FACTORS INFLUENCING ACCESS TO FINANCIAL SERVICES AMONG SMALL BUSINESS HOLDERS IN KASIPUL SUB COUNTY, HOMA BAY COUNTY.

BY:

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DECLARATION

This research project report is my original work and has never been presented for a degree or any award in any university.

Signature___________________________________ Date___________________________

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This research proposal has been submitted with my approval as the university supervisor

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DEDICATION

This research project is dedicated to my wife Hellen Awuor who encouraged me, supported me morally and financially throughout the entire research process.

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LIST OF ABBREVIATIONS AND ACRONYMS

AGS	**:** Agricultural Guarantee Scheme
GDP	**:** Gross Domestic Product.
MFI	: Microfinance Institutions
RMC	: Rural Microfinance
SACCOS	: Savings and Credit Co-operations
UNDP	: United Nations Development Programme
NCAER	: National council for applied Economic Research

ABSTRACT

The study focused on factors influencing access to financial services by small business holders in Kasipul Sub County, Homa Bay County. The study was informed by the objectives; to investigate the influence of cost credit, collaterals, access to information and availability of lending institutions on access to financial services in Kasipul Sub County. The study would be significant to several key stakeholders in the small business sector, informing them of measures to be put in place to enhance the growth of this sector of the economy. It was based on the basic assumptions that the data collection instruments would be valid and reliable in taking the expected measures, samples drawn would represent the target population in its major features and that respondents would be willing to give information honestly and objectively. Moreover, the study was grounded on the micro finance theory. The study adopted descriptive survey research targeting a population of 1500 small business holders and bank loaning personnel in Kasipul, from a sample of 150 respondents was drawn. Data was collected using questionnaire and interviews and analysis was undertaken using descriptive statistics such as the frequencies and percentages. The analyzed information was presented in frequency distribution tables. It was established that access to financial services by small business holders in Kasipul Sub County was relatively low as the cost of the credit was high, collaterals were hard to realize, access to information was poor, and lending institutions were found to be few. The study recommended that there is need to train more clients on management of loans and better ways of accessing crucial information on financial mobilization for growth of small holder business. Areas of further studies could be on the accessibility of microfinance among female versus the males, there is need to investigate the repayment rate of the clients and why there low repayment rates experienced by financial institutions.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Generally, business persons tend to rely heavily on financial institutions as the major source of finance for investment into their businesses; yet accessing these funds come with a price. In this light, lending firms demand substantive collaterals as a prequalification to obtain a given amount of funds, Dermly (2013). Basing his investigations on the role of microfinance on the growth of the small and micro enterprises in Singapore, Remelo (2013) observed that improved accessibility of such services by the cadre of small business holders had greatly contributed to the realization of steady growth of the country's GDP. He further noted that the drivers of accessibility of financial facilities comprised of substantial collaterals, availability of financial institutions, heightened awareness campaigns to sensitize the potential beneficiaries on such products and the emerging culture of aggressiveness for personal growth.

According to The America Business Post (2013), overt indicators of economic growth in the US do not require rocket science, a simple survey of the activities in the small business sector tells the whole story. These activities are generally geared towards accessibility of financial facilities by the population of small business holders, so that this massive sector can make contribution to enhanced development of the society. The same document indicates that the cost of credit, mobilization of collaterals, and provision of information and availability of these financial service providers are key in determining the extent to which individual entrepreneurs access the required start up business funds. Reporting from a study conducted in the Chinese Micro Industry focusing on the challenges facing newly established small businesses, Jinx (2012) noted that main banking institutions were steadily rolling out micro finance products at affordable interest rates to encourage young entrepreneurs to obtain credit for their businesses. Moreover, the country also formulated policies that encouraged proliferation of many micro finance institutions to provide these services in close neighborhoods to facilitate accessibility to the products. Besides, government funds were also created targeting various low income groups in order to boost their entrepreneurial activities.

In Africa, several investigations in the sector of small and micro enterprises reveal that accessibility of financial services still remains a challenge, despite the acknowledgement that financial investment is critical to growth of all ventures. In the views of Katacolo (2011), having done a survey in Kwazulu Region in South Africa, accessibility of financial products must be addressed so as to support the rural poor to actively engage in economic development through small enterprises, bearing in mind that employment opportunities have been dwarfed by population explosions. He recommends that young entrepreneurs be assisted to obtain cheap credits which do not overemphasize a lot on collaterals, given necessary training on resource mobilization and more micro finance that are pro poor developed.

Focusing on factors influencing accessibility of business funds among the small holder enterprises in Nigeria, Onomi (2013), established that the cost of credit was still out of reach for many unemployed rural folks who were heavily carrying the burden of unemployment in the country. In addition, he indicated that some parts of the country, though few indeed, did not have varied micro financial institutions keen on meeting the financial needs of many borrowers. Enumerating major determinants of accessibility to financial products for small and medium enterprises in Zambia, Banda (2010), had in this list; the cost of credit, security against credit, information on variety of products and the general business environment that guarantee success in the forex market, as crucial in accessing funds for entrepreneurial activities.

Reporting from his investigations based on the influence of resource mobilization on the growth of youth owned small enterprises in Rwanda; Fazul (2013) observed that the Government was providing soft credit facilities to unemployed youths to access startup capital because banks conditions were keeping off this lot out of business. Implied by the findings of Fazul was that the cost of credit was still unaffordable to many young entrepreneurs, yet Menge (2012), noted from a study conducted in Uganda based on the performance of the informal sector as a country's economic indicators that many youths were shy from accessing credit facilities due inadequate awareness on how such could be obtained.

In Kenya, just like elsewhere, small and medium business enterprises are regarded among the greatest contributors to job creation and poverty reduction strategies. In this interest, the government has over time encouraged the growth of this sector through its fiscal facilities such as youth enterprise development funds, women enterprise development fund and the most recently established, uwezo fund in order to facilitate accessibility of funds for business, (Odera, 2014). However, the uptake of the former two facilities has been wanting, as in other areas the potential beneficiaries have failed to service the borrowed funds due to inadequate knowledge in credit management, while others cite frustrating procedures in accessing the funds and yet for others the institutions that provide these facilities are far from their reach, (Ngeno, 2014).

In a study with its focus on factors influencing growth of small scale businesses in Bomet Constituency, (Bett, 2012) reported that small business entrepreneurs faced challenges of accessing funds to be put to their enterprises, since there are just few facilities to offer the products. He further noted that many potential beneficiaries fear such credit due to high interest rates, while others are not informed on the availability of more affordable services on offer. According to Okello (2010) in the study he undertook in Kasipul Constituency, youth owned and operated small enterprises performed poorly, majorly due to inadequate accessibility to finance. Access to financial services is also faced by problems of clients having poor or bad security and therefore in case of a clients' death, it is not easy to recompense, (Agwana, 2013). More often small businesses encounter bottle necks of growth as accessing financial services remains a tall order for many establishing entrepreneurs, (Ondago, 2012). Being small business holders, the clients do not have much capacity to access financial services. It is therefore upon this background that the study sought to investigate factors influencing access to financial products in Kasipul Sub County.

1.2 Statement of the Problem

In a study with its focus on factors influencing growth of small scale businesses in Kasipul Constituency, Anditi (2014) reported that small business entrepreneurs faced several challenges of accessing funds for investing in their enterprises. He further noted that many entrepreneurs and potential beneficiaries fear taking such credit facilities for undisclosed reasons, while others are not informed on the availability of more affordable services on offer.

According to Okello (2010) in this study done in Kasipul Constituency focusing on factors influencing growth of youth owned and operated small enterprises were found to perform poorly, majorly due to challenges of accessing business finance. In Karachuonyo Sub County, access to business credit was also reported to pose challenges to small business entrepreneurs, who often, shy away from bank loans, Jairo (2013).

More often small businesses encounter bottle necks of growth as accessing micro finance services remains a tall order for many establishing entrepreneurs, (Ondago, 2012). According to the Kenya national chamber of commerce and industry, Kasipul chapter (2014), business enterprises have been registering marginal growth as a result of difficulties in accessing financial products .It is therefore against this backdrop that the study sought to investigate factors influencing access to financial services by small business holders in Kasipul Sub County.

1.3 Purpose of the Study

The study sought to investigate factors influencing access to financial services among small business holders in Kasipul Sub County.

1.4 Objectives of the Study

The study was guided by the following objectives;

1. To examine the extent to which cost of credit influences access to financial services by small business holders in Kasipul Sub County.

2. To determine the influence of collaterals on access to financial services by small business holders in Kasipul Sub County.

3. To investigate how acquisition of information influences access to financial services by small business holder in Kasipul Sub County.

4. To explore the extent to which availability of lending institutions influences access to financial services by small business holder in Kasipul Sub County.

1.5 Research Questions

The study intended to provide answers to the following research questions;

1. To what extent does cost of credit influence access to financial services by small business holders Kasipul Sub County?
2. What influence does collaterals have on access to financial services by small business holders in Kasipul Sub County?
3. How does acquisition of information influence access to financial services by small business holders in Kasipul Sub County?
4. What contribution does availability of lending institutions have on access to financial services by small business holders in Kasipul Sub County?

1.6 Significance of the Study

The study is hoped to be found useful by several individuals and organizations in different ways in the domain of business practice and theory. To begin with, small business entrepreneurs, both nursing business ideas and those already in different engagements, stand to gain from the findings of the study by being informed of the various financial mobilization strategies to adopt to obtain funds from existing financial institutions. Besides, the entire financial sector may also acquire more insight into small business sector to formulate policies that would ensure more attractive financial services are rolled out to meet the ever swelling business constituents, both to the success of financial institutions and the small business sector. Moreover, the government, in its quest to address issues of unemployment and poverty eradication, may be sensitized to formulate more favorable policies that would enhance vigor in engaging in sustainable economic development.

1.7 Limitations of the Study

The study was carried out in Kasipul Sub County within the precincts of all the lending institutions in the entire Sub County, geographically realized to be very expansive, posed difficulties in accessing all the respondents during data collection. However, this limitation was overcome by involving two well trained and motivated research assistants who used motorbikes to administer the data collection instruments to the respondents.

Moreover, the study was also limited by weather conditions that were often unpredictably fluctuating as it coincided with the onset of long rains in the region. To overcome this weather condition, study visits were timed at around noon or thereabouts when the weather conditions were still favorable. Some respondents, due to undisclosed reasons, also declined to give information, with others are giving false information deliberately. This was addressed by explaining to the respondents that the purpose of the study that was purely academic and also that any information obtained would be treated with utmost confidentiality.

1.8 Delimitations of the Study

The study was based on factors influencing access to financial services among small business holders in Kasipul Sub County. This population was spread geographically in five major business centers, such as Oyugis, Kosele, Ruga, Nyangiela and Dol. These areas were chosen as they were considered to be offering conducive and thriving business environments to small business holders, given that established centers would be more advantageous to big business ventures, thereby enhancing stiff competition in the money market.

In addition, the study was also confined to the investigation of access to financial services among small business holders engaged in five major business areas such as whole sellers, retailers, hawkers, service sector and green grocers.

1.9 Basic assumption of the study

The study was guided by the basic assumptions the final sample drawn for the study would be representative of the major characteristics of the target population; respondents would be willing to give information honestly and objectively and that the data collection instruments would be valid and reliable in measuring the expected study outcomes.

1.10 Definition of significant terms as used in the study.

Financial services **:** describe bank products, both saving and credit facilities offered to Clients for business investment.

Access to information: ability of the business holders to obtain crucial information on financial Services.

Cost of credit **:** the bank charges and levies on bank facilities enjoyed by lenders from financial institutions.

Lending institutions **:** the financial institutions which offer services in the area.

Collaterals **:** a pool of assets offered as security against the credit obtained from a financial institution.

Small holders **:** business individuals with limited access to funds from lending institutions.

1.11 Organization of the study

The study is organized in five chapters. Chapter one focuses on the background of the study, statement of the problem, purpose of the study and objectives of the study. Besides, this chapter also presents the research questions, significance of the study, limitations of the study and delimitations of the study. Moreover, it also presents basic assumptions of the study, definition of significant terms used in the study and organization of the study. Chapter two outlines comprehensive literature review done on the basis of key study variables. Also highlighted in the chapter are theoretical framework, conceptual framework and summary of the literature review.

Chapter three is an extensive discussion of the research methodology used in the study, outlining introduction, research design, target population, sample size and sample selection. Besides, it also presents data collection instruments, instruments pretesting, validity of the instruments and instruments' reliability. In addition, it also outlines the procedures used for data collection, and methods that were used for data analysis. Chapter four gives a detailed data analysis, presentation, interpretation and discussion, with chapter five highlighting summary of findings and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a detailed review of literature from other studies previously done by various scholars on access to financial services by business entrepreneurs in general and particularly small business holders. Literature was reviewed against the platform of the major study variables; influence of cost of credit, collaterals, information accessibility and availability of lending institutions on access to financial services by small business holders in Kasipul Sub County. Also featured in this section is the theatrical framework of the study, in addition to the study's conceptual framework.

2.2 Overview of Access to financial services

More often, potential business entrepreneurs tend to rely more, for their financial requirements, on financial institutions in order to obtain substantial resources for investment into their businesses; yet accessing to these funds come with a fair share of challenges. In this light, lending firms demand substantive collaterals as a prequalification to obtain a given amount of funds, Demy (2013).

With his investigations on the role of microfinance on the growth of the small and micro enterprises in Singapore, Remelo (2013) observed that improved accessibility of such services by the cadre of small business holders had greatly contributed to the realization of steady growth of the country's GDP. He further noted that the drivers of accessibility of financial facilities comprised of substantial collaterals, availability of financial institutions, heightened awareness campaigns to sensitize the potential beneficiaries on such products and the emerging culture of aggressiveness for personal growth.

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The Business Post (2012) indicates that the cost of credit, mobilization of collaterals, and provision of information and availability of these financial service providers are key in determining the extent to which individual entrepreneurs access the required start up business funds in most countries in the world. Doing an extensive survey on access to business funds among the low income entrepreneurs in the West Indies countries such as Trinidad and Tobago, Jamaica and Guyana, Ousmane (2013) noted that entrepreneurs continued to face several challenges related to access of business funds, attributing these to high cost of bank loans.

In Africa, several investigations in the sector of small and micro enterprises reveal that accessibility of financial services still remains a challenge, despite the acknowledgement that financial investment is critical to growth of all ventures. In the views of Katakolo (2011), having done a survey in Kwazulu Region in South Africa, accessibility of financial products must be addressed so as to support the rural poor to actively engage in economic development through small enterprises, bearing in mind that employment opportunities have been dwarfed by population explosions. He recommends that young entrepreneurs be assisted to obtain cheap credits which do not overemphasize a lot on collaterals, given necessary training on resource mobilization and more micro finance that are pro poor developed.

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2.3 Influence of the cost of credit on access to financial services

Cost of credit is measured by all charges and levies on the amount of loan borrowed from a commercial lending institution and given that these institutions are also in business, their major goal is to make as much profit as possible, Doni (2012). In this light, when the cost of credit is seen by small business holders as very high, then chances to go for these get slim. Interest-rate targets are a vital tool of monetary policy and are taken into account when dealing with variables like investment, inflation, and unemployment. The central banks of countries generally tend to reduce interest rates when they wish to increase investment and consumption in the country's economy

According to (Donald et al, 2013) on the study focusing on Management of Business Challenges Among Small and Micro Enterprises in Astra found out that SMEs face the challenges of competition among themselves and from large firms, lack of access to credit, cheap imports, insecurity, high interest rates and debt collection. In the views of Poul (2012), although more businesses have become the customers of banks, the overall volume of credit has not necessarily increased. Taken together with a squeeze in demand for their products and high inflation, small businesses are not always eager for larger bank loans at higher interest rates.

Fiona (2008), on her study on Government's administrative burden on SMEs in East Africa concluded that Governments in the region have begun to recognize that lower-level policies and administrative procedures impose significant constraints on private sector development, stemming primarily from the command and control bureaucracies that characterized colonial governance. There are three priority areas for administrative reform: business licensing and registration, tax and customs procedures and specialized approvals.

According to Adams, Graham & Von Pischke in their classical analysis ``undermining rural development with cheap credit'', when poor people obtain business funds, they often rely on relatives or a local moneylender, whose interest rates can be very high. An analysis of 28 studies of informal money lending rates in 14 countries in Asia, Latin America and Africa concluded that 76% of moneylender rates exceed 10% per month, including 22% that exceeded 100% per month. Moneylenders usually charge higher rates to poorer borrowers than to less poor ones. While moneylenders are often demonized and accused of usury, their services are convenient and fast, and they can be very flexible when borrowers run into problems. Hopes of quickly putting them out of business have proven unrealistic, even in places where microfinance institutions are active. The rate of interest charged on the credit determines the cost of the credit. The cost credit is the amount of money a client is obligated to pay above the principal sum of money lent.

Samy, (2012) interest rate plays the greatest role in financial transaction and if seen as too high, entrepreneurs tend to decline the loans advanced, as this defines the return on capital. Cost of credit can be classified as; gross interest and net interest. Gross interest is the total amount that the debtor owes to a creditor and the net interest means the part of interest that is for the use of capital only. The interest rate usually, is a percentage of the borrowed amount, determines by the amount of interest over duration which may be a year. High interest rate therefore increases the cost of credit.

High interest rate on credit may discourage small business holders from borrowing, hence reducing the accessibility of credit among them. Every business needs financing, even though at first glance it might appear that funding is unnecessary. It is important that financing be as efficient as possible, Jamal (2013). He argues that the entrepreneur should be able to put the cost of all financing on the same basis, comparing them and come up with the one that gives the lowest cost financing option. Banks have often been criticized for having high interest rates charged on loans. But sometimes, there are factors beyond their control. For example, the amount of interest payable on loans depend on interest rates charged, which is driven by the base lending rate of interest set by the Central Bank of Kenya. The amount of interest rate charged is sometimes intertwined with the security of the loan, and the use for which it has to be used, or the nature of the business.

That is the more secure loans are charged on low interest rates due to their low risks involved in Management (Peky, 2013), leads the low income entrepreneurs to the micro finance institutions that lend unsustainable interests on short term loans. The high interest rates, discourages the women in this sector from borrowing. It is because the interest payment come out of profit and can be reduced by the borrowing business if profit and trading conditions are unfavorable.

According to Challo (2012), although more businesses have become the customers of banks, the overall volume of credit has not necessarily increased. Taken together with a squeeze in demand for their products and high inflation, small businesses are not always eager for larger bank loans at higher interest rates.

There are various other financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climax of the year 2008 testifies the need for credit among the common and low earning entrepreneurs, Oeno (2012). Numerous money lenders in the name of Pyramid schemes came up, promising hope among the 'little investors,' that they can make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives and soft credit with low interest rates while making profits.

A general lack of experience and exposure also restricts small business holders from venturing out and dealing with banking institutions. Those who do venture out often find that transaction costs for accessing credit are high, and cannot be met by the cash available to them. Because of this, they are dependent on the family members for surety or collateral and hence restrict the money they borrow. This results in lower investments. Alternately they tend to find working capital at higher rates of interest. The availability of finance and other facilities, such as industrial sheds and land for women entrepreneurs are often constrained by restrictions that do not account for practical realities (Hannan 2013).

2.4 Influence of collateral on access to financial services

Insufficient collateral is probably the most widely obstacle faced by SMEs in accessing the funds. In some cases the entrepreneurs are unable to provide the sufficient collateral because it is not firmly established. In some cases, the lender may deem the collateral insufficient in view of the loan size requested. In the USA, the investment statement is demanding detailed information and forecasting. The increasing pressure for continuous disclosure places great pressure on SME management team (Mrs. Juliet McKee, 2013).

Banking institutions all over the world are in business and any transaction entered into by clients must promise business gains to the two parties involved. In the light of this, lending institutions must seek to evaluate credit worthy of a given borrower before loans are processed and aspects to be considered is available asset security against the loan applied for, Olwalo (2012). Lack of income or collateral is probably the most widely obstacle faced by SMEs in accessing the funds. In some cases the entrepreneurs are unable to provide the sufficient collateral because it is not firmly established. In some cases the lender may deem the collateral insufficient in view of the loan size requested, Tore (2013).

Most banks accept only unmovable properties like land and building as collaterals. Even if the business owner has land or building, they cannot use these assets as collaterals if they don't have title deeds of the properties. In most set ups in Kenya, the entrepreneurs tend to seek finance from their own resources and then from families and friends and then from sources like banks, Adonita (2014).

In the views of Hamil (2011), it is globally agreed that poverty is partially determined by the ability of households to access capital and other essential financial services that allow them to generate greater returns and weather cash flow fluctuations. Whether to start an enterprise, save for a child's schooling, insuring against natural disasters, or cover health care costs, access to credit and other financial services can significantly improve the lives of people living in poverty, yet often these funds are hard to access if security is not provided.

Studies of the impact of micro credit in more than 24 countries found dramatic improvements in household income levels. These improvements took place primarily through growth in the borrower's business, which translated into increased household income. The studies found that access to micro credit allowed the borrower to increase the number of goods or services sold and reduce the costs of supplies and raw materials. However, access to credit facilities does not come easily and the amount obtained is pegged on the availed collateral value, Jamil (2012).

A pool of assets in the form of security offers commercial lending institutions to clearly perceive the clients ability to obtain a given amount of loan, as well as the indication that the credit can be effectively be managed, Odongo (2012). He observes that some clients even use the property that they don't legally own in the hope that their ability for loans may increase and banks become so keen to establish legal ownership of the assets.

Most SMEs claim that they use their own money for start-ups and expansion. Most of the financing for working capital come from suppliers in terms of credit. The reason why they don't want to use external financing is that they don't want to face complex procedures of tight collateral requirements by banks. Business owners preferred using their own capital for business expansion to a certain level where they can reach. They further expand their business with the profit earned from their business operations. Some managers don't want to expand their businesses due to the current business environment but they want to operate to maintain their customers and position in the business field.

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2.5 Influence of Information access on accessing financial services

Existence of credit facilities that offer favorable lending terms to clients is subject to access to vital information regarding the same. However, it is common experience to encounter that most small business holders in rural areas, lacking current information on more attractive bank products, resort to Shylocks for their credit requirements, Wall (2012). According to Allone (2013), the informal lending outfits have increased and taking advantage of insufficient knowledge small business holders possess on availability and nature of credit facilities offered to entrepreneurs by the formal lending sector.

Entrepreneurship is defined as risk-taking initiatives, creative and innovative venture in which new product and new procedures are developed in a manner that promises to approximate to the ever changing consumer needs, Onuonga (2011). The same scholar perceives education and training as the act of instilling, inspiring, persuading, inculcating and imparting knowledge, skills and desirable attitude in learners for self-reliance. In this respect, entrepreneurial training involves equipping learners with relevant knowledge skills and desirable attitude that prepare them to be self-reliant through entrepreneurship.

Mumah (2010) views entrepreneurial training as critical to gaining more information on the existence of attractive credit facilities from commercial lending institutions that small business holders should take advantage of in order to invest in their enterprises. According to Hoffer and Jefferson (2012), the willingness to bear the perceived uncertainly associated with an entrepreneurial act is representatives of a belief-desire configuration in which belief of what to do is a function of knowledge and information. The act of entrepreneurial practice is learnt by experience in a business rather than in a formal educational environment and access to crucial information on credit facilities gives an entrepreneur an opportunity to obtain the best loan package on offer by commercial lending institutions.

In the Barclays Bank Information Manual (2013), the bank does not have a limit of borrowing by its business entrepreneurs, provided they qualify for other numerous business products offered and what is often needed is information about the nature of such products. Entrepreneurship education is found to contribute significantly to risk-taking, the formation of new ventures and the propensity to be self employed, Ogada (2014). In addition, entrepreneurship culminates into higher income, higher assets and indirectly higher jobs satisfaction compared to other business graduates in formal employment, yet most of the time, lack of vital information on specific business credits, tend to keep these ventures in their lows.

According to Aballa (2013), rural folks venturing into the business world run into the troubles of accessing financial resources to be invested, not because the funds are unavailable, but because they just lack the ideas about the existence of these products and the lending conditions attached. Besides, entrepreneurship information contributes to the development of small firms that employ entrepreneur graduates, as these entrepreneurs are better placed to access more information on the credit facilities on offer and the necessary lending requirements.

Entrepreneurship education also promotes technology based firms and products, Mumah (2010). Considering other facets of training on business development, Kasimu (2012) posits that one can perfectly link performance of workers to other performance of overall organization. He adds that training budget is another tool that can be used to measure productivity by comparing how much has been spent to train employees with the outcome of their impact.

Training and education nurture entrepreneurs in their attempt to navigate their stormy and turbulent business world, engaging in critical business operations leads to productions of commodities that constantly meet the changing needs of customers, khan (2013). He suggests that knowledge about business research is crucial for an entrepreneur and one should be in a position of conducting environmental scanning to obtain information on the strategies for growing their enterprises including knowledge on credit access.

According to Morlin Gayan (2014), a business organization needs to engage its personnel in regular training workshops and information hub for credit management to enhance their business performance. Thorough the learning curves, business entrepreneurs will readily focus on the mission of the enterprise with their sights fixed at the vision of the firm. She observed that this concept is vital in enhancing business survival, yet they remain abstract in the mind of an uneducated individual who often lack basic resource mobilization information.

2.6 Influence of accessibility of financial institutions on access to financial services

Availability of lending institutions within the reach of ordinary business entrepreneurs has a great influence on one's ability to go for such credit facilities offered, as people tend to face issues commonly encountered within their localities more easily than those remote to them, Mann (2012). He further observes that some less learned business entrepreneurs even fear entering into the banks asking for credit facilities feeling inadequate, since according to them, these institutions remain the preserve of the learned lot.

According to Bollon (2011), commercial lending institutions in Bollivia were seen to be performing poorly in the credit business because they concentrated in the urban centers, far off from the local communities only giving loans to the business elites, but disregarding the rural entrepreneurs. Micro financial institutions therefore took this advantage and developed credit products that focused on the business needs of the rural business folks, hence improved their access to funds. Small business sector is replete with individual entrepreneurs whose credit history hardly work to their advantage, as majority have often kept off visiting commercial lending institutions, as these institutions are just not accessible, Dery (2011).

Reporting from his encounter with poverty eradication projects in Papua New Guinea among the rural Davie region, specializing on entrepreneurship, Elion (2011) noted that due to the absence of commercial loaning institutions from where business funds could be obtained, the goals of the projects remained a tall order to be achieved. He indicated that when an intensive campaign was mounted to have banks open up more branches in the rural areas, credit up take increased tremendously, giving more entrepreneurs opportunities to access the bank products.

The extent to which institutions reach out to small business holders and the conditions under which they do vary noticeably, but SME holders are at a disadvantage when an institution does not fund the type of activities solely run out by them, Aday (2010).

While formal institutions such as laws and policies can create opportunity fields for entrepreneurship, informal institutions such as values, norms, and the general attitude of a society toward entrepreneurship can strongly influence the collective and individual perception of entrepreneurial opportunities.

Paulo (2010) contends that small scale firms tend to face greater financial constraints than do larger firms due to presence of fewer financial lending institutions dealing in their unique products. Small scale entrepreneurs are operating in more difficult conditions than established ones. The constraints that impede all entrepreneurs such as political instability, poor infrastructure, high production costs, few lending institutions and non-conducive business environment, tend to impact more on small business holders.

According to Kiriu (2011), access to credit by many small scale business borrowers is affected mainly by credit rating behavior of few lending institutions which use descriptive statistics to analyze the role of institutional lending policies of formal and informal credit institutions in determining access to and uses of credit facilities by small-scale entrepreneurs in Kenya.

In addition, women's entrepreneurial development is impeded by specific constraints such as limited access to key resources including land and credit, the legal and regulatory framework, and the socio-cultural environment. Furthermore, the combined impact of globalization, changing patterns of trade and evolving technologies call for skills that small business entrepreneur on the continent does not possess.

Recognizing the critical role small businesses play in the Kenya economy, the Government through Kenya Vision 2030 envisages the strengthening of SMEs to become the key industries of tomorrow by improving their productivity and innovation. However, it is generally recognized that SMEs face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. The International Finance Corporation (IFC) (2011) has identified various challenges faced by SMEs including lack of innovative capacity, few financial lending institutions, lack of managerial training and experience, inadequate education and skills, technological change, poor infrastructure, scanty market information and lack of access to credit.

There are various other challenges that have continued to have negative impact on the growth of SMEs in Kenya. These challenges include but may not be limited to poor infrastructure, few lending institutions, insecurity and high cost of energy. There has also been unfavorable investment climate occasioned by poor governance, institutional failures, macroeconomic policy imperfections and inadequate infrastructure, as well as rampant corruption, bureaucratic red tape, weak legal systems and a lack of transparency in government departments, Pascal (2010).

In Kenya, market failures and few lending institutions have constrained SME innovation, as in many developing countries, by limiting the necessary access to information, finance, labour skills, and business development services (BDS) to increase competitiveness and productivity. Lack of information and negative past experience with transactions is a common factor that limits the willingness of potential suppliers to take risks to adapt products to MSMEs (World Bank 2014).

The number of lending institutions and their network of branches is a challenge to the accessibility of loans among women in Small &Medium Enterprise's. A wide branch network enables a financial institution to have lower cost of funds. The cost of funds being the amount paid by the banks for its liabilities, including the loans business entrepreneurs borrow from other financial institutions. Banks take loans from other financial institutions in order to lend to the customers where their deposit base is insufficient to cover the amount lent. But a wide branch network bring with it a significant operating expenses in the forms staff costs and structures, (Business Daily, 2009).

2.7 Theoretical framework of the Study

A theory entails generalizations and propositions about relationships established among variables and other factors in different fields, Marr (2013). In this study, Exponential Business Growth propounded by Adrian Coles (1968) was adopted. In the theory, businesses grow in two basic forms; arithmetically and geometrically, with the latter dimension considered a superior growth condition.

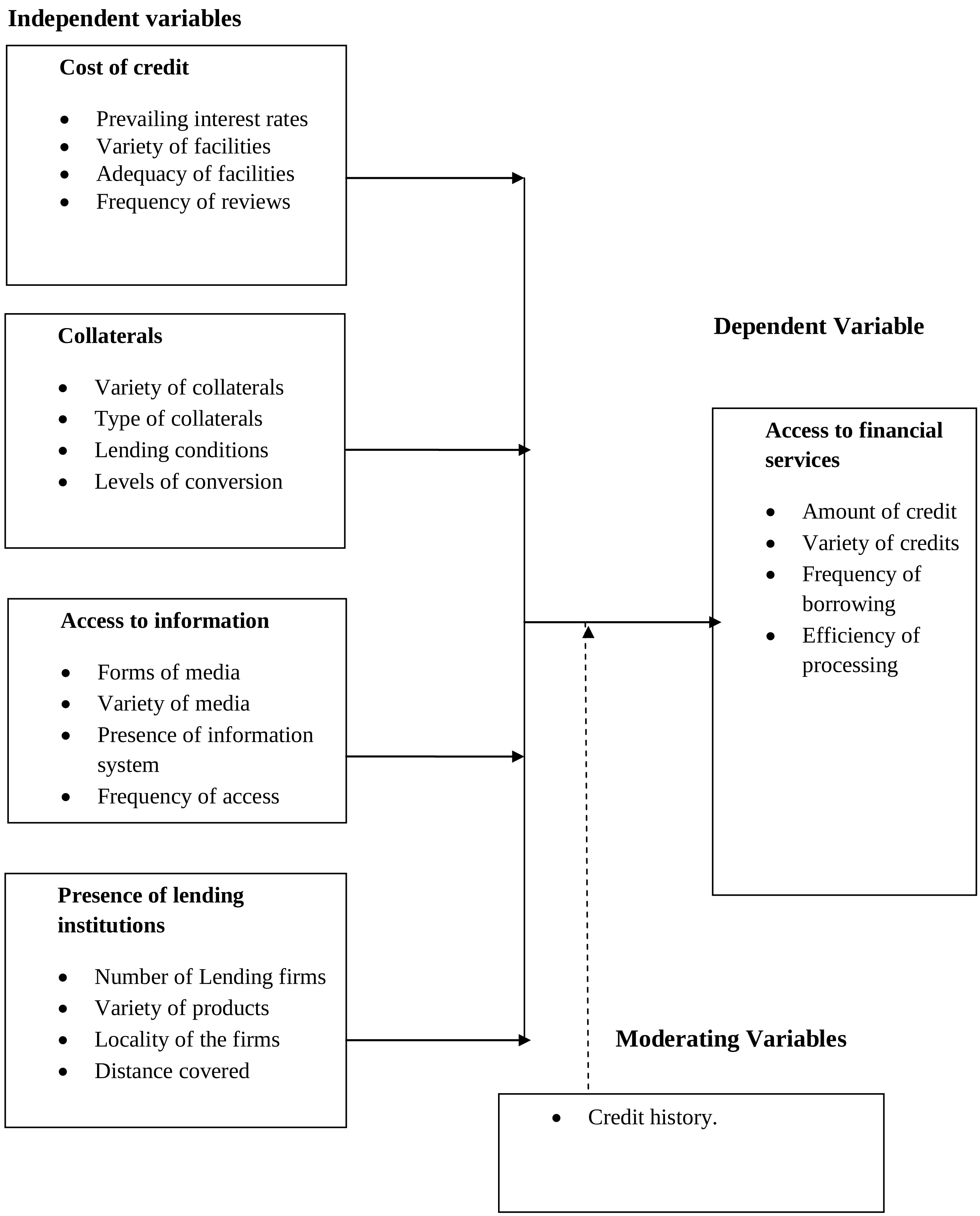
The theory is anchored on the key components, innovative ideas, superior knowledge of the business environment and resource mobilization strategies, working together to realize exponential business growth. Coles, using the project management techniques, looks at these components in the form of the triple constraints in project implementation in which each factor influences the growth of a business, yet confirms that when funds are available the other factors can easily be obtained.

He links the components of the theory to trading in financial resources, where financial institutions take funds to the market for business transaction with the clients, particularly business entrepreneurs in the SME sector. The theory has its strengths on the premise that both SME sector and the financial sector are engaged in business and hence need to attain growth and the presence of both hedges one another to register faster growth. This theory is therefore appropriate to the study as engagement in SMEs by small holder entrepreneurs promise to address issues of business growth for economic prosperity, and this can only be achieved when strong collaboration between commercial lending institutions and the business sector is established.

2.8 Conceptual Framework

A conceptual framework is defined as a set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation, Kothari (2005). The conceptual framework in figure 2.1 attempts to explain the relationship between the independent variables and the dependent variable.

Figure 2.1: Conceptual Framework



The conceptual framework was used to show the relationship between the independent variables and the dependent variable. The arrows point at the direction of influence. Access to financial services is influenced by; cost of credit, access to information, collaterals and availability of financial institutions.

2.9 Summary of literature review.

From the literature, it is clear that small business holders encounter several challenges in their attempts to access financial services from commercial lending institutions. These include high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the peak period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs. Numerous money lenders in the name of Pyramid schemes came up, promising hope among the 'little investors,' that they can make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives and soft credit with low interest rates while making profits. Financial constraint remains a major challenge facing SME's in Kenya

A general lack of experience and exposure also restricts small business holders from venturing out and dealing with banking institutions. Those who do venture out often find that transaction costs for accessing credit are high, and cannot be met by the cash available to them. Because of this, they are dependent on the family members for surety or collateral and hence restrict the money they borrow. This results in lower investments. Alternately they tend to find working capital at higher rates of interest. The availability of finance and other facilities, such as industrial sheds and land for low income entrepreneurs are often constrained by restrictions that do not account for practical realities.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter features components of the research methodology employed in study. These features include, research design, target population, sample size and sampling procedure. In addition, data collection instruments, instrument's pretesting, instrument's validity and instrument's reliability are also outlined. Besides, data collection procedures, methods of data analysis, as well as operationalization of the variables are also presented.

3.2: Research design

Kothari (2004) defines research design as the arrangement of the conditions for collections and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This is the conceptual structure in which research is conducted and constitutes the blue print for the collection, measurements and analysis of data, (Okello, 2010).

In this study, a descriptive survey research design was adopted. According to Mugenda and Mugenda (2003), a survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. Survey research is considered as the best method available to social scientists and other educators who are interested in collecting original data for purposes of describing a population which is too large to observe directly. This research design was therefore considered appropriate in studying access to financial services by small business holders in Kasipul Sub County, since the researcher did not have to manipulate such factors as they had already occurred.

3.3 Target Population

According to Mugenda and Mugenda (2003), a target population is that population to which a researcher wants to generalize the results of the study. This study had its key target, all the small business holders engaged in small businesses in Kasipul South County and personnel operating financial institutions in the Sub County. According to The Kenya National Banking Association, Kasipul Chapter Report (2014), there is a total of 10 financial institutions offering financial services to 1520 clients involved in small businesses in Kasipul Sub County. This study therefore targeted the 1520 clients and 10 bank officers in charge of credit products, giving rise to 1530 potential respondents.

3.4: Sample Size Sampling Procedures

According to Mugenda and Mugenda (2003), a sample is a subset of a particular population. Generally, the sample size depends on the factors such as the number of variables in the study, the type of research design, the method of data analysis and the size of accessible population. Gay in Mugenda and Mugenda (2003), suggests that for correctional studies, 30 cases or more are required; for descriptive studies,10 percent of the accessible population is enough and for experimental studies ; at least 30 cases as required.

Sampling in Kothari (2005), is defined as the selection of some part of an aggregate or totally on the basis of which a judgment or influence about the aggregate is made. It is a process of selecting units from a population of interest so that by studying the sample, one may fairly generalize the results back to population from which they were selected.

This study employed probability sampling design in obtaining sample from the clients; a design of sampling in which each item from the target population was accorded equal chance of being included in the final sample, hence ascertaining objectivity in sample selection. In selecting banking personnel, all the 10 credit officers were censured. Stratified random sampling was employed by dividing the target population into five strata on the basis of the five distinctive business types such as, whole sellers, Retailers, Hawkers, Service Sector and Green Grocers. A sample size of 10% was drawn from each stratum using simple random sampling procedures giving a sample of 152 clients, giving rise to 162 respondents. This process of sample selection of the clients is illustrated in table 3.1:

Table 3.1 Sampling Selection Procedures

Stratum	Total Population	Sample Percentage	Sample Size
Green Grocers	820	10	82
Hawkers	300	10	30
Retailers	190	10	19
Service Sector	106	10	11
Whole sellers	84	10	8
Total	**1,520**	**10**	**152**

3.5: Data Collection Instruments

To ensure that data collected address the study objectives, the data collection instruments must be selected appropriately to avoid collecting irrelevant information, Hanry (2004). In this study, the researcher developed questionnaire for purposes of obtaining data from the respondents. Questionnaire is regarded as one of the most effective tools used for data collection in cases where the study targets a large population that is vastly spread in a wide geographical area. It is also the most common data collection instruments used in social studies which are also descriptive in nature, Onuonga (2011). In this study, the questionnaire items were comprised of both closed- ended and open- ended questions that gave the advantage of collecting both qualitative and quantitative information.

3.5.1: Pre- Testing the Instrument

Instruments pre- testing, also known as piloting, is a preliminary study conducted on a small scale to ascertain the effectiveness of the research instrument, (Kothari, 2005). A pre- test sample should be between 1% and 10% depending on the sample size, Mugenda and Mugenda (2003). In this study, a pre- test sample size of 10% was used. The researcher prepared copies of questionnaire and self- administered to the pre-test sample that was similar to the actual study sample in major characteristics. This was significant as it helped to reveal aspects of ambivalence depicted by the questionnaire items that were subsequently reframed relative to the responses obtained from the respondents.

3.5.2: Instrument's Validity

According to Kothari (2005), validity is a measure of the degree to which differences found with a measuring instrument depict true differences among the items being measured. In the views of Mugenda and Mugenda (2003), an instrument is validated by providing that its items are representative of the skills and characteristics to be measured. Validity of the research instrument was reinforced by ensuring that the questionnaire items sufficiently covered the research objectives. Instrument's validity was also addressed by subjecting both the questionnaire and interview schedule to the experts for judgment and peers for review. Validity of the instrument was also assured through randomization that was helpful in checking the influence of extraneous variables. Randomization was considered crucial for it was the best technique of ensuring the representatives of the sample to the target population.

3.5.3: Reliability of the Instrument

According to Mugenda and Mugenda (2003), reliability is a measure of the degree to which a measuring instrument yields a consistent result or data after repeated trials. In Kothari (2005), reliability of a test instrument is a measure of the consistency with which a test instrument produces the same result when administered to the same group over time intervals.

In this study, split- half reliability measure was employed by dividing the questionnaire and interview schedule into the two equal parts on the basis of odd and even appearances. The first part of the research instruments having been administered and the results attained, the second part was therefore subsequently administered and the results noted. Pearson's coefficient of correlation (r) was then used to compare the two scores obtained and by applying Browns Prophecy formulae, an alpha value of 0.78 for questionnaire and 0.82 for interview schedule were realized confirming that the instruments were reliable.

3.6: Data Collection Procedures

According to Kothari (2005), data collection procedure comprises of the steps and actions necessary for conducting research effectively and the desired sequencing of these steps. The researcher embarked on the process of collecting data from the field upon preparation of a research proposal which was also approved by the supervisor. Consequently, the researcher applied for a research permit from the National Council for Science and Technology which authorized the data collection process. Presenting the permit to all relevant authorities, the researcher embarked on collecting data, assisted by two well trained and motivated research assistants. Interviews were conducted by the researcher, as more information through consistent probing.

3.7: Methods of Data Analysis

Data analysis refers to the examination of data collected in a study and making deductions and references. It also involves uncovering the underlying structures, extracting important variables, detecting anomalies, scrutinizing the acquired information and testing underlying assumptions (Orodho, 2005). Data collected was cleaned to ensure that only relevant data was retained for analysis. Quantitative data was analysed using descriptive statistics such as , frequencies and percentages aided by Statistical Packages for Social Scientist(SPSS).Qualitative data was analysed by making inferences from views and opinions of respondents. The information obtained was then summarized and organized according to research objectives, arranged in themes and presented in narrative form. Data was presented using frequency distribution tables.

3.8: Operationalization of the Variables

Operationalization of the variables is a technique that helps in establishing relationships that exist between study variables and indicating how such relationships can be measured, Ogada (2011).

Table 3.1 Operationalization table

Objectives	Variables	Indicators	Measurements Scale	Data Collection Method	Data Analysis
To examine the extent to which cost of credit influences accessibility of microfinance products.	**Independent** Cost of credit	Amount borrowed Interest rate Borrowing frequency	Ordinal Ratio	Questionnaire Interview	Descriptive
	Dependant Access to financial services	Amount borrowed Interest rate Borrowing frequency	Nominal Ordinal Interval	Questionnaire Interview	Descriptive
To determine The influence of collaterals on access to financial services.	**Independent** Collaterals	Presence of security Variety of collaterals Amount equivalent	Nominal	Questionnaire Interview	Descriptive

	Dependent Access to financial services		Nominal Ordinal Interval	Questionnaire Interview	Descriptive
To investigate how information accessibility influences access to financial services	**Independent** Information access	Type of services Means accessing information	Nominal Ordinal Interval	Questionnaire Interview	Descriptive
Influences accessibility of microfinance products	**Dependent** Access to financial services	Number of lending institutions Access to clients	Nominal Ordinal Interval	Questionnaire Interview	Descriptive

3.9 Ethical Considerations

There are several reasons for adhering to ethical norms in research. Norms promote the aims of research, such as knowledge, falsifying or misrepresenting research data promote the truth and avoid error. Moreover, since research often involves a great deal of cooperation and coordination among many different people in different disciplines and institutions, ethical standard promote the value that are essential to collaborate work, such as trust, accountability, mutual respect and fairness, (Resnik, 2011).

William, (2006) lists some of the ethical issues as, informed consent, confidentiality and anonymity. Given the importance of the ethical issues in several ways, the researcher recognized other scholars ‘works through quotation and citation. In this study copyright and aspects of patenting were respected and a plagiarism of any form was vehemently avoided. In the entire research period, respondents’ identity and confidentiality were observed such that, any data obtained was not disclosed to any other person. The researcher ensured that human subjects were fully protected, no harm, cruelty and coercion was used in the research process and the results, as promised, would be shared with those who did participate.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter focuses on an in-depth data analysis, presentation, interpretation, and discussion of the results of the research process. Data analysis was done against the prism of the key study variables: the influence of cost of credit, collateral, information accessibility and availability of institutions on access to financial services in Kasipul Sub County.

4.2 Questionnaire Return Rate

Copies of the questionnaire were self administered to the respondents by two well trained and motivated research assistants, with close supervision of the researcher and the return rate realized as depicted in table 4.1.

Table 4.1: Questionnaire Return Rate

Target population	Sample size	Return Rate	Return Percentage
1320	132	120	90.9%

Table 4.1 reveals that out of the 132 copies of questionnaire administered to the respondents, 120 were received back duly completed giving a response rate of 90.9%. Response rate refers to the percentage of subjects that respond to a questionnaire. A response rate of 50% is deemed adequate for analysis and reporting, a response of 60% is good and a response rate of 70% and over is very good, Mugenda and Mugenda (2003).

In the light of this, the study returned an excellent questionnaire response rate. This was attributed to the fact that copies of the questionnaire were administered and collected back by two well trained and motivated research assistants, who consistently distributed the copies of the questionnaire to the respondents in batches of twenty until all were administered. The research assistants emphasized to the respondents the need to fill the questionnaire as instructed, as well as assisting some in completing the questionnaire in cases of certain unavoidable circumstances.

4.3 Demographics of the respondents

This section outlines the respondent's demographic features that were believed to be significant to the study. Such demographic characteristics include, age, sex, marital orientation, level of education, area of micro business and the duration of operation. The demographic characteristics of respondents were considered significant to the study on the basis that such variations could influence choice of business enterprises engaged in by small business entrepreneurs, hence exposing different challenges in the business environment.

4.3.1 Characteristics of the respondents by age

In this study, it was assumed that age variations of the respondents would be of great significance to the study on grounds that unemployment was rampant in the country; hence younger people were relatively few in formal employment and would often turn to micro businesses for livelihood. Besides, age differences of the respondents could also reveal business sustainability as elderly entrepreneurs had acquired substantial business experiences crucial in navigating turbulence in business environment. The respondents were subsequently requested to complete the questionnaire indicating their ages and their responses recorded in table 4.2

Table 4.2: Age characteristics of respondents

Age in years	Frequency	Percentage
Below 20	14	11.67
20- 30	22	18.33
30- 40	52	43.33
40- 50	00	00.00
Above 50	24	20.00
Total	**120**	**100.00**

Indicated in table 4.2, 14 (11.67%) of respondents whose questionnaire copies were received fell below 20 years, 22 (18.33%) in the age of 20-30years, 52 (43.33%) were in the age of 30-40, with 24 (20%) being above 50 years, yet none was in age of 40- 50 years. The statistics in table 4.2 imply than more relatively elderly entrepreneurs than younger ones formed the bulk of the business persons in Kasipul Sub County, an indication that most of these were already carrying heavy burden of providing for their families, hence resorted to micro businesses as alternative to formal employment. However, it was not clear why none of the people in the age of 40- 50 years were not in business.

4.3.2 Characteristics of the respondents by sex

This demographic dimension was considered vital to the study for the researcher intended to establish whether sex variations would significantly influence access to financial services owing to social gender responsibilities in which women are provided for by their husbands and hence may not raise enough collaterals for loaning. On account of this eventuality, the respondents were asked to complete the questionnaire indicating their sex and table 4.3 displays their responses.

Table 4.3 Characteristics of the respondents by sex

Class Level	**Frequency**	**Percentage**
Male	53	44
Female	67	56
Total	**120**	**100**

Table 4.3 depicts that of the 120 copies of questionnaire completed by the respondents, 53 (44%) were males and 67 (56%) were females. Reflected in table 4.3 is that, Whereas the researcher did not treat gender as a major variable, it was established that more women than men were in small business in Kasipul Sub County, an implication that business was becoming a preserve for women. Given that this envisaged variation on gender basis was minimal, it emerged that both men and women have been engaging in business as a form of occupation.

4.3.3 Marital orientations of the respondents

This characteristic was of great importance to the study as it would help reveal the extent to which marital status of the respondents would influence accessibility to financial services from financial sector. Since taking risks is the cornerstone for higher returns, married entrepreneurs having responsibility for providing for the family, are perceived to be braver in risk-taking than single ones in mobilizing for business funds. In the light of this reality, the respondents were tasked to complete questionnaire indicating their marital status and their responses were captured as illustrated in table 4.4

Table 4.4: Marital status of the Respondents

Marital status	Frequency	Percentage
Single	14	11.00
Married	65	51.50
Widowed	33	26.83
Separated	06	07.67
Other	26	21.67
Total	**120**	**100.00**

In table 4.4, of the 120 copies of questionnaire duly completed by the respondents, 14(11%) were single, 65 (51.50%) were married, 33(26.83%) were widowed and 06(07.67%) being separated, with 26(21.67%) having fallen on other marital orientations. The statistics in the table reveal that majority of the entrepreneurs were married and hence would have been expected to take initiatives in accessing funds from financial institutions for investment in businesses.

4.3.4 Characteristics of the respondents by level of education.

In the study, the researcher believed that the level of education would significantly influence respondent's accessibility to finances given that they would be informed of the most attractive financial products on offer. Besides, educated entrepreneurs having acquired substantial knowledge and skills in entrepreneurship would be more inclined to go for funds from commercial lending institutions. In this respect, the respondents were asked to fill the questionnaire stating their level of education and table 4.15 presents their responses.

Table 4.5. Characteristics of the respondents by level of education.

Level of education	Frequency	Percentage
Primary and below	76	63.33
Secondary	21	17.50
Tertiary	19	15.83
Other	04	03.33
Total	**120**	**100.00**

Table 4.15 reveals that 76 (63.33%) of the respondents had humble primary level and below, 21 (17.50%) had secondary, 19 (15.83%) obtained tertiary and 04 (03.33%) had other forms of education. The implication of these statistics is that most business entrepreneurs in Kasipul Sub County were academically challenged and hence unlikely to acquire information on how to enrich their enterprises through bank loans. Moreover, business was still being viewed as a field of practice and experience that did not attract highly educated people.

4.3.5: Characteristics of respondents by area of business operations

In this study, the researcher attempted to establish whether differences in areas of business operations could influence access to financial among small business holders in Kasipul Sub County. This was because some business enterprises demand more financial resources than others and hence would leave no chance provided that additional funds could be obtained. On account of this, the respondents were requested to complete the questionnaire stating their area of business operations and their responses were noted as illustrated in table 4.6

Table 4.6. Respondent's characteristics by area of operation

Area of operation	Frequency	Percentage
Green grocery	34	28.34
Hawking	32	26.66
Wholesale	27	22.50
Retail	15	12.50
Service sector	12	10.00
Other	00	00.00
Total	**120**	**100.00**

Table 4.6 reveals that, out of the 12o respondents who completed the questionnaire, 34(28.34%) were in green grocery, 32(26.66%) did hawking, 27(22.50%) operated whole sale enterprises, 15(12.50%) were in retail businesses and 12(10%) were in the service sector, yet none indicated the other category. Implied by these statistics is that most small business entrepreneurs were engaged in simple enterprises and lacked sufficient security to obtain loans from financial institutions. Moreover, they seemed unprepared to expand their businesses as shown by choice of businesses that did not require sophisticated business experiences.

4.3.6: Characteristics of respondents by duration of operation.

In this study, it was assumed that the duration of time served in a particular business engagement would have significant influence on access to financial services. On account of this eventuality, the respondents were requested to complete questionnaire stating their duration of business engagements and their responses were noted as illustrated in table 4.5.

Table 4.7. Characteristics of respondents by duration of service.

Length in years	Frequency	Percentage
Below 1 year	12	10.00
1-2	15	12.50
2- 3	27	22.50
3- 4	32	26.66
4- 5	20	16.34
Above 6 years	14	12.00
Total	**120**	**100.00**

Table 4.7 reveals that, of the 120 respondents whose questionnaire copies were received indicating the period of time they had operated their businesses, 12(10%) stated having been in businesses for below 1 year, 15 (12.50%) for 1-2 years, 27 (22.50%) indicated 2-3 years, with 32 (26.66%) stated 3-4 years and 20(16.34%) having been in business for 4-5 years, while 14(12%) had been in business for over 6 years. Implied by the statistics in table 4.7 is that most business

entrepreneurs had been in business for relatively short period of time, hence were unlikely to have had substantial experience on financial matters.

4.4 Influence of cost of credit on access to financial services

The cost of financial services describes the charges and levies on savings, credit facilities and general interests against loans, as well as different forms of penalties on accrued defaults. Such charges generally make it intricate for small business holders to access funds from financial institutions. Cost of credit was therefore measured on the basis of; amount of credit borrowed, prevailing interest rates, frequency of borrowing and the type of financial products commonly obtained by the clients.

4.4.1 Influence of amount of credit on access to financial services

In measuring the influence of credit on access to of financial services among the small business holders, amount of loan borrowed could be a pointer to the extent to which pricing of these products could determine accessibility. In the light of this, the respondents were asked to complete the questionnaire indicating the amount of funds borrowed and their responses captured as depicted in table 4.8

Table 4.8: Influence of amount of credit on access to financial services

Amount of credit	Frequency	Percentage
Below 10,000	04	3.33
10,000-50,000	12	10.00
50,000-90,000	06	05.00
90,000-130,000	34	28.33
Above 130000	64	53.33
Total	**120**	**100.00**

Table 4.8 reveals that, out of the 120 respondents who completed the questionnaire, 04(3.33%) stated that they borrowed below 10,000/, 12 (10%) obtained 10,000-50,000/, 06 (05.00%) indicated having borrowed 50,000-90,000/, with 34(28.33%) stated getting 90,000-130,000/and 64(53.33%) indicating above 130,000/. It is therefore deductible that the vast majority of entrepreneurs in Kasipul Sub County were unable to obtain substantial amount of funds as a result of exorbitant interests these products attracted.

4.4.2 Influence of interest rate on access to financial services

More often, the prevailing interest rate upon which credit is given could indicate the level at such products could be accessed. On this account, the respondents were asked to complete the questionnaire indicating the extent to which they agreed or disagreed that interest rates influence access to financial services and their responses captured as depicted in table 4.9

Table 4.9 Influence of interest rates on access to financial services

Interest rate	Frequency	Percentage
Strongly agree	32	26.67
Agree	37	30.83
Neutral	23	19.17
Disagree	16	13.33
Strongly disagree	12	10.00
Total	**120**	**100.00**

Table 4.9 reveals strikingly that out of the 120 respondents who completed the questionnaire indicating the extent to which they agreed or disagreed that interest rate determine access to funds , 32(26.67%) strongly agreed, 37 (30.83%) agreed, 23(19.17%) were neutral and 16(13.33%) disagreed, with 12(10%) stating that they strongly disagreed. Implied by these statistics is that due to the fact that the prevailing interest rates charged on loans were perceived to be relatively high, most of the low income entrepreneurs encountered serious challenges in accessing credit facilities from the financial institutions.

4.4.3 Influence of frequency of borrowing on accessibility to financial services

At times, it does not matter how much funds an individual entrepreneur is offered by a banking institution, rather it is vital to establish the frequency at which such products are acquired. In the light of this, the respondents were asked to complete the questionnaire indicating how frequently they borrowed and their responses noted as displayed in table 4.10

Table 4.9 Influence of frequency of borrowing on accessibility to financial services

Frequency	Frequency	Percentage
Below one year	00	00.00
2-3 years	19	15.83
4-5 years	79	65.83
Above 5 years	31	25.83
Total	**120**	**100.00**

Table 4.10 reveals that, of the 120 respondents who filled the questionnaire disclosing how frequently they obtained micro finance products, none stated less than a year, 19 (15.33%) mentioned 2-3 years , 31(25.83%) indicated 4-5 years, while the vast majority 79(65.83%) mentioned that they accessed these funds after a period of five years. Implied by these statistics was that most clients had hardly been in a position of accessing the financial services, since these were out of reach of ordinary small business entrepreneurs.

4.4.4 Influence of type of product obtained on accessibility to financial services

As a basic dimension of registering the level of accessibility to financial services by clients, the type of product commonly obtained from the available financial institutions would determine the level of accessibility. Considering this eventuality, the respondents were asked to complete the questionnaire indicating the product types and their responses recorded as displayed in table 4.11

Table 4.11 Influence of type of product obtained on access to financial services

Type of product	Frequency	Percentage
Saving	06	05.00
Credit	68	56.67
Advance	47	39.17
Money transfer	09	07.50
Training	00	00.00
Total	**120**	**100.00**

Table 4.11 indicates that of the 120 respondents who completed the questionnaire citing the commonly accessed micro finance products of, 06 (05.00%) stated that they were obtaining saving services, 68 (56.67%) mentioned accessing credit , 47 (39.17%) indicated advance and 09(07.50%) mentioning money transfer, while none identified with training. The implication of these statistics is that most of respondents identified with accessing credit services, a sign that access to financial services was generally low among the small business holders in Kasipul Sub County

4.5. Influence of level of repayment on access to financial services

Concern about the level of repayment of a loaning facility by an individual lender is an indicator of how far one can access other financial services. This variable was viewed against such parameters as, lending conditions, suitability of lending conditions, and collaterals.

4.5.1 Influence of lending conditions on access to financial services

More often, the amount of loan to obtain from any financial institution is tied to specific conditions such as credit history, security and savings among others. Any one condition preferred by most clients could be an indicator of accessibility of these products. In the light of this reality, the respondents were asked to complete the questionnaire indicating the condition of lending of and their responses recorded as displayed in table 4.11.

Table 4.11 Influence of lending conditions on access to financial services

Lending condition	Frequency	Percentage
Saving	06	05.00
Assets	68	56.67
Liquidity	47	39.17
Credit history	09	07.50
Other	00	00.00
Total	**120**	**100.00**

Table 4.11 indicates that of the 120 respondents who completed the questionnaire citing lending conditions upon which bank loans were attached, 06 (05.00%) stated that they obtained loans on the basis of their savings, 68 (56.67%) mentioned assets, 47 (39.17%) indicated liquidity and 09(07.50%) stated credit history. The implication of these statistics is that most of respondents identified with assets which they hardly possessed, hence were unlikely access financial services from these financial institutions in Kasipul Sub County.

4.5.2. Suitability of lending conditions on access to financial services

Normally lending conditions are established by financial institutions with no input of the customers, and that such conditions are more likely to be favorable to the lending institution than the client. On this account, the lending conditions could impede the desire of small business holders from accessing such products. The respondents were asked to complete the questionnaire indicating the suitability of the conditions of lending of and their responses recorded as displayed in table 4.12

Table 4.12 Influence of suitability of conditions on access to financial services

Lending suitability	Frequency	Percentage
Extreme Suitable	00	00.00
Suitable	00	00.00
Neutral	14	11.67
Less suitable	62	51.67
Other	44	36.67
Total	**120**	**100.00**

Table 4.12 indicates that of the 120 respondents who filled the questionnaire disclosing the extent to which the lending conditions were suitable none stated extremely suitable and suitable , 14(11.67%) indicated they were neutral, with 62(51.67%) indicating less suitable, 44 (36.67%) stated the other category. Implied by these statistics was that most small business holders found the bank lending conditions as less suitable, hence were unlikely to access the financial products.

4.5.3. Influence of security on access to financial services

It is general practice that lending is normally pegged on security; assortment of assets against which the ability to repay is attached, upon which bank loans are released to clients. In order to ascertain the extent to which the respondents agreed or disagreed, they were requested to fill the questionnaire and they responded as illustrated in table 4.13

Table 4.13 Influence of security on access to financial services

Security	Frequency	Percentage
Strongly agree	62	51.66
Agree	41	34.17
Neutral	00	00.00
Disagree	17	14.17
Strongly disagree	00	00.00
Total	**120**	**100.00**

Table 4.13 reveals that out of the 120 respondents who completed the questionnaire on whether they agreed or disagreed that security influence access to financial products, 62(51.66%) strongly agree 41 (34.17%) agreed, with 17 (14.17%) disagreeing and. Implied by these statistics was that, owing to the fact that most of the entrepreneurs did not possess substantial property in the form of collateral, they were unable to access financial products from the lending institutions in Kasipul Sub County.

4.6 Influence of access to information on access to financial services

Given that people gain knowledge when they are able to access information on issues relevant to whatever field of venture, the researcher believed that various financial products are on offer in the market. However, a lot of time, clients fail to obtain credible information on the most attractive packages in the market. In view of this eventuality, this variable was measured on the prism of, training on credit management, timing of training, forms of training and means of accessing information.

4.6.1 Influence of training on credit management on access to financial services

It is prudent human capital management best practice to identify human differences in all key activities while designing a program for training on credit management. This is because modern business has become complex and necessary knowledge and skills are critical for effective credit management for future borrowing. On this account, the respondents were asked to fill the questionnaire disclosing their agreement or disagreement that training on credit management was offered before accessing financial services from lending institutions and table 4.14 shows their responses.

Table 4.14 Influence of training on credit on access to financial services

Training on credit	Frequency	Percentage
Strongly agree	00	00.00
Agree	00	00.00
Neutral	14	11.67
Disagree	62	51.67
Strongly disagree	44	36.67
Total	**120**	**100.00**

Table 4.14 indicates that of the 120 respondents who filled the questionnaire disclosing the extent to which they agreed or disagreed that training on credit management was being offered prior to accessing financial services, none neither strongly agreed nor agreed, 14(11.67%) indicated they were neutral, with 62(51.67%) being in disagreement and 44 (36.67%) stating that they strongly disagreed. Implied by the statistics was that most financial institutions were rolling out loaning products to clients in total disregard to prerequisite training leading to poor management of the funds, dealing a major blow to their credit history for future borrowing.

4.6.2 Influence of timing of training on access to financial services

In circumstances when trainings are offered, it is vital to focus on the timing of these trainings, given that this dimension is crucial for determining the effectiveness of the training session in internalizing the content for application. In order to ascertain the effectiveness of the training given to clients concerning advanced loans, the respondents were requested to fill the questionnaire and they responded as illustrated in table 4.15

Table 4.15: Influence of timing of training on access to financial services

Timing of training	Frequency	Percentage
Before disbursement	00	00.00
After disbursement	12	10.00
Neutral	00	00.00
Irregularly	74	61.67
Periodically	34	28.33
Total	**120**	**100.00**

Table 4.15 reveals that out of the 120 respondents who filled the questionnaire indicating the timing of training offered, none indicated that these were given before disbursement,12 (10%) stated after disbursement, 34(28.33%) stated periodically and 74(61.67%) indicated irregularly. Implied by these statistics was that when training were offered to clients, the timings were rarely appropriate as these were never done before disbursement to make them effective to learning outcome.

4.6.3 Influence of other forms of information access to financial services

Often people associate the training effectiveness with the form in which such trainings are initiated. If the training package is formally presented to the beneficiaries as well as content linked to immediate area of application, it becomes much more effective. The respondents were therefore asked to complete the questionnaire indicating the form of training package commonly offered by financial institutions and their responses noted as illustrated in table 4.16

Table 4.17: Influence of forms of information on access to financial services

Forms of information	**Frequency**	**Percentage**
New products	31	25.83
Changes in tariffs	43	35.83
Other products elsewhere	46	38.33
Progress reports	00	00.00
Total	**120**	**100.00**

Table 4.17 reveals that, of the 120 respondents who filled the questionnaire giving the content of training offered by financial institutions, 31 (25.83%) stated getting training on new products, 43(35.83%) mentioned changes in tariffs, 46 (38.33%) indicated other products elsewhere and none received training on progress reports. The statistics in table 4.18 give the impression that many respondents received training on relatively diverse areas and hence one would view this as appropriate.

4.6.4 Influence of means of accessing information on access to financial services

In order to effectively get informed, means of accessing the information is considered crucial, for each way surely offers much or less learning in contrast to others. In this context, the respondents were asked to complete the questionnaire indicating the common means of accessing information and their responses captured as illustrated in table 4.18

Table 4.18: Influence of means information on access to financial services

Information means	Frequency	Percentage
Local dailies	00	00.00
Company newsletters	09	07.50
Convened meetings	32	26.67
From other clients	79	65.83
Total	**120**	**100.00**

Table 4.18 reveals that out of the 120 respondents who completed questionnaire stating the means of obtaining information, none stated local dailies, 09 (7.5%) mentioned Company newsletters , 32(26.67%) stated , Convened meetings and 79 (65.83%) indicating obtaining information from other clients. Table 4.18 is actually a confirmation that most clients did not obtain credible information from financial institutions. In this respect it was hardly easy to encounter many accessing financial services.

4.7 Influence of availability of lending institutions on access to financial services

In the study, it was assumed that a lot of the times, small business holders wish to go for loaning facilities from financial institutions that are locally reached. In view of this, the variable was measured upon, access to lending institutions, type of lending institutions, distribution channels and the number of lending institutions.

4.7.1 Influence of access to lending institutions on access to financial services

It is obvious that many clients go for loans when they are able to access loaning institutions within reach, since such buyers are often driven by impulse buying behavior. The respondents were asked to fill the questionnaire stating the extent to which they agreed or disagreed or that access to lending institutions influence access to financial services and table 4.19 shows their responses.

Table 4.19 Access to lending institutions on access to financial services

Access to service providers	Frequency	Percentage
Strongly agree	12	10.00
Agree	16	13.33
Neutral	25	20.83
Disagree	40	33.33
Strongly Disagree	37	30.83
Total	**120**	**100.00**

Table 4.19 reveals that, out of the 120 respondents who filled the questionnaire indicating the extent of agreement that access to lending institutions influences access to financial services, 12 10%) stated they strongly agreed,16 (13.33%) mentioned they agreed, 25 (20.83%) stated that they were neutral, 40(33.33%) disagreed and 37(30.83%) strongly disagreed. Implied by the statistics in table 4.19 is that most clients believed that access to lending institutions was crucial to accessing financial services.

4.7.2 Influence of type of service providers on access to financial services

In this study, the researcher believed that the type of lending institution available could motivate clients to go for a product. This is based on the premise that each lending institution in the money market targets a specific segment, such as high income or low income earners. In this respect, the respondents were asked to fill the questionnaire stating the type of lending institutions commonly accessed and table 4.20 shows their responses.

Table 4.20 Influence of type of lending institution on access to financial services

Type of service providers	Frequency	Percentage
Banks	00	00.00
Sacco’s	08	06.67
Table banks	26	21.67
Shylocks	86	71.67
Total	**120**	**100.00**

Table 4.20 reveals that, of the 120 respondents who filled the questionnaire disclosing the type of lending institution accessed, none identified with banks, 08 (06.67%) stated Sacco’s, 26 (21.67%) indicated table banks and 86 (71.67%) mentioned shylocks. The implication is that, majority of the small business holders, unable to consolidate sufficient collateral for loans resorted to village, non-formal loaning outfits known as shylocks that are exploitative.

4.7.3 Influence of distribution channels on access to financial services

In order to improve access to financial services, the channels upon which distribution is done can be of significant influence. In this context, the respondents were asked to complete the questionnaire indicating the common distribution channels and table 4.21 illustrates their responses.

Table 4.21 Influence of distribution channels on access to financial services

Distribution channels	**Frequency**	**Percentage**
Agency banking	43	35.83
Staff visits	15	12,50
Customer visits	52	43.33
Other	00	00.00
Total	**120**	**100.00**

Table 4.21 reveals that, out of the 120 respondents who filled the questionnaire indicating the commonly used distribution channels, 43(35.83%) stated agency banking, 52(43.33%) stated customer visits, with 15 (12.5%) indicating staff visits. Implied is that a relatively higher number of clients were accessing micro financial products, either from agents or customer visits, with little attempt for banking staffs to visit the clients, hence this jeopardized their efforts in obtaining micro financial products.

4.7.4 Influence of number of lending institutions on access to financial services

The researcher was interested in establishing the extent of ease of accessing financial institutions as a parameter of gauging their level of obtaining products and this could be determined on the basis of the number of these institutions available. In the light of this scenario, the respondents were asked to fill the questionnaire displaying the number of lending institutions and table 4.22 illustrates their responses.

Table 4.21 Number of lending institutions on access to financial services

Number	Frequency	Percentage
Less than 5	68	56.67
5- 10	52	43.33
10-15	54	45.00
Above 15	00	00.00
Total	**120**	**100.00**

Table 4.21 reveals that, of the 120 respondents who filled the questionnaire disclosing the number of lending institutions available, 68(56.67%) stated less than, 54 (45%) mentioned 10-15, 52 (43.33%) indicated 5-10 and none stated above 15. By implication, number of financial institutions being few in; it was difficult for small business holders to access variety in terms of products.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the summary of the study findings against the backdrop of the key study variables. In this study, the researcher sought to investigate the influence of cost of credit, collateral, access to information and availability of lending institutions on access to financial services in Kasipul Sub County. Besides, this section also features the conclusions drawn from the investigations, as well as the study recommendations, both for policy formulation and suggestions for further research.

5.2 Summary of the finding

Out of the 132 copies of questionnaire administered to the respondents, 120 were received back duly completed giving a response rate of 90.9%. In the light of this, the study returned an excellent questionnaire response rate. Demographic characteristics held vital to the study included, age, sex, and marital orientation, as well as level of education, area of micro business in addition to the duration of operation.

The study revealed that more relatively elderly small business holders than younger ones formed the bulk of the business persons in Kasipul Sub County, an indication that most of these were already carrying heavy burden of providing for their families, hence resorted to small businesses as alternative to formal employment. However, it was not clear why none of the people in the age of 40- 50 years were not in business. Moreover, it was established that more women than men were in small business in, an implication that business was becoming a preserve for women.

Given that this envisaged variation on gender basis was minimal, it emerged that both men and women have been engaging in business as a form of occupation. Furthermore, majority of the entrepreneurs were married and hence would have been expected to take initiatives in accessing funds from financial institutions for investment in businesses.

Out of the 120 respondents who completed the questionnaire, 76 (63.33%) had humble primary level and below, 21 (17.50%) had secondary, 19 (15.83%) obtained tertiary and 04 (03.33%) had other forms of education. It was also noted that most business entrepreneurs were academically challenged and hence unlikely to acquire information on how to enrich their enterprises through bank loans. Moreover, business was still being viewed as a field of practice and experience that did not attract highly educated people.

Concerning areas of business operations, 34(28.34%) were in green grocery, 32(26.66%) did hawking, 27(22.50%) operated whole sale enterprises, 15(12.50%) were in retail businesses and 12(10%) were in the service sector, yet none indicated the other category. Implied by these statistics is that most small business entrepreneurs were engaged in simple enterprises and lacked sufficient security to obtain loans from financial institutions. Moreover, they seemed unprepared to expand their businesses as shown by choice of businesses that did not require sophisticated business experiences. Indicating the period of time they had operated their businesses, 12(10%) stated having been in businesses for below 1 year, 15 (12.50%) for 1-2 years, 27 (22.50%) indicated 2-3 years, with 32 (26.66%) stated 3-4 years and 20(16.34%) having been in business for 4-5 years, while 14(12%) had been in business for over 6 years.

Focusing on the major study variables, cost of credit described the charges and levies on savings, credit facilities and general interests against loans, as well as different forms of penalties on accrued defaults. Such charges generally make it intricate for small business entrepreneurs to access funds from financial institutions. Cost of credit was therefore measured on the basis of; amount of credit borrowed, prevailing interest rates, frequency of borrowing and the type of financial products commonly obtained by the clients.

As revealed, out of the 120 respondents who completed the questionnaire, 04(3.33%) stated that they borrowed below 10,000/, 12 (10%) obtained 10,000-50,000/, 06 (05.00%) indicated having borrowed 50,000-90,000/, with 34(28.33%) stated getting 90,000-130,000/and 64(53.33%) indicating above 130,000/. It is therefore deductible that the vast majority of entrepreneurs in Kasipul Sub County were unable to obtain substantial amount of funds as a result of exorbitant interests these products attracted. Due to the fact that the prevailing interest rates charged on loans were perceived to be relatively high, most of the small business entrepreneurs encountered serious challenges in accessing credit facilities from the financial institutions.

Disclosing how frequently they obtained financial services, none stated less than a year, 19 (15.33%) mentioned 2-3 years, 31(25.83%) indicated 4-5 years, while the vast majority 79(65.83%) mentioned that they accessed these funds after a period of five years. Implied by these statistics was that most clients had hardly been in a position of accessing the financial services, since these were out of reach of ordinary small business entrepreneurs. Citing the commonly accessed financial services, 06 (05.00%) stated that they were obtaining saving services, 68 (56.67%) mentioned accessing credit, 47 (39.17%) indicated advance and 09(07.50%) mentioning money transfer, while none identified with training. The implication of these statistics is that most of respondents identified with accessing credit services, a sign that access to micro finance products was generally low among the small business entrepreneurs in Kasipul Sub County.

Concern about the level of repayment of a loaning facility by an individual lender is an indicator of how far one can access other financial services. This variable was viewed against such parameters as, lending conditions, suitability of lending conditions, and collaterals. Given that most of respondents identified with assets which they hardly possessed, hence were unlikely access micro financial services from these financial institutions.

Indicating the extent to which the lending conditions were suitable none stated extremely suitable and suitable, 14(11.67%) indicated they were neutral, with 62(51.67%) indicating less suitable, 44 (36.67%) stated the other category. Implied by these statistics was that most low income business entrepreneurs found the bank lending conditions as less suitable, hence were unlikely to access the financial services. Owing to the fact that most of the entrepreneurs did not possess substantial property in the form of collateral, they were unable to access financial products from the lending institutions.

Given that people gain knowledge when they are able to access information on issues relevant to whatever field of venture, the researcher believed that various financial products are on offer in the market. However, a lot of time, clients fail to obtain credible information on the most attractive packages in the market. In view of this eventuality, this variable was measured on the prism of, training on credit management, timing of training, forms of training and means of accessing information. Giving the extent to which they agreed or disagreed that training on credit management was being offered prior to accessing financial services, none neither strongly agreed nor agreed, 14(11.67%) indicated they were neutral, with 62(51.67%) being in disagreement and 44 (36.67%) stating that they strongly disagreed. Implied by the statistics was that most financial institutions were rolling out loaning products to clients in total disregard to prerequisite training leading to poor management of the funds, dealing a major blow to their credit history for future borrowing.

On the timing of training offered, none indicated that these were given before disbursement, 12 (10%) stated after disbursement, 34(28.33%) stated periodically and 74(61.67%) indicated irregularly. Implied by these statistics was that when training were offered to clients, the timings were rarely appropriate as these were never done before disbursement to make them effective to learning outcome. The study gave the impression that many respondents received training on relatively diverse areas and hence one would view this as appropriate. It was observed that most clients did not obtain credible information from financial institutions. In this respect it was hardly easy to encounter many accessing financial services in Kasipul Sub County.

In the study, it was assumed that a lot of the times, small business holders wish to go for loaning facilities from financial institutions that are locally reached. In view of this, the variable was measured upon, access to service providers, type of service providers, distribution channels and the number of service providers. Indicating the extent of agreement that access to service providers influence access to financial services, 12 10%) stated they strongly agreed,16 (13.33%) mentioned they agreed, 25 (20.83%) stated that they were neutral, 40(33.33%) disagreed and 37(30.83%) strongly disagreed. Implied by the statistics was that most clients believed that access to lending institutions was crucial to accessing financial services.

Besides, majority of the small business entrepreneurs, unable to consolidate sufficient collateral for loans resorted to village, non-formal loaning outfits known as shylocks that are exploitative. Moreover, a relatively higher number of clients were accessing financial products, either from agents or customer visits, with little attempt for banking staffs to visit the clients, hence this jeopardized their efforts in obtaining micro financial products.. By implication, the number of micro finance institutions being few in Kasipul Sub County; it was difficult for small business holders to access variety in terms of products.

5.3 Conclusion

Drawing conclusion from the study findings, it is crucial to observe that the key study variables that informed this work, in a great measure, were found to have had significant influence on access to financial services by small business holders in Kasipul Sub County. Demographic characteristics held vital to the study included, age, sex, and marital orientation, as well as level of education, area of business engagement, in addition to the duration of operation. Cost of credit took the form of charges that generally make it intricate for small business entrepreneurs to access funds from financial institutions.

Cost of credit was therefore noted to influence access to financial products on the basis that amount of credit borrowed, prevailing interest rates, frequency of borrowing and the type of financial products commonly obtained by the clients were found to considerably influence access to financial services. The level of repayment of a loaning facility by an individual lender was pointer to how far one can access other banking facilities. This variable was viewed against such parameters as, lending conditions, suitability of lending conditions, and collaterals, each of which had substantial influence on access to financial services. Given that most of respondents identified with assets which they hardly possessed, hence were unlikely access financial products from these financial institutions.

Given that people gain knowledge when they are able to access information on issues relevant to whatever field of venture, the researcher established that various financial products were on offer in the market. However, a lot of time, clients failed to obtain credible information on the most attractive packages in the market. In the study, it was assumed that a lot of the times, small business entrepreneurs wish to go for loaning facilities from financial institutions that are locally reached. In view of this, the study revealed that access to lending institutions, type of lending institutions, distribution channels and the number of lending institutions significantly influenced access to financial institutions among small business holders in Kasipul Sub County.

5.4 Recommendations.

From the study findings, recommendations both for policy formulation and further research were drawn.

5.4.1 Recommendation for policy formulation.

The study recommends useful measures to be embraced by several stakeholders in different ways. To begin with, the government should strengthen fiscal policies promoting growth of small business entrepreneurs, both for those nursing business ideas and those already in different engagements. Besides, financial institutions should also tailor their products to suite the financial requirements of small business entrepreneurs. Moreover, the entire financial sector should develop in house training policies geared towards equipping the beneficiaries with credit management skills. Lastly, the government in its quest to address issues of unemployment and poverty eradication should formulate training policies that integrate entrepreneurship at all levels of learning in both formal and informal arrangements.

5.4.2 Recommendation for further Research.

The study recommends the following areas to be considered for further research:

1. What influence does culture have on accessibility to financial services among small business holders in Kasipul Sub County?
2. Would the study results change if inferential data analysis techniques were used instead of descriptive techniques?
3. Is there a significant difference in challenges of accessing business capital between small business entrepreneurs in Kasipul Sub County and other regions in Kenya?
4. What are the positive consequences of accessing loaning facilities from the informal credit structures- Shylocks?

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APPENDIX A: LETTER OF TRANSMITTAL.

Richard Otieno Opiyo,

P.o Box 48,

Oyugis.

02/09/2014.

Dear Sir/Madam,

I am a Master of Arts in project planning and management student at the University of Nairobi. I am undertaking a research study on factors influencing access to financial services by small business holders in Kasipul Sub County, Homa Bay County. The study is done purely for academic purposes only. Kindly complete the questionnaire enclosed herein following instructions given after each item and return completed copies. Your co- operation will be highly appreciated and any information provided shall be treated with utmost confidentiality.

Thanks,

Yours Sincerely,

Opiyo Richard Otieno.

APPENDIX B: RESEARCH QUESTIONNAIRE FOR CLIENTS

SECTION A: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

1. Indicate your age in years

   a) Less than 20. [ ]

   b) 20-30 [ ]

   c) 30-40 [ ]

   d) 40-50 [ ]

   e) Above 50 [ ]

2. State your gender

   a) Male [ ]

   b) Female [ ]

3 .indicate your marital orientation

   a) Single [ ]

   b) Married [ ]

   c) Widowed [ ]

   d) Divorced [ ]

   e) Others (specify)

…………………………………………………………………………………………………

4. State your level of education

   a) Primary and below [ ]

   b) Secondary [ ]

   c) Tertiary [ ]

   d) Degree [ ]

   e) Other (specify)

…………………………………………………………………………………………….

5. In which business category are you involved?

a) Green grocery [ ]

b) Hawking [ ]

c) Wholesale [ ]

d) Retail [ ]

e) Service sector [ ]

f) Other (specify)

……

6. For how long have you been in the business industry?

a) Below one year [ ]

b) 1-2 [ ]

c) 2-3 [ ]

d) 3-4 [ ]

e) 4-5 [ ]

f) Above 6 [ ]

SECTION B: STUDY VARIABLES

7. Indicate the highest credit amount disbursed for you

a) Below 10,000 [ ]

b) 10,000-50,000 [ ]

c) 50,000-90,000 [ ]

d) 90,000-130,000 [ ]

e) Above 130000 [ ]

8. State the extent to which you agree or disagree that interest rates influence how much one can borrow

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

9. How often do you borrow for your business progress?

a) Below one year [ ]

b) 2-3 [ ]

c) 4-5 [ ]

d) Above 5 [ ]

10. Indicate the type of product you usually obtain from the banks

a) Saving [ ]

b) Credit [ ]

c) Advance [ ]

d) Money transfer [ ]

e) Training [ ]

11. To what extent do you agree or disagree that cost of financial products are influenced by variation in economy

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

12. In your own opinion explain the influence of cost of credit on the access to financial services by your business enterprise

…………………………………………………………………………………………………
…………………………………………………………………………………………………

13. State the conditions upon which you normally obtain financial services

a) Savings [ ]

b) Assets [ ]

c) Liquidity [ ]

d) Credit history [ ]

e) Others (specify)………………………………………………………

14. How suitable are these conditions to your business financial needs?

a) Extreme Suitable [ ]

b) Suitable [ ]

c) Neutral [ ]

d) Less suitable [ ]

e) Other (specify)……………………………………………………………………

15. To what extent do you agree or disagree that availability of security determine your borrowing behavior?

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

16. In your own opinion explain how collateral influences access to financial services from financial institutions Kasipul Sub County……………………………………………………

17. To what extent do you agree or disagree that the training offered by financial institutions is adequate for credit management.

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

18. Indicate the timing of such trainings

a) Before disbursement [ ]

b) After disbursement [ ]

c) Periodically [ ]

d) Irregularly [ ]

19. Indicate how training are financed

a) Micro-finance [ ]

b) Individual enterprise [ ]

c) Partnership [ ]

e) Donor [ ]

f) Others (specify)……………………………………………………………………

20. Which other form of information do you obtain from financial institutions?

a) New products [ ]

b) Changes in tariffs [ ]

c) Other products elsewhere [ ]

d) Progress reports [ ]

21. How do you normally access information about the financial services?

a) Local dailies [ ]

b) Company newsletters [ ]

c) Convened meetings [ ]

d) From other clients [ ]

22. Explain how accessibility to information influences access to financial services

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

23. To what extent do you agree or disagree that you easily access financial services from lending institutions

a) Strongly agree [ ]

b) Agree [ ]

c) Neutral [ ]

d) Disagree [ ]

e) Strongly disagree [ ]

24. Which lending institutions do you commonly access?

a) Banks [ ]

b) Sacco's [ ]

c) Table banks [ ]

d) Shylocks [ ]

25. Indicate distribution channels these lending institutions use to reach the customers

a) Agency banking [ ]

b) Staff visits [ ]

c) Customer visits [ ]

d) Other (specify)………………………………………………………………………………

26. Indicate the average number of lending institutions in Kasipul Sub County

a) Less than 5 [ ]

b) 5-10 [ ]

c) 10-15 [ ]

d) Above 15 [ ]

27. In your own opinion, explain the influence of accessibility of lending institutions on accessibility of financial services in Kasipul Sub County.

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