Razafimamonjy Andrianimbahoaka, O. (2026). Financial institutions and the formalisation of informal trade in African secondary cities: a conceptual diagnostic of Fianarantsoa, Madagascar. Management and Entrepreneurship: Trends of Development, 3(37), 43-61. https://doi.org/10.26661/2522-1566/2026-3/37-03

ECONOMICS AND INTERNATIONAL ECONOMIC RELATIONS

RECEIVED:
09 July 2026
ACCEPTED:
02 September 2026
RELEASED:
20 October 2026

CC BY 4.0

UDC 339.3:336.7:330.342.14

DOI 10.26661/2522-1566/2026-3/37-03

FINANCIAL INSTITUTIONS AND THE FORMALISATION OF INFORMAL TRADE IN AFRICAN SECONDARY CITIES: A CONCEPTUAL DIAGNOSTIC OF FIANARANTSOA, MADAGASCAR

Razafimamonjy Andrianimbahoaka Ousman
PhD, Adjunct Professor in Management,
EMIT (Ecole de Management et d'Innovation technologique)
University of Fianarantsoa
Madagascar
ORCID 0009-0005-7592-5424

** Corresponding author email: andryousman@gmail.com*

Abstract. Purpose: Financial institution presence is routinely treated as a natural lever for formalising informal trade. This article develops a conceptual diagnostic of why presence and formalisation nevertheless diverge sharply in African secondary cities, using Fianarantsoa, Madagascar as an illustrative case. Design/methodology/approach: The article integrates finance-growth theory, asymmetric information theory, institutional economics and digital-finance research into an original conceptual framework, then applies it diagnostically to secondary data on Fianarantsoa's financial-institution inventory and national financial-access indicators. No primary data were collected. Findings: The Proximity–Accessibility Gap framework distinguishes nominal financial proximity from effective financial accessibility. Fianarantsoa hosts fourteen financial institutions across eighteen service points, yet recorded only fourteen new formal enterprises in 2024 against 2,259 in the Antananarivo region, while national data show 61.8 per cent account ownership against 8 per cent bank-credit access. The framework positions the city predominantly within a "proximity illusion" quadrant and generates six testable research propositions. Research limitations/implications: The diagnostic relies on national proxies and a documented institutional inventory rather than branch-level lending data; propositions require primary validation. Practical implications: Institution-specific interventions are indicated: underwriting delegation for commercial banks, capital and density expansion for microfinance institutions, and credit-scoring integration for mobile money. Social implications: Closing the gap bears directly on livelihoods in a commercial sector where informality is close to universal. Originality/value: The framework offers a portable diagnostic construct for secondary-city financial inclusion research beyond Madagascar.

Keywords: financial inclusion; informal economy; enterprise formalisation; secondary cities; microfinance; mobile money; Madagascar.
JEL Classification: G21, G28, J46, O17.

INTRODUCTION

Financial development theory has long treated the expansion of banking and microfinance infrastructure as a precondition for enterprise formalisation. From Schumpeter's (1934) original insight through King and Levine's (1993) cross-country evidence, well-functioning financial

eISSN 2522-1566
ISSUE 3 (37), 2026

institutions are held to channel savings towards productive investment, lower transaction costs and thereby raise the return to formal economic status. The policy inference conventionally drawn is direct: extend the physical footprint of banks and microfinance institutions, and formalisation will follow as informal operators gain access to the credit and payment infrastructure that formal status both requires and rewards. This inference, however, has rarely been tested at the spatial scale where most of Africa's commercial activity actually occurs ; the secondary city ; and this article argues that, once tested there, it does not hold.

The case examined is Fianarantsoa, Madagascar's fourth-largest city and the historic commercial capital of the Betsileo region. Fianarantsoa is not a financial desert. Field documentation compiled for this article identifies fourteen formal financial institutions operating across eighteen service points in the city: six commercial banks and banking institutions, and eight microfinance, savings and other financial institutions (Table 1). Measured by simple headcount, this is a materially denser institutional presence than a naive reading of Madagascar's secondary-city banking geography might predict. Yet the Economic Development Board of Madagascar recorded only fourteen new formal enterprise registrations in Fianarantsoa in 2024, against 2,259 in the Antananarivo region ; a more than 160-fold difference between two urban economies whose underlying commercial activity is, by every qualitative account, far less asymmetric than this figure implies (EDBM, 2025).

At the national level, only 8 per cent of Malagasy firms report access to a bank loan or line of credit, against roughly 20 per cent across Sub-Saharan African firms surveyed in the World Bank Enterprise Surveys, even though 61.8 per cent of enterprises hold a formal bank account (World Bank, 2025). It is this asymmetry - dense and growing institutional presence coexisting with a formal-credit relationship that a majority of enterprises simply do not have - that the article is built to explain.

The puzzle, restated precisely, is this: financial institutions are present in Fianarantsoa in greater number than a conventional reading of secondary-city banking would anticipate, and a majority of enterprises maintain some formal relationship with them, yet credit ; the specific financial function most directly implicated in formalisation decisions ; remains largely inaccessible to the informal commercial majority. Existing scholarship explains fragments of this puzzle without resolving it as a whole. Asymmetric information theory explains why collateral-poor borrowers are rationed out of credit markets (Stiglitz & Weiss, 1981); the "missing middle" literature explains why enterprises of intermediate size are simultaneously too large for microfinance and too small for commercial banking (Beck & Demirguc-Kunt, 2006); and mobile money research explains how digital payment infrastructure can partially substitute for formal credit relationships without replicating them (Suri & Jack, 2016; Tetteh et al., 2025). What is absent is a framework that integrates these partial explanations into a single diagnostic account of why institutional presence and institutional accessibility diverge so persistently in the secondary-city context, and that generates testable propositions about the conditions under which the divergence narrows.

This article makes three contributions. First, it develops the *Proximity–Accessibility Gap* framework, distinguishing nominal financial proximity from effective financial accessibility and specifying the mechanisms ; collateral technology, functional distance, and institutional trust ; that determine the width of the gap between them.

Second, it applies the framework diagnostically to Fianarantsoa's documented financial-institution inventory and to national financial-access indicators, while being explicit throughout about what secondary data can and cannot establish at city scale. Third, it advances six falsifiable research propositions and a differentiated policy agenda that distinguishes the roles of commercial banks, microfinance institutions and mobile money platforms ; deliberately replacing the undifferentiated prescription to "expand financial access" that a purely proximity-based reading of the literature tends to generate.

Razafimamonjy Andrianimbahoaka, O. (2026). Financial institutions and the formalisation of informal trade in African secondary cities: a conceptual diagnostic of Fianarantsoa, Madagascar. Management and Entrepreneurship: Trends of Development, 3(37), 43-61. https://doi.org/10.26661/2522-1566/2026-3/37-03

LITERATURE REVIEW

Financial deepening and the growth–formalisation nexus: what it explains, and its limit

The theoretical starting point for treating financial institutions as agents of formalisation is the finance-growth literature initiated by Schumpeter (1934) and formalised empirically by King and Levine (1993), whose cross-country evidence showed that financial depth robustly predicts subsequent economic growth. Levine's (2005) synthesis identifies five functions through which financial systems support development ; mobilising savings, allocating capital, monitoring investment, facilitating risk management, and easing exchange ; each of which bears on formalisation, since formal status is, among other things, a wager that the benefits of institutional integration exceed its costs in taxation and compliance (La Porta & Shleifer, 2014; Loayza, 2016). Rajan and Zingales (1998) sharpened the argument by showing that financial development disproportionately benefits sectors structurally dependent on external finance, a finding directly relevant to informal commerce: trading and retail activities, which require working capital to bridge the interval between purchase and resale, are among the most credit-dependent activities in any economy. Commerce accounts for 69 per cent of the Malagasy informal sector's turnover (INSTAT, 2012), so if Rajan and Zingales's mechanism operates in Fianarantsoa, the city's informal commercial sector should be disproportionately responsive to changes in credit access.

What this literature does not explain is *why* financial depth, measured in the aggregate, so often fails to reach the informal micro-enterprises that dominate secondary-city commerce. Its cross-country evidence is aggregated at a level that cannot distinguish an institution's mere presence from a trader's actual ability to borrow from it ; a distinction the next strand of literature begins to supply.

Asymmetric Information and Credit Rationing: What It Adds, and Its Limit

Stiglitz and Weiss's (1981) credit-rationing model explains why presence does not translate into access: when lenders cannot fully observe borrower risk, raising interest rates to clear the market adversely selects for riskier borrowers, so lenders ration credit through collateral requirements rather than price. Informal traders are structurally exposed to this mechanism ; lacking audited accounts, credit histories or titled collateral, they are, from a lender's perspective, observationally difficult to distinguish from the riskiest segment of the borrower population, regardless of true repayment capacity (Karlan & Zinman, 2008). Degryse and Ongena (2005) extend the logic spatially through *functional distance* ; the informational, rather than merely physical, distance between a borrower and the loan officer with underwriting authority – which rises when lending decisions are centralised at a distant headquarters applying standardised criteria, even where a branch is physically present locally. Guiso, Sapienza and Zingales (2004) add that trust between borrowers and lenders independently predicts credit-market participation, net of collateral and documentation, a mechanism plausibly weaker across the social distance separating salaried urban bank officers from itinerant or market-based traders (Fafchamps, 2004).

This strand explains *why* proximity fails to generate access, but it treats the underwriting technology of "the bank" as relatively uniform. It does not yet explain why different types of formal financial institution ; commercial banks, microfinance institutions, mobile money platforms ; might be affected by this mechanism to very different degrees, which is the question the missing-middle and digital-finance literatures take up next.

The Missing Middle and the Geography of Formal Credit: What It Adds, and Its Limit

Beck and Demirguc-Kunt's (2006) diagnosis of the "missing middle" identifies a structural gap in the enterprise size distribution: micro-enterprises are served, however imperfectly, by microfinance institutions built around group-lending and character-based underwriting, while large formal enterprises access commercial banking through collateral-based underwriting; the intermediate population ; too large for microfinance's typical ceilings, too informationally opaque for commercial underwriting ; is served by neither. This diagnosis has an underexplored geographic corollary. Bank branch networks in developing economies are disproportionately concentrated in capital cities and primary agglomerations, reflecting the fixed costs of establishing underwriting capacity and the self-

eISSN 2522-1566
ISSUE 3 (37), 2026

reinforcing pull of urban primacy in weakly diversified economies; where secondary-city branches exist, as in Fianarantsoa, field and industry evidence suggests they typically function as deposit-taking and payment-processing outlets operating under centrally determined criteria rather than as autonomous lending units able to adapt collateral and documentation requirements to local informal commerce ; Degryse and Ongena's (2005) functional-distance mechanism operating through intra-national rather than international bank geography.

This strand explains why formal credit is scarce for a specific *size class* of enterprise, and why that scarcity is compounded by distance from underwriting authority, but it was developed chiefly from national and cross-country enterprise-survey evidence and offers little direct guidance on the newest and fastest-diffusing channel through which financially excluded populations transact: mobile money.

Digital finance and mobile money: what it adds, and its limit

The rapid expansion of mobile money across Sub-Saharan Africa has generated a substantial literature on its capacity to substitute for missing formal financial infrastructure. Suri and Jack's (2016) study of Kenya's M-Pesa system found that mobile money access lifted an estimated 2 per cent of Kenyan households out of poverty, primarily through improved risk-sharing and savings rather than credit provision. Firm-level evidence sharpens the distinction: Tetteh, Goedhuys, Konte and Mohnen (2025), using Kenyan household survey data, find that informal entrepreneurs who use mobile money for business transactions are significantly more likely to both receive and extend trade credit ; informal, supplier-based credit rather than formal bank lending ; because mobile money transaction histories function as an alternative signal of creditworthiness in relationships sustained by repeated interaction rather than collateral. Grzybowski, Lindlacher and Mothobi's (2023) cross-country analysis of Sub-Saharan African mobile money similarly finds robust financial-inclusion effects concentrated in payment and savings functions, with credit effects considerably more modest and conditional on complementary formal-sector infrastructure. The consistent finding is that mobile money most reliably expands *transactional* and *informal relational* inclusion while leaving the formal credit gap largely intact ; a pattern consistent with Madagascar's own divergence between roughly 40 per cent of adults with mobile money access and roughly 19 per cent with access to formal financial services (Direction Générale du Trésor, 2026).

This final strand supplies the element the earlier three cannot: a mechanism through which informational infrastructure ; transaction histories ; could in principle substitute for the collateral and documentation that formal underwriting demands. It does not yet explain, however, when and how that informational infrastructure gets converted into actual credit access rather than remaining confined to payments and informal trade credit. Synthesising the four strands into a single diagnostic construct capable of answering that question is the task of Section Theoretical framework.

.**Theoretical framework**

Collateral technology and the cost of underwriting informality

Stiglitz and Weiss's (1981) credit-rationing model supplies the microeconomic foundation for this framework. Lenders facing unobservable borrower risk substitute collateral requirements for price adjustment, rationing out borrowers who cannot post acceptable collateral regardless of their true default probability. Informal traders are disadvantaged under this technology for reasons unrelated to underlying creditworthiness: they typically lack titled property, hold fixed capital concentrated in inventory and small equipment rather than titled assets, and generate revenue that is real but not documented in a form standardised underwriting can process. The implication is that closing the credit-access gap requires not merely more branches applying the same collateral technology, but a different underwriting technology altogether ; character-based, cash-flow-based, or group-liability lending of the kind microfinance institutions were originally designed to deploy (Karlan & Zinman, 2008; Banerjee et al., 2015).

Institutional economics and the cost–benefit calculus of formalisation

North's (1990) institutional framework, applied to informality by La Porta and Shleifer (2014) and Loayza (2016), treats formalisation as a rational cost–benefit calculation: informal operators formalise when the expected benefits of formal status ; credit access, contract enforceability, access to public procurement and larger markets ; exceed its costs in taxation, compliance and administrative burden. This yields a direct implication for financial-institution policy: if formal institutions do not, in practice, extend credit to newly formalised enterprises on materially better terms than those available informally, formalisation confers cost without commensurate benefit, and continued informality follows as the rational choice ; independent of how many bank branches operate in the city. Ohnsorge and Yu's (2022) cross-country synthesis of informality for the World Bank reaches a structurally consistent conclusion: financial access and formalisation are mutually reinforcing only where credit terms available to formal firms are demonstrably superior to informal alternatives, a condition this article argues is not straightforwardly satisfied by nominal financial-institution presence alone.

Social Capital, Trust and the Limits of Physical Proximity

A third strand, grounded in Coleman's (1988) and Putnam's (1993) social capital theory as applied to financial markets by Guiso, Sapienza and Zingales (2004), holds that credit relationships depend on interpersonal and institutional trust that is neither reducible to, nor automatically generated by, physical proximity. Fafchamps's (2004) analysis of African market institutions documents that trust in Sub-Saharan African commercial relationships is built substantially through repeated transaction, community reputation and network embeddedness ; social infrastructure that formal banks, optimised for standardised, arm's-length transactions, are poorly positioned to generate or exploit. Even where collateral and underwriting technology were adapted to informal traders' circumstances, a residual trust deficit between formal institutions and informal commercial communities would continue to constrain credit uptake, implying that narrowing the Proximity–Accessibility Gap requires trust-building mechanisms ; embedded loan officers, community intermediaries, partnerships with existing informal savings groups ; alongside product and collateral redesign.

Synthesis: an integrated framework

Each strand reviewed above identifies a condition that is necessary but, alone, insufficient for financial institutions to function as an effective lever of formalisation: appropriate collateral and underwriting technology (3.1), a favourable formalisation cost–benefit calculus contingent on credit terms (3.2), and sufficient institutional trust (3.3). The Proximity–Accessibility Gap framework developed in Section The proximity–accessibility gap: framework and diagnostic application integrates these three conditions into a single diagnostic construct. It does not claim to originate the underlying mechanisms, each of which is well established in its own literature; its contribution is to integrate collateral technology, cost–benefit calculus and institutional trust ; together with the digital-finance evidence reviewed in Section Digital finance and mobile money: what it adds, and its limit; into one diagnostic construct organised around a distinction, between nominal proximity and effective accessibility, that the finance-growth literature's aggregate empirical operationalisation has not systematically drawn. The claim advanced is accordingly one of integration and application to an underexamined spatial context, not of theoretical novelty at the level of individual mechanisms.

Research gap

Gap 1: Financial inclusion metrics conflate proximity with accessibility. Branch density, ATM density and account ownership ; the indicators most commonly reported in national and international financial-inclusion statistics ; measure nominal proximity far more precisely than they measure effective credit accessibility. This is not merely a measurement quibble: it is a conceptual gap. Neither the finance-growth nor the financial-inclusion literature has developed a systematic framework for distinguishing these two constructs, despite descriptive evidence ; including Madagascar's own 61.8 per cent account-ownership-versus-8 per cent credit-access disparity (World Bank, 2025) ; that they diverge sharply in practice. Where this divergence is discussed at all, it tends

to be treated as noise around a proximity-based prediction rather than as a construct requiring its own theory.

Gap 2: Secondary cities are theorised as scaled-down primary cities rather than as a distinct institutional environment. The bank-geography and missing-middle literatures (Beck & Demirguc-Kunt, 2006; Degryse & Ongena, 2005) are grounded overwhelmingly in evidence from primary metropolitan and, in several influential studies, high-income financial markets. Secondary cities such as Fianarantsoa occupy a theoretically distinct position: formal financial institutions are present ; often, as this article's inventory shows, more densely present than a naive reading would predict ; but institutionally peripheral to headquarters located elsewhere, so that functional distance, collateral-technology mismatch and missing-middle gaps interact under conditions the primary-city and purely rural financial-exclusion literatures were not built to capture. This is why the secondary-city context is analytically revealing rather than merely a data-availability convenience: it is the setting in which nominal proximity and effective accessibility are most likely to be observed pulling apart, and is therefore the setting best suited to testing whether the distinction has independent explanatory value.

Gap 3: Financial-institution presence is treated as an undifferentiated policy aggregate. Financial-inclusion discourse frequently addresses "financial institution presence" as a single quantity, obscuring theoretically consequential differences between commercial banks, microfinance institutions and mobile money platforms in underwriting technology, trust infrastructure and consequent accessibility. A framework capable of generating institution-specific rather than generically aggregated policy recommendations is needed, and is not currently available in a form applicable to secondary African cities.

Distinguishing proximity from accessibility therefore does more than redescribe a known problem: it supplies the conceptual apparatus needed to explain why two cities, or two institution types within one city, can show identical branch counts and divergent formalisation trajectories ; a pattern the proximity-only framing cannot, by construction, accommodate.

Research questions

RQ1. Through what institutional mechanisms does nominal financial proximity fail to translate into effective financial accessibility for informal traders in African secondary cities, and how do these mechanisms differ across commercial banks, microfinance institutions and mobile money platforms?

RQ2. Under what institutional and product-design conditions does the Proximity–Accessibility Gap narrow, and are these conditions systematically less favourable in secondary cities than in primary metropolitan markets?

RQ3. How does the Fianarantsoa case illustrate the Proximity–Accessibility Gap framework, and what does this illustrative application reveal about the empirical priorities required to test the framework's propositions rigorously?

METHODOLOGY

Approach. This article adopts a conceptual and diagnostic methodology rather than a primary-data empirical design, a choice stated here without qualification: no interviews, surveys or credit-file data were collected from financial institutions or informal traders in Fianarantsoa. The article instead pursues two tasks recognised as legitimate contributions in management and development-finance scholarship (Cornelissen, 2017; MacInnis, 2011): theoretical integration of the finance-growth, asymmetric-information, institutional-economics and digital-finance literatures into a novel framework, and diagnostic application of that framework to a specific, richly documented illustrative case using verifiable secondary data.

Data Sources. Two categories of data inform the diagnostic application in Section Diagnostic application: Fianarantsoa's position in the framework. The first is a descriptive inventory of formal financial institutions physically present in Fianarantsoa, compiled from field documentation of the

city's commercial geography (2025–2026) and presented in Table 1. This inventory records institutional presence, category and stated location; it does not include, and should not be read as implying, information about lending volumes, approval rates or terms extended to informal or newly formalised borrowers, none of which are publicly available at branch level in Madagascar. The second category is national-level secondary data on financial access and informality, drawn from the World Bank's 2025 Enterprise Survey-based economic update (World Bank, 2025), the French Direction Générale du Trésor's 2026 economic and financial monitoring of Madagascar, INSTAT's 2012 national informal-sector survey (ENEMPSI), and the Economic Development Board of Madagascar's 2024 enterprise-registration statistics (EDBM, 2025). These sources are national or regional in scope; Table 2 reports them as the best available proxies for conditions facing Fianarantsoa's informal traders, not as city-specific measurements ; a distinction maintained throughout Section The proximity–accessibility gap: framework and diagnostic application and revisited in Section Limitations.

Epistemic Status of the Diagnostic Application. The diagnostic application in Section Diagnostic application: Fianarantsoa's position in the framework is an illustrative instantiation of the Proximity–Accessibility Gap framework, not an empirical test of it. Positioning specific institution types within the framework's typology (Figure 1) is theory-derived ; based on each institution type's documented underwriting technology and collateral requirements as reported in the broader literature (Beck & Demirguc-Kunt, 2006; Karlan & Zinman, 2008) and, where available, in institution-specific public disclosure ; rather than survey-measured at Fianarantsoa branch level. This is a genuine limitation, addressed directly in Section Limitations, and is also the principal justification for the research propositions advanced in Section Research propositions, which are designed to be empirically testable once appropriate primary data become available, including through Madagascar's forthcoming ENESI 2026 informal-sector survey.

RESULT AND DISCUSSION

The proximity–accessibility gap: framework and diagnostic application

Defining the two dimensions

The framework rests on a single conceptual move: treating *nominal financial proximity* and *effective financial accessibility* as analytically distinct constructs that are empirically correlated only weakly and conditionally. Nominal financial proximity refers to the physical or digital presence of a financial institution within reach of a potential borrower ; a branch in the same city, an agent network, a mobile money kiosk. It is the dimension captured by conventional financial-inclusion metrics: branch density, account ownership, mobile money penetration. Effective financial accessibility refers to the probability that an informal trader who seeks credit from that institution actually receives it on terms compatible with their operating scale and cash-flow structure. It is a function not of presence but of underwriting technology, the formalisation cost–benefit calculus that credit terms generate, and interpersonal and institutional trust.

The distinction resolves the apparent paradox with which this article opened: financial institutions can be simultaneously proximate and inaccessible. Madagascar's national data illustrate the point with unusual clarity: 61.8 per cent of enterprises hold a formal account ; substantial nominal proximity ; while only 8 per cent access bank credit and just 12.5 per cent use banks to finance working capital, the function most relevant to informal commerce (World Bank, 2025). The 49.3-percentage-point gap between account ownership and working-capital bank financing is, in the vocabulary developed here, a direct national-level measurement of the Proximity–Accessibility Gap, even though it cannot be disaggregated to city level with currently available data.

A Typology of institution–trader fit

Crossing the proximity and accessibility dimensions generates a two-by-two typology (Figure 1) that classifies financial institution types by structural position rather than by institutional label alone.

eISSN 2522-1566
ISSUE 3 (37), 2026

Effective Access (high proximity, high fit) describes the condition in which institutional presence reliably translates into usable credit for informal traders. No institution type documented in Fianarantsoa's inventory (Table 1) occupies this quadrant unambiguously; it functions as an aspirational benchmark against which policy interventions can be evaluated rather than as a description of observed reality.

Proximity Illusion (high proximity, low-to-moderate fit) describes institutions that are physically present and visible but whose underwriting technology is poorly matched to informal traders' collateral and documentation profile. Fianarantsoa's three conventional commercial banks ; BOA Madagascar, BRED Madagasikara (formerly BFV–Société Générale, rebranded following its 2024–2025 acquisition by the French cooperative bank BRED Banque Populaire) and BNI Madagascar, together accounting for the largest share of banking branches in the city ; are the theoretically expected occupants of this quadrant, applying standardised, centrally determined collateral-based lending criteria characteristic of the institution type (Stiglitz & Weiss, 1981; Degryse & Ongena, 2005). Their presence generates the statistical appearance of financial inclusion without the underlying function formalisation theory identifies as most consequential for informal traders.

Latent Potential (lower proximity on the specifically credit-relevant dimension, but comparatively strong behavioural and informational fit) describes mobile money in its current product configuration. Mobile money exhibits strong behavioural fit with informal commerce ; low transaction costs, minimal documentation, compatibility with high-frequency, small-value transactions (Suri & Jack, 2016) ; but its dominant use case remains payment and storage rather than credit provision (Grzybowski et al., 2023). Its position is latent rather than realised: the transaction-history infrastructure it generates creates a plausible pathway towards the Effective Access quadrant that is not yet structurally exploited by Malagasy financial institutions (Tetteh et al., 2025).

Financial Desert (low proximity, low fit) is the framework's baseline reference category, associated with rural and remote areas rather than with central Fianarantsoa itself, but relevant to peripheral fokontany within the wider Fianarantsoa commune, notwithstanding the city-centre institutional density documented in Table 1.

Between Proximity Illusion and Effective Access sit two further groups whose theoretical fit is better than the conventional banks' but whose realised position remains an open empirical question rather than an established fact. ACCESS Banque, together with Baobab Banque and SIPEM Banque - both licensed as banks but built on microfinance foundations (Baobab as the former MicroCred, rebranded in 2018; SIPEM as a microfinance institution founded in 1990 that converted to banking status in 2010) - plausibly retain underwriting practices comparatively more attentive to smaller-ticket, less-documented borrowers than the conventional commercial banks, consistent with the institution type's origins (Karlan & Zinman, 2008). Fianarantsoa's seven mutualist and company-form microfinance and savings networks ; Première Agence de Microfinance, SMMEC, Vola Mahasoa, ACEP, NIM, CECAM and FIVOY–IFRA ; are, in theory, still better calibrated to informal traders' collateral profile through group-lending and character-based underwriting (Karlan & Zinman, 2008; Banerjee et al., 2015), positioning them closer to the accessibility frontier than either the conventional or the SME-oriented banks. CEM, a savings-led postal institution with a historically limited direct-credit function, is positioned separately and closer to Proximity Illusion than the credit-active microfinance institutions. Whether any of these theoretical advantages are realised in practice in Fianarantsoa specifically is precisely the empirical question this framework generates rather than answers.

Razafimamonjy Andrianimbahoaka, O. (2026). Financial institutions and the formalisation of informal trade in African secondary cities: a conceptual diagnostic of Fianarantsoa, Madagascar. Management and Entrepreneurship: Trends of Development, 3(37), 43-61. https://doi.org/10.26661/2522-1566/2026-3/37-03

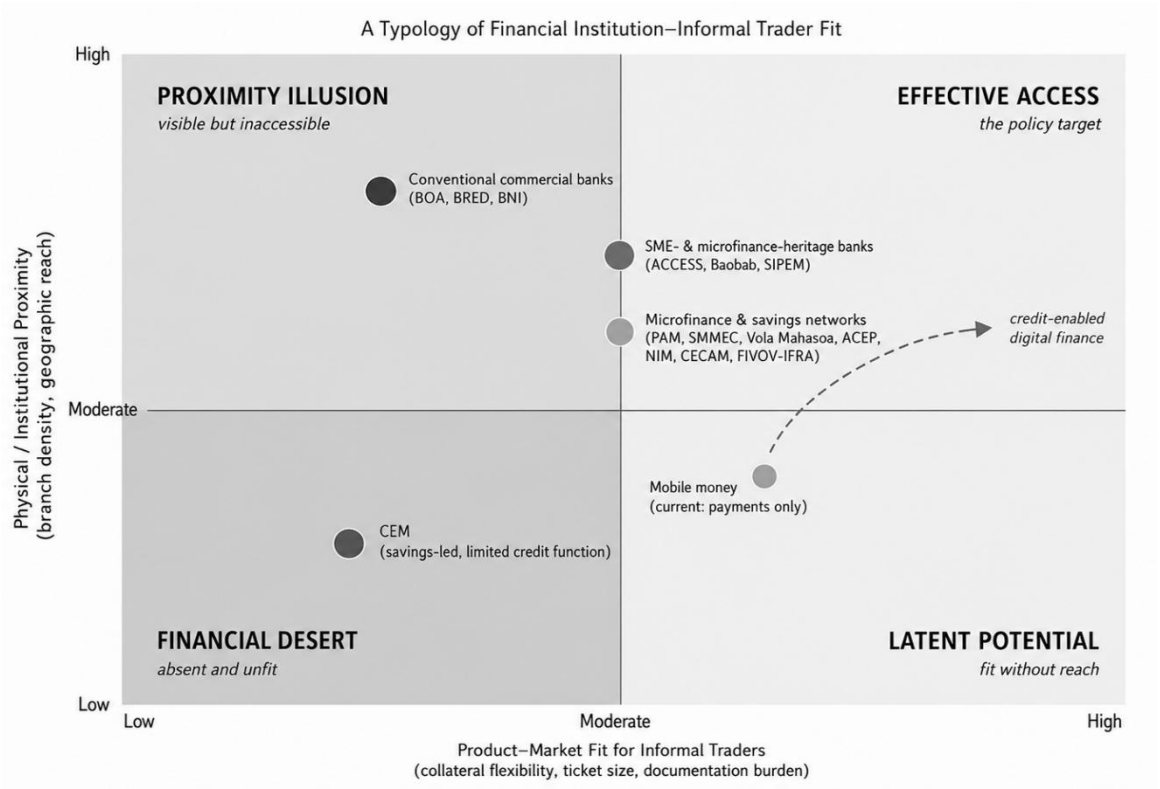


Figure 1. The proximity-accessibility gap

Note: Positioning is illustrative and theory-derived, not survey measured (See Section Epistemic Status of the Diagnostic Application). Fianarantsoa institutional inventory per author's field documentation (2025-2026); national credit-access parameters from World Bank (2025) and Direction Générale du Trésor (2026)

Source : Own Study

[See Table 1 and Table 2 below for the underlying institutional inventory and national indicators informing this typology]

Table 1.

Financial institutions operating in Fianarantsoa (Author's Field Documentation, 2025–2026)

Panel A: Commercial banks and banking institutions

Institution	Institutional note	Location(s)	Branches
BOA Madagascar	Pan-African commercial bank; standardised corporate/retail underwriting	Tsianolondroa; Ambalakisoa	2
BRED Madagasikara (formerly BFV–Société Générale)	One of Madagascar's three principal non-mutualist banks; rebranded following BRED Banque Populaire's 2024–2025 acquisition of the former Société Générale subsidiary	Tsianolondroa; Antarandolo	2
BNI Madagascar	One of Madagascar's three principal non-mutualist banks; standardised corporate/retail underwriting	Tsianolondroa; Ampasambazaha	2
ACCESS Banque Madagascar	SME-oriented commercial bank	Isaha; Andrainjato	2
Baobab Banque (formerly MicroCred)	Bank-licensed since 2010; microfinance origin, rebranded 2018	Isaha	1
SIPEM Banque	Bank-licensed since 2010; founded 1990 as a microfinance institution	Ampasambazaha	1
Subtotal – Panel A			10

eISSN 2522-1566
ISSUE 3 (37), 2026

Panel B: Microfinance, savings and other financial institutions

Institution	Institutional note	Location	Service points
Première Agence de Microfinance (PAM)	Deposit- and credit-licensed MFI	Anjoma	1
SMMEC	Mutualist savings and credit network	Tsianolondroa	1
Vola Mahasoa	Non-mutualist savings and credit institution	Ambalapaiso Ambany	1
ACEP Madagascar	MFI specialising in urban/peri-urban micro-enterprise credit	Antarandolo	1
NIM (Nouvelle Institution de Microfinance)	Deposit- and credit-licensed MFI; value-chain agricultural finance	Ampasambazaha	1
CECAM	Mutualist agricultural savings and credit network	Antarandolo	1
FIVOY–IFRA	Licensed credit institution; méso-finance and SME lending	Isaha	1
CEM (Caisse d'Épargne de Madagascar)	Savings-led postal institution; historically limited direct-credit function	Isaha	1
Subtotal – Panel B			8

Total: 14 institutions, 18 service points. Note. This table records documented institutional presence, category and location only; it does not report, and should not be interpreted as implying, branch-level data on lending volume, approval rates or credit terms, which are not publicly available in Madagascar (Sections Data Sources and Limitations). Institutional notes describing an institution's regulatory status or historical origin are drawn from institutions' own public disclosure and are distinguished, throughout Sections The proximity–accessibility gap: framework and diagnostic application and Discussion, from any claim about Fianarantsoa-specific lending practice, which is not observed.

Source : Own compilation

Table 1's institutional inventory, read through the typology developed in Section A Typology of institution–trader fit, positions Fianarantsoa's financial sector predominantly within the Proximity Illusion quadrant, notwithstanding a level of institutional density that a simple branch count would not register as under-banked relative to many other Malagasy secondary cities. The city hosts six commercial banks and banking institutions operating ten branches, and eight microfinance, savings and other financial institutions operating a further eight service points; eighteen points of formal financial presence in total. Yet the EDBM's 2024 enterprise-registration data (Table 2) show that this institutional density coexists with a formalisation rate ; fourteen new formal enterprises against 2,259 in the capital region ; that any proximity-based theory of financial inclusion would find difficult to reconcile with Fianarantsoa's simultaneously documented status as one of Madagascar's most commercially active cities (INSTAT, 2012). If anything, the fuller institutional inventory assembled for this revision sharpens rather than resolves the puzzle: eighteen service points, not seven, coexist with the same fourteen formal registrations, which is consistent with the framework's central claim that headcount is a poor predictor of accessibility.

Table 2.

National-level indicators of financial access and informality, Madagascar (Most Recent Available)

Indicator	Value	Year	Source
Non-agricultural informal production units (share of total)	99.9%	2012	INSTAT (ENEMPSI)
Malagasy firms reporting access to a bank loan or line of credit	8%	2024–2025	World Bank (2025)
Sub-Saharan African firms reporting bank credit access (comparator)	~20%	2023–2024	World Bank Enterprise Surveys, cited in World Bank (2025)
Malagasy firms with a formal checking or savings account	61.8%	2024–2025	World Bank (2025)
Firms using banks to finance working capital	12.5%	2024–2025	World Bank (2025)
Firms relying on supplier/customer credit for working capital	14.2%	2024–2025	World Bank (2025)
Adults with access to formal financial services	~19%	2024	Direction Générale du Trésor (2026)
Adults with mobile money access	~40%	2024	Direction Générale du Trésor (2026)
Banking sector assets held by the four largest banks	~80%	2024	Direction Générale du Trésor (2026)
Banking sector non-performing loan ratio	7.8%	2024	Direction Générale du Trésor (2026)
New formal enterprises registered - Fianarantsoa	14	2024	EDBM (2025)
New formal enterprises registered - Antananarivo region	2,259	2024	EDBM (2025)
Typical annualised microfinance lending rates	20–36%	2025	Malagasy financial and microfinance-sector press reporting

Note: National- and regional-level indicators are used as the best available proxies for conditions facing Fianarantsoa's informal traders; they are not city-specific measurements (Section Data Sources). Values are rounded where source reporting uses approximate ranges.

Source : Own compilation

Diagnostic application: Fianarantsoa's position in the framework

The Proximity–Accessibility Gap framework offers a theoretically coherent, though not yet empirically confirmed, account of this coexistence. Fianarantsoa's three conventional commercial banks supply nominal proximity without effective accessibility because their underwriting technology, calibrated at Antananarivo-based or internationally-linked headquarters to serve a national corporate and salaried retail clientele, is poorly matched to the collateral and documentation realities of a commercial sector in which 99.9 per cent of non-agricultural production units operate informally (INSTAT, 2012). The three SME-oriented and microfinance-heritage banks (four branches) and the seven credit-active microfinance and savings networks (seven service points) are, in theory, better positioned on the accessibility dimension, yet their combined presence ; eleven service points against the conventional banks' six ; remains modest relative to the scale of informal commercial activity the city hosts, and Malagasy microfinance lending rates in the 20–36 per cent

annualised range, while consistent with the higher servicing costs of small-ticket character-based lending documented internationally (Karlan & Zinman, 2008), may itself constrain the formalisation cost–benefit calculus identified in Section Institutional economics and the cost–benefit calculus of formalisation for the marginal informal trader.

Research propositions

The diagnostic application above generates six research propositions, each specifying a testable relationship between the framework's constructs and formalisation outcomes, calibrated for testing using firm-level or institution-level primary data not collected for this article. None should be read as an empirically established finding; each identifies a relationship the framework predicts and that future research is positioned to test.

P1. Branch-level formal credit approval rates for informal or newly formalised micro-enterprises will be significantly lower in secondary-city bank branches than in headquarters-proximate branches within the same institution, net of applicant creditworthiness, because underwriting discretion is more centralised ; and functional distance correspondingly greater ; in branches peripheral to institutional decision-making centres.

P2. Microfinance and savings institutions, together with bank-licensed institutions of microfinance origin, will exhibit systematically higher credit approval rates for informal traders than conventional commercial banks operating in the same city, controlling for loan size and applicant characteristics, reflecting the comparative advantage of character-based and group-lending underwriting technologies for collateral-poor borrowers.

P3. The formalisation rate of informal enterprises will be more strongly predicted by local effective credit accessibility ; approval rates and realised loan terms ; than by local financial-institution branch density, such that cities with comparable branch density but divergent underwriting practices will exhibit divergent formalisation trajectories.

P4. Mobile money transaction history will predict informal traders' access to supplier and customer trade credit more strongly than it predicts their access to formal bank credit, reflecting mobile money's demonstrated comparative advantage in informal relational lending over formal collateral-based lending.

P5. Financial institutions that adopt mobile money transaction histories as a supplementary underwriting signal, rather than relying exclusively on collateral and documentary evidence, will exhibit measurably higher credit approval rates among informal and newly formalised traders than institutions that do not, holding institution type constant.

P6. The formalisation cost–benefit calculus facing informal traders will be more favourable, and formalisation uptake correspondingly higher, where formal credit terms available to newly formalised enterprises are demonstrably and communicably superior to prevailing informal and microfinance credit costs, than in contexts ; such as Madagascar's current 20–36 per cent annualised microfinance lending-rate range ; where this differential is narrow or absent.

Discussion

What the evidence establishes, what the framework infers, and what remains untested

The distinction the Proximity–Accessibility Gap framework draws between evidence, inference and untested proposition is not a rhetorical caveat appended to the analysis; it is a discipline the analysis has attempted to observe throughout, and it is made explicit here. What the data establish: Fianarantsoa hosts a documented inventory of fourteen financial institutions across eighteen service points (Table 1); Madagascar records 61.8 per cent formal account ownership against 8 per cent bank-credit access nationally (World Bank, 2025); and the EDBM recorded fourteen new formal enterprise registrations in Fianarantsoa in 2024 against 2,259 in the Antananarivo region (EDBM, 2025). These are documented facts, national or city-specific as indicated, not inferences. What the framework infers: that the divergence between institutional presence and formalisation is attributable to a gap between nominal proximity and effective accessibility, operating through collateral-technology mismatch, an unfavourable formalisation cost–benefit calculus, and trust deficits between formal

institutions and informal commercial communities (Sections Theoretical framework and Diagnostic application: Fianarantsoa's position in the framework). This is a theoretically grounded interpretation of the documented facts, not itself a directly observed finding. What remains untested: branch-level approval rates, the actual credit experience of Fianarantsoa's informal traders, institution-specific lending practices, and - most importantly - any causal relationship between financial accessibility and formalisation, as opposed to the correlational coexistence the available data can establish. The six propositions in Section **Research propositions** exist precisely to convert this untested territory into a primary-data research agenda.

Why financial-institution type matters more than financial-institution presence

The typology developed in Section A Typology of institution–trader fit carries a discussion-level implication worth stating plainly: if the framework's diagnostic reading of Fianarantsoa is broadly correct, then policy and research attention organised around aggregate financial-institution presence is targeting the wrong variable. A city could, in principle, double its number of conventional bank branches without narrowing the Proximity–Accessibility Gap at all, if each additional branch replicates the same centralised, collateral-based underwriting technology that generates the Proximity Illusion quadrant in the first place. Conversely, comparatively modest investment in microfinance capacity, mobile-money-integrated underwriting, or trust-building intermediation could, on the framework's logic, narrow the gap more than a much larger investment in conventional branch expansion. This is the discussion-level rationale for the institution-differentiated policy agenda developed in Section Practical and policy implications, and it is the principal respect in which this article's argument departs from the undifferentiated "expand financial access" prescription that a purely proximity-based reading of the financial-inclusion literature tends to generate.

The secondary-city condition

Fianarantsoa's position within the Proximity–Accessibility Gap framework is illustrative rather than exceptional. The functional-distance mechanism identified by Degryse and Ongena (2005) predicts that the gap should be systematically wider, not narrower, in cities peripheral to national financial-decision-making centres ; a category that includes the great majority of Africa's secondary cities, whose combined urban population now exceeds that of the continent's capital cities. If the Fianarantsoa diagnostic generalises, and confirming that it does is precisely the empirical task Section Research propositions propositions set out, the Proximity–Accessibility Gap would be a structural feature of African secondary-city financial geography rather than a Fianarantsoa-specific anomaly ; with correspondingly broader relevance for financial-inclusion policy across the continent's fastest-urbanising, and most financially under-theorised, tier of cities.

Theoretical contributions

Contribution 1: The proximity–accessibility gap as a diagnostic construct. Existing financial-inclusion scholarship measures proximity (branch and account density) and, less consistently, accessibility (credit approval rates, usage of formal credit) but has not systematically theorised the *relationship* between them as a construct in its own right. This article's intervention is to name and specify that relationship, identifying the three mechanisms ; collateral technology, cost–benefit calculus, and institutional trust ; that jointly determine its width. The theoretical consequence is a shift in the unit of analysis for financial-inclusion research, from institutional presence to institutional fit, with the typology in Figure 1 offering a portable classificatory tool for operationalising the shift.

Contribution 2: A secondary-city corrective to primary-city-derived theory. The missing-middle and bank-geography literatures (Beck & Demirguc-Kunt, 2006; Degryse & Ongena, 2005) were developed chiefly from primary-metropolitan and cross-country evidence. This article's intervention is to show, through the Fianarantsoa case, that the underlying mechanisms ; functional distance, collateral-technology mismatch ; plausibly operate with distinctive intensity in secondary cities, where formal institutional presence is neither absent (as in the classic rural-exclusion framing) nor accompanied by the underwriting discretion and competitive density typical of primary metropolitan banking markets. The theoretical consequence is that secondary cities warrant treatment

eISSN 2522-1566
ISSUE 3 (37), 2026

as an analytically distinct category in financial-inclusion theory, rather than as a scaled-down primary city or an upgraded rural periphery.

Contribution 3: Differentiating institution types within the "financial institution" aggregate. Financial-inclusion scholarship and policy frequently treat "financial institution presence" as a single explanatory variable. This article's intervention is to show that commercial banks, SME-oriented and microfinance-heritage banks, mutualist and company-form microfinance institutions, and mobile money platforms occupy structurally distinct positions within the Proximity–Accessibility Gap typology, with different theoretically expected relationships to formalisation. The theoretical consequence is that formalisation research designs that aggregate across institution types risk averaging away the effect they are attempting to detect ; a methodological implication as much as a theoretical one.

Contribution 4: Integrating collateral technology, institutional economics and social capital into a single account of formalisation. Asymmetric-information, institutional-economics and social-capital theories of formalisation have largely developed as parallel rather than integrated literatures. This article's intervention, detailed in Section **Synthesis: an integrated framework**, is to show that these three mechanisms operate jointly and are individually necessary but not sufficient conditions for financial institutions to function as an effective lever of formalisation. The theoretical consequence is that interventions targeting only one mechanism ; for example, collateral-technology reform without complementary trust-building, or vice versa ; are, on this account, unlikely on their own to close the Proximity–Accessibility Gap.

Practical and policy implications

Consistent with the conceptual and diagnostic character of this article, the recommendations below are framed as theoretically motivated priorities for the actors best positioned to test and act on them, not as prescriptions whose effectiveness this article has itself demonstrated.

Commercial banks (BOA, BRED, BNI). *What:* delegate a defined tranche of underwriting authority for small-ticket loans below a fixed threshold to secondary-city branch managers, rather than routing all decisions through centralised, headquarters-based criteria. *By whom:* head-office credit and risk departments, in consultation with secondary-city branch management. *Mechanism:* reduces the functional distance identified by Degryse and Ongena (2005) between the informal borrower and the individual empowered to approve a loan against locally verifiable, rather than centrally documentable, evidence of repayment capacity. *Why it should narrow the gap:* it directly targets the collateral-technology and functional-distance mechanisms identified in Sections Collateral technology and the cost of underwriting informality and Diagnostic application: Fianarantsoa's position in the framework as the primary driver of the Proximity Illusion quadrant, without requiring branch expansion.

Microfinance institutions and bank-licensed institutions of microfinance origin (PAM, SMMEC, Vola Mahasoa, ACEP, NIM, CECAM, FIVOY–IFRA, Baobab, SIPEM). *What:* expand service-point density specifically within Fianarantsoa's informal commercial districts, and pursue capital partnerships that allow lending-rate compression below the current 20–36 per cent annualised range. *By whom:* institution management, in partnership with development-finance funders such as Proparco, the AFD group and PAMIGA, several of which already provide portfolio guarantees to Malagasy microfinance institutions. *Mechanism:* addresses the formalisation cost–benefit calculus identified in Section Institutional economics and the cost–benefit calculus of formalisation directly, by narrowing the differential between formal and informal credit costs that currently limits the incentive to formalise. *Why it should narrow the gap:* these institutions already occupy a comparatively favourable position on the accessibility dimension (Section A Typology of institution–trader fit); the binding constraint on their contribution to formalisation is more plausibly scale and price than underwriting technology.

Mobile money operators. *What:* pilot underwriting products that incorporate mobile money transaction history as a supplementary creditworthiness signal, in partnership with a licensed bank or

microfinance institution, rather than continuing to operate exclusively as payment and storage infrastructure. *By whom:* mobile money operators and partner financial institutions, jointly. *Mechanism:* converts the informational infrastructure mobile money already generates – but which Tetteh et al. (2025) find currently supports mainly informal trade credit – into a formal underwriting input. *Why it should narrow the gap:* this is the specific intervention Proposition P5 (Section Research propositions) identifies as likely to raise credit approval rates among informal traders at comparatively low institutional cost, since the underlying transaction data already exist.

Regulators (Commission de Supervision Bancaire et Financière and Banque Centrale de Madagascar). *What:* develop or extend a proportionate regulatory framework ; simplified collateral registries, movable-asset lending guidance, or credit-scoring standards compatible with mobile-money transaction data ; that lowers the compliance cost of alternative underwriting technologies for both banks and microfinance institutions. *By whom:* the national banking and microfinance supervisory authorities. *Mechanism:* addresses a structural precondition for Recommendations 1–3 above: bank risk departments are unlikely to delegate underwriting authority, and mobile money operators are unlikely to build credit-scoring products, in the absence of regulatory clarity on how alternative collateral and data sources will be treated for prudential purposes. *Why it should narrow the gap:* removes a system-level constraint that would otherwise limit the scalability of institution-specific interventions to isolated pilots.

Local and national policymakers, and institutions supporting enterprise formalisation (EDBM, municipal authorities). *What:* condition formalisation-facilitation programmes ; simplified registration, the ORINASA digital platform, tax incentives ; on demonstrable, communicable improvements in the credit terms newly formalised enterprises can access, rather than treating registration simplification and financial-access improvement as independent policy tracks. *By whom:* EDBM and municipal economic-development authorities, in coordination with the financial institutions and regulators above. *Mechanism:* directly targets the cost–benefit calculus identified in Section Institutional economics and the cost–benefit calculus of formalisation: registration simplification lowers the cost side of the formalisation decision but, on this article's diagnostic reading, does comparatively little to raise the benefit side unless credit terms improve in tandem. *Why it should narrow the gap:* without this coordination, formalisation-facilitation programmes risk lowering compliance costs to a threshold still exceeded by the (currently limited) financial benefit of formal status ; a mechanism directly consistent with Fianarantsoa's own registration figures (Section Diagnostic application: Fianarantsoa's position in the framework).

Limitations

This article's limitations follow directly from its conceptual and diagnostic design and are stated here without qualification, in the interest of the methodological honesty the framework itself demands of the institutions it analyses.

First, the diagnostic application relies substantially on national and regional secondary data ; World Bank Enterprise Survey indicators, Direction Générale du Trésor monitoring data, INSTAT's 2012 informal-sector survey ; used as proxies for conditions specific to Fianarantsoa. Where local commercial or institutional conditions diverge materially from the national pattern, the diagnostic's specific numerical texture, though very unlikely to be reversed given the scale of the divergence it describes, would require revision.

Second, the article has no access to branch-level lending, approval-rate or interest-rate data for any institution named in Table 1. The typology in Figure 1 positions institution types on theoretical grounds ; documented underwriting technology and collateral requirements as reported in the broader literature and, where available, in institution-specific public disclosure ; rather than on Fianarantsoa-specific measurement, and this positioning should be read as a hypothesis for testing rather than as an established classification.

Third, no primary data were collected from informal traders in Fianarantsoa. The article cannot report, and has not claimed to report, traders' own experience of seeking or being denied credit, their perception of specific institutions, or their formalisation intentions ; all of which primary research,

ideally survey- or interview-based and linked explicitly to the propositions in Section Research propositions, would need to establish directly.

Fourth, several institutions newly incorporated into this revision's inventory ; including SIPEM Banque, Baobab Banque, and the seven microfinance and savings networks ; are classified by underwriting technology on the basis of their documented institutional origin and stated mission rather than institution-specific Fianarantsoa lending evidence; this classification is explicitly theoretical, and is flagged as such wherever it recurs in Sections The proximity–accessibility gap: framework and diagnostic application and Discussion. Fifth, the diagnostic addresses a single secondary city at a single point in time. Whatever pattern the Fianarantsoa case illustrates, generalising it to other Malagasy or African secondary cities is a claim this article does not make and that only comparative primary research across multiple cities could support.

Sixth, and most fundamentally, the framework and its propositions describe theoretically expected relationships; nothing in this article establishes a causal effect of financial accessibility on formalisation, as distinct from the correlational coexistence the available data document. Establishing causality ; plausibly requiring quasi-experimental variation in credit access, of the kind the microcredit evaluation literature has used elsewhere (Banerjee et al., 2015) ; is a task for the primary research the propositions in Section Research propositions are designed to motivate, not one this conceptual article has undertaken.

Future research directions

Direction 1: Branch-level and institution-level primary data collection. The single highest-priority extension of this article is primary data collection on credit approval rates, loan terms and underwriting practices at the level of individual Fianarantsoa institutions, directly testing Propositions P1 and P2. Madagascar's forthcoming ENESI 2026 informal-sector survey, if appropriately extended with a financial-access module, would offer a natural vehicle.

Direction 2: Survey research with informal traders. Structured survey or mixed-methods research capturing informal traders' actual credit-seeking experience, application outcomes, and formalisation intentions would test the demand-side counterpart to this article's supply-side institutional diagnostic, and would allow Proposition P6's cost–benefit mechanism to be assessed directly rather than inferred from rate differentials.

Direction 3: Comparative multi-city research. Replicating the Proximity–Accessibility Gap diagnostic across multiple African secondary cities ; varying in regional financial-sector structure, urban primacy and mobile money penetration ; would test whether the Fianarantsoa pattern reflects a general secondary-city condition (Section The secondary-city condition) or city-specific circumstances, and would allow Proposition P3 to be assessed with genuine cross-city variation in both branch density and underwriting practice.

Direction 4: Quasi-experimental evaluation of mobile-money-integrated underwriting. Where mobile money operators or partner institutions pilot the credit-scoring products envisaged in Section Practical and policy implications, quasi-experimental or randomised evaluation of their effect on approval rates and subsequent formalisation would directly test Proposition P5 and would offer the clearest available route towards the causal evidence this article's conceptual design cannot itself supply.

CONCLUSION

This article set out to explain why financial institution presence and informal-enterprise formalisation diverge so persistently in Fianarantsoa, an African secondary city that is, on the evidence assembled in Table 1, considerably better served by formal financial institutions ; fourteen of them, across eighteen service points ; than its formalisation record of fourteen new enterprises in 2024 would suggest. The Proximity–Accessibility Gap framework developed here answers RQ1 by identifying collateral-technology mismatch, an unfavourable formalisation cost–benefit calculus, and

institutional trust deficits as the mechanisms through which proximity fails to convert into accessibility, and by showing that these mechanisms bear differently on conventional commercial banks, SME-oriented and microfinance-heritage banks, mutualist and company-form microfinance institutions, and mobile money platforms. It answers RQ2 by specifying the institutional and product-design conditions – delegated underwriting authority, capital-enabled rate compression, mobile-money-integrated credit scoring, regulatory clarity on alternative collateral ; under which the gap is theoretically expected to narrow, while noting that the underlying functional-distance mechanism (Degryse & Ongena, 2005) predicts these conditions to be systematically less favourable in secondary than in primary metropolitan markets. It answers RQ3 through the Fianarantsoa diagnostic itself, which illustrates the framework's application while making clear, at every step, that illustration is not validation: the diagnostic identifies where primary research should look, not what that research will find.

The central conceptual contribution - the distinction between nominal proximity and effective accessibility - extends rather than supersedes the finance-growth, asymmetric-information, missing-middle and digital-finance literatures reviewed in Section Literature Review, integrating mechanisms each already well established individually into a diagnostic construct suited to a spatial context, the African secondary city, that existing theory has under-addressed. Its practical significance, developed in Section Practical and policy implications, lies in redirecting financial-inclusion policy from an undifferentiated emphasis on institutional presence towards institution-specific interventions targeted at the particular mechanism ; collateral technology, cost–benefit calculus, or trust ; most plausibly constraining accessibility for each institution type.

The empirical limits of this contribution have been stated throughout rather than reserved for a concluding disclaimer: this is a conceptual and diagnostic article, built on a documented institutional inventory and national-level secondary data, not a primary-data empirical study, and its six propositions are accordingly framed as a research agenda rather than as findings. Whether the Proximity–Accessibility Gap identified in Fianarantsoa reflects a genuine structural feature of African secondary-city financial geography, as Section The secondary-city condition suggests it plausibly does, or a more locally contingent pattern, is a question only the primary research this article is designed to motivate can ultimately resolve.

REFERENCES

Banerjee, A., Karlan, D., & Zinman, J. (2015). Six randomized evaluations of microcredit: Introduction and further steps. *American Economic Journal: Applied Economics*, *7*(1), 1–21.

Beck, T., & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking & Finance*, *30*(11), 2931–2943.

Coleman, J. S. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, *94*(Supplement), S95–S120.

Cornelissen, J. (2017). Editor's comments: Developing propositions, a process model, or a typology? Addressing the challenges of writing theory without a boilerplate. *Academy of Management Review*, *42*(1), 1–9.

Degryse, H., & Ongena, S. (2005). Distance, lending relationships, and competition. *Journal of Finance*, *60*(1), 231–266.

Direction Générale du Trésor. (2026). *Madagascar: Suivi économique et financier* [Madagascar: Economic and financial monitoring]. Ministère de l'Économie, des Finances et de la Souveraineté Industrielle et Numérique.

Economic Development Board of Madagascar. (2025). *Rapport d'activité 2024* [2024 annual activity report]. EDBM.

Fafchamps, M. (2004). *Market institutions in Sub-Saharan Africa: Theory and evidence*. MIT Press.

Grzybowski, L., Lindlacher, V., & Mothobi, O. (2023). Mobile money and financial inclusion in Sub-Saharan Africa. *Information Economics and Policy, 65*, Article 101064. https://doi.org/10.1016/j.infoecopol.2023.101064

Guiso, L., Sapienza, P., & Zingales, L. (2004). The role of social capital in financial development. *American Economic Review, 94*(3), 526–556.

Institut National de la Statistique de Madagascar. (2012). *Enquête nationale sur l'emploi et le secteur informel (ENEMPSI 2012)*. INSTAT.

Karlan, D., & Zinman, J. (2008). Credit elasticities in less-developed economies: Implications for microfinance. *American Economic Review, 98*(3), 1040–1068.

King, R. G., & Levine, R. (1993). Finance and growth: Schumpeter might be right. *Quarterly Journal of Economics, 108*(3), 717–737.

La Porta, R., & Shleifer, A. (2014). Informality and development. *Journal of Economic Perspectives, 28*(3), 109–126.

Levine, R. (2005). Finance and growth: Theory and evidence. In P. Aghion & S. N. Durlauf (Eds.), *Handbook of economic growth* (Vol. 1A, pp. 865–934). Elsevier.

Loayza, N. V. (2016). Informality in the process of development and growth. *The World Economy, 39*(12), 1856–1916.

MacInnis, D. J. (2011). A framework for conceptual contributions in marketing. *Journal of Marketing, 75*(4), 136–154.

North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge University Press.

Ohnsorge, F., & Yu, S. (Eds.). (2022). *The long shadow of informality: Challenges and policies*. World Bank.

Putnam, R. D. (1993). *Making democracy work: Civic traditions in modern Italy*. Princeton University Press.

Rajan, R. G., & Zingales, L. (1998). Financial dependence and growth. *American Economic Review, 88*(3), 559–586.

Schumpeter, J. A. (1934). *The theory of economic development: An inquiry into profits, capital, credit, interest, and the business cycle*. Harvard University Press. (Original work published 1911)

Stiglitz, J. E., & Weiss, A. (1981). Credit rationing in markets with imperfect information. *American Economic Review, 71*(3), 393–410.

Suri, T., & Jack, W. (2016). The long-run poverty and gender impacts of mobile money. *Science, 354*(6317), 1288–1292.

Tetteh, G. K., Goedhuys, M., Konte, M., & Mohnen, P. (2025). Mobile money use and entrepreneurs' access to trade credit in the informal sector. *Review of Development Economics, 29*(4), 2311–2331. https://doi.org/10.1111/rode.13223

World Bank. (2025). *Madagascar economic update: Bridging the productivity divide*. World Bank Group.

ФІНАНСОВІ УСТАНОВИ ТА ФОРМАЛІЗАЦІЯ НЕФОРМАЛЬНОЇ ТОРГІВЛІ У ДРУГОРЯДНИХ МІСТАХ АФРИКИ: КОНЦЕПТУАЛЬНА ДІАГНОСТИКА ФІАНАРАНЦУА, МАДАГАСКАР

Razafimamonjy Andrianimbahoaka Ousman
EMIT, University of Fianarantsoa
Madagascar

Наявність фінансових установ традиційно розглядається як природний інструмент формалізації неформальної торгівлі. У статті розроблено концептуальну діагностику причин, через які фактична присутність фінансових установ та формалізація неформальної торгівлі

Razafimamonjy Andrianimbahoaka, O. (2026). Financial institutions and the formalisation of informal trade in African secondary cities: a conceptual diagnostic of Fianarantsoa, Madagascar. Management and Entrepreneurship: Trends of Development, 3(37), 43-61. https://doi.org/10.26661/2522-1566/2026-3/37-03

істотно розходяться у другорядних містах Африки, на прикладі Фіанаранцуа (Мадагаскар). У статті інтегровано положення теорії фінансів і економічного зростання, теорії асиметричної інформації, інституційної економіки та досліджень цифрових фінансів в оригінальну концептуальну модель. Далі модель застосовано для діагностичного аналізу вторинних даних щодо переліку фінансових установ у Фіанаранцуа та національних показників доступу до фінансових послуг. Первинні дані в межах дослідження не збиралися. Розроблена модель «розриву між близькістю та доступністю» (Proximity–Accessibility Gap) розмежовує номінальну близькість фінансових установ та фактичну доступність фінансових послуг. У Фіанаранцуа функціонує чотирнадцять фінансових установ, представлених у вісімнадцяти пунктах обслуговування. Водночас у 2024 році в місті було зареєстровано лише чотирнадцять нових формальних підприємств порівняно з 2259 у регіоні Антананаріву. Національні дані також свідчать, що 61,8 % населення мають банківський рахунок, тоді як доступ до банківського кредитування становить лише 8 %. Запропонована модель відносить місто переважно до квадранта «ілюзії близькості» та формулює шість положень, що підлягають емпіричній перевірці. Діагностичний аналіз ґрунтується на національних проксі-показниках та документально підтвердженому переліку фінансових установ, а не на даних про кредитування на рівні окремих відділень. Сформульовані положення потребують первинної емпіричної перевірки. Запропоновано інституційно диференційовані напрями втручання: делегування повноважень щодо оцінювання позичальників для комерційних банків, розширення капіталу та мережі для мікрофінансових установ, а також інтеграція кредитного скорингу для послуг мобільних грошей. Подолання зазначеного розриву безпосередньо впливає на засоби до існування населення у секторі торгівлі, де неформальність є майже універсальним явищем. Запропонована концептуальна модель є універсальним діагностичним інструментом для дослідження фінансової інклюзії у другорядних містах і може застосовуватися за межами Мадагаскару.

Ключові слова: фінансова інклюзія; неформальна економіка; формалізація підприємств; другорядні міста; мікрофінансування; мобільні гроші; Мадагаскар