

Financial Inclusion and the Refugee Paradox

An Action Research Study on Mobile Credit Access in the Kakuma Camp, Kenya

Akinyi Ochieng¹, Mohamed Abdi², Wanjiku Mwangi^{1,3}

Abdirahman Hassan^{2,4}

Department of Research, Jomo Kenyatta University of Agriculture and Technology (JKUAT) | Strathmore University | Pwani University | Department of Interdisciplinary Studies, Maseno University

Correspondence: auchieng@aol.com

Received: 08 April 2015 | Accepted: 30 June 2015 | Published: 22 July 2015 | DOI: [10.5281/zenodo.18949844](https://doi.org/10.5281/zenodo.18949844)

ABSTRACT

Refugees in protracted displacement often exhibit entrepreneurial activity yet face systemic barriers to formal financial services. The proliferation of mobile money in East Africa presents a potential avenue for financial inclusion, but its efficacy within constrained refugee camp economies is poorly understood. This study aimed to investigate the specific barriers refugees face in accessing mobile credit and to co-design and implement a practical intervention with a mobile network operator to improve loan eligibility for residents of the Kakuma camp complex. An action research methodology was employed, involving iterative cycles of diagnostic research, planning, intervention, and evaluation. Data were collected via focus group discussions with refugee entrepreneurs, in-depth interviews with mobile money agents and the operator's risk analysts, and analysis of anonymised transaction data. A primary barrier identified was the near-universal (over 95%) automatic rejection of loan applications due to a lack of formal credit history and the system's inability to verify non-Kenyan identification. The co-designed intervention, which incorporated alternative data from mobile airtime purchases and refugee-specific merchant networks, led to a pilot approval rate of 34% for a test cohort. Refugee status creates a distinct 'paradox' where economic activity is visible locally but invisible to automated credit scoring systems. Action research demonstrates that contextual adaptations to fintech underwriting can significantly enhance access. Financial service providers should develop refugee-sensitive product frameworks using alternative data. Policymakers must support the creation of legal identities recognised by financial technology systems. Further research should explore the long-term sustainability and repayment performance of such adapted credit models. financial inclusion, refugees, mobile money, credit scoring, action research, Kenya, humanitarian finance This paper provides novel empirical evidence on the mechanics of digital credit exclusion in a refugee camp and presents a tested, alternative data framework for improving loan assessment in such contexts.

Keywords: Action Research, Financial Inclusion, Mobile Money, Refugee Entrepreneurship, East Africa, Protracted Displacement, Kakuma Refugee Camp

Article Highlights

- Over 95% of refugee loan applications were automatically rejected due to lack of formal credit history.
- Co-designed intervention using alternative data achieved a 34% pilot approval rate.
- Action research methodology enabled contextual adaptation of fintech underwriting.
- System could not verify non-Kenyan identification, creating fundamental access barriers.

The Intervention

A pilot framework incorporating alternative data from mobile airtime purchases and refugee-specific merchant networks to assess creditworthiness.

This study presents a tested alternative data framework for refugee credit assessment.

ABSTRACT-ONLY PUBLICATION

This is an abstract-only publication. The complete research paper with full methodology, results, discussion, and references is available upon request.

REQUEST FULL PAPER

 **Email:** info@parj.africa

Request your copy of the full paper today!

SUBMIT YOUR RESEARCH

Are you a researcher in Africa? We welcome your submissions!

Join our community of African scholars and share your groundbreaking work.

 **Submit at:** app.parj.africa



Scan to visit app.parj.africa

Open Access Scholarship from PARJ

Empowering African Research | Advancing Global Knowledge