Gordon Institute of Business Science
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Intermediating Export Trade Finance Under Institutional Asymmetry: Evidence from Kenyan Fintechs

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Abstract

Export trade finance in Kenya remains constrained by fragmented institutions, restrictive regulatory arrangements and high-governance requirements that non-bank actors struggle to meet. This study examines how fintech firms structure and deliver export-oriented financing under these institutional asymmetries. Using an interpretivist qualitative design, the research draws on ten semi-structured interviews with senior fintech professionals and integrates empirical insights with institutional and financial-intermediation perspectives through abductive analysis. The findings show that fintechs enable export finance through sequential institutional substitution: a staged progression in which firms build operational capacity and domestic legitimacy before entering high-governance export domains. Fintechs navigate layered regulative, normative and cognitive voids while constructing multi-level legitimacy across State, market and professional audiences. Once credible, fintechs deploy digital and organisational intermediation mechanisms, including alternative-data triangulation, hybrid screening, external capital coordination, purchase-order financing and value-chain orchestration, to embed governance and verification within transactions where formal systems are weak or inaccessible. The study advances theoretical understanding of how non-traditional financial intermediaries operate within institutional voids and demonstrates that export finance intermediation requires the co-evolution of legitimacy, capability and digital mechanisms. The results offer practical implications for regulators, DFIs and trade-promotion stakeholders seeking to expand export finance access through fintech-enabled models.

Keywords

Fintech intermediation, Sequential institutional substitution, Export trade finance, Institutional asymmetry, Legitimacy construction

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy in Corporate Strategy at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

Access to export trade finance is a critical determinant of firm participation in global markets, with an estimated 80 – 90% of world trade relying on some form of credit or risk-mitigation instrument for export trade (WTO, 2020; ICC, 2023). However, across Sub-Saharan Africa (SSA), these instruments remain largely inaccessible to SMEs even though they account for over 90% of all registered businesses in the region (WEF, 2023). The region faces a persistent trade finance gap of USD 81 – 120 billion annually (AfDB, 2023; Afreximbank, 2023), driven by stringent compliance requirements, weak documentation systems, limited correspondent banking capacity and heightened perceptions of risk (Nyantakyi et al., 2021; WTO, 2022). Kenya reflects these regional dynamics: it faces an estimated USD 3.3 billion annual trade finance deficit equivalent to 2% of the country's GDP and 14% of the total regional trade finance gap (AfDB, 2020). This has constrained export growth and limited the ability of SMEs to engage in cross-border transactions (AfDB, 2020).

Exporting SMEs require specialised financial instruments, such as purchase-order finance, invoice discounting, pre/post-shipment finance and guarantees to manage long payment cycles, secure production inputs, satisfy international compliance standards and coordinate cross-border logistics (IMF, 2023; UNCTAD, 2022). However, most operate with informal financial records, limited collateral, weak credit histories and fragmented documentation, making them systematically mismatched with bank-centred credit systems (World Bank, 2024; UNDP, 2024). Post-2008, global regulatory bodies enforced more stringent compliance requirements (Basel III-driven capital requirements, rising AML/KYC obligations) leading traditional financial institutions to withdraw from SME trade finance. This created a chain reaction resulting in a 40 – 50% rejection rates of SME trade finance applications in some African markets (Nyantakyi et al., 2021; WTO, 2023). These structural constraints depress export volumes and limit SME integration into regional value chains as aspired by the African Continental Free Trade Area (AfCFTA) (WEF, 2023; UNECA, 2022).

Paradoxically, Kenya is one of Africa's most advanced fintech ecosystems, with mobile-money penetration above 80% and a rapidly expanding digital-lending and alternative finance sector (BusinessWire, 2024; CBK, 2024). Kenyan fintechs have transformed domestic credit access through alternative data analytics, digital risk assessments, mobile-enabled identity systems and API-driven transaction

infrastructures (Bollaert et al., 2021; Molla & Biru, 2023). These capabilities directly target the same frictions i.e., information scarcity, documentation gaps, verification costs and enforcement weaknesses, that constrain access to export finance. However, fintech participation in export trade finance remains limited. While some Kenyan fintechs have begun experimenting with export-relevant offerings such as invoice discounting against international POs, digitally verified supplier finance and embedded working-capital tools (Afreximbank, 2023; Avenew, 2025) their presence in cross-border credit markets remains marginal compared to their dominance in domestic SME lending. This creates a central research puzzle: if fintechs are explicitly designed to overcome institutional and informational inefficiencies, why do they remain peripheral in one of the most friction-laden financial domains – export trade finance – where such inefficiencies are the most binding?

Against this backdrop, this study investigates how Kenyan fintechs structure and deliver export trade finance in a context of persistent institutional voids and cross-border compliance demands. It examines how fintechs navigate regulatory opacity, build multi-stakeholder legitimacy and deploy digital intermediation mechanisms to serve SME exporters. Section 1.2 elaborates the empirical and theoretical background; Section 1.3 outlines business relevance; Section 1.4 discusses academic relevance; Sections 1.5–1.7 present the study's aims, objectives, contributions and scope.

1.2 Background of the research problem

Although fintech research in emerging markets has expanded rapidly, its application to export trade finance remains significantly under-developed. Existing work has largely focused on domestic credit, payments and financial inclusion, leaving the question of how digitally enabled non-bank actors participate in high-trust, documentation-intensive cross-border finance largely unanswered. Recent scholarship highlights this omission explicitly: Allen and Qian (2025) note that International Business (IB) research has yet to theorise how alternative finance mechanisms operate within global supply chains/ international trade or enable firm-level internationalisation under institutional voids. Their call for research at the intersection of alternative finance, cross-border transactions and institutional environments underscores a critical conceptual gap that this study addresses.

To understand and address the gap sufficiently, this study leverages Institutional Theory and Financial Intermediation Theory as the relevant theoretical frameworks. Institutional Theory explains organisational behaviour under fragmented or incomplete institutional environments (Khanna & Palepu, 2010; Scott, 1995), highlighting how

actors work around regulatory opacity, weak enforcement and cognitive misalignment. Conversely, Financial Intermediation Theory assumes relatively strong institutional environments in which intermediaries can reliably screen borrowers, transform risk and enforce contracts (Boot & Thakor, 2000; Leland & Pyle, 1977). Neither framework, on its own, adequately captures the organisational reality of fintechs that originate in semi-formal domestic systems but expected to satisfy the high-governance demands of cross-border finance. While institutional substitution literature (Mair & Martí, 2009) demonstrates how entrepreneurial actors compensate for domestic institutional gaps, it does not address cases where substitution must occur simultaneously across domestic regulatory systems, cross-border compliance regimes, international documentation standards and multi-jurisdictional enforcement architectures. Export finance sits precisely at this intersection, making it a domain where current theory provides only partial explanation.

These theoretical limitations become visible in the empirical structure of the trade finance market. Cross-border transactions require verifiable documentation, enforceability across jurisdictions and credible organisational actors (Kowalski et al., 2021; WTO, 2020). Global supply constraints – driven by post-2008 de-risking, correspondent bank withdrawal and intensified AML/KYC obligations have heightened these requirements, widening the global trade finance gap to USD 2.5 trillion (ADB, 2023) and leaving African SMEs particularly excluded (Afreximbank, 2023; Nyantakyi et al., 2021). Kenya's own USD 3.3 billion deficit reflects these systemic pressures, compounded by weak registries, fragmented documentation systems and inconsistent regulatory enforcement.

At the same time, Kenya's fintech sector has expanded rapidly, driven by mobile-money infrastructure, digital lending platforms and advances in alternative data analytics (CBK, 2024; Molla & Biru, 2023). These capabilities position fintechs as potential institutional and financial substitutes in export finance. However, academic research has not explained how fintechs in Kenya navigate the institutional asymmetry that arises when domestic informality, flexible compliance practices and data-driven credit models confront the rigid, audit-intensive and internationally standardised requirements of export trade finance.

This study investigates how Kenyan fintechs structure and deliver export trade finance under these asymmetric institutional conditions. It integrates Institutional Theory and Financial Intermediation Theory to explore how fintechs navigate domestic voids, construct multi-stakeholder legitimacy and repurpose intermediation mechanisms to operate in cross-border markets. In this study, institutional asymmetry refers to the

misalignment between Kenya's fragmented domestic regulatory, informational and documentation systems and the formalised, high-governance global architecture that underpins export finance.

1.3 Business Relevance of the research

Export trade finance is a structurally critical component of Africa's economic architecture, underpinning foreign-exchange earnings, competitiveness, and participation in global value chains (UNCTAD, 2023; WTO, 2020). For countries such as Kenya, positioned as a regional logistics and financial hub, expanding access to reliable export-oriented credit is central to industrialisation and the broader objectives of AfCFTA (Afreximbank, 2023; UNECA, 2022). Yet the institutional arrangements governing export finance remain opaque, fragmented and heavily dependent on traditional banking systems whose compliance expectations, documentation requirements and risk models create high barriers for non-bank intermediaries and SMEs alike (ICC, 2023; Nyantakyi et al., 2021).

In this context, understanding how fintechs configure export-relevant intermediation has direct strategic implications for organisations responsible for enabling trade. Banks, development finance institutions (DFIs), export-promotion agencies and regulators increasingly interact with fintechs; however, they lack empirical evidence on how these firms construct credibility, satisfy cross-border compliance requirements or engineer verification systems appropriate for high-trust, audit-intensive transactions (Bollaert et al., 2021; Lagna & Ravishankar, 2022).

Four industry challenges underscore the business relevance of this study:

First, the rapid expansion of digital and decentralised finance has outpaced the capacity of incumbent actors to evaluate which fintech models are viable in export finance. Financial institutions and DFIs must assess whether and under what governance conditions fintech intermediation can integrate into regulated cross-border environments. Particularly where digital underwriting and data architectures substitute for traditional collateral and documentation systems (Boot et al., 2020; Thakor, 2023).

Second, regulators across Africa are under pressure to balance innovation with cross-border credibility. Export finance demands high levels of transparency, verification and auditability of which regulators have limited insight into how fintechs operationalise these requirements or where systemic bottlenecks remain (IMF, 2023; World Bank, 2024). The absence of such insight risks regulatory designs that either stifle innovation or fail to meet international compliance expectations.

Third, trade-promotion actors – including export councils and AfCFTA implementation bodies – require clarity on non-bank financial channels that could expand export participation. Fintechs are experimenting with invoice discounting, purchase-order finance and embedded working capital for exporters, but these developments remain poorly mapped in existing research, limiting stakeholders' ability to design effective partnerships or support programmes (African Union, 2023; GTR, 2024). Closing the trade finance gap is an economic priority: export trade finance directly underpins firm competitiveness, foreign-exchange earnings and participation in global value chains. It is imperative in the realisation of integrated African trade under AfCFTA.

Fourth, the scale of commercially active but under-documented firms in Kenya generates a structural visibility deficit for financial institutions. A large share of export-adjacent enterprises operate without formal registries, standardised financial statements or digitised transaction trails, rendering risk assessment and transaction authentication costly and unreliable (ICC, 2023; IMF, 2023; World Bank, 2024). This informational opacity constrains the expansion of export finance more than credit risk itself and creates a market need for intermediaries capable of producing verifiable data, transactional traceability and compliance-grade documentation, roles increasingly performed by fintechs.

Analysing how Kenyan fintechs structure and deliver export trade finance under conditions of institutional asymmetry, this study provides actionable insight into the institutional and operational dynamics shaping the future of export financing in Africa. It offers evidence on how alternative intermediaries construct legitimacy, perform verification, and reconfigure intermediation functions typically associated with banks (Allen & Qian, 2025; Balyuk & Davydenko, 2024). This knowledge is essential for stakeholders seeking to allocate capital, regulate emerging financial actors, or expand export participation through credible, digitally enabled channels.

Ultimately, the research contributes to the development of a more resilient, inclusive and innovation-enabled trade-finance ecosystem, one capable of supporting Africa’s integration into global and regional markets (Afreximbank, 2023; UNECA, 2022).

1.4 Academic Relevance of the research

This study contributes to International Business (IB) scholarship by addressing a theoretical and empirical gap highlighted by Allen and Qian (2025): the absence of research explaining how alternative, non-bank financial actors enable cross-border exchange in environments marked by institutional voids and asymmetric regulatory architectures. While fintechs have significantly expanded domestic credit access in

Africa, their role in export trade finance – one of the most compliance-intensive and institutionally demanding domains of internationalisation – remains largely unexamined within IB, finance, and development literature (Crozet et al., 2022; Haddoud et al., 2023).

A central contribution of this study is the development of a conceptual framework that positions export trade finance as both a financial intermediation system and an institutional infrastructure. This perspective extends IB scholarship by showing that participation in global markets depends not only on firm capabilities, but also on the credibility, documentation architectures and verification mechanisms provided by intermediaries. By analysing fintechs as organisational actors that construct trust, enforce procedural transparency and signal compliance in institutionally weak environments, the study advances emerging conversations on institutional substitution and digitally mediated governance (Nyantakyi, 2023; Lagna & Ravishankar, 2022; Lee et al., 2022).

Methodologically, the study contributes to the nascent interpretivist turn in fintech research. Although qualitative inquiry is increasingly recognised as essential for understanding fintech behaviour in emerging markets (Sanga & Aziakpono, 2023), few studies examine the meaning-making, legitimacy work and institutional navigation strategies of fintechs operating in high-trust, multi-jurisdictional financial domains such as export finance. By foregrounding these processes, the study deepens theoretical understanding of how fintechs interpret and respond to institutional asymmetries.

The research also extends literature on internationalisation by illuminating a neglected dimension of global participation: the financial and institutional infrastructures that enable firms to transact across borders. IB theory continues to privilege market access, networks and firm-level capabilities, but pays limited attention to the intermediating actors that produce the documentation, risk assessments and compliance signals required for export engagement (Cumming et al., 2025). Through situating fintechs within this infrastructure, the study expands the theoretical boundaries of internationalisation research.

Overall, the study is academically relevant because it theorises how fintechs navigate institutional asymmetry and reconstitute intermediation functions in export finance, an area where existing IB, fintech and institutional theory offer only partial explanations. It provides a theoretically integrated account of fintechs as emerging institutional actors shaping cross-border participation in Africa.

1.5 Research Aim and Objectives

The aim of this study is to examine how Kenyan fintechs function as emerging intermediaries in export trade finance under conditions of institutional asymmetry. The study specifically investigates how fintechs navigate regulatory, normative and cognitive voids; construct the legitimacy required to participate in high-trust cross-border financial domains; and how they configure digital and organisational mechanisms that reconstitute core intermediation functions in export finance. The analysis draws primarily on Institutional Theory, supported by Financial Intermediation Theory, to explain how fintechs substitute for missing or incomplete institutional infrastructures in export-credit markets.

Research Objective 1: To explore how Kenyan fintechs navigate regulatory, normative and cognitive institutional asymmetries that shape and constrain the provision of export trade finance. (Khanna & Palepu, 2010; Scott, 1995).

Research Objective 2: To examine how fintechs construct the legitimacy required to operate as credible export-finance intermediaries within fragmented domestic and cross-border institutional environments. (Suchman, 1995; Zimmerman & Zeitz, 2002).

Research Objective 3: To understand how fintechs digitally and organisationally structure the core intermediation functions (information production, risk transformation, liquidity coordination and verification) required to deliver export-oriented trade finance under institutional asymmetry. (Leland & Pyle, 1977; Thakor, 2023).

1.6 Research Contributions

This study contributes to the theoretical, empirical and practical understanding of how fintechs operate as emerging intermediaries in export trade finance under conditions of institutional asymmetry. Analysing Kenyan fintechs navigating fragmented regulatory, normative and cognitive environments, the study illuminates the institutional and intermediation mechanisms through which non-bank actors attempt to participate in high-trust, documentation-intensive cross-border finance.

1.6.1 Theoretical Contributions

First, the study advances Institutional Theory by demonstrating how fintechs confront and compensate for interlocking regulative, normative and cognitive asymmetries in export finance. Whereas prior institutional research emphasises conformity within relatively coherent domestic fields (Scott, 1995; Suchman, 1995), this study shows how fintechs operate across multi-level, cross-border institutional logics where domestic informality meets international compliance demands. The findings extend institutional

substitution theory (Khanna & Palepu, 2010; Mair & Martí, 2009) by identifying sequential substitution, whereby fintechs incrementally assume higher-governance functions as their legitimacy consolidates.

Second, the study contributes to Financial Intermediation Theory by showing that fintechs reperform core intermediation functions – screening, monitoring, risk transformation and liquidity coordination – without the infrastructure traditionally associated with banks (Leland & Pyle, 1977; Thakor, 2023). The findings demonstrate that export-finance intermediation is inherently institutional: the ability to screen, monitor and coordinate liquidity depends on organisational credibility, documentation practices and traceability systems. This extends FIT into environments characterised not by institutional completeness, but by informational opacity and fragmented enforcement.

Third, the study contributes to International Business research by offering an integrated framework that connects institutional asymmetry, legitimacy construction and digitally enabled financial intermediation. IB scholarship has historically treated institutions and finance as adjacent domains; this study shows how they co-evolve in shaping cross-border participation. The work responds directly to calls by Allen and Qian (2025) and Sanga and Aziakpono (2023) to theorise alternative finance in internationalisation processes, especially in emerging markets where non-bank actors mediate access to global trade.

1.6.2 Empirical Contributions

Empirically, this research provides one of the few qualitative, interpretive, industry-level analyses of fintech participation in export-oriented trade finance in Sub-Saharan Africa. It moves beyond dominant empirical work on payments and domestic credit to examine how fintechs engage with cross-border, compliance-intensive domains (Bonab et al., 2024; Lagna & Ravishankar, 2022).

The study offers empirical insight into how Kenyan fintechs: (1) navigate regulatory opacity and institutional volatility (2) construct domestic and cross-border legitimacy through compliance signalling, procedural routinisation and partnership formation and (3) deploy digital and organisational mechanisms to structure export finance.

The findings also provide rare insight into the conditions under which fintech platforms survive in fragmented institutional settings, aligning with Ng et al. (2022) on strategic uncertainty and platform fragility in emerging markets. This produces rare empirical evidence on how fintechs negotiate legitimacy, risk and operational scale in a sector traditionally controlled by banks.

1.6.3 Practical Contributions

Practically, the study provides actionable insight for regulators, development financiers, banks and trade-promotion agencies seeking to expand participation in export finance. For regulators, the findings identify how fintechs operationalise compliance in the absence of strong institutional infrastructures, offering guidance for designing frameworks that balance innovation with cross-border credibility. For banks and DFIs, the study highlights the specific digital, organisational and verification mechanisms used by fintechs including algorithmic screening, traceability architectures and embedded partnerships that may be incorporated into hybrid funding or risk-sharing models. For trade-promotion and export-governance bodies, the research clarifies the conditions under which non-bank actors can broaden access to export finance, particularly in economies where formal documentation, verification and enforcement systems remain weak. By conceptualising fintech-enabled export finance as both a financial and institutional system, the study provides a foundation for building more resilient and innovation-enabled trade-finance architectures across African markets characterised by advanced digital-payment ecosystems, weak trade-finance infrastructure and active fintech regulatory regimes.

1.7 Scope of the Study

This exploratory study examines how fintech firms in Kenya structure and deliver export-oriented trade finance under conditions of institutional asymmetry. The unit of analysis is the fintech firm, with attention to the institutional navigation mechanisms, legitimacy-building strategies and digitally enabled intermediation functions that underpin their participation in cross-border credit markets. The level of analysis is the sectoral configuration of Kenya's emerging export-fintech ecosystem. Kenya is selected due to its mature digital infrastructure, active fintech regulatory environment and the early emergence of non-bank actors experimenting with export-credit solutions.

Situated at the intersection of international business and financial innovation, the study investigates how fintechs operate within fragmented domestic institutional environments while meeting the high-trust, documentation-intensive requirements of cross-border finance. It focuses on how fintechs interpret institutional asymmetries, construct credibility as export-finance intermediaries and deploy financial and organisational mechanisms that enable export transactions in contexts where traditional regulatory and financial infrastructures are weak or incomplete.

For conceptual clarity, the study focuses exclusively on export-side financing as a formal and measurable dimension of SME participation in international markets. It

excludes import finance and fintech products centred solely on payments or foreign exchange, which lack the governance intensity, enforceability requirements and risk-transformation characteristics inherent to export credit. The instruments of interest include digitally enabled variants of trade credit, invoice financing, purchase-order financing and guarantee-based mechanisms tied directly to outbound transactions.

The research adopts a cross-sectional, interpretivist design, with fieldwork conducted over a two-month period. Participants were purposively selected from fintechs offering export-relevant credit products or documentation-support mechanisms, and all held senior roles in product development, credit structuring, regulatory engagement or operational execution. This bounded empirical focus enables deep contextual interpretation of how fintechs structure export-relevant financial intermediation in institutionally fragmented settings.

Throughout the study, the terms export trade, cross-border trade, export-led finance and export trade finance are used synonymously to denote outbound commercial transactions requiring financial instruments or verification architectures that bridge the temporal, trust and documentation gaps between shipment and payment. These terms describe the same underlying phenomenon analysed in this study.

1.8 Structure of the Study

This study is organised into seven chapters, each building the analytical foundation required to address the research questions.

Chapter 1 introduces the research aim and problem. It establishes the contextual and theoretical motivations for the study and outlines the business and academic relevance.

Chapter 2 develops the theoretical foundations of the study. It synthesises literature on institutional voids, financial intermediation and multi-stakeholder legitimacy and organises these insights into three constructs that frame the research questions: (1) institutional asymmetry in export trade finance, (2) legitimacy as a threshold condition for intermediation and institutional substitution and (3) fintech-enabled mechanisms of financial intermediation.

Chapter 3 presents the research questions in relation to the theoretical constructs developed in Chapter 2.

Chapter 4 outlines the research methodology. It explains the interpretivist paradigm, qualitative design, sampling strategy, data collection, coding approach and the measures taken to ensure trustworthiness and rigour.

Chapter 5 reports the empirical findings organised around the three research questions. It presents the institutional voids fintechs must navigate, the legitimacy strategies they implement under conditions of institutional asymmetry and the intermediation mechanisms they deploy.

Chapter 6 provides a discussion of the findings in relation to the literature and theoretical framework. It interprets how fintechs sequence institutional navigation, legitimacy construction and intermediation, and assesses the implications for institutional theory, financial intermediation and international business.

Chapter 7 concludes the study. It summarises the core insights, outlines theoretical and practical implications, identifies limitations and proposes avenues for future research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Chapter 2 establishes the theoretical foundation for examining how Kenyan fintechs enable access to export trade finance under conditions of institutional asymmetry. The review synthesises Institutional Theory and Financial Intermediation Theory to construct an integrated framework that explains both the structural conditions shaping export finance in emerging markets and the functional mechanisms through which fintechs intermediate cross-border credit.

The chapter proceeds in two parts:

1. Section 2.2 develops the dual-theory foundation, demonstrating how Institutional Theory explains why fintechs emerge as substitutes in environments marked by voids, fragmentation and cross-border compliance asymmetries, while Financial Intermediation Theory explains how intermediaries perform the informational, contractual and liquidity-coordination functions required for trade finance. The section culminates in an integrative argument showing that neither theory is analytically sufficient in isolation; fintech-enabled export finance must be understood as a joint institutional–intermediation phenomenon.
2. Section 2.3 then analyses three constructs derived from this foundation: (1) institutional voids and asymmetries in export finance systems (2) legitimacy formation as a precondition for institutional substitution in cross-border credit market and (3) the digital reconstruction of financial intermediation.

These constructs map directly onto the study's research objectives: RO1 (institutional voids), RO2 (legitimacy), and RO3 (intermediation mechanisms). Through this structure, the chapter develops the conceptual grounding required to analyse how fintechs navigate fragmented institutional environments, construct cross-border credibility and perform digitally enabled intermediation functions in export finance.

2.2 Theoretic Foundation

Understanding how fintechs enable access to export trade finance in emerging markets requires a theoretical lens that captures both the institutional conditions under which actors operate and the financial functions they must perform. This study therefore integrates Institutional Theory (IT) and Financial Intermediation Theory (FIT). Institutional Theory illuminates the environmental constraints – voids, asymmetries and legitimacy thresholds, while Financial Intermediation Theory explains the informational,

contractual and risk-transformation mechanisms required to deliver export-oriented credit.

Table 1: Summary of core theoretical lenses

No.	Theory	Key concepts and authors cited
1	Institutional Theory	Formal and informal institutions (North, 1990; Scott, 1995). Institutional voids (Khanna & Palepu, 2010/ 2000/ 1997; Mair et al., 2012). Institutional substitution (Mair & Marti, 2009). Institutional legitimacy (Scott, 1995; Suchman, 1995)
2	Financial Intermediation Theory	Digital Reintermediation (Cai, 2018). Risk Transformation (Wagao & Akyoo, 2025); Digital reintermediation, Disaggregation and Platform-based Intermediation (Allen & Qian, 2025; Balyuk & Davydenko, 2023; Cai, 2018; Gozman et al., 2018; Thakor, 2020)

Source: Author's Own

2.2.1 Institutional Theory

Institutional Theory has evolved significantly over the past four decades (Glynn & D'Aunno, 2022), transitioning from primarily emphasising institutional isomorphism and structural constraint (DiMaggio & Powell, 1983) to dynamic understandings of agency, hybridity and institutional entrepreneurship in complex environments (Glynn & D'Aunno, 2022; Scott, 1995). At its core, Institutional Theory conceptualises institutions as the formal and informal "rules of the game" (North, 1990) that structure economic behaviour through regulative, normative and cognitive pillars (Scott, 1995). Its relevance to export finance in emerging markets centres on two foundational concepts: institutional voids and legitimacy.

Institutional Voids and Substitution

Institutional voids refer to the absence or underperformance of market-supporting institutions, such as credit registries, courts, documentation infrastructures, supervisory bodies or standard-setting agencies, required for reliable financial intermediation (Khanna & Palepu, 2010). These voids intensify information asymmetries, raise increase coordination costs and weaken enforcement, precisely the conditions under which export trade finance becomes difficult to deliver. In such environments, entrepreneurial actors often assume functions conventionally performed by formal

institutions, acting as institutional substitutes (Mair & Martí, 2009; Khoury & Prasad, 2016). These substitutes may take the form of informal networks, hybrid organisational structures or digital platforms that compensate for missing institutional infrastructure. These substitutes can take the form of informal networks, hybrid organisational arrangements, private standards or digitally mediated coordination systems.

However, institutional substitution does not guarantee institutional acceptance. Substitutes must still secure legitimacy – recognition and approval from audiences who evaluate their appropriateness and credibility (Suchman, 1995). In cross-border financial domains, where documentation, verification and governance requirements are stringent, this legitimacy burden becomes profound (Adams & Kastrinaki, 2022; Suchman, 1995).

Legitimacy Under Institutional Asymmetry

Legitimacy is multidimensional and a central concept to Institutional Theory, providing the basis for understanding the types of credibility organisations must secure to operate in institutional environments (Suchman, 1995).

Scott's (1995) regulative, normative and cognitive pillars also describe distinct forms of legitimacy: (1) Regulative legitimacy stems from compliance with formal rules, licencing and compliance frameworks, (2) Normative legitimacy stems from alignment with professional norms and societal values and (3) Cognitive legitimacy emerges when an organisation's presence is perceived as taken-for-granted or necessary.

In emerging markets, these forms of legitimacy seldom emerge sequentially or automatically. Instead, organisations must actively construct legitimacy through strategies such as mimicry, alliance formation, procedural routinisation and symbolic signalling (Mair & Martí, 2009; Suchman, 1995). Recent scholarship on digital platforms extends this view, emphasising data-driven credibility signalling, logic congruency, cross-organisational partnerships and governance narratives as mechanisms through which fintechs demonstrate institutional "fit" (Bonab et al., 2024; Gozman et al., 2018; Ng et al., 2022).

Therefore, Institutional Theory provides this study with a framework for analysing:

1. The institutional voids and asymmetries shaping export finance.
2. The emergence of alternative intermediaries as institutional substitutes.
3. The legitimacy construction required for these actors to participate credibly in cross-border finance.

However, Institutional Theory does not provide an account of the financial functions these actors perform. For this, the study turns to Financial Intermediation Theory.

2.2.2 Financial Intermediation Theory

Financial Intermediation Theory explains the mechanisms through which intermediaries mitigate information asymmetries, incentive problems and enforcement frictions that render direct lending costly and inefficient (Leland & Pyle, 1977; Holmström & Tirole, 1997). Intermediaries produce information, monitor borrowers, structure contracts, transform risk and coordinate liquidity (Boot & Thakor, 1994; Diamond, 1984). Classical formulations assume institutional completeness, functioning courts, reliable registries, enforceable collateral and robust regulations which allow banks to dominate intermediation.

However, in many emerging markets, these institutional preconditions are only partially met – legal enforcement may be slow, registries incomplete and credit information systems underdeveloped (Calani et al., 2025). Under such conditions, traditional banks often ration or withdraw from opaque, documentation-intensive segments such as SME export finance, leaving both a financing gap and a functional gap in intermediation.

Digital Reintermediation

Early debates framed technological change as disintermediation, but subsequent scholarship demonstrates that intermediaries rarely disappear; their functions are redistributed (French & Leyshon, 2004). This process – reintermediation – occur when new actors assume intermediation roles through alternative organisational and technological architectures.

Digital-finance research shows that platform-based models disaggregate and reassemble intermediation functions across digital infrastructures (Balyuk & Davydenko, 2023; Cai, 2018; Gozman et al., 2018). Platforms ingest behavioural and transactional data, automate screening and monitoring, embed compliance workflows and construct new forms of verification and documentation traceability. These mechanisms preserve the core logic of intermediation i.e., information production, risk transformation, liquidity coordination, while substituting conventional inputs such as audited financials or formal collateral with alternative data and digitally mediated controls.

In cross-border contexts, platforms embed trust-building architectures that coordinate actors across geographical and institutional distance, including digital identity, embedded KYC, milestone-linked financing and multi-party documentation workflows

(Allen & Qian, 2025; Jeong et al., 2023). For export trade finance, this may include linking financing conditions to logistics milestones, integrating digital identity and KYC processes and embedding foreign-exchange management in payment flows (Gozman et al., 2018; Wang & Xu, 2022).

However, digital reintermediation does not dissolve the institutional assumptions of Financial Intermediation Theory, it relocates and reconfigures them. Platforms become dependent on alternative infrastructures and must secure their own legitimacy with regulators, users and funding partners. This reinforces the analytical interdependence between Institutional Theory and Financial Intermediation Theory.

For this study, Financial Intermediation Theory illuminates:

1. The core intermediation functions required in export trade finance
2. Explains how the functions can be digitally reconstructed.
3. Show why digitally reconstructed intermediation remains dependent on institutional acceptance and legitimacy.

However, Financial Intermediation Theory does not explain why some fintechs emerge in particular institutional niches, how they secure legitimacy as intermediaries or why their mechanisms may be accepted or rejected by different stakeholders. These questions lead us back to Institutional Theory.

2.2.3 Interaction Between Institutional Substitution and Financial Intermediation

Fintechs operating in export trade finance occupy a conceptual space where institutional incompleteness intersects with functional financial demands. Institutional Theory explains their emergence as entrepreneurial substitutes in environments where traditional institutions are weak (Khanna & Palepu, 2010; Mair & Martí, 2009; Webb et al., 2019), while Financial Intermediation Theory explains the technical mechanisms required to structure export-oriented credit (Balyuk & Davydenko, 2023; Cai, 2018; Gozman et al., 2018).

These literature convergence on three analytical insights which are central to this study:

1. Institutional voids create the conditions for fintech emergence, but do not guarantee acceptance.
2. Intermediation functions can be digitally reconstructed, but only succeed if supported by legitimacy across regulative, normative and cognitive domains.
3. Institutional substitution is performed through intermediation and intermediation is viable only to the extent that institutional legitimacy is secured.

These reciprocity forms the theoretical foundation of the study: fintechs act simultaneously as institutional actors and financial intermediaries under conditions of institutional asymmetry. Their ability to enable SME access to export trade finance depends on navigating voids (RO1), constructing legitimacy (RO2) and deploying intermediation mechanisms (RO3). This integrated framework guides the construct-level analysis in Section 2.3.

2.3 Constructs

2.3.1 Construct 1: Institutional Gaps and Market Failure

This construct explains why export trade finance in emerging markets constitutes a compound institutional problem and why existing substitutes fail to resolve it, thereby grounding RQ1 on the institutional asymmetries Kenyan fintechs must navigate. It does three things: (1) maps export-finance voids across regulative, normative and cognitive dimensions (2) analyses the bounded role of traditional substitutes (banks and informal networks), whose capacity collapses at the border and (3) shows why existing navigation strategies remain incomplete, motivating the need to examine fintechs as institutional substitutes in later constructs.

2.3.1.1 Export Trade Finance as a Compound Institutional Problem

Export trade finance is a subset of Trade Finance: financial instruments required to engage in international trade. It sits at the intersection of domestic and international jurisdictions. Its core function is to provide short-term liquidity to buyers and sellers while deploying verification and risk-mitigation mechanisms that reduce the likelihood of fraud, non-payment and non-performance (Kowalski et al., 2021). These instruments are complex, require verifiable documentation, repeated checks across multiple stages of the transaction and conformity to international standards (Anand et al., 2021; Bu et al., 2024; Epede & Wang, 2022).

Institutional Theory holds that market exchange depends on regulative, normative and cognitive pillars that reduce uncertainty and enable high-trust transactions (North, 1990; Scott, 1995). Where these pillars are weak, fragmented or inconsistently enforced, institutional voids emerge (Khanna & Palepu, 2010; Mair & Martí, 2009). Recent institutional theory critique emphasises that voids are not uniform “absences” but context-specific configurations of partial, overlapping and sometimes contradictory institutions that affect firms asymmetrically, depending on their size, capabilities and category (Benhabib et al., 2021; Bothello et al., 2019; Dieleman et al., 2022).

In many emerging economies, these voids manifest as gaps in contract enforcement, collateral registries, credit information systems and regulatory capacity (Child et al., 2022; Doh et al., 2017). They are associated with bureaucratic delays, corruption, political uncertainty and weak property-rights enforcement, which collectively generate information asymmetries, unreliable intermediaries and limited mechanisms for risk transformation (Brieger et al., 2022; Donbesuur et al., 2020; Webb et al., 2020). Export trade finance magnifies these weaknesses because participation depends on credible documentation, verifiable information flows and enforceable cross-border contracts (Anand et al., 2021; Bu et al., 2024).

Export finance requires simultaneous alignment between domestic institutional capabilities (e.g., courts, registries, tax and collateral frameworks) and international requirements such as ICC-UCP 600 rules, FATF-aligned AML/KYC protocols and correspondent banking due diligence (Allen & Qian, 2025; Berthou et al., 2022). However, domestic institutional arrangements (where the transaction originates) in many emerging economies are not designed to meet these international governance requirements, producing a misalignment between local institutional capabilities and the demands of global trade (Andrews & Luiz, 2024; Cuervo-Cazurra & Genc, 2008). Where either side misaligns, risk weights rise, compliance burdens intensify and credit rationing becomes more likely (Auboin & DiCaprio, 2017; Niepmann & Schmidt-Eisenlohr, 2017). For SMEs, domestic credit information gaps, discretionary enforcement and fragmented regulatory oversight collide with external expectations of documentary precision and auditability. This interaction produces conditions under which export finance is simultaneously costly to supply and difficult to access (Mwatu, 2022; Peprah et al., 2022). Export trade finance therefore constitutes a compound institutional problem: domestic voids interact with stringent international standards to produce constraints whose severity exceeds the sum of individual weaknesses, helping to explain persistent trade finance gaps and disproportionately high rejection rates for SME exporters in emerging markets (Love et al., 2016; Nyantakyi, 2023).

2.3.1.1.1 Compound Binding Effects in Export Finance

Classical institutional voids literature often treats voids as discrete and static gaps – missing courts, incomplete registries, absent professional intermediaries (Khanna & Palepu, 2010; Andrews & Luiz, 2024). Trade-finance research, by contrast, highlights that export transactions are governed by dynamic risk accumulation: each unverifiable milestone (production, port clearance, vessel loading, customs release) adds uncertainty, raising risk weights in real time (Lee et al., 2023; Niepmann & Schmidt-Eisenlohr, 2017; Wagao & Akyoo, 2025).

These models generally assume baseline institutional functioning registries, predictable enforcement and reliable documentation systems. However, in many Sub-Saharan African markets, those assumptions do not hold (Aubin & DiCaprio, 2017; Sanati, 2024). Slow courts, incomplete registries and inconsistently applied collateral rules compound the inherent opacity of cross-border transactions. Lenders respond with defensive strategies – tightening eligibility, raising pricing or withdrawing from SME export finance altogether (Auboin & DiCaprio, 2017; Berthou et al., 2022).

Recent empirical evidence shows that where judicial efficiency, certification systems and export finance availability improve, SME export participation rises; conversely, discretionary enforcement, policy volatility and heavy inspection requirements depress exports (Hansen-Addy et al., 2024; Mwatu, 2022; Peprah et al., 2022). These are not simple additive frictions; they create compound binding effects – a phenomenon where domestic institutional and international requirements interact in ways neither SMEs nor banks can individually resolve. In this environment, even banks willing to lend face elevated risk weights under correspondent banking and AML regimes, while SMEs cannot generate documentation and verification artefacts that satisfy international standards (Auboin & DiCaprio, 2017; Niepmann & Schmidt-Eisenlohr, 2017). These persistent gaps in export finance availability are thus better explained by this compound structure than by “credit shortage” alone (Love et al., 2016; Nyantakyi, 2023).

2.3.1.1.2 Dual Fragility of Formal and Informal Institutions

This compound problem is reinforced by dual fragility: both formal and informal institutions display structural weaknesses that reinforce, rather than offset, one another. This dual fragility reflects limitation of the institutional environment itself, not of particular actors. It describes the structural constraints within which all intermediaries must operate. Formal institutional fragility appears as unpredictable regulation, capacity-constrained enforcement and inconsistent rule application (Andrews & Luiz, 2024; Sydow et al., 2022). In export finance, where transactions span multiple jurisdictions and attract external scrutiny, such volatility undermines the stability expected by international banks and buyers.

Informal institutions, such as kinship networks, religious structures, rotating savings associations and SACCOs – partially substitute for missing formal mechanisms in domestic markets by providing trust, information flows and social sanctions (Manning et al., 2019; Nason & Bothello, 2023). These arrangements can support short-term liquidity and risk pooling where formal systems are absent (Bruton et al., 2015; Esho &

Verhoef, 2020). However, their enforcement mechanisms are territorially and relationally bounded. Trust is personal, not portable; reputation is local, not machine-readable; sanctioning is social, not legally enforceable (Massa et al., 2022; Webb et al., 2020). Informal arrangements cannot produce the third-party verification, independent certification or externally auditable records required in export finance (Wang & Chung, 2020).

Export trade finance therefore exposes the limits of both layers simultaneously: formal institutions cannot provide predictable, internationally recognised governance, while informal trust cannot be converted into documentary legitimacy. The result is a systemic misalignment across institutional layers, rather than a temporary gap that existing substitutes can effortlessly fill.

2.3.1.1.3 Three-Dimensional Mapping of Export Voids

Scott's (1995) regulative, normative and cognitive pillars provide a useful lens for mapping how export-finance voids differ qualitatively from domestic credit gaps. Export transactions reveal misalignments across all three pillars:

Table 2: Three-Dimensional Void Map in Export Trade Finance.

Pillar	Domestic Constraint	International Requirement	Compound Binding Effect
Regulative	Weak contract enforcement, fragmented regulatory oversight, discretionary rule application (Allen & Qian, 2025; Andrews & Luiz, 2024)	ICC-UCP 600 documentation standards, FATF, AML/KYC compliance, correspondent bank due diligence (BIS, 2021)	Dual compliance: firms face dual compliance without dual institutional support, raising risk weights and prompting credit rationing (Auboin & DiCaprio, 2017; Niepmann & Schmidt-Eisenlohr, 2017)
Normative	Relationship-based trust (SACCO, networks), informal guarantees (Brinkerink & Rondi, 2021)	Third-party verification, independent certification, arm's-length audit trails (Chang et al., 2020; Lee, 2022)	Credibility inversion: domestic relational signals appear as opacity or risk internationally (Bailey et al., 2021; Li & Fleury, 2020)

Cognitive	Limited familiarity with export finance instruments, prevalence of informal accounting practices (George et al., 2016)	Complex documentary workflows, ISO traceability, multi-stage documentation (Ganne, 2018)	Translation gap: inability to convert informal practices into internationally legible documentation (Pache & Santos, 2013; Tracey et al., 2011)

Source: Author's Own Synthesis

This mapping underscores that export finance constraints cannot be reduced to "lack of credit." Regulative weaknesses undermine normative expectations of professionalism, which in turn limit cognitive familiarity with international processes (Bothello et al., 2019). Firms in countries such as Kenya must straddle misaligned domestic and international logics, making export finance a multi-pillar institutional problem.

2.3.1.2. Traditional Substitutes and their Collapse at the Borders

Institutional substitution describes how non-state or non-traditional actors assume functions typically performed by formal institutions (Khoury & Prasad, 2016; Mair & Martí, 2009). In many emerging markets, three categories of actors have historically substituted for weak state capacity in credit provision, risk pooling and information production: banks, development agencies and informal networks (Brinkerink & Rondi, 2021; Heeks et al., 2021; Saka-Helmhout et al., 2020).

However, these substitutes exhibit institutional boundedness. They function relatively effectively in domestic markets but lose efficacy when transactions cross borders. Export trade finance exposes this boundedness because it requires internationally recognised documentation, third-party verification, cross-border enforceability and alignment with global compliance standards (Sanati, 2024). These are capabilities that neither domestic banks nor informal intermediaries can reliably provide in institutionally weak environments.

2.3.1.2.1 Limits of Bank-Based Substitution

Financial Intermediation Theory explains that banks mitigate information asymmetry and credit risk through collateral, documented financial histories and formal compliance processes (Boot & Thakor, 2000; Leland & Pyle, 1977; Thakor, 2020). These mechanisms assume access to audited accounts, enforceable security interests and functional registries – conditions only partially present in many African markets (Crozet et al., 2022; Simba et al., 2023). As a result, banks privilege firms able to generate formal documentation and stable cash-flow records, systematically excluding SMEs located in informal or semi-formal segments (Elshaarawy & Ezzat, 2023; Rao et al.,

2022). However, when the bank operates in an emerging market, these requirements create systematic exclusion for SMEs seeking trade finance.

In export finance, these constraints become more binding. To compliantly offer trade instruments, banks import global standards such as Basel III risk-weighting, UCP 600, ISO-aligned documentation and FATF-compliant AML/KYC procedures (Buchak et al., 2018; Lemma et al., 2024). These standards presume formal bookkeeping, verifiable transaction records and legally enforceable collateral – requirements that many SMEs cannot meet (Crozet et al., 2022; Soumare et al., 2021). Leading to a prioritisation of clients with established foreign buyers, documentary histories, stable cashflow signals and stronger FX profiles, furthermore systematically rationing SMEs with limited or unverifiable documentation (Auboin & DiCaprio, 2017; Niepmann & Schmidt-Eisenlohr, 2017).

Empirical evidence from Sub-Saharan Africa points to rejection rates above 70% for first-time or small exporters lacking trade histories, even when underlying businesses are viable (Bempong Nyantakyi, 2023). Banks respond to uncertainty by reallocating export credit to large corporates and repeat importers, deepening SME exclusion (Berthou et al., 2022; Calani et al., 2025). Bank-based substitution that is effective for formal domestic borrowers becomes structurally misaligned with the realities of SME exporters in void contexts (Bobillo-Carballo & Garcia, 2025; Nguyen & Vaubourg, 2021). This misalignment creates the space within which fintechs emerge as alternative intermediaries.

2.3.1.2.2 Limits of Informal Substitution

Informal networks – SACCOs, Rotating savings and credit associations (ROSCAs), kindship networks – have long performed important domestic governance roles where formal systems are absent. They allocate credit, enforce norms and manage risk through relational trust, reputation and social sanctions (Brinkerink & Rondi, 2021; Nason & Bothello, 2023). These mechanisms can support domestic trade and short-term financing, particularly for micro and small enterprises (Bruton et al., 2015; Esho & Verhoef, 2020). Although, these governance systems enable risk pooling and short-term liquidity provision where formal institutions are absent or underdeveloped (Bruton et al., 2015; Esho & Verhoef, 2020). Findings across three studies (see Esho & Verhoef, 2020; Sydow et al., 2022; Webb et al., 2020) found that their reliance on social trust makes them equally unreliable as void filled formal structures.

Additionally, their substitutive capacity is structurally and territorially bounded. Informal enforcement depends on proximity, repeated interaction and shared norms that cannot

be exported across jurisdictions (Bailey et al., 2021; Wang & Chung, 2020). Reputation inside a community does not translate into documentary credibility for foreign banks or buyers (Webb et al., 2020). Informal institutions are also difficult to scale: their social foundations constrain their ability to handle larger transaction volumes, longer tenors or complex cross-border disputes (Manning et al., 2019; Massa et al., 2022).

More importantly, informal intermediaries cannot interface with correspondent banking systems, FX markets or global compliance regimes. They do not generate the third-party verifiable documentation that export trade finance requires (Bruno & Shin, 2022). While informal networks can partially substitute for domestic credit and governance voids, they do not extend into the cross-border domain (Wang & Chung, 2020). Bank-based and informal substitutes thus fail in complementary ways at the border: one is over-formalised relative to SME realities; the other is under-formalised relative to global expectations.

2.3.1.3 Incomplete Navigation of Domestic Institutional Voids

Institutional entrepreneurship literature demonstrates that organisations do not passively endure voids; they attempt to reshape, bypass or work around them (Mair & Martí, 2009; Tracey et al., 2011). Firms deploy regulative, normative and cognitive strategies to navigate gaps, but export trade finance stretches these strategies beyond their effective limits (Gao et al., 2017; Meyer & Peng, 2016; Wu & Deng, 2020).

2.3.1.3.1 Regulatory Navigation and the Compliance Double-Bind

Regulatory navigation involves exceeding, circumventing or selectively complying with formal rules in contexts of weak enforcement and fragmented oversight (Arner et al., 2017). Firms in emerging markets demonstrate agency and frequently adopt international standards – quality certifications, environmental codes, audit practices – to signal reliability to foreign partners and compensate for domestic institutional weaknesses (Boso et al., 2022; Bu et al., 2024).

However, such strategies often produce a compliance double-bind: firms incur the cost of aligning with international expectations while remaining exposed to unpredictable domestic policies, administrative discretion and fragmented enforcement (Cuervo-Cazurra et al., 2018; Sydow et al., 2022). Where governments provide coherent support through technical assistance, training, and coordinated regulatory frameworks, firms can navigate this double-bind more effectively (Cai et al., 2010; Hemmert et al., 2016; Ji et al., 2019). In many African markets, such support is partial or absent, deepening rather than resolving regulative voids.

SMEs lacking capacity to maintain parallel compliance architectures, often withdraw from export opportunities when certification, inspection or documentation requirements exceed organisational bandwidth (Nyantakyi, 2023). Regulatory navigation, while observable; therefore, remains partial and fragile, especially in domains as demanding as export finance.

2.3.1.3.2 Normative Navigation: The Credibility Inversion

Normative navigation concerns how firms build legitimacy by aligning with prevailing social and professional norms (Deephouse & Suchman, 2008). In domestic settings, relational embeddedness – membership in business associations, long-term ties with local logistics providers, proximity to exporters – signals reliability and trustworthiness (Boafo et al., 2022; Manning et al., 2019). These relational mechanisms enhance information flow and reduce monitoring costs in weak institutional environments.

However, this same embeddedness can trigger credibility inversion internationally: the same network ties and informal agreements that signal legitimacy domestically may be interpreted as unprofessionalism, opacity or corruption risk by foreign actors unfamiliar with local context (Bailey et al., 2021; Li & Fleury, 2020). Normative legitimacy is context-dependent; signals that "count" domestically are not automatically recognised in global markets (Deephouse et al., 2016; Minbaeva et al., 2023). Firms thus face a trade-off: deepen local embeddedness to survive domestically, or reconfigure governance practices to align with external expectations, often at significant cost.

2.3.1.3.3 Cognitive Navigation and the Translation Gap

Cognitive voids arise when actors lack the schemas and interpretive frameworks necessary to understand and engage with particular organisational practices (DiMaggio & Powell, 1991; Scott, 2014). In export trade finance, this includes understanding temporally staged disbursements, documentary sequencing, purpose-specific credit and compliance-anchored repayment norms.

Many SMEs in emerging markets operate with informal accounting systems, cash-based trade and relational contracts that do not generate the artefacts required for export finance: formal invoices, tax compliance trails or bank-based transaction histories (George et al., 2016; Larsen & Witte, 2023). Fintechs and other intermediaries attempt to close this gap by simplifying product interfaces, enforcing process templates and providing client education (Agarwal & Assenova, 2023; Wang & Xu, 2022).

However, cognitive support requires more than information provision; it requires institutional translation: converting informal, relational and context-dependent practices

into documentation and processes recognised by global trade systems (Pache & Santos, 2013; Tracey et al., 2011). In export finance, that translation must also be externally auditable and machine-readable. Many SMEs remain stuck between understanding what is required and being organisationally capable of producing it.

Thus, cognitive navigation in export finance involves a dual challenge: (1) enabling SMEs to internalise unfamiliar financial logics and adopt basic organisational routines and (2) translating informal or relational business practices into internationally recognisable documentation structures. The persistence of these translation gaps illustrates that cognitive voids are dynamic misalignments that vary across geographies and firm types rather than simple knowledge gaps (Andrews & Luiz, 2024; Benhabib et al., 2021). For fintechs, this implies an expanded substitutive role as interpreters, educators and verification architects.

2.3.1.4 Summary: From Compound Voids to the Need for Institutional Substitutes

The literature across construct 1 has surfaced three interlinked problems that frame the rest of this study:

1. The Compound Void Problem

Export trade finance voids exhibit multiplicative binding effects: domestic institutional weaknesses interact with stringent international requirements to generate constraints more severe than any single gap (Andrews & Luiz, 2024; Amankwah-Amoah et al., 2024; Bu et al., 2024). Trade finance research identifies delays, information opacity and verification failures as central frictions (Lee et al., 2023; Niepmann & Schmidt-Eisenlohr, 2017), but has not fully theorised how these intensify under institutional asymmetry.

2. The Substitution Paradox

Traditional substitutes that work domestically fail at the border. Banks import global standards into weak environments and, in protecting themselves, systematically exclude SME exporters (Beck et al., 2011; Buchak et al., 2018). Informal networks provide trust but cannot generate documentary or legal legitimacy (Webb et al., 2020). Blockchain and digital solutions promise portable trust (Cong & He, 2019; Lee, 2022), yet there is limited evidence of scaled application in African export finance. Substitution is therefore partial, bounded and contested.

3. The Navigation Insufficiency.

Existing navigation strategies address individual voids but do not resolve the simultaneous, cross-border demands of export finance. Regulatory compliance in one

jurisdiction may conflict with another; domestic normative embeddedness may undermine international credibility; cognitive support may increase awareness without enabling full institutional translation (Bailey et al., 2021; Sanga & Aziakpono, 2023). The literature has not adequately theorised how actors from institutionally weak contexts manage multiple, sometimes contradictory, institutional logics in real time (Battilana et al., 2009; Regnér & Edman, 2014).

Together these gaps justify examining fintechs as emergent institutional substitutes in export trade finance. Fintechs operate at the intersection of institutional substitution and financial intermediation, reorganising information, governance and enforcement under digital architectures that may partially compensate for both domestic and cross-border institutional deficits (Allen & Qian, 2025; Sanga & Aziakpono, 2023). Constructs 2 and 3 therefore build on this foundation to analyse how fintechs reconfigure intermediation mechanisms and build legitimacy within this compound institutional landscape.

2.3.2 Construct 2: Multiple-Stakeholder Legitimacy as a Foundation for Digital Financial Intermediation

Construct 1 established that export trade finance in emerging markets constitutes a compound institutional problem: domestic voids in enforcement, documentation and credit infrastructures interact with stringent international standards to create systemic market failure for SME exporters. In such environments, any actor seeking to intermediate export finance must not only solve technical problems of screening, monitoring and liquidity, but also overcome deep credibility deficits rooted in institutional asymmetry.

Construct 2 argues that legitimacy is a threshold condition for fintech-led export finance. Digital intermediation cannot function unless multiple heterogeneous stakeholders i.e., regulators, banks, DFIs, SMEs and international counterparties recognise fintechs as credible, trustworthy and appropriately governed actors in a high-trust, documentation-intensive domain (Bort et al., 2024). Legitimacy here is not a “nice to have”; it is the structural precondition that enables, shapes and amplifies fintechs’ capacity to act as institutional and financial substitutes.

This construct therefore achieves the following:

1. It explains why export trade finance imposes elevated legitimacy burdens on fintechs (Section 2.3.2.1–2.3.2.2).
2. Identifies mechanisms of domestic legitimacy construction under fragile institutions (Section 2.3.2.3–2.3.2.4).

3. Shows how legitimacy becomes recursive and cross-border, evolving from a domestic threshold to an internationally evaluable credibility architecture (Section 2.3.2.5–2.3.2.6).

These insights ground Research Objective 2, which examines how fintechs construct the legitimacy required to operate as credible export-finance intermediaries within fragmented domestic and cross-border institutional environments.

2.3.2.1 Why Legitimacy is Foundational to Export Trade Finance

Export finance is an evaluation-dense, governance-dense, institutionally complex domain characterised by high evaluability requirements. Transactions depend on verifiable documentation, sequential audit trails, enforceable contracts and risk artefacts that must satisfy regulators, banks, insurers, buyers and customs authorities simultaneously (Kowalski et al., 2021). These governance artefacts do not merely accompany the transaction; they constitute it. This distinguishes export finance from many forms of domestic SME lending, where relational trust, collateral or informal guarantees can partially substitute for documentary depth.

Within emerging markets, these evaluability requirements interact with two structural legitimacy burdens: **liability of origin** and **liability of emergence.**

1. **Liability of Origin**

Firms originating from institutionally weak environments face credibility penalties irrespective of firm-level quality. Evaluators infer risk from the governance profile of the home country (regulatory quality, enforcement strength, corruption perceptions) rather than from the specific organisation alone (Campbell et al., 2012; Cuervo-Cazurra & Genc, 2008). In finance, where compliance regimes and supervisory strength are central evaluative cues, this liability is magnified (Saeed et al., 2022).

2. **Liability of emergence**

New organisational forms also face categorical ambiguity. Haack et al. (2021) found that emergent actors struggle because evaluators (people interacting with them, SMEs, regulators, etc) lack established templates for “what they are” and “how they should behave.” Fintechs entering export finance, a domain historically monopolised by banks and specialised trade institutions, violate entrenched cognitive categories. Evaluators revert to bank-centric standards, which put fintechs at a disadvantage (Suddaby et al., 2017; Rutherford et al., 2016).

When both these liabilities combine, fintechs in emerging markets enter the market with negative prior legitimacy: they must not only demonstrate capability but also neutralise

inherited scepticism. Legitimacy is thus a foundational prerequisite because it determines whether fintech-generated information, risk models and documentation are processed as credible at all (Bort et al., 2024). Without crossing this legitimacy threshold, even sophisticated digital intermediation mechanisms remain inert.

2.3.2.2 Legitimacy as Threshold Condition Under Institutional Voids and Conflicting Logics

In weak institutional environments, legitimacy functions as a threshold condition rather than a marginal advantage (Rutherford et al., 2016; Zimmerman & Zeitz, 2002). Organisations must exceed a minimum credibility level before markets, regulators or partners are willing to transact. That threshold is structurally higher where institutional voids distort enforcement, licensing and compliance expectations (Khanna & Palepu, 2010; Webb et al., 2019).

Two dynamics raise this threshold for fintechs in export finance:

1. **Institutional voids and evaluative volatility**

Institutional voids make early legitimacy formation unpredictable. Regulators compensate for weak capacity by raising formal expectations, often requiring fintechs to demonstrate stronger compliance discipline than incumbent banks, producing an "over-compliance equilibrium" (Arner et al., 2017; Zetzsche et al., 2020). Toufaily and Zalan (2024) show that digitisation does not remove this burden; it shifts the basis of evaluation from personal relationships and physical collateral to data integrity, governance routines and procedural transparency.

2. **Multiple, conflicting institutional logics**

Fintechs operate under overlapping logics – market, state, professional, technological and global professions – each with distinct evaluative criteria (Besharov & Smith, 2014; Bitektine & Song, 2024; Chang et al., 2020). As a result, the same practice can be judged positively by one audience and negatively by another. Fintechs must satisfy the following five stakeholders with conflicting logics

Table 3:Conflicting Stakeholder Logics

	Logic	**Stakeholder**	**Evaluation Criteria**
1	Market logic	Export-oriented SMEs	Prioritise speed, flexibility, accessibility and relational trust
2	State logic	Regulators	Require compliance, consumer protection and risk management

3	Professional logic	Domestic banks and legal entities	Demand process reliability and partnership viability
4	Techno-scientific logic	Digital infrastructure and data custodians	Require interoperability, API integrity and security
5	Global professional logic	International banks, insurers, regulators	Require portable, verifiable, standardised credibility signals

Source: Author's Own (synthesised based on Bitektine and Song (2024), Chang et al., 2020)

These conflicting logics generate three interlocking legitimacy thresholds:

1. Regulatory Threshold

Regulators require evidence of robust compliance architectures before granting licences or formal recognition, effectively demanding legitimacy before full market participation (Arner et al., 2017; Zetzsche et al., 2020).

2. Counterparty Threshold

Banks and DFIs demand evidence of procedural reliability, enforceability and monitoring discipline to overcome liability-of-origin and liability-of-emergence penalties (Haack et al., 2021).

3. SME Trust Threshold

Export-oriented SMEs operating in environments marked by fraud, payment failures and arbitrary behaviour, require relational assurance and contextual intelligibility before adopting fintech solutions (Belitski et al., 2025).

Legitimacy is therefore not a single, consolidated judgement but a portfolio of audience-specific evaluations, each of which must cross its own threshold (Bitektine & Song, 2024). For example, flexible onboarding that appeals to SMEs may be interpreted by regulators as weak AML/KYC discipline and strict procedural routines that reassure banks may be perceived by SMEs as inflexibility. This tension underpins the mechanisms discussed next: fintechs must design legitimacy strategies that selectively satisfy multiple logics under institutional voids.

2.3.2.3 Mechanisms of Domestic Legitimacy Construction Under Institutional Fragility

"The institutional freedom of hybridity can only be leveraged by those whose legitimacy is secure in the first place." – Bort et al. (2024)

Traditional legitimacy theory assumes legitimacy can be built sequentially – stakeholder to stakeholder (Zimmerman & Zeitz, 2002; Soublière & Gehman, 2021). However, in institutional voids, fintechs cannot build legitimacy sequentially because there are no robust domestic templates for early-stage validation (Doh et al., 2017; Khanna & Palepu, 2010). In fragile institutional environments, legitimacy is not a downstream reward for successful innovation; it is the entry cost that determines whether innovation is allowed, intelligible and investable. Fintechs must therefore front-load legitimacy construction, often before they can deploy the hybrid, digitally enabled intermediation models described later (Bort et al., 2024).

Institutional voids make consensus-based legitimacy impossible (Reypens et al., 2019), fintechs assemble mechanisms targeted at specific audiences and voids. Importantly, in export finance these mechanisms are not separate from intermediation: the same organisational practices, over-compliance, mimicry, partnerships, alternative-data scoring and transparency, function simultaneously as intermediation devices and legitimacy strategies.

Drawing on Suchman's (1995) legitimacy typology, these mechanisms span cognitive legitimacy (recognisability and comprehensibility), pragmatic legitimacy (perceived utility and self-interest) and moral legitimacy (normative appropriateness). However, voids cause a collapse to the usual sequence meaning fintechs must work on all three in parallel because no single legitimacy type is sufficient in the absence of stable institutional templates.

Mechanism 1: Regulatory Over-Compliance and Procedural Routinisation

Fintechs voluntarily exceed local compliance baselines by embedding stringent KYC, AML and transaction-monitoring processes into their architectures (Arner et al., 2017; Zetzsche et al., 2020). In discretionary regulatory environments, over-compliance becomes a hedge against uncertainty rather than a marginal cost (Pache & Santos, 2013; Tracey et al., 2018). The result is a dense layer of governance artefacts (audit trails, documented routines, automated compliance) which reduce evaluator uncertainty and provide evidence screening, monitoring and cross-stakeholder evaluability (AlHassan et al., 2025; Bertoni et al., 2021).

- **Void addressed:** Regulatory voids: uneven enforcement, weak supervision
- **Stakeholders served:** Regulators, banks, insurers, international evaluators
- **Intermediation enabled**: Delegated monitoring and enforceability

Over-compliance thus operates as both a functional substitute for weak regulatory capacity and a visible signal that fintechs take compliance seriously in a high-trust domain.

Mechanism 2: Symbolic Alignment Through Mimicry and Narrative Congruence

Fintech deploy selective institutional mimicry – bank-like documentation, interface design, reporting formats – to create cognitive anchors that make the organisation recognisable and "classifiable" to evaluators (Bernards, 2022; Gozman et al., 2018; Hornuf et al., 2021). Mimicry lowers evaluation costs by allowing stakeholders to interpret fintechs through existing mental templates for reputable financial institutions (Lagna & Ravishankar, 2022).

Over time, mimicry often evolves into narrative congruence: fintechs craft public narratives and disclosures that align with the institutional logics dominating each stakeholder field – prudential language for regulators, partnership and portfolio-quality stories for banks, opportunity and inclusion frames for SMEs (Ng et al., 2022; Bort et al., 2024).

- **Void addressed:** Cognitive voids: absence of templates for "legitimate fintech intermediaries"
- **Stakeholders served:** SMEs, regulators, banks, international evaluators
- **Intermediation enabled:** Information verification and perceived reliability

Mimicry and narrative congruence reduce the perceived novelty of fintech-based intermediation, enabling evaluators to treat fintechs as familiar, if hybrid, actors.

Mechanism 3: Embedded Social Trust and Network Endorsement

Fintechs embed themselves in relational networks by partnering with high-status complementors such as banks, DFIs, anchor buyers and trade associations provide borrowed legitimacy (Bailey et al., 2020; Taeuscher & Rothe, 2021). These partnerships generate borrowed legitimacy, particularly powerful in African contexts where relational trust remains central to risk assessment.

- **Void addressed:** Normative voids: fragmented trust networks and absence of formal credit histories
- **Stakeholders served:** SMEs, ecosystem partners, banks, regulators
- **Intermediation enabled:** Liquidity access relational monitoring and enforcement

Network endorsement functions as an informal certification mechanism that partially substitutes for missing formal institutions and reassures both SMEs and institutional partners.

Mechanism 4: Digital Signalling and Proxy Legitimation

Fintechs transform alternative data (mobile-money, e-commerce and value-chain data) into structured risk signals that substitute for traditional collateral and audited financials (Bonab et al., 2024; Jagtiani & Lemieux, 2019). Algorithmic scoring reduces information asymmetry and improves evaluability for thin-file borrowers, often outperforming conventional credit scores in predicting default probability (Iyer et al., 2016).

- **Void addressed:** Information voids: weak registries, incomplete credit histories
- **Stakeholders served:** SMEs, partner banks, DFIs, regulators
- **Intermediation enabled:** Screening, pricing and delegated monitoring

These digital signals act as proxy legitimacy: they generate evidence-based risk metrics where formal records are absent, allowing external capital providers to trust in fintechs' underwriting quality.

Mechanisms 5: Operational Transparency and Process Visibility

Fintechs enhance transparency by providing real-time dashboards, clear pricing, status updates and documented decision rules to SMEs and partners (Isabelle et al., 2022; Kowalski et al., 2021; Jagtiani & Lemieux, 2019). This visibility counteracts opaque lending norms and weak public oversight, making governance observable to multiple audiences (Arner et al., 2017; Zetzsche et al., 2020).

- **Void addressed:** Trust deficits arising from opaque lending norms, weak supervisory infrastructure
- **Stakeholders served**: SMEs, regulators, foreign evaluator
- **Intermediation enabled:** Screening, monitoring and enforceability

Transparency operates as a surrogate consumer-protection regime, reinforcing both perceived fairness and technical reliability of fintech intermediation.

2.3.2.4 Configurations Logic: Hybrid Orchestration of Legitimacy Strategies

The five mechanisms above do not operate independently or sequentially. Fintechs confront institutional complexity: multiple logics, each imposing different legitimacy expectations (Besharov & Smith, 2014; Ramus et al., 2020). Recent work shows that

organisations in such contexts assemble configurations – bundles of strategies adapted to dominant stakeholder pressures (Jin, 2025; Ramus et al., 2020).

Examples of such configurations include (Ramus et al., 2020):

A. Regulator-first configurations: emphasise over-compliance (Mechanism 1) and mimicry (Mechanism 2)

B. SME-first configurations: emphasise relational trust (Mechanism 3) and user-facing transparency (Mechanism 5) optimising adoption and repayment in informal segments.

C. Bank-partnership: foreground standardisation, alternative-data signalling (Mechanism 4) and API-enabled visibility, making fintechs legible and reliable to correspondent banks and DFIs.

Institutional distance complicates these configurations: signals effective domestically are not automatically portable. Relational trust that reassures SMEs may carry limited meaning for foreign banks; local regulatory approval may not satisfy global compliance teams (Kostova, 1999; Kostova et al., 2020; Larsen & Witte, 2023). Fintechs therefore maintain dual architectures – flexible, relationally embedded systems for informal SMEs and standardised, auditable systems for regulators and international partners – reflecting the need to satisfy competing logics simultaneously.

2.3.2.5 Legitimacy as Reinforcer: Recursive Legitimacy and Demonstration Effects

Once fintechs begin intermediating transactions, legitimacy becomes recursive rather than static. Each successful transaction generates positive signals that shape subsequent evaluations (Soublière & Gehman, 2020). As Bitektine and Song (2024) note, once stakeholders develop positive expectations under a given logic, routine actions are judged more leniently, creating a legitimacy spiral (Deephouse & Suchman, 2008).

This recursive dynamic produces three reinforcing effects: (1) Regulatory reassurance. Demonstrated compliance reduces scepticism and may lead to faster approvals, more predictable supervision and openness to sandbox or pilot arrangements. (2) Enhanced liquidity access through proven underwriting quality and low default rates encourages banks and DFIs to increase funding lines, extend tenors or enter risk-sharing agreements. (3) Expanded SME adoption, as demonstration effects build social proof in value chains, enhance adoption and reduce perceived risk.

Over time, legitimacy evolves from a minimum threshold requirement to a capability that strengthens fintechs' bargaining power, resilience and role as institutional substitutes in export finance.

2.3.2.6 Translating Domestic Legitimacy to Cross-Border Credibility for Export Finance

Domestic legitimacy, while necessary, is insufficient for export-finance intermediation. Institutional distance disrupts interpretive equivalence: foreign banks, insurers and buyers interpret signals through evaluative frames shaped by their own regulatory histories and professional norms (Kostova, 1999; Kostova et al., 2020). As a result, domestic licensing does not guarantee acceptance by international banks, and SME trust does not reassure global counterparties.

Legitimacy spillover is therefore limited in export finance (Bort et al., 2024). Evidence shows that legitimacy signals often lose meaning across borders because evaluators draw on different cognitive schemas when assessing organisational credibility (Sun et al., 2021). Fintechs must translate domestic legitimacy into cross-border credibility through additional mechanisms.

Table 4: Translating Domestic Legitimacy to Cross-Border Legitimacy

Domestic Legitimacy Mechanisms		**Cross-Border Legitimacy Mechanisms**
Over-compliance + Mimicry	→	Standardisation and Compliance Certifications
Network Endorsement	→	Institutional Borrowing
Digital Signalling + Transparency	→	Legal and technological Enforceability Architecture

Source: Author's Own (synthesised from construct 2 literature review)

1. Standardisation and Compliance Certifications

Domestic compliance routines (KYC, data security, documentation workflows) are converted into internationally recognisable governance artefacts, such as ICC-aligned documentation processes, SOC 2 or ISO 27001 certifications and independent audit reports (Zetzsche et al., 2020; Jalal-Eddeen, 2024). These certifications reduce due-diligence burdens and provide shorthand cues of reliability to global evaluators.

2. Institutional Borrowing

Fintechs “borrow” credibility via partnerships and co-funding arrangements with globally recognised DFIs, international banks and credit insurers (Houston et al., 2010; Cumming et al., 2017; Islam et al., 2024; Nguyen & Vaubourg, 2021). Forward-flow agreements, co-underwriting structures and shared compliance frameworks allow fintechs to extend risk-transformation and liquidity functions beyond domestic boundaries (Hammerschlag, 2020).

3. Legal and Technological Architecture for Enforceability

Adoption of internationally accepted governing-law clauses, arbitration venues, escrow arrangements and, where applicable, smart-contract-based controls substitutes for weak domestic enforcement (Babich & Hilary, 2020; Lee et al., 2021; Yermack, 2017). These architectures provide cognitively simple, legally robust assurances to foreign evaluators that contractual obligations can be enforced.

Together, these translation mechanisms transform address what can be described as a cross-border cold-start legitimacy problem: fintechs must demonstrate credible export-finance performance to be accepted as intermediaries, but they cannot perform without prior acceptance by regulators, banks and SMEs (Liang et al., 2025; Pache & Santos, 2010; Zimmerman & Zeitz, 2002). By converting domestic legitimacy into internationally intelligible credibility, fintechs gradually unlock access to capital, partnerships and transaction flows necessary to participate in high-trust export-finance chains.

2.3.2.8 Conclusion of Construct 2

Construct 2 demonstrates that institutional substitution is impossible without multi-stakeholder legitimacy. Fintechs can reconstruct the mechanisms of intermediation, but these mechanisms only acquire meaning when stakeholders recognise them as credible intermediaries. Legitimacy therefore acts as (1) a mechanism of intermediation, by reducing information, monitoring and enforcement costs; (2) a prerequisite for institutional substitution, by enabling fintechs to stand in for weak or inaccessible institutions; and (3) a coordination device, by aligning expectations across actors operating under conflicting institutional logics.

Existing legitimacy research usually assumes either institutional completeness or sequential legitimacy acquisition. Contrastingly, fintechs in export finance operate under institutional voids and multiple, conflicting logics, which collapse sequential pathways and force concurrent satisfaction of heterogeneous legitimacy thresholds. What remains under-theorised is how actors orchestrate legitimacy when both assumptions fail simultaneously.

Construct 3 therefore turns from why legitimacy is foundational to how fintechs reconstruct the core intermediation functions (information production, risk transformation, liquidity provision and monitoring) under compound institutional voids and how these digitally mediated mechanisms depend on, and in turn reinforce, multi-stakeholder legitimacy in export trade finance.

2.3.3 Construct 3: Reintermediation Mechanisms in Export Trade Finance

Construct 1 established export trade finance as a compound institutional problem: domestic voids interact with stringent international requirements to produce binding constraints that neither banks nor informal actors can resolve. Construct 2 showed that fintechs cannot act as institutional substitutes without first achieving multi-stakeholder legitimacy. Construct 3 turns to the functional side of the problem. It examines how fintechs reconstruct the core intermediation functions that export trade finance requires – information production, risk transformation, liquidity provision, monitoring and coordination – under conditions of institutional asymmetry. The focus is explicitly aligned with Research Question 3, which asks how Kenyan fintechs digitally and organisationally structure these intermediation functions to enable SME access to export finance.

Export trade finance has historically depended on intermediaries capable of producing information, transforming risk, creating liquidity and enforcing contracts across jurisdictions (Berger & Boot, 2024; Thakor, 2020). In mature systems, these functions rest on dense institutional infrastructures – credit registries, collateral frameworks, contract enforcement mechanisms and correspondent banking networks, allowing banks to perform intermediation efficiently. In emerging economies such as Kenya, however, weak documentation ecosystems, incomplete registries and fragmented enforcement undermine the preconditions on which bank-based trade finance relies (Allen & Qian, 2025). SMEs thus require cross-border financing precisely where the institutional substrates for intermediation are only partially present.

This construct conceptualises fintechs as functional substitutes for missing institutional infrastructure and analyses digital reintermediation as the process through which platforms reorganise intermediation architecture under compound institutional voids.

2.3.3.1 Fintech as Functional Substitute for Missing Institutional Infrastructure

In emerging markets, fintech has often emerged less as “disruptive innovation” and more as a pragmatic workaround to structural institutional gaps (Sydow et al., 2022). When banks cannot operationalise credit allocation under fragmented institutions, alternative channels arise (Bredice et al., 2025; Tan et al., 2024). Fintechs become

functional institutional substitutes: they replace missing or weak institutional inputs with technological and data-driven architectures (Allen & Qian, 2025).

Through alternative data systems, automated workflows and digital verification processes, fintechs construct informational and operational structures that mimic the roles of credit registries, collateral frameworks and enforcement mechanisms (Berg et al., 2021; Jagtiani & Lemieux, 2019; Zetzsche et al., 2020). In export contexts this substitutive logic extends to cross-border requirements: when domestic institutions cannot generate documentation or validation artefacts recognisable internationally, platforms embed logistics integration, programmatic settlement rules and traceability systems into software architectures to encode trust and enforceability (Babich & Hilary, 2020; Chang et al., 2020; Lee et al., 2023).

Crucially, fintechs do not “replace banks” wholesale. They substitute for the institutional functions banks themselves rely on – information infrastructure, verification systems and enforcement scaffolding (Buchak et al., 2018; Fung et al., 2020). This shift from “fintech as disruptor” to “fintech as reintermediator” (Cai, 2018) is central to understanding how intermediation is reconstructed under institutional asymmetry.

2.3.3.2 Digital Reintermediation Under Compound Institutional Voids

Early fintech discourse predicted disintermediation through peer-to-peer markets; however, empirical work now shows that platforms reassemble rather than eliminate intermediation (Balyuk & Davydenko, 2023). Reintermediation involves disaggregating, modularising and reassembling banking functions under platform governance (Berger & Boot, 2024; Thakor, 2020). Existing studies, however, largely analyse this process in institutional settings where credit bureaus, enforcement mechanisms and registries function imperfectly but reliably (Balyuk & Davydenko, 2023; Hau et al., 2024).

Export trade finance from emerging markets operates under compound voids: simultaneous domestic institutional absence and strict international compliance demands (Jean & Kim, 2021; Lee et al., 2023). Under these conditions, intermediation mechanisms are tightly interdependent – failure in one function cascades through the system (Ozhan, 2020). If data are unverifiable, credit assessment misprices risk; mispriced risk distorts liquidity allocation and undermines repayment; weak monitoring prevents early detection of deterioration. In weak institutional environments, supervisory and legal safety nets that might contain such failures are themselves fragile or missing (Calani et al., 2025; Karikari et al., 2020).

Digital reintermediation under compound voids therefore unfolds through three interconnected architectural transformations, each addressing specific institutional absences whilst creating dependencies that shape subsequent mechanism choices.

A. Digital Infrastructure as Substitute for Institutional Infrastructure

Cloud computing, API-based verification, digital identity frameworks and mobile payment systems act as functional equivalents to institutional infrastructure such as branch networks, documentation archives and centralised registries (Langley & Leyshon, 2021). This “stack substitution” allows fintechs to operate despite weak domestic institutions by embedding automated decision rules, real-time data feeds and event-driven processes. Blockchain solutions extend this by providing cryptographic verification where institutional trust is weak (Gan & Lau, 2024). However, these stacks create new dependencies on hyperscale providers and payment networks that may themselves introduce systemic vulnerabilities (Rath et al., 2024).

B. Functional Disaggregation and Modular Intermediation

Traditional banks bundle screening, underwriting, servicing and monitoring within vertically integrated models supported by balance-sheet capacity and regulatory privileges. Digital platforms break these functions apart and reconstruct them modularly: algorithmic screening replaces in-person appraisal, programmatic workflows replace manual contracting and automated allocation replaces committee-based portfolio decisions (Berg et al., 2021; Gozman et al., 2018; Hau et al., 2024).

Fintechs cannot replicate the vertically integrated bank model because they lack deposit mobilisation rights, prudential backstops and established correspondent networks (Buchak et al., 2018). Modularity is therefore a structural adaptation: platforms substitute for specific institutional functions while partnering for those requiring institutional privileges they do not possess (Choudhary & Thenmozhi, 2024; Hodula, 2022). However, modularity also creates sequencing dependencies: risk assessment depends on data quality (Chen & Du, 2020), liquidity provision depends on accurate risk assessment (Chahrour & Valchev, 2021) and monitoring depends on loan structures that enable automated oversight (Berger & Boot, 2024). Under compound voids, the absence of institutional safety nets magnifies the consequences of any upstream failure (Ozhan, 2020).

C. Hybrid Intermediation Microstructure

Digital platforms combine automation with human oversight, producing hybrid architectures in which algorithms perform routine tasks while human experts interpret

ambiguous signals and manage exceptions (Balyuk & Davydenko, 2023; Bertoni et al., 2021). In export trade finance, documentation variability, jurisdictional complexity and logistics disruptions generate contextual signals that resist full codification (Kuma et al., 2023). Human judgement remains necessary to interpret whether delays signal operational risk, opportunism or exogenous shocks, especially where dual literacy in domestic informal norms and international compliance standards is required (Bertoni et al., 2021; Karikari et al., 2020). This hybridity introduces a structural tension: platforms face pressure to scale through automation, yet compound voids increase the need for discretionary oversight. Whether fintechs can sustain these hybrid microstructures under resource and capital constraints is an open empirical question, particularly in trade finance

D. From Mechanism Deployment to System Integration

Existing scholarship documents individual reintermediation mechanisms extensively: alternative data analytics (Berg et al., 2021; Jagtiani & Lemieux, 2019), smart contract automation (Cong & He, 2019; Xiong et al., 2025), supply chain finance platforms (Chen et al., 2021; Song et al., 2021) and marketplace lending infrastructure (Balyuk & Davydenko, 2023). This modular focus is methodologically useful but empirically incomplete. In practice, fintechs construct integrated intermediation systems in which data collection feeds risk assessment, which structures liquidity provision, which in turn depends on monitoring and enforcement – all embedded within regulatory and capital constraints.

Under compound institutional voids and cross-border governance demands, the question is no longer whether these functions must work together but how they are operationalised as coherent architectures when institutional supports are weak domestically and stringent internationally. It is this system-level reintermediation, rather than isolated mechanisms, that RO3 seeks to explore.

2.3.3.3 Reconstructing Core Intermediation Functions

Financial intermediation theory identifies four canonical functions: information production, risk transformation, liquidity provision and monitoring (Allen & Qian, 2025; Thakor, 2020). A fifth, coordination, is implicit but critical in cross-border trade. Banks typically perform these functions via integrated balance sheets, regulatory privileges and institutional infrastructure. Digital platforms, by contrast, must reconstruct them modularly, often without deposit insurance, central-bank backstops or robust courts (Buchak et al., 2018).

Under institutional asymmetry, reconstruction faces two distinctive challenges: (1) cascade vulnerabilities, because each function depends on the outputs of preceding functions and (2) dual compatibility, because mechanisms must work in domestic voids while satisfying international compliance expectations. The following sub-sections synthesise the literature on how digital platforms reconstruct each function and highlight where export-context mechanisms remain under-theorised.

2.3.3.3.1 Information Production and Screening

Intermediaries exist because direct lending is hampered by information asymmetries; borrowers possess private information that lenders cannot easily observe (Diamond, 1984). Traditional banks address this through collateral assessment, formal credit histories and relationship lending (Berger & Udell, 2006). In many emerging markets, these mechanisms systematically exclude SMEs who lack audited statements, titled collateral or long-standing bank relationships.

Digital intermediaries respond by building new information infrastructures. Alternative-data models leverage mobile-money histories, e-commerce transactions, utility payments and network-based indicators to infer creditworthiness (Berg et al., 2020; Jagtiani & Lemieux, 2019). Machine-learning algorithms transform these data into risk scores for thin-file borrowers. Supply-chain integration and logistics data provide real-time visibility into orders, shipments and buyer behaviour, while reputation systems accumulate performance histories over time (Chen et al., 2021; Song et al., 2021). These mechanisms reduce information asymmetry where registries and bureaus are incomplete.

In export contexts, information production must satisfy two tests simultaneously: it must support domestic underwriting and generate verification artefacts credible to foreign counterparts. Recent work suggests that fintechs are not merely supplementing existing information systems but constructing alternative ones that enable dynamic adjustment of credit terms based on observed behaviour rather than static collateral (Hau et al., 2024). However, empirical research on how these information architectures are adapted specifically to export documentation requirements and cross-border due diligence remains limited.

2.3.3.3.2 Liquidity Creation Along Export Cycles

Financial intermediaries create liquidity by converting illiquid assets into accessible capital (Diamond & Dybvig, 1983). In international trade, this function traditionally manifests through letters of credit (LCs), documentary collections and receivables financing designed to bridge payment-delivery timing gaps (Sanati, 2024). However,

these tools are calibrated for large corporates with strong documentation, established trade histories and acceptable risk profiles (Gakpa et al., 2025; Nyantakyi, 2023). SMEs often fall outside this design envelope.

Digital intermediaries instead align liquidity creation with the staged nature of export cycles. Purchase-order finance advances capital against verified foreign orders to cover pre-shipment input costs; invoice factoring and discounting convert receivables with long payment terms into immediate cash upon confirmation of delivery; milestone-based structures release funds upon production completion, shipment or customs clearance (Camerinelli, 2014; Liu et al., 2025; Wang & Xu, 2022). These designs match funding to operational progress rather than to static collateral pools.

Fintechs fund these products through capital-market structures or wholesale facilities rather than retail deposits (Gomber et al., 2018; Kuma et al., 2023), enabling high-frequency, small-ticket transactions. However, effectiveness depends on reliable verification of milestones, digital payment rails and sufficient depth in domestic or international funding markets. In African settings, uneven logistics data quality and payment interoperability constrain scalability (Nyantakyi, 2023) and empirical evidence on export-focused liquidity products remains sparse.

2.3.3.3.3 Risk Transformation in Export Environments

Risk transformation involves pooling, reallocating and pricing exposures so that idiosyncratic risks become manageable (Diamond, 1984). Export financing exposes SMEs to multi-dimensional risk: currency volatility, foreign-buyer default, political or regulatory shocks in destination markets, and shipment delays that undermine repayment capacity (Bruno & Shin, 2022). Traditional instruments and insurance products often exist but are either prohibitively costly for SMEs or inaccessible due to documentation and minimum-size constraints (Allen & Qian, 2025; Nyantakyi, 2023).

Digital intermediaries apply transparency and automation to reconfigure risk transformation. Blockchain-based platforms create transaction logs that reduce fraud and make non-performance visible (Kuma et al., 2023; Wang et al., 2019). Real-time collateral monitoring and dynamic margining help manage price fluctuations in commodity exports. Algorithmic portfolio construction spreads exposures across buyers, sectors and geographies (Balyuk & Davydenko, 2023; Liu et al., 2025). Smart contracts enable conditional settlement tied to verifiable events, delivery confirmation, inspection approval, customs clearance, reducing reliance on slow or unreliable courts (Cong & He, 2019; Xiong et al., 2025). Embedded export credit insurance or risk-

sharing arrangements with DFIs convert tail risks into priced premiums (Lee et al., 2021; Zeng et al., 2025).

These mechanisms redistribute rather than eliminate cross-border risks, enabling fintech intermediaries to perform risk transformation without traditional enforcement infrastructure. Their success depends on transaction design: poorly calibrated triggers can enforce repayments mechanically in circumstances where flexible renegotiation would be more efficient, especially in volatile sectors such as agriculture (Vives & Ye, 2025; Wang & Xu, 2022). Literature on these trade-offs is still emergent, particularly in African export markets.

2.3.3.3.4 Monitoring and Enforcement

Monitoring ensures that borrowers honour contractual terms and provides early warning of deterioration; enforcement secures remedies when contracts are breached (Diamond, 1984). In cross-border settings, geographical distance and fragmented legal systems complicate both functions (Cong & He, 2019). Traditional bank-based monitoring relies on periodic financial reporting and covenant checks, which are often infeasible for SMEs lacking formal systems.

Digital intermediaries embed monitoring into transactional workflows. Telemetry-like tools track payment flows, documentation status and shipment progress in real time, triggering alerts when deviations occur (Balyuk & Davydenko, 2023). Logistics-integrated verification obtains data feeds from shipping lines, freight forwarders and customs systems to confirm milestones and activate staged disbursements or collections (Chen et al., 2021). Automated enforcement mechanisms – escrow releases, insurance claim triggers, pre-programmed collections workflows – reduces dependence on cross-border litigation, which is slow and costly (Cong & He, 2019).

However, Vives and Ye (2025) cautioned that automation can misrepresent context and algorithms may classify routine delays caused by port congestion or regulatory backlog as default events, prompting premature enforcement. Emerging evidence therefore advocates hybrid monitoring structures where algorithmic oversight is complemented by human review for complex cases (Bertoni et al., 2021).

2.3.2.3.5 Cross-Border Coordination Mechanisms

Beyond the four key functions, intermediaries also coordinate multiple parties by providing common standards, information flows and dispute-resolution mechanisms (Merton, 1995). Export trade spans heterogeneous institutional environments; weak verification and documentation systems in origin markets clash with stringent

requirements in destination markets, creating coordination failures (Kowalski et al., 2021).

Digital intermediaries address coordination through embedded foreign-exchange management, platform-mediated transparency and automated standards. FX modules stabilise currency exposure via embedded conversion services, forward contracts or multi-currency accounts, reducing the need for SMEs to develop sophisticated treasury functions (Bruno & Shin, 2022). Platform traceability systems generate shared views of transaction status, reducing disputes over “who knew what when” (Chang et al., 2020; Kowalski et al., 2021). Automation lowers the fixed costs associated with documentation and multi-party communication, enabling smaller exporters to participate in cross-border trade that would otherwise be uneconomical (Goldfarb & Tucker, 2019).

However, the effectiveness of these mechanisms depends on interoperability across logistics, banking and customs systems and on regulatory acceptance of automated verification as equivalent to traditional paper-based processes. Where such acceptance is limited, the coordination potential of digital platforms remains under-realised.

2.3.3.4 Summary of Construct 3

Construct 3 has developed three core arguments

First, fintechs in emerging markets function as institutional substitutes at the level of intermediation architecture. They replace weak or missing institutional inputs with digital infrastructures, alternative data systems and modular workflows that collectively reconstruct the informational, liquidity, risk and monitoring functions required for export finance (Allen & Qian, 2025; Balyuk & Davydenko, 2023; Cai, 2018).

Second, digital reintermediation under compound institutional voids differs qualitatively from reintermediation in mature markets. In contexts such as Kenya, the same mechanisms must operate without robust domestic infrastructures and satisfy strict international compliance requirements, creating cascade vulnerabilities and forcing hybrid human – algorithmic microstructures (Jean & Kim, 2021; Karikari et al., 2020; Ozhan, 2020).

Third, existing scholarship analyses reintermediation mechanisms largely in isolation, alternative data, supply-chain platforms, smart contracts, marketplace lending, without examining how they are configured as integrated systems in export trade finance from institutionally weak origins. The literature has not yet explained how fintechs from such

environments sequence, combine and govern these mechanisms to deliver export finance that is both digitally enabled and institutionally credible, particularly in Sub-Saharan Africa (Allen & Qian, 2025; Nyantakyi, 2023).

These gaps motivate Research Question 3 for an empirical examination of how Kenyan fintechs structure and integrate intermediation mechanisms under conditions of institutional asymmetry enables this study to move beyond modular accounts of "fintech innovation" towards a system-level understanding of digital intermediation in export trade finance.

2.3.4 Summary of the Literature Review

This chapter developed a theoretical argument demonstrating how the intersection of institutional voids, multi-stakeholder legitimacy, and digital financial intermediation shapes the feasibility of export trade finance for SMEs in emerging markets. Across the three constructs, the literature reveals three converging debates and three unresolved gaps that collectively justify and refine the research problem.

First, the institutional voids literature (Khanna & Palepu, 2010; Webb et al., 2019) demonstrates that export trade finance in emerging markets is constrained not by isolated frictions but by compound institutional absences. Domestic institutional infrastructures are often fragmented or underdeveloped, while international export-finance governance remains stringent, standardised and documentation-intensive. Comparative analysis across financial development studies (Allen & Qian, 2025; Beck, 2022; Nyantakyi, 2023) shows that neither traditional banks nor informal substitutes can bridge this dual deficit. While banks depend on institutional completeness, informal mechanisms lack portability across borders. Thus, existing institutions cannot supply the informational, contractual or enforcement foundations that export finance requires. This establishes the theoretical need to explore actors capable of institutional substitution, sharpening RQ1.

Second, the legitimacy literature shows that institutional substitution is impossible without multi-stakeholder legitimacy and that fintechs face uniquely elevated legitimacy burdens. Where classical theory assumes either sequential legitimacy acquisition (Zimmerman & Zeitz, 2002) or evaluation within coherent institutional settings (Suchman, 1995), emerging-market fintechs operate in fragmented regulatory environments with inconsistent evaluators applying conflicting institutional logics (Bitektine & Song, 2024). Liability of origin (Cuervo-Cazurra & Genc, 2008) and liability of emergence (Haack et al., 2021) compound these challenges. A comparative analysis of legitimacy mechanisms shows that practices usually conceptualised as

intermediation functions, compliance routines, monitoring architectures, alternative-data systems, transparency simultaneously function as legitimacy-building strategies. The literature therefore suggests that fintechs must construct legitimacy as a threshold condition before they can execute intermediation. These insights refine RQ2 by establishing multi-stakeholder legitimacy as an enabling architecture of digital finance, not a downstream outcome.

Third, the financial intermediation and reintermediation literature shows that fintech does not eliminate intermediaries but reorganises intermediation architecture through digital infrastructures. However, existing research analyses mechanisms modularly (e.g., alternative data, smart contracts, invoice factoring), usually in contexts with functioning institutional scaffolding. There is limited theoretical work on systemic integration under compound voids where failure in one mechanism cascades through the system. Comparative analysis of intermediation functions (Balyuk & Davydenko, 2023; Berger & Boot, 2024; Thakor, 2020) demonstrates that digital platforms must reconstruct information production, risk transformation, liquidity creation and monitoring under conditions where institutional fallbacks are absent and international compliance requirements bind tightly. This literature gap directly motivates RQ3, which examines how fintechs integrate mechanisms into coherent architectures.

the three constructs establish a coherent theoretical gap at the intersection of institutional theory and financial intermediation. The literature shows that:

1. Institutional voids create compound constraints requiring substitutive actors (Construct 1).
2. Fintech substitution is contingent on achieving multi-stakeholder legitimacy under conflicting logics (Construct 2).
3. Digital reintermediation mechanisms must be integrated, not modular, to support export finance (Construct 3).

To the researcher’s knowledge, there is either no or limited literature that explains fintechs simultaneously navigate voids, legitimacy thresholds and intermediation demands in export-finance contexts. This confirms the theoretical relevance of studying how Kenyan fintechs structure intermediation and legitimacy to enable SME access to export finance.

CHAPTER 3: RESEARCH QUESTIONS

This chapter presents the research questions that guide the study. It links the practical problem outlined in Chapter 1: the persistent exclusion of African SMEs from export trade finance, with the academic gap established in Chapter 2, where recent scholarship highlights the absence of firm-level, qualitative research explaining how fintech-enabled, alternative financing mechanisms operate under institutional asymmetry (Allen & Qian, 2025; Sanga & Aziakpono, 2023).

Institutional Theory explains why export finance structures fail in emerging markets: weak and uneven regulative, normative and cognitive institutions distort the informational and contractual foundations of cross-border finance. Legitimacy Theory (a sub-branch of Institutional Theory) clarifies why fintechs must first be recognised as credible organisational actors before their intermediation mechanisms can take effect. Financial Intermediation Theory provides the functional lens for understanding how fintechs reconstruct screening, monitoring, liquidity coordination and risk transformation under conditions where traditional institutional scaffolding is incomplete. Together, these literatures converge on a central insight: fintechs' ability to support SME exporters depends on how they navigate institutional voids, construct multi-stakeholder legitimacy and perform reintermediation functions.

3.1 Overarching Research Question

How do Kenyan fintechs enable SME access to export trade finance under conditions of institutional asymmetry?

This overarching question reflects the study's aim (Section 1.5): to examine how fintechs operate as both institutional and financial intermediaries in export trade finance, and how these dual roles shape their contribution to SME internationalisation.

3.2 Sub-Questions

The overarching question is unpacked into three sub-questions, each corresponds directly to one construct in Chapter 2 and aligns with a research objective in Chapter 1.

RESEARCH QUESTION 1:

What institutional voids must Kenyan fintechs navigate to enable SME access to export trade finance?

This question is derived from Construct 1 (Section 2.3.1), which conceptualises export trade finance as a compound institutional problem. Weak registries, incomplete enforcement, fragmented documentation systems and inconsistent cross-border

governance create a structural environment in which even willing financiers cannot intermediate efficiently. Institutional Theory shows that these voids operate across the regulative, normative and cognitive pillars and affect actors asymmetrically (Khanna & Palepu, 2010; Scott, 2014). Mapping these voids clarifies why institutional substitutes emerge and what kinds of deficiencies fintechs must address.

This question aligns with Research Objective 1.

RESEARCH QUESTION 2:

How do Kenyan fintechs construct the domestic legitimacy required to intermediate export trade finance?

This question corresponds to Construct 2 (Section 2.3.2), which demonstrates that legitimacy is not peripheral but foundational in high-governance domains such as export finance. Under institutional voids and competing stakeholder logics, fintechs must build cognitive, pragmatic and moral legitimacy simultaneously, not sequentially (Suchman, 1995; Bitektine & Song, 2024).

This question therefore examines how fintechs assemble legitimacy through over-compliance, institutional mimicry, embedded partnerships, alternative-data governance and operational transparency, mechanisms that serve both evaluative and intermediation functions.

This question aligns with Research Objective 2.

RESEARCH QUESTION 3:

How do Kenyan fintechs substitute for incumbent institutions to enable SME access to export trade finance?

This question corresponds to Construct 3 (Section 2.3.3), which conceptualises fintechs as digital reintermediaries rather than pure disruptors. Fintechs do not replace banks wholesale; they substitute for the institutional functions that banks themselves depend on, information production, risk transformation, liquidity provision, monitoring and enforceability, particularly where domestic institutions cannot sustain these functions. Institutional substitution in this context is sequential and partial, not immediate or absolute (concept borrowed from gradualist industrialisation by Mahoney & Thelen, 2010). Evidence presented in Chapter 5 shows a stepwise pattern: fintechs first anchor themselves in domestic value chains, then progressively extend intermediation capabilities to export-adjacent and cross-border functions.

This question aligns with Research Objective 2.

CHAPTER 4: RESEARCH METHODOLOGY

This chapter outlines the methodological foundations and implementation of the study. It explains the philosophical orientation, research design, sampling strategy, data collection procedures, analytical methods, and ethical considerations underpinning the investigation of how Kenyan fintechs structure and deliver export trade finance under institutional asymmetry.

Although the initial inclusion criteria focused on fintechs explicitly offering “export finance,” fieldwork confirmed that such products rarely exist as discrete categories in Kenya. Instead, export-relevant financing is delivered through working capital, invoice discounting and supply-chain credit. Consequently, the sampling frame purposively incorporated fintechs offering these products, as they functionally enable SME participation in cross-border trade.

4.1 Research Design

Research design refers to the philosophical, strategic and procedural choices linking the research problem to empirical evidence (Saunders et al., 2023). These choices determine how knowledge is generated, what constitutes valid evidence and how findings can be interpreted.

4.1.1 Research Philosophy

This study adopts an interpretivist epistemology, premised on the view that understanding fintech-enabled export finance requires examining socially constructed meanings, institutional navigation and the cognitive frames through which professionals interpret their environments (Creswell & Poth, 2018; Schwandt, 2007).

Interpretivism is appropriate because:

- Fintech substitution in export finance cannot be reduced to measurable variables, it requires understanding how professionals perceive institutional voids, legitimacy barriers and operational constraints
- Institutional Theory and legitimacy theory emphasise norms, meanings, shared understandings and sense-making (Scott, 2014; Suchman, 1995), all of which are accessed interpretively
- Fintech operations rely heavily on trust, relationships, documentation practices and informal governance mechanisms unsuitable for positivist, variable-based measurement.

The researcher acknowledges he co-constructed nature of qualitative knowledge and employed reflexive memos throughout to monitor interpretive influence, particularly given their professional background in African financial services.

4.1.2 Research Purpose

The study is exploratory, appropriate for phenomena that are emergent, under-theorised and context-sensitive (Saunders et al., 2023). fintech participation in export trade finance across sub-Saharan Africa is nascent, lacking consolidated academic explanation. The exploratory design enabled discovery of: (1) unanticipated institutional barriers (e.g., linguistic and ethnic trust frictions), (2) emerging legitimacy strategies and (3) process-level mechanisms absent from literature.

This exploration moved beyond testing predefined hypothesis towards generating new conceptual insight.

4.1.3 Research Approach

The study uses an abductive research approach, characterised by iterative movement between data and theory (Timmermans & Tavory, 2012). Abduction is well-suited to studies where existing theory provides sensitising concepts but cannot fully explain empirical complexity. The analysis drew on Institutional Theory to interpret voids, regulatory misalignments, and legitimacy thresholds (RQ1 and RQ2) as well as Financial Intermediation Theory to examine screening, risk transformation and liquidity coordination mechanisms (RQ3). Abductive reasoning provided flexibility in analysing both explicit meanings and implicit meanings: this is important given the evolving nature of fintech practices and institutional complexity in African trade contexts (Creswell & Creswell, 2018). It allowed both confirmation (e.g., regulatory voids mirroring Scott's regulative pillar) and discovery (e.g., sequential institutional substitution extending Mahoney & Thelen, 2010).

4.1.4 Research Strategy

The study employs a narrative research strategy, appropriate for capturing how fintech professionals explain, sequence and make sense of their operational realities (Czarniawska, 2004; Connelly & Clandinin, 2006). The narrative inquiry was chosen because participants naturally narrate institutional navigation through stories of regulatory encounters, partnership building, documentation failures and customer behaviour. These accounts constitute organisational narratives that reveal both explicit practices and implicit sense-making processes (Czarniawska, 2004).

Additionally, narratives reveal mechanisms rather than merely descriptive list of practices.

Furthermore, narrative logic aligns with the interpretivist philosophy underpinning this study because they both acknowledge that professionals' accounts represent their interpretations of organisational realities, shaped by their roles, experiences and institutional contexts (Polkinghorne, 1988).

4.1.5 Research Choice: Qualitative Mono-method

A mono-method qualitative design was adopted, using semi-structured interviews as the sole data source.

This choice reflects the need for depth, confidentiality and contextual nuance when discussing proprietary processes; the difficulty of accessing internal fintech documents, risk models or operational data; and the alignment between semi-structured interviews and abductive, narrative-driven research.

The researcher deliberately decided to forgo triangulation through additional methods (documentary analysis, observations), prioritising depth with knowledgeable fintech professionals – who design and operate fintech credit mechanisms, over breadth across multiple data sources.

4.1.6 Time Series: Cross-Sectional

This research adopts a cross-sectional time horizon, capturing data at a single point in time (July-October 2024), appropriate for understanding prevailing institutional conditions and operational practices at a single point in time (Bryman & Bell, 2015). Although participants described historical developments, these reflections are embedded within a cross-sectional analytical frame.

4.2 Research Methods

4.2.1 Population

The population comprises fintech professionals involved in credit provision to SMEs in Kenya. Eligible roles included strategy leaders, product designers, credit risk managers, operations heads and senior field managers.

The population specifically excludes:

- Professionals from traditional banks offering digital services (this study focuses on non-bank fintechs functioning as institutional substitutes)
- Payment processors or remittance companies that do not provide business credit

- Peer-to-peer lending platforms functioning as marketplaces rather than intermediaries
- Consumer-focused micro-lenders not serving businesses

This population definition ensures focus on fintech professionals directly involved in SME trade finance mechanisms, the phenomenon this research investigates.

4.2.2 Research Setting

This study focuses on credit-providing fintechs operating in Kenya because: (1) significant banking exclusion, creating institutional voids that motivate fintech emergence as substitutes (World Bank, 2022). (2) Kenya has achieved global recognition for mobile money innovation (Suri & Jack, 2016) (3) Hosting one of Africa's most developed fintech ecosystems (BDO, 2024) (4) Persistent SME financing gap (FSD Kenya, 2021). (5) The regulatory frameworks enable fintech operations while imposing oversight, creating observable legitimacy-building dynamics.

Although fintechs rarely label products as “export finance,” working capital, invoice discounting and supply chain finance commonly support export transactions. These products fall within the empirical scope of this study.

4.2.3 Unit of analysis

The unit of analysis is **fintech mechanisms and strategies**, the operational processes, institutional navigation approaches, intermediation techniques and legitimacy-building practices that fintechs employ.

Choosing fintech mechanisms and strategies as the unit of the analysis reflects the study's core research interest: understanding institutional substitution and financial intermediation from the perspective of the substituting organisation.

4.2.4 Level of Analysis

The goal is not to analyse individual firms but identify sector-level patterns across Kenya’s fintech field. This aligns with institutional theory’s emphasis on fields rather than isolated organisations (DiMaggio & Powell, 1983). Additionally, fintech-enabled trade finance provision involves nascent ecosystem dynamics that extend beyond individual firms and require sectoral understanding (Kowalski et al., 2021)

4.2.5 Sampling Techniques and Sample Size

4.2.5.1 Sample Method

A purposive sampling approach was used (Etikan et al., 2016). This aligns with interpretivist research requiring participants who possess deep operational knowledge.

Not all fintech employees possess such knowledge and some roles may lack direct involvement in credit assessment or regulatory engagement. Purposive sampling ensures selection targets individuals with relevant expertise (Creswell & Poth, 2018).

4.2.5.2 Sample Selection Criteria

Fintech-backed export trade financing is still nascent and complexity and the general public is relatively unfamiliarity with it (Lee et al., 2024) thus sampling key participants is necessary to obtain valuable information to understand how fintech intermediate export trade financing within institutional voids (Robinson, 2014).

The sample comprises fintech professional in Kenya who met five inclusion criteria:

1. Criterion 1: Employed by fintech companies providing credit, lending or trade financing services to SMEs in Kenya
2. Criterion 2: Possess direct knowledge of operational processes related to credit assessment, product design, risk management, customer acquisition, regulatory compliance or partnerships
3. Criterion 3: Hold manager-level positions or above with decision-making involvement and minimum two years' experience in fintech lending.
4. Criterion 4: Willing to participate by consenting to recorded interviews and transcript analysis for academic research
5. Criterion 5: Proficient in English to enable interview communication

4.2.5.3 Recruitment Strategy

The researcher employed a snowball technique where engaged participants referred the researcher to new participants (Noy, 2008). The researcher leveraged professional connections within Kenya's fintech sector, securing an initial interview with a fintech founder holding a prominent voice within the Kenya Fintech Association.

Additionally, the researcher identified potential participants through association listings (FSD Kenya, Kenya Fintech Association), banking and fintech awards bodies and professional networks (LinkedIn). Personalised messages explained research objectives, participation requirements and confidentiality protections, requesting voluntary participation. Following each interview, the researcher asked participants whether they could recommend colleagues at other fintechs who might participate, generating several additional contacts.

4.2.5.4 Sample Size

The final sample comprised ten participants from eight distinct fintech organisations. This sample size reflects qualitative research principles prioritising information richness

and analytical depth over statistical representativeness (Vasileiou et al., 2018). Qualitative research guidelines suggest sample sizes for phenomenological or thematic studies typically range from 5-25 participants depending on research scope and phenomenon complexity (Creswell & Poth, 2018).

Table 5 presents the sample composition, using unique identifiers (Participant 1 to Participant 10) to protect confidentiality:

Table 5: Participant Summary (confidential identifiers retained)

#	Unique Identifier	Type of Fintech	Participant Role	Fintech Experience	Duration
1	Participant 1	Working Capital (Motorbikes)	Founder / CEO	11 Years	57 mins
2	Participant 2	Agri- Trade Financing	Regional Manager	3 Years	44 mins
3	Participant 3	Cross-border Payments + Credit for B2B	Co-Founder / COO	4 Years	38 mins
4	Participant 4	SME Working Capital Financing	Credit Risk Manager	5 Years	40 mins
5	Participant 5	Trade Ecosystem Integration (Credit Products)	Regional Portfolio and Recovery Lead	4 Years	41 mis
6	Participant 6	SME Credit and Lending	Technical Product Lead	4 Years	28 mins
7	Participant 7	SME Credit and Lending	Product Manager	7 Years	30 mins
8	Participant 8	Agri-Trade Financing	Senior Product Manager	4 Years	32 mins
9	Participant 9	Agri-Trade Financing	Credit Risk Manager	5 Years	40 mins
10	Participant 10	SME Credit and Lending	Credit & Collections Lead	9 Years	38 mins

Source: Author's Own

Interviews lasted 28-57 minutes, averaging 35 minutes across the ten interviews, generating approximately 350 minutes of recorded conversation.

4.2.6 Research Instrument and Protocol

The research instrument was a semi-structured interview protocol organised into thematic sections covering organisational context, institutional environment, operational mechanisms, legitimacy strategies and export-adjacent financing (see Appendix A). Semi-structured interviews balance structure, ensuring all research topics are addressed systematically, with flexibility, allowing emergent themes to be explored through probing (Kallio et al., 2016).

Protocol Design

The protocol followed qualitative design principles: open-ended questions, neutral phrasing, progressive sequencing, and space for narrative elaboration (Rubin & Rubin, 2012). The protocol employed open-ended rather than closed-ended questions, enabling participants to elaborate on their experiences. For example, rather than asking "Do you use alternative data?" (closed, binary response), the researcher asked "How do you assess creditworthiness for SMEs that lack traditional financial records?" (open, requiring narrative explanation).

Interview Protocol Refinement

The first three interviews (Participant 1–Participant 3) functioned as a de facto pilot, revealing necessary adjustments to question phrasing and sequencing (Kallio et al., 2016). These initial interviews revealed that some planned questions about specific trade finance instruments (letters of credit, invoice factoring) presumed greater trade finance maturity than existed.

As patterns emerged across early interviews, the researcher tested emerging themes with subsequent participants by referring to insights shared by others without attribution. This technique helped determine whether themes represented industry-wide patterns or niche practices (Santoro et al., 2020).

4.2.7 Data Collection Method

Data Collection Process

Data was collected over a 13-week period (July–October 2024) through a combination of video conferencing (Google Meets) and audio-only calls. This mode was the most practical option given the geographic distance between researcher (South Africa) and participants (Kenya).

Interview Logistics

Participants received communication via email, LinkedIn or WhatsApp explaining research objectives, confirming voluntary participation, outlining confidentiality protections and providing the informed consent form. Participants were given 24-48 hours to review materials before scheduled interviews. Prior to each interview, participants received a reminder message reiterating research objective, reconfirming voluntary participation and reassuring confidentiality protection. The researcher obtained explicit verbal consent before recording any interview.

Data Recording and Transcription

Video and audio recordings of all interviews were saved and transcribed using a two-stage process. First, automated transcription software (Fireflies.ai) provided draft transcripts. Second, the researcher manually reviewed each automated transcript while listening to corresponding audio, correcting misrecognitions, adding punctuation and attributing speech correctly. This hybrid approach balanced efficiency with accuracy.

Data Management

All recordings and transcriptions were consistently labelled in accordance with institutional guidelines. A dedicated project folder was created with subfolders for (1) Interview Recordings, (2) Verbatim Transcripts, (3) Coding Transcripts, and (4) Memos. All data was stored on password-protected devices with encrypted cloud backup (Google Drive) to prevent data loss. Only the researcher and academic supervisor can access raw data. Data will be retained securely for five to ten years post-completion per university policy, after which it will be permanently deleted.

Data Preparation Process

All verbatim transcriptions were manually reviewed by the researcher while listening to recordings to ensure accuracy and redact any mention of organisation names or affiliated companies that could violate participant or fintech privacy (Saunders et al., 2023). Transcriptions were edited minimally: correctly assigning speaker attribution to "Interviewer" and "Participant X," redacting organisation names and correcting fintech-specific jargon or regulatory acronyms incorrectly captured by automated transcription.

The researcher decided against member checking due to risks of retrospective rationalisation (Morse, 2015) but factual clarification were sought from two participants.

4.3 Data Analysis

The study uses thematic analysis to identify, analyse and report patterns (themes) within interview data (Braun & Clarke, 2006; Saunders et al., 2023) supported by an abductive logic.

Data Coding Structure

Analysis employed a three-level coding hierarchy for each research question, moving from granular descriptive codes through pattern-based sub-themes to theoretical themes:

First-level Codes: Descriptive codes capturing specific phenomena, practices or concepts mentioned by participants. Resulting in 330 codes.

Second-level Codes (Sub-themes): Grouping related first-level codes into coherent categories representing mechanisms or strategies, employing researcher interpretation of patterns. Resulting in 43 conceptual categories.

Third-level Codes (Themes): Theoretical concepts connecting multiple second-level sub-themes to research question dimensions and theoretical frameworks. Resulting in 18 themes.

This hierarchical structure enables analytical movement from specific observations (first-level) through pattern recognition (second-level) to theoretical interpretation (third-level), providing transparency about how data informed findings (Gehman et al., 2018).

All 10 interview transcripts were analysed using Atlas.ti. The researcher leveraged the initial memos to expedite the coding process as they were fully familiar with the contents of each transcript, thus drawing parallels was easier. This created an exhaustive list of initial codes.

Analytical Process

After each interview, the researcher engaged in immersive familiarisation with the dataset, creating transcription summaries and noting outstanding observations (Saunders et al., 2023). The researcher drafted reflective memos of each interview, noting initial impressions, potential codes, interesting quotes and unexpected findings. Analysis proceeded through systematic stages adapted from Braun and Clarke's (2006) six-phase framework.

Coding Stages

The coding stages followed Braun and Clarke's (2006) six-phase framework, analysis proceeded through **six stages:**

Stage 1: Familiarisation with the Data

Stage 2: Initial Coding: Systematic coding of all ten transcripts using Atlas.ti qualitative analysis software, generating first-level codes.

Stage 3: Theme Development: The researcher reviewed all first-level codes, grouping related codes into provisional second-level sub-themes through iterative refinement.

Stage 4: Theme Refinement: Verifying developed themes accurately represented data, that sufficient evidence supported each theme and that themes captured distinct patterns rather than overlapping.

Step 5: Theme Definition: Final themes were clearly defined with precise scope statements explaining what each theme captures.

Step 6: Report Writing: Findings were written systematically, presenting themes with supporting evidence, cross-participant comparison and research questions.

Coding was organised around an RQ-centric approach, treating RQ1, RQ2 and RQ3 as distinct analytical focuses requiring separate coding hierarchies. RQ1 coding identified types of institutional voids (regulatory constraints, infrastructural limitations, trust deficits, knowledge barriers). RQ2 coding captured operational processes for information production, risk assessment, credit provision and liquidity sourcing. RQ3 coding identified legitimacy-building practices related to regulatory compliance, market presence, cultural adaptation and partnerships.

Table 6: Outcomes of Data Analysis Steps

Braun and Clarke's (2006) Stages		RQ1	RQ2	RQ3	Total Codes
Stage 2	First-Level	90	110	130	330
Stage 3	Second-Level (sub-themes)	13	24	25	62
Stage 5	Third-Level (themes)	5	6	7	18

Source: Author's own

4.4 Data Quality

Guided by Lincoln and Guba's (1985) four criteria were met

4.4.1 Credibility

Credibility addresses whether findings accurately represent the phenomenon studied (Lincoln & Guba, 1985):

- The researcher **triangulated two (2) data sources**: literature from highly rated journals and interviews from ten participants.
- The researcher has **prolonged engagement** with participants. Spending 13-weeks on data collection and over 350 minutes of recorded interviews generated detailed descriptions of fintech mechanisms.
- The researcher **asked clarifying questions** throughout interviews**, probing meanings** using prompts like "Can you elaborate?" and "How does that work exactly?" to achieve depth (Saunders et al., 2023).
- The researcher embraced disconfirming evidence and divergent cases. For example, while most participants described relationship-based collections as

reinforcing effectiveness, one participant stated that digital-only approaches succeed.

- The researcher maintained awareness of how professional background in African financial services and fintech might shape interpretation, documenting these reflections in analytical memos (Tracy, 2010).

4.4.2 Transferability

Transferability addresses whether findings might apply to other contexts, emphasising reader judgment rather than researcher claims about generalisation (Lincoln & Guba, 1985).

- The researcher included **extensive contextual details** about Kenya's fintech ecosystem, regulatory environment, SME characteristics and infrastructural conditions enables readers to assess similarity to their own contexts.
- While findings cannot be statistically generalised to all fintechs globally, they can be analytically generalised to theoretical concepts (institutional void navigation, legitimacy-building), which proves transferability, to some extent (Yin, 2016).

4.4.3 Dependability

Dependability addresses whether findings are stable and whether research processes are documented transparently (Lincoln & Guba, 1985).

- Comprehensive documentation of research decisions, including interview protocols, sampling procedures, coding hierarchies (330 codes organised into three-level structure) and theme development logs, provides transparency enabling replication and scrutiny.
- All transcripts were reviewed against audio recordings and corrected for accuracy before analysis commenced (Syed & Nelson, 2015). The data was triangulated between 10 participants from eight diverse fintechs.

4.4.4 Confirmability

Confirmability addresses whether findings reflect data rather than researcher biases, acknowledging that complete objectivity is impossible in interpretivist research (Lincoln & Guba, 1985).

- All findings are supported with direct participant quotes, ensuring claims remain grounded in empirical evidence rather than speculation. Quotes retain participants' authentic speech patterns and unique identifier.

- Findings acknowledge divergences and contradictions rather than presenting artificially unified accounts, demonstrating that interpretation followed data rather than forcing data into predetermined narratives.
- All audio recordings, transcripts and coding documents are safely stored for next ten years (according to university guidelines), enabling verification if needed.

4.5 Ethical Consideration

4.5.1 Ethical Clearance

Ethical clearance was obtained from the GIBS Research Ethics Committee. All participants provided written and verbal consent. Confidentiality is ensured through anonymisation, secure data storage and restricted access. Data will be retained for 5–10 years and then deleted.

4.5.2 Informed Consent

All participants willingly provided informed consent, evidenced through ten completed consent forms submitted to the university. Participants received written information (via WhatsApp and email) explaining: (1) research objectives and how their participation contributes, (2) interview duration and process, (3) voluntary nature of participation with right to withdraw at any time, (4) confidentiality protections, (5) data usage, (6) researcher contact information for questions and (7) the informed consent form. The researcher verbally confirmed that participants had received information, understood participation conditions and consented to recording. Only after affirmative verbal consent did recording commence.

4.5.3 Confidentiality and Anonymity

Participants are identified by unique identifiers (Participant 1 through Participant 10) in all research outputs. Transcripts and quotes were reviewed to remove identifying details (specific product names, unique partnerships) that might enable indirect identification. All data (audio recordings, transcripts, consent records) are stored on password-protected devices with encrypted backups, accessible only to the researcher and academic supervisor.

4.5.4Data Protection

Data collected is used solely for dissertation research and potential academic publication. It will not be shared with third parties or repurposed for commercial use. Data will be retained securely for five to ten years post-completion per GIBS policy to

enable potential follow-up research or verification, after which it will be permanently deleted.

4.6 Study Limitations

All research designs involve trade-offs and acknowledging limitations demonstrates methodological sophistication rather than weakness (Creswell & Poth, 2018). This section discusses limitations inherent in the chosen methodology and design.

Sampling Limitations

- Purposive sampling limits statistical generalisation. Findings cannot claim representativeness of all Kenyan fintechs or fintech professionals.
- Geographic scope limits transferability. While Kenya's fintech ecosystem provides an appropriate research context, findings may not transfer directly to countries or regions.

Analytical Limitations

- The unit of analysis focuses on fintech mechanisms rather than SME outcomes, meaning this research cannot assess effectiveness of fintech interventions.
- Cross-sectional design captures mechanisms at one point in time without tracking evolution. The findings cannot be applied to strategies change as companies mature, markets develop or institutional environments improve.

Scope Delimitation

- This study uses "export trade finance" and "cross-border trade finance" interchangeably, acknowledging that trade finance encompasses both exports (outbound from Kenya) and imports (inbound to Kenya). The research focuses specifically on export-oriented SMEs and financing mechanisms that enable outbound trade, not import financing. This delimitation reflects the distinct institutional challenges facing Kenyan SMEs seeking to access international markets as sellers rather than as buyers.

CHAPTER 5: FINDINGS

5.1 Introduction

This chapter presents findings of the study derived from a series of semi-structured interviews with Kenyan fintech professions. As stated in the methodology, the analysis was conducted at the sectoral level and while the semi-structured interviews were held with individuals, the patterns reported here represent collective industry practices and shared logics across the fintech ecosystem. Findings were coded, categorised and organised thematically around the study's research questions, as outlined in Chapter 3 and quotations are attributed to participants (Participant 1 – 10) to preserve confidentiality and safeguard against researcher bias while illustrating representative perspectives.

5.2 Description of the Sample

The exploratory study employed purposive sampling to recruit and engage 10 participants representing diverse perspectives within Kenya's fintech lending and trade finance ecosystem. The study aimed to examine how fintechs navigate institutional voids, deploy intermediation mechanisms and build legitimacy in delivering export-related trade finance to SMEs. Therefore, individuals with direct operational experience in fintech credit provision or deep ecosystem knowledge of regulatory and institutional dynamics participated.

Most of the sample were operational fintech practitioners – founders, executives and senior manager of fintechs actively providing SME credit. Their organisations all identified as lending fintechs but varied in sector focus from agricultural value chains to FMCG and import/ export facilitation.

All participants possessed extensive experience in Kenya's fintech and financial services sector, ranging from three to over ten years. Several had prior banking experience before transitioning to fintech roles. Participants operated primarily from Nairobi, Kenya's fintech hub, though their customer bases extended to other urban and rural areas. One participant's fintech had recently ceased operations, providing valuable perspective on sustainability challenges. This diversity in roles organisational maturity and operational status enabled comprehensive examination of the research questions.

Table 7: Summary of Participants

	Gender	Role	Fintech Focus	Fintech Years of Experience
Participant 1	Male	Founder / CEO	Working Capital (Motorbikes)	11 Years
Participant 2	Male	Regional Manager	Agri- Trade Financing	3 Years
Participant 3	Female	Co-Founder / COO	Cross-border Payments + Credit for B2B	4 Years
Participant 4	Female	Credit Risk Manager	SME Working Capital Financing	5 Years
Participant 5	Female	Regional Portfolio and Recovery Lead	Trade Ecosystem Integration (+ Credit Products)	4 Years
Participant 6	Male	Technical Product Lead	SME Credit and Lending	4 Years
Participant 7	Female	Product Manager	SME Working Capital	7 Years
Participant 8	Male	Senior Product Manager	Agri-Trade Financing	4 Years
Participant 9	Female	Relationship Officer	General Trade Credit	5 Years
Participant 10	Male	Credit & Collections Lead	SME Credit and Lending	9 Years

Source: Author's own

The interviews were coded and analysed in Atlas.ti to identify recurring patterns across the participating fintechs and supporting ecosystem actors. Each participant was categorised by their organisational role in the fintech lending and trade finance ecosystem to enable triangulation of perspectives. Once the core narratives were extracted, thematic analysis was conducted to identify similarities and differences across participants' descriptions of operational practices, regulatory interactions and financing mechanisms.

This comparative analysis made it possible to trace how fintechs collectively perform intermediation functions, ranging from credit evaluation to liquidity provision, despite varying business models and sectoral focuses. Through an inductive coding process, a total of 19 themes and 43 sub-themes were developed from the data, representing both shared industry practices and firm-specific adaptations. These themes are presented and reported in alignment with the three research questions guiding this study.

5.3 Results for the Research Questions

5.3.1 Research Question 1

The purpose of this question was to understand the institutional voids that shape the operating environment for fintechs providing SME trade financing in Kenya. Participants were asked to define Kenya's lending and credit fintech ecosystem and share their views on the challenges fintechs face. They were then asked whether these challenges were blanket issues affecting all fintechs or specific to credit or trade financing, to ensure findings remained relevant to the research focus. The findings revealed five distinct institutional voids:

Table 7 below presents the summary of themes as they were analysed

Table 8 Themes: Research Question 1

First-level Codes	Second-level Codes	Third level (Themes)
Banks require collateral	Irreplicable Collateral-based Lending Standards	***Pre-existing Banking Exclusion***
banks have long turnaround time		
banks require bank accounts for disbursement	Documentation Requirement Standard	
Banks demand formal statements and permits		
banks have strict assessment procedures		
Minimum loan requirement	Minimum Loan Standards	
No financial support for fintechs	Compliance Without Enablement	***Government Non-Support***
No government promotion of fintech services		
All by ourselves, however we have to comply		
licensing process very slow	Slow and Opaque Licensing Process	
small portion of fintechs licensed		
8-year licensing delay		
CBK discussing but implementation slow	Poor Regulator Communication	
"Don't call us, we'll call you" regulator attitude		
Unpredictable approval timeline		
Arbitrary customer relationship shutdown		
Viewed as "secondary project"	Government Perception of Fintechs	
regulator didn't want fintechs as primary lenders		
government didn't understand fintech reach		
Banks "cannot collapse" perception		
Consumer protection crisis 2019-2019	Historical Customer Protection Crisis Damages Fintech Credibility	***Fragmented Trust***
crude collection methods - phone book harassment		
SMS contact list exploitation		
No trust between fintechs and companies	B2B Trust Gaps	
Companies don't trust each other		

Pay suppliers directly to avoid diversion	Limited Understanding of Credit and Trade Finance	***Knowledge Gaps***
Trade finance vs loan confusion		
Fund diversion to personal emergencies		
Limited English/Swahili proficiency		
No training on how to manage funds		
Educate them on what fintechs are	Limited Awareness of Fintech Products	
Multi-visit onboarding process		
Need to retrain customers		
Payment rails don't work for B2B cross-border	Foreign Exchange Conversion Barriers	***Infrastructure Limitations for Cross-Border Trade***
PAPS not working on ground		
Infrastructure doesn't work		
Multiple currency AML flags	Cross-Border Payment System Gaps	
KYC verification burden		
Easier to use USD than local currency		

Source: Author's Own

Theme 1: Pre-existing Banking Exclusions

Fintechs seeking to provide trade financing to SMEs operate within a formal financial system designed around institutional standards they cannot access or replicate. Traditional banking infrastructure assumes businesses operate within the formal economy with verifiable assets and documentation.

Participant 7 further elaborated that these existing standards create an economic opportunity divide between those who can access financing and those who cannot.

> *"with traditional banking you needed to have a lot of items to be able to qualify for funding. So I think there was a gap where we have a section of the market where they couldn't come up with the requirements that are needed"* (Participant 7)

Sub-theme 1: Irreplicable Collateral-based Lending Standards

Participants explained that the formal financial system operates on collateral-based lending where banks require collateral as non-negotiable for credit access.

> "*if you go to a bank or if you go to a traditional financial institution for funding, you need to have collateral. You need to have an asset that you can give to the bank so that they can lend you money against that asset. And most SMEs don't have that asset."* (Participant 1)

Participant 3 further elaborated:

> "*maybe they don't have the collateral that the banks would want. So the collateral here would be like land, title deeds, log books. So maybe they don't have those requirements that the banks would need."* (Participant 3)

Acceptable collateral means formally registered property (land title deeds and vehicle logbooks) which SMEs rarely possess.

Sub-theme 2: Documentation Requirement Standard

Participants explained that formal documentation – bank accounts, audited statements, tax filings, is a prerequisite for access to credit in the financial services sector.

> *"they would require savings, right? They would require savings, they would require a bank statement, they would require your business statement and you might not have all this."* (Participant 7)

Participant 1 explained that traditional banks hold this expectation even though mobile money has proliferated from personal use to daily business transactions – leaving a number of people without actual bank accounts.

> "*most of the SMEs who are looking for funding options, maybe they are not banking, but they are transacting. They have mobile money that they are using and all sorts of platforms. But they don't have that proper documentation or proper structure of a business." (Participant 1)*

Participant 5 further added that the lack of proper documentation extends even to established businesses with high monthly turnover:

> "*these businesses, they're not properly documented. They don't have the right structures...most banks will actually block you even if you're a business doing 20 million a month, they're going to block you because you're not filing returns." (Participant 5)*

Sub-theme 3: Minimum Loan Standards

Participants described how banking institutional design incorporates fixed transaction costs that make small-value lending structurally uneconomical.

> *"for a bank, it's very expensive for them to have those small loans because... the cost that it takes to do due diligence, the cost that it takes to process that loan is expensive for the value that is being lent out."* (Participant 1)

Participant 4 quantified the threshold gap:

> *"banks will lend from half a million and above. But our ticket size is from 5,000 shillings."* (Participant 4)

Participants indicated that fintechs must profitably serve loan amounts that banking economics render unviable. Export and import working capital often involves amounts too large for microfinance yet too small for banking.

Theme 2: Government Non-Support

Participants articulated that fintechs operate in a regulatory environment where government functions as a rule-setter and compliance enforcer but does not provide financial or promotional support. When asked whether they received government support, participants responded negatively.

> *“No, I would say no, because we actually don't. We are not, even most of these fintechs are not government sponsored. So we just work our way around it. We don't really get any support from the government.” (Participant 4)*

Participant 1 reported as the underlying regulatory stance being government never wanting fintech in the lending space

> *“The Kenyan regulator actually did not want the fintech space to be the primary lenders to the MSME and SME space.” (Participant 1)*

Sub-theme 1: Compliance Without Enablement

Participants described operating within a regulatory environment that imposes bank-level compliance obligations without corresponding institutional support. They highlighted how fintechs face CBK supervision, reporting requirements, data protection laws and consumer protection frameworks without corresponding government resources to facilitate compliance or offset costs.

> *"For them it's just okay, not so much support but they ensure that we work within their frameworks. Yeah. So they also do regular audits and to see if us guys are complying. So yeah, but there's not so much, I'd say support in terms of training or things like anti money laundering stuff that they do with banks. So for fintechs it's like we are all by ourselves, however we have to comply."* (Participant 2)

Participants explained that the compliance burden extends beyond CBK supervision to include data protection laws and consumer-protection frameworks:

> *“So don't control our price, don't control product, make the regulatory framework a little bit less onerous,” (Participant 1)*

> *“Your interest rates are regulated, your penalties, how you list people on the credit bureau. There are, there are very many things that. There are very many policies that you have to abide by. And then every month you have to share a report with them so that they can just see that you're compliant.“ (Participant 5)*

Participant 5 further elaborated how regulatory expectations scale as fintechs grow:

”Policies for traditional banks are different from us. Yes, but you see, once your fintech operates to a certain level, if you're dispersing a certain amount, you almost a bank that your target audience is different and your regulations are different.” (Participant 5)

“The regulator today can just come and say stop working with this customer. And you'll have no choice. But would never do that to a bank” (Participant 9)

Participants portrayed the regulatory environment as a form of structural isolation: fintechs are expected to behave like banks without being treated like them.

Sub-them 2: Opaque Licensing Processes

Participants explained that licensing and registration processes in Kenya are not just administrative steps but mechanisms of control that determine market participation. Fintechs seeking legal recognition under the CBK face opaque procedures, unpredictable timelines and inconsistent communication.

“Like you'll find there's so many fintechs but the portion that's licensed is very small. The licensing process takes so long.” (Participant 3)

Participant 2 further quantified the wait up to eight years:.

“… the major challenge we faced was with the regulator because for you to provide such solutions, you have to be registered and regulated by the Central Bank of Kenya. So you find since 2017 it took us eight years to get a license to trade or to have operations. Yes, were still working under their regulations, but we didn't have the certificate itself." (Participant 2)

Participant 1 explained the impact of the licensing delays is fintechs not being able to participate in beneficial government schemes

“the idea was how do we support SMEs? The government set up this thing called Kenya [Credit] Guarantee Scheme. They said only regulated entities could access it and that’s why it failed. The banks weren’t lending to the SMEs and fintechs weren’t regulated” (Participant 1)

In extension, other participants revealed that the regulator’s communication style is unilateral and unpredictable, giving fintechs little visibility:

“So the regulator still has a very big upper hand over fintechs and the licensing process is also very slow. You'll find there's so many fintechs but the portion that's licensed is very small. The licensing process takes so long. You can't

know when you'll get the license, when you'll get communication. The regulator has a very don't call us, we'll call you attitude." (Participant 3)

Sub-theme 3: Government Perception of Fintechs

Participants described the existence of a perception gap between fintechs and the government. While fintechs have demonstrated capacity for innovation and financial inclusion, they are treated as peripheral players in the financial system.

"Yeah, they view it as a secondary project in the country. "(Participant 5)

Some participants linked this perception to a broader institutional mindset:

"I think it's just a mentality, for lack of a better word. But I think it's slowly shifting. Yeah, it's slowly shifting and with time they'll start supporting us. That's what I'm hoping for. (Participant 5)

Participants noted that the government's efforts focus on educating customers regarding personal data protection rather than fintech adoption or awareness:

"The government doesn't necessarily come in to educate what fintechs are, but they educate customers on the importance of, you know, protecting your data, knowing were your data is being used, knowing whether you're being exploited." (Participant 7)

Participant 1 further elaborated although the government celebrates fintech success, they aren't paving the way for the next generation of fintechs.

"And the reason for that is that they were old school, they live in the ivory towers and not as modern as people think. So M-Pesa put them on this pedestal but they only then looked at M-Pesa and received all the accolades and did nothing much more." (Participant 1)

Participants described an ecosystem where the government neither opposes fintechs' existence nor actively facilitates their growth.

Theme 3: Fragmented Trust

Participants explained that Kenyan fintechs navigate an environment characterised by low public trust, a legacy of early digital lending practices that violated privacy and reinforced perceptions of fintechs as exploitative. Participants highlighted two dimensions of this trust deficit: the historical consumer-protection crisis that damaged the sector's credibility and persistent company-to-customer trust gaps.

Sub-theme 1: Historical Customer Protection Crisis Damages Fintech Credibility

Participants recalled that the first wave of digital lenders (2013–2019) engaged in invasive and coercive collection tactics that violated borrower privacy and eroded public confidence in digital finance.

> *"Now 2018, 2019, what happens? We have now millions of customers in the digital lending space and there's a consumer protection issue, right? So customers are being harassed. So there's these issues of, you know, guys getting incessant calling that get 100 calls a day or people sending messages to relatives by taking date, you know, your SMS contact data and sending SMS's to your contact list and saying hey, ammo hasn't paid her loan, can you tell her" (Participant 1)*

Participants indicated that the regulator's subsequent focus on consumer education was seen as necessary but insufficient to restore confidence. The historical customer-protection crisis left a reputational scar that fintechs must still navigate.

> *"Well I think the regulator got involved in that and they stopped. But I think there's a way they measure their risk through collateral. DTC depends on the lending company and the amount. But yes, the lending companies are managing it but before it was by crude." (Participant 3)*

The regulator's subsequent focus on consumer education was seen as necessary but insufficient to restore confidence.

Sub-theme 2: Company-to-Customer Trust Gaps

Participants further described an enduring mutual distrust between fintechs and their customers. Even when potential clients are aware of fintech products, many remain sceptical about firms' legitimacy, sustainability and long-term reliability.

> *"In Kenya there is an issue of trust, both company to customer and customer to company. That means the company cannot easily give out credit for a first time customer… So you have purchased from them, I think several for you to be able to get a limit" (Participant 6)*

Moreover, participants noted that fintech for B2B is relatively new in Kenya and less dominant than B2C:

> *"And many people don't understand or trust that technology. So I'd say there's still a gap especially for B2B" (Participant 3)*

Participants narratives indicated that for fintechs offering embedded or trade-finance products, where transaction values are higher and tenors longer, this lack of immediate trust becomes a structural barrier.

Theme 4: Knowledge Gaps

Participants explained that many SMEs lack sufficient understanding of credit concepts, trade-finance mechanisms, and fintech product offerings. The participants described two main challenges they encounter: SMEs with limited understanding of how business credit operates and low awareness of fintechs as legitimate financing options.

Sub-theme 1: Limited Understanding of Credit and Trade Finance

Participants narrated that many SMEs, particularly those in rural or informal sectors, often view business credit and general cash the same. This perception leads to fund diversion, where SMEs use borrowed funds for personal emergencies or other business needs instead of the intended purpose.

> *"Instead of financing that person directly to avoid that **risk of fund diversion**, they give us the account details of the person they want to purchase from. We also verify with that person that indeed they keep livestock and maybe they have been trading with the businessman who has approached us. So once we verify and we confirm the account details, we are able to disperse now to the person who has the livestock." (Participant 2)*
> *"So suppliers help **ensure that the loan given to customers goes into the intended purpose**. So for example, I have been given a loan of $100 in cash. Get an emergency 10 minutes later and definitely use that money to sort out the emergency." (Participant 7)*

Participants also linked this to weak financial management capabilities.

> *"There's a lot of money in the market. There's very limited training as to how you can manage your funds. Yes, we're giving you money, but what are you going to do with this money? So there's no adequate training on how the SMEs can manage their funds, how they can reduce the amount of money they're taking in terms of loans." (Participant 7)*

However, some participants noted the level of understanding differs between regions:

> *"it's something I've noted but that mostly happens with, I'd call rural based businesses. However, you find that the businesses that we finance in the urban*

areas, for example Nairobi... they know the difference between trade financing and a loan..." (Participant 2)

"Yeah, we create awareness, we educate them before offering them credit. So we give them detailed education on the importance of repaying on time, importance of being given a loan…. we tell them the benefits of paying their credit so that they can be able to grow their limit and also expand their businesses" (Participant 8)

Despite these customer education initiatives, participants agreed that the knowledge gap remains large, particularly among informal and semi-formal businesses.

Sub-theme 2: Limited Awareness of Fintech Products

Participants narrated how many SMEs are simply unaware that fintechs provide large credit beyond personal loans and often assume that fintechs are a second-best option to banks.

"For someone to come to a fintech, it means they've gone to a bank, they've not been given a credit line, so they've come to a fintech. So they're taking us as a second option because they've not been given... because banks have a very strict procedure on how they assess a customer." (Participant 4)

Several participants explained that this might be because lending fintechs are still new and less established in Kenya:

"first fintechs, it's a bit new in Kenya. It's something that's still growing so the impact is still small. However, we are making inroads into the market of the banks… However, for the SMEs that we are financing, they see us as, should I say as an alternative." (Participant 2)

Participants noted that even after fintechs have provided financial literacy, some SMEs still struggle to understand how fintech financing can support business growth:

"Definitely there are some gaps. I wouldn't say we are 100% there because it's still a learning curve. So most often than not you need to retrain these customers and, you know, reiterate what you do, what your mission is, how you're willing to, you know, help them grow their businesses." (Participant 7)

Overall, the participants narratives indicate that the limited awareness constrains export finance adoption and emphasises the level of resources fintechs must commit to educate potential clients before financing can occur.

Theme 5: Inadequate Infrastructure for Cross-border Trade

Participants narrated that even where fintechs successfully navigate Kenya's domestic institutional voids, cross-border transactions expose additional challenges that lie beyond their control. These constraints relate to foreign-exchange conversion and payment infrastructure.

Sub-theme 1: Foreign Exchange Conversion Barriers

Participants reported that fintechs cannot facilitate currency conversion directly and must rely on commercial banks to process for all direct to customer import and export-related payments. While mobile-money platforms such as M-Pesa support domestic transactions, they are not authorised to hold or convert foreign currencies.

> "*If they want to do importation, there's no way we can divide the money in their mobile money. We still need to disburse the money in their own accounts so that they can convert the money and then trade in another currency." (Participant 4)*

Participants linked this to Central Bank regulations that reserve foreign-exchange operations for licensed dealers. This dependency forces SMEs to maintain banking relationships even when their credit originates from fintechs.

Sub-theme 2: Cross-Border Payment System Gaps

Participants explained that fintechs face major challenges in facilitating cross-border payments because regional business-to-business (B2B) payment rails remain underdeveloped. Even fintechs with operations across neighbouring countries cannot easily transfer funds between jurisdictions.

> *"The infrastructure and the exchange for it is just not there… the payment rails just don't exist" (Participant 3)*

Participants indicated that this lack of interoperable systems prevents fintechs from offering seamless regional trade-finance services. To complete international transactions, fintechs must rely on traditional banking channels.

Participants described how fintechs often collect payments from foreign buyers on behalf of SMEs and then release funds into the SMEs' local bank accounts for conversion:

> *"We still need to disburse the money in their own account so that they can convert the money and then trade in another currency." (Participant 4)*

Participants explained that even when both trading parties operate through digital platforms, businesses still revert to conventional bank-to-bank transfers:

> "*Sometimes if I'm using a bank it's easier for me to use USD instead of convert my KES to Tanzania shillings." (Participant 3)*

Conclusion of Research Question 1

Overall, the findings reveal that Kenya's celebrated fintech ecosystem operates within a deeply fragmented institutional landscape. Participants portrayed an environment where regulatory opacity, limited government support, fragile trust, and low financial literacy intersect to constrain fintech operations. While fintechs have introduced new digital models of credit delivery, the institutional scaffolding needed to sustain these models remains underdeveloped. What emerged most strongly was a contradiction: a country globally recognised for fintech leadership, yet domestically constrained by regulatory, normative, and infrastructural gaps that inhibit progress beyond basic digital lending. These conditions not only shape how fintechs design and deliver their products but also explain why they must act as institutional substitutes in the first place.

5.3.2 Research Question 2

The purpose of this question was to understand how Kenyan fintechs establish credibility and trustworthiness within the domestic financial ecosystem. RQ2 addressed a fundamental prerequisite: how do fintechs – as relatively new actors without the established reputation of traditional banks – gain acceptance and trust from customers, regulators, and ecosystem partners? Participants were asked an open-ended question regarding how businesses come to trust fintechs, allowing them to speak freely about customer acquisition and trust-building mechanisms. The findings revealed seven distinct legitimacy-building mechanisms:

Table 9: Themes: Research Question 2

First-level Codes	Second-level Codes	Third-level Codes
Regulatory compliance adherence	CBK certification as badge	***Regulatory Legitimacy***
Being certified matters		
Compliance with consumer protection regulations	Compliance with consumer protection regulations	
Consistent data reporting	Compliance Reporting	
Share report every month		

Legal agreement frameworks	Compliance with Regulated Interest Rates	
Minimal interest rates		
Door-to-door trust building	Door-to-door marketing campaigns	***Legitimacy Through Ground Operations***
County-by-county expansion teams		
Neighbourhood-level customer knowledge		
First customer...ambassador for subsequent customers	First customer as ambassador	
word gets to spread on the ground	Word-of-mouth viral growth	
Peer referral networks		
business development officers stationed all over the country	Ethnic and linguistic matching	***Cultural, Linguistic and Relational Legitimacy***
Ethnic positioning strategies		
Vernacular product communication		
"The relationship you create determines business survival"	Community embeddedness	
Account managers assigned to businesses		
Personal relationships as social collateral		
get instant feedback	Speed and Efficiency	***Performative Legitimacy***
it takes two minutes to have your score		
we still have to stick to the rails that businesses can trust	Operating on Trusted Payment Rails	
need agreements for large value settlements	Transparent Agreements	**Transparency**
Contract enforcement clauses		
Transparent interest rates		
we don't have hidden charges or hidden information		
Once you've been scored, you get a message	Transparent Scoring Limits	
Strategic partnership for market entry	Market Entry Partnership	**Borrowed Legitimacy (Partnerships)**
work as technical service provider under bank		
Fintech as complementary		
Co-branding with agri companies	Partnerships with Local Companies	
Partner with local businesses for advertising		
Continue banking with whoever they bank	Positioning Relative to Banks	
Improve credit score to access bank products		
Suppliers as partners	Partnerships with Suppliers	
Suppliers paid directly		

Customers come under a partner		
Pay for advertising	Controlled Reputation	**Bought Legitimacy Through Marketing**
Trade show participation		
Digital marketing intensity		

Source: Author's Own

Theme 1: Legitimacy Through Regulatory Compliance

Participants consistently framed regulatory compliance as the foundation of legitimacy within Kenya's fintech ecosystem. In an environment where customer protection scandals and unlicensed operators once damaged public confidence, visible adherence to CBK regulations has become the most important signal of trustworthiness. Participants described compliance not merely as an operational requirement but as a reputational currency that differentiates credible actors from "rogue" lenders.

Sub-theme 1: CBK Certification

Participants emphasised the importance of being certified/licensed and how it impacts a fintech's ability to gain trust and credibility in Kenya. Participants explained that fintechs in Kenya are able to operate without a licence, only complying with regulations and permits.

> *". Yes, were still working under their regulations, but we didn't have the certificate itself." (Participant 2)*

Participant 5 remarked that CBK certification is what gives fintechs legitimacy:

> *"The other thing that sets us apart from maybe other fintechs is because most fintechs are not Central Bank of Kenya certified. We are among the few. So that gives you more legitimacy because they just don't certify anyone. There are some certain standards you have to meet." (Participant 5)*

Participant 6 confirmed that government support lowers entry barriers:

> *"Whatever is supported by the government, the people on the ground will really take it as now [like] it's a community thing so they can easily get it... if we don't get enough support from the government for Kenya particularly, it's usually not easy for us to penetrate the markets. It really takes a lot of hassle and time to be able to penetrate the market and be able to convince the customers... because now it's not regulated in any way by the government." (Participant 6)*

Sub-theme 2: Compliance with Customer Protection

Participants described regulatory compliance as something to build credibility within the ecosystem. Following the 2018-2019 customer protection crisis, where predatory lending practices by some digital lenders led to public outcry and political intervention, the fintech industry recognised the need for enforced customer protection regulations.

> *"Now 2018, 2019, what happens? We have now millions of customers in the digital lending space and there's a customer protection issue, right?... And so then it created a whole, became political and those sort of like a national discourse around it. Now the industry, which I happen to be a part of at the time, obviously saw this as an existential risk. And so we came together and came up with a strategy where were going to do two things. We were going to one, differentiate the two segments in the market, the financial inclusion guys and the rogue lender." (Participant 1)*

As participant 8 added:

> *"Okay. So one. First of all, we also consider the data privacy of these applicants. The borrowers data privileges also is a key thing. They want to be to feel safe when providing the information" (Participant 8)*

Sub-theme 3: Compliance with Regulated Interest Rates

Participants emphasised that charging within the regulated rates is a key indicator of regulatory compliance, which becomes a trust indicator.

As participants stated "*Whatever is supported by the government, the people on the ground will really take it as now it's community thing so they can easily get it…*" the same goes for interest rates as they are determined by the government.

> *"But now on the interest part, you know, it is something that should be within the parameter. They are operating rates within the government policies and regulatory authority. So we don't overcharge. Of course we keep the rates within the range." (Participant 8)*

Sub-theme 4: Compliance Reporting

Participants explained that fintechs are expected to report to the CBK on a monthly basis as evidence of compliance.

> *"Your interest rates are regulated, your penalties, how you list people on the credit bureau. There are, there are very many things that. There are very many policies that you have to abide by. And then every month you have to share a*

report with them so that they can just see that you're compliant. Yes." (Participant 5)

Theme 2: Legitimacy Through Ground Operations

Participants described grassroots legitimacy-building as labour-intensive, geographically fragmented, and relationship-dependent. Unlike regulatory legitimacy, which can be obtained through certification, market legitimacy must be earned customer-by-customer through sustained physical presence and repeated demonstrations of reliability.

"some partner with different businesses, that is for advertisement purposes but for others if you're not able to raise that particular amount to pay for the advertisement, you get to hit the ground and do it by yourself... it's not easy" (Participant 6)

Sub-theme 1: Door-to-Door Campaigns

Participants explained the importance of on-the-ground visibility and relationships for the Kenyan consumer landscape.

"for the ones that I'm aware of, it's the door-to-door market campaign. So in Kenya, personal touch is very key. So the relationship that you create with a customer will determine whether your business will thrive or not. So the personal touch is very key. So from the word go, it's the door-to-door marketing" (Participant 7)

Sub-theme 2: First Customer as Ambassador

Participants explained that fintechs must invest significantly in acquiring the first customer as they become an ambassador who signals legitimacy and trustworthiness.

"with the first experience, the first customer that gets a loan from say a new fintech would be the ambassador for subsequent customers. So depends on how you relate with the customer, depends on how you market yourself" (Participant 7)

"by that you'll be able to win that customer and the word will spread. That is how particularly in Kenya it works. The word gets to spread on the ground if yourself get to visit clients on the ground, educate them and now by that you can be able to penetrate the market easily" (Participant 6)

“If we have repeat from that client retention and we have more referrals, it means we are doing the right thing. Because if you want to know you are doing good, then it means you retain the existing clients.” (Participant 8)

Theme 3: Legitimacy through Cultural and Linguistics Relation

Participants explained that Kenya's multi-ethnic composition requires fintechs to localise communication and relationship strategies. Fintechs operating only in English or Kiswahili struggle to build trust with customers who speak neither language.

Sub-theme 1: Ethnic and Linguistic Matching

Participants described ethnic and linguistic matching as a deliberate trust-building strategy. Participant 4 explained that ethnic consideration is an intentional strategic decision:

“We have people who are called business development officers stationed all over the country and they actually positioned based on you know, where, let me say the ethnicity group where they are coming from. So for example, if it's a Kikuyu [they] will be positioned in a region that is Kikuyu." (Participant 4)

Participant 2’s earlier implied statement on the importance of conversing with customers in the language they can speal.

“We also recruit a lot of sales agents in each and every town… going door to door,” noting that this works because “mostly in rural Kenya, where the farms and factories are located, they speak in vernacular… they can converse in the same language. So getting business is easy.” (Participant 2)

Participant 8 elaborated on ethnic and linguistic matching as a principle of “*always being empathetic with clients*”, while Participant 10 said it is “*meeting customers where they understand*”.

Overall, Participants indicated that ethnic and linguistic matching helps narrow literacy gaps:

“When they go and market this product they can be able to even understand the customer who's not literate with either English or Kiswahili." (Participant 4)

Sub-theme 2: Community Embeddedness

Participants emphasised that fintechs must be socially rooted within the communities they serve as it makes the relatable and access to local trust networks.

“Our business development officers are not just salespeople; they live within those communities, they know the businesses, they know the people.” (Participant 4)

Participant 2 explained that this approach helps both the SME and the fintechs especially since they primarily leverage alternative data:

“We are getting a lot of business now that the people we recruit are also residents in those areas. So they know where those businesses are. So yeah, I think it helps a lot” (Participant 2)

Theme 4: Performative Legitimacy

Participants explained that delivering measurable results provides a proxy for firm legitimacy. Performative aspects such as processing loans faster than traditional banks (within minutes rather than weeks or months), can effectively signal legitimacy.

Sub-theme 1: Speed and Efficiency

Participants indicated that speed of fund disbursement is fintech's main value proposition. It provides evidence of capability and verifiable proof of operational competence:

“From the point you register and upload an MPESA statement, it takes two minutes to have your score and your link and you can apply immediately and get the loan immediately. So it's very efficient in terms of user experience and access. So this applies to businesses and SMEs as well" (Participant 5)

“Turnaround time… you give like gain your details, you get instant feedback” (Participant 8)

Sub-theme 2: Operating on Trusted Payment Rails

Participants explained that fintechs further legitimise themselves by using trusted financial infrastructure – M-Pesa or Swift rails.

“That is why we still have to stick to the rails that businesses can trust. And right now it's only the swift rails the bank-to-bank transfers. Because if they go and tell us business to send money to another business using usdt, one business may be open, but the other one, like what? No, no, we don't do that here.” (Participant 3)

“Once the funds have been disbursed and these funds are disbursed to your for SME customers, then disbursed to your M-Pesa account.” (Participant 5)

This association enables fintechs to bypass initial adoption barriers and reduce perceived risk, allowing customers to test fintech services without fear of losing funds.

Theme 5: Legitimacy through Transparency

Participants described transparency in contracts, scoring, and limits as a direct trust-building mechanism. Participants emphasised transparency as a means to build and repair legitimacy.

Sub-them 1: Transparent Agreements and Charges

Participants described how transparency in contractual agreements and pricing is central to building credibility.

> *"our terms are very well stipulated on the agreement and they are signing again. We are regulated by the Central Bank of Kenya" (Participant 2)*
>
> *"Yeah, we are transparent. All the information that is, we don't have hidden charges or hidden information. All the information we will provide on the platform […] So we have that customer satisfaction. We ensure that our customer service is on top notch." (Participant 8)*

Sub-theme 2: Transparent Scoring Limits

Participants narrated that fintechs communicate credit-worthiness outcomes directly to customers, unlike other institution.

> *"So once you take a loan, once you sign up, you'll get a message that you've signed up. Once you've been scored, you get a message. This is your score and this is your limit. Once you make an application, you get an automated SMS that we've received your application, once it's approved, you get another automated message. Once the funds have been disbursed … you get another automated message." (Participant 5)*

Theme 6: Legitimacy Through Partnerships (Borrowed Legitimacy)

Participants responses indicated that ecosystem partnerships provide a steady pathway for fintechs to gain legitimacy. Fintechs collaborate with established local businesses to signal credibility, partner with traditional banks to communicate similarity, and partner with suppliers as advocates for existing clients.

Sub-theme 1: Partnerships with Banks

Participants emphasised that partnerships with well-known banks enable easier entry into Kenya.

“Our fintech entered Kenya through partnership with [well known African Bank]” (Participant 2) – paraphrased and names redacted.

“acquired our largest number of clients through partnering with [a well-known African Bank]…so yes, it helped a lot when approaching businesses” (Participant 9) – paraphrased and names of fintech and bank redacted

Sub-theme 2: Positioning as Complementary to Banks

Participants positioned themselves as complementary to banks instead of competitors.

“we still encourage them to continue banking with whoever they bank with" (Participant 2)

When asked whether ecosystem players view them as competitors, complementary or alternative, participants agreed they are viewed as "complementary":

"It's both. Because banks now want to tap into that market... So we are competitors in that sense. We also offer complementary services because that's a market they've not yet been able to hack properly" (Participant 5)

“I would say not even a competitor. I'll say a compliment because you see for someone to come to a fintech, it means they've gone to a bank, they've not been given a credit line, so they've come to a fintech. So they're taking us as a second option because they've not been given, because banks have very strict procedure on how they assess a customer so that they can be able to give credit.” (Participant 4)

Participants described how this positioning is beneficial for traditional banks as they seek to integrate digital scoring models:

"we actually partnering with them because you see what they need from us is their scoring engine because they don't have that scoring engine. And for example, our company has been refining our scoring engine for over eight years. So they can't match that" (Participant 5)

Sub-theme 3: Partnerships with Established Local Companies

Several participants described co-branding with well-known and established companies within communities to extend trust, especially in rural markets.

“So yeah, but you also find that in rural Kenya there are these big established agricultural companies that we partner with… we also do a lot of co-branding with such companies, it's easier to gain trust from the businesses…we have flyers and advertisements with both names… We tell them, you know, this

company we've partnered with. So they're able to see our name and their name. They can even call the offices of those companies. We allow them even to do their due diligence and yeah, by that way we're able to gain their trust." (Participant 2)

Sub-theme 4: Partnerships with Suppliers

Participants identified suppliers as partners – describing supplier relationships as critical for establishing credibility and ensuring responsible loan use.

"So I'll talk about, let me say suppliers as partners. So suppliers help ensure that the loan given to customers goes into the intended purpose." (Participant 7)

"Instead what we do, we pay the farmers ourselves or the aggregators, they give us their accounts so that the reason we do that, we pay their suppliers directly" (Participant 2)

Theme 7: Bought Legitimacy Through Marketing and Brand Visibility

Sub-theme 1: Controlled Reputation

Participants described marketing expenditure and public visibility as deliberate strategies to establish legitimacy. In an environment where customers have limited familiarity with new financial brands, advertising and presence on multiple media platforms were viewed as proof of seriousness and stability.

"… we are very big on marketing. You find us a lot on social media, on LinkedIn, on Facebook, on YouTube. Ads pop up every time. We also go out a lot to the market when they are expos, that is agri Related expos. We do that a lot. So we are able to be known out there." (Participant 2)

Participant 6 emphasised the extent fintechs spend on paid advertising:

"Some partner with different businesses, that is for advertisement purposes, but for others, if you're not able to raise that particular amount to pay for the advertisement, you get to hit the ground and do it by yourself … it's not easy." (Participant 6)

Conclusion of Research Question 3

Building on the institutional voids identified in Research Question 1 and the intermediation mechanisms explored in Research Question 2, this question examined how Kenyan fintechs establish legitimacy within the domestic financial ecosystem. The findings reveal that legitimacy-building is neither a single occurrence nor automatic but

rather requires deliberate, resource-intensive work across multiple dimensions simultaneously.

Evidence showed that regulatory legitimacy, achieved through CBK certification and ongoing compliance with consumer protection regulations, creates stratified credibility where certified fintechs gain automatic trust advantages. However, regulatory legitimacy alone proves insufficient for market penetration. Fintechs must also build grassroots legitimacy through labour-intensive ground operations, demonstrating that market acceptance requires physical presence and relationship formation.

Additionally, the findings showed that cultural and linguistic legitimacy is essential in Kenya's multilingual context. Ethnic and linguistic matching converts culturally inaccessible products into comprehensible offerings.

Finally, the findings showed that fintechs borrow legitimacy through strategic partnerships. Partnerships with banks, co-branding with local companies, and supplier partnerships enable easier market entry. Participants also described positioning as complementary to banks rather than threatening, with some fintechs selling scoring technology to banks, creating reverse legitimacy flows.

5.3.3 Research Question 3

The purpose of this question was to understand the intermediation mechanisms Kenyan fintechs deploy to enable SME access to trade finance within a context of institutional voids. Participants were asked to explain the process of fintechs providing export trade financing in a simplistic way: if an SME using a Kenyan fintech gets a buyer from Uganda or Dubai, how do fintechs handle this? Simplifying the question enabled participants to share their experiences without the constraint of trade finance jargon. The findings revealed six distinct intermediation mechanisms.

Table 10 below presents the summary of themes as they were analysed

Table 10: Themes: Research Question 3

First-Level	Second-Order Analysis	Third-Order Analysis
M-Pesa accessible from any corner of Kenya	Non-Traditional Data (Alternative Data)	***Alternative Data Triangulation***
Factor alternative data...mobile money		
Purchase History from Suppliers		
Order volume patterns		
Purchasing history from B2B partners		
Merchant Till/PayBill statement		
Seasonal demand data		
Consider floods Geographic data		

Credit reference bureau usage	Traditional Data	
One-year bank statements (when available)		
KYC documents		
Machine learning software for limit allocation	Digital Scoring and Algorithms	***Credit Risk Assessment***
Automated scoring engines		
Combined CRB + M-Pesa scoring		
Physical business visits	Physical Human Verification	
Inspect stock levels in shops		
Short-term financing model	Working Capital Loans	***Alternative Credit Provision***
Working Capital Provision		
Customers come under a partner	Embedded Supply-chain financing	
Verify supplier relationships		
Embedded finance products		
Purchase livestock on exporter's behalf	Purchase Order financing	
LPO financing		
Invoice/receipt verification required		
Supply chain payment orchestration	Value Chain Orchestration	
B2B2C credit provision		
Value chain integration		
Exempt small loans from credit history check	Tiered Eligibility Requirements	***Adaptive Product Design***
exempt small loans from credit history check		
Agility as competitive advantage	Building Pathways to Formal Banking	
Very short-term loans	Tenor Flexibility Tied to Business Cycles	
Returns higher on short-term than long-term		
Loan graduation based on repayment behaviour		
Collection team deployment	Relationship-Based Monitoring and Collections	***Risk Management***
Personal touch...high repayment rates		
Field agents as relationship managers		
Customer education on costs	Proactive Early Intervention	
Automated SMS reminders		
Customer education on credit management		
Pre-default engagement	Preventative Education	
Understanding repayment obligations		
Resell repossessed inventory		
Asset recovery clauses in contracts		
Structured Escalation and Recovery	Structured Escalation and Recovery	
Most of them have investors	External Investor Funding	***Capital Sourcing***
Debt financing lines		
International fintech investment		
SME repayment flows	Revenue-Based Liquidity	
Interest income generation		

Source: Author's Own

Theme 1: Alternative Data Triangulation

Sub-theme 1: Non-Traditional Data

Participants consistently described using alternative data sources to evaluate SME borrowers because many applicants lack conventional bank statements and audited account statements. Four main data sources emerged: (1) mobile-money transactions, (2) purchase history from suppliers, (3) till/paybill records, (4) geographic and (5) seasonal data.

> *“how we do our analysis, we factor so much of the alternative data or the alternative transaction the customer could be having. Now we take into account the mobile money transactions, the circle of transactions” (Participant 4)*

Participants portrayed M-Pesa transaction histories as the most reliable picture of SME liquidity and turnover:

> *“For the Kenyan market we mostly use M-Pesa. It’s a working wallet. So it is easier for fintechs to look at that as opposed to a bank statement. Right. So they've tried to meet the customer at the level they're at.” (Participant 5)*

> *"… with M-Pesa enforcing that digital inclusion and participation whereby I can use M-Pesa, my mom can use M-Pesa, my grandmother can use M-Pesa, my customer can use M-Pesa, my suppliers can use M-Pesa. It's accessible from whatever corner in Kenya you're in" (Participant 3)*

For embedded finance models, participants explained that supplier purchase patterns act as proof of business velocity:

> *"for Fintech, that company will award you trade credit depending how frequent you purchase from suppliers because that means your business is running well" (Participant 6)*

Participants added that dedicated till/paybill statements indicate operational separation between personal and business finance, while seasonal demand data helps fintechs anticipate turnover peaks. Geographic location also functions as a credit-risk signal:

> *“So we also accept the till statements and the paybill statements. So, we can score any kind of M-Pesa statements, individual till or paybill statements.” (Participant 5)*

> *“So we finance according to the seasons. So we are able to see when that business will have turnovers. So we are able to extend credits based on those seasons of the year” (Participant 2)*

Participant 8 highlighted that fintechs consider the geographic location of SMEs as an additional credit-risk consideration:

> *“Yeah. Sometimes there are some places prone for default. Maybe the nature of the environment, maybe in terms of the insecurity. And also maybe due to some natural calamities like floods… which may be also affecting terms of the business operation… .” (Participant 8)*

Sub-theme2: Traditional Data

Credit Reference Bureau Data

Participant 1 shared how ecosystem players have been diligent in keeping the CRB database up to date.

> *"In Kenya we've got the credit reference bureau... we've been quite disciplined in populating it. So in 2011 we had nearly... a few hundreds of credit records of individual credit records. Today we have over 24 million... 24 million is essentially 90% of the adult population" (Participant 1)*

Participants explained that every registered fintech has access to the CRB database and considers it for every loan application. However, the result of the check is only applied conditionally.

> *“We don’t look at the credit history of most of them. We do an exemption for some of them because we find some of them come for very small limits… so we only consider those who are coming for above 100,000. That’s when you look at their credit history with other lenders” (Participant 4)*

Bank Statements and Founder KYC (Conditional and Complementary)

Participants described the use of bank statements and founder-level KYC as complementary verification mechanisms that strengthen credit assessment.

> *“… we’ve also gone a step further where we score bank statement… for bank statements the scoring is different. The data extracted from a bank statement is very different from what is extracted from the M-Pesa statement. Let’s say the base logic is the same, but in terms of the nitty gritty is a bit different” (Participant 9)*

Participants explained that KYC is pivotal to credit provision. Due to most SMEs operating with business permits as opposed to registration, fintechs link credit obligations to the owners through their KYC to anchor accountability.

"It's linked to the individual because when we are collecting the KYC documents in order to award the limit… for a few companies I have been able to work with there is KYC verification process where we get the identification cards of the [owners] so that we can be able to maybe follow up in case of a default." (Participant 6)

Theme 2: Alternative Credit Risk Assessment

Participants explained how fintechs transform alternative data into credit decisions. They described a two-tiered risk assessment process: digital and machine-learning scoring engines that translate raw data into risk categories, and on-the-ground human verification that validates data contextually.

Sub-theme 1: Digital and Machine-Learning Credit Scoring

All participants stated that lending fintechs rely on proprietary scoring engines that process alternative data such as M-Pesa histories, supplier transactions and paybill records.

*"… We have **a scoring engine**; our data team has a scoring that has been perfected over eight years. So it helps minimise the risk" (Participant 5)*

*"With that we have **a machine learning software** that is able to allocate a limit that is how much we are able to advance them based on those statements that they have provided." (Participant 2)*

"So we have the scoring models that determines us to understand the credit worthiness of the borrower." (Participant 8)

Some fintechs have collectively begun to standardise scoring practices sector wide. Participants explained that firms share algorithmic logic or even license their scoring engines to peers and banks.

"…we also offer our scoring engine as a service... to individuals and to banks and to other fintechs. That's how good our scoring engine is." (Participant 5)

Participants agreed that effectiveness is evidenced by high repayment performance:

"Not really high default rates, because our scoring engine is very nice…we lend to customers who are right because the scoring is done very well so it reduces the risk. But we still have some portfolios that have a high default rate. But we try to do at least 98%." (Participant 5)

Several participants noted that the algorithms update dynamically, adjusting borrower risk in line with new trading data as the customer grows.

"The model updates every month as new data comes in… that means the score changes with the customer's trading patterns" (Participant 4)

Sub-theme 2: Physical Human Verification

Participants agreed that maintaining a human verification layer is standard industry practice. Field agents visit business premises to authenticate data, observe operations, and detect anomalies.

"we go even further to even just visit the business to see the state of the business. It it's. for example, a shop that is doing general goods, we would go to the extent of visiting the shop, looking at the level of stock in the business, interviewing the owner of the business to see how they carry out their transaction...." (Participant 4)

Participant 6 further added physical verification helps to distinguish sustainable turnover from one-off windfalls:

"there are some cases whereby a customer does not have the capability of paying the [credit] amount… for example, the customer got an order or a tender from a different company [...] That's not usually the case. We get to do ground checks" (Participant 6)

Participants explained that verification intensity scales with loan amount:

"For every small limit we skip CRB checks. Anything above 100,000 that's when you look at their credit history with other lenders" (Participant 4)

Theme 3: Capital Sourcing for Credit and Liquidity Provision

Participants emphasised that fintechs' ability to extend credit fundamentally depends on their own access to liquidity. Unlike commercial banks that mobilise deposits, Kenyan lending fintechs are non-deposit-taking entities and must obtain liquidity externally.

"It is about finding partners that are able to give fintech [to] use the money to finance SMEs" (Participant 7)

Sub-theme 1: External Investor Funding

Participants stated that external investors are the primary liquidity source for lending fintechs.

"…capital is lent by different companies and others have what I term investors." (Participant 6)

However, participants explained that dependence on external funding introduces conditionality:

> *"…I think it depends on who is giving you funding because most often because most often than not you'll get an investor who says yes, I'm giving you X amount of shillings but I want it to go to Y group of people" (Participant 7)*

This constrains experimentation and geographic diversification: fintechs prioritise the segments or products aligned with investor priorities, sometimes at the expense of untested trade-finance innovations.

Theme 4: Alternative Trade Credit Provision

Participants described various sector-specific credit instruments that extend working capital, supply-chain finance, and order-based funding to SMEs. They explained how fintechs design tailored and transaction-linked credit structures that mirror the operational cycles of the sectors they serve.

> *"…we deliver tailor made digital financial solutions for agri SMEs through agricultural supply chain. Our solutions provide quick and easy access to financing, enabling businesses to improve their cash flow, increase inventory that is their stock and strengthen operations and grow sustainability…* ***it specialises in agricultural trade financing****." (Participant 2)*

> *"… we have the same product but a longer duration. So let's say 30 days, 60 days, up to even finance up to six months for the shop." (Participant 5)*

Sub-theme 1: Working-Capital Loans

Participants explained that the most common fintech credit instrument is short-term working capital designed for businesses selling fast-moving consumer goods. Loan amounts are small, disbursed digitally and repaid over periods ranging from 24 hours to six months.

> *"There are two types of lending that usually happen. The first one is they give you money up front… they give you [SME] a period where you can payback…" (Participant 7)*

> "*…this working capital is calibrated to product velocity predominantly small-scale retail rather than manufacturing or export". (Participant 5)*

Sub-theme 2: Embedded Supply-chain Financing

Several participants highlighted embedded-finance arrangements, where fintechs partner directly with suppliers to finance SMEs' purchases within existing buyer-supplier relationships.

> *"we have two types of customers… embedded finance customers that come under a partner… if you are a supplier and you have a customer that don't have a very solid cashflow. They can take [fish] on credit from the suppler – the fintech finance the purchase of the fish, once they sell, the [fishmonger] pays the fintech back" (Participant 5)*

Sub-theme 3: Purchase Order Financing

Participants explained that fintechs also extend credit against verified purchase orders, particularly for SMEs that have secured buyers but lack working capital to fulfil orders.

> *"…The second option is LPO financing where they'll buy the raw materials for you, connect you with [the] customer. Once the money comes in, [the fintech] receives payment on behalf of the SME, take their payment and give [you] the rest of the money" (Participant 7)*

One participant explained how fintechs adapt this model for livestock exports:

> *"… the businesses have contracts with a market in the Middle East… They have to purchase their livestock from farmers… instead of fintechs financing that person directly to avoid that risk of fund diversion, they give the fintech details of the person they want to purchase from… once we verify and we confirm the account details, we are able to disperse now to the person who has the livestock" (Participant 2)*

Although fintech-backed export-LPO finance is less common, participants indicated growing interest:

> *"they we in the process of developing an export-finance product… specifically targeted at women who want to export." (Participant 9)*

Sub-Theme 4: Indirect Provision Through Value Chain Orchestration

Participants described how a small number of fintechs go beyond credit issuance to orchestrate entire trade flows, controlling logistics, payments and supplier coordination.

> *"…a startup that was designed for the cross-border deficit… you could get the products in Dubai, have them brought all the way to the DRC border and then you would pay the fintech the final balance outstanding on the exchange of goods." (participant 1)*

However, Participant 1 noted that these models face heavy compliance and KYC/AML challenges:

> *"…but the banks kept flagging them for the dollar, whatever currency… because a lot of cash would come into their system, through loan repayment in cash deposits…" (Participant 1)*

The collective participants insights indicate a ability to translate intermediation capacity into usable credit instruments.

Theme 5: Adaptive Product Design

Participants described fintech credit products as intentionally adaptive, designed to accommodate the heterogeneous realities of Kenyan SMEs. Rather than offering standardised loan structures, fintechs adjust eligibility criteria, tenor and collateral expectations according to transaction size, sector and repayment behaviour.

Sub-theme 1: Tiered Eligibility Requirements

Participants explained that fintechs employ tiered eligibility frameworks that vary systematically by loan amount and borrower history. This staged structure contrasts with banks' "one-size-fits-all" approach, where even small loans require extensive paperwork and collateral.

> *"we don't look at the credit history of most of them. We do an exemption for some of them because we find some come for very small limits…" (Participant 4)*

However, as credit amounts increase, fintechs progressively introduce requirements that mirror traditional banking standards: Participant 4 and Participant 5 explained how collateral requirements are triggered at certain thresholds.

> *"for those businesses that are very big, like maybe those businesses that do 20 million a month, we need collateral" (Participant 5)*

Fintechs balance inclusivity with prudence by aligning the intensity of requirements wit exposure levels:

> *"Interviewer: Do they give stock as security? Participant 4: Yes, it should be one of the things… the securities that we accept then also include either a title deed for a land or a property and then a motor vehicle"*

Sub-theme 2: Pathways to Formal Banking

Participants stated that fintechs encourage SMEs to maintain bank accounts and adopt basic financial discipline so they can eventually access larger loans (loan graduation) and cross-border financing.

> *"… if they want to do importation, there's no way we divide the money in their mobile money. We still need to disburse the money into their own accounts so that they can convert the money and then trade in another currency" (Participant 4)*

> *"once you pay, we have something called loan graduation based on your repayment behaviours. And then you can also get better products, let's say 90-day loans based on your repayment behaviour… So you can start small and then depending on your repayment behaviour you can graduate to higher and higher amounts" (Participant 5)*

Sub-theme 3: Flexible Tenor Tied to Business Cycles

Participants highlighted fintechs' ability to **customise loan tenures** to match business turnover and sector cycles, something banks rarely do.

> *"So they take one day to even 14 days... we have the same product but a longer duration. So let's say 30 days, 60 days, up to even finance up to six months for the shop." (Participant 5)*

Aligning repayment schedules with actual cash-conversion cycles to reduce default risk

Theme 6: Risk Management

Participants described risk management as a continuous and relational process combining digital monitoring with human interaction. They outlined three distinct risk management practices: relationship-based monitoring through field agent presence, automated and proactive early intervention before defaults occur, and structured escalation protocols when default occurs.

> *"it all comes down to the relationship that you build with the customer, We've seen fintechs who have a personal touch with their customers getting very high repayment rates as opposed to purely digital financials" (Participant 7)*

Sub-theme 1: Relationship-Based Monitoring and Collections

Participants described how fintechs maintain direct contact with borrowers through field agent relationships and in-app communication throughout the loan lifecycle.

> *"It all comes down to the relationship that you build with the customer. We've seen fintechs who have a personal touch with their customer getting very high*

repayment rates as opposed to digital financials. Right. With the digital financials, there's no rapport created between the fintech and the customer." (Participant 9)

“But if an account gets to seven days past due, now we have the field agents who get to visit the customer and now get to understand what is really happening….” (Participant 6)

Sub-theme 2: Preventative Education

Participants explained customer education forms part of this relational model as fintechs have found that many SMEs default not from dishonesty but from misunderstanding loan terms.

“before you can even access credit, you need to go through education” (Participant 8)

“for default I would say what you have to do at first is really good customer education” (Participant 4)

Other participants agreed that it is an ongoing process and needs to be continuously reinforced and fintechs do this through their respective Apps.

“As part of our work we also do something called customer education on financing and on credit… On our app we have an [educational course] to help customers understand what credit is, how much they can access and how to improve their credit history.” (Participant 5 – name of education course redacted)

Sub-theme 3: Proactive Early Intervention

articipants emphasised pre-emptive follow-ups before loans become overdue.

"Then we get to follow up on accounts before the date due. And not at one year, one day past due we do a really aggressive follow up." (Participant 6)

Participants contrasted this with traditional banking where borrowers receive no contact during the loan period:

“You see, for a bank, for a demand letter to come, it would be like 90 days, you know, 180 days. But you see for us, like 21 days, seven days, you get a demand letter.” (Participant 4)

Sub-theme 4: Structured Escalation and Recovery Mechanisms

Participants shared when proactive measures fail to prevent delinquency, fintechs employ structured escalation protocols.

> *"… the regulator has given us ways in which we can... recover your money. Yes, you've given out this amount of loan to this amount of people you need to recover the money. So if they don't pay to, then you can use these channels to recover your money." (Participant 7)*

Participants explained that these regulatory authorised recovery channels include official debt recovery procedures and reporting to the CRB. However, participants also described the fine balance between assertiveness and relationship management:

> *"the most common reason is overfunding. You might find someone with more than say three loans, so they don't know how to prioritize which one comes first, which one should I repay fast. Right. So there's a lot of money in the market. There's no or there's very limited training as to how you can manage your funds." (Participant 7)*

When borrowers default due to over-indebtedness from multiple fintech loans, recovery becomes negotiation over which creditor gets paid first. The fintech with the strongest relationship, most frequent field presence or most aggressive collections may secure payment while others absorb losses.

Conclusion of Research Question 3

Building on the institutional constraints identified in Research Question 1, this question explored the mechanisms through which Kenyan fintechs intermediate financial access for SMEs. The findings reveal that fintechs perform layered intermediation roles through the triangulation of alternative data – mobile money, supplier purchase records, and merchant till statements. Evidence further showed that these data-driven insights are converted into credit decisions through proprietary scoring engines and verified through human inspection. Fintechs also mobilise liquidity from external investors to sustain lending operations. In addition, they have developed a portfolio of adaptive financing instruments, ranging from working capital to purchase order and supply chain credit, that is responsive to the operational realities of SME trade cycles. Finally, the study found that fintechs reinforce these mechanisms through relationship-based monitoring and customer education. Collectively, these practices demonstrate how fintechs have constructed a functional substitute for bank-led trade finance.

5.3.4 Unexpected Findings

In addition to the core themes identified under each research question, several unanticipated patterns emerged from the data. These findings were not directly aligned with the study's questions but offer valuable contextual insights into Kenya's fintech-enabled trade finance ecosystem.

1. M-Pesa as Critical Enabling Infrastructure

Participants consistently described M-Pesa not merely as a widely used payment rail but as foundational infrastructure that fintechs depend on. Its near-universal adoption has displaced formal banking for many SMEs, creating a de facto national financial platform on which most fintech credit models now depend. Some participants raised concerns about this dependence:

> *"And then number two is I think dependency on technology. Because if there's any, let's say there's a bug that got into the system, you know, it will spoil everything, maybe make even the turnover to be slow, you know, maybe cause so many disruptions on our system. So that's, I'll say that those are the very main key things that are affecting us" (Participant 4)*

2. From Credit to Full Trade Orchestration

Participants described an additional risk management layer where fintechs engage in active trade facilitation, extending beyond credit provision. Fintechs connect SMEs to potential customers through their marketplace partners as a backup to the SME's buyer potentially backing out.

> *"The next one is partners who help connect SMEs to their end customers. So they help ensure that the market is steady. Right? Yeah. So yes, we're giving you money, but we're also giving you customers you can sell your products to." (Participant 6)*

3. Ecosystem Coordination Failures

Participants explained that at the root of overfunding is the lack of shared visibility of total SME debt exposure. Fintechs cannot assess cumulative credit risk, meaning that even though an SME is over-indebted, if they consistently repay the minimum amount their CRB record will still indicate creditworthiness.

> *"And that's why the aspect of overfunding comes in play. Because yes, my business might be doing well, but in terms of credit, I can only handle say a thousand dollars worth of credit. Fintech A approaches me, gives me $300. Fintech B comes, gives me $500, that already $800. Fintech C comes and*

says, we can give you $700. I still have $800 worth of credit. I'm being offered $700 worth of credit. I won't say no and I won't reduce the amount because my assumption is that the more I take, the more I sell. But in real sense your business can't handle that amount. So it's very hard for fintechs to know how much worth of credit a customer has in play if they don't declare it themselves." (Participant 7)

4. The Import-Export Asymmetry

While import financing is operational and growing across fintechs, accounting for about 15% of one participant's SME portfolio, export financing remains largely aspirational.

"Oh yes, we get more, actually I would say a percentage like 15% of our customers. Yes. Because you still get most of them are in businesses but they want to do importation. So, there's no way we can divide the money in their mobile money" (Participant 4)

Participants repeatedly noted that "not many fintechs" support exporters, citing high risk, currency barriers and lack of infrastructure.

5. Ecosystem Fragility

Participants explained that Kenya's fintech lending sector is volatile. They explained how high taxes and limited regulatory support has led to the closure and/or relocation of many fintechs to neighbouring countries.

"Yeah, for fintechs in Kenya. Okay. You say, for instance, the employees, whatever they're being paid and whatever is being deducted from an employee to pay to the government is really high. Oh, so yeah, some companies just dropped out of Kenya and maybe go to Tanzania or Uganda." (Participant 6)

Participant 6 explained this escalated in December 2022:

"Yes. Are not doing well, completely not doing well in Kenya, you can as well just go, just do research of how many fintechs in Kenya have closed down since 2022 December till today. So many have closed down, so many have laid off employees only because there is no stability." (Participant 6)

CHAPTER 6: DISCUSSION

6.1 Introduction

The purpose of chapter 6 is to interpret the empirical findings relative to the literature review and theoretical foundation. This chapter is structured around the three research questions this study is exploring. It systematically examines how the findings confirm, extend, nuance or contradict existing theory.

This discussion is anchored on three bodies of literature: (1) Institutional Theory, particularly institutional voids, legitimacy and substitution, (2) Financial Intermediation Theory, including digital and alternative intermediation functions and (3) Emerging scholarship on fintech-enabled trade finance in developing-country context. The objective is not only to examine whether the findings align with previous work but to highlight whether the findings offer new insights, contextual refinements or boundary conditions relative to the gaps identified in Chapter 2.

The structure of the discussion mirrors the findings in Chapter 5: each section corresponds to a research question, engages the relevant themes and evaluates their theoretical significance. The chapter concludes with an integrated cross-RQ synthesis (Section 6.4) that demonstrates how the three constructs – voids, intermediation and legitimacy – form an interdependent system shaping fintech participation in export trade finance.

6.2 Discussion of Research Question 1

RQ1: What institutional voids do Kenyan fintechs navigate in delivering export trade financing to SMEs?

6.2.1 Theme 1: Pre-Existing Banking Exclusions

The findings show that Kenyan fintechs operate in a highly restrictive landscape shaped by traditional banks' compliance requirements and preferred lending mechanisms. Incumbents have set strict collateral requirements tied to formally registered assets, rigid documentation norms (audited accounts, tax filings, formal bank statements) and minimum ticket-size thresholds that together define who is "eligible" for trade finance. SMEs typically fail to meet these requirements, and fintechs inherit a borrower pool that has already been defined as credit unworthy.

According to credit-market theory collateral and formal information are standard responses to adverse selection and moral hazard in lending thus incumbents requiring this is from all borrowers is not an unexpected finding (Boot, 1994; Leland & Pyle,

1977; Stiglitz & Weiss, 1981). Institutional Theory states that SMEs from emerging markets are excluded due to weak or absent credit information, incomplete registries and costly verification (Khanna & Palepu, 2010; Mair & Martí, 2009).

The findings contradict institutional theory and confirm recent critique of it in the following ways:

First, the Kenyan institutions that underpin collateral and documentation are not absent – credit bureau, foreclosure processes and tax systems function reasonably well – but their benefits are selectively accessible, a concept not accounted for by institutional voids literature. The study revealed a share of Kenyan SMEs have formal assets that can be used as collateral; however, even if fintechs were to require collateral they lack regulatory enforcement backing that make collateral meaningful for banks i.e., courts to enforce collections in the case of a default. This confirms the recent critique of institutional voids' absence narrative, where Benhabib et al. (2021) and Dieleman et al. (2022) argue that voids are dynamic heterogeneous institutional configurations that affect actors unevenly. Second, minimum loan-size constraints, driven by fixed due diligence and compliance costs, render small export working-capital loans structurally unviable for banks (Auboin & DiCaprio, 2017; Rao et al., 2022; Simba et al., 2023), the findings show that this leaves fintechs to operate in a segment defined by institutional exclusion rather than market choice. Together, these findings reveal a dual institutional exclusion that existing voids scholarship does not fully theorise. Fintechs cannot replicate bank-level strictness on collateral and documentation because their entire SME client base would disappear; yet if they relax standards too far, they face heightened credit risk and limited legal remedies. This is a qualitatively different void from simple institutional absence: it is a selective-access void, in which functioning institutions support incumbents while constraining alternative lenders.

Theme 1 constitute a regulative and cognitive institutional void that fintechs must navigate to deliver export-related trade finance. The void is not only that SMEs lack collateral and documentation, but that the legal and informational infrastructures which make these artefacts meaningful are inaccessible to fintechs, even when they exist. These findings extend institutional-voids theory by showing that fintech substitution is constrained not by institutional absence but by institutional inaccessibility, revealing that institutional voids can function as structurally asymmetric barriers rather than uniform gaps.

6.2.2 Theme 2: Government Non-support and Regulatory Opacity

The findings shows that Kenyan fintechs operate in an institutional environment where the government functions primarily as a rule-setter and compliance enforcer but provides little to no supportive infrastructure. Fintechs are expected to meet banking level compliance requirements (audits, reporting, data-protection obligations, consumer-protection standards) without equivalent access to training, guidance, concessional capital or state-backed risk-sharing schemes. The sector has opaque, discretionary and slow licensing processes which impact finetch legitimation and exclude them from government credit programmes that require full regulatory status. Overall, the findings reveal an environment characterise by enforcement without enablement, requiring fintechs to "work around" a system that recognises them enough to regulate but not enough to support.

Institutional theory holds that regulative institutions rarely operate in isolation, their shape and effects are anchored in deeper normative and cognitive foundations (Scott, 2014; Suchman, 1995). The findings show that Kenya's regulatory constraints are rooted in a longstanding negative cognitive frame within the country: regulators "never wanted fintechs to be primary lenders." This perception originates in the early digital-lending crisis, when first-generation mobile lenders engaged in widespread normative violations – privacy breaches, coercive recovery tactics and borrower harassment. These behaviours produced what trust scholarship calls a sector-level legitimacy shock (Bassi & Nansamba, 2022; Giuliano & Spilimbergo, 2024), reshaping collective beliefs about the appropriateness and trustworthiness of the entire fintech-lending category

The findings illustrate how institutional voids can reinforce one another – the initial normative violations (misconduct by early digital lenders) produced enduring cognitive reframing, as policymakers internalised a taken-for-granted belief that fintech lenders are risky, opportunistic or inappropriate stewards of formal credit markets (Rhee & Valdez, 2009; Scott, 1995). This cognitive reframe then materialised into a distinct regulative posture, where fintechs face strict compliance demands without the enabling resources routinely provided to banks (Hemmert et al., 2024). This means regulative actions operate in isolation and amplify the very voids they are meant to resolve.

Partial Institutionalisation of Fintechs

The result, a pattern institutional theory describes as partial institutionalisation as outlined in Zucker's (1987) institutionalisation terms: fintechs are sufficiently legitimate to be regulated, but insufficiently legitimate to be supported –they lack cognitive acceptance. Zucker (1987) defines partial institutionalisation as a stage where an

innovation is recognised enough to be regulated but not enough to receive support, resources or cognitive legitimacy. Literature on institutionalisation confirms when cognitive legitimacy is absent, regulative structures become coercive rather than facilitative (Hsu & Hannan, 2009; Scott, 1995) - the findings exemplify this. Attempts by fintechs to shift government's cognitive frame – through formalisation, reporting and licensing – have not produced the accommodation favour described in institutional-alignment literature, where organisational conformity can secure state support or favourable institutional accommodation (Ji et al., 2019; Kapoutsis & Lampaki, 2021). Instead, the findings show that the legacy of the digital-lending crisis continues to shape state perceptions, resulting in a cognitively anchored regulative void: fintechs are structurally unsupported not because the state lacks capacity but because it lacks conceptual recognition of fintechs as legitimate lenders.

Comparative studies by Bowman (2024), Gammeltoft (2024) and Prasannath et al. (2024) show that government support is a decisive enabler of fintech-sector development, facilitating capability building, lowering compliance burdens and sharing risk. However, in Kenya, this does not seem to be the case; state-backed mechanisms such as the Kenya Credit Guarantee Scheme channel support primarily to incumbent banks, while fintechs, despite being central to SME credit inclusion, they remain excluded from these institutionalised support pathways. This selective allocation reinforces incumbent advantage and constrains fintechs' capacity to scale or innovate in export-finance segments.

Theme 2 therefore extends institutional theory literature by showing that the institutional void fintechs navigate is not simply bureaucratic delay or policy underinvestment. It is a cognitively anchored regulative void produced by a sequence of normative violation, cognitive reframing and coercive regulation. Fintechs are regulated without recognition, monitored without mentorship and required to comply without receiving the institutional scaffolding afforded to banks. This limits their ability to operate as institutional substitutes in export trade finance and contributes to premature exit and constrained scaling.

6.2.3 Theme 3: Fragmented Trust

The findings show that Kenyan fintechs navigate a deeply fragmented trust environment, shaped not by institutional underdevelopment alone but by a historical sector-level breach of normative expectations. Participants repeatedly described public scepticism toward fintech lenders, rooted in the misconduct of the first generation of digital credit providers (2013–2019). That generation engaged in coercive recovery

practices (contacting borrowers' relatives, accessing private phonebook data and issuing harassment calls) that violated widely held norms of fairness and privacy. These events produced a sector-wide credibility crisis that still structures how SMEs interpret fintech lenders today.

As established in theme 2 (see Theme 2: Government Non-support), the fragmented trust aligns with what trust scholarship describes as an aggregate trust shock – a collective trust rupture triggered by norm-violating behaviour that reshapes long-term beliefs about an entire category of actors (Bassi & Nansamba, 2022; Giuliano & Spilimbergo, 2024). The findings illustrate this trajectory clearly: even compliant and transparent fintechs inherit the stigma generated by earlier actors. Rhee (2009) describe this by stating once a category becomes contaminated, subsequent entrants are judged through the lens of past misconduct rather than their own behaviour, exactly what is happening to Kenyan fintechs. This pattern is confirmed by digital credit markets which states early abuses create persistent structural trust fragility (Jiang et al., 2023).

However, the findings extend trust and normative voids literature by showing that the trust deficit in Kenya is not directional less nor one-directional, it is multi-directional and ecosystem-wide. Fintechs do not fully trust SMEs, due to fund diversion behaviour, informal record-keeping and inconsistent financial behaviour. Subsequently, SMEs do not trust fintechs, questioning their longevity, viewing them as lender of last resort, question their fairness and legitimacy. Additionally, SMEs do not trust each other, particularly within supply-chain transactions. This reflects what Rawhouser et al. (2024) identify as an ecosystem-level legitimacy shock, where mistrust becomes distributed across all actors, not just between firms and customers. Critically, the findings show that while the regulator intervened (offering customer education and chastising rogue fintechs) to halt abusive practices, regulatory correction was insufficient to rebuild social trust. This outcome shows the negative trust shocks trigger network-wide erosion of social capital, increasing uncertainty, defensive behaviour and withdrawal from cooperative exchange (Amiraslani et al., 2022). In Kenya, this manifested as reluctance to accept higher-value or longer-tenor facilities, hesitance to use digital platforms for B2B exchange and conservative customer onboarding even after years of relationship building.

The consequences for fintech-enabled trade finance are significant. Trust is foundational to high-value and cross-border transactions, where parties rely on predictable intermediaries, not just formal contracts (Lee et al., 2021; Schmidt-Eisenlohr, 2013). Because SMEs enter fintech relationships with default scepticism and

fintechs respond with default caution, both parties face heightened verification and coordination costs. The findings show fintechs compensating through mechanisms such as transaction takeover, paying suppliers directly and incrementally increasing credit limits, behaviours consistent with trust-repair strategies identified by Bachmann & Inkpen (2011) and Kim et al. (2004).

Theme 3 therefore contributes to literature by showing that fragmented trust in Kenya is a normative institutional void originating from historical misconduct rather than institutional absence. This void reshapes cognitive mind frames, increases operational frictions and forces fintechs to conduct institutional trust-repair before they can perform financial intermediation. The resulting dual burden – repairing category-level trust and managing transaction-level risk – elevates the cost and slows the diffusion of fintech-led export finance, constraining SME participation in cross-border trade.

6.2.4 Theme 4: Knowledge and capability gaps

The findings show that Kenyan fintechs must navigate persistent gaps in SME financial knowledge, credit understanding and understanding of trade-finance mechanisms. These gaps manifested in three forms: (1) SMEs' limited comprehension of business credit, which often led to fund diversion (2) weak operational and financial-management routines that constrained credit assessment and (3) low awareness of fintechs as legitimate providers of business or export-oriented financing. Collectively, these gaps place SMEs in a structurally disadvantaged position, requiring fintechs to compensate for missing interpretive and operational capabilities before being able to deploy credit.

Within institutional theory, such patterns constitute cognitive and capability voids: gaps in the interpretive frames and organisational routines necessary for meaningful market participation (Khanna & Palepu, 2010; Scott, 2014). The findings align with this framing because SMEs that cannot distinguish between purpose-specific working capital and general liquidity frequently divert funds to personal emergencies or unrelated expenses. This reflects what Helander and Moller (2007) describe as functional knowledge gaps (limited understanding of credit discipline) and usage knowledge gaps (misalignment between intended and actual use of financing). Similarly, SMEs' perception of fintechs as lenders of last resort illustrates a perception gaps – defined by van der Haar et al. (2001) as a mismatch between the value designed by the company ad the perceived value by customers – which this study interprets as a knowledge gap.

Additionally, the findings show that many SMEs operate without basic accounting or record-keeping routines, which impairs fintechs' ability to assess repayment capacity or

structure export-oriented financing. This can be interpreted as a capability void consistent with findings by Kistruck et al. (2015) and Mair et al. (2012), who argue that organisations embedded in informal or semi-formal contexts often lack the routines required to engage effectively with formal credit systems. Importantly, the findings reveal that these knowledge and capability gaps are concentrated in rural and peri-urban Kenya, aligning with recent critiques of institutional voids emphasising geographic heterogeneity, rather than uniform national conditions (Andrews & Luiz, 2024; Benhabib et al., 2021; Dieleman et al., 2022). However, due to the sequential substitutional nature of Kenyan fintechs, most of the SME customers are in agriculture, agro-processing, all sectors predominantly in rural and peri-urban areas. Thus, the fintech's scale depends on fintech's ability to contend with this void.

Iterative, not episodic, education

A distinctive contribution of the findings to literature is that SME education is not a once-off intervention. Kenyan fintechs must undertake iterative, multi-stage education to maintain credit discipline and reduce the risk of fund diversion. The participants described education as: (1) a prerequisite for initial credit access, (2) a reinforcing mechanism during the loan cycle to prevent misallocation and (3) a continual accompaniment across successive credit applications to sustain behavioural change. These findings confirm what Andrews and Luiz (2024) and Benhabib et al. (2021) found that in contexts characterised by cognitive and capability voids, learning decays quickly and must be continually re-institutionalised. These knowledge and capability gaps substantially increase the cost and complexity of fintech intermediation (Li et al., 2023). This is because fintechs must function as educators, monitors and capability builders to create the cognitive conditions necessary for SMEs to engage with trade finance.

Therefore, theme 4 adds nuance to institutional substitution theory which considers the act of substituting functionally (Sydow et al., 2020; Zhou & Yu, 2023) by illustrating that in emerging markets, regardless of the level of substitution, substitutes (fintechs) must perform institutional work before they can perform financial intermediation work. Based on this understanding, cognitive voids are not merely informational gaps as defined by Scott (1995) but structural barriers that constrain SME readiness for export participation, adding unaccounted nuance to Institutional Theory.

6.2.5 Theme 5: Inadequate Infrastructure for Cross-Border Trade

The findings show that even when Kenyan fintechs successfully navigate domestic institutional voids, they encounter a second layer of constraints when transactions

cross national borders. Participants consistently reported that fintechs cannot convert foreign currency, receive export proceeds directly or settle international payments without routing funds through commercial banks. Although fintechs originate the credit, banks must execute the transaction. These constraints do not reflect fintech capability deficits but arise from structural features of the cross-border financial infrastructure, which reserve key functions, foreign-exchange (FX) conversion, correspondent banking, cross-border settlement and AML-CFT clearance for licensed banks.

This dependency confirms institutional theory's notion of a regulative void: a gap produced not by the absence of rules but by regulatory arrangements that restrict access to critical infrastructures (Scott, 2014). Under Kenya's Central Bank regulations, only authorised dealers are permitted to conduct FX conversions; cross-border payments must pass through correspondent-banking channels and AML-CFT protocols trigger manual verification for most SME-linked transactions. Thus, even highly competent digital lenders are structurally excluded from the infrastructures that make export finance operable.

Cross-border payment and FX constraints as institutional voids

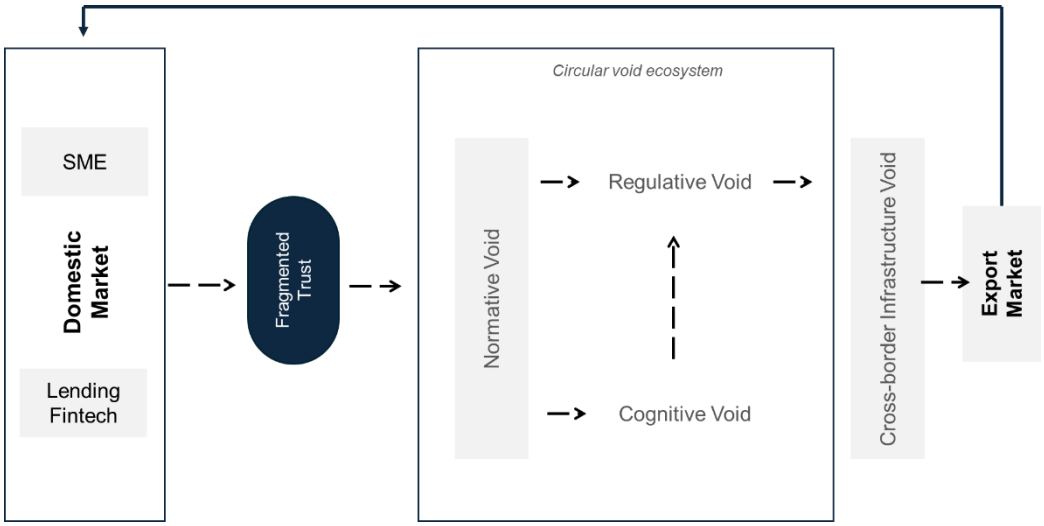
The trade finance literature provides strong grounding for this phenomenon. Global trade flows remain tightly embedded in a bank-dominated correspondent banking system (Berthou et al., 2022; Niepmann & Schmidt-Eisenlohr, 2017). Correspondent networks perform documentary verification, KYC screening, settlement and FX clearing, and this architecture is highly USD-centric (Bruno & Shin, 2022; Goldberg & Krogstrup, 2023). The findings indicate that because Kenya's lending fintechs lack access to these cross-border FX infrastructure, they cannot independently clear export-linked payments, validate foreign buyers or receive export proceeds. Therefore, SMEs financed by fintechs must still maintain bank accounts to convert export receipts, settle import payments or process USD-denominated transactions.

Regulative asymmetry and operational consequences

The findings reveal three consequences of this infrastructural dependency: (1) Fintechs must insert banks into every export-linked transaction – this reintroduces delays, increases compliance exposure and erodes the speed and cost advantages of digital lending models. (2) SMEs must maintain parallel banking relationships even when fintechs provide the financing – export proceeds cannot legally be received through fintech channels, forcing dual institutional engagement. (3) Fintechs bear compliance obligations without access to compliance infrastructures - High-value foreign inflows trigger enhanced scrutiny, requiring fintechs to conduct verification tasks (e.g.,

validating foreign buyers) without the international due-diligence tools or correspondent networks available to banks. This confirms what Berthou et al. (2022) describe as infrastructural bottlenecks that disproportionately affect small firms and non-bank intermediaries. It also reflects findings that African exporters face higher rejection rates because the documentation and liability structures required by banks do not translate into digital or alternative-finance models (Auboin & DiCaprio, 2017; Bempong-Nyantakyi, 2023).

Framework Figure 1: Voids Kenyan Fintechs Must Navigate from Domestic Market to Export Market



Source: Author's Own

6.2.6 Conclusion of Research Question 1

Across the five themes, the findings confirm, extend, and in some cases qualify existing institutional theory.

The findings extend institutional void literature by demonstrating selective-access voids rather than simple institutional absence. The findings show that institutions (registries, courts, FX systems) function effectively for incumbents while remaining inaccessible to fintechs. This reveals a form of institutional asymmetry that current scholarship does not fully theorise. Second, the findings deepen comparative insights by showing how historical normative violations (the digital lending crisis) produce long-lasting cognitive reframing. While prior literature recognises pillar interdependence, the Kenyan case provides concrete evidence of cognitively anchored regulative voids where regulation is shaped by enduring perceptions rather than institutional capacity, a dynamic under-examined in existing studies. Third, the findings contradict assumptions that trust deficits are dyadic (e.g., between lender and borrower). Instead, the findings reveal

ecosystem-wide, multi-directional fragmentation – extending trust literature by showing that mistrust operates at category level rather than relational level.

Overall, RQ1 demonstrates that institutional voids in Kenya are layered, asymmetric and mutually reinforcing, requiring fintechs to substitute not for weak institutions, but for institutions that exclude them. This extends institutional-void theory by showing that voids shape not only market participation but also the pathways and limits of fintech substitution.

6.3 Discussion of Research Question 2

RQ2: How do Kenyan fintechs construct the domestic legitimacy required to intermediate export trade finance?

Fintech adoption depends on whether firms, lenders and regulators accept non-traditional intermediaries as reliable substitutes, positioning legitimacy as prerequisite for institutional substitution (Bort et al., 2024). The findings align with this proposition, revealing that Kenyan fintechs must construct multi-stakeholder legitimacy before they can intermediate export finance.

6.3.1 Theme 1: Legitimacy Through Regulatory Compliance

Institutional complexity theory posits that organisations operating in multigroup environments must simultaneously satisfy heterogeneous stakeholders with competing logics – regulators demand compliance, customers demand accessibility, partners demand reliability (Pache & Santos, 2010, 2013). The implicit assumption is that legitimacy must be built concurrently across stakeholder groups through balanced multi-stakeholder engagement (Besharov & Smith, 2014). However, this assumes stakeholders hold independent evaluative capacity and comparable salience.

The Kenyan findings contradict this assumption by revealing State logic dominance enabled through the downward legitimacy spillovers (*Bitektine & Song, 2024; Bort et al., 2024)*. Participants described regulatory certification as "the most powerful credibility signal" despite being legally optional, while they stated SMEs follow the state "whatever is supported by the government, the people will take it.” This show that within the Kenyan financial ecosystem, the state is the most salient stakeholder – aligned with Mitchell et al.’s (1997) stakeholder salience framework. The state holds power (can shut down operations), legitimacy (formal arbiter of credibility) and urgency (through continuous enforcement), making it the definitively salient stakeholder. In contrast, the findings portray Kenyan SMEs as lacking independent evaluative capacity.

This creates what Ramus et al. (2020) term a regulator-first legitimacy configuration, where organisations prioritise regulatory alignment over market adoption. However, the Kenyan case extends this concept by providing an explanation as to why regulator-first strategies prove effective: it is because legitimacy cascades downward from State to SMEs (see legitimacy spillover by Bort et al., 2024). Being a CBK licenced fintech does not merely satisfy regulatory (State) requirements; it performs evaluative work for SMEs who subcontract their credibility judgments to the State. This spillover pattern reverses the upward and lateral legitimacy flows described in mainstream literature (Bort et al., 2024; Soublière & Gehman, 2020), demonstrating that in fragile institutional environments, central authority endorsement cascades into broader market acceptance.

This compliance as a legitimacy mechanism has important implications for institutional substitution theory. Existing literature often treats regulatory compliance as an unavoidable cost borne by substitutes that lack incumbents' resources (Khanna & Palepu, 2010). However, the Kenyan findings offers an extension to the theory by demonstrating that the cost of compliance is not only a "must happen" but organisations leverage it as a strategic legitimacy infrastructure. Fintechs willingly accept over-compliance, interest rate caps, monthly reporting and stringent customer-protection standards not only because regulation mandates them, but because compliance artefacts stabilise credibility across the ecosystem. These artefacts help fintechs meet the elevated legitimacy thresholds that banks, DFIs and cross-border partners demand before engaging with non-bank intermediaries (Haack et al., 2021; Kowalski et al., 2021).

Moreover, compliance constitutes a core intermediation mechanism, not peripheral administrative work. Financial intermediation theory holds that intermediaries must perform screening, monitoring and contract enforcement through verifiable processes (Leland & Pyle, 1977; Thakor, 2020). In Kenya's context, automated KYC routines, audit trails and customer-protection adherence create the procedural discipline that evaluators require when institutional enforcement infrastructures are weak. Compliance thus performs a dual function: it signals normative alignment to the state (legitimacy) and generates governance artefacts that enable risk assessment by partners (intermediation).

Overall, theme 1's findings extend institutional complexity theory by challenging the multi-stakeholder balancing logic demonstrating that stakeholder pluralism does not always require concurrent engagement. Where stakeholder salience is asymmetric and evaluative capacity is delegated, organisations can pursue legitimacy building

sequentially; targeting the salient stakeholder whose endorsement cascades to dependent evaluators. Regulatory compliance emerges not as unavoidable cost but as a strategic foundation enabling institutional substitution in high-governance domains like export finance.

6.3.2 Theme 2,3,7: Cultural and Linguistic Alignment as Cognitive Legitimacy Strategy

Legitimacy theory typically assumes that cognitive legitimacy arises through formal certification, standardisation and mimetic isomorphism with established institutions (DiMaggio & Powell, 1983; Suchman, 1995). Formal artefacts such as regulatory licenses, audited statements and professional affiliations signal organisational credibility by anchoring new actors within recognisable institutional templates. However, this framework presupposes that evaluators possess the cognitive infrastructure needed to interpret formal signals – financial literacy, documentation literacy and institutional trust in certifying bodies.

The Kenyan findings challenge this assumption by revealing that SME evaluate fintechs through cultural intelligibility rather than formal artefacts. The findings reveal that Market legitimacy depended on linguistic alignment (field agents speaking customers' vernacular languages), ethnic matching (officers sharing regional and ethnic backgrounds) and community embeddedness (agents living within the communities they serve). As one participant stated, recruiting officers based on ethnicity ensures "they can converse in the same language... getting business is easy." This is not tactical localisation but structural prerequisite – SMEs require their financial interactions delivered in linguistic and social frames they trust before they can assess organisational claims.

These findings extends Suchman’s (1995) framework by demonstrating that cognitive legitimacy in fragmented contexts operates through cultural comprehensibility, not just institutional standardisation. Where formal documentation systems are weak (RQ1 Theme 1), financial literacy is limited (RQ1 Theme 4) and institutional trust is broken (RQ1 Theme 3), SMEs lack the interpretive infrastructure to evaluate fintechs using regulatory certifications or digital interfaces. Cultural and linguistic alignment therefore functions as cognitive legitimacy infrastructure – it makes fintech value propositions comprehensible by translating them into familiar social and linguistic frames, consistent with logic congruence literature by Ng et al. (2022). Additionally, these findings offer one of the most recent confirmation that language and ethnicity are central organising

features of African markets; an area identified by International Business scholarship as being significantly under-theorised (Nachum et al., 2022).

Visibility through marketing and co-branding complements these relational mechanisms. Participants described heavy investment in social media presence, trade event sponsorship and co-branding with established local companies. This visibility functions as bought legitimacy – it signals operational continuity and reduces perceived fraud risk (Deephouse & Suchman, 2008; Pollock & Gulati, 2007). In fragile contexts where fintech closures are common (RQ1 Theme 2), sustained visibility reassures SMEs that the organization will persist beyond initial transactions.

Collectively, these relational mechanisms – linguistic alignment, community embeddedness, public visibility – create what Suchman (1995) terms concurrent multi-type legitimacy: cognitive (comprehensibility), pragmatic (demonstrated usefulness through relational engagement) and moral (appropriateness through cultural respect). Institutional fragmentation prevents reliance on any single source, therefore fintechs cannot sequence these legitimacy strategies, they require simultaneous construction (Besharov & Smith, 2014; Greenwood et al., 2011).

Notably, these relational practices generate unintended benefits beyond legitimacy-building. First, securing the first customer through intensive relational engagement inadvertently resolves the cold-start problem faced by new intermediaries (Liang et al., 2024; Pallais, 2014). The findings illustrate the first borrower as an informal ambassador whose successful experience provides social proof for subsequent SMEs, this triggers what recent legitimacy literature describes as recursive legitimacy spillovers (Soublière & Gehman, 2020) – revealing that early adoption accelerates legitimacy formation through peer-based credibility cascades rather than institutional certification. Second, community-embedded agents simultaneously gather contextual data unavailable through formal channels that enhance credit assessment (connects to RQ3 Theme 1 on alternative data triangulation). This suggests relational legitimacy practices serve dual functions: building trust (legitimacy) while enabling informal information gathering (intermediation). These functions are not entirely separable in institutional voids, representing a theoretical tension warranting further examination.

Overall, theme 2,3 and 7's findings extend legitimacy theory in two ways. First, they demonstrate that cognitive legitimacy in fragmented contexts operates through cultural intelligibility infrastructure rather than formal standardisation. Where evaluators lack interpretive capacity to assess institutional signals, organisations must anchor themselves in cultural and linguistic categories their customers already trust. This

challenges the implicit assumption in institutional theory that cognitive legitimacy universally depends on mimetic isomorphism with established organisational templates (DiMaggio & Powell, 1983). Second, the findings confirm the presence of boundary conditions for when relational legitimacy becomes structurally necessary rather than tactically beneficial, an extension to legitimacy theory. Cultural alignment proves essential where: (1) formal verification systems are absent or dormant, (2) target populations operate outside standard documentation practices and (3) institutional trust in centralised authorities is fragmented. Under these conditions, relational embeddedness transitions from marketing tactic to legitimacy prerequisite – organisations cannot bypass cultural intelligibility work through superior technology or regulatory compliance alone.

6.3.3 Themes 4 & 5: Technological Legitimacy: Performance and Transparency

Beyond cultural intelligibility and regulatory compliance, Kenyan fintechs construct technological legitimacy through operational performance and transparency that signals institutional capability. Kowalski et al. (2021) demonstrate that technology enhances trust relationships in trade finance contexts by improving transaction security, communication quality and partner predictability. In Kenya's high-distrust environment (established in RQ1) fintechs must make their capabilities evaluable through observable performance rather than inherited institutional status.

The findings reveal that performing fast transactions functions as legitimacy signal rather than mere operational convenience. The findings reveal when fintechs process transactions rapidly – executing decisions in hours rather than weeks and disbursing funds within minutes of approval – they signal system sophistication comparable to traditional banks (even when they are faster and more efficient). This finding confirms Suchman’s (1995) pragmatic legitimacy concept by revealing that in institutional voids, operational performance provides evaluability infrastructure: tangible metrics through which stakeholders assess organisational credibility when formal verification mechanisms are absent (Deephouse & Suchman, 2008). Speed becomes what institutional theorists term "legitimacy currency": a comprehensible signal that translates abstract institutional capability into observable outcomes.

Additionally, the findings also demonstrate how Kenyan fintechs leverage familiar infrastructure as a cognitive anchor. They integrate with trusted and established payment rails (M-Pesa), this reduces cognitive distance between fintech operations and SME expectations. These findings confirm early legitimacy literature which argued that new organisational forms achieve legitimacy by emphasising continuity with

established practices (Aldrich & Fiol, 1994) – these findings provides evidence that this statement holds true even in emerging markets characterised by institutional voids. Kuma et al. (2023) note that blockchain integration faces adoption barriers due to technical complexity. Kenyan fintechs avoid this trap by embedding within already-adopted infrastructure (M-Pesa) rather than introducing unfamiliar systems. This makes their systems immediately comprehensible, thereby borrowing technological legitimacy from trusted systems (Lagna & Ravishankar, 2022).

Overall, themes 4 and 5's findings extend legitimacy theory by demonstrating that in fragmented institutional contexts, technological legitimacy operates through evaluability and stabilisation rather than novelty. Whilst recent literature from Kuma et al. (2023) emphasise blockchain's transparency benefits and Balyuk and Davydenko (2024) document platform reintermediation, these findings reveal a third pathway – adding to new blockchain/ technology literature within International Business: constructing legitimacy through performance visibility and infrastructure anchoring under conditions where neither blockchain adoption nor full reintermediation is institutionally feasible. These technological mechanisms function alongside regulatory compliance (Theme 1) and cultural intelligibility (Themes 2, 3, 7) to construct the multi-level legitimacy portfolio that subsequently enables fintechs to progress toward higher-governance domains like export trade finance, where the actual intermediation mechanisms (data triangulation, risk assessment, monitoring) documented in RQ3 become operationally critical.

6.3.4 Theme 6: Legitimacy Through Partnerships: Borrowed Legitimacy

Borrowed legitimacy describes how new organisations accelerate acceptance by associating with high-status incumbents whose credibility transfers to them (Baum & Oliver, 1991; Stuart et al., 1999). This mechanism becomes particularly salient when firms face both liability of newness and liability of origin, requiring strong credibility signals to compensate for thin track records and weak institutional environments (Cuervo-Cazurra & Genc, 2008; Haack et al., 2021).

The findings show that Kenyan fintechs deploy borrowed legitimacy from partnerships with three stakeholder types across three business phases: banks for market entry, established local companies for geographic expansion and suppliers for customer acquisition. These partnerships function as institutional substitutes that replace missing verification mechanisms whilst embedding fintechs into the social and commercial networks SMEs rely on for decision-making. This embeddedness generates pragmatic legitimacy (Suchman, 1995), which cascades into cognitive and normative legitimacy as SMEs perceive associated fintechs as less risky and more comprehensible. Banks

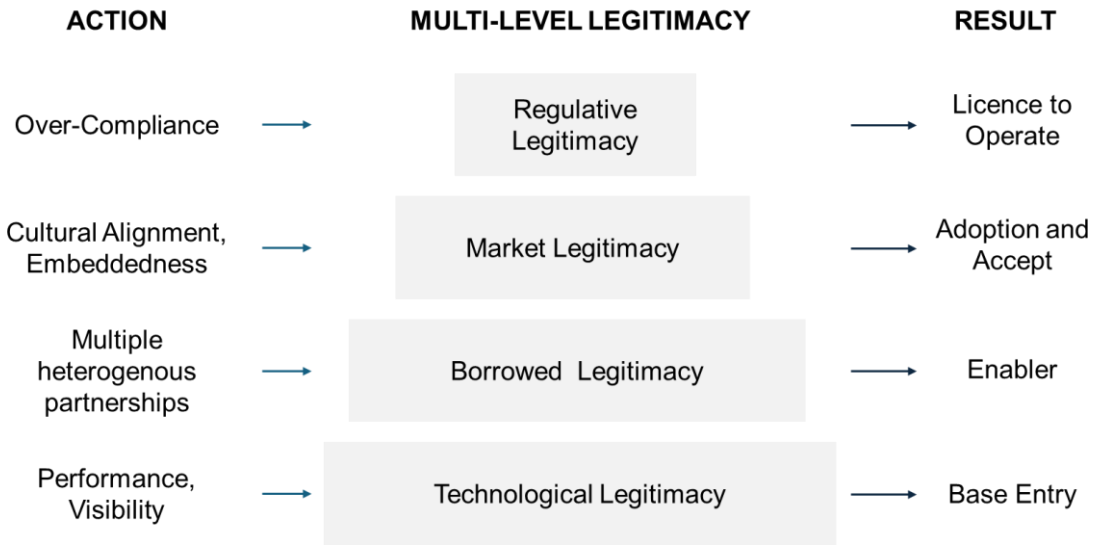
function as institutional gatekeepers whose endorsement signals credibility to SMEs who lack independent evaluative capacity, thus they make good partners for market entry. Recent literature indicate that fintechs deliberately position themselves as complementary to banks rather than competitive, which reassures SMEs that fintechs operate within formal financial architecture (Kowalewski & Pisany, 2022; Hodula, 2022), reinforcing normative appropriateness without generating regulative artefacts. Additionally, the findings indicate that local companies provide geographic legitimacy by vouching for fintech reliability within regional commercial networks where trust remains relationally embedded. Lastly, suppliers transform relational trust into risk-relevant information; the findings reveal that supplier's role goes beyond market access to validating borrower behaviour and directing loan utilisation, substituting for weak contract enforcement mechanisms (Babich & Hilary, 2020).

These observations confirm findings across recent literature with Bailey et al. (2020), who demonstrate that young organisations accelerate acceptance through incumbent association, and Taeuscher and Rothe (2021), who show that platforms in low-trust environments deploy ecosystem partners to reduce perceived risk. However, these findings extend recent literature by revealing a theoretically distinctive configuration. While Bailey et al. (2020) examine younger organisations generally and Taeuscher and Rothe (2021) focus on platforms in low-trust environments. This study addresses the intersection of these two bodies of recent work: fintechs (can be considered young in emerging markets) operating in low-trust institutional contexts attempting to enter high-trust, incumbent-protected domains – borrowing legitimacy from multiple heterogeneous stakeholder partnerships to satisfy one stakeholder logic: market logic (SME adoption). This concentration rather than diffusion of borrowed legitimacy suggests strategic prioritisation toward the primary adoption constraint, whilst other legitimacy mechanisms address additional stakeholder logics.

Interestingly, neither recent literature nor theory provides evidence of borrowed legitimacy translating to regulative legitimacy. Partnerships demonstrably build normative legitimacy (signalling trustworthiness to SMEs) and cognitive legitimacy (rendering fintechs recognisable within commercial networks), but do not appear to generate regulatory approval, compliance artefacts or formal authorisation. This pattern suggests a possible functional distinctness among legitimacy types, with borrowed legitimacy addressing market-level adoption barriers whilst regulatory mechanisms (see RQ2 Theme 1) handle State-level legitimacy independently. This observation raises an unexplored theoretical question: can borrowed legitimacy translate to regulative legitimacy under certain partnership configurations, or do legitimacy types

remain structurally distinct in institutional voids? A question outside the scope of this study which should be considered for future research.

Figure 2: Multi-level Legitimacy Hierarchy



Source: Author's Own

Overall, theme 6 makes a theoretical contribution by extending borrowed legitimacy scholarship by demonstrating that partnerships in fragmented institutional environments function not merely as status signals but as institutional substitutes that replace missing verification and enforcement infrastructure. Additionally, the findings add nuance to institutional complexity theory by revealing how borrowed legitimacy operates within multi-mechanism legitimacy portfolios, with different mechanisms addressing different stakeholder logics rather than borrowed legitimacy alone satisfying all legitimacy requirements. Moreover, borrowed legitimacy remains functionally distinct from regulative legitimacy, addressing market-level adoption barriers without translating to regulatory approval, revealing that legitimacy types follow separate construction processes in fragmented institutional environments.

These mechanisms construct one pillar of the multi-level legitimacy architecture required for export finance intermediation, whilst Theme 1 mechanisms address regulative voids and Themes 2, 3, 7 address cultural intelligibility gaps.

6.3.5 Conclusion Research Question 2

The findings on legitimacy construction confirm, extend and in specific areas challenge existing legitimacy and institutional complexity literature. First, the findings confirm that legitimacy is foundational in environments where formal institutions are weak. They affirm that actors must secure regulative, cognitive and pragmatic legitimacy to operate

in high-governance domains such as export finance. Second, the findings extend theory by demonstrating that Kenyan fintechs build legitimacy sequentially, rather than simultaneously. Regulatory legitimacy becomes the anchor through which market legitimacy is achieved via downward legitimacy spillovers. This dynamic – where one salient stakeholder's endorsement substitutes for the evaluative judgment of others – is not theorised in current institutional-complexity scholarship, which assumes multi-stakeholder balancing. Third, the findings extend legitimacy theory by revealing cultural intelligibility as a form of cognitive legitimacy. Existing literature emphasises formal artefacts (licences, certifications). The findings show that in fragmented institutions, linguistic alignment, community embeddedness, and cultural recognition become necessary evaluation infrastructure for SMEs lacking interpretive capacity – a contribution not developed in mainstream legitimacy theory. Fourth, the findings challenge (contradict) assumptions that technological legitimacy derives from novelty or superiority. The findings show the opposite: legitimacy arises from familiarity (M-Pesa rails) and visibility (dashboards, notifications). This contradicts narratives in digital-finance literature that emphasise innovation as the primary source of credibility. Finally, the findings differentiate legitimacy types, showing that borrowed legitimacy (from banks, suppliers, local anchors) builds normative and cognitive legitimacy but does not translate into regulative legitimacy – revealing functional boundaries between legitimacy types under institutional asymmetry.

Together, RQ2 shows that legitimacy is not merely a symbolic resource but the enabling architecture of fintech substitution, revealing new mechanisms, downward spillovers cultural intelligibility and legitimacy sequencing, that extend existing theoretical frameworks.

6.4 Discussion of Research Question 3

RQ3: "What financial intermediation mechanisms do Kenyan fintechs employ to enable SME access to trade finance under conditions of institutional voids?"

6.4.1 Theme 1: Alternative Data Triangulation

The findings reveal that Kenyan fintechs assess SME creditworthiness by triangulating multiple behavioural, relational and contextual data sources – these form their non-traditional database – rather than relying only on traditional credit artefacts. Non-traditional data includes mobile-money transaction histories, supplier purchase records, merchant till and paybill flows, geographic stability indicators and seasonal trading cycles. Traditional data such as bank statements, audited accounts and credit bureau reports are used selectively, typically for larger-ticket or longer-tenor credit. These

alternative datasets provide the primary evidence of cash-flow behaviour, turnover and repayment capacity. Through this multilayered architecture, fintechs reconstruct borrower credit profile for SMEs that cannot provide conventional documentation at the depth or frequency required for underwriting.

These findings generally confirm findings by other existing scholarship demonstrating that alternative data can support predictive screening in thin-file environments. Berg et al. (2020) show that digital footprints reliably predict creditworthiness even when borrowers lack formal credit files, whilst Jagtiani and Lemieux (2019) demonstrate that alternative data achieves predictive accuracy comparable to traditional scoring when credit bureau information is limited. This was further demonstrated by Agarwal and Assenova (2024) that mobile-money platforms fill informational gaps where credit bureaus and audited statements are absent.

However, the findings diverge with existing literature across three key areas. First, for Kenyan fintechs, alternative data functions as foundational infrastructure rather than supplementary additional layer to existing credit bureau reports or banking relationships as described by Berg et al. (2020), Fuster et al. (2019) and Tang (2019). The findings shows that in Kenya, alternative data has replaced rather than supplemented formal artefacts. This replacement occurs not because credit bureaus or bank accounts are absent but because they fail to produce usable signals for semi-formal firms that may be export ready but lack formalised documentation. Second, the findings reveal Kenyan fintechs leverage data intensity to compensate for or replace institutional intensity as the informational logic. Traditional credit systems rely on a small number of highly verified artefacts (audited accounts, collateral registries, multi-year bank histories) carrying most informational burden (Berger & Udell, 2006; Leland & Pyle, 1977). However, the findings show that Kenyan fintechs invert this model by inferring liquidity patterns from the volume and frequency of behavioural signals rather than institutional verification of formal documents. Continuous mobile-money transactions, repeated supplier interactions (transactions) and high-frequency till flows produce the credibility needed for risk assessment. Third, the alternative data triangulation output provide a comprehensive view of the interdependence of the different data sources whereas most of the existing studies analyses alternative data sources in isolation: mobile-money usage (Iyer et al., 2016), platform reputation systems (Bailey et al., 2020), supply-chain transaction data (Song et al., 2021). – limiting insights into how various data sources interact. This multi-source integration constitutes necessary institutional substitution rather than technical preference, revealing triangulation as the core mechanism enabling fintechs to reconstruct

borrower visibility under compound voids. This insight makes a theoretical contribution by extending the types of alternative data existing in literature which analyses alternative data categories.

Overall, theme 1's findings demonstrate that alternative data triangulation enables fintechs to satisfy heightened informational demands of export-linked credit where institutional artefacts are unavailable or insufficient. Through this triangulated infrastructure, fintechs reconstruct the information-production function needed to extend pre-shipment financing, purchase-order funding and time-bound working capital to SMEs that banks do not serve, directly addressing the informational void that restricts SME participation in export trade.

6.4.2 Theme 2: Alternative Credit Risk Assessment

The triangulated alternative data infrastructure described in Theme 1 flows into a two-stage hybrid screening architecture that transforms behavioural signals into credit decisions. Proprietary machine-learning models process the alternative data and suggest credit limits. For small, short-tenor working-capital tickets, particularly for domestic trade, algorithmic scoring alone determines credit approval. However, the findings real when proposed limits exceed defined thresholds, when models flag anomalies or when transactions involve export-linked facilities, human verification is added. Field agents visit business premises, inspect stock, confirm supplier relationships and assess local conditions before approving larger or cross-border limits. The required screening for financial intermediation is therefore layered rather than singular, combining automated analysis of behavioural data with discretionary judgement where institutional gaps make full algorithmic reliance impractical.

This hybrid structure aligns with recent fintech research demonstrating that platforms increasingly perform screening through algorithmic scoring whilst maintaining complementary human judgement for complex cases (Berg et al., 2020; Fuster et al., 2019; Luo et al., 2022). Agarwal and Assenova (2024) show that mobile-money transaction histories can form the core of credit assessment in settings where conventional artefacts are unreliable. However, the Kenyan findings extend this literature by revealing screening operates sequentially and is calibrated to transaction characteristics rather than applied uniformly. Existing studies describe hybrid systems where human and algorithmic assessment operate in parallel on the same information set (Balyuk & Davydenko, 2023; Bertoni et al., 2021). Kenyan fintechs instead follow a sequenced pathway where algorithmic scoring always occurs first, with intensive verification concentrated on higher-value, longer-tenor or export-linked transactions.

This sequenced calibration reflects institutional voids and resource constraints: field verification is costly, legal documentation is incomplete and many SMEs operate informally. Fintechs cannot economically apply maximal verification to every borrower yet cannot rely solely on models for longer-cycle, higher-value export transactions. Sequential hybrid screening emerges as necessary allocation strategy rather than efficiency device.

The findings also reveal that human verification performs functions beyond supplemental due diligence. Field agents do not merely check information algorithms cannot see; they construct the relational and behavioural infrastructure that substitutes for weak legal and collateral systems. Agents explain repayment terms, clarify obligations, assess owner seriousness and competence and attach reputational consequences to default by maintaining visibility in local business communities. This extends Diamond's (1984) notion of delegated monitoring, which theorises intermediaries as monitoring specialists who reduce aggregate oversight costs in contexts where contract enforcement and collateral recovery can be assumed. Under institutional voids, monitoring must also create the conditions for contracts to become self-enforcing despite weak formal remedies. Delegated monitoring therefore includes behaviour-shaping and norm-setting functions that underpin lending feasibility to semi-formal SMEs, making human verification part of the screening mechanism itself rather than peripheral validation.

Additionally, the findings show that digital scoring operates dynamically rather than statically, strengthening its role in export-related risk assessment. The findings reveal that algorithmic models update monthly as new transactional data arrive, adjusting credit limits accordingly. This pattern confirms findings by recent literature showing that high-frequency data allow lenders to refine risk estimates over time and partially substitute for ex ante collateral through continuous performance observation (Berg et al., 2020). In Kenya, dynamic scoring provides a basis for stepping SMEs from small domestic facilities into larger export-linked tickets. Export orders can be underwritten because intermediaries possess longitudinal behavioural histories rather than relying on one-off audited statements or collateral valuations. For higher-risk or cross-border transactions, dynamic model outputs are complemented by physical verification assessing operational capacity and export readiness. This two-level process reinstitutes screening depth where export finance requires stronger assurance without imposing those costs across the entire portfolio.

These mechanisms directly enable SME access to export finance by meeting elevated credibility thresholds through calibrated hybrid screening rather than replicating bank-

style documentation requirements. Export-related credit demands higher assurance because ticket sizes are larger, repayment horizons are longer and foreign counterparties expect robust due diligence (Auboin & DiCaprio, 2017; Haddoud et al., 2023). Algorithmic models rapidly generate baseline risk assessments using alternative data, whilst human verification confirms that borrowers can execute orders, source inputs reliably and manage operational complexity of cross-border delivery. Site visits and supplier validation function as pragmatic substitutes for audited accounts, formal collateral or long trade histories. Concentrating intensive screening on export-linked transactions rather than applying bank-level requirements uniformly, fintechs make smaller and mid-sized export tickets economically viable to underwrite, reconstituting the screening function under institutional weakness to enable SME participation in cross-border trade.

6.4.3 Theme 3: Capital Sourcing for Credit and Liquidity Provision

The screening mechanisms described in Theme 2 enable fintechs to identify creditworthy SMEs, but credit provision requires capital. The findings show that Kenyan fintechs source liquidity through external investor funding and debt facilities rather than deposit mobilisation. Because non-bank fintechs are prohibited from accepting deposits, they cannot generate liquidity through maturity transformation or create credit internally. Instead, they source pre-existing external capital and allocate it to SMEs through working-capital, supply-chain and order-based finance. Capital sourcing is therefore not operational detail but the liquidity mechanism through which fintechs enable credit provision under institutional voids.

This structure fundamentally differs from traditional financial intermediation, where institutions mobilise short-term liabilities and transform them into longer-term assets, expanding credit supply and absorbing liquidity shocks (Diamond & Dybvig, 1983; Berger & Bouwman, 2013). Fintechs do not control a liability base and cannot create liquidity. Their lending capacity depends entirely on the volume, timing and conditions of external capital inflows. Liquidity provision thus operates through capital coordination rather than capital creation: fintechs match investor capital with SME credit demand without the stabilising leverage, recycling capacity or institutional backstops that characterise traditional banking. This produces two critical constraints on export finance intermediation.

First, investor mandates shape product boundaries. The findings show that investors often specify which sectors may receive funding, geographic areas to prioritise, maximum permissible loan tenors and specific products that capital may support. Some

investors target high-velocity FMCG cycles to maximise capital turnover, whilst others restrict funding to agricultural value chains or specific borrower segments. These conditions discipline the product space fintechs can operate within. Where prior research emphasises how SME context shapes fintech credit design (Haddoud et al., 2023; Pietrovito & Pozzolo, 2019), the Kenyan evidence shows that investor preferences are equally determinative. Liquidity mechanisms are therefore not neutral pipelines but channels disciplined by external capital preferences, narrowing credit product development scope and limiting experimentation with capital-intensive export finance.

Second, liquidity vulnerability creates operational fragility. Unlike deposit-based systems buffered by deposit insurance and central bank lending facilities, fintechs lack institutional backstops. Their liquidity risk arises not from depositor withdrawals but from capital exhaustion or investor withdrawal. The findings indicate that several fintechs collapsed after 2022 due to funding depletion rather than credit losses. Without emergency liquidity facilities, lending becomes episodic rather than continuous. Capital flows arrive in discrete injections, and when exhausted, credit provision halts. This reveals that fintech substitution under voids is structurally fragile: fintechs may substitute for banks in credit allocation, but their ability to sustain liquidity depends on investor appetite and global capital conditions they do not control.

These liquidity dynamics directly constrain export-linked trade finance scalability. Export transactions require larger ticket sizes, longer repayment horizons and higher risk provisioning than domestic microcredit. They demand capital that remains deployed for 30–90 days whilst goods move across borders, exposing lenders to foreign-buyer default and shipment risk. The findings show that investor mandates often favour short-tenor, rapid-turnover products that recycle capital quickly rather than export facilities requiring patient capital. The result is systematic underinvestment in export-oriented credit despite demonstrated SME demand. Fintechs possess technological capacity to structure purchase-order finance, supplier-routed disbursements and milestone-based settlement, but their liquidity model limits how far these mechanisms can scale. Export finance emerges not as technological frontier but as capital-intensive frontier that cannot expand without deeper or more flexible funding sources, demonstrating that fintechs' ability to act as institutional substitutes in export trade finance is fundamentally conditioned by liquidity access. This constraint is structural rather than technological, limiting the depth to which fintechs can penetrate export-finance markets.

6.4.4 Theme 4+5: Export Trade Finance Provision

The findings show that Kenyan fintechs provide export trade finance to SMEs through purchase-order financing and value-chain orchestration. Purchase-order financing provides pre-shipment capital against confirmed export orders by routing funds directly to suppliers, verifying input fulfilment and in some cases receiving repayment directly from foreign buyers. Value-chain orchestration extends beyond lending to coordinate procurement, logistics, foreign exchange conversion and payment collection for cross-border transactions. Fintechs pay suppliers directly, validate foreign buyers before extending credit and maintain visibility over shipment progress whilst SMEs handle logistics coordination. Together, these mechanisms enable SMEs to access export finance by embedding verification, monitoring and enforcement within transaction structures rather than relying on documentary systems that function unreliably or do not exist. However, fintechs do not provide these export mechanisms immediately upon market entry. The findings reveal staged progression where fintechs deliberately select single high-gap sectors as entry points, build operational capabilities and market legitimacy, then progressively expand toward export finance domains. This sequencing reflects institutional constraints rather than strategic preference. Fintechs cannot directly substitute for high-governance export finance institutions requiring extensive legitimacy portfolios, cross-border partnerships and regulatory positioning established in RQ2. Instead, they must build foundations in accessible domains before advancing toward export finance markets banks historically monopolise.

Fintechs begin by entering single sectors characterised by substantial financing gaps, high SME participation and fast-moving transaction cycles. Entry sectors vary (agricultural trade finance, FMCG distribution, agri-processing, manufacturing) but all share lower governance requirements and achievable legitimacy thresholds. This positioning aligns with Sydow et al.'s (2022) observation that fintech emerged as pragmatic institutional workaround targeting domains banks systematically underserve. In these entry sectors, fintechs deploy alternative data triangulation (Theme 1) and sequential hybrid screening (Theme 2) to provide short-cycle working capital that enables rapid knowledge accumulation whilst building performance track records. This entry-sector positioning serves two functions: it generates operational revenue whilst constructing the sector-specific legitimacy and capability required for subsequent progression toward export finance.

From this foundation, fintechs build temporal credit infrastructure through loan graduation mechanisms. Small domestic facilities rely primarily on alternative data, whilst larger exposures require credit bureau verification and collateral. Repayment

behaviour on smaller facilities dynamically increases limits and tenors, substituting for multi-year financial statements that bank-based export finance requires (Auboin & DiCaprio, 2017). This graduated structure enables SMEs to construct longitudinal credit visibility whilst fintechs refine risk assessment capabilities. Studies of mobile-money credit treat repeat borrowing as behavioural outcome (Agarwal & Assenova, 2024), but Kenyan findings reveal graduation institutionalised as intermediation mechanism building the temporal credit histories that banks assume already exist. The graduation pathway bridges entry-sector positioning and export finance capability by enabling both SME borrowers and fintech intermediaries to accumulate the credibility required for cross-border transactions.

With sector-specific legitimacy established and SME credit histories constructed, fintechs progress toward purchase-order financing as the first export-enabling mechanism. Purchase-order financing aligns with literature demonstrating export-linked firms require discrete liquidity injections at pre-shipment, production and post-shipment stages (Liu et al., 2025; Wang & Xu, 2022). However, Kenyan fintechs diverge from traditional trade finance governance by embedding control within transaction structures rather than relying on documentary systems through letters of credit and shipping documents (Chang et al., 2020; Kuma et al., 2023). This reflects Thakor's (2020) theory that when legal enforceability is weak, intermediaries must embed monitoring and purpose assurance within transactions themselves. By routing funds directly to suppliers, fintechs ensure capital reaches intended inputs. By verifying delivery and monitoring production, fintechs substitute for documentary verification functions. By maintaining foreign buyer relationships, fintechs create repayment pathways bypassing weak domestic contract enforcement.

Purchase-order financing becomes viable for SMEs because fintechs combine alternative-data visibility, screening capabilities and liquidity coordination developed through earlier entry-sector operations. This extends global scholarship analysing purchase-order financing in established supply chains with strong institutional supports (Wang & Xu, 2022). In developed markets, purchase-order finance operates as one instrument among many. In Kenya, it becomes foundational mechanism enabling export entry because documentary governance infrastructure functions unreliably. The capabilities built through entry-sector positioning (data triangulation, hybrid screening, sector knowledge) make purchase-order financing operationally feasible, whilst the legitimacy accumulated through performance track records makes it credible to foreign buyers and capital providers.

As operational capabilities deepen, fintechs extend toward value-chain orchestration that coordinates procurement, logistics, foreign exchange and payment collection across borders. Whilst supply-chain finance literature identifies coordinated finance as domestic phenomenon (Chen et al., 2021), Kenyan findings demonstrate cross-border orchestration mitigating information asymmetry and enforcement risk across jurisdictions. By managing input procurement, controlling shipment flows, coordinating foreign exchange and receiving payment directly from buyers, fintechs substitute for multiple institutional functions simultaneously: verification, enforcement and settlement. This reveals fintechs performing functions beyond traditional financial intermediation. Whilst Diamond (1984) theorises intermediaries as delegated monitors reducing oversight costs, the Kenyan case shows fintechs as transaction coordinators ensuring production, shipment and payment cycles complete successfully. This extends Allen and Qian's (2024) conceptualisation of fintech as functional institutional substitute by revealing substitution encompasses not only information production and screening but also operational coordination functions that banks do not perform because trade infrastructure reliably handles these tasks independently.

Both mechanisms embed governance through milestone-anchored disbursement where capital releases at verified operational stages. Initial disbursement covers input procurement once suppliers and orders are validated. Subsequent tranches release upon production milestones or shipment verification. Final settlement occurs when payment confirmation arrives from foreign buyers. This staged structure aligns with trade-cycle liquidity literature (Camerinelli, 2014; Liu et al., 2025) but extends it by revealing milestone verification as governance mechanism rather than merely liquidity-matching device. Each milestone confirms export cycle progress, substituting for documentary verification that letters of credit provide through staged document presentation. Similarly, fintechs align repayment schedules to export shipment timelines and foreign buyer payment cycles. Export shipments may require 30 to 60 day tenors accounting for production, customs clearance and international transit. By aligning tenors to export-specific rhythms, fintechs reduce default probability from timing mismatches whilst ensuring investor capital does not remain deployed longer than necessary. This contextual tenor adaptation performs the same function collateral performs in bank lending by reducing exposure duration and liquidity mismatch (Bruno & Shin, 2022).

Notably, fintechs do not explicitly label these mechanisms as "export trade finance" despite functionally performing export finance roles. The findings reveal fintechs describe purchase-order takeovers, supplier triangulation and cross-border payment

coordination rather than using formal export finance terminology. This linguistic gap suggests current mechanisms operate as functional workarounds substituting for formal export finance infrastructure fintechs cannot yet fully deploy. However, findings indicate future product evolution toward explicit export trade finance products distinct from current mechanisms, revealing progression from implicit functional substitution toward explicit institutional positioning as export finance intermediaries. The staged evolution reflects legitimacy-building progression documented in RQ2: fintechs must first demonstrate operational capability through functional mechanisms before credibly positioning themselves as formal export finance intermediaries competing with banks.

These findings extend Allen and Qian's (2024) conceptualisation of fintech as functional institutional substitute by revealing functional substitution operates through staged progression rather than direct replacement. Fintechs cannot immediately substitute for high-governance export finance institutions requiring extensive legitimacy portfolios and cross-border partnerships. Instead, substitution follows sequential pathways: entry-sector selection builds operational capabilities and market legitimacy, loan graduation constructs temporal credit infrastructure enabling SME credibility accumulation, purchase-order financing enables first cross-border transactions through embedded governance and value-chain orchestration deepens export capabilities through comprehensive coordination. this study finds evidence of a sequential pattern of substitution consistent with the gradualist institutional change described by Mahoney & Thelen (2010). This sector-by-sector and product-by-product staging confirms Sydow et al.'s (2022) observation that fintech functions as pragmatic institutional workaround whilst extending it by revealing workarounds follow sequential rather than direct pathways. Export trade finance provision emerges not as immediate substitution but as culmination of staged progression reflecting compound institutional constraints (RQ1) and multi-level legitimacy requirements (RQ2).

6.4.5 Theme 6: Risk Management

The findings show that fintechs manage export finance risk through hybrid monitoring combining digital surveillance with field-based verification. Digital systems track repayment timelines continuously, trigger early intervention alerts and provide telemetry-like visibility through M-Pesa and merchant till flows. However, algorithmic signals alone cannot capture volatility in semi-formal SME environments. Field agents therefore verify contextual uncertainties through stock inspections, supplier confirmations and in-person business continuity assessments. This hybrid structure reflects institutional necessity rather than design preference: digital monitoring delivers

scale efficiency whilst human verification addresses contextual complexity that algorithms cannot interpret reliably.

Fintechs also deploy behavioural enforcement mechanisms where borrower education prevents default rather than punishing it after occurrence. Onboarding sessions, in-app financial literacy modules and field-agent coaching clarify repayment expectations and reconstruct the behavioural norms that formal institutions typically cultivate. This extends monitoring literature emphasising automated surveillance (Balyuk & Davydenko, 2023; Cong & He, 2019) by revealing that under institutional voids, effective enforcement requires rebuilding borrower capability alongside data monitoring. Early intervention routines prevent small delays from escalating to default, protecting the finite capital pools that sustain future lending. Because fintechs cannot mobilise deposits and rely on external investor capital (Theme 3), repayment stability directly affects organisational survival. Continuous monitoring therefore serves liquidity-preserving function unaccounted for in existing literature examining well-capitalised platforms.

The findings reveal critical divergence from cross-border monitoring literature emphasising logistics-integrated milestone verification where automated signals from shipping lines, customs systems and freight forwarders trigger staged capital releases (Chen et al., 2021). Kenyan SMEs rarely operate within data-rich logistics ecosystems, and interoperability gaps across African freight systems undermine milestone-based automation (Nyantakyi, 2023). Fintechs therefore substitute logistics-embedded verification with relational monitoring through field visits, supplier confirmations and operational assessments. This represents untheorised substitution pathway where relational verification replaces logistics-linked observability. Similarly, whilst literature assumes centralised repayment governance through collateral registries or formal courts (Diamond, 1984; Bertoni et al., 2021), the findings reveal fragmented competitive enforcement across fintechs. SMEs often hold multiple simultaneous loans, creating repayment prioritisation conflicts where flows direct toward creditors with strongest relational presence or most persistent monitoring. This produces competitive enforcement hierarchy amplifying collective risk management challenges.

These mechanisms collectively demonstrate that fintechs make export-linked lending viable by rebuilding the monitoring and enforcement infrastructure that banks rely on collateral and judicial processes to perform. Digital behavioural surveillance provides continuous repayment capacity visibility, relational monitoring substitutes for weak legal enforceability, borrower education stabilises repayment behaviour and early intervention prevents default escalation. Reputational enforcement through credit

bureau reporting becomes primary deterrent in semi-formal markets. These mechanisms transform repayment risk into manageable observable signals, enabling fintechs to underwrite time-bound export finance transactions that banks deem too risky. Monitoring and enforcement therefore constitute central risk-transformation mechanism through which fintechs substitute for institutional voids and deliver credit to export-oriented SMEs, extending Diamond's (1984) delegated monitoring theory by revealing that under institutional fragmentation, intermediaries must reconstruct both observability infrastructure and behavioural norms rather than merely monitoring existing compliance.

6.4.6 RQ3 Synthesis

RQ3 shows that Kenyan fintechs do not simply “add technology” to existing export finance; they reconstruct core intermediation functions under conditions of institutional voids. They rebuild information production through alternative data triangulation, redesign screening via sequential hybrid (algorithmic–human) assessment, and coordinate liquidity through investor-funded capital rather than deposits. They then translate these capabilities into export-facing instruments – purchase-order finance and value-chain orchestration – that embed verification, monitoring and settlement within the transaction itself, substituting for weak collateral regimes and unreliable documentary governance. Continuous digital and relational monitoring, coupled with borrower education and early intervention, further transforms repayment risk into observable, manageable patterns.

Crucially, these intermediation mechanisms evolve sequentially rather than instantaneously: fintechs enter underserved domestic sectors, construct temporal credit histories and legitimacy, and only then extend into export-linked facilities. Export trade finance, in this context, is the culmination of layered institutional substitution rather than its starting point. RQ3 therefore demonstrates that fintechs act as bounded institutional substitutes, able to reconstruct much of the information, screening, liquidity and monitoring architecture required for SME export participation, but always within the structural constraints and legitimacy conditions identified in RQ1 and RQ2.

6.5 Integrated Discussion: Answering the Central Research Question

The central research question asked: How do Kenyan fintechs enable SME access to export trade finance under conditions of institutional asymmetry?

The integrated analysis shows that fintechs do so through sequential institutional substitution: a staged progression in which fintechs first overcome domestic voids, then construct multi-level legitimacy, and only thereafter deploy the intermediation

mechanisms that make export-linked finance operationally feasible. Fintech substitution therefore proceeds through constrained pathways shaped by institutional weakness, not through immediate technological leapfrogging.

RQ1 revealed that institutional asymmetry is layered, configured and selective rather than a simple absence of institutions. Regulative, normative and cognitive voids converge to produce exclusionary banking practices, opaque regulatory governance, fragmented trust, SME capability gaps and cross-border infrastructure barriers. These voids are interdependent: historical normative violations generated deep cognitive mistrust that now anchors restrictive regulatory behaviour. This means fintechs operate within an environment where institutions function for incumbents and formal actors but remain inaccessible to SMEs. These conditions define not only the need for fintech substitution but also the boundaries of what fintechs can substitute for.

RQ2 showed that legitimacy construction is not parallel to substitution but a prerequisite for it. Because fintechs operate in a governance-dense domain historically dominated by banks, they must first establish regulative legitimacy through over-compliance, cognitive and cultural legitimacy through linguistic and community embeddedness, technological legitimacy through visible performance and infrastructure familiarity as well as borrowed legitimacy through partnerships with banks, suppliers and local firms. Legitimacy does not diffuse uniformly across stakeholders – it follows a regulator-first sequencing, where State endorsement produces downward spillovers that shape SME acceptance. This multi-level legitimacy portfolio enables fintechs to cross the credibility threshold required before higher-governance export finance can be attempted.

RQ3 demonstrated how fintechs operationalise substitution once legitimacy foundations are established. They reconstruct information production through alternative data triangulation, perform screening through sequential hybrid (algorithmic–human) assessment, coordinate liquidity through investor-funded capital, and embed governance through purchase-order financing, supplier-directed disbursements, milestone verification and cross-border payment orchestration. Additionally, they go, one-for-one, one sector first and one products only and expand and increase once they have established legitimacy in one area. Export finance therefore emerges not as a discrete product but as the cumulative outcome of capabilities built in lower-governance sectors and progressively extended toward cross-border transactions.

Bringing RQ1–RQ3 together, the integrated analysis introduces sequential institutional substitution as a theoretical mechanism: under conditions of compound voids and fragile legitimacy, fintech substitution proceeds sector-by-sector and product-by-product. Fintechs begin in lower-governance domestic markets, accumulate track records and legitimacy, then graduate into export-enabling mechanisms such as purchase-order finance before evolving toward full cross-border orchestration. This sequentially extends Allen and Qian's (2024) conceptualisation of fintech as functional institutional substitute by demonstrating that substitution is cumulative, path-dependent and contingent on legitimacy thresholds rather than immediate or comprehensive.

Finally, the findings reveal structural limits to substitution. Liquidity remains externally constrained; regulatory regimes prohibit deposit mobilisation; cross-border infrastructure (FX conversion, correspondent banking, AML screening) remains bank-controlled; and foreign-buyer trust requires institutional partnerships fintechs cannot yet fully secure. Fintechs therefore substitute effectively for missing domestic institutions but remain bounded substitutes in cross-border domains.

Overall, fintechs enable SME access to export trade finance not by replicating banking infrastructure, but by rebuilding fragmented domestic institutions sequentially until partial substitution becomes possible. This cumulative trajectory goes from void navigation to legitimacy construction to intermediation. It constitutes the mechanisms through which fintechs overcome institutional asymmetry and expand SME participation in export trade.

CHAPTER 7: CONCLUSION

This study examined how Kenyan fintechs enable SME access to export trade finance under conditions of institutional asymmetry. Chapter 1 identified that SMEs face systematic exclusion from formal trade finance due to compound institutional voids, limiting their participation in cross-border trade. The research addressed this problem by investigating how fintechs navigate institutional voids, construct legitimacy and deploy intermediation mechanisms to substitute for incumbent institutions. The findings reveal sequential substitution as the core mechanism enabling SME export finance access, with implications for theory, practice and future scholarship. This study set out to advance Institutional Theory, Financial Intermediation Theory and International Business scholarship by examining how Kenyan fintechs enable SME access to export trade finance under institutional asymmetry. The research delivers these contributions whilst revealing theoretical insights that extend beyond initial expectations.

7.1 Principal Theoretical Conclusions

7.1.1 Evidence of Sequential Substitution by Fintechs

The study's primary theoretical contribution is the articulation of sequential substitution as a distinct institutional mechanism through which organisational actors compensate for institutional voids. Existing approaches conceptualise fintechs as functional institutional substitutes capable of replacing weak or missing institutional inputs through data-driven or technological capabilities (Allen & Qian, 2024). However, the Kenyan findings reveal that substitution does not occur as immediate replacement. Instead, it unfolds through a temporal, cumulative and institutionally mediated progression, where fintechs gradually reconstruct the organisational credibility, governance capabilities and informational infrastructure required to intermediate in high-governance markets such as export finance.

Sequential substitution clarifies why fintechs begin in low-governance sectors (agricultural trading, FMCG distribution), accumulate operational insight through high-frequency behavioural data, build legitimacy portfolios and only later extend toward purchase-order financing and cross-border value-chain orchestration. This progression is not discretionary strategy; it is the institutionally mandated pathway imposed by compound voids, legitimacy thresholds and liquidity constraints. The concept therefore extends Institutional Theory by demonstrating that functional substitution in fragmented environments is path-dependent and cumulative, shaped by institutional restrictions that determine the sequencing of capability acquisition.

7.1.2 Legitimacy as a Prerequisite for Institutional Substitution

A second major contribution concerns the centrality of legitimacy in enabling intermediation under institutional asymmetry. While prior institutional scholarship views legitimacy as a factor influencing organisational acceptance (Suchman, 1995), this study shows that legitimacy functions as a precondition without which intermediation is not possible. Regulatory over-compliance, cultural intelligibility, technological performance signals and borrowed legitimacy from established partners collectively operate as an enabling institutional infrastructure.

The Kenyan case uncovers a regulatory configuration in which state legitimacy cascades downward: SMEs outsource credibility judgments to regulators who possess power, legitimacy and urgency. This “downward legitimacy spillover” challenges institutional complexity theory’s assumption that organisations must balance multiple logics simultaneously. Instead, it reveals that where stakeholder salience is asymmetrically centred on the State, legitimacy can be constructed sequentially by targeting the regulator first and allowing its endorsement to diffuse to other stakeholder groups. Thus, legitimacy becomes not only a symbolic artefact but a functional institutional input enabling fintechs to perform intermediation roles traditionally reserved for banks.

7.1.3 Cognitively Anchored Regulative Voids

The study extends Institutional Theory further by identifying cognitively anchored regulative voids, a configuration not addressed explicitly in existing literature. In Kenya, normative violations during the digital lending crisis produced persistent cognitive reframing, whereby regulators internalised fintech lenders as inherently risky. This cognitive layer subsequently materialised into stringent, non-enabling regulative practices, high compliance demands without training, guidance or risk-sharing supports.

This layered void configuration reveals that regulative, normative and cognitive voids are interdependent rather than discrete. It demonstrates how institutional weaknesses can cascade across pillars, producing reinforcing institutional asymmetries that condition organisational strategy. This challenges voids scholarship that emphasises absence and instead shows voids as path-dependent, interacting institutional weaknesses that structure the boundaries of organisational action.

7.1.4 Reframing Financial Intermediation Under Institutional Weakness

A fourth theoretical contribution advances Financial Intermediation Theory by showing that under institutional voids, intermediation becomes a dual process of institutional reconstruction and operational capability. Classical intermediation theory conceptualises intermediaries as technical actors performing screening, monitoring, liquidity creation and enforcement through verified artefacts, legal enforceability and stable institutional scaffolding (Diamond, 1984; Leland & Pyle, 1977; Thakor, 2020). The Kenyan findings demonstrate that fintechs must reconstruct all these functions under conditions where the supporting institutional infrastructure does not exist or is not accessible to them.

Fintechs therefore reperform intermediation through: (1) Alternative data triangulation substituting for formal records (2) Sequential hybrid screening substituting for audited documents and collateral (3) External capital coordination substituting for deposit-based liquidity creation (4) Embedded governance substituting for documentary verification (5) Hybrid behavioural monitoring substituting for judicial enforcement.

These mechanisms show that intermediation in fragmented contexts is fundamentally institutional work, where organisations build legitimacy, informational visibility, behavioural norms and governance infrastructure in parallel with performing technical financial functions. This reframes intermediation from a purely financial process to an institutionally embedded activity shaped by political, regulatory and cognitive constraints.

7.1.5 Data Intensity as Institutional Logic

This study also uses the concept of data intensity as a substitute for institutional intensity. Traditional credit systems place informational burden on a small set of highly verified artefacts – audited accounts, collateral valuations, long-term bank histories (Berger & Udell, 2006). Kenyan fintechs invert this logic, distributing informational burden across high-frequency behavioural data: mobile money patterns, supplier cycles, till flows, and geographic stability signals.

This inversion extends theoretical debates on alternative data beyond characterising it as “additional information,” showing instead that in institutional voids, behavioural data becomes the primary source of credit evidence because institutional artefacts are absent or operationally irrelevant for semi-formal SMEs. Data intensity thus emerges as a necessary informational architecture enabling intermediation under institutional constraints.

7.1.6 Daul-Context Institutional Navigation in International Business

A final theoretical contribution lies in advancing International Business scholarship by showing how non-bank actors navigate asymmetric domestic and international institutional contexts. Export finance requires credibility, documentation and enforceability aligned with global standards, yet fintechs operate in domestic contexts marked by institutional voids. Sequential substitution enables fintechs to reconcile these institutional demands by: Constructing domestic legitimacy; Reconstructing intermediation mechanisms through digital and relational processes; and Embedding governance in transaction structures to satisfy cross-border requirements

This dual-context navigation clarifies how alternative finance enables SMEs to enter global markets despite institutional asymmetry, filling a significant gap identified by Allen and Qian (2025) and can also be applied to Sanga and Aziakpono's (2023) same request for research under blockchain technology. It positions fintechs as institutional translators, converting domestic behavioural visibility into credible signals for international actors.

7.2 Empirical Contributions

7.2.1 Extending Empirical Understanding of Fintech-Enabled Export Finance

This study contributes to one of the few, if not first, qualitative, industry-level examinations of fintech-enabled export trade finance in an African emerging-market context. Existing empirical research focuses primarily on consumer lending, P2P platforms, mobile money and domestic digital credit. This study shifts the empirical lens toward export-linked finance, where information asymmetry, cross-border credibility, documentation requirements and regulatory scrutiny are significantly higher.

The findings therefore extend the empirical boundary of fintech research by demonstrating how digital lenders structure, govern and coordinate export transactions, an area largely absent from current literature.

7.2.2 Revealing Institutional Navigation Strategies in Fragmented Contexts

The research provides rare empirical insight into how fintechs operate in environments characterised by cognitively anchored regulative voids; ecosystem-wide trust deficits; fragile infrastructure; cross-border payment constraints; investor-conditioned liquidity.

Rather than treating these constraints as generic barriers, the findings show how each void shapes organisational sequencing, legitimacy construction and intermediation design. This deepens empirical understanding of institutional void navigation by illustrating mechanisms-in-use, not abstract constraints – providing grounded evidence for theory-building in Institutional Theory and IB.

7.2.3 Mapping Sequential Substitution as Lived Market Practice

Empirically, the study documents sequential substitution as a real-world progression, not a hypothetical framework. Fintechs were observed to: (1) Select lower-governance, high-gap sectors (2) Build behavioural visibility through alternative data (3) Establish market and regulatory legitimacy (4) Create temporal credit histories through loan graduation (5) Introduce purchase-order financing (6) Progress toward cross-border coordination (7) Operate proto-export-finance mechanisms under functional descriptions. This empirical mapping provides evidence that institutional substitution does not happen instantly or uniformly, it is layered, cumulative and constrained.

7.2.4 New Empirical Insights into Why Fintechs Fail or Exit

The findings also highlight failure pathways rarely addressed in current scholarship. Fintech collapse in Kenya was frequently attributed not to credit losses but to: liquidity exhaustion, investor withdrawal, regulatory delays or non-approval, failure to construct legitimacy, and sector misalignment with alternative data visibility. These insights help explain the high mortality rate of African fintechs and identify organisational vulnerabilities not linked to technological capability but to institutional positioning and resource dependence.

7.2.5 Empirical Evidence of Multi-Level Legitimacy Construction

Finally, the study documents legitimacy-building not as an abstract process but as observable organisational practice: (1) regulatory over-compliance (2) vernacular language engagement (3) ethnic and regional agent matching (4) community-embedded field operations (5) performance visibility (speed, dashboards) (6) strategic partnerships with banks and suppliers. This provides empirical clarity on how legitimacy is operationalised in contexts where formal credentials are insufficient.

7.3 Practical Contributions and Recommendations

7.3.1 Implications for Policymakers and Regulators

The findings show that regulatory frameworks based on compliance without enablement produce cognitively anchored regulative voids that slow sector progression.

Policy implications include (1) develop regulatory sandboxes for export-finance innovation (2) provide training, guidance, and risk-sharing mechanisms mirroring what banks receive (3) reduce licensing opacity to mitigate market perception risks (4) create tiered regulatory pathways acknowledging sequential substitution stages (5) develop measures that allow regulated non-bank lenders controlled access to cross-

border payment rails. Regulation must shift from enforcement to enablement, recognising the staged progression fintechs must undergo.

7.3.2 Implications for Development Finance Institutions (DFIs)

DFIs play a decisive role in addressing capital constraints. The study identifies the need for patient, longer-tenor capital, support for export-working-capital programmes through fintech channels, provision of first-loss guarantees for export-linked tickets, co-development of cross-border verification infrastructure, support for data and analytics capacity building. DFIs should treat emerging market fintechs as strategic co-intermediaries, not peripheral actors.

7.3.3 Implications for SME Exporters

SMEs gain actionable insights into how to access fintech-enabled export finance: (1) build behavioural visibility through consistent digital payment activity (2) separate business and household cash flows (3) maintain stable supplier and buyer relationships (4) gradually expand credit through graduation-based borrowing (5) engage in training provided by fintechs to align with expected repayment norms. SMEs must understand that credibility is built iteratively, not event-by-event.

7.3.4 Implications for Trade Promotion Agencies

Export councils, chambers and trade agencies can integrate fintech partnerships into export-readiness programmes. The findings highlight opportunities to incorporate fintech PO financing into export promotion, support SMEs with export documentation literacy, coordinate fintech-logistics-buyer matching, fund shared risk assessment infrastructure and address knowledge gaps and operational capability constraints.

7.4 Limitations of the Research

This study acknowledges several limitations.

First, the research focuses exclusively on Kenya, limiting generalisability to contexts with different institutional configurations, digital infrastructure maturity or regulatory environments. Whilst Kenya exemplifies contexts with mature digital-payment ecosystems, weak trade-finance infrastructure and active fintech regulatory regimes, findings may not transfer directly to contexts lacking M-Pesa equivalents or facing different regulatory constraints. Second, the study examines fintech perspectives on export finance provision without systematically incorporating SME borrower perspectives or foreign buyer experiences, potentially limiting understanding of how export finance mechanisms function from beneficiary viewpoints. Third, the research captures fintech operations at a specific temporal moment (2024) during which

regulatory frameworks, capital availability and market conditions remain dynamic. Sequential substitution pathways may evolve as institutional environments mature or as fintechs accumulate operational track records enabling progression toward explicit export finance positioning. Fourth, the study focuses on fintechs that survived initial market entry, potentially introducing survivorship bias and limiting insight into failure mechanisms or unsuccessful institutional navigation strategies. Fifth, whilst the interpretivist approach enables deep contextual understanding, it limits ability to quantify relationships between institutional voids, legitimacy mechanisms and export finance outcomes, restricting causal inference about which mechanisms prove most critical for substitution success.

7.5 Recommendations for Future Research

7.5.1 Cross-Country Comparative Studies and Boundary Conditions

This study demonstrates that sequential substitution is heavily shaped by Kenya's unique institutional configuration – mature digital rails, semi-formal SME economy, and regulator-controlled financial infrastructure. Comparative research across Nigeria, Ghana, South Africa, Rwanda or Tanzania could test whether sequential substitution emerges only under mature mobile-money ecosystems or whether alternative substitution pathways exist in markets with deeper banking penetration or weaker digital infrastructure. Additionally, test how regulatory posture (supportive vs. coercive) shapes the feasibility and speed of fintech progression into export finance. Confirm whether cross-border institutional asymmetry produces different legitimacy architectures in markets aligned with francophone, anglophone, or regional economic blocs. Such comparative work would clarify boundary conditions for the generalisability of sequential substitution.

7.5.2 Longitudinal Studies on Substitutional Progression

This study provides a cross-sectional snapshot of fintech progression but cannot examine how mechanisms evolve over time. Longitudinal research could track: How fintechs transition from entry-sector financing to export-ready structures. Track whether legitimacy gains decay, stabilise or amplify over time. Track whether organisational failures follow identifiable patterns linked to liquidity, legitimacy or regulatory barriers. Such longitudinal evidence would clarify which mechanisms enable progression and which create bottlenecks.

7.5.3 Multi-Sided Ecosystem Research (SMEs, Banks, Foreign Buyers, Logistics Actors)

Future research should incorporate SME borrowers' experiences with graduation, monitoring, fund-flow control, and trust formation. Foreign buyer perceptions of fintech-mediated transactions relative to bank-mediated trade finance. Logistics providers' insights into the feasibility of cross-border milestone verification. Banking partners' internal evaluation criteria for working with non-bank intermediaries. A multi-sided approach will enable a full ecosystem understanding of export-finance intermediation.

7.5.4 Legitimacy Architecture and Translation Across Stakeholders

This study identifies a theoretically significant puzzle: borrowed legitimacy does not translate into regulative legitimacy in the Kenyan context. Future research should explore under what conditions, if any, borrowed legitimacy can become a basis for regulatory acceptance. The study identified this as unexplored theoretical question warranting investigation into whether partnership configurations might enable regulative legitimacy construction or whether institutional theory's legitimacy typology reflects structurally separate construction processes. Additionally, future research can explore how fintechs recalibrate legitimacy portfolios as they transition from domestic to cross-border markets and whether cross-border partners (foreign buyers, international banks) demand different legitimacy signals than domestic regulators and SMEs. Such work would refine legitimacy theory by clarifying how legitimacy travels (or fails to travel) across institutional domains.

7.5.5 Quantitative Testing of Relationships Identified in Sequential Substitution

Future research should quantitatively examine relationships between institutional void dimensions, legitimacy mechanism deployment and export finance outcomes, testing whether specific void configurations necessitate particular legitimacy strategies and whether legitimacy portfolio composition predicts substitution success. This would complement qualitative insights with quantitative evidence enabling generalisation.

7.5.6 Digital Trade Infrastructure and Interoperability Gaps

Finally, research should examine barriers to complete substitution by investigating capital constraints, regulatory positioning limits and cross-border infrastructure gaps preventing fintechs from achieving comprehensive export finance intermediation. Understanding these barriers would inform policy interventions and institutional innovations enabling fintechs to progress beyond functional workarounds toward explicit institutional positioning as recognised export finance intermediaries competing directly with incumbent banks.

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APPENDICES

APPENDIX A: INTERVIEW PROTOCOL

Title: Understanding industry practices in fintech-enabled export financing in South Africa

Estimated Duration: 45 – 60 minutes

This interview explores industry practices and challenges in South Africa's fintech trade finance sector. Questions focus on general industry dynamics rather than specific company strategies.

Research Theme 1: Emergence as institutional substitutes

Literature: *Drawing from institutional theory: Mair & Marti (2009) and Khanna & Palepu (2010)*

1. How did fintech firms in South Africa initially emerge to address gaps in traditional trade finance provision for SMEs?
2. In what specific ways do fintech companies substitute for traditional banking institutions in export finance?
3. What institutional failures or gaps created opportunities for fintech firms to establish themselves in this sector?

Research Theme 2: Navigating Institutional Constraints

Literature: *Drawing from institutional theory: North (1990) and Scott (2008)*

4. How do fintech firms typically navigate regulatory voids or inconsistencies in South Africa's trade finance environment?
5. What normative challenges (social norms, trust issues) do fintech firms offering trade finance/ export credit commonly encounter, and how do they address these?
6. How do fintech companies handle cognitive voids - situations where stakeholders don't understand or recogniSe their role?
7. In your view, how do social norms or prevailing attitudes toward fintech affect the uptake of your trade finance solutions?

Research Theme 3: Intermediation Mechanisms in Export Financing

Literature: *Drawing from financial intermediation theory: Leland & Pyle (1977)*

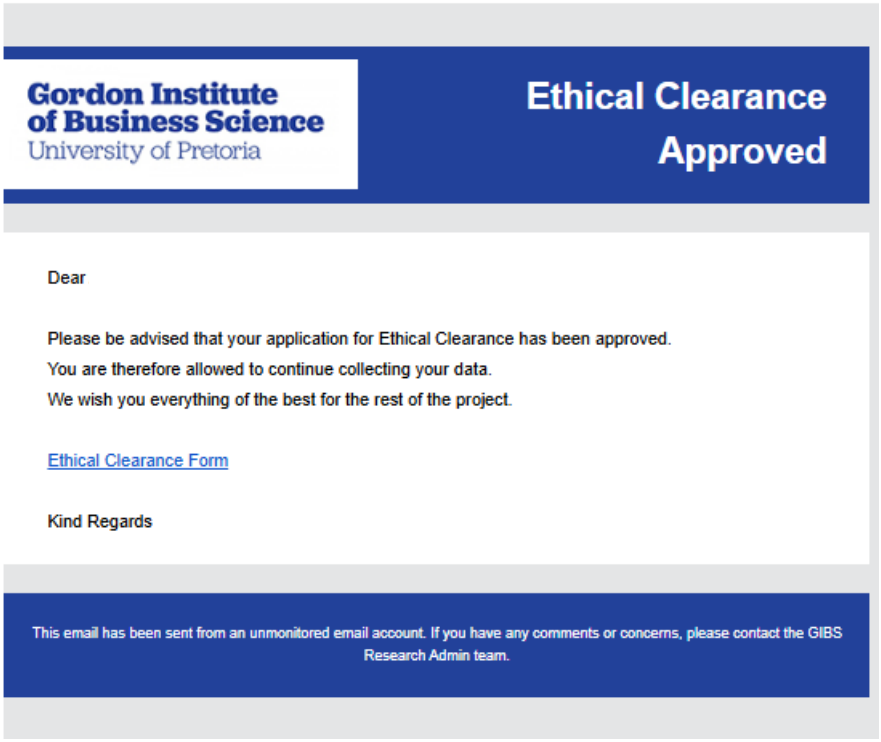
8. What specific intermediation mechanisms do fintech firms use that differ from traditional banks?
9. How do fintech companies perform risk assessment and liquidity transformation differently than traditional institutions?
10. How does your platform assess the creditworthiness of SME exporters, particularly those with limited financial records or formal credit history?
11. What alternative approaches do fintech firms use to build trust and manage cross-border transactions?
12. What risks do fintech firms typically face in offering export financing, such as currency fluctuations, defaults or non-delivery and how do you manage these risks?

Research Theme 4: Building Legitimacy and Trust

Literature: *Drawing from legitimacy literature: Suchman (1995)*

13. How do fintech firms establish themselves as credible alternatives to traditional trade finance institutions?
14. What strategies do fintech companies use to gain acceptance from traditional institutional actors and cross-border counterparts (e.g., offshore banks, logistics providers, customs)?
15. What role do institutional partnerships with regulators, DFIs, banks or trade associations play in establishing your legitimacy within the export finance ecosystem?
16. How do fintech firms maintain their role as institutional substitutes while working within existing systems?
17. Which strategic decisions (in design, partnerships, licensing, or communications) mostly contribute to credibility in delivering export financing?

APPENDIX B: ETHICS CLEARANCE



Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

Informed consent for interviews

Note: *This standard informed consent letter to be used in qualitative interviews, must be separate from interview guide, must be signed before the interview commences. The signed form must be stored separately from the data collected*

I am conducting research on ***bridging institutional voids: how fintechs enable SME export trade financing***. Our interview is expected to last ***45 - 60 minutes***, and will help us understand ***how fintech firms operate as institutional substitutes in SME export trade finance ecosystem***. **Your participation is voluntary and you can withdraw at any time without penalty**. By signing this letter, you are indicating that you have given permission for:

- The interview to be recorded;
- The recording to be transcribed by a third-party transcriber, who will be subject to a standard non-disclosure agreement;
- Verbatim quotations from the interview may be used in the report, provided they are not identified with your name or that of your organisation;
- The data to be used as part of a report that will be publicly available once the examination process has been completed; and
- All data to be reported and stored without identifiers.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name	Research Supervisor name
Email	Email
Phone	Phone

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

APPENDIX C: LIST OF CODES USED

	First-level Codes	Second-level Codes

1	Banks require collateral	Irreplicable Collateral-based Lending Standards
2	banks have long turnaround time	
3	banks require bank accounts for disbursement	Documentation Requirement Standard
4	Banks demand formal statements and permits	
5	banks have strict assessment procedures	
6	Minimum loan requirement	Minimum Loan Standards
7	No financial support for fintechs	Compliance Without Enablement
8	Working Under CBK regulations	
9	No government promotion of fintech services	
10	All by ourselves, however we have to comply	
11	licensing process very slow	Slow and Opaque Licensing Process
12	Licensing Delay	
13	small portion of fintechs licensed	
14	8-year licensing delay	
15	CBK discussing but implementation slow	
16	"Don't call us, we'll call you" regulator attitude	Poor Regulator Communication
17	Unpredictable approval timeline	
18	Arbitrary customer relationship shutdown	
19	Viewed as "secondary project"	Government Perception of Fintechs
20	regulator didn't want fintechs as primary lenders	
21	government didn't understand fintech reach	
22	Banks "cannot collapse" perception	
23	Consumer protection crisis 2019-2019	Historical Customer Protection Crisis Damages Fintech Credibility
24	crude collection methods - phone book harassment	
25	SMS contact list exploitation	
26	No trust between fintechs and companies	B2B Trust Gaps
27	Association advocacy gaps	
28	Companies don't trust each other	

29	Pay suppliers directly to avoid diversion	Limited Understanding of Credit and Trade Finance
30	Trade finance vs loan confusion	
31	Fund diversion to personal emergencies	
32	Limited English/Swahili proficiency	
33	No training on how to manage funds	
34	Educate them on what fintechs are	Limited Awareness of Fintech Products
35	Multi-visit onboarding process	
36	Need to retrain customers	
37	Payment rails don't work for B2B cross-border	Foreign Exchange Conversion Barriers
38	PAPS not working on ground	
39	Infrastructure doesn't work	
40	Multiple currency AML flags	Cross-Border Payment System Gaps
41	KYC verification burden	
42	Easier to use USD than local currency	
43	Regulatory compliance adherence	CBK certification as badge
44	Being certified matters	
45	Compliance with consumer protection regulations	Compliance with consumer protection regulations
46		
47	Consistent data reporting	Compliance Reporting
48	Share report every month	
49	Legal agreement frameworks	Compliance with Regulated Interest Rates
50	Minimal interest rates	
51	Door-to-door trust building	Door-to-door marketing campaigns
52	County-by-county expansion teams	
53	Neighbourhood-level customer knowledge	
54	First customer...ambassador for subsequent customers	First customer as ambassador
55	word gets to spread on the ground	Word-of-mouth viral growth
56	Peer referral networks	
57	business development officers stationed all over the country	
58	Ethnic positioning strategies	Ethnic and linguistic matching
59	Vernacular product communication	
60	"The relationship you create determines business survival"	Community embeddedness

61	Account managers assigned to businesses	
62	Personal relationships as social collateral	
63	get instant feedback	Speed and Efficiency
64	it takes two minutes to have your score	
65	we still have to stick to the rails that businesses can trust	Operating on Trusted Payment Rails
66	need agreements for large value settlements	Transparent Agreements
67	Contract enforcement clauses	
68	Transparent interest rates	
69	we don't have hidden charges or hidden information	
70	Once you've been scored, you get a message	Transparent Scoring Limits
71	Strategic partnership for market entry	Market Entry Partnership
72	work as technical service provider under bank	
73	Fintech as complementary	
74	Co-branding with agri companies	Partnerships with Local Companies
75	Partner with local businesses for advertising	
76	Continue banking with whoever they bank	Positioning Relative to Banks
77	Improve credit score to access bank products	
78	Suppliers as partners	Partnerships with Suppliers
79	Suppliers paid directly	
80	Customers come under a partner	
81	Pay for advertising	
82	Trade show participation	Controlled Reputation
83	Digital marketing intensity	
84	M-Pesa accessible from any corner of Kenya	
85	Factor alternative data...mobile money	
86	Purchase History from Suppliers	Non-Traditional Data (Alternative Data)
87	Order volume patterns	
88	Purchasing history from B2B partners	

89	Merchant Till/PayBill statement	
90	Seasonal demand data	
91	Consider floods Geographic data	
92	Credit reference bureau usage	Traditional Data
93	One-year bank statements (when available)	
94	KYC documents	
95	Machine learning software for limit allocation	Digital Scoring and Algorithms
96	Automated scoring engines	
97	Combined CRB + M-Pesa scoring	
98	Physical business visits	Physical Human Verification
99	Inspect stock levels in shops	
100	Short-term financing model	Working Capital Loans
101	Working Capital Provision	
102	Customers come under a partner	Embedded Supply-chain financing
103	Verify supplier relationships	
104	Embedded finance products	
105	Purchase livestock on exporter's behalf	Purchase Order financing
106	LPO financing	
107	Invoice/receipt verification required	
108	Supply chain payment orchestration	Value Chain Orchestration
109	B2B2C credit provision	
110	Value chain integration	
111	Exempt small loans from credit history check	Tiered Eligibility Requirements
112	exempt small loans from credit history check	
113	Agility as competitive advantage	Building Pathways to Formal Banking
114	Very short-term loans	Tenor Flexibility Tied to Business Cycles
115	Returns higher on short-term than long-term	
116	Loan graduation based on repayment behaviour	
117	Collection team deployment	Relationship-Based Monitoring and Collections
118	Personal touch...high repayment rates	
119	Field agents as relationship managers	

120	Customer education on costs	Proactive Early Intervention
121	Automated SMS reminders	
122	Customer education on credit management	
123	Pre-default engagement	Preventative Education
124	Understanding repayment obligations	
125	Resell repossessed inventory	
126	Asset recovery clauses in contracts	
127	Intervene systematically	Structured Escalation and Recovery
128	Structured Escalation and Recovery	
129	Most of them have investors	External Investor Funding
130	Debt financing lines	
131	International fintech investment	
132	SME repayment flows	Revenue-Based Liquidity
133	Interest income generation	