Abstract

Kenya reports a high overall financial inclusion rate of 84.8%, yet some adults rely exclusively on informal finance. Drawing on Transaction Cost Economics and the Imperfect Information School, this study asks whether distance, region, gender and digital access sustain this reliance. The study utilises the 2024 FinAccess Household Survey. Digital access is the dominant correlate: users are 69 percentage points less likely to rely exclusively on informal finance if they can access digital financial services ($\beta = -8.69$, $p < 0.01$). Wealth, age and education also matter. Relative to the lowest quintile, the highest wealth quintile has a coefficient of -2.39 ($p < 0.01$); respondents above 55 have -2.20 ($p < 0.01$) relative to those aged 26–35. Further, tertiary education is significant at -1.03 ($p < 0.05$). Younger adults aged 18–25 also show higher reliance on informal finance (0.59, $p < 0.05$). Regional levels differ significantly: relative to Nairobi, Central (-1.60, $p < 0.01$) and Western (-1.49, $p < 0.01$) have lower conditional odds, although this contrast rests on a small reference group and changes with the reference region. The Gender and Distance interaction is positive and significant on the log-odds scale (0.0121, $p < 0.05$). All estimates are conditional associations, not causal effects. Policy should prioritise digital onboarding of non-users and targeted savings products for youth and low-wealth households, with agent-banking investment for women.