THE IMPACT OF CAPITAL ACCESSIBILITY ON THE GROWTH OF SMALL SCALE ENTERPRISES IN MIGORI COUNTY

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DECLARATION

Student's Declaration

This research project proposal is my original work and has not been presented for a degree in any other university.

Signed ……………………………………… Date …………………….

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D61/62050/2010

Supervisor's Declaration

This research project proposal has been submitted for examination with my approval as the candidate's university supervisor.

Signed ……………………………… Date…………………………

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DEDICATION

I dedicate this work to my entire family all my lecturers and my classmates for their support, encouragement and patience during the entire period of my study and their continued prayers towards successful completion of my course.

ACKNOWLEDGEMENTS

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LIST OF ABBREVIATIONS

EU	European Union
GOK	Government of Kenya
MDG	Millennium Development Goals
MFI	Microfinance Institutions
NGO	Non-Governmental Organizations
NSE	Nairobi Securities Exchange
SMEs	Small and Micro Enterprises

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ABSTRACT

Small and medium-scale enterprises (SMEs) play important roles in the process of industrialization and economic growth in both the developing and developed countries. The study aimed to to determine the impact of the capital accessibility on the growth of SME's in Migori County. The was guided by trade-off theory, agency theory and capital channel model. The study employed across-sectional survey research design. Survey thus is more appropriate for this study as it enables the collection data from SMEs which was then processed to get information regarding the effect of capital accessibility on the financial performance of SMEs in Migori County. According to Micro and Small Enterprise Authority (MSEA) (2015), there are 378 SMEs in Migori County. The study comprised of 378 SMEs which have been actively conducting business activities within all the sectors of the economy for the years 2011 to 2015 (both inclusive). A stratified random sampling was more appropriate for the study. Later random sampling was carried out to pick the participants. Therefore, the study used a sample of 79 SMEs in Migori County. Semi-structured questionnaires were used to collect data at the premises of the participant SME's using an administered questionnaire. The questions are to be divided into sections, typically, and within each section, the opening question were followed by some probing. SMEs owners or managers were called to request an appointment for the data collection. The questionnaires were administered twice to the respondents and data obtained correlated. The data was analysed using descriptive statistics, such as mean scores, percentages and standard deviations to examine the meanings, themes and patterns that are latent in a particular text. Multiple linear regression models using ordinary least square stepwise method was applied to determine the relative effect of capital accessibility on growth of SMEs in Migori County. The research revealed that a unit change in collateral requirements while holding the other factors constant would lead to a decrease in growth of SMEs in Migori County. This shows that increased collateral requirements inhibits growth of SMEs in Migori County. On the nature of business, the study revealed that increased proper management in nature of business while holding the other factors constant would lead to an increase in growth of SMEs in Migori County. The study established that increased level of capital structure while holding the other factors constant would lead to an increase in growth of SMEs in Migori County. The research revealed that increased proper control of assets while holding the other factors constant would lead to an increase in growth of SMEs in Migori County. On the credit information sharing the study established that increased sharing of credit information creates transparency in business leading to an increase in growth of SMEs in Migori County. The study recommends that, in advocating the necessity to train young entrepreneurs in management skills, there are associated benefits of higher management skills in terms of higher productivity and growth of small scale enterprises in Migori County. The study affirms that Income level affects access to credit by small scale enterprises in Migori County who own small scale business enterprises Ministry of Trade should expand financial infrastructure such as credit bureaus and collateral registries that can increase access and reduce the costs of borrowing. The study recommends further research to be carried out on factors influencing the growth of entrepreneurial projects in Kenya

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Small and medium-scale enterprises (SMEs) play important roles in the process of industrialization and economic growth in both the developing and developed countries. They increase the per capita income and output, create employment opportunities, enhance regional economic balance through industrial dispersal and generally promote effective resource utilization considered critical to engineering economic development and growth (Ogujiuba & Adenuga, 2004). However, the financial performance of Small and Medium Enterprises largely depend on the ability of such firms to be able to access and utilize the resources appropriately. These resources are in terms of credit and non-credit services. Sources of these resources are numerous to large companies however to SMEs they are limited with the major provider being Microfinance

Small and Medium Enterprises (SMEs) are defined differently between countries and within sectors. Definitions differ in the break points they employ, and also in the underlying basis used for classification (Ayyagari et al, 2003). The definitions are based on quantitative measures such as staffing levels and turnover or assets, while others employ a qualitative approach (Meredith, 1994). There have been many studies that have attempted to define the characteristics of SMEs. Central to all of these studies is the underlying realization that many of the processes and techniques that have been successfully applied in large businesses do not necessarily provide similar outcomes when applied to SMEs. This is perhaps best summed up by Barnet and Mackness (1983) and Westhead and Storey (1996) who state that SMEs are not 'small large businesses' but are a separate and distinct group of organizations compared to large businesses.

There are myriad of challenges that these firms face including financial support, business opportunities to be able to grow, businesses diversification and good business practices. However, the most demanding factor in their growth strategy is the access funds. Without enough and sustainable financial capital SME will not realize full growth (SME-RC, 2012). Small Medium Enterprises select capital structure depending on attributes that determine the various costs and benefits associated with debt and equity financing. Capital Structure is defined as a specific mixture of debt and equity a firm uses to finance its operations (Joshua and Nicholas, 2009). The precarious employment situation in Kenya has given rise to public policies that aim at giving SMEs better access to finance. SMEs may face difficulties in raising this much-needed finance due to information asymmetry and other inefficiencies in loan markets. Inevitably, this has a serious impact on their capital structure (Kinyua, 2005).

SMEs cut across all sectors of the economy and with the increasing unemployment rate in Kenya, this remain the main source of employment for many unemployed populaces. There are those who are employed in this sector as well as those who are self-employed. The access of the SMEs to credit is recognized as an important strategy in achieving the Millennium Development Goals (MDGs) of promoting gender equality, women's empowerment and poverty reduction. Consequently, socially responsible investments have gained momentum on financial markets. The microfinance sector offers attractive opportunities to investors seeking to participate in alleviating poverty in developing countries. The World Development Report of 2000/2001 widely recommended the microcredit for poverty reduction and as a social safety net for the poor of the developing countries (World Development Report, 2001).

1.1.1. Capital Accessibility

The SMEs entrepreneurs face serious challenges in accessing financial resources. As part of the overall entrepreneurial class they face common constraints the private sector faces, particularly small scale operators, to access financial resources. In addition, as SMEs they face specific challenges associated with their gender (Wole, 2009). SME capital structure behaviour has been found to follow pecking order behaviour. However, the theoretical underpinnings of the pecking order theory are doubted in the case of SMEs as SME managers highly value financial freedom, independence and control while the pecking order theory assumes firms desire financial wealth and suffer from severe adverse selection costs in accessing external finance (Bell and Vos, 2009). Alternatively, the contentment hypothesis of Vos, et al (2007) contends the reason SMEs exhibit pecking order behaviour is the aversion to loss of control to outside financiers and the preference for financial freedom.

Several studies recognize that the SMEs founder′s savings, the assets of family and friends, are often the foundation of seed capital (Roberts, 1991). While financing requirements do vary by sector (Mason and Harrison, 1994), for the majority of SMEs internal equity and profits alone are insufficient to meet the high capital requirements for development and consequential progression to the next growth stage. Therefore, while they are still in the very early stages of development many SMEs are forced to seek external investment capital (Oakey, 1984). Not surprisingly, the firms which seek external capital most vigorously tend to be growth-oriented companies (Oakey, 1984).

SMEs option is to raise capital through venture capitalist's injections which is different from a bank loan. It is an equity investment which involves higher risk however potentially rewarded by higher returns. Venture capital is necessary for potentially high growth companies especially at their early growth stages. It involves of financing by: informal investments by private individuals (business angels); venture capital; and stock markets specialized in SMEs and high growth companies. Together these make up the risk capital market (European Union, 2006).

1.1.2. Growth of SME's

All firms are established on the basis of achieving a number of common objectives. These objectives include profit maximization, wealth maximization, fair dealing with suppliers, and welfare of employees. In order to know whether these objectives are met, an organization has to device on means of gauging the extent of meeting these objectives or how well a firm is generating value for the owners. SMEs have little or no access to education. Lack of financial literacy of SMEs perpetuates their limited capacity for growing their business beyond the informal micro enterprise sector. As a result, the businesses of most SMEs entrepreneurs are constrained by weak managerial and marketing skills, finance and technology absorptive capabilities (Wole, 2009).

Business growth can be measured in many ways such as sales turnover, profits, and number of people employed and in market and technology domain (Marc, 2000). There is no one single measure of growth (O'Gormoma, 2001). He asserts that none of these options presents itself as the most appropriate measure. According to Marry (2004), the growth of an enterprise is reflected in increased sales, new and improved products and increased market share. O'Gormoma (2001) asserts that women business performance is measured by investment in innovation that enables their businesses to successfully enter into new product market domains and consequently enhance their sales growth in the long run. The competitiveness literature links advantage or dominance and a business's ability to compete over time to their innovation capabilities (McCarthy, 2000).

Most firms use ratios analysis to measure the growth of their enterprises. A ratio is an indicated quotient of two mathematical expressions expressed as a percentage, or fraction. There are several ratios which include profitability, liquidity ratios, activity ratios and solvency ratios. Generally, the financial performance of financial institutions can have been measured using a combination of financial ratios analysis, benchmarking, and measuring performance against budget or a mix of these methodologies. The financial statements of financial institutions commonly contain a variety of financial ratios designed to give an indication of the corporation's performance (Jordan, 2003). Generally, profitability is the main factor which is measured in determining the growth of a firm. The performance of a firm is measured by evaluating its sales growth, increase in assets, capital expenditure and financial stability of the business. From the information provided in the financial statements, one can evaluate the liquidity, profitability and the capital structure of a company.

1.1.3 Capital Accessibility and Growth of SMEs

The studies to assess the impact of capital accessibility on SME growth have showed that increasing the depth of credit pushes up the profit level. This indicates that a firm's access to formal finance is a factor in facilitating its business growth. The extent of sales value in SMEs was typically found to be smaller than in large firms, being attributed to their constrained levels of credit access (Shinozaki, 2012).

Entry barriers were said to be high for new business starters to access loan finance. Two reasons can be sighted as the causes for this state of affairs. The first being the fact that new business starters, especially SMEs, lack information and the experiences as to how to approach microfinance institutions while the second was that microfinance institutions trust entrepreneurs with whom they have long business relationships much more than the soundness of the business ideas. Once business dealings are started and good track records established, one does not face any problems getting additional loans (Wole, 2009).

Access to finance for SMEs is an important factor in order for a company to experience continuous growth (Beck and Demirgüç-Kunt, 2006). They argue that efforts targeted on the SME sector to improve the access to finance have so far been misguided. Access to finance for SMEs has in the past through targeted government policies been size oriented, not industry or market specific. Beck and Demirgüç-Kunt argue that SMEs benefit more from policies improving the playing field at large. Through a country comparative study, the authors established that entry barriers and low turnover, through obstacles of growth, impedes on the development of SMEs and SME industries. Consequently, if a market is characterized by low entry and turnover, this is an indicator to the fact that there are constraints in the market which are impeding on the growth and development of SMEs.

Rural SMEs' access to financial resources is also limited by biased lending practices that emerge when financial institutions in the area consider them smaller, less experienced and therefore less attractive clients, or when institutions lack the knowledge to offer products tailored to SMEs' preferences and constraints (Fletschner, 2009).

1.1.4 SMEs in Migori County

SMEs in Kenya cut across all sectors of the economy and provide one of the main sources of employment and generate widespread economic benefits (GoK, 2005). According to Ocha (2011), in Kenya "Micro-enterprises" are those that comprise of 10 or less workers while Small enterprises comprise 11-50 workers. The 1999 National Micro and Small Enterprise Baseline Survey define SMEs as enterprises employing 1-50 workers (Republic of Kenya Sessional Paper No.2, 2005). They have immense contributions in the economy and cuts across the manufacturing, agricultural, banking, transport, building and construction, wholesale and retail business of the sectors in Kenya.

Migori is an agricultural region with an average population estimated to be about 917,170 people based on the 2009 population census. This is quite a high population of an area of about 2586.40 squares kilometres, considering that almost 90% of the area covered by agricultural activities. It is the home of the giant Sony sugar company which manufactures sugar and also an area associated with the mineral gold deposits. It has also witnessed the influx of NGO's that work hand in hand with the locals to alleviate poverty and education as a result of the aids scourge. With the high population, agriculture, mineral deposits and influx of NGOS, there has been demand for SME's to tap the capital provided by the NGO's, Cash from farming and mineral deposits to provide the necessary services and commodities for the high population there. This has since seen so many of the populace start SME's hence need to understand the impact of capital accessibility on their growth.

1.2. Research Problem

The availability of capital is crucial for small business start-up, survival, and growth. Capital provides an ongoing service to the business to create wealth. Capital is combined with labour, the work of individuals who exchange their time and skills for money, to create growth in firms. By investing in capital and foregoing current consumption, a business or individual can direct those efforts into future prosperity (Akbar, 2010). Firms usually require capital accessibility assistance to launch their ventures be it a formal bank loan or money from a savings account. Most of upcoming businesses in third world countries have little access to funds, due to the fact that they are concentrated in poor rural and urban communities with few chance to borrow money (Starcher, 2008). Lack of access to external funds by the upcoming entrepreneurs is usually due to their inability to provide tangible financial security.

The situation of the SME's in Migori County is not any different. Owing to the problems associated with accessing alternative credit facilities, a large proportion of the Migori SMEs rely more on self-financing in terms of retained earnings. The implication, therefore, is that SMEs do not have adequate credit to meet the needs at different levels of growth. This results into a finance gap for firms starting or wishing to expand. The source of capital financing related to future firm's growth prospects can achieved by understanding the determinants of capital structure for SMEs in the Migori county context and their fulfilment.

Empirical studies done in Kenya include a study of the capital structure and profitability of Amex and NSE firms to determine the impact of credit or financing to SME 's development (Kibas, 1995). The found that clients reported improvement in their sales, profits, assets. New Jobs linkages with other organisations had also been created. This therefore demonstrates access to financial support influences performance of SME's. Kinyua (2005), had sought to determine the factors that influence the capital structure composition of SMEs in Kenya. The study revealed that the most influential factors of SME capital structure as profitability, collateral, size and growth rate.

On the other hand, Rukwaro (2000), studied influence of credit rationing by SME's on the operation of SME's. Mokogi (2003), studied the economic implication of lending of micro finance institutions to SME's. Mutugi (2006), studied the responses of micro finance institutions in Kenya to the turbulent business environment. Muchiti (2009), studied risk management strategies adapted by commercial banks in financing SME's. From the foregoing discussions on the empirical literature it can be seen that none of these studies have assessed the impact of capital accessibility on the growth of the SME's in Kenya. This research is therefore motivated by this gap in the finance knowledge and sought to answer: What is the impact of capital accessibility on the growth of SME's in Migori County?

1.3. Research Objective

The objective of the study is to determine the impact of the capital accessibility on the growth of SME's in Migori County

1.4. Value of the study

This study will enlighten sector players, policy and strategy makers SME's and credit institutions on the impact of credit access services, various forms of credit access and how it could be embraced. It would help financiers and investors improve relations between each other and with the government. The findings will be of benefit to the government of Kenya to know the factors affecting the management and growth of SME in Migori and Kenya in general and act accordingly. This would help them revise the current or come up with new policies and guidelines that promote the small scale farmers in Kenya.

This study would give insights to financial institutions on how they can form a foundation for enhancing the growth of SMEs. It would act as a guide to the financiers can offer affordable services to those SMEs which have challenges acquiring their services to facilitate their growth. The study will be of importance to the management of the Nairobi Securities Exchange (NSE) and the Capital Markets Authority (CMA) by providing guidelines on how the equity financing option influences growth of SMEs with the view of informing future policy changes.

The study will be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. The results of this study can be used by academics to enhance further studies on determinants of capital structure of small firms.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents a review of the related literature on the impact of the capital accessibility on the growth of SME's as presented by various researchers, scholars, analysts and authors and theories used by the study

2.2. Theoretical Review

This section examines the various theories that are used to inform the study on impact of the capital accessibility on the growth of SME's. The theories include; trade-off theory, agency theory and capital channel model

2.2.1 Trade-off Theory

The trade-off theory of capital structure is grounded on the idea that a firm chooses how much debt finance and how much equity finance to use by balancing the costs and benefits. This theory goes back to Kraus and Litzernberger (1973), who considered a balance between the dead-weight costs of bankruptcy and the tax saving benefits of debt. The theory argues that there is an advantage to financing with debt, the tax benefits of debt and there is a cost of financing with debt, the costs of financial distress including bankruptcy costs of debt and non-bankruptcy costs e.g. staff leaving, suppliers demanding disadvantageous payment terms, bondholder/stockholder infighting.

The marginal benefit of further increases in debt declines as debt increases, while the marginal cost increases, so that a firm that is optimizing its overall value will focus on this trade-off when choosing how much debt and equity to use for financing. According to Myers and Majluf (1984), a firm that follows the trade-off theory sets a target debt-to-value ratio and then gradually moves towards the target. The target is determined by balancing debt tax shields against costs of bankruptcy. When referring to microfinance, the trade-off theory postulated that there is a limit to debt financing and the target debt may vary from SME's to SME's depending on profitability, among other factors. This allows profitable SME's, which have lot of tangible asset that can be offered as collateral for debt, may have a higher target debt ratio. The alternative theory of capital structure is known as 'pecking order' theory, the origin of which is asymmetric information where managers know more about a firm's prospect than the outside investors. According to Myers (1984), the theory is based on the premise that successful firms (zero' debt firms) with high and consistent profitability rarely uses debt financing.

The theory states that if the firm issues equity shares to finance a project it has to issue shares at less than the prevailing market price. This signals that the shares are overvalued and the management is not confident to serve the debt if the project is financed by debt. On the other hand, the use of external borrowing in financing the project signals that the management is confident of the future prospect of serving debt. The theory suggests that in avoiding controversy the management may wish to finance project by internal fund generation, such as by retained earnings. Hence, the financing order goes in this way, first-retained earnings, then-debt and finally, equity when debt capacity gets exhausted, and explains why profitable firms use less debt (Frank and Goyal, 2007).

2.2.2. The Agency Theory

The agency theory provides a different perspective. Jensen and Meckling (1976) outlined a number of potentially costly principal agent relationships in publicly quoted corporations that may arise because the agent does not always conduct business in a way that is consistent with the best interest of the principals. The firm's security holders (debt holders and stockholders) are seen as principals and the firm's management as the agent, managing the principals' assets. Whilst a number of these relationships are relevant for SMEs, the primary agency conflict in small firms is generally not between owners and managers, but between inside and outside contributors of capital (Hand et al., 1982).

Potential agency problems in SMEs are exacerbated by information asymmetries resulting from the lack of uniform, publicly available detailed accounting information. The primary concern for outside contributors of capital arises from moral hazard, or the possibility of the SME owner changing his behaviour to the detriment of the capital provider after credit has been granted. This is because the firm owner has an incentive to alter his behaviour ex post to favour projects with higher returns and greater risk. Debt providers seek to minimize agency costs arising from these relationships by employing a number of lending techniques. Baas and Schrooten (2006) proposed a classification of 4 lending techniques – transactions-based or ‘hard’ techniques include asset-based lending, financial statement lending, small business credit scoring lending and the ‘soft’ technique of relationship lending. Asset-based lending and relationship lending dominate the literature. In practice, lending to SMEs by banks is frequently collateral-based (Kon & Storey, 2003).

The pervasiveness of the use of collateral is confirmed by a number of studies, for example; Black et al. (1996) find that the ratio of loan size to collateral exceeds unity for 85 percent of small business loans in the UK, Berger and Udell (1990) report that over 70 percent of all loans to SMEs are collateralized. Even for firms with positive cash flow financial institutions typically require collateral (Manove et al., 2001).

The use of debt finance is positively related with the provision of collateral. Potential agency problems are not constant over the life cycle of the firm. Firms at the start-up stage typically experience the greatest informational opacity problems, and may not have access to debt financing. As a firm becomes established and develops a trading and credit history, reputation effects alleviate the problem of moral hazard, facilitating borrowing capacity (Diamond, 1991). Additionally, as the firm grows it will have accumulated assets as debt collateral in the form of inventory, accounts receivable and equipment (Berger and Udell, 1998). The firm may also have increased fixed assets in the form of land and buildings on which it may secure mortgage finance. Long term debt is typically secured on collateralize fixed assets, and consequently its maturity matches the maturity of the pledged asset. Therefore, the use of long term debt is expected to increase initially, and decrease at a later stage as the long term debt is retired and the firm can rely increasingly on accumulated retained profits. Agency theory is pertinent due to the potential for moral hazard that arises between ‘outside’ suppliers of capital and the owners of the firm. The potential for agency problems is exacerbated by the increased information asymmetries in the SME sector.

2.2.3. The Capital Channel Model

The bank capital channel model considers the lending behaviours of bank to SMES to be affected by a capital adequacy requirement. According to Obamuyi (2007), the bank capital channel views a change in interest rate as affecting lending through bank's capital, particularly when banks' lending is constrained by a capital adequacy requirement. Thus, an increase in interest rates will raise the cost of banks' external funding, but reduce banks' profits and capital. The tendency is for the banks to reduce their supply of loans if the capital constraint becomes binding. However, banks could also become more willing to lend during certain periods because of an improvement in their underlying financial condition. This condition as purported by this model, is seen clearly seen in the relationship between banks and SMEs as the SMEs suffers through a lack of financial assistance as a result of this situation.

The "bank capital channel" is based on three hypotheses: 1) an imperfect market for bank equity (Myers and Majluf, 1984; Stein, 1998; Calomiris and Hubbard, 1995; Cornett and Tehranian, 1994); 2) a maturity mismatching between assets and liabilities that exposes banks to interest rate risk; 3) a "direct" influence of regulatory capital requirements on the supply of credit. The "bank capital channel" works in the following way. After an increase in market interest rates, a lower fraction of loans can be renegotiated with respect to deposits (loans are mainly long-term, while deposits are typically short-term): banks therefore bear a cost due to the maturity transformation performed that reduce profits and then capital. If equity is sufficiently low (and it is too costly to issue new shares), banks reduce lending because prudential regulations establish that capital has to be at least a minimum percentage of loans (Bolton & Freixas, 2001).

2.3 Determinants of Growth of SMEs'

The small and medium sized enterprises (SMEs) play an important role in the economic growth and development with a particular contribution in terms of employment generation in the Country. This is particularly true for the case of Awendo town where about 70% of the entire population are involved in SMEs. Taking cognisant of this role it is imperative to know the determinants of the growth of these enterprises.

The growth of a firm is measured in terms of its profitability. Profit is the primary objective of any business enterprise (Nimalathasan, 2009). Profit is usually a long term objective which measures not only the success of the product and business enterprise, but also of the development of the market for it. It is determined by matching revenues against the associated costs. The only costs placed against revenue, are those which have a contribution in the generation of such revenue. An enterprise should earn profits to survive and grow over a long period of time. There are various determinants of growth of SMEs. These are collateral requirements, nature of business, capital structure, control over assets and credit information sharing

2.3.1. Collateral Requirements

SMEs entrepreneurs who need credit beyond the maximum loan limits from financial institutions have difficulties obtaining a credit higher than a micro credit (Hainz, 2003; Menkhoff et al., 2006; 2012). This is because of the fact that the financial institutions only offer limited financial support to the SMEs who would wish to expand their businesses beyond micro levels.

SMEs are therefore forced to participate in lending groups, and very few are individually able to access financing because they do not have the collaterals to act on an individual basis. According to Baas (2006), as theoretical models acknowledge, collateral requirements are stringent in these countries because the financial environment in these nations typically involves opaque information and weak enforcement. However, there is little evidence available with respect to the determinants of collateral for loans that are extended to SMEs in emerging and less developed markets.

2.3.2. Nature of Business

Most of the SMEs businesses are not only found in the informal micro enterprise sector, but the types of business activities they are engaged in are also relatively less capital intensive. This however implies that SMEs are weak to accumulate capital (Wole, 2009).

SMEs are proved to be more entrepreneurial when they are exposed to opportunities and have access to resources. In fact, their capacity for capital accumulation is affected by their tendency, as mothers and wives, to spend whatever income they earn on the welfare of their families and to avert risks so as to make provisions for the future (Wole, 2009).

2.3.3. Capital Structure

Capital structure refers to the relative proportions of the funds that an organisation employs in financing its financial transactions. For SMEs these funds can either be generated internally or from lenders; external sources. The decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm. These costs can be monetary or non-monetary. Capital structure is also an important factor that determines the performance of a firm. In case if more debt financing the company has to face certain bankruptcy risk, but there are also some tax and monitoring benefits associated with debt financing (Su and Vo, 2010). It also mitigates the agency conflict by reducing the free cash flow of the firm. There should be an appropriate capital structure that generates the maximum profit for the organization, as too less equity financing increases the control of the owners to a large extent (Abu-Rub, 2012).

In case of internally generated finances, it is said that these have the highest opportunity cost for the firm because the detainment of profits can affect share holder trust, because it would otherwise have been distributed as dividend, (Lewis and Lewellen, 2004). Dividend announcements have a significant impact on share prices (Akbar and Baig, 2010). The external borrowings are considered to be the cheapest source of financing because of the tax benefits. But they do still have certain costs like interest payments and it is widely accepted that the cost of external funds is directly proportional to the amount of these funds also while borrowing the capital structure policy of the firm has to be kept in mind.

2.3.4. Control over Assets

This factor is related to legal regulations and customary rules which often restrict SMEs' access to and control over assets that can be accepted as collateral. SMEs are much less likely to have land titled under their name, even when their families own land, and are less likely than men to have control over land, even when they do formally own it. Biased inheritance rights often bestow land to male relatives, leaving both widows and daughters at a disadvantage (Agarwal, 2003). In societal settings where men are portrayed and perceived as the main breadwinner, SMEs' ability to offer family assets as collateral and their incentives to invest in productive activities are influenced by family dynamics that are likely to prioritize men's investments (Ospina, 1998).

2.3.5 Credit Information Sharing

The credit information sharing contributes is meant to reduce the costs of screening loan applications by enabling the lender to sort out prospective borrowers who have defaulted with other lenders. Credit References Bureaus are information brokers, providing creditors with reliable, relevant and comprehensive data on the repayment habits and current debt of their credit applicants (Sinare, 2008). According to Lewis (2004), most banks and most creditors prefer hard collateral-based credit but would extend cash flow-based credits if they can use a reliable and inexpensive system to exchange information on the character and ability to pay of borrowers. It has been revealed that when financial institutions compete with each other for customers, multiple borrowing and over-indebtedness increases loan default unless the financial institutions have access to databases that capture relevant aspects of clients' borrowing behaviour.

Credit reporting allows banks to better distinguish between good and bad borrowers. Based on evidence from several countries, Armstrong (2008) showed that the existence of credit information sharing is associated with increased lending volume, decline in loan defaults, improved access to financing and a more stable banking sector. Credit information sharing makes it difficult for lenders to price the risks because the borrowing costs of borrowers are not the same and that should be reflected in the interest rate pricing (Payday cash, 2010).

2.4 Empirical Literature Review

A review of empirical works reveals that there the capital accessibility is the dominant factor that affects the growth of the SMEs. In Kyereboah-Coleman (2007) study on the linkage between capital structure and SMEs sustainability he investigated the impact of capital structure on SME's performance within the sub-Saharan region. The study uses panel data from Ghana on 52 microfinance institutions covering the ten-year period 1995-2004. It shows that most of the SME's, which have been operating for about 18 years have about 70 percent of their assets in current form, employ high leverage and finance their operations with long-term debt. The author uses panel data regressions to demonstrate that highly leveraged SME's perform better by reaching out to more clientele and enjoy scale economies, which enables them to better deal with moral hazard and adverse selection and enhances their ability to deal with risk. In their study, Mbonyane and Ladzani (2011) sought to determine factors that hinder the growth of small businesses in South African townships, to create awareness of these factors and to develop guidelines for small business owners to promote successful business enterprises. The study found that the slow growth rate can be attributed partly to the lack of support that small, medium and micro-enterprises receive from support institutions, and partly to their own internal weaknesses. The findings furthermore revealed that the most common causes impeding business growth are a lack of legal knowledge, a lack of funding and a general lack of business acumen

Bogan (2011), explores how changes in capital structure could improve the SME's efficiency and financial sustainability by looking at the existing sources of funding for SME's by geographic region. To investigate the optimal capital structure for SME's, the author utilizes panel data on SME's in Africa, East Asia, Eastern Europe, Latin America, the Middle East and South Asia for the years 2003 and 2006 collected from individual institutions as reported to MIX Market. The author argues that the life cycle theory is the most popular explanation of the link between capital structure, sustainability, efficiency, and outreach. However, the study shows that various factors other than life cycle stage seem to be associated with SME's performance. This is why the author turns also to the profit–incentive theory in her paper. Using an IV analysis, Bogan (2011), finds evidence supporting the assertion that increased use of grants, rather than own capital by large SME's decreases operational self-sufficiency in larger firms. This allows the author to argue that the long-term use of grants may be related to inefficient operations due to lack of competitive pressures associated with attracting market funding.

According to Akingbade and Kinfack (2012), there are identifiable reasons why regulation hits small businesses hard. They have higher compliance costs than large businesses; they are less resilient to regulatory shocks, miscalculations and uncertainties; they lack regulation specialists; their need to grow can be badly affected by regulation; they face large costs of administration (e.g. of taxes) as well as regulatory burdens; and they often need the assistance of government to comply with regulation. Regulatory requirements affect small enterprises disproportionately, mainly because: small firms with one to two employees spend nearly five times as many hours per person dealing with regulation than firms with 50 or more employees. They spend over 4 percent of annual turnovers on compliance and businesses with fewer than 20 employees incur 35 percent higher compliance costs than firms with over 50 staff (Akinboade and Kinfack, 2012). Mugambi (2011) did a study on risk management practices of microfinance institutions. The study was conducted on the 52 SME's that were members of the SME's. Data analysis involved both descriptive and inferential analysis using multiple linear regression models. The study established that proper risk management does encourage

SME’s to focus clearly on its objectives thus enhancing financial performance. These risks include: liquidity and credit risks.

Memba (2011) conducted a study to establish the impact of venture capital on performance of SMEs in Kenya. The research employed a case study method of utilizing a sample of 100 SMEs that have been financed by venture capitalist in the major towns of Kenya (Nairobi, Kisumu, Nakuru & Mombasa). The findings in this study revealed that venture capital has an impact on performance of SMEs they finance. Upon use of venture capital average profits doubled (Ksh 12,202,775), value of assets improved drastically (Ksh 102,547,692) as funds were available for expansion or for diversification. Sales on average also doubled (Ksh 139, 043,076) as was employment in the firms where a total of 24,802 workers were absorbed. On assessing whether firms that use venture capital attract other sources of finance, the findings indicated that 100% confirmed that other sources of finance were willing to provide funding including banks which were initially difficult to consider SMEs for funding.

Gatauwa and Mwithiga (2014), undertook a study on whether credit access affects economic growth of a region or the reverse effect. The study analysed these interrelationships using a theoretical approach. It was found that credit access tends to increase when there is growth in an economy as underpinned by the economic growth models; for economic growth to be sustainable there is need for continuous advancement in technical knowledge mainly in the form of new products, processes and markets. Wachira (2011) sought to determine the factors influencing the use of microcredit amongst the small and medium size enterprises a case of the small and medium size enterprises at Mutindwa Market of Buruburu estate Nairobi Kenya. Through a descriptive survey approach, primary data was collected through administration of a questionnaire to the SMEs. The study found out that there is a strong relationship between micro-finance loan use and the loan terms and conditions. MFIs loans were noted to be popular because of their group lending model where security was by group guarantee demonstrating the fact that a majority of the loan consumers who are commonly women lacked tangible collateral. Skills' training as one of the side benefits offered by MFIs was also noted to have a strong influence on the consumption of these loans. The study concluded that improving the lending terms and conditions especially through exploring a wide range of security, pursuing a gender parity client-base and offering diversified business knowledge in favour of small-scale enterprises would provide an important avenue for facilitating their access to credit and accelerate the use of MF loans and the subsequent enterprises.

Mugori (2012), sought to determine the effects of access to microfinance on the financial performance of small and medium enterprises owned by youths in Nairobi Kenya. A sample of 100 youths' owned SMEs was selected from a population of over 235,000 SMEs using a simple random sampling technique. The study found that most SMEs borrow investment capital with few inheriting their business from their parents or guardians. The empirical results further revealed that loan had the largest significant effect on the financial performance of small and medium enterprises with a beta coefficient of 0.309 followed by savings mobilization with a beta coefficient of 0.210 and training in micro enterprise investment had the least but significant effect with a beta coefficient of 0.048. Based on the findings, the study concluded that provision of microfinance services has a significant effect on the financial performance of the youths' owned enterprises in Kenya.

2.5 Summary of Literature Review

It is a well-known truism that the SMEs form almost 99% of all business enterprises across various countries. The SMEs are enterprises ranging from small sole proprietorships at their infant stages to huge established enterprises at the Stock exchange. These SMEs can benefit immensely from well-developed credit access investments in much the same way that other sectors of the economy have. Greater employment increased foreign direct investments, innovation and better corporate governance are seen to be realised. However, the literature provides no information on the extent to which SME's in Kenya have benefited from credit access. It is based on this reason that this research is aimed at assessing the impact on the capital accessibility on the growth of these enterprises.

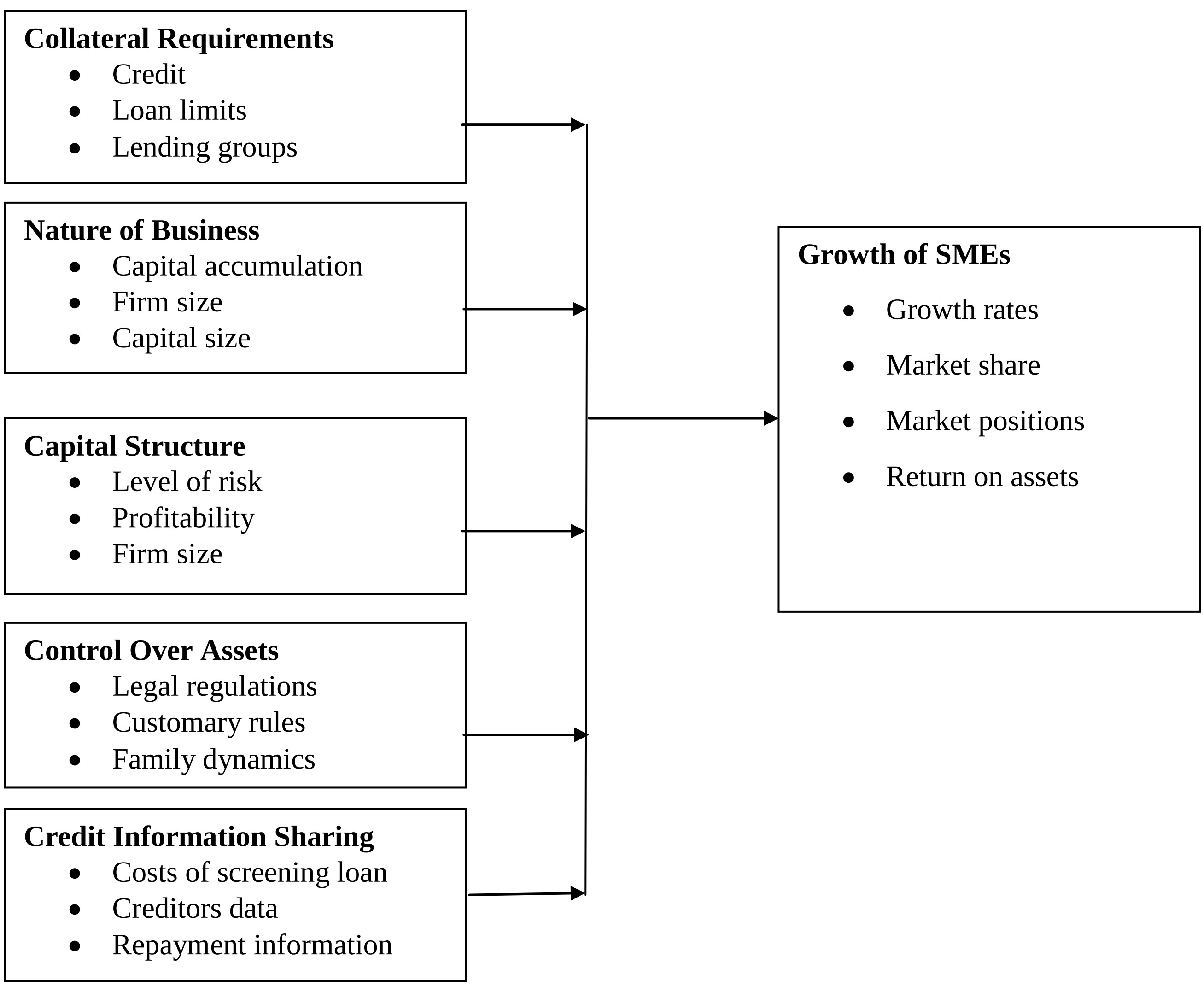
Empirical studies done in Kenya include that done by Kibas (1995), to determine the impact of credit to SMEs development. He found that clients reported improvement in their sales, profits, assets, cash flows, management practices and family welfare. New jobs and linkages with other organizations had also been created. This therefore, demonstrates that access to credit facilities influences growth and development of SMEs. None of the foregone studies have been undertaken to determine the relationship between access to credit facilities and growth of SMEs in Kenya. In this study therefore, the researcher seeks to fill this gap by carrying out a survey to find out the growth of SMEs as a result of access to capital.

2.6 Conceptual Framework

The conceptual framework is a diagrammatical presentation of variables in the study. The framework illustrates the interrelationship between dependent and independent variables. The independent variables for the study are impact of the capital accessibility. The independent variables include: collateral requirements, nature of business, capital structure, control over assets and credit information sharing while the dependent variable is the growth of SME’s.

Figure 2. 1: Conceptual Framework

Independent Variable **Dependent Variable**



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that are followed in completing the study. It involves a blueprint used for the collection, measurement and analysis of data. The research identifies the procedures and techniques that are used in the collection, processing and analysis of data. Specifically, the following subsections of research methodology are included; research design, target population, data collection instruments and procedures and finally data analysis.

3.2 Research Design

The study employed across-sectional survey research design. Mugenda and Mugenda (1999) define a survey as 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 variable. Surveys can be used for explaining the existing status of two or more variable at a given point in time. Saunders and Thornhil (2007) also explains that this research strategy allows collection of data through questionnaires administered to a sample and that the data collected by this design can be used to suggest reasons for particular relationships between variables and produce models for these relationships. Survey thus is more appropriate for this study as it enables the collection data from SMEs which was then processed to get information regarding the effect of capital accessibility on the financial performance of SMEs in Migori County.

3.3 Population

The population consists of the study's subjects, who are individuals, groups, organizations, humans, products, and events, or the conditions to which they are exposed (Welmanet et al, 2005). The units of analysis are the members or elements of the population. According to Micro and Small Enterprise Authority (MSEA) (2015), there are 378 SMEs in Migori County. The study comprised of 378 SMEs which have been actively conducting business activities within all the sectors of the economy for the years 2011 to 2015 (both inclusive).

3.4 Sample Design

A sample refers to a small group obtained from the accessible population (Mugenda and Mugenda, 2003). A stratified random sampling was more appropriate for the study. The population from which to pick the sample was subdivided into two strati namely the SMEs owned by male and female. Later random sampling was carried out to pick the participants. Stratified random sampling is preferred as it enables collection of data from male and female participants based on their proportion of the entire population. Therefore, the study used a sample of 79 SMEs in Migori County

3.5 Data Collection

Semi-structured questionnaires were used to collect data at the premises of the participant SME's using an administered questionnaire. The questions are to be divided into sections, typically, and within each section, the opening question were followed by some probing. SMEs owners or managers were called to request an appointment for the data collection.

3.5.1 Data Reliability and Validity

Saunders et al (2000) defines reliability as the extent to which your data collection techniques or analysis procedures yielded consistent findings, while validity is concerned with whether the findings are really about what they appear to be about. Standard semi structured questionnaire was used to ensure and maintain reliability of data collected. A pilot test is to be conducted on the questionnaire and appropriate amendments made so as to enable the respondents answer it without any difficulty.

The researcher sought experts' advice including from the proposal supervisor to comment on the representativeness, suitability of the question and the structure of the questionnaire and thus this will enable the establishment of the content validity. The questionnaires were administered twice to the respondents and data obtained correlated. This ensures that the right data is collected thus eliminating the possibility of collecting irrelevant data. This measure warranted the reliability of the data.

3.6 Data Analysis

The completed questionnaires were reviewed and edited for accuracy, consistency and completeness. The responses were then coded and entries made into Statistical Package for Social Science (SPSS). The data was analysed using descriptive statistics, such as mean scores, percentages and standard deviations to examine the meanings, themes and patterns that are latent in a particular text. The results were presented in frequency distribution tables for ease of interpretation. Qualitative content analysis is mainly inductive, grounding the examination of topics and themes, as well as the inferences drawn from them, in the data (Zhang & Wildemuth, 2011).

3.6.1 Analytical Model

Multiple linear regression models using ordinary least square stepwise method was applied to determine the relative effect of capital accessibility on growth of SMEs in Migori County. The regression model is as listed below and is used to come up with the required variables include: operating sales for each year, trade receivables, trade payables, inventories, current assets, non-current assets, total assets, current liabilities, long term liabilities, profit after taxes and total equity.

$$\mathbf{Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon}$$

Where:

Y = Growth of SME's as measured by increase in total assets, capital expenditure, and

X_1 = Collateral Requirements.

X_2 = Nature of Business

X_3 = Capital Structure

X_4= Control over Assets

X_5= Credit Information Sharing

B_1– β_5 are the regression co-efficient or change introduced in Y by each independent variable

ε is the random error term accounting for all other variables that affect Growth of SME's but not captured in the model.

3.6.2 Test of Significance

The study used one-way ANOVA to test the level of significant of the independent variables on the dependent variable at 95% level of significance, the one-way ANOVA was used to test whether there exists any significant difference between the study variable. In testing the significance of the model, the coefficient of determination (R2) will be used to measure the extent to which the variation in Growth of SME's is explained by the variations in Determinants of Growth of SMEs'. F-statistic was computed at 95% confidence level to test whether there is any significant relationship between Growth of SMEs' and capital accessibility

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents data analysis of the findings obtained from the field. It presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive statistics have been used to discuss the findings of the study.

4.1.1 Questionnaire

The study targeted a sample size of 79 respondents from which 67 filled in and returned the questionnaires making a response rate of 84.81%. This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent

Table 4.1: Response Rate

	Questionnaires Administered	Questionnaires filled & Returned	Percentage
Respondents	79	67	84.81

4.2 Demographic Information

The study sought to establish the demographic information of the respondents in terms of gender distribution, level of education, period of service and the time the enterprise has operated in Kenya

4.2.1 Gender distribution

Table 4. 2 : Gender Distribution

Gender	Frequency	Percentage
Male	47	70.15
Female	20	29.85
Total	**67**	**100**

The study sought to establish the gender distribution of the respondents, from the research findings the study revealed that majority of the respondents as shown by 70.15% were males whereas 29.85% of the respondents were females. This this implies that respondents were fairly distributed in terms of their gender.

4.2.2 Level of Education

The study sought to establish to what level the respondents were educated

Table 4. 3 : Level of Education

Level of Education	Frequency	Percentage
College Diploma	35	52.23
Undergraduate	23	34.32
Master	9	13.45
Total	**67**	**100**

On respondents' level of education attained, the study revealed that most of the respondents as shown by 52.23% had attained, college diploma or whereas 34.32% of the respondents had attained undergraduate degrees and 13.45% of the respondents had attained master's degree. This implies that respondents were well educated and therefore they were in position to respond to the research questions with ease.

4.2.3 Period of Service

Table 4. 4 : Period of Service

Period of Service	Frequency	Percentage
Below 2 years	3	4.47
2 to 5 years	5	7.46
5 to 8 years	19	28.35
8 years and above	40	59.72
Total	**67**	**100**

The study sought to establish the period which the respondents had served for in the enterprises. From the research findings, the study revealed that majority of the respondents as shown by 59.72% had served the enterprises for more than 8 years whereas 28.35% of the respondents had served the enterprises for a period of 5 to 8 years, 7.46% had served the enterprises for 2 to 5 years and only 4.47% of the respondents had served the institution for a period of less than 2 years. This implies that majority of the respondents had served the enterprises for a considerable period of time and thus they were in a position to give credible information rating to this research

4.3 Determinants of Growth of SMEs'

The study sought to establish how various determinants influence growth of SMEs which are; collateral requirements, nature of business, capital structure, control over assets and credit information sharing

4.3.1 Collateral Requirements

Table 4. 5 : Collateral Requirements

Statements	**Mean**	**Std deviation**
Entrepreneurs have difficulties obtaining a credit higher than a micro credit	4.29	0.21
Financial institutions only offer limited financial support to the SMEs to expand the businesses beyond micro levels.	4.31	0.18
SMEs are forced to participate in lending groups, and very few access financing due to lack of collaterals on individual basis	4.40	0.20
Collateral requirements are stringent because the financial environment typically involves opaque information and weak enforcement	4.36	0.19
Collateral requirements are a major challenge to SMEs businesses	4.33	0.22

The research sought to establish the level at which respondents agreed on the above statements relating to collateral requirements**,** from the research findings majority of the respondents agreed that; SMEs are forced to participate in lending groups, and very few access financing due to lack of collaterals on individual basis as shown by a mean of 4.40, Collateral requirements are stringent because the financial environment typically involves opaque information and weak enforcement as shown by a mean of 4.36, collateral requirements are a major challenge to SMEs businesses as shown by a mean of 4.33. The findings concur with Bogan (2011), that there is adverse selection problem faced by bank in financing activity, and therefore, the security offered by debtors can help alleviate this problem. Thus, low-risk borrowers are willing to offer a better guarantee, considering their lower risk as a signal for their capabilities fulfil its obligations under the credit agreement and, therefore, are less probability to lose the guarantee. The guarantee is interpreted as a signal that allows the bank to reduce or eliminate the adverse selection problem caused by the existence of informational asymmetries between the bank and borrower, when the loan was approved.

Financial institutions only offer limited financial support to the SMEs to expand the businesses beyond micro levels as shown by a mean of 4.31 and that entrepreneurs have difficulties obtaining a credit higher than a micro credit as shown by a mean of 4.29. The findings are in line with Abu-rub (2012), that safer borrowers offer more guarantees compared with risky borrowers, primarily to give a signal about themselves when they are evaluated by a bank, and secondly, to avoid the implications of carefully credit analyzing and screening, as for risky borrowers. Banks, in turn, will adapt to this process and, gradually, will reduce their analysis and monitoring activities for borrowers with substantial collateral. Therefore, risky but innovative projects tend not to be financed, thereby reducing the social welfare.

4.3.2 Nature of Business

Table 4. 6 : Nature of Business

Statements	**Mean**	**Std deviation**
Proper cash management increases return in SMEs businesses	4.33	0.28
SMEs business activities are engaged in relatively less capital intensive	4.19	0.25
SMEs are weak to accumulate capital	4.21	0.23
SMEs are more entrepreneurial when they are exposed to opportunities and have access to resources.	4.32	0.27
The capacity for capital accumulation is affected by tendency in cash management	4.39	0.24
Mothers and wives, spend income they earn on the welfare of their families	4.23	0.22

The research sought to establish the level at which respondents agreed on the above statements relating to nature of business**,** from the research findings majority of the respondents agreed that; The capacity for capital accumulation is affected by tendency in cash management as shown by a mean of 4.39, Proper cash management increases return in SMEs businesses as shown by a mean of 4.33. The findings concur with Bhaird and Lucey (2008), that SMEs also offer ample opportunities for personal initiative, innovation and the development of new products, services and techniques. Because of the competition that small enterprises engender, they serve as a cornerstone of free markets. Small businesses also play an important role in the social life of the free-market system as they bring competition in the business environment. This competition eliminates monopolies and encourages free trade

SMEs are more entrepreneurial when they are exposed to opportunities and have access to resources.as shown by a mean of 4.32, Mothers and wives, spend income they earn on the welfare of their families as shown by a mean of 4.23, SMEs are weak to accumulate capital as shown by a mean of 4.21 and that SMEs business activities are engaged in relatively less capital intensive as shown by a mean of 4.19. The findings are in line with Bell and Vos (2009), SMEs are generally more labour intensive than larger businesses; on the average, SMEs generate more direct and possibly more indirect, employment opportunities per unit of invested capital. In service industries the capital invested per employment opportunity is even less; they are also instruments for utilising the talents, energy and entrepreneurship of individuals who cannot reach their full potential in large organisations and they represent a breeding ground for entrepreneurial talent and testing grounds for new industries

4.3.3 Capital Structure

Table 4. 7 : Capital Structure

Statements	**Mean**	**Std deviation**
SMEs generate funds internally to finance its financial transactions	4.41	0.29
External sources of capital are acquired from loans	4.18	0.27
The decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm.	4.44	0.22
Capital structure is an important factor that determines the performance of a firm	4.27	0.24
SMEs face bankruptcy risk if there is more debt financing in the business	4.31	0.20
The external borrowings are considered to be the cheapest source of financing because of the tax benefits	4.26	0.25

The research sought to establish the level at which respondents agreed on the above statements relating to capital structure**,** from the research findings majority of the respondents agreed that; the decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm as shown by a mean of 4.44,SMEs generate funds internally to finance its financial transactions as shown by a mean of 4.41,SMEs face bankruptcy risk if there is more debt financing in the business as shown by a mean of 4.31. The findings concur with Su and Vo (2010), the decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm. These costs can be monetary or non-monetary. Capital structure is also an important factor that determines the performance of a firm. In case if more debt financing the company has to face certain bankruptcy risk, but there are also some tax and monitoring benefits associated with debt financing (Su & Vo, 2010). It also mitigates the agency conflict by reducing the free cash flow of the firm.

Capital structure is an important factor that determines the performance of a firm as shown by a mean of 4.27, The external borrowings are considered to be the cheapest source of financing because of the tax benefits as shown by a mean of 4.26 and that external sources of capital are acquired from loans as shown by a mean of 4.18. The findings are in line with Abu-Rub (2012), the external borrowings are considered to be the cheapest source of financing because of the tax benefits. But they do still have certain costs like interest payments and it is widely accepted that the cost of external funds is directly proportional to the amount of these funds also while borrowing the capital structure policy of the firm has to be kept in mind.

4.3.4 Control over Assets

Table 4. 8 : Control over Assets

Statements	**Mean**	**Std deviation**
Legal regulations restrict SMEs' access to and control over assets that can be accepted as collateral	4.23	0.25
In the SMEs business Customary rules control assets	4.32	0.21
SMEs are much less likely to have land titled under their name	4.40	0.19
In the SMEs business men control assets	4.38	0.23
Family dynamics influence SMEs' family assets as collateral and their incentives to invest in productive activities	4.42	0.27
Societal settings influence SMEs' family assets as collateral and their incentives to invest in productive activities	4.28	0.28

The research sought to establish the level at which respondents agreed on the above statements relating to control over assets**,** from the research findings majority of the respondents agreed that; Family dynamics influence SMEs' family assets as collateral and their incentives to invest in productive activities as shown by a mean of 4.42, SMEs are much less likely to have land titled under their name as shown by a mean of 4.40, in the SMEs business men control assets as shown by a mean of 4.38. The findings are in line with Ospina (1998), in societal settings where men are portrayed and perceived as the main breadwinner, SMEs' ability to offer family assets as collateral and their incentives to invest in productive activities are influenced by family dynamics that are likely to prioritize men's investments

In the SMEs business customary rules control assets as shown by a mean of 4.32, as shown by a mean of 4.28 and that legal regulations restrict SMEs' access to and control over assets that can be accepted as collateral as shown by a mean of 4.23. The findings are in line with Kyereboah-Coleman (2007) Legal regulations and customary rules often restrict women's access to and control over assets that can be accepted as collateral, such as land. Women are less likely to have land titled under their name, even when their families own land, and are less likely than men to have control over land, even when they do formally own it. Biased inheritance rights often bestow land to male relatives, leaving both widows and daughters at a disadvantage.

4.3.5 Credit Information Sharing

Table 4.9: Credit Information Sharing

Statements	**Mean**	**Std deviation**
Credit information sharing contributes to reduce the costs of screening loan applications among SMEs	4.45	0.24
Credit references bureaus shares borrower's with lenders	4.24	0.24
Banks and most creditors prefer hard collateral-based credit	4.21	0.22
creditors use reliable and inexpensive system to exchange information on the character and ability to pay of borrowers	4.40	0.25
Credit reporting allows banks to better distinguish between good and bad SMEs' borrowers	4.28	0.24
Credit information sharing improve access to financing of SMEs'	4.33	0.21

The research sought to establish the level at which respondents agreed on the above statements relating to credit information sharing**,** from the research findings majority of the respondents agreed that; Credit information sharing contributes to reduce the costs of screening loan applications among SMEs as shown by a mean of 4.45,creditors use reliable and inexpensive system to exchange information on the character and ability to pay of borrowers as shown by a mean of 4.40, Credit information sharing improve access to financing of SMEs' as shown by a mean of 4.33. The findings concur with Lewis (2004), most banks and most creditors prefer hard collateral-based credit but would extend cash flow- based credits if they can use a reliable and inexpensive system to exchange information on the character and ability to pay of borrowers. It has been revealed that when financial institutions compete with each other for customers, multiple borrowing and over-indebtedness increases loan default unless the financial institutions have access to databases that capture relevant aspects of clients' borrowing behaviour.

Credit reporting allows banks to better distinguish between good and bad SMEs' borrowers as shown by a mean of 4.28, Credit references bureaus shares borrower's with lenders as shown by a mean of 4.24 and that Banks and most creditors prefer hard collateral-based credit as shown by a mean of 4.21. The findings are in line with Armstrong (2008), credit reporting allows banks to better distinguish between good and bad borrowers. Based on evidence from several countries, Armstrong (2008) showed that the existence of credit information sharing is associated with increased lending volume, decline in loan defaults, improved access to financing and a more stable banking sector.

4.4 Growth of SMEs

Table 4.10 : Growth of SMEs

Statements	**Mean**	**Std deviation**
Lack of an entrepreneurial culture in influences growth of SMEs	4.51	0.22
Business courses are an important factor for the growth of SMEs	4.29	0.19
Family life among entrepreneurs greatly influence the growth of SME	4.41	0.23
Religious beliefs are usually a hindrance to engagement in businesses which lead to SME growth	4.35	0.21

The research sought to establish the level at which respondents agreed on the above statements relating to growth of SMEs**,** from the research findings majority of the respondents agreed that; lack of an entrepreneurial culture in influences growth of SMEs as shown by a mean of 4.51,family life among entrepreneurs greatly influence the growth of SME as shown by a mean of 4.41,religious beliefs are usually a hindrance to engagement in businesses which lead to SME growth as shown by a mean of 4.35 and that business courses are an important factor for the growth of SMEs as shown by a mean of 4.29. The findings concur with Wole (2009), lack of financial literacy of SMEs perpetuates their limited capacity for growing their business beyond the informal micro enterprise sector. As a result, the businesses of most SMEs entrepreneurs are constrained by weak managerial and marketing skills, finance and technology absorptive capabilities.

4.5 Inferential Statistics

4.5.1 Regression Analysis

This study used regression analysis for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables

4.5.2 Model analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the linear regressions.

4.5.3 Model Summary

The model summary is presented in the table below

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874 [a]	.763	.721	.23421

The study used coefficient of determination to evaluate the model fit. The adjusted $R^{2,}$ also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. The model had an average adjusted coefficient of determination (R^2) of 0. 763 and which implied that 76.3% of the variations in growth of SMEs are explained by the independent variables understudy (collateral requirements, nature of business, capital structure, control over assets and credit information sharing). This therefore means that other variables not studied in this research contribute 23.7% of the variables influencing growth of SMEs.

4.5.4 Analysis of Variance

The study further tested the significance of the model by use of ANOVA technique. The findings are tabulated in table below.

Table 4.12: Summary of One-Way ANOVA Results.

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	37.770	5	7.554	5.837	.001[b]
	Residual	78.934	61	1.294		
	Total	116.704	66			

Critical value = 2.35

From the ANOVA statics, the study established the regression model had a significance level of 0.1% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (5.837> 2.35) an indication that collateral requirements, nature of business, capital structure, control over assets and credit information sharing all have a significant effect on Growth of SMEs'. The significance value was less than 0.05 indicating that the model was significant.

4.5.5 Coefficients

In addition, the study used the coefficient table to determine the study model. The findings are presented in the table below.

Table 4.13: Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	1.381	.2942		4.694	.001
	Collateral requirements	. -467	.162	.513	-2.883	.031
	Nature of business	.448	.181	.621	2.475	.011
	Capital structure	.624	.168	.632	3.714	.012
	Control over assets	.562	.161	.511	3.491	.023
	Credit information sharing	.532	.153	.520	3.477	0.21

As per the SPSS generated output as presented in table above, the equation becomes:

$$\mathbf{Y= 1.381- 0.467X_1 + 0.\ 448X_2 + 0.624X_3 + 0.562\ X_4 + 0.532X_5}$$

The regression equation above has established that holding all independent variables (collateral requirements, nature of business, capital structure, control over assets and credit information sharing) constant, other variables influencing growth of SMEs will be 1.381**.** From the regression model obtained above, a unit change in collateral requirements while holding the other factors constant would lead to an decrease in growth of SMEs by a factor of -0.467, a unit increase in nature of business while holding the other factors constant would lead to an increase in growth of SMEs by a factor of 0.448, a unit change in capital structure while holding the other factors constant would lead to an increase in growth of SMEs by a factor of 0.624, a unit increase in control over assets while holding the other factors constant would lead to an increase in growth of

SMEs by a factor of 0.562 and a unit increase in credit information sharing while holding the other factors constant would lead to an increase in growth of SMEs by a factor of 0.532.

The analysis was undertaken at 5% significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the obtained probability value and $\alpha = 0.05$. If the probability value was less than α, then the predictor variable was significant otherwise it wasn't. All the predictor variables were significant in the model as their probability values were less than $\alpha = 0.05$

4.5 Interpretations of the Findings

Results obtained from the regression model show that a unit change in collateral requirements while holding the other factors constant would lead to a decrease in growth of SMEs by a factor of -0.467. This concurs with Menkhoff et al. (2006), SMEs entrepreneurs who need credit beyond the maximum loan limits from financial institutions have difficulties obtaining a credit higher than a micro credit. The study further revealed that SMEs are forced to participate in lending groups, and very few access financing due to lack of collaterals on individual basis as shown by a mean of 4.40, Collateral requirements are stringent because the financial environment typically involves opaque information and weak enforcement as shown by a mean of 4.36, collateral requirements are a major challenge to SMEs businesses as shown by a mean of 4.33. The findings concur with Bogan (2011), that there is adverse selection problem faced by bank in financing activity, and therefore, the security offered by debtors can help alleviate this problem .

The study further revealed that, financial institutions only offer limited financial support to the SMEs to expand the businesses beyond micro levels as shown by a mean of 4.31 and that entrepreneurs have difficulties obtaining a credit higher than a micro credit as shown by a mean of 4.29. The findings are in line with Abu-rub (2012), that safer borrowers offer more guarantees compared with risky borrowers, primarily to give a signal about themselves when they are evaluated by a bank, and secondly, to avoid the implications of carefully credit analyzing and screening, as for risky borrowers. Banks, in turn, will adapt to this process and, gradually, will reduce their analysis and monitoring activities for borrowers with substantial collateral.

The study revealed that a unit increase in nature of business while holding the other factors constant would lead to an increase in growth of SMEs by a factor of 0.448. The study found that the capacity for capital accumulation is affected by tendency in cash management as shown by a mean of 4.39, Proper cash management increases return in SMEs businesses as shown by a mean of 4.33. The findings concur with Bhaird and Lucey (2008), that SMEs also offer ample opportunities for personal initiative, innovation and the development of new products, services and techniques. Because of the competition that small enterprises engender, they serve as a cornerstone of free markets. Small businesses also play an important role in the social life of the free-market system as they bring competition in the business environment. This competition eliminates monopolies and encourages free trade.

The study further revealed that SMEs are more entrepreneurial when they are exposed to opportunities and have access to resources.as shown by a mean of 4.32, Mothers and wives, spend income they earn on the welfare of their families as shown by a mean of

4.23, SMEs are weak to accumulate capital as shown by a mean of 4.21 and that SMEs business activities are engaged in relatively less capital intensive as shown by a mean of 4.19. The findings are in line with Bell and Vos (2009), SMEs are generally more labour intensive than larger businesses; on the average, SMEs generate more direct and possibly more indirect, employment opportunities per unit of invested capital. In service industries the capital invested per employment opportunity is even less; they are also instruments for utilising the talents, energy and entrepreneurship of individuals who cannot reach their full potential in large organisations and they represent a breeding ground for entrepreneurial talent and testing grounds for new industries.

The study established that a unit change in capital structure while holding the other factors constant would lead to an increase in growth of SMEs by a factor of 0.624. The findings concur with Su and Vo, (2010), Capital structure is also an important factor that determines the performance of a firm. In case if more debt financing the company has to face certain bankruptcy risk, but there are also some tax and monitoring benefits associated with debt financing.

The study further established that the decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm as shown by a mean of 4.44, SMEs generate funds internally to finance its financial transactions as shown by a mean of 4.41, SMEs face bankruptcy risk if there is more debt financing in the business as shown by a mean of 4.31. The findings concur with Su and Vo (2010), the decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm. These costs can be monetary or non-monetary. Capital structure is also an important factor that determines the performance of a firm. In case if more debt financing the company has to face certain bankruptcy risk, but there are also some tax and monitoring benefits associated with debt financing

The study established that a unit increase in control over assets while holding the other factors constant would lead to an increase in growth of SMEs by a factor of 0.562. The findings concur with Agarwal (2003), this factor is related to legal regulations and customary rules which often restrict SMEs' access to and control over assets that can be accepted as collateral. The study also found that Family dynamics influence SMEs' family assets as collateral and their incentives to invest in productive activities as shown by a mean of 4.42, SMEs are much less likely to have land titled under their name as shown by a mean of 4.40, in the SMEs business men control assets as shown by a mean of 4.38. The findings are in line with Ospina (1998), in societal settings where men are portrayed and perceived as the main breadwinner, SMEs' ability to offer family assets as collateral and their incentives to invest in productive activities are influenced by family dynamics that are likely to prioritize men's investments

The study further revealed that in the SMEs business customary rules control assets as shown by a mean of 4.32, as shown by a mean of 4.28 and that legal regulations restrict SMEs' access to and control over assets that can be accepted as collateral as shown by a mean of 4.23. The findings are in line with Kyereboah-Coleman (2007), legal regulations and customary rules often restrict women's access to and control over assets that can be accepted as collateral, such as land. Women are less likely to have land titled under their name, even when their families own land, and are less likely than men to have control over land, even when they do formally own it.

The study established that a unit increase in credit information sharing while holding the other factors constant would lead to an increase in growth of SMEs by a factor of 0.532. The findings are in line with Sinare (2008), the credit information sharing contributes is meant to reduce the costs of screening loan applications by enabling the lender to sort out prospective borrowers who have defaulted with other lenders. Credit information sharing contributes to reduce the costs of screening loan applications among SMEs as shown by a mean of 4.45, creditors use reliable and inexpensive system to exchange information on the character and ability to pay of borrowers as shown by a mean of 4.40, credit information sharing improve access to financing of SMEs' as shown by a mean of 4.33. The findings concur with Lewis (2004), most banks and most creditors prefer hard collateral-based credit but would extend cash flow- based credits if they can use a reliable and inexpensive system to exchange information on the character and ability to pay of borrowers. It has been revealed that when financial institutions compete with each other for customers, multiple borrowing and over-indebtedness increases loan default

The study established that lack of an entrepreneurial culture in influences growth of SMEs as shown by a mean of 4.51, family life among entrepreneurs greatly influence the growth of SME as shown by a mean of 4.41, religious beliefs are usually a hindrance to engagement in businesses which lead to SME growth as shown by a mean of 4.35 and that business courses are an important factor for the growth of SMEs as shown by a mean of 4.29. The findings concur with Wole (2009), lack of financial literacy of SMEs perpetuates their limited capacity for growing their business beyond the informal micro enterprise sector.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objective of the study. The sought to determine the impact of the capital accessibility on the growth of SME's in Migori County

5.2 Summary of Findings

The research revealed that a unit change in collateral requirements while holding the other factors constant would lead to a decrease in growth of SMEs in Migori County. This shows that increased collateral requirements inhibits growth of SMEs in Migori County. The study further revealed that SMEs are forced to participate in lending groups, and very few accesses financing due to lack of collaterals on individual basis, Collateral requirements are stringent because the financial environment typically involves opaque information and weak enforcement, and collateral requirements are a major challenge to SMEs businesses. The findings concur with Bogan (2011), that there is adverse selection problem faced by bank in financing activity, and therefore, the security offered by debtors can help alleviate this problem. The study further revealed that, financial institutions only offer limited financial support to the SMEs to expand the businesses beyond micro levels and that entrepreneurs have difficulties obtaining a credit higher than a micro credit.

On the nature of business, the study revealed that increased proper management in nature of business while holding the other factors constant would lead to an increase in growth of SMEs in Migori County. The nature of business directly influences growth of SMEs in Migori County. The study found that the capacity for capital accumulation is affected by tendency in cash management, Proper cash management increases return in SMEs businesses. The findings concur with Bhaird and Lucey (2008), that SMEs also offer ample opportunities for personal initiative, innovation and the development of new products, services and techniques. The study further revealed that SMEs are more entrepreneurial when they are exposed to opportunities and have access to resources, Mothers and wives, spend income they earn on the welfare of their families, SMEs are weak to accumulate capital, and that SMEs business activities are engaged in relatively less capital intensive.

The study established that increased level of capital structure while holding the other factors constant would lead to an increase in growth of SMEs in Migori County. The findings concur with Su and Vo, (2010), Capital structure is also an important factor that determines the performance of a firm. In case if more debt financing the company has to face certain bankruptcy risk, but there are also some tax and monitoring benefits associated with debt financing. The study further established that the decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm, SMEs generate funds internally to finance its financial transactions, SMEs face bankruptcy risk if there is more debt financing in the business.

The research revealed that increased proper control of assets while holding the other factors constant would lead to an increase in growth of SMEs in Migori County. The findings concur with Agarwal (2003), this factor is related to legal regulations and customary rules which often restrict SMEs' access to and control over assets that can be accepted as collateral. The study also found that Family dynamics influence SMEs' family assets as collateral and their incentives to invest in productive activities, SMEs are much less likely to have land titled under their name, in the SMEs business men control assets. The study further revealed that in the SMEs business customary rules control assets. The findings are in line with Kyereboah-Coleman (2007), legal regulations and customary rules often restrict women's access to and control over assets that can be accepted as collateral, such as land. Women are less likely to have land titled under their name, even when their families own land, and are less likely than men to have control over land, even when they do formally own it.

On the credit information sharing the study established that increased sharing of credit information creates transparency in business leading to an increase in growth of SMEs in Migori County. The findings are in line with Sinare (2008), the credit information sharing contributes is meant to reduce the costs of screening loan applications by enabling the lender to sort out prospective borrowers who have defaulted with other lenders. Credit information sharing contributes to reduce the costs of screening loan applications among SMEs, creditors use reliable and inexpensive system to exchange information on the character and ability to pay of borrowers, credit information sharing improve access to financing of SMEs. On the growth of SMEs, the study established that lack of an entrepreneurial culture in influences growth of SMEs, family life among entrepreneurs greatly influence the growth of SME, religious beliefs are usually a hindrance to engagement in businesses which lead to SME growth and that business courses are an important factor for the growth of SMEs.

5.3 Conclusion

The study concludes that there is a negative relationship between collateral requirements and growth of SMEs in Migori County. This shows that increased collateral requirements inhibits growth of SMEs in Migori County. The findings are in line with Baas (2006), Collateral requirements generally need to meet additional requirements such as a minimum credit rating. The study further concludes that SMEs are forced to participate in lending groups, and very few access financing due to lack of collaterals on individual basis, Collateral requirements are stringent because the financial environment typically involves opaque information and weak enforcement.

On the nature of business, the study concludes that there is a positive relationship between nature of business and growth of SMEs in Migori County. Increased proper management in nature of business lead to an increase in growth of SMEs in Migori County. The study found that the capacity for capital accumulation is affected by tendency in cash management, Proper cash management increases return in SMEs businesses. The findings are in line with Akbar and Baig (2010), the capacity for capital accumulation is affected by tendency in cash management and the proper cash management increases return in SMEs businesses

The study concludes that there is a positive relationship between capital structure and growth of SMEs in Migori County. Increased level of capital structure would lead to an increase in growth of SMEs in Migori County. The study also concludes that capital structure is an important factor that determines the performance of a firm. The external borrowings are considered to be the cheapest source of financing because of the tax benefits and that external sources of capital are acquired from loans in Migori County. The findings concur with Joshua and Nicholus (2009), that since the capacity for capital accumulation is affected by tendency in cash management, proper cash management increases return in SMEs businesses.

On the control over assets, the research concludes that there is a positive relationship between control over assets and growth of SMEs in Migori County.increased proper control of assets while holding the other factors constant would lead to an increase in growth of SMEs in Migori County. The study further concludes that in the SMEs business customary rules control assets and that legal regulations restrict SMEs' access to and control over assets that can be accepted as collateral. The findings are in line with Ospina (1998), in societal settings where men are portrayed and perceived as the main breadwinner, SMEs' ability to offer family assets as collateral and their incentives to invest in productive activities are influenced by family dynamics that are likely to prioritize men's investments

The study concludes that there is a positive relationship between credit information sharing and growth of SMEs in Migori County. The findings concur with Lewis (2004), banks submit information about their borrowers to licensed credit reference bureaus so that it can be shared with other credit providers. This enables lenders to know how borrowers repay their loans. In other markets, it is also referred to as credit scoring, credit referencing or credit reporting, among other terms. The study further concludes that, credit information sharing contributes to reduce the costs of screening loan applications among SMEs, creditors use reliable and inexpensive system to exchange information on the character and ability to pay of borrowers, credit information sharing improve access to financing of SMEs

On the growth of SMEs, the study concludes that lack of an entrepreneurial culture in influences growth of SMEs in Migori County. Family life among entrepreneurs greatly influence the growth of SME, religious beliefs are usually a hindrance to engagement in businesses which lead to SME growth and that business courses are an important factor for the growth of SMEs. The findings concur with Morris (2006), that upcoming entrepreneurs in business are a recent phenomenon in Kenya and to a large extend they have confined themselves to petty business and tiny cottage industries. Entrepreneurs engaged in business due to economic factors, which encourage them to have an independent budgetary occupation and stands.

5.4 Recommendations

The study recommends that, in advocating the necessity to train young entrepreneurs in management skills, there are associated benefits of higher management skills in terms of higher productivity and growth of small scale enterprises in Migori County. The county government should create training programs for the upcoming young entrepreneurs. Improving entrepreneurs access to training programs and networking opportunities will help expand their opportunities.

The study affirms that Income level affects access to credit by small scale enterprises in Migori County who own small scale business enterprises. In overcoming the challenge of high interest rates that make borrowing expensive, the government under the Ministry of

Trade should expand financial infrastructure such as credit bureaus and collateral registries that can increase access and reduce the costs of borrowing. Integrated credit bureaus that access microfinance credit histories and small loans can increase access to finance.

Education levels affect access to credit by owners of small scale business enterprises in Migori County. In order to improve the level of access to credit constrained by low education levels, educational opportunities should be expanded to improve the literacy and numeracy of the pool of Kenyans from which the pool of entrepreneurs is drawn. Self-financing adult literacy classes for businesspersons should be encouraged.

5.5 Suggestions for Further Studies

This study focused on the impact of capital accessibility on the growth of small scale enterprises in Migori County The study recommends further research to be carried out on factors influencing the growth of entrepreneurial projects in Kenya

The study recommends that further research be conducted on the role of the Government policies in the growth of SMEs in Kenya.

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APPENDIX I: INTRODUCTION LETTER

Dear respondents,

The purpose of this exercise is to help collect data for the University of Nairobi research project. The respondent is assured that all the information given will be used strictly for the study and will be treated confidentially.

Yours faithfully,

Barnabas Oyoo Ogeta

APPENDIX II: QUESTIONNAIRE

This questionnaire is to collect data for purely academic purposes. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire. *Answer all* ***questions as indicated by either filling in the blank or ticking the option that applies*****.**

Section A: Background Information

1. Kindly indicate your gender

   Male ( )

   Female ( )

2. Please indicate the highest level of education attained? (Tick as applicable)

   College Diploma [ ]

   Undergraduate [ ]

   Master [ ]

   Others (specify)

   ……………………………………………………………………………………...

3. For how long have you worked in this enterprise?

   Less than 2 years ( )

   2 to 5 years ( )

   5 to 8 years ( )

More than 8 years ( )

SECTION B: Determinants of Growth of SMEs'

Indicate your level of agreement with the following statements relating collateral requirements Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Collateral Requirements	**1**	**2**	**3**	**4**	**5**
Entrepreneurs have difficulties obtaining a credit higher than a micro credit					
Financial institutions only offer limited financial support to the SMEs to expand the businesses beyond micro levels.					
SMEs are forced to participate in lending groups, and very few access financing due to lack of collaterals on individual basis					
Collateral requirements are stringent because the financial environment typically involves opaque information and weak enforcement					
Collateral requirements are a major challenge to SMEs businesses					

Indicate your level of agreement with the following statements relating nature of business

Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Nature of Business	**1**	**2**	**3**	**4**	**5**
Proper cash management increases return in SMEs businesses					
SMEs business activities are engaged in relatively less capital intensive					
SMEs are weak to accumulate capital					
SMEs are more entrepreneurial when they are exposed to opportunities and have access to resources.					
The capacity for capital accumulation is affected by tendency in cash management					
Mothers and wives, spend income they earn on the welfare of their families					

Indicate your level of agreement with the following statements relating capital structure

Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Capital Structure	**1**	**2**	**3**	**4**	**5**
SMEs generate funds internally to finance its financial transactions					
External sources of capital are acquired from loans					

The decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm.					
Capital structure is an important factor that determines the performance of a firm					
SMEs face bankruptcy risk if there is more debt financing in the business					
The external borrowings are considered to be the cheapest source of financing because of the tax benefits					

Indicate your level of agreement with the following statements relating to control over assets Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Control over Assets	**1**	**2**	**3**	**4**	**5**
Legal regulations restrict SMEs' access to and control over assets that can be accepted as collateral					
In the SMEs business Customary rules control assets					
SMEs are much less likely to have land titled under their name					
In the SMEs business men control assets					
Family dynamics influence SMEs' family assets as collateral and their incentives to invest in productive activities					

Societal settings influence SMEs' family assets as collateral and their incentives to invest in productive activities					

Indicate your level of agreement with the following statements relating to credit information sharing Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Credit Information Sharing	**1**	**2**	**3**	**4**	**5**
Credit information sharing contributes to reduce the costs of screening loan applications among SMEs					
Credit references bureaus shares borrower's with lenders					
Banks and most creditors prefer hard collateral-based credit					
creditors use reliable and inexpensive system to exchange information on the character and ability to pay of borrowers					
Credit reporting allows banks to better distinguish between good and bad SMEs' borrowers					
Credit information sharing improve access to financing of SMEs'					

Indicate your level of agreement with the following statements relating to growth of SME

Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Growth of SME	**1**	**2**	**3**	**4**	**5**
Lack of an entrepreneurial culture in influences growth of SMEs					
Business courses are an important factor for the growth of SMEs					
Family life among entrepreneurs greatly influence the growth of SME					
Religious beliefs are usually a hindrance to engagement in businesses which lead to SME growth					