The informal sector has been recognized for its role in contributing to national output and employment. In particular, the food sub-sector has continued to be a source of livelihood to a substantial size of the urban population. This research paper analysed the profitability and linkages of the food kiosks sub-sector in Kamukunji division of Nairobi.

A total of 80 food kiosks were selected using cluster-sampling technique. Data was collected from entrepreneurs, and was regressed using both linear and log-linear estimations. Regression results revealed that there was no theoretical difference when either linear or log-linear profit functions were regressed. Working capital was the most statistically significant variable in profit determination in informal food kiosks. Other factors that significantly affect profits are output price, level of competition and gender differences. Study findings showed that there is a stronger backward linkage with the formal sector while the forward linkage was stronger with other informal sector activities.

Based on the findings of this study, the government and other stakeholders of the informal sector should help in financing the operations of the entrepreneurs. In particular the government should give subsidies and reduce tax on inputs utilized more in the sector. The entrepreneurs should keep records of their activities so that proper accounting can be done for every expense or income. To reduce the level of competition, the city council should allocate plots to build food kiosks based on population density.