

ABSTRACT

Growth of urban informal settlements remain a significant barrier to attainment of macroeconomic goals and also the Sustainable Development Goals. Urban informal settlements are mainly characterised by small-scale traders. Particularly, the growth of urban informal settlements continues to expose citizens to poverty, inaccessibility of public services and amenities, and general exclusion. Growth of urban informal settlements is blamed on inadequate financial resources. However, through community currency as a financial innovation, it is possible to create new financial products, services and or processes and revolutionize the financial services industry by changing the payment for goods and services, how to carry out investments, and even to how to access the capital. Despite many studies around community currency, there is still inadequate empirical evidence on its role towards improving urban informal settlements especially with respect to growth of small-scale business. Therefore, the general objective of the study was to explore the effect of community currency systems on growth of small-scale businesses in urban informal settlements in Kibuye Market in Kisumu City. The specific objectives were: to determine the effect of community networks; financial service innovations and social innovations on growth of the small-scale businesses in the urban informal settlements of Kibuye market in Kisumu County. The study also focused on determining the moderating effect of entrepreneurial networks on the relationship between community currency and the growth of small-scale business in urban informal settlements. Growth was measured through profit margin, sales volume and savings. The study was anchored on Pecking order theory among other theories. Mixed research design comprising of both correlational and descriptive design were adopted and executed through a participatory action research approach. A sample size of 385 small scale businesses was obtained through a combination of stratified and simple random sampling from a target population of 10,000 for the quantitative survey. Additional 30 respondents were sampled purposively for the qualitative research. A combination of questionnaire, document analysis guide, interview schedule, participant observation and focus group discussion guide were used to collect data. Pilot study was done among 15 small-scale businesses in Nairobi and a reliability coefficient of 0.86 was obtained. Expert opinions from School of Business & Economics and School of Engineering and Technology assisted in improving instrument validity.. According to the findings, community networks ($r = 0.784, p = .000$), financial innovations ($r = 0.806, p = 0.000$), and social innovations ($r = 0.760, p = 0.000$) had statistically significant positive relationships with growth of small-scale businesses in Kibuye Market. In addition, entrepreneurial network had statistically significant positive moderating effect on the relationship between community currency and growth of small-scale businesses in Kibuye Market. Based on the findings, the study recommended for strengthening of community currency, which would then result into growth of small-scale businesses. Such growths would lead to growth and development of urban informal settlements and subsequent attainment of macroeconomic goals and Sustainable Development Goals.