EFFECTS OF ACCESS TO CREDIT ON FINANCIAL PERFORMANCE OF SMALL AND MEDUIM ENTERPRISES IN NAIROBI COUNTY

IRENE CHESANG

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS UNIVERSITY OF NAIROBI

NOVEMBER, 2017

DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

Signature: ………………………… Date……........…………

IRENE CHESANG

D61/63744/2011

This research project has been submitted for examination with my approval as the University supervisor.

Signature: ………………………… Date……........…………

Dr. Cyrus Iraya

Senior Lecturer,

Department of Finance and Accounting

University of Nairobi

ACKNOWLEDGEMENTS

I thank the Almighty God for life, strength and will which enabled me to complete this project. My immense thanks and appreciation to my supervisor Dr. Cyrus Iraya for his tireless support and guidance he offered to me throughout the time it took us to complete this project. I must acknowledge as well the many friends, colleagues, students, and lecturers, who assisted, advised, and supported us throughout the entire project process. Am also grateful too for the unflagging support and wise advice from my department and the entire management form the university

DEDICATION

I would like to express my gratitude towards my parents, my husband and my children; they are forever indebted for their understanding, endless patience and encouragement when it was most required during the study period.

TABLE OF CONTENT

DECLARATION...**ii**

ACKNOWLEDGEMENTS.. **iii**

DEDICATION..**iv**

TABLE OF CONTENT..**v**

LIST OF TABLES..**ix**

LIST OF FIGURES..**x**

LIST OF ABBREVIATIONS..**xi**

ABSTRACT..**xii**

CHAPTER ONE...Error! Bookmark not defined.

INTRODUCTION..Error! Bookmark not defined.

1.1 Background of the Study....................................**Error! Bookmark not defined.**

1.1.1 Access to Credit.......................................**Error! Bookmark not defined.**

1.1.2 Financial Performance.............................**Error! Bookmark not defined.**

1.1.3 Access to Credit and Financial Performance ....**Error! Bookmark not defined.**

1.1.4 Small and Medium Enterprises in Nairobi County .**Error! Bookmark not defined.**

1.2 Research Problem..**Error! Bookmark not defined.**

1.3 Research Objective...**Error! Bookmark not defined.**

1.4 Value of the study .... **Error! Bookmark not defined.**

CHAPTER TWO... Error! Bookmark not defined.

LITERATURE REVIEW.. Error! Bookmark not defined.

2.1 Introduction .... **Error! Bookmark not defined.**

2.2 Theoretical Literature Review............................ **Error! Bookmark not defined.**

2.2.1 Resource Based Theory............................ **Error! Bookmark not defined.**

2.2.2 Loanable Funds Theory............................ **Error! Bookmark not defined.**

2.2.3 The Pecking-Order Theory....................... **Error! Bookmark not defined.**

2.3 Determinants of Financial Performance............ **Error! Bookmark not defined.**

2.3.1 Interest Rates .... **Error! Bookmark not defined.**

2.3.2 Inflation .... **Error! Bookmark not defined.**

2.3.3 Tangible Assets Availability .... **Error! Bookmark not defined.**

2.3.4 Group Guarantees Availability................. **Error! Bookmark not defined.**

2.3.5 Leverage.. **Error! Bookmark not defined.**

2.4 Empirical Literature Review .... **Error! Bookmark not defined.**

2.5 Conceptual Model .... **Error! Bookmark not defined.**

2.6 Summary of Literature Review .... **Error! Bookmark not defined.**

CHAPTER THREE .... Error! Bookmark not defined.

RESEARCH METHODOLOGY .... Error! Bookmark not defined.

3.1 Introduction .... **Error! Bookmark not defined.**

3.2 Research Design .... **Error! Bookmark not defined.**

3.3 Population.. **Error! Bookmark not defined.**

3.4 Sample and Sampling Technique .... **Error! Bookmark not defined.**

3.5 Data Collection.. **Error! Bookmark not defined.**

3.6 Data Analysis .... **Error! Bookmark not defined.**

3.6.1 Analytical Model .... **Error! Bookmark not defined.**

3.7 Test of Significance... **Error! Bookmark not defined.**

CHAPTER FOUR 22

DATA ANALYSIS, RESULTS AND DISCUSSION 22

4.1 Introduction 22

4.2 Response Rate 22

4.2 Reliability Test 22

4.3 Descriptive Statistics 23

4.3.1 Questionnaire Response Rate 24

4.3.2 The demographic information... 24

4.4 Correlation Coefficients of Pension Funds 27

4.5 Regression Analysis 29

4.6 Discussion of Research Findings 31

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS 34

5.1 Introduction 34

5.2 Summary of the Study 34

5.3 Conclusion of the Study 35

5.4 Recommendations of the Study 36

5.5 Limitations of the Study 37

5.6 Areas Suggested for Future Research 38

REFERENCES 39

APPENDICES 51

APPENDIX I: QUESTIONNAIRE 51

APPENDIX II: DATA COLLECTION FORM 55

APPENDIX IV: ASSETS AND LOAN AMOUNTS 1

LIST OF TABLES

Table 4.1: Reliability Test Cronbach‟s Alpha..22

Table 4.2: Descriptive Statistics...23

Table 4.3: Sex..24

Table 4.4: Age..25

Table 4.5: Working Years..27

Table 4.6: Correlation Coefficients...28

Table 4.7: Model Summary...29

Table 4.8: Regression results...30

Table 4.9: Analysis of Variance..31

LIST OF FIGURES

Figure 2.1: Conceptual Model.................................. **Error! Bookmark not defined.**

Figure 4.1: Designation..25

Figure 4.2: Educational Level...26

LIST OF ABBREVIATIONS

CBD	Central District Area
ERS	Economic Recovery Strategy
MFIs	Microfinance Institutions
MSMEs	Micro, Small and Medium- sized Enterprises
MSEs	Micro and Small-sized Enterprises
SMEs	Small and Medium-sized Enterprises
NSE	Nairobi Stock Exchange
SACCO	Savings and Credit Cooperative

ABSTRACT

SMEs have been perceived as being extraordinary supporters of the Kenyan economy offering both stage and employment for inventive thoughts. They shape a bigger level of the organizations that work in Kenya when contrasted with their partner, the substantial organizations. However, their performance and growth is normally hindered with various challenges. One of the principle limitations that have been featured throughout the years is the financial constraints. Finance requirement is of central significance for the accomplishment of any firm, be it enormous or little. The reason for this study was to examine the effect of credit access on financial performance of SMEs in Nairobi County. Three main factors, namely firm size, loan amounts, access to credit and financial performance were explored in this research. Questionnaire and interviews were used to collect primary data while journals, books and internet were sources for secondary data. The data covered a period of five years ranging from the year 2012 to 2016. The regression model has an R of 0.724 which indicates a strong positive relationship between the variables. The coefficient of determination, R square indicates how well data fits in the statistical model; how successful the fit is in explaining the variation of the data. In this model, 52.4% of the variations in the dependent variable are explained by the independent variables his study serves as a reminder for them to offer financial services that are all inclusive and be more and more SMEs‟ sensitive. Through creating an enabling environment for SME the bridge that exists between large and small companies can be narrowed down. This can also be achieved through segmenting NSE for SMEs‟ listing and formulating regulatory framework that is SMEs friendly. F

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In Kenya economy 75% of employment is offered by the Micro, small and medium sized enterprises (SMEs) with a GDP of 18%. Atieno (2009) stipulated that the entities cut across every sector of the economy such as farm activities, wholesale and retail trade and the manufacturing sector. However, the state controlled economic system does not allow for the practice, leaving the production to the individuals who are not influenced by the government. Such is a common market, but in situations where a part of the economy is controlled by individuals and another by the government, such is as mixed economy. Even though Kenya is regarded as a mixed economy, it tend to indulge in highly capitalist behaviours. Henceforth, Kenya has opportunity for vast types of business firms privately owned. Other than a size dynamic, such companies differ in product, ownership, advertising capacities, financial strengths and ownership. With that, Kenya breads a number of business forms that is, cooperatives, public or limited companies and partnerships.

The need for SMEs by the capitalist is usually satisfied through debt capital or via internally owned funds. However, accessing credit is a key challenge that Africa‟s entrepreneurs constantly face. Hardly do SMEs contain private equity market in many African countries as it is easily available with large markets and thus lacking in public debts (Demirguc-Kunt et al 2002). To compensate for that SMES settle for credit markets such as money lenders, trade credit, informal lending strategies such as funds from family and friends or rural finance. Also, banks often offer support to SMEs for both short and long-term purposes. Additionally, there is need for exterior sources that make sure that the allocation of resources is flexible reducing the cash flow problems impact (Bigsten et al. 2000). Companies can create their inventories in case of crises and banking sector assistance with funds keeps the firms running during macroeconomic instability with access to funding. Conversely, in cases of external shock, banks without funding are more vulnerable (Nkurunziza, 2005). Individuals can smooth out consumption with credit during tough economic seasons with changes in income and investments. However, to maintain a rapport with creditors, firms must be deficient of collateral and high default possibility.

Despite the booming of SMEs in the Kenyan economy, they continue to face challenges that hinder growth and financial performance. The main challenge entail inadequate financial service with factors such as segmented and incomplete nature coming in to explain the challenge. Other factors that explain the financial constrain entail, increased transaction cost linked to financial services. Supply oriented approach to offer financial assistance to SMEs considers the credit worthiness of the firm which determines whether the firm will access finance or not. Without enough funds by such firms, there is limitation of growth or sometimes, the growth rate is slow. Even worse the financial institutions demands that determine the credit worthiness of a SME make it harder for the entities to access loans (Atieno, 2009).

1.1.1 Access to Credit

There are several ways through which credit constraints operate forcing SMEs to work with informal financial strategies and self-financing. The incapability to access long-term financial offers pushes SMEs into short term loans that offer high cost. These struggles are rooted in the main financial institutions that consider SMEs as unreliable credit wise. Nevertheless, the emergence of SACCOS and MFIS provide better financial offers but fail to ease the burden due to their limited funds. In addition, such financial institutions cannot turn their savings into medium or long-term loans and also, they cannot be refinanced by the central bank (Wanjohi 2009).

To increase creditworthiness, SMEs must create a relationship with the formal banking institutions with consistency such that there is a “formal” association. That way, firms are more likely to access loans depending on the credit history of the firm. At the same time, the credit history of the owner of an SME is fundamental (Baas and Schrooten, 2005).

1.1.2 Financial Performance

The state of affairs of a firm is described by firm financial performance. Emphasis has be made on adequate description of the concept of a firm‟s financial performance formulation when analyzing a firm financial performance. This uncovers the diverse perspectives upon which evaluation of firm‟s financial performance is dones. Different scholars measures firm financial performance differently. Demstz and Lehn (2001) measured firm financial performance as accounting profit rate. Uadiale (2010) measured firm performance by Return on Equity (ROE) as the proportion of profit after tax to Issued share capital and Return on Capital Employed (ROCE) as the proportion of profit after tax to issued share capital plus reserves.

Kechi (2011) measured firm financial performance by Return on Asset (ROA) and Profit Margin (PM). Fazlzadeh et.al. (2011) measured firm financial performance as the Net Income to total assets and ordinary income to total assets. Uwaloma and Olamide (2012) measured firm financial performance as Return on Asset (ROA). For the purpose of this study, firm financial performance is defined as Return on Equity measured by the proportion of profit after tax to total shareholders‟ equity at book value.

1.1.3 Access to Credit and Financial Performance

Among the major factors of production that any organization requires capital is the most important one since it enable the organization to operate. Access to finance boosts SMEs productivity and hence become sustainability by utilizing the economies of scale (Kira and He, 2012). Entrepreneurial activities such as access to new markets, expansion of business, reduction of risks, innovation and creativity enhancement all requires finances. A study by Rahaman (2011) revealed that an increase of 10% in bank credit to a firm would lead to an increase of 18.14% in firm growth. On the other hand, lack of credit negatively affected profit margins of the business than any other challenges (Khandker et al, 2013). They also established that firms that borrow money from informal lenders to start businesses have lower profits compared to other sources.

Credit access challenges occur when small businesses fail to obtain credit from lenders despite their ability to use the finances productively (OECD, 2006). When difficulties of funding leads to collapsing economically viable projects innovation, growth and economic development is negatively affected.

1.1.4 Small and Medium Enterprises in Nairobi County

SME definition varies with the type of SME in place. Generally, SME definition is define by the assets, turnover and the number of employees. SMEs are micro-business, operation with a 1-10 employee basis, to transit into a small business, the number of employees ought to range between 11 and 50. A medium firm on the other hand operates with a 51-100 number of employees with a large firm having more than 101 employees. Onyango (2010) considers MSEs and SMEs in the same category of MSMEs. For this research, SMEs are categorized into entities containing 100 employees or less. The high risks involved with firms such as sole-proprietorship, partnership or unlisted companies make it hard for capital markets and money markets to make investments. Worse off, the capital cost for operating small business is high to cater for collateral, making the business more vulnerable to foreclosure. Even with support from public bodies and financial institutions, the accessibility of funds by

SME continues to be a challenge due to gaps such as risks, company sixe, flexibility and (Ross, 2007).

Yet still, most firms mostly grow from SMEs and also need the services of the SMEs to thrive. Hence, SMEs are the roots of any economy globally, growing into large companies and also offering services such as supply of manufacturing materials, sub-contractors. SMEs firms are a major source of poverty reduction in Kenya, consistently raising up the standards of living such as from 51.7% in 1999 to 39.5% in 2015 and also reducing extreme poverty from 36.4% to 27% over the same period (UNDP Action plan, 2016). Even so, SMEs limitations to fund accessibility in Kenya and Nairobi County from the institutions of finance.

1.2 Research Problem

Undeniably, formal banking institutions hardly prioritize small businesses and individual companies for funding due to the high risk involves. The reason for consideration of the SMEs as high-risk is because of their lack of collateral that ascertains loan security to the banks. Furthermore, the application of loan is a long and costly process which does not serve in the interest of small loans that SMEs focus on. Henceforth, the key reason for stunted growth among SMEs is lack of access to credit (Richard, 2008). With limitation to access financial services, there is a limitation of growth and development within institutions (Raphael, 2012). Asare (2007) admits that incapabilities of financial institutions to offer loans to SMEs despite their contribution in the economy in Ghana. Constraints associated with the denial of loans entail high-interest rates, collaterals, turnovers or cash flows.

Ndede (2015) study on the determinants of acquisition of services of financial institutions by SMEs in Langata Sub-County of Nairobi County. The study revealed that there was a low credit accessibility rate among SMEs. The study pointed out legal and regulatory framework, level of education and entrepreneurial training as determinants of acquisition of financial services by these businesses. Additionally Sharu and Guyo (2015) found that having entrepreneurial skills would positively influence growth of small enterprises. Kamunge, Njeru & Tirimba (2015) study concluded that increasing the access to financial support by the SMEs and having management experience are the essential social and economic determinants that affect the growth and sustainability of small enterprises. Other importance factors included access to market information, good infrastructure and legal and regulatory framework. In addition, entrepreneurs in developing countries according to Odhiambo (2013) get inadequate finance from the organized banking sector. This is due to the fact that they insist on security and complex formalities and documentation .

This is among the few studies to investigate SMEs accessibility to various sources of financing, including bank finance, microfinance and informal credits in Nairobi County. While much of the literature on SMEs access to credit focus on bank finance, the need to address SMEs‟ ability to obtain microfinance determinants and informal credits is growing. This is attributed to the fact that getting bank financing is not popular for small scale enterprises. This study will seek to establish how credit accessibility affects financial performance of SMEs in Nairobi County?

1.3 Research Objective

To determine the effect of credit access on financial performance of small and medium enterprises in Nairobi County Kenya

1.4 Value of the study

The constantly increasing essence of the SMEs in the Kenyan economy catapults my interest in research of the SMEs and its constraints. With the development of SMEs being seen as a major factor for poverty reduction, generation of employment, industrialization, it is important to understand the challenges such entities face. Moreover, SMEs is among the Kenyan Vision 2030 goals, being envisioned as a pillar to poverty reduction and solving of unemployment concerns. These recognitions have not solved the key concern revolving around access to credit despite their subjugation of the economic growth.

The inclusion of SMEs into the Kenyan Vision 2030 goal makes it an imperative field of research which coincides with Sustainable Development Goals whose one of the core focus is solving the unemployment dilemma. Through Economic Recovery Strategy, the government is working out the unemployment concerns. This research will help the prospective entrepreneurs in making better financial decisions prior the creation of their business. Most importantly, the research targets formal financial institutions, to widen their financial offers to the SMEs considering their economic contribution.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Review of the literature on credit access and financial performance is presented in this section presented. The chapter briefly explores the literature on theoretical framework about credit access and further provides an empirical literature review from both global and local studies and a summary of the various studies.

2.2 Theoretical Literature Review

The concept of credit accessibility has been explained by a number of theories in the field of finance. From the argument of the proponents of these theories, credit access has a positive relationship with growth of enterprises. Some of the theories that provide the basis of this study include Resource Based theory, Loanable Funds theory and pecking order.

2.2.1 Resource Based Theory

This theory attributes business performance to the resources that a business has at its disposal. Proponents of this theory posit that firms that have better resources are likely to perform better than those with lesser resources at their disposal (Acar and Polin, 2015). The proponents of the theory stressed the fact that organization can take advantage of their resources to have a better competitive edge. Businesses and firms have in the past relied on the traditional financing mechanism which appeared not to have worked for them. Ahmed (2002) argued that the reason for over reliance to traditional funding by SMEs resulted from lack of exchange and understanding of existing information that there is between lenders and borrowers. Financial

savings are available in the market for borrowing such as invested through assets and some people hoard cash in their houses.

2.2.3 The Pecking-Order Theory

The pecking-order model looks at finance from a management perspective where finance follows a process. The first step into finance should be the retained earnings, followed by debt and then financial forms that are hybrid in nature like the convertible loans. Lastly, the external loans issued in form of equity such as agency cost, bankruptcy cost or information asymmetry as they affect the capital structure. Norton (1991) conducted a study that observed that 75% of the small entities made decisions bases on the pecking order framework also considered hierarchical.

Holmes et al. (1991) admitted that POF is the model preferred by SMEs as individual owners or small firms prefer to be in control of their firms to retain profits, business ownership and the assets involved.

2.3 Determinants of Financial Performance

2.3.1 Interest Rates

Unlike other large firms, SES have to face high interest rates for the loans offered by insitutions, with more restrictions (Berger, 2004). More specifically, loans offers to SMEs are at e of 24-33 percent which is a reflection of the financial institutions large inducement to the SME limiting their participation (Soita, 2008). Moreover, SME applicants are required to provide collateral as security for their high risks business form in form of real assets, imposing more difficulty on the small firms. Typically, the high rated interest only serves for 12 months at most although there is no comparable information on loan rollover rates (Fischer, 2008).

2.3.2 Inflation

Inflation is a function of low interest rate. High interest rate means that there are less borrows as paying back the loan is hard. The number of purchase of real assets also goes down. On the other hand, lower interests attracts more clients to access loans which lenders do not consider favorable due to less returns on their assets. Issues to to with high interest rates are associated with the Sub-Saharan African financial markets. A possible explanation is the lack of competition in the Sub-Saharan African financial markets that continually wide-spread the interest rate. Generally, 1990 and 2004, differences between lending and rates in deposits was 12 percent excess with a potential to further widen in many Sub-Saharan African (Aryeetey, 2005).

2.3.3 Tangible Assets Availability

Berger and Udell (1998) found out that lending by financial institutions is tied to the capacity to offer secured collateral. Other factors held constant, firms with tangible assets can access more loans compared to those with intangible assets. The lack of enough tangible assets that can be collaterized compared to larger firms constrain them their ability to access loans. One of the explanation revolve around their emanation in the market as the firm starts, profits tend to be low which hinders the purchase of fixed assets. There may have been lower retained profits in earlier stages. Compared to the larger firms which have a longer history, this may hinder it from purchasing fixed assets

2.3.4 Group Guarantees Availability

As indicated by Ono (2005) Small business in Africa can once in a while meet the money related organizations set conditions, this see SMEs as an unsafe in view of absence of satisfactory data about their capacity to reimburse advances and poor certifications. In most parts of Africa, The money related markets are not matured nonetheless thus gives less monetary instruments. Capital markets are in their early stages, no long-haul financing is accessible for SMEs and shareholding is uncommon. Non-bank monetary mediators, for example, Micro Finance Institutions don't have the assets to catch up their clients when they extend (Hempel, 2007).

2.3.5 Leverage

Leverage entails a comparison between the total assets proportion and the converse of gearing called the equity to assets ratio, usually financed by equity. The leverage focus in this study is on the total assets percentages that stand for total debt. However, there are some studies on the relative proportions of various types of debt held by small and large enterprises.

2.4 Empirical Literature Review

The world bank established the a more rigorous data on financial institutions in a bid to create the current interest in relation to markets and financial institutions (Beck et al., 2000). Several papers have been put in place to explain, analyses and apply current interest such as Beck, Demirguc-Kunt and Maksimovic (2004); Beck and de la Torre (2007) and Beck and Demirguc- Kunt (2008);. The authors focus has been on the capacity for the poor to access finance in the developing countries and its impact on growth and development of the economy at large.

Helms (2006) is another author who focused on financial system inclusiveness and microfinance in third-word countries. Basu (2006) study was in India, looking into financial inclusion; Kumar and Beck (2005) sought to determine Brazil‟s banking system financial inclusion model and Tejerina et al. (2006) research was more general focusing on Latin America and their financial inclusion of SMEs also among the Caribbean. These literatures all agreed on the fact that there is a correlation between finance and assets which impact on the growth and development of the financial system. The higher the limitation of finance by financial institution to firms, the lower the economic growth. The studies confirmed that small firms are adversely affected by the constraints (Beck et al., 2006). A global survey of financial parttens in 48 countries confirmed a similar trend adding that countries with weaker financial systems were affected the most (Beck et al., 2004).

Okpara and Wayne (2002) in a study in Nigeria revealed that 65.5% of firms relied on personal saving as the starting capital for their business while only 9.4% admitted to receiving credit financing from commercial banks another 7.8% pointed out that their finances came from partners and other sources apart from financial institutions. They argued that credit accessibility may be essential but it was not the only condition for growth.

Nguyen (2014) also conducted some work in this area of SMEs on why they are considered riskier than large firms. The author pointed out that SMEs are riskier because they are considered to have lower survival rate, large volatility in their operating performance and growth. As a result of the above reasons they are denied credit or suffer credit rationing alternatively give credit at higher interest rates. A survey by VCCI conducted in developing countries revealed that only 30% out of all the SMEs that seek funding from commercial banks succeed. Those that succeed are forced to pay higher interest rates compared to large enterprises.

Kushoka (2013) conducted a research to examine the contribution of credit facilities on enterprise development in Tanzania. Kushoka (2013) used both descriptive design and exploratory design in his study. The study revealed that there was improvement in employees and in capital after accessing credit facilities. The researcher concluded that credit facilities are key players in entrepreneurship development.

Ochanda (2014) in his study on credit accessibility found that financial resources affected the performance of 92% of the firms studied when the measure of growth is profitability. The SMEs cited high interest rate and collateral demand as some of the factors that hindered most SMEs from accessing the credit from formal lending institutions. The study also found that innovation was important in the growth of SMEs.

Muguchu (2013) study on relationship between credit and financial performance of SMEs used both inferential and descriptive analysis in conducting the study. The study sampled 40 SMEs that operated within the CBD in Nairobi. Similar to other studies access to credit was found to positively affect performance of SMEs. On the other hand, Byaruhanga (2012) findings further revealed that credits terms and accessibility influenced the performance of agricultural cooperatives.

2.5 Conceptual Model

Conceptual framework is a graphical representation of the major factors, concepts, or variables under study and expected association among them. Figure 2.1 below demonstrates the conceptual framework of the research.

Figure 2.1: Conceptual Model

Figure 2.1 below shows the relationship between credit access and financial performance. Credit access is represented by outstanding debt, total assets, bank credit and liquidity ratio, while financial is represented by return on income

Independent variable **Dependent variable**

Source: (Researcher, 2017)

2.6 Summary of Literature Review

This chapter explains the concept of ownership structure for the purpose of this study by defining ownership structure as the combination of managerial ownership, institutional ownership and ownership concentration which could be used to monitor the opportunistic behavior of managers. Most of the literature that were reviewed on ownership structure and financial performance used the financial sector as their domain. This is the gap that this study has identified.

Table 4.5: Working Years

FACTOR	FREQUENCY	PERCENTAGE
1 – 4 years	27	24.4
5 – 9 years	17	15.6
10 – 14 years	17	15.6
15 – 19 years	12	11.1
20 – 24 years	17	15.6
25 – 29 years	20	17.8
Over 30 years	0	0
TOTAL	110	100

As per the working years in the SMEs the responses were as follows 27(24.4%) indicated 1 – 4 years then 17(15.6%) indicated 5 – 9 years, while between 10-14 years was 17(15.6%). The employees with between 15-19 years were 12(11.1%). Between 20-24 years 17(15.6%). Between 25-29 years 20(18%). The study revealed that most of the workers have worked from 1 – 4 years in the SMEs.

4.4 Correlation Coefficients of Pension Funds

The correlation between the independent variables was determined; performance, size, loan amounts and credit access. For this analysis, Pearson Correlation was used to determine the degrees of association within the independent variables and also between the independent variables and dependent variable. The analyses of these correlations seem to support the hypothesis that each independent variable has its own particular informative value in the ability to explain the returns of pension funds.

Table 4.6: Correlation Coefficients

		ROA	SIZE	LOAN	ACCESS
ROA	Pearson Correlation	1	.438**	.362**	.713**
	Sig. (2-tailed)		.000	.000	.000
	N	110	110	110	110
SIZE	Pearson Correlation	.438**	1	.881**	.540**
	Sig. (2-tailed)	.000		.000	.000
	N	110	110	110	110
LOAN	Pearson Correlation	.362**	.881**	1	.517**
	Sig. (2-tailed)	.000	.000		.000
	N	110	110	110	110
ACCESS	Pearson Correlation	.713**	.540**	.517**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	110	110	110	110

**. Correlation is significant at the 0.01 level (2-tailed).

The Correlation Matrix shows that there is a strong positive relationship between credit access and performance with an association of positive .713. The relation between the size and performance was also positive at .438 while the relation between performance and loan amounts was a positive .362 which was not very strong. All the relations were significant with p values being less .05.

4.5 Regression Analysis

Regression analysis of the model provided the results summarized in table 4.4 below.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.724[a]	.524	.511	.12435

a. Predictors: (Constant), ACCESS, LOAN, SIZE

The coefficient of correlation, R, measures the strength and direction of a linear relationship between the dependent variable and the independent variables. This model has an R of 0.724 which indicates a strong positive relationship between the variables. The coefficient of determination, R square indicates how well data fits in the statistical model; how successful the fit is in explaining the variation of the data. In this model, 52.4% of the variations in the dependent variable are explained by the independent variables.

The predictors are viewed as statistically significant compared to all the other variables that affect returns of pension funds. The standard error is a measure of the accuracy of the predictions. A standard error of .12435 indicates variability in the model estimates.

Table 4.8: Regression results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.360	.100		-3.578	.001
	SIZE	.023	.012	.272	1.872	.044
	LOAN	.116	.010	-.226	-1.577	.018
	ACCESS	.079	.009	.683	8.504	.000

a. Dependent Variable: ROA

The contribution of each variable to the model is provided by the Beta coefficients. A unit change in this predictor having a large effect on the criterion variable is indicated by a large value. The Regression coefficient value of size was .023 with a p-value of less .05. The regression coefficient value of loan amounts was .116 with a significance level of 0.018 while regression coefficient value of credit access 0.079 and the p value were significant.

$Y = -0.360 + 0.023X1 + 0.116X2 + 0.079X3 + \varepsilon$

Taking all other factors as zero, the return on fund will be -0.360. However, this is not a reasonable interpretation due to the fact that the performance and credit access never be zero. The Coefficient of 0.023 indicates the difference in predicted value of Y for each one-unit difference in size, all other factors held constant. From Table 4.8 above, it is evident that loan amounts and credit access have a significant relationship with performance ($p<0.05$).

Table 4.9: Analysis of Variance

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.803	3	.601	38.823	.000[a]
	Residual	1.641	106	.015		
	Total	3.444	109			

a. Predictors: (Constant), ACCESS, LOAN, SIZE

b. Dependent Variable: ROA

The overall model was statistically significant ($P<0.05$) as illustrated in the Analysis of Variance Table 4.9 above, indicating that all the variables have a significant relationship with the performance of SMEs in Nairobi County. Under the null hypothesis, the statistic has an F-distribution with 38.823 and 109 degrees of freedom at 5% level of significance and 95% confidence interval. The null hypothesis that credit access and financial performance of SMEs in Nairobi County are related was therefore accepted.

4.6 Discussion of Research Findings

The regression equation findings established between access to credit and financial performance of SMEs in Nairobi County, there was a direct relationship. At 5% significance level the analysis was conducted. Given that the corresponding predictor variables were less than 5%, this shows that access to credit was significant in the model. The coefficient of determination R2=52.4% well explains that the model is a good predictor. A huge number SMEs are unable to access funds since its still a major problem to grant loans or credit. Availability and cost information problem is also evident amongst loan provider and loan receiver. Given the criteria set by the institutions, the study showed that most borrowers borrowed only a small amount of money from the financial institutions. This is also attributed to the fact that they were they were hesitant to take out large amounts since repaying may be difficult.

Once or more circumstances, financial institutions have denied giving credit facilities to different SMEs in view of various reasons. A portion of the reasons were given by the money related foundations include: powerlessness to meet every single required prerequisite, the validity of the business visionary, farfetched recommendations, general monetary conditions, ominous turnover, frail accounting report and others. The greater part of the consideration was given to the turnover of the undertaking asking for the advance. This was trailed by the believability of the business person. This incorporates a record verification on the capacity of him/her to pay back credits or if there are any remarkable advance in his name. Little need was given to the SMEs satisfying every single required necessity and the general monetary condition in the nation. This is like Hiedhues (1995) who expressed that getting to credit is thought to be an essential factor in expanding the improvement of SMEs.

This agrees with Navajas et al, (2000) that the primary goal of microcredit is to enhance the welfare of the poor because of better access to little credits that are not offered by the financial institutions that are formal. Diagne and Zeller (2001) likewise contend that inadequate access to credit by the poor just underneath or simply over the neediness line may have negative results for SMEs and general welfare. Access to credit additionally expands SMEs hazard bearing capacities; enhance chance duplicating procedures and empowers utilization smoothing extra minutes. With these contentions, microfinance is expected to enhance the welfare of poor people.

The research found that there was a solid positive connection amongst funds and the monetary manageability of SMEs. This concurs with Guichandut (2006) that more MFIs are getting to be plainly intrigued by the capability of reserve funds, because of the worldwide money related emergency which has turned into a major lift to the SMEs. The study additionally found that the SMEs don't have a long history of sparing society. The reserve funds have an effect on the money related supportability of the ventures, sums, most microfinance establishments offer investment funds administrations and funds impact monetary maintainability. This concurs with Cheston and Kuhn (2001) discoveries that in a crisis, wealthier individuals may pick between plunging into their investment funds and acquiring. The decision for the immense mass of the unbanked in the creating scene is constrained to whom to obtain from, frequently at awesome cost.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with the conclusions and recommendations relating to specific objectives that were studied as well as areas suggested for further study.

5.2 Summary of the Study

To generalize the findings of this study to a larger population while also allowing relationship and analysis of variables, the research design was descriptive. The population of interest was 1570 SMEs (Nairobi County Registrar, 2016). The unit of analysis was the SME owners, one from each SME in cases where there are more than one owner. The study employed simple random sampling technique. Random sampling was applied in selecting respondents and questionnaires used to collect primary data.

Completed questionnaires were reviewed and edited for accuracy, consistency and completeness with Regression and correlation analysis being applied and results presented in tables. The results revealed that majority of SMEs in Nairobi County, Kenya were performing poorly due to lack of finances. A positive relationship exists between credit accessibility and growth. The findings further indicated that term to maturity, uncertainty about loan amount, high interest rates, mismatch of funds and undue pressure for repayment influenced SMEs choices.

Results also showed that aspects of collateral such as credit history, asset base, availability of collateral, delayed payment by debtors and irregular cash flows influenced SMEs choices. Lack of information; awareness of credit facilities, loan

4.2 Discussion of findings

In light of the findings, it is noted that there is a positive correlation of the independent variables and the dependent variable. According to Krishna (2014) the competitive strategies used led to a positive and successful performance of firms confirming the results. Focus strategies, were a successful at increasing performance of firms, as found by Sunde & Siebert (2013) who found that a positive relationship existed between employee and customer satisfaction, on the other hand, focus strategy of brand as per Wingrove (2017) in the increase success of the franchises and Neuez (2003) focus on culture, concur with the positive correlation of 0.436.

From the findings, Focus strategy, differentiation strategy, Cost advantage strategy collectively explain 32.9 positive relationship but a significant influence of 67.10 percent is explained by other factors not competitive strategies.

CHAPTER FIVE : SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusion drawn from the findings and recommendations. The conclusion and recommendations drawn were focused on addressing the purpose of this study which was to examine the influence of competitive advantage strategies on performance of international fast food franchises in Nairobi, Kenya.

5.1.1 Summary of key findings

The study sought to examine the influence of cost advantage strategies on performance of international fast food franchises in Nairobi, Kenya. The finding indicates that cost management is very critical in ensuring the organization is able to compete effectively with other organization in the same industry. Cost factors effects the performance of the organization in terms of revenue, customer satisfaction and competitiveness of the organization. International fast food franchises in Kenya have adopted cost cutting strategies that are aimed to reduce the overall cost of operation for the organization.

The cost cutting strategies are diverse and they range from adopting economies of scale in production, optimization of the staff, adoption of recycling strategies and adoption of cost friendly measures of marketing. The study has further indicated that organizations are not only concentrating on reducing the costs but are also focusing on improving the quality of products and services at the lowest prices possible.

The findings reveals that the customers are not always attracted by low prices but majority of the customers for the international fast food chain stores are more interested on the quality of the products and services. Majority of the customers for

CS

the international food chain stores are not price sensitive since the target customers are the high and middle level income earners in Nairobi city. Therefore the reduction of price has less significant effects on the levels of the organizations revenue. The regression analysis indicated that there is a positive relationship between the cost advantage strategies and the organization performance. Organization therefore should concentrate on reducing the overhead costs of operations in order to enhance the organization performance.

The study sought to examine the influence of differentiation strategies on the performance of international fast food franchises in Kenya. The findings indicated that differentiation strategies play an important role in enhancing organization performance. The findings revealed that differentiation has a positive relationship on the performance as evidenced by the correlation analysis. The study showed that the implementation of new technology in the fast food franchises has enabled the organization to gain competitive edge over other competitors. Technology has been used to come up with more innovative way of delivering quality services to the customers as well as new ways of packaging products. The organizations have optimized on delivery of unique products as a way of ensuring there is customer retention and eventually brand loyalty on the products. The study further revealed that the organizations have wide range of products that are not affected by the price changes either internally or externally.

These kinds of products are considered very unique and highly differentiated and therefore changes of price will not affect the consumption of the products. The findings indicate that the fast food franchises are less concerned about the imitations of the products since it is very hard to imitate with perfection. Each international fast food has a unique recipe or spice which is highly guarded as industrial secrets and cannot be shared with the rest of competitors. This helps the organization to retain its own uniqueness and any imitation will have less significant effects on the organization clientele or sales volume.

The study sought to examine the influence of focus competitive advantage strategies on performance of international fast food franchises in Nairobi, Kenya. The study has revealed that focus strategies play a significant role in determining the organizations level of performance. The study indicated that there is a positive relationship between the focus strategy applied and the performance of international fast food franchises in Nairobi City.

The study revealed that International fast food franchises in Kenya have taken advantages of economies of scale which ensure that the cost of production per unit is significantly reduced and this results to reduction in the price of the products. The organizations need to further focus on producing quality products at a low price but not focus much on the effort to reduce the cost while they compromise on the quality.

A positive relationship between focus differentiation strategies and performance was established, developing unique and differentiated product give high chances for the consumers to be less sensitive to price changes. Resulting to increased sale, customer satisfaction and high customer retention rate. The study indicated that organization QHHGV WR FRQWLQXRXVO\ GLIIHUHQWLDWH WKH SURG needs. Focus strategies has also allowed these companies to have location target sales that contribute to performance in the long run. The findings also indicated that there is a great need in considering the culture of the customers in a given locality so as to HQVXUH WKH RUJDQL]DWLRQ GRHVQ¶W LQIULQJH RQ V

The findings further reveals that the International fast food franchises in Nairobi, Kenya have less focus on the gender and the age of its customers since their products

Berger, M. & Udell, J. (1995) Reaching the poor with Effective Micro credit Evaluation of a Grameen Bank Replication in Philippines, IRRI Conference, Los Banes.

Berger, M. & Udell, M. (1998) *how availability of finance determines the the capacity of an enterprise.* Duisburg

Berger, P. (2004). *Investment Analysis and Portfolio Management*, 2nd Edition. Tata Mcgraw Hill publishers, New York. Chen Martha and Snodgrass 65

Bernanke, A. (2010). Small Business Credit Scoring And Credit Availability, *Journal of Small Business Management 2007,45(1), 5-22.*

Bester, W. (2007), Credit rationing in markets with imperfect information.

Binswanger, S. (1986). *Enterprise and small business: principles, practice and policy.* Edinburgh gate: Pearson Education.

Bougheas, E. (2005) Access to Bank Credit in Sub-Saharan Africa: Key issues and Reform Strategies. International Monetary Fund (IMF) *Working Paper* WP/05/166, August.

Central bank of Kenya (2007) *Supervisory annual Report*. Web site: http://www.Centralbank.go.ke.

Chiliya, N. & Roberts-Lombard, M. (2012). Impact of Level of Education and Experience on Profitability of Small Grocery Shops in South Africa. *International journal of Business Management and Economic Research.*Vol.3 (1) PP. 462-470.

Coco, B (2000) *Firm Size and the Business Environment:* Worldwide survey Results. University of Ireland.

Cook, P. & Nixon, F. (2009) *Development: Finance and small and medium-sized Enterprise Development: in finance and Surveys of the Theory, Evidence and policy*. London Publishers.

Cooper, D. & Schindler, P. (2003). *Business Research Methods*. New Delhi: Tata McGraw-Hill Publishing Company.

Corb, H. (2012). *Interest rate swaps and other derivatives.* New York: Columbia Business School.

Dabla-Norris, M. & Koeda, J. (2008) *Financial Management* (7th Ed.) Vikas Publishing House, PVT Ltd.

Dehejia, M. (2001). Access to credit and its impact in Malawi. *Research report* No 116. Washington DC, USA International Food Policy (IFPRI).

Dehejia, P., Montgomery, W., & Morduch, U. (2012). The effects of bank mergers and acquisitions on small business lending. *Journal of financial economics,* 50, 187 – 229

Falkena, J. (2011). *The Microfinance Handbook. An Institutional and Financial Perspective.* Washington, DC, World Bank.

Fernando, P. (2006). Growth and performance contrasts between types of small firms. *Strategic management journal,* 11(7), 535 – 557.

Fischer, A. (2008). *Access to Formal Finance in Kenyan Manufacturing*. Wohlmuth, A. Gutowski, T. Knedlik, M. Meine and S. Pitambet (eds) African Entrepreneurship and Private Sector Development. LIT Verlag Munster: Africa Development Perspectives Year book 2002/2003.

Fraser, C. (2013) The Capital structure Puzzle. *Journal of finance,* Vol 39.

Frederic, K. (2010). *Research Methodology: New Age International*, (3rd Ed.). London: Longman Publishers.

Funkor, W. (2000). Comparative Review of Microfinance Regulatory Frame work issues in Benin, Ghana and Tanzania. Africa Regional Financial Sector Group: Financial Sector Operations and Policy Development, World Bank.

Gangata, J. & Matavire, U. (2013), *Economic Implications of lending of microfinance institutions on micro- and small- scale enterprises University of Nairobi*.

Garrett, C. (2009). *Microfinance Program Clients and Impact:* an assessment of Zambuko Trust Zimbabwe, AIMS project report; USAID, Washington.

Gay. S. (2006). *Introductory Statistics* (2nd Ed.). Elsevier Inc: San Diego, California.

Gitari, C. (2012). *Factors Affecting Women Entrepren rmance in* Kenya: A Case of Ngara Market. School of Business, University of Nairobi.

Gitman, C. (2003) *Small and Medium Enterprises across the Globe: A New Database,* New York Publishers, New York.

Gonzalez, H. (2010). Bootstrap financing and owners perceptions of their business constraints and opportunities. *Entrepreneurship and regional development* 17(2), 129 – 144.

Giovanni, J., & Shambaugh, J. C. (2006). *The impact of foreign interest rates on the economy the role of the exchange rate regime*. Cambridge, Mass.: National Bureau of Economic Research.

Gorman, C. (2001) Capital Structure. *Journal of Economic Perspectives*, Vol 15. 67

Habibulla, T. (2010). *Profitability, Uncertainty, and Firm Size.* Small Business Economics 5(2), 87-100.

Han, L., Fraser, S. & Storey, D. (2008). *Are good or Bad Borrowers discovered from applying loan*? Evidence from US Small Business Credit Market CSME working paper Warwick Business School. University of Warwick.

Helms, M. & Reille, S. (2004). The contribution of Small Enterprises to Household and National Income in Kenya. *Economic development and cultural change*. 46 Demirgüç-Kunt, Aslı,

Hempel, E. (2007). *Managing Financial Institutions,* 5th Edition. McGraw-Hill Higher Education.

Hernández, C. & Martinez, S. (2010). *Financing of private enterprise development in Africa*. Liedholm, C., (2002). Small Firm Dynamics: Evidence from Africa and Latin America. Small Business Economics. London Business School.

Herr, K. (2008), "A Project For The Japanese Non-Performing Loans Problem: Securitization As A Solution", *Working Paper, Leonard N. Stern School Of Business, New York University, New York, NY,*

Holt, K. (2004) *A Market-Oriented Strategy for Small and Medium-Scale Enterprises*.

Ingram, J. (2011). *Information needs: old song, new tune. In rethinking of library in the information age.* In: Issues in library research: projects for the 1990's:159-177 Washington, DC. US Government Printing Office.

Ingule, J. & Gatumu, P. (1996). Motivation: New Directions for Theory, Research, and Practice, *The Academy of Management Review*, Vol. 7, No. 1, pp.80-88.

Ishengoma, E. & Kappel, R. (2008). Business Constraints and Growth Potential of Micro and Small Manufacturing Enterprises in Uganda. *The working paper* Series No. 78.

Jaffeee, U & Russel, J. (2011). The Impact of Group Lending in North-East Thailand. *Journal of Development Economics*, Thailand.

Joseph, K. (2013). *Financing small and micro enterprises in Ghana*. *Challenges and determinant in accessing bank credit.* Ghana. 68

Kakuru, H. (2013). Financing Small and Medium Scale Enterprises (SMEs); Uganda‟s experience. *Bank of Uganda working paper*, WP/03/01.

Karlan, U. & Zinman, W. (2008). Initial strategies and new venture growth: An example of the effectiveness of broad vs Narrow breadth strategies. *Frontiers of Enterpreneurship research.*

Kauffmann, C. (2009). Financing of Small and Micro Enterprise, in Africa, *OECD, Report 2005, no. 7.*

Keister, K. (2008). The State of the Art of Small Firm Failure Prediction: Achievements and Prognosis. *International Small Business Journal* 9(4), 1 1-29.

Kenia, D. & Atieno, O. (2009). *Linkages between small and large firms in the Kenyan Food Processing Sector.* In M. P. Van Dijk and H Sandee (eds) Innovation and small Enterprises in the Third World. Cheltenhan: Edward Elgar Publishing.

Kihimbo, M. (2012), *Credit rationing by microfinance institutes and its influence on the operations of SMEs.* (Unpublished MBA Thesis) University of Nairobi.

Kira, A. (2013). The Evaluation of the Factors that Influence the Access to Debt Financing by Ethiopia SMEs. *European journal of Business and Management* Vol.5. No.7.pp. 1-24.

Kothari, C. (2003). *Research Methodology; Methods and Techniques.* New Age International Publishers, New Delhi.

Kumar, S. & Francisco, U. (2005). A case study of microenterprise Training: Beta Test Findings and Suggestions for Improvement: *Journal of Development Entrepreneurship.*

Kuratko, D. & Hodgetts, R. (2007). Entrepreneurship Theory, Process, Practice. Quebec Canada: Thomson Southwestern. *International Journal of Scientific and Research Publications,* Volume 4, Issue 12.

Kyaw, J., & Shen, P. (2008), Private Information Exchange in the United States. *In Credit Reporting Systems and the International Economy*. M. Miller, ed.Cambridge, Mass: MIT Press.

Lydiah, Z. (2012). *Finance for All? Policies and Pitfalls in Expanding* Access. Washington, DC: The World Bank. 69

Makena, P., Kubaison, S. & Njati, C. (2014). *Challenges Facing Women Entrepreneurs in Accessing Business Finance in Kenya:* Case of Ruiru Township, Kiambu County.

Matavire, A. and Duflo, E. (2013), *Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program*, Mainline Publishers.

Mbonyane, B. & Ladzani, W. (2011),"Factors that hinder the growth of small businesses in South African townships", *European Business Review*, Vol. 23 Iss: 6 pp. 550 – 560

McClelland, D. (1965) „N-Achievement and Entrepreneurship: A longitudinal study‟. *Journal of personality and social psychology*, *1*(4), 389-392.

Mckinsey, Th. (2010), *Small Enterprises and Changing Policies. Financial Policy and assistance Programmes in Europe*. London: IT publications.

Miller, M. (2003). *Monetary Dynamics: An Application of Cointegration and Error-Correction Modeling. Journal of Money, Credit and Banking,* 139- 154.

Millinuex, A. (2007). *The funding of non-Financial Corporations in the EU (1971 1993): Evidence of Convergence*. Birmingham: University of Birmingham.

Mohammad, Y. (2008).Agency Theory and Corporate Governance: A Review of The Literature from a UK Perspective, Available: accfinweb.account.strath.ac.uk

Mokogi, J. (2003), *Economic Implications of lending of microfinance institutions on micro- and small- scale enterprises* (Unpublished MBA Thesis) University of Nairobi.

Moro, U. & Fink, M. (2013) *performance measurement in UK textile & clothing manufacturing SMEs.* University of central England

Muchiti, M. (2009) *Risk management adopted by commercial banks in lending to SMEs.* (Unpublished MBA Thesis university of Nairobi)

Mugenda, A. & Mugenda, O. (2003); *Research Methods, Quantitative and Qualitative Approaches*, ACTS Press, Nairobi.

Mugenda, A. (2007). Social Science research: Theory and principles. *Applied research and training*. Nairobi. Services Publishers 70

Mulei, S. & Bokea, G. (2000), *Response of micro-finance institutions in Kenya to the turbulent business environment.* Published MBA Thesis University of Nairobi.

Mundu, J. (1996), Institutional Impediments to access to credit by Micro and Small Scale Enterprises in Kenya. *Institute of Policy Analysis & Research Discussion Paper Series* DP No. 026/2000

Mutugi, S, (2006), *Response of micro-finance institutions in Kenya to the turbulent business environment*. (Unpublished MBA Thesis University of Nairobi)

Mwangi, B. (2001), “A Review of Central Government Policies for MSEs in Kenya” Final Report to International Centre for Economic Growth (ICEG). Nairobi: *African Development Research Foundation*.

Newbery, D. (2006). *The Importance of Small and Mid-Sized Enterprise in Emerging Economies.* International Publishers, New Delhi.

Nyabwala, B. (2010). Designing global strategies: Comparative and competitive value added chains. *Sloan Management Review*, 27, 27 – 38.

Obwori. E. (2012) “The Effect of Funding Constraints on the Growth of Small Scale Enterprises in Soapstone Industry in Kenya”. *International Journal of Arts and Commerce*. Vol. 1 No 6. November

Ogula, J. (2005). *The Research Management Challenge.* 2nd Edition. New York: Macmillian

Oketch, H. (2007) *The demand and supply of micro and small enterprise finance in Kenya.* K-REP, Nairobi.

Ono, B, (2005) Improving access to finance for SME: international good experiences and lessons for Mongolia, master thesis, Hitotsubashi university of Japan.

Orodho, J. (2003). *Introduction to Survey Research Design. Qualitative Approaches.* Nairobi: Acts Press.

Otieno, A. (2002). Financial Sector Dualism: determining attributes for small and Microenterprises in urban Kenya. A Theoretical and empirical approach base on a vase studies in Nairobi and Kisumu. Aachen: Shaker Verlay.

Pandula, G. (2013). *An empirical investigation of small and micro enterprises access to finance*. The case study of emerging economy. ASBBS, vol.18 No. 1 71

Papaioannou, G. J. (1992). roblems of Orthodox formal capital markets in developing countries, with particular reference to Nigeria, Business Finance in Less Developed Capital Markets: An emerging field of study.

Park, J., & Limand, M. (2008). *Developing the Capital Market to identify and diversify SMEs financing*. The Korean Experience.

Raphael, L. & Jogsoon, S. (2012) *what role can financial policies play in revitalizing SMEs in Japan?* IMF working Paper.

Republic of Kenya. (2008). *Economic Survey.* Nairobi Kenya: Government Printers Kenya

Richard, G. (2008). *Business growth and performance and the financial reporting practice Australian Manufacturing SMEs*. The Flinder, University of South Australia. Adelaide.

Robson, M. (2002). *A Handbook of Research Management.* London: Kogan Page

Roodman, M. (2011). "The Determinants of Financing Obstacles," *Journal of International Money and Finance* 25(6): 932-952.

Rosenberg, P., Gonzalez, U. & Narain, P. (2009). Enhancing the competitiveness and productivity of small and medium scale Enterprises in Africa: An analysis of different roles of national governments through improved services. Afr. Dev., 27(3):130-156.

Ross, S. (2007). *The economic Theory of agency, Principal Problems*. American Economic review 62 (2): 134 – 139.

Rukwaro, M. (2000), *Credit rationing by microfinance institutes and its influence on the operations of SMEs.* (Unpublished MBA Thesis) University of Nairobi.

Schmidt, J. (2009) Skills necessary to grow Micro Entrepreneurs into Small Business Entrepreneurs. *South African Journal of Economic*

Senguptas, D. (1992). The Balance Scorecard Measures that Drive Performance. *Harvard Business Review.* January-February 1992.

Shane, M. & Cable, C. (2002). Income and Employment Effects of Micro Credit programmes: Village Level Evidence from Bangladesh. *Journal of Development Studies* 3. 72

Soita, M. (2008). *Risk management adopted by commercial banks in lending to SMEs*. (Unpublished MBA Thesis university of Nairobi)

Sproul, G. (1998). *Essentials of Research Methods*. 4th Edn., HarperCollins Publishers, New York, ISBN: 0-06-500450-7.

Stiglitz, J. & Weiss, U. (1981) Poverty reduction in Sub-Saharan Africa: Is there a Role for the private sector? *African Development Bank Economic Research Paper* No.52.

Storey, S. (1994). Group Based Financial Institutions for the Rural Poor in Bangladesh-An Institutional and Household Level analysis, *Research Report* 120, IFPRI, Washington DC.

Storey, Y. (1994). Assessing the Impact of Microcredit: A Zambian case study, *Journal of Development Studies.* African Development Bank.

Talavera, M. Xiong, U & Xiong, V. (2010) Knowledge Based Resources, Entrepreneurial Orientation and the Performance of Small and medium size and Business.

Timothy E. G, Nathalie M(2014). Interest Rate Caps, State Legislation, and Public Opinion: Does the Law Reflect the Public's Desires?VOL 89 Chi.-Kent. L. Rev.115 (2014). Available at:http://scholarship.kentlaw.iit.edu/cklawreview/vol89/iss1/6

Thorn Hill, M. (2009) *Qualitative Research mgt* , 8th Edition Irwin Boston Burn,McGraw-Hill.

Tucker, J. & Lean, J. (2003). „Small Firm Finance and Public Policy", *Journal of Small Business and Enterprise Development*,10 (1), 50-61.

Vuvor, S. & Ackah, J. (2011*). The Challenges Faced by Small & Medium Enterprises (SMEs) in Obtaining Credit in Ghana*. School of Management.

Wagema, G. (2008). Determinants Access to Bank Credit by Micro and Small Enterprises in Kenya. Growing Inclusive Markets Conference 2008. Kenya.

Wangui, J. (2011). Managerial competencies, Access to Credit and Business Success. Thesis, MSc Accounting and Finance of Makerere University.

White Paper on International Development. (2000). Eliminating World Poverty Making Globalization Work for the Poor. London: Stationary office. 73

Wickham, P. (2008), *Strategic Entrepreneurship Mind. A Decision – Making Approach to New Venture Creation and Management*. London: Pitman Publishing.

Williamson, G. (2012). Towards an African e-Index: Small & Medium Business Survey Wireless Opportunities and Solutions: A regulatory perspective LIRNE Expert Meeting and International Workshop (7 - 9 March 2007)

Winborg, J, & Landström, H. (2000). "Financial Bootstrapping in Small Businesses: Examining Small Business Managers' Resource Acquisition Behaviors" *Journal of Business Venturing,* 2000.

World Bank (2010), *Doing Business in 2004: Understanding Regulation.* The World Bank Washington, DC

APPENDICES

APPENDIX I: QUESTIONNAIRE

The purpose of this Questionnaire is to seek answers to that will assist analyze Credit access and performance of Small and Micro Enterprises operating in Nairobi county: Confidentiality on the information which the respondents will provide is guaranteed, and will be used for academic purposes only.

PART A: GENERAL INFORMATION

1. Gender Male ☐ Female ☐

2. Indicate by ticking your age bracket

i. 19- 24 years of age ☐

ii. 25-29 years ☐

iii. 30 -34 years ☐

iv. 35 -39 years ☐

iv. 40 -44 years ☐

iii. 45 -49 years ☐

Above 50 years ☐

3 What is your highest level of Education? (Tick as applicable)

a) Form Four ☐

b) Diploma ☐

c) Graduate ☐

c) Post graduate ☐

d) Others (specify)____

4. Period Indicate the in years you have been working in your SME.

a) Less than one year ☐

b) 1-3 years ☐

c) 3-7 years ☐

d) 8-10 years ☐

e) Above 10 years ☐

PART B. CREDIT ACCESS

5. Do you maintain a bank account?

Yes [ ] No [ ]

If answer to the above question is no, state why?

____

6. If the answer to the question No 5 is yes state type of account.

Current [ ]

Savings [ ]

What is your reason for choice of the type of account?

____

7. Are you aware of any conditions that banks require for loan?

Yes [ ] No [ ]

If yes list some of the conditions

1.____

2. ____

3.____

4. ____

8 When you applied for a loan last were you asked for registration?

Yes [ ] No [ ]

9. How about location of your business

Yes [ ] No [ ]

10. Rank the following factors in their order of importance as they influenced your loan application.

Factor(s)	**1**	**2**	**3**	**4**	**5**
Existence of bank account					
Collateral					
Guarantee					
Profitability					
Interest rate					

COLLATERAL REQUIREMENTS

11. Indicate, by ticking appropriately, the effects of collateral requirements in accessing credit from commercial banks where is (1-strongly agree, 2-agree, 3-Neutral, 4- Disagree, 5-strongly disagree). Statement

Factor(s)	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Inability of SMEs to pledge tangible security inhibits their access to credit facilities offered by Banks					

Lack of fixed assets is a hindrance to many SMEs access to credit from Commercial Banks					
Costs associated with the collateralization process like legal fees, stamp duty, valuation, insurance etc discourage borrowing by SMEs from Commercial Banks					

91	Saracoatings World Ltd	89,571,411.00	18.31	9,000,000.00	0.100478	16.5
92	Savislinks Technologies	325,645,215.00	19.60	16,000,000.00	0.049133	18.7
93	Serafic Co.Ltd	2,155,485.00	14.58	(200,000.00)	-0.09279	11.6
94	Shriji Plastics Ltd	9,851,455.00	16.10	(20,000.00)	-0.00203	13.3
95	Skyplast Manufactures Ltd	25,140,455.00	17.04	1,256,300.00	0.049971	15.6
96	Specialised Fibreglass	254,621,452.00	19.36	9,850,000.00	0.038685	18.0
97	Springbox Knya Ltd	21,452,115.00	16.88	5,600,000.00	0.261047	14.7
98	Steam Systems	2,145,145.00	14.58	100,000.00	0.046617	13.1
99	Stewah Engineering Works	5,000,000.00	15.42	1,000,000.00	0.2	11.3
100	Sumaria Industries Ltd	6,000,000.00	15.61	1,254,000.00	0.209	11.6
101	Sunplast Ltd	20,000,000.00	16.81	5,000,000.00	0.25	12.1
102	Talani Plastics Manufacturers Ltd	4,000,000.00	15.20	548,000.00	0.137	12.4
103	Thermopak Ltd	5,000,000.00	15.42	362,120.00	0.072424	11.3
104	Twinchem	2,000,000.00	14.51	125,432.00	0.062716	11.4
105	Uni-pastic ltd	9,000,000.00	16.01	450,125.00	0.050014	12.2
106	United traders Ltd	800,000.00	13.59	(50,000.00)	-0.0625	10.8
107	Viffa Consult Ltd	400,000.00	12.90	(200,000.00)	-0.5	9.9
108	Vitaplast Traders Ltd	8,900,000.00	16.00	1,500,000.00	0.168539	10.8
109	Wallpaper Kenya		13.12		0.04	9.2

		500,000.00		20,000.00		
110	Wax & Polypack Ltd	1,000,000.00	13.82	10,000.00	0.01	10.8