

## Financing Cross-Border Trade

*An Evaluation of Mobile P2P Lending Platforms for Inventory Acquisition at the Kenya-Uganda Malaba Border Post*

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### ABSTRACT

Cross-border traders at the Malaba border post face significant constraints in accessing traditional finance for inventory acquisition, limiting their business growth and regional trade integration. The emergence of mobile peer-to-peer (P2P) lending platforms presents a potential alternative, yet their effectiveness in this specific, high-frequency trade context remains under-researched. This working paper evaluates the effectiveness of mobile P2P lending platforms in financing inventory for small-scale cross-border traders operating at the Malaba border. It aims to assess adoption drivers, usage patterns, and the perceived impact on traders' operations and financial inclusion. The study employs a mixed-methods design. Quantitative data were collected via a structured survey of traders. Qualitative insights were gathered through in-depth interviews with platform users, lenders, and platform operators, complemented by observational fieldwork at the border post. Platform adoption is driven by speed of disbursement and minimal collateral requirements. However, approximately 65% of users reported that loan amounts are frequently insufficient for optimal inventory purchases. A key theme identified was the strategic use of multiple platforms concurrently to aggregate smaller loans into usable capital. Mobile P2P lending provides a critical, albeit partial, solution to the trade finance gap. While enhancing access, platform design limitations currently constrain its ability to fully meet the inventory financing needs of this trader segment. Platforms should develop products tailored to cross-border trade cycles, including larger, bundled loan facilities. Policymakers and development partners should foster digital literacy programmes and consider regulatory sandboxes to support innovative, border-focused financial products. trade finance, peer-to-peer lending, mobile money, cross-border trade, financial inclusion, East Africa This paper provides the first focused analysis of mobile P2P lending's role in inventory financing for small-scale cross-border trade at a major East African border post, introducing a novel transaction-cycle analysis framework.

**Keywords:** *Cross-border trade, Peer-to-peer lending, Inventory finance, East Africa, Financial inclusion, Trade finance, Mobile banking*

#### Article Highlights

- Adoption driven by rapid disbursement and minimal collateral requirements.

#### Fieldwork Insight

Mixed-methods study combines trader surveys with in-depth interviews and observational fieldwork at the Malaba border

<ul style="list-style-type: none"><li>• Strategic use of multiple platforms to aggregate smaller loans into usable capital.</li><li>• Platform design limitations constrain ability to fully meet inventory financing needs.</li><li>• Calls for products tailored to cross-border trade cycles and larger, bundled facilities.</li></ul>	<p>post.</p> <p><i>First focused analysis of mobile P2P lending for inventory financing at a major East African border post.</i></p>
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