from protection. The governance context is therefore a core part of the poverty story, not a footnote to it: insecure space is itself a driver of vulnerability. The same reports note that the burden falls unevenly. Women and vendors with disabilities are disproportionately targeted for harassment and extortion, so the insecurity of space is also a channel through which the sector's existing inequalities are deepened (ICJ Kenya, 2024).

4.4 Social protection

The final piece of context is social protection, and it is largely a picture of absence. Coverage of any contributory social protection reaches only about a tenth of the population, and the informal majority sits mostly outside it (ILO, n.d.). Contributory health and pension schemes — historically the National Hospital Insurance Fund and National Social Security Fund, more recently the Social Health Insurance Fund and reformed NSSF — are built around regular, formal-sector contributions, and the informal sector's low and irregular uptake has been a persistent obstacle to widening the pool (KIPPRA, 2023). Informal earnings are irregular by nature, which makes consistent contribution hard, and uptake among informal workers has been low despite voluntary products designed for them. The NSSF's *Haba Haba* scheme, launched in 2019, was built precisely for the informal worker — the name means "little by little", and it allows small, flexible contributions rather than fixed formal-sector deductions. Its take-up has nonetheless remained modest, which tells its own story: the barrier is not only the design of the product but the reality of an income that some weeks leaves nothing to set aside. Health financing shows the same structural strain. The shift from the National Hospital Insurance Fund toward the Social Health Insurance Fund has come with efforts to lower the entry point for informal workers — proposals to cut the minimum monthly contribution — precisely because the informal majority's irregular earnings made the older, higher, contribution-based model hard to sustain. The pattern is consistent across schemes: systems built around a regular formal wage strain to fit an economy where most people do not have one. The result is that the households most exposed to income shocks are the least insured against them. That gap frames the vulnerability documented in Section 6.

5. Methodology

5.1 Design and rationale

This is a structured systematic review, conducted according to the principles of the PRISMA 2020 reporting framework and adapted for a synthesis that spans peer-reviewed research, national statistics, and policy grey literature. A systematic approach is appropriate because the relevant evidence is scattered across disciplines and publication types, and a narrative selection would risk cherry-picking. The review is qualitative and thematic in its synthesis rather than a meta-analysis, because the underlying studies differ too much in method and outcome measure to pool statistically.

5.2 Information sources and search strategy

The search covered the period to July 2026 and combined three source types. First, peer-reviewed academic literature was searched systematically through OpenAlex — a free, open bibliographic database of more than 250 million scholarly works, queried through its public API — which served as the primary indexed database for this review, supplemented by Google Scholar and the major publisher and repository platforms on which the relevant journals sit (ScienceDirect, SpringerLink, Wiley Online Library, Oxford Academic, JSTOR, the American Economic Association journals, and the working-paper series of the NBER and the World Bank). OpenAlex was chosen as the indexed-database backbone because, unlike the subscription databases Scopus and Web of Science, it is openly and reproducibly queryable; the trade-off, noted in the limitations, is that its relevance-ranked search is less precise than field-coded Boolean querying, and a confirmatory Scopus and Web of Science export remains outstanding (Section 5.7). Second, the statistical and policy outputs of national and international bodies were retrieved directly from their repositories: the Kenya National Bureau of Statistics (KNBS), the International Labour Organization (ILO), the World Bank, Financial Sector Deepening (FSD) Kenya, Women in Informal Employment: Globalizing and Organizing (WIEGO), the Kenya Institute for Public Policy Research and Analysis (KIPPRA), and the Consultative Group to Assist the Poor (CGAP). Third, grey literature — policy evaluations, monitoring reports, and government sessional papers — was included where it contained primary evidence not otherwise published, subject to the appraisal criteria below. Reference lists of key included studies were hand-searched to catch sources the electronic searches missed (backward citation searching).

The search string combined three concept sets with Boolean operators, in the general form **(population) AND (place) AND (theme)**:

- **Population:** *informal sector* OR *micro-enterprise* OR *microenterprise* OR *jua kali* OR *street vendor* OR *hawker* OR *mama mboga* OR *petty trade* OR *own-account worker*.

- **Place:** *Kenya* OR *Nairobi* OR *Mombasa* OR *Kisumu* OR *Nakuru* OR *East Africa*, with a defined subset of theoretical and comparative sources admitted from the wider *Sub-Saharan Africa* and *developing country* literature.

- **Theme:** *poverty* OR *survival* OR *livelihood* OR *credit* OR *microfinance* OR *savings* OR *mobile money* OR *digital credit* OR *harassment* OR *eviction* OR *social protection* OR *formalisation* OR *formalization* OR *taxation*.

Comparative and theoretical works outside Kenya — for example the foundational statements of informal-economy theory, and landmark experimental studies from elsewhere in the developing world — were admitted where they were necessary to frame or interpret the Kenyan evidence, and are flagged as such in the synthesis.

5.3 Inclusion and exclusion criteria

Studies were **included** if they: (i) concerned micro or informal enterprise in Kenya, or provided a directly comparable African or theoretical frame; (ii) addressed at least one review theme — the nature of the sector, its constraints, its links to poverty, or an intervention; (iii) reported primary evidence, official statistics, or a substantive theoretical contribution; and (iv) were available in English. Studies were **excluded** if they concerned only large or formal firms, addressed agriculture or the digital gig economy as such, were purely descriptive news items without evidentiary content, or duplicated evidence reported more authoritatively elsewhere.

5.4 Screening, appraisal, and synthesis

Records were screened first by title and abstract, then by full text against the criteria above. From each included study, a consistent set of information was extracted: the population studied, the setting, the method, the main finding, and the outcome measure used. That last item matters more than it might seem. A study that measures firm profit and a study that measures household consumption can reach opposite verdicts on the same intervention, and reading them side by side without noting the difference is how the literature generates false disagreements. Extraction therefore recorded whether each study's outcome was a firm outcome or a household one, so that the synthesis could keep the survival question — did the household become more secure? — in view even when the original study asked a growth question.

Included studies were appraised for the fit between their claims and their evidence. Two appraisal questions were applied throughout. First, does the study's evidence actually support the breadth of its claim, or is a finding from a minority of firms being generalised to the whole sector? This is the single most common weakness in the micro-enterprise literature, and it is why the heterogeneity of experimental results is given such weight in Section 6. Second, how was the population sampled — because a sample drawn from microfinance clients, or from a single market, or from firms that survived long enough to be surveyed, carries a selection bias toward the more successful firm and away from the survivalist majority. Studies were not excluded for these features, but their claims were weighted accordingly. Synthesis was thematic: findings were coded to the three research questions and organised into the themes reported in Section 6.

A word on reflexivity is warranted. This review adopts a survival-and-poverty lens by design, and that lens shapes what it foregrounds. The intention is not to deny that growth-oriented micro-enterprise exists or matters, but to correct a literature that has tended to read the whole sector through the growth-oriented minority. Where the evidence supports a growth reading — as it does for some firms and some interventions — the review says so.

5.5 The database search log and PRISMA selection process

The primary indexed search was executed against the OpenAlex database on 11 July 2026 through its public API, using title-and-abstract queries built from the concept sets in Section 5.2. Because these searches are openly reproducible, the exact query logic and the number of records each returned are reported in full in Table 1; anyone can re-run them and obtain the same counts, subject to database growth. This is the transparency that a systematic review's identification stage demands.

Table 1. OpenAlex database search log (executed 11 July 2026)

#	Query logic (title/abstract)	Records
Q1	(informal OR microenterprise OR *jua kali*) AND (Kenya OR Nairobi) AND (poverty OR livelihood OR survival), article type	19
Q2	(informal OR microenterprise OR *jua kali* OR vendor OR hawker) AND (Kenya OR Nairobi), broad concept net	93
Q3	informal economy AND Kenya AND poverty	146
Q4	(microenterprise OR informal) AND Kenya AND (credit OR savings OR microfinance OR mobile money)	311
Q5	(street vendor OR hawker OR informal trader) AND (Kenya OR Nairobi)	50
Q6	informal sector Kenya AND (social protection OR formalisation OR taxation)	437

The selection then followed the four-stage PRISMA 2020 model — identification, screening, eligibility, inclusion. The queries in Table 1 overlap heavily by design, each lighting up a different facet of the same literature; pooling them and removing duplicates yielded the identification set. Because the broadest thematic queries (Q4, Q6) return several hundred loosely-ranked records each, screening proceeded pragmatically: records were assessed in OpenAlex relevance order and screened by title and abstract against the inclusion criteria until relevance was clearly exhausted, supplemented by direct retrieval from the official repositories (KNBS, ILO, World Bank, WIEGO, FSD Kenya, CGAP, KIPPRA) and by backward citation searching of key studies. The flow is summarised below.

PRISMA stage	Records
Records identified through OpenAlex queries (Q1–Q6, pooled)	1,056
Records identified through official repositories and hand-searching	31
Records after duplicates removed and relevance-limited screening pool defined	214
Records screened by title and abstract	214
Records excluded at screening (off-topic, formal-firm focus, no evidentiary content)	121
Full-text reports assessed for eligibility	93
Full-text reports excluded (formal-firm focus; non-Kenyan without theoretical value; no primary evidence; duplicated evidence)	41
Studies and sources included in the synthesis	**52**

Two transparency notes are owed, and they are the honest boundary of what has and has not been done. First, the identification counts in the flow are the true OpenAlex yields; the screening and eligibility counts reflect a *pragmatic* systematic review — relevance-ordered screening rather than a manual pass over every one of the ~1,000 pooled records — which is an accepted method for a literature of this breadth but is a weaker claim than an exhaustive screen. Second, and most important, OpenAlex is **not** Scopus or Web of Science. Those subscription databases remain the field standard for a fully PRISMA-compliant published review, they are paywalled and require authenticated access, and their export has **not** been performed here. Completing that Scopus and Web of Science extraction, and reconciling it against the set reported above, is the single outstanding methodological task before submission (Section 5.7). It would be expected to raise the identified-records count while leaving the included synthesis set — and the thematic findings drawn from it — broadly stable, because those findings already rest on convergent evidence from many independent sources rather than on any single study. The ready-to-run Scopus query string is provided in Appendix A to make that step straightforward.

5.6 Characteristics of included evidence

The included evidence spans four types: (i) foundational and theoretical statements of informal-economy and urban-informality theory; (ii) experimental and quasi-experimental impact studies, mostly from development economics; (iii) national statistics and official policy documents; and (iv) sector-specific field research and monitoring reports. A selection of the most load-bearing included studies is summarised in Table 2, which records for each its setting, method, and central finding as used in this review.

Table 2. Selected included studies and their contribution to the synthesis

Study	Setting / type	Method	Central finding used
ILO (1972)	Kenya	Policy mission	Named and legitimised the informal sector as productive livelihood
Hart (1973)	Ghana	Ethnographic	Originated the formal/informal distinction
King (1996)	Kenya (*jua kali*)	Longitudinal field study	Documented the artisan sector's change and its ceilings on growth
de Mel, McKenzie & Woodruff (2008)	Sri Lanka	Field experiment	High but heterogeneous returns to capital; smallest firms gain least
Dupas & Robinson (2013)	Kenya	Field experiment	Safe savings devices raised investment among market women
Banerjee et al. (2015)	India	Randomised evaluation	Microcredit had modest, non-transformative effects on the poor
Jack & Suri (2016)	Kenya	Panel / natural experiment	M-Pesa lifted ~2% of households from poverty; largest gains for women
Haushofer & Shapiro (2016)	Kenya	Field experiment	Unconditional cash transfers raised consumption and assets
La Porta & Shleifer (2014)	Cross-country	Review / empirical	Informality tied to poverty and low productivity; growth from the formal sector
Roever (2014)	Five cities incl. Nakuru	Mixed-methods monitoring	Documented vendors' exposure to policy and enforcement risk
ICJ Kenya (2024)	Kenya	Legal / field review	County enforcement harassment falls hardest on women and disabled vendors
Hustler Fund evaluations (2024)	Kenya	Programme evaluation	State microcredit financed consumption, defaulted, and did not grow firms

5.7 Limitations of the method

Five limitations should be stated plainly. First, the informal sector is, by definition, poorly measured; official statistics on it carry wide margins of error, and this review inherits that uncertainty. Second, definitional inconsistency across studies — what counts as "informal", what counts as "micro" — limits comparability. Third, the reliance on English-language and published sources introduces a bias against evidence held in Kiswahili or in unpublished field records. Fourth, part of the experimental evidence is drawn from outside Kenya — from Sri Lanka, India, Ghana, and elsewhere — and its transfer to the Kenyan case, while defensible, is not costless. Fifth, and most important for the review's own standards, the indexed search was run against OpenAlex rather than the subscription databases Scopus and Web of Science;

OpenAlex's relevance-ranked querying is less precise than field-coded Boolean search, and the screening was pragmatic rather than exhaustive. The confirmatory Scopus and Web of Science extraction — for which the query is supplied in Appendix A — must be completed before the review can claim full PRISMA compliance. None of these limitations undermines the thematic findings, which rest on convergent evidence from multiple independent sources, but each qualifies the precision of any single number.

6. Findings

The synthesis produced five themes. The first describes the nature of the sector. The next three describe its constraints. The fifth assesses the interventions aimed at it.

6.1 The sector runs on survival, not accumulation

The clearest finding is also the most consequential: Kenya's micro informal sector is dominated by survivalist enterprise. The modal firm exists to keep a household fed, not to build capital. Three lines of evidence converge on this.

First, the structural profile. The typical firm is a single operator with negligible assets, clustered in trade and food, and disproportionately run by young women (KNBS, 2016; Laterite, 2021). These are not the characteristics of firms poised to scale. They are the characteristics of firms run to survive.

Second, the investment behaviour. When survivalist firms receive capital, much of it flows to the household rather than the business. This is not fecklessness; it is the logic of a unit whose first obligation is consumption. The experimental literature captures the same pattern in the heterogeneity of returns to capital — high for a growth-oriented minority, low or zero for the survivalist majority (de Mel et al., 2008). A firm that will not reinvest a windfall is telling the analyst something true about its purpose.

Third, the entry motive. Much informal self-employment in Kenya is entered for want of a wage job, not in pursuit of an opportunity. That is the dualist account, and the Kenyan scale evidence — an informal sector absorbing the overwhelming majority of new labour-force entrants because the formal sector cannot — supports it (KNBS, 2025). Put simply, for most people the hustle is not a chosen ladder. It is the floor they landed on.

The implication is that "why don't these firms grow?" is often the wrong question. Many are not trying to. The better question is whether they deliver a secure enough livelihood — and the constraints below explain why, too often, they do not.

6.2 Constraint one: unsafe savings before scarce credit

The financial constraint on the survivalist firm is usually framed as a lack of credit. The Kenyan evidence suggests the more binding constraint, for the survivalist majority, is the lack of a safe place to save. Dupas and Robinson (2013) showed that simply giving market women access to a basic, no-frills savings account raised their business investment and resilience, even though the account paid no real return. The women were not short of investment ideas or discipline. They were short of a way to protect money from being drained — by relatives, by small temptations, by theft — long enough to deploy it.

This finding reorders the policy priority. Credit is not irrelevant; capital-constrained growth firms exist and benefit from it. But for the survivalist firm, a loan carries a risk that a savings device does not: the obligation to repay from a volatile income, which can deepen poverty when a shock hits. The safe-savings result also explains a puzzle in the credit data — why so much borrowed money ends up in consumption. If a household has no protected buffer, any liquid sum, borrowed or earned, is exposed to immediate consumption needs. Give it a buffer first, and the picture changes.

6.3 Constraint two: insecure space and a hostile state

The second constraint is spatial and political. The survivalist firm needs somewhere to trade, and in urban Kenya that somewhere is contested, under-supplied, and policed with hostility. Vendors report routine harassment, eviction, extortion, and bribe-solicitation by county enforcement, frequently even when they hold permits and occupy designated areas (ICJ Kenya, 2024). Legal vending space is far scarcer than the vendor population, and the licensing that exists tends to assume a static stall when real street trade follows moving demand.

Read through the survival lens, insecure space is not a nuisance. It is a direct driver of poverty and vulnerability. A vendor who can be cleared at any moment cannot safely invest in stock or fixtures, because both can be confiscated or abandoned in a raid. Bribes are a regressive tax on the poorest firms. And the constant threat suppresses exactly the kind of modest, place-specific investment that would make a survivalist firm slightly more secure. Here the structuralist reading has bite: the vendor absorbs risk and cost that the formal urban order will not accommodate. National attempts to legislate protection — the Street Vendors bills — signal the problem is recognised, but recognition has not yet become enforced security on the pavement (Republic of Kenya, 2019).

6.4 Constraint three: exposure to shocks without protection

The third constraint is the absence of a safety net, and its cost becomes visible whenever a shock arrives. The COVID-19 pandemic is the clearest natural experiment. When restrictions hit, the informal sector was battered from both sides — supply chains disrupted and customer demand collapsed — and the great majority of low- and moderate-income Kenyans reported sharply reduced income (World Bank, 2020; FES, 2020). Micro-firms, holding little reserve, could not absorb the blow; many owners drew down or closed their businesses to meet household needs, and for a large share of the smallest firms the pandemic became, in the words of one assessment, simply "a question of survival" (MicroSave Consulting, 2021). The shock eroded years of progress on poverty reduction (World Bank, 2020). Women-run food enterprises in informal settlements were among the hardest hit.

The pandemic also exposed how little external support reached these firms when they most needed it. Relief and recovery programmes existed, and some were sizeable, but many micro-firms — particularly the youngest and smallest — made no use of any government or non-governmental support at all, whether because they did not know of it, could not access it, or fell outside its criteria (World Bank, 2020). The firms with the least reserve were also the firms least likely to be caught by a safety net, formal or improvised. That combination — highest exposure, lowest coverage — is the defining vulnerability of the survivalist sector, and the pandemic simply made it visible at scale.

This exposure is structural, not incidental. Contributory social protection reaches only about a tenth of the population, and the informal majority — whose irregular earnings do not fit contribution-based schemes — sits largely outside it (ILO, n.d.). The survivalist firm is therefore the household's insurance policy, its buffer of last resort, precisely because no formal buffer exists. That is why capital and income are pulled into the household so readily: the firm is not only a source of livelihood but the family's only shock absorber. A sector this exposed cannot build wealth, because every downturn forces it to consume its own base. And the shocks are not only the rare, headline kind. An illness, a funeral, a police raid, a bad month of rain — each is a small crisis met from the same thin reserve. The survivalist firm lives in a state of near-permanent exposure, and that state, more than any deficit of ambition or skill, is what keeps it small.

6.5 The interventions: real gains, uneven and sometimes perverse

The final theme assesses what has been tried. The record is mixed, and the pattern in the mix is instructive.

Mobile money is the clear success. Jack and Suri (2016) found that the spread of M-Pesa lifted roughly 194,000 households — about two per cent of Kenyan households — out of poverty, with the gains concentrated among female-headed households, and that access pushed many women out of subsistence agriculture into business and retail. The mechanism fits everything above: mobile money improved the ability to receive income, store value, and absorb shocks through transfers from a wider network. It succeeded not by growing firms directly but by strengthening the household's financial resilience — the survival margin. That is the template for what works.

Safe savings devices work, for the same reason. The Dupas and Robinson (2013) result belongs here too: a low-cost, protected place to save raised investment and resilience among market women. Like mobile money, it worked on security rather than scale.

Unconditional cash transfers work, and they are the cleanest test of the thesis. Haushofer and Shapiro (2016), studying large one-off transfers delivered to poor Kenyan households through M-Pesa, found substantial and lasting increases in consumption and productive assets, alongside gains in psychological well-being. The point is not that cash grants are a scalable enterprise policy — they are expensive and their business effects are secondary.

The point is what the result reveals about sequence. Give a poor household a secure lump sum with no repayment hanging over it, and it builds assets and resilience. Push the same household a loan it must repay from a volatile income, as the Hustler Fund did, and the money is consumed and the debt remains. Same households, opposite outcomes — the difference is security versus obligation. That contrast is the empirical heart of this review.

State credit has largely failed the survivalist firm, and the failure is diagnostic. The Hustler Fund, launched in late 2022 to channel cheap microloans to the informal sector, was built on the intuition that the poor lack capital and that supplying it cheaply would unlock enterprise. Take-up was enormous: over twenty million Kenyans borrowed. Then the scheme ran into exactly the problems this review would predict. Evaluations found that only a small share of borrowers — well under a fifth in some assessments — put the money into their businesses, while the great majority used it for household consumption. Default climbed toward two-thirds of borrowers, the defaulted sums ran into the billions of shillings, and independent analyses concluded that the fund had produced no measurable effect on jobs or enterprise growth (The Conversation, 2024). The numbers are worth sitting with, because they are not a story of a few bad actors. They describe the normal behaviour of a survivalist sector handed liquidity.

This is not simply a story of poor programme design, though the design had flaws. It is what happens when credit is pushed at survivalist firms that lack a protected buffer: the money meets the household's consumption needs first, because that is what a survivalist unit is for. The loan does not fail to become investment because borrowers are reckless. It fails because there was no safe reserve standing between the loan and the family's immediate needs, and so the loan became the reserve — and then became debt. Credit-first policy misreads the sector, and the Hustler Fund is the expensive proof. It is, in effect, the flypaper result of the experimental literature reproduced at national scale: money lands where the household most needs it, not where the policy intended.

Capital and training help a minority. The experimental literature shows real returns to capital and, in some designs, to business training — but concentrated among growth-oriented firms, often male-headed and already larger (de Mel et al., 2008). For the survivalist majority, these instruments do little on their own. They are not wrong; they are aimed at the wrong firms if the goal is poverty reduction across the sector.

The pattern across all four is consistent. Interventions that strengthen security — the ability to store value, receive income, and absorb shocks — reach the survivalist majority and reduce poverty. Interventions built on the assumption of a latent growth firm reach a minority and, when pushed at the majority, either miss or backfire.

7. Discussion

7.1 Reading the findings against the three schools

The findings do not crown a single theory. They distribute across all three, which is itself the point. The dominance of survivalist, exclusion-driven entry supports the dualist account: for most operators, the informal firm is the floor beneath a labour market that cannot offer them a wage job (Hart, 1973; ILO, 1972). The vendor bearing displaced risk and cost, cleared from space that the formal urban order will not accommodate, is a structuralist figure (Castells & Portes, 1989). And the legalist insight holds in a specific, limited way: formalisation is genuinely costly, and for a survivalist firm it is often pointless, which is why registration drives keep failing (de Soto, 1989). The Kenyan micro informal sector is heterogeneous enough to contain all three truths at once. A framework that insists on one and denies the others will misread part of the sector.

7.2 The formalisation debate, reframed

Much policy energy goes into formalisation — into getting informal firms registered, licensed, and taxed. This review suggests that framing is largely misdirected for the survivalist majority. A survivalist firm gains little from a registration certificate. Registration does not make its savings safer, its trading space more secure, or its income less exposed to shocks. It adds cost and visibility without adding protection. Little wonder that formalisation drives achieve thin, temporary results. The revenue case for chasing these firms is weak too: out of roughly 1.5 million small businesses in Kenya, only a small fraction are registered with the revenue authority, and the informal sector contributes well under one per cent of total tax revenue, so the administrative effort of taxing survivalist firms tends to cost more than it collects while adding to their burden (IMF, 2023). Simplified presumptive regimes ease compliance at the margin but do not change this basic arithmetic.

The experimental record on formalisation supports this scepticism. When researchers have tested what actually induces informal firms to register — information, free registration, even payments and hand-holding — the yield has been low, and the firms that do register tend to be the larger, more growth-oriented ones that were closest to formal already (de Andrade, Bruhn, & McKenzie, 2016). Simply lowering the cost or cutting the red tape of registration moves few survivalist firms, because registration was never what was holding them back. The lesson generalises across the developing world: formalisation is not a switch that, once flipped, turns a survival activity into a growing enterprise.

The reframing is to put security before registration. What the survivalist firm needs first is a protected store of value, secure and predictable trading space, and some buffer against catastrophic income loss. These are the things the evidence shows actually move poverty — mobile money and safe savings on the financial side, and, by implication, enforceable vending rights and accessible social protection on the other two. Formalisation may still be a reasonable end goal for the growth-oriented minority, and a security-first agenda may even make eventual formalisation more attractive by giving firms something to protect. But as a starting point for a survivalist sector, "register first" has the sequence backwards. Security first, formality later — if at all.

7.3 Why credit-first policy keeps disappointing

The Hustler Fund experience deserves a moment on its own, because it is such a clean illustration. The instinct behind it is intuitive: the poor lack capital, so give them cheap capital. The result — mass consumption use and mass default — looks like a failure of implementation. It is better read as a failure of diagnosis. Survivalist firms channel liquid money to the household because that is their function, and because no protected buffer stands between the loan and the family's immediate needs. Credit pushed into that gap does not become investment; it becomes consumption, and then it becomes debt. The lesson is not that the poor cannot be trusted with money. It is that the sequence matters: a safe way to save has to come before a loan, or the loan is absorbed by the very vulnerability it was meant to address. This is consistent with the savings evidence (Dupas & Robinson, 2013) and with the heterogeneity of returns to capital (de Mel et al., 2008).

7.4 The double edge of the digital shift

Mobile money is the clearest success in this review, and it would be easy to conclude that digitisation is straightforwardly good for the survivalist firm. The evidence is more careful than that. The same rails that carry a safe transfer also carry instant digital credit, and the two do not have the same effect. Mobile money strengthened resilience by making it easier to store value and receive help. Digital lending, layered on top of that infrastructure, can do the opposite — offering frictionless small loans that a survivalist household, with no buffer, draws down for consumption and then struggles to repay, sometimes cycling between apps to service old debt with new. Kenya's private digital-credit market makes the risk concrete. Since the launch of M-Shwari in 2012, dozens of instant-loan products have followed, and the great majority of loans advanced to Kenyan borrowers now flow through digital channels; by 2018 a single product was disbursing on the order of two hundred billion shillings a year (Totolo, 2018). With that scale has come mounting concern about over-indebtedness, negative credit listing for tiny defaults, and thin consumer protection — enough to prompt survey evidence of borrower distress (Kaffenberger, Totolo, & Soursourian, 2018) and, ultimately, a formal market inquiry by the Competition Authority of Kenya (2021). The Hustler Fund is the state-run version of this risk, but a large private version runs alongside it, and it predates the Fund. The lesson is not that digital finance is good or bad in the abstract. It is that the *function* matters: digital tools that help the household save and absorb shocks reduce poverty, while digital tools that push easy credit into an unprotected household can deepen it. The infrastructure is neutral. What is built on it is not. This is the same security-before-credit sequence, now playing out at the speed of a smartphone — which makes getting the sequence right more urgent, not less.

7.5 Gender runs through all of it

The gender dimension is not a separate theme but a thread through every finding. Women concentrate in the most survivalist segments, are most exposed to harassment of trading space, and lost the most in the pandemic shock. They also gained the most from the two interventions that worked: mobile money moved women out of subsistence into business (Jack & Suri, 2016), and safe savings raised investment most among market women (Dupas & Robinson, 2013). The security-first agenda is therefore, in practice, a gender agenda. Policies that make savings safe, space secure, and income insured will reach women first, because women are concentrated exactly where insecurity bites hardest.

7.6 Policy implications

Four implications follow, in order of the evidence behind them. First, prioritise safe savings and payment infrastructure over subsidised credit; the returns to security are larger and reach the majority, while credit-first schemes miss or backfire. Second, treat secure trading space as economic policy, not merely urban management: enforce vendor protections, expand legal vending space, and end the extortion that acts as a regressive tax on the poorest firms. Third, extend social protection through mechanisms built for irregular income — voluntary, low-threshold, mobile-money-linked contribution — so the household's shock absorber is not the firm itself. Fourth, target scale-oriented instruments, capital and training, at the growth-oriented minority that can actually use them, rather than diffusing them across a survivalist sector where they do little. Underlying all four is a single reordering: lead with security, not with formality or credit.

7.7 Limitations of the evidence

Three caveats bound these conclusions. The measurement of an unregistered sector is inherently imprecise, so all magnitudes carry uncertainty. The experimental evidence, though strong internally, comes partly from outside Kenya and must be transferred with care. And the survival-versus-growth distinction, useful as it is, runs along a spectrum rather than a clean line; real firms move along it over time. These caveats qualify the precision of the findings without unsettling their direction, which rests on convergent evidence from independent sources and methods.

8. Conclusion

Kenya's micro informal sector is not a waiting room for the formal economy. It is where most Kenyans work, and it will remain so. Read through a survival lens, the sector's defining feature is not its failure to grow but its function: it exists to keep households afloat in an economy that offers them few wage jobs and almost no safety net. That function explains its behaviour — the tiny scale, the reluctance to reinvest, the way capital drains into consumption — far better than a story of thwarted entrepreneurship does.

The constraints that keep the sector poor are structural and connected. Savings are unsafe before credit is scarce. Trading space is insecure and policed with hostility. Income is exposed to shocks that no formal protection cushions. And the interventions that have actually reduced poverty — mobile money above all, and safe savings alongside it — succeeded not by growing firms but by strengthening security. The one flagship intervention that failed, state-pushed credit, failed precisely because it ignored that logic and pushed loans at firms with no buffer to hold them.

The central argument of this review is therefore a reordering. Formalisation, framed as registration, misreads what a survivalist firm needs. What it needs first is security — of savings, of space, and of income. Build that, and poverty falls, women benefit most, and formality, if it comes, comes on firmer ground. Put simply, the policy question is not how to make the informal firm formal. It is how to make the informal firm safe.

This reordering is not a rejection of ambition for the sector. It is a sequencing of it. A household that can save safely, trade without fear of the next raid, and survive an illness without liquidating its stock is a household that can begin to think past the next week — and thinking past the next week is where growth, when it happens, actually starts. Security is not the opposite of growth. For the survivalist firm, it is the precondition for it. The interventions that have worked in Kenya already point the way: they succeeded by making households more resilient, and some of that resilience then turned into investment on its own. The lesson is to build from the floor of security upward, rather than to demand growth or formality from firms still standing on nothing.

There is also a question of respect in how the sector is framed. To call the survivalist firm a failed business is to measure it against a purpose it never had. The *mama mboga* who has sold vegetables from the same corner for fifteen years, put children through school on the proceeds, and never hired a soul has not failed at business. She has succeeded at survival, against odds that the formal economy never had to face. A literature and a policy apparatus that can only see her as an incomplete version of something larger will keep prescribing the wrong medicine — a loan she cannot safely carry, a licence that protects nothing, a training course for a problem she does not have. Seeing the sector clearly means seeing survival as an achievement in its own right, and asking how to make that achievement less precarious.

Future research should do three things. It should complete the full database extraction that turns this structured review into a fully PRISMA-compliant one. It should test the security-first sequence directly — does a safe savings device before a loan change what the loan achieves? And it should track how devolution's county-level governance is reshaping the vendor's security, a question the older literature could not have asked. The sector that the ILO first named in Kenya in 1972 is still the country's real employer. It deserves to be studied on its own terms — as survival, not as failed growth.

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Note: This list reflects the 52 sources included in the synthesis (Section 5.5). A small number of foundational and comparative works are cited to frame the Kenyan evidence, as flagged in the text. A fully PRISMA-compliant submission should reconcile this set against the complete Scopus and Web of Science extraction described in Sections 5.5 and 5.7.

Appendix A: Ready-to-run Scopus query

The following query operationalises the concept sets of Section 5.2 in Scopus field-coded Boolean syntax. It is provided so that a researcher with institutional access can execute the confirmatory extraction, export the results, and reconcile them against the OpenAlex-based set reported in Section 5.5. An equivalent Web of Science query can be built by substituting `TS=(...)` for `TITLE-ABS-KEY(...)`.

```
TITLE-ABS-KEY (
   ( "informal sector" OR "informal econom*" OR microenterprise OR "micro-enterprise"
     OR "jua kali" OR "street vend*" OR hawker OR "petty trad*" OR "own-account" )
   AND ( Kenya OR Nairobi OR Mombasa OR Kisumu OR Nakuru )
   AND ( poverty OR surviv* OR livelihood* OR credit OR microfinance OR saving*
         OR "mobile money" OR "digital credit" OR harass* OR eviction
         OR "social protection" OR formali?ation OR tax* )
)
AND ( LIMIT-TO ( LANGUAGE , "English" ) )
```

Notes for the operator: run the search, export all records as RIS or CSV, de-duplicate against the reference list in this review, then screen by title and abstract using the inclusion and exclusion criteria in Section 5.3. Record the counts at each PRISMA stage and update the flow in Section 5.5. The `formali?ation` wildcard captures both the British (*formalisation*) and American (*formalization*) spellings.

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