EFFECTS OF CREDIT ACCESSIBILITY ON THE PERFORMANCE OF MSE ENTERPRISES IN ISIOLO COUNTY

BORNFACE MWENDA

A Thesis Submitted to the School of Business and Economics in Partial Fulfilment for the Requirements of the Degree of Master's in Business Administration (Finance) of Kenya Methodist University

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DECLARATION AND RECOMMENDATION

Declaration

This research thesis is my original work and has not been presented for a degree or any other award in any other university.

Signed: _____________________________ Date: __________________________

Bornface Gatobu Mwenda

BUS-3-0546-2/2016

Recommendation

We confirm that the work reported in this thesis was carried out by the candidate under our supervision.

Signed: _____________________________ Date: __________________________

Susan Kambura

School of Business and Economics

Kenya Methodist University

Signed: _____________________________ Date: __________________________

Adel Kanyiri

School of Business and Economics

Kenya Methodist University

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DEDICATION

I dedicate this thesis to my beloved wife for her continued love and moral support. To all my sons and daughters for the encouragement.

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ABSTRACT

The limited access to informal and formal credit by entrepreneurs has been identified as a major constraint to growth of micro and small enterprises in Isiolo County. The County is also characterized by high level of unemployment, particularly among the youths, nomadic life and low educational levels and all these can be attributed to limited access to credit. This study sought to establish the effects of credit accessibility on the performance of MSE enterprise business in Isiolo North Sub-County. The specific objectives were: to establish the influence of lending procedures, credit awareness, collateral requirements and interest rate on performance of MSE enterprise business in Isiolo North Sub County. It was guided by theory of loanable funds, asymmetry theory and classical theory of interest. The study adopted a descriptive survey research design. The unit of analysis was 225 micro and small enterprises within Isiolo town. The unit of observation was owners of the businesses. The sample size was 144 MSE owners selected using stratified random sampling. Data was collected through structured questionnaires. Data was analyzed using descriptive statistics in order to ascertain the extent of practice of the variables. Pearson's correlation and regression analyses were used to establish whether there exists any relationship between lending procedures, credit awareness, collateral requirements, interest rates and performance of MSE enterprise businesses. The findings revealed that separately, lending procedures and credit awareness positively and significantly relate with performance of MSE business, while collateral requirements and interest rate negatively and significantly relate with performance of MSE business. The study concluded that when combined, lending procedures and credit awareness positively and significantly influence MSE business performance. On the other hand, collateral requirements and interest rates negatively and significantly influence MSE business performance. Collateral requirements were found to be the most significant predictor of MSE's business performance followed by credit awareness then interest rate and lastly lending procedures. The study recommended the need for financial institutions to improve credit accessibility elements so as to enable more MSE businesses access to credit. In particular, they should make the loan application process simple, review loan repayment period and conduct proper client evaluation. They should also enhance visit to business premises by credit officers, organize seminars and provide timely and accurate information about credit to MSE owners. Further, they should make collateral affordable to clients and also introduce a variety of collaterals that MSE owners can manage. Finally, they should review the interest rates charged on credit advanced to MSE businesses.

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ABBREVIATIONS AND ACRONYMS

GDP	Gross Domestic Product
IFC	International Finance Corporation
KIE	Kenya Industrial Estate
MMSE	Micro Micro and small Enterprises
NACOSTI	National Council of Science, Technology & Innovation
MSE	MSE Enterprise
SPSS	Statistical Package for Social Sciences
WEF	Women Enterprise Fund
YEDF	Youth Enterprise Development Fund

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Different meanings of Micro and Small Enterprises (MSE) exist. These meanings vary from nation to nation, or even from continent to continent (Mezgebo et al., 2017). The concept of MSE in the Kenyan sense is focused on the number of workers. A micro business has 1-9 staff and a small business has 10-49 staff. MSEs are listed in Kenya using two major criteria: the number of people / employees and the average turnover of the company (Kivinda, 2018). For companies in the manufacturing sector, investment in plants and equipment as well as reported capital is taken into account in the description. The change to various degrees of the economies of many nations worldwide is attributed to MSEs (World Bank, 2015). MSEs, which make up 95 percent of all firms, are a dominant feature of the global business scene, according to the Edinburg Community (2013). In addition, these entrepreneurial projects account for about 60 percent of private sector job opportunities.

According to the World Bank Report (2015), on the status of MSE in European countries, as they have realized the transformative position of MSEs, governments, development banks and central banks need to invest tremendously in this market. The European Commission (2016) considers micro and small-sized enterprises (MSEs) as the bedrock of Europe's economy, representing 99% of the continent's entrepreneurial transactions. Since 2011, around 85 per cent of all new jobs have been generated by MSE. In the production and growth of Micro and small Enterprises in Europe (MSE Europe), an organization that seeks to control EU policy in a way that benefits MSEs, the focus on MSEs as motors of the European economy is obvious (MSE Europe, 2016).

According to the United Kingdom Department of Innovation and Skills, small businesses account for roughly 99.3% of private sector companies in January 2015, with MSEs accounting for 99.9% of them (2015). Moreover, 15.6 million workers are hired by micro and small-sized businesses, about 60 percent of the total private sector work force in Britain. 95 per cent of businesses are MSEs in Azerbaijan, Moldova, Armenia, Georgia, Ukraine and Belarus (EBRD, 2016). The Edinburg Group (2013) reported that 95% of businesses are MSEs in OECD countries and contribute about 55% to national GDPs.

The economic development of Africa is also driven to a large degree by MSEs. 90 percent of all firms are MSEs in Sub-Saharan Africa (IFC, 2016). For instance, MSEs account for 91% and 92% of all enterprises in South Africa and Ghana, and contribute more than half of their national GDPs, respectively. 93% of all manufacturing companies in Morocco include those types of businesses (The Edinburg Group, 2013). Citing the case of Angola et al. (2010) claims that MSEs in African countries are pivotal to economic development. In Nigeria, MSEs have a problem with credit accessibility (Eneh, 2017). The author argued that MSEs were not customer-friendly in lending procedures and that the credit system was poor in screening loan eligible borrowers, leaving potential borrowers unable to access credit.

The MSE in Kenya are characterized as businesses in the formal and informal sectors, categorized into agricultural and non-farm categories, employing 1-49 employees. MSEs are expected to contribute approximately 45% of Kenya's GDP and constitute 90% of all enterprises. In addition, these corporations are critical to the achievement of the targets of Vision 2030 (Muriithi, 2017). Syekei and Opijah (2015) argue that Kenya's government recognizes the value of this sector by enacting many MSE support laws, including the 2011 MMSE Act. It is in this context that MSE need coordinated public and private stakeholder attention. Such a critical aspect in economic growth necessitates in-depth empirical investigations to draw up acceptable restrictions in order to produce trustworthy, pragmatic, and remedial measures for better viability and sustainability of MSEs. Micro and small businesses face a number of obstacles, the most significant of which is a lack of or insufficient assistance, despite their undeniable and crucial contribution to national and global economic growth. Financing is perceived to be a big impediment to MSE success in Europe by the European Commission (2016). CNBC Africa (2014) believes that for South Africa's MSE development, access to credit is crucial.

Chesang (2017) looked into loan availability and small business financial performance and discovered that credit access was critical to small business financial performance. Shikumo (2015) looked at the factors that influence bank lending and found that bank size, credit risk, and profitability all had a significant impact. Nguyen et al. (2015) examined SMEs' access to various forms of funding and found that collateral and government aid were the most important predictors of external financing. Sanni et al. (2020) investigated the impact of deposit money banks' credit accessibility on SMEs' performance and found that deposit money banks' provision of finance at low cost plays an essential role in enhancing SMEs' performance.

Isiolo County is emerging as a hub for entrepreneurial opportunities following the county’s growth in the recent years. Some of the notable development include Isiolo International airport. The town is also described as the gateway to the Northern Frontier, and with the construction of the Isiolo-Moyale road, the vision 2030 resort city plan, the LAPSETT corridor among others (Mwenda, 2018). If hurdles to funding were eased in Isiolo County, a thriving MSE sector could contribute more to national economic growth (Gichuki et al., 2014).

1.2 Statement of the Problem

Globally, MSE business is regarded as a critical economic development pillar. In Kenya, it is estimated that over 80% of employment opportunities are provided by the MSE sector (KNBS, 2019). According to sessional paper no. 10 of 2012, Isiolo County has been identified as a gateway for development of Northern parts of Kenya. Consequently, the county is emerging as a hub for entrepreneurial opportunities and has attracted businesses of all kinds (Muriithi, 2017). Nonetheless, businesses in Isiolo County still face serious challenges that impede their performance.

The County is characterized by high level of unemployment, particularly among the youths, nomadic life and low educational levels (Were, 2017). A report by USAID (2018) revealed that the poverty rate in Isiolo County was 72.6%. The high poverty level is indication that the MSE businesses in this County are not doing well. If they were performing well, then the poverty rate and unemployment levels ought to be declining. There is need therefore to determine the role of credit accessibility in influencing success of MSE businesses in Isiolo County. The decline in credit accessibility among businesses has been linked to several factors such as lack of collateral, high cost of credit, information asymmetry and lack of financial literacy (Kangala, 2016). The goal of this analysis was to evaluate the impact of credit accessibility on MSE business success in Isiolo North Sub County.

1.3 General Objective

The study's overall goal was to determine the impact of loan availability on MSE's business performance in Isiolo North Sub County.

1.4 Specific Objectives

i. To establish the influence of lending procedures on performance of MSE's business in Isiolo North Sub-County
ii. To establish the influence of credit awareness on performance of MSE's business in Isiolo North Sub-County.
iii. To determine the influence of collateral requirements on performance of MSE's business in Isiolo North Sub-County.
iv. To examine the influence of interest rate on performance of MSE's business in Isiolo North Sub-County.

1.5 Research Hypotheses

Ho_1: There is no significant relationship between lending procedures and performance of MSE's business in Isiolo North Sub-County.

Ho_2: There is no significant relationship between credit awareness and performance of MSE's business in Isiolo North Sub-County.

Ho_3: There is no significant relationship between collateral requirements and performance of MSE's business in Isiolo North Sub- County.

Ho_4: There is no significant relationship between interest rate and performance of MSE's business in Isiolo North Sub-County.

1.6 Significance of the Study

The research could be of interest to MSE service providers as it will enlighten them on issues impacting their products' accessibility to loans. In addition, government agencies engaged in micro and small-sized business finance, such as the Women's Business Fund (WEF), the Youth Enterprise Development Fund (YEDF), to update or restructure their services, the Uwezo Fund and Kenya Industrial Estates (KIE) can use the findings of this report. It may also allow MSE operators to understand how the use of available credit products can boost their business. Finally, this analysis will contribute to the awareness of MSE quality and credit usability already available.

1.7 Limitations of the Study

The target participants were dispersed within Isiolo town and its outskirts. The use of research assistants, who helped to administer the questionnaires to the target subjects, mitigated this. During the COVID 19 pandemic, the data was collected and some of the respondents were reluctant to communicate with the data collection team. This challenge was mitigated by complying with the guidelines of the Ministry of Health, including wearing masks and sanitation.

1.8 Scope of the Study

The research was based in Isiolo town, headquarter of Isiolo North Sub-County in Isiolo County. There are 225 registered MSE's licensed by the Isiolo County government to operate business in Isiolo town which have been in operation from year 2014-2019 (Isiolo County Government, 2019). The parameters for lending procedures were loan application, repayment period, regulations and client evaluation. Credit awareness was measured using indicators such as available information to the MSE's, credit officers informing MSE's and seminar conducted to the MSE's on credit accessibility. In terms of collateral requirements, the study established whether the collaterals were affordable, the types of collateral accepted and for the interest rate charged on credit to MSE's, the study looked at whether they were high and if they discouraged the MSE's. The performance of MSE's was measured using increase in products/services, sales volumes, business profits, number of customers, market presence and returns on investment.

1.9 Operational Definition of Terms

Collateral Requirements-it applies to the conditions of the borrower's financial institutions/lenders for qualifying/being given credit and may include collateral itself, collateral title, willingness to pay, credit worthiness. This might affect whether the owners of the MSE can access credit and enhance their efficiency (Mole & Namusonge, 2016).

Credit Awareness– relates to the details clients have regarding the availability of credit. The scope of the information of MSEs regarding the number and types of lenders in the study field will be quantified (Osano & Languitone, 2016).

Interest Rates- This relates to the price paid in order to receive a loan. The cost of accessing credit could be higher than what the consumer can afford in certain cases, and this will affect whether the owners of the MSE can receive credit and boost their performance (Baidoo et al., 2020).

Lending Procedures- relate to the mechanism observed in granting a borrower’s credit. This might affect the SMS owners’ chances of accessing credit and enhance their efficiency (Ssekiziyivu et al., 2017).

Micro and Small Enterprises – are businesses having maximum annual turnover pf Kes 5,000,000 and employing a maximum of 49 people (Micro and Small Enterprise Act of 2012).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter addresses various ideas regarding the connection between credit accessibility and MSE performance. In particular, the chapter provides the theoretical and empirical review related to the study. Further, the chapter outlines the research gaps as well as the conceptual and operational frameworks.

2.2 Theoretical Literaure Review

This section provides a review of theories used in this study. The research is anchored on the loanable funds theory, the theory of asymmetry, and the classical interest theory.

2.2.1 Loanable Funds Theory

The theory was introduced by Robertson (1940) and assumes that the availability of loanable funds and the demand for credit dictate interest rates. An effort to expand the classical theory of interest is the loanable funds theory. It accepts that resources in the saving and spending periods will play a troubling role and thus cause disparities in the amount of revenue. It is thus a monetary approach to the theory of interest, as opposed to that of classical economics. The loanable funds hypothesis, in actuality, synthesizes both the monetary and non-monetary parts of the problem (Wensheng et al., 2002).

According to the loanable funds theorem, the interest rate is the price that is equal to the demand for and supply of loanable funds. At the degree of balance, where demand meets the supply of creditworthy fund savers and where customers are as satisfied as possible. Interest rate fluctuations result from changes to either the market for the credit or the availability of loans or liquidity funds available for lending. Interest, according to Ngugi (2001), is the price that corresponds the demand for loanable funds with the supply of loanable funds.

In any point in the money market, the sums of money given and demanded are loanable assets. At that time, people's savings to the money supply (usually by the development of banks' loans) will affect the supply of cash or funds available for lending. In the other hand, investment demand plus the capital hoarding criteria will determine the demand side of the loanable assets (Turnovsky, 1985). According to this principle, the principle of loanable funds means that bank savers and creditors should be well paid at equilibrium.

The theory was relevant to the current study since it explained the role of interest rates in evaluating credit supply and demand. The theoretic argument emphasizes the importance of interest rate in influencing credit accessibility to individuals and businesses. One of the main concepts in this study is credit accessibility by MSE. The theory therefore makes a prediction that interest rate influences access to credit by MSEs, which is then expected to enhance their performance. The study findings confirm the loanable funds theory prediction that interest rate influences access to credit by MSEs, which is then expected to enhance their performance. Interest rate had a significantly negative impact on performance of MSE.

2.2.2 Asymmetry Theory

Akerlof et al. (2001) proposed that in a lending market, knowledge asymmetry emerges when a borrower who takes out a loan normally has more information about the potential costs and profits associated with the investment projects for which the funds are dispersed. In the other hand, the lender does not have sufficient borrower-related information, as assumed information asymmetry poses two issues for financial institutions, moral hazard and adverse selection. MFIs find it difficult to solve these challenges because, as in the case of MFI loans, it is not feasible to dedicate energy to determining and recording where lending is for small sums.

This is because information is needed for the processing of applications and the tracking of borrowers is not readily accessible when and when it is necessary by financial institutions before lending to their customers. Therefore, when reviewing lending demands, MFIs face a condition of information asymmetry (Binks & Ennew, 2004). Derban et al. (2011) have proposed that borrowers should be screened in the form of credit tests, in particular by banking institutions. The acquisition of reliable information from prospective borrowers becomes critical in achieving efficient screening, as illustrated by asymmetric information theory. In evaluating the borrowers, qualitative and quantitative approaches may be used, but their subjective aspect is one of the key difficulties in using qualitative models.

According to Derban et al. (2011), however, volumes using qualitative calculations for the sum of the properties relative to a threshold can be attributed to borrowers' characteristics. This strategy lowers material costs, lowers individual decisions and implicit biases. If it suggests improvements in the anticipated amount of credit loan defaults, the rating systems would be significant.

The theory was imperative in the current study since it explains the idea of information asymmetry in the debt market. In the case of information asymmetry, one party either the lender or the borrower lacks awareness about some crucial information that is likely to affect their credit decisions. This study focuses on credit awareness as a determinant of credit access by MSE. The theoretical prediction is that credit awareness determines credit accessibility, which may influence MSE success. The current analysis finding confirms Asymmetry Theory prediction that credit awareness determines credit accessibility, which may influence performance of MSE. Credit awareness had a significantly positive impact on performance of MSE.

2.2.3 Classical Theory of Interest

Marshall (1978) promoted the idea and argues that capital demand stems from the entrepreneurial community's investment decisions. Therefore, the investment demand schedule represents the need for money, while the money surplus is the result of collective savings. Ultimately, the role of credit is to fill the difference between the financial assets of the company owner and the firm's sufficient financial assets. Typically, there is an imbalance between the two, thus increasing the loan market. Lower rates will boost the potential demand for loans and financial inclusion from the perspective of borrowers, but excessive rates will lead borrowers into over-indebtedness. Lower rates would make them more reliant on contributors from the point of view of financial firms, while higher rates would contribute to more regulatory oversight and contribute to an adverse pick of the worst borrowers. Therefore, the issue of equal prices is critical for policymakers and financial institutions (Zachary & Auda, 2013).

The financial institutions' repayment periods will be weekly or monthly, depending on the size of the debt, debt restrictions, and how the other members of the organization are resolved under the supervision of the microfinance institution working together as guarantors of the loan. Furthermore, because most bank loans do not have a grace period, creditors begin servicing the debts as soon as they receive them. There are various types of loans available on the market. The goal is to diversify credit facilities and tailor them to accommodate the intended users for various sectors of the economy (Zachary & Auda, 2013). Entry to credit and creativity is constrained by this principle. While it is still early to determine how the Kenyan consumer would be impacted by the bank interest rate cap, empirical data suggests that in most situations, as suggested, the results are negative. This may or might not be the case for Kenya. We will not say for certain what the outcome will be, just as the lower interest rates are likely to favor employers and job seekers. It follows that the two real factors deciding the rate of interest are savings and investment.

The theory was relevant to the current study since it explains the situation where borrowers (MSE) are motivated to demand for loans. Theoretically, borrowers are rising their appetite for loans at lower rates, while unsustainable rates may drive borrowers into over-indebtedness. The goal of this study was to figure out how credit availability affects MSE performance. The theory supports the argument that MSE' demand for credit may be determined by rate of interest. The current study finding supports classical theory of interest prediction that interest rate determines credit accessibility, which may influence performance of MSE. Interest rate had a significantly negative impact on performance of MSE.

2.3 Empirical Literature Review

This section provides a review of previous studies related to the current research. The empirical review is done as per the study variables.

2.3.1 Lending Procedures and Performance of MSE Business

Lending procedure refers to the formalities and methods used to supply a creditor with credit (Ssekiziyivu et al., 2017). Any of the essential roles of financial institutions are the creation and execution of lending procedures (Widyaningsih, 2020). The financing system of a lender must be specific as to how much of the loan, the length and purpose of the loan, would be made available to whom. As such, lending procedures should be well designed to support lending officers in recognizing areas of prohibition and areas of distribution.

For the evaluation of the loan application, Ong'era and Onditi (2016) noted that loan procedures are required. A proper credit risk setting, a sound loan issue mechanism, adequate loan administration, estimation, tracking and follow-up of credit risk, policies and strategies must be developed that specifically describe the nature and distribution of lender loan facilities and the approach to credit portfolio management. Using loan terms, collection activities, loan time and collateral requirements, Kungu et al. (2015) assessed lending procedures.

Calomiris, Larrain et al. (2017) analyzed the implicit contracts between lenders and borrowers in Los Angeles. The study employed a cross sectional survey method. The findings revealed that banking lending relationships can motivate high effort and timely repayments. The study is relevant in this research since it explains the concept of lending procedures. Nonetheless, there exists a conceptual gap since the research did not focus on performance as the dependent variable.

Short-term loans will have an impact on MSEs during the fascination of new financing, according to a study by Ab Manan and Shafiai (2015) on risk management of Islamic Microfinance product by financial institutions in Malaysia. Advance periods will potentially be shorter as MFIs may be concerned about the possibility that they are eminent to pay their very own advance because they are eminent to pay their very own advance because they are eminent to pay their very own advance because they are eminent. They said that certain MFIs demand potential borrowers to deposit money before being granted credit, and that debtors are required to keep the money with the lenders during the credit facility's term. The rates that cash borrowers pay on these stores are far lower than the rates that they pay on their advances. However, because it was conducted in Malaysia, the study has a contextual flaw.

Ong'era and Onditi (2016) used a descriptive study style to examine the impact of lending procedures on commercial banks' financial returns in Kenya. The association between the two variables was investigated using regression analysis. The findings revealed a positive relationship between commercial bank financial performance and loan financing practices. In addition, regulatory strategies, competitiveness and technologies in the banking sector also have important impact on banks returns. The study is relevant since it focused on lending procedures. However, the context of the study was commercial banks and not MSE.

The impact of loan policy on the viability of Kenyan manufacturing firms was investigated (Kungu et al., 2015). Credit terminology, payment activities, credit time and quality performance were the main variables. A descriptive research design was employed. Stratified random sampling method was applied. Findings indicated a direct connection between profitability and credit policy. The study nonetheless reveals a contextual gap since it focused on firms in Nairobi County and not Isiolo. Furthermore, the study was confined to firms in manufacturing sector only.

Anyieni (2016) examined the terms of commercial bank loans that affect small businesses in Kisii County. The research established that competition, pricing, and stringent bank requirements were important factors in the affordability of MSE commercial bank loans. The study concluded that the majority of the population was blocked from the official financial sector because of the many strict requirements and conditions that banks must have to open accounts or access loans because their information was not captured. Nonetheless, the research focused on MSEs in Kisii and not Isiolo County.

2.3.2 Credit Awareness and Performance of MSE Business

Credit literacy refers to the information of credit access that customers have. It is the degree of appreciation of the presence of various loan facilities by micro and small companies (Osano & Languitone, 2016). It is really important for company executives to have knowledge of how to access credit in order to increase productivity (Usama & Yusoff, 2019). A literate capitalist knows the right moment to make such financial options, such as when and from whom to borrow and at what expense to borrow.

Jagongo and Kerage (2015) looked at how the spread of credit information sharing has affected the performance of Kenyan commercial banks. Census surveys of all commercial banks were adopted by the report. The research spans a five-year period from 2008 to 2012 and success is assessed to draw conclusions by financial ratios. The results revealed that the exchange of credit information contributed to better financial success for commercial banks in Kenya. However, the analysis concentrated on the results of banks and not MSE.

The effects of credit knowledge exchange on the efficiency of commercial banks in Kenya was analysed by (Mugwe & Oliweny (2015). A correlational analysis design was adopted by the researchers. The study's results revealed that return on equity, return on assets, and net interest margin all had an upward trend after a downward trend prior to the introduction of credit information sharing (2005 to 2009) following the establishment of Credit Check Bureaus (2010 to 2014). Non-performing loans were below 5% from 2010 to 2014, although the average interest rate was over 6% during the same time span. The regression model was well-developed, and it revealed that credit information sharing had a strong and significant impact on bank profitability.

The effect of financial literacy on the success of micro and small enterprises in Sri Lanka was investigated by (Menike, 2018). The study looked at MSE members' financial literacy, including their financial behavior, financial effect, financial attitude, and financial awareness of their business performance. Financial knowledge, financial implications, and financial conduct have a favorable impact on micro and small-sized businesses' corporate success, according to the research, whereas financial practices have no statistically meaningful association with MSEs' results. It also shows that they are aware of the importance of financial statements and are more likely to follow their background, history, and what they have seen on paper, mainly for the benefit of their companies' performance. The study is relevant to the current research since it focused on financial awareness. However, a contextual gap exists since the study was carried out in Sri Lanka and not Kenya.

Bello and Isola (2016) focused their research on the factors that influence MSEs' access to finance in Mozambique. Findings indicated that the level of awareness by the borrower about monetary credit can prompt low or high credit availability of budgetary credit by little and miniaturized scale undertaking. The study concluded that information flow in financial markets is important to both the lender and borrower. Similarly, Osano and Languitone (2016) established that MSE access to credit facilities was significantly related to awareness about funding. The studies are relevant since they focused on credit awareness. However, they did not focus on performance of MSEs, thus presenting a conceptual gap.

A study by Mapunda (2016) on the role of formal financial institutions and development finance intervention in Tanzania established that lack of financial awareness among players in the MSEs sector works against the sector growth. The study used descriptive research design and revealed that with limited business knowledge, MSEs have very few associations that represent them in the region. Low credit awareness is one of the main reasons why MSE sector cannot lobby for better priced credit facilities. There is asymmetrical flow of information among various actors in the sector. Illiteracy and lack of organizations that can promote sharing of information curtail access of MSEs to credit facilities. The study focused on credit awareness; however, it did not investigate performance of MSEs in Kenya.

Thuku (2017) investigated the factors that influence micro and small enterprises (MSEs) financial institutions' access to credit in Kenya. The study's goals were to determine the impact of company characteristics on MSE access to credit in Nyeri County, Kenya; determine the entrepreneurial characteristics of MSE access to credit in Nyeri County, Kenya. This study employs a descriptive design to collect data that can be quantified by open-ended and closed-ended questions. According to the findings, small businesses face difficulties in obtaining credit from banks. When compared to large MSEs, the position of the business has an impact on access to capital. Banks tend to lend to women rather than men. Entry to capital will not be hindered. Work online, register as a party, and politically, MSEs have adequate accounting records to promote their access to credit;

before a loan can be accepted, audited financial reports and guarantees are required. MSEs are unable to benefit due to barriers to credit, loans that do not enable MSEs to acquire or satisfy their own loans, banks' reluctance to lend to MSEs, and loans that have no positive effect on performance and development.

Lusimbo (2016) investigated the connection between financial literacy and MSE's growth in Kenya. Identifying the Impact of Debt Management Skills on MSE Development, Identifying the Impact of Budgeting Skills on MSE Growth, Identifying the Impact of Banking Skills on MSE Growth, and Researching the Influence of Accounting Leadership on MSE Growth are the specific objectives. The research design for this analysis is a cross-section descriptive research design. The findings indicate that, while MSE executives are aware of debt management, the majority are unaware of the impact of inflation and interest rates on the loans they take out, as well as the pre-purchase terms and conditions that affect their financial decisions regarding borrowing. The findings also indicate that the majority of MSE owners have poor budgeting and accounting skills because they do not engage in structured financial planning, budgeting, or control, and do not maintain proper books and records, which increases the non-transparency of their information and may restrict access to finance.

2.3.3 Collateral Requirements and Performance of MSE Business

Collateral requirements are defined as the necessity for the borrower to apply / be given credit by the financial institution lenders which may include, collateral itself, collateral identity, willingness to pay, credit worthiness. This might impact whether the owners of the MSE can access credit and increase their efficiency (Mole & Namusonge, 2016). Ondabu (2019) suggested that a low risk of default is seen for secured loans, resulting in lower interest being paid. Many micro and small-sized businesses do not have productive assets that they can use to finance their loans, so their financing is limited.

In the Visegrad countries of the Czech Republic, Slovakia, Hungary, and Poland, Rahman et al. (2017) explored the determinants of collateral for micro and small businesses. The impact of independent variables on the frequency of collateral was investigated using a binary logistic regression model with varying criteria. According to the findings, weak investors must guarantee collateral, and avoiding asymmetric information will reduce collateral risk for micro and small firms. Their research, however, was limited to MSEs in other countries, not Kenya.

Virglerova et al. (2017) investigated how MSE owners in the Czech Republic view the position of the state, and whether these views vary depending on educational attainment. Owners of micro and small-sized companies are asked to address questions about the business climate as part of this initiative. Initial market conditions, government financial support for the business, and change in long-term business conditions were chosen as the three variables that would affect the business climate. It was discovered that the lower a businessperson's education, the more satisfied they were with the position of the state in the Czech Republic's business climate. More trained businesspeople are more aware of the administrative hurdles that must be overcome when starting a company. The majority of MSEs are dissatisfied with the government's financial assistance.

According to a study conducted by Karanja et al. (2015) on the effect of security constraints on SACCO credit accessibility in Meru County, all official banks need collateral from borrowers to secure the loans being procured. Most of the collateral required by lending institutions is in the form of immovable assets such as houses or title deeds for land. Given that majority of MSE lack immovable assets; they are unable to access credit from lending institutions such as banks. This is even worse for women owners of MSEs who have limited ownership of properties due to stereotyping in the society. Thus, majority of entrepreneurs cannot access credit due to lack of collaterals. The site reported that 92% of MSEs in their survey were denied credit due to lack of collaterals. This is notwithstanding the fact that majority of the entrepreneurs in the study acknowledged the importance of external funding such as use of credit in growth of business. The survey respondents suggested that most of them began their companies with their own savings or through the financing of relatives who did not need protection in most cases.

Nikaido (2015) conducted a study on what hinders and enhances access to formal credit for small businesses in India. The study used a descriptive survey and the findings revealed that access to structured credit is favorably correlated with company size, owners' education level, being listed under an organization and being engaged in diversified activities. The possession of property that can be used as collateral, though, is adversely correlated with the possibility of formal credit being earned. This may be because of an outdated method of land administration that results in high land acquisition costs as collateral.

In their report on the review of variables affecting women entrepreneurs' access to financial facilities in Kenya, (Karanja et al., 2016) showed that lending procedures were showed to be restrictive and do not address the needs of woman entrepreneurs. The equity criteria introduced by the FIs do not attract female entrepreneurial creditors to obtain credit services. The impact of inflexibility on the lending amount of FIs affects women borrowers' demand for credit services, and it was also observed that several respondents (above 50 percent) accepted that different aspects of the intent of the loan were not attractive and did not attract woman entrepreneurs.

In Meru County, Rithaa et al. (2019) investigated the impact of banks' loan availability on the growth of micro and small businesses. Loan collateral criteria and efficiency of MSEs was the basic subject of the analysis. Stratified and basic methods of random sampling have been implemented. The findings found that collateral requirements had an inverse impact on the output of MSE. The study nonetheless did not focus on MSEs in Isiolo County.

An investigation on the effect of collateral protection on the output of MSEs in Turbo Sub County, Kenya was conducted by (Sakwa et al., 2019). Descriptive and correlational designs of analysis were also included. The study concluded from the regression findings that collateral coverage had a favorable and substantial effect on access to credit and thus on the output of MSE. Companies with credit protection have convenient access to loans similar to those with zero. However, the analysis did not concentrate on MSE results in Isiolo County.

Gichuki et al. (2017) researched problems facing MSE businesses in Kenya. In choosing 241 MSEs out of a population of 656 MSEs residing on the market, a stratified sampling technique was used. Using descriptive figures, information gathered was analyzed. The study identified several primary barriers that prohibit MSEs from obtaining credit facilities, including high repayment rates, stringent collateral standards and individuals' inability. The study however failed to focus on performance of MSEs in Isiolo County.

In Nyeri Tengah District, Kiai et al. (2019) investigated the effect of the need for collateral on the financial output of small and micro agribusinesses. The theory of financial intermediation is the basis of this research. The study's target group consisted of 950 agricultural MSEs that had been accepted. The results of the regression analysis with two variants indicate that the need for collateral has a negative and statistically insignificant effect on the financial results of MMSEs in the agricultural sector. The study's findings show that MSE's financial output is influenced by their need for collateral from commercial banks. The study however was carried out in Nyeri, whereas the current study was conducted in Kenya.

2.3.4 Interest Rate and Performance of MSE Business

The interest rate relates to the amount paid for credit collection. The cost of accessing credit could be higher in some cases than what the consumer can bear, and this will affect whether the owners of MSEs can receive credit and boost their performance (Baidoo et al., 2020). High interest rates, according to Gichuki et al. (2019), decrease business profits, which eventually impede the growth of business ability. High interest rates also impact the cash flow of a company so that more money needs to be put aside to repay the loans. This, in essence, lowers its discretionary profits and thereby inhibits the willingness of its other creditors to pay.

Lore (2019) described interest rate as the total expense incurred by the borrower in relation to the loan obtained. Other costs involved include the loan arrangement fees, valuation costs, insurance costs, legal fees, property charge fees and commissions and fees related to the loan. During partnership financing, lenders collect information about the risk level of creditors and use this information. Loans issued considerably lower collateral and interest rate after a good one guarantee than loans given after a defaulted one (Comeig, et al., 2015).

Kisseih (2017) looked at how interest rate volatility impacted the growth of MSE in Accra. MSE face a number of obstacles, including a lack of government vision for the industry, restricted access to finance, trade liberalization, and a high demand for collateral from banks. The data used were balanced data from six MSEs chosen at random. The ARDL technique was used to evaluate primary and secondary data. The research began with a single root test. Critical values that demonstrate the cointegration relationship between EBIT and interest rates and other variables are compared with ARDL techniques for cointegration and F-statistics. The findings reveal a connection between MSE's profitability and interest rates, as well as bank lending and company size.

Nguyen et al. (2015) investigated the availability of MSE credit in Vietnam, as well as the factors that influence their access to credit and loan interest rates. The baseline data comes from a June 2013 survey of 487 Hanoi MSE. The simplest smallest box was used to estimate the largest MSE loan interest rate, and logistic regression was used to determine MSE's ability to access credit. The findings revealed that the most important factors in obtaining credit were ownership characteristics, education level, and gender, followed by the relationship between MSEs and banks and customers. The owner characteristics variable has no effect on the loan interest rate. Private lenders are the most costly sources of financing, followed by commercial bank loans and microfinance.

Shikumo (2015) tried to figure out the determinants of lending by commercial banks in Kenya to micro and small businesses and adopted a descriptive analysis. The research used secondary data for five-year duration from 2010 to 2014 from the annual published survey of banks in Kenya. The outcome showed that bank size, credit risk and bank profitability had a substantial effect on lending to MSE. In addition, the study showed that there was no significant impact on MSE loans on the number of deposits and interest rates. The study also showed that liquidity and deposit volume are negatively related to micro and small-sized loans, while bank size, credit costs and interest rates are positively related to micro and small-sized loans. However, the study reveals a conceptual gap since it focused on lending as the dependent variable and not MSE's performance.

Baidoo et al. (2020) analyzed factors influencing loan repayment among MSEs in developing countries. They utilized descriptive research and established that interest rate in MSE's carries risks which resulted to banks repricing the risk, yielding curve risk r marinating the base risk measures. The finding of the analysis was that if either the average yield on its assets or its liabilities were more vulnerable to changes in market interest rates, banks would face a risk of repricing. This is because the assets and liabilities of the borrower may have common maturities, whereas fixed rate assets and liabilities could have common repurchase periods, with base rates having maturities equal to their corresponding repurchase periods with assets replicating annually on the basis of a one-year cycle and liabilities replicating periodically on the basis of a three-month date.

Research on credit management and bank efficiency was performed by (Kihuro & Iraya, 2018). A critical literature review using a survey on commercial banks in Uganda, which found that the impact of interest rates can be felt at the level of single MSEs or at the level of the total MSE loan portfolio. Additional findings showed that, according to most banks, the effect of specific MSE customers was that previous defaults on a specific MSE would have a negative impact on the risk rating of that individual client, thus raising the risk premium provided by the customer. If the average loan performance experience on the MSE portfolio is bad, the whole portfolio will then be influenced and the price will adapt to meet the current risk / return trade-off. However, the influence of previous losses on capital requirements was not quite the same as that of previous losses on prices, with half of the banks claiming their capital needs were not fed by previous losses.

Kotur and Anbazhagan (2016) research on the impact of information on interest rates and job experience on leadership styles in MSEs showed that banks raise the rates they charge their customers to borrow money when the central bank raises the base rate. This has been shown to influence micro and small-sized businesses by raising credit card and mortgage interest rates, especially because they have a variable interest rate, which has contributed to a reduction in the amount of money that customers will buy, save or save. People will continue to pay bills, and families are left with less discretionary money as those bills become more expensive.

Lai (2015) studied monetary outcome of local banks in Malaysia using a descriptive survey, the general interest rate level was found to promote deposits and to contribute to the preservation of financial stability; to allow for greater volatility and to encourage greater competitiveness between banks and non-bank financial institutions; The study concluded that various scholars have observed various links between a company's interest rates and financial performance. Since it was performed in Malaysia, however, the analysis posed a contextual void. The current study was conducted in Kenya.

Furthermore, the research by Lakshmi and Sireesha (2019) on the effect of the employee structure of MSEs on performance management results: an analytical study using a survey showed that growing interest rates lift credit losses in the financial system and bank vulnerabilities, boost inflation costs due to higher consumer finance costs and bank weakness associated with medium-term price increases. The impact of interest rates on the financial output of micro and small-sized enterprises has also been discovered to vary depending on a number of factors, including the amount of debt in the capital structure of micro and small-sized enterprises, the sector of the economy in which micro and small-sized enterprises operate, and the speed with which the enterprise acquires debt capital. The study however did not focus on performance of MSEs in Isiolo County.

In addition, the analysis conducted by Manab et al. (2015) on the determinants of credit interest in Malaysia showed that inflation determines how banks calculate the interest rates quoted on MSEs. The analysis found that as economic prices rise due to inflation, and that the nominal interest rate did not reflect the actual growth in buying power arising from spending. In addition, it was concluded that a higher nominal rate is needed to encourage people to save while the inflation rate is high. The result of the report was that both the demand and availability of loanable funds were influenced by projected inflation. Moreover, when households expect the price index to increase, which means they will invest less in upcoming sales, then households will now claim more credit to beat inflation.

Msangula (2015) investigated the impact of loan interest rates on the efficiency and development of MSEs, focusing on clients that use Vision Funds' Tanga branch lending services. Both qualitative and quantitative methodologies were utilized to interpret the findings. The findings showed that loan interest rates have a detrimental impact on MSE performance and growth. Because it did not focus on MSE performance in Isiolo County, the study reveals a contextual gap.

In terms of loan conditions, loan usage, and management skills, Auma (2018) looked at the factors that make bank loans less successful in increasing the efficiency of MSEs. The survey was aimed at 1,527 MSEs in Kisumu City, in which 316 samples were taken using proportional samples. Structured questionnaires and document analysis were used to collect data. To determine the effect of these three factors on the efficiency of bank lending, factor analysis with multiple regression is used. The results showed that the three factors cumulatively contributed 24% of the variance in MSE performance. Loan terms were the most significant with 31.1% variance, 28.8% borrowing, while management skills accounted for 24.4% of the yield variance for most MSE. Banks are producing additional products relating to those assets and increasing the capacity of MSEs under the 2015 Banking Regulations Amendment Act, as the demand to boost investment in capital assets to be used as collateral develops. Efficiency will contribute from bank lending to the efficiency of MSEs. However, the study revealed a contextual gap as it focuses on MSEs in Kisumu rather than on Isiolo.

2.3.5 Performance of MSE's business

Business performance is related to the firms' market achievement with a distinct result (Bennett et al., 2017). It's measured in terms of economic success, which includes metrics like return on investment and return on equity, as well as benefits like return on sales and net profit margin, tax, turnover, and return on investment (Dijkhuizen et al., 2016). Non-financial indicators include control, customer happiness and revenue progress, employee performance, market share, job satisfaction, capacity for work and family life (Bennett et al., 2017).

A company's success in fulfilling its goals is measured by its business performance (Taticchi et al., 2015). It can be calculated depending on quantitative and qualitative factors. Financial reports (ROA, ROE, ROI), sales (number of products sold), marketing (number of customers) and productivity are objective metrics. Qualitative metrics include the level of discipline, the accomplishment of goals, the understanding of success leadership, person organizational actions and effectiveness.

Twumasi et al. (2019) published a report on the socio-economic determinants of access to credit from Barclays Bank in Tamale-Ghana for micro and small enterprises (MSE). This analysis used a mixed test approach design and the findings revealed that the key success factors in obtaining bank financing are the number of workers, expertise of loan usage, number of fixed assets owned, attitude towards risk, company size, business type and field of industry in the economy. Management experience, high default rates and tracking were also listed in the report as the difficulties facing banks in lending to MSEs. In terms of strategy, the results of this study would offer valuable perspectives for banks, educational organizations and policy makers to examine the mechanism of credit acquisition, adapt innovative entrepreneurship training programs, and establish partnerships with industry organisations. Nonetheless, the paper presented a conceptual gap since it did not concentrate on credit accessibility elements.

In Kwa Zulu-Natal, South Africa, an analysis carried out by Sitharam and Hoque (2016) tried to establish the internal and external influences influencing the success of MSEs. This was a cross-sectional survey done among MSE owners who were members of the Durban Chamber of Commerce using an anonymous online questionnaire. The findings revealed that technological innovation would help the organization become more efficient. With respect to the challenge, rivalry was seen as a big obstacle by the majority of respondents. Nearly all of the respondents suggested that market success is affected by crime and corruption. Among the internal and external factors examined, competitiveness was the only factor which revealed a significant association with the success of MSEs. Nonetheless, the study presented a contextual gap since it was conducted in South Africa.

The results of Wanjohi and Mugure (2015) established that financing of MSEs is considered as one of the main problems facing MSEs in Kenya and entrepreneurs are forced to rely on borrowing from friends or their savings due to poorly developed capital market forces. This is often not enough to allow MSEs to grow; the MSEs are forced also to rely on short term credit due to their inability to secure long term financing. MSEs are often faced with high bank fees and charges in addition high cost of loans. These constraints have often led MSEs to invest in pyramid schemes which promise low cost of credit but end up winding up with people’s money. Thus, financing is the major constrain to entrepreneurs in Kenya.

Factors impacting the monetary returns of MSEs in Kenya have been investigated by Ombongi and Long (2018). The thesis applied descriptive research by evaluating data obtained using regression analysis that verified the study's least square econometric model. The results showed a causal relationship between the financial output of micro and small-sized enterprises and independent variables; bank credit, technical costs, development in the number of micro and small-sized enterprises and employee costs. However, the research did not focus on MSEs in Isiolo County.

The determinants of the success of micro and small enterprises in Mombasa County were analyzed by (Kimunyi, 2015). Entry to financing, provision of business information systems, characteristics of entrepreneurs and government policies and regulations were the main variables. A descriptive analysis style was followed by the researchers. The study concluded from the results that the legislative and administrative climate poses significant hurdles for tea companies to obtain funding. The analysis also established that credit and liquidity programs have not made it possible for MSEs to use those properties as liquidity.

In a study conducted in Kenya, factors affecting the financial output of micro and small businesses were investigated (Nakhaima, 2016). The major considerations were corporate governance, human resources and access to finance. The findings contributed to the finding that a primary determinant of financial success is corporate governance. The study demonstrates the importance of human capital resources and their impact on financial efficiency. Access to financing was found to be a major factor of financial success in the study. The analysis focused on micro and small-sized company results, but it did not examine particular aspects of credit accessibility.

2.4 Research Gaps

Theoretical and empirical evaluations show that loan accessibility is a critical factor in MSE performance not only in Kenya but around the world. All studies from the empirical review that focused on MSE performance were biased towards different credit accessibility methods and techniques used by different institutions, highlighting that credit accessibility can contribute to overall MSE performance but stopping short of analyzing a clear effect between credit accessibility and MSE performance only stating credit accessibility can contribute to overall MSE performance.

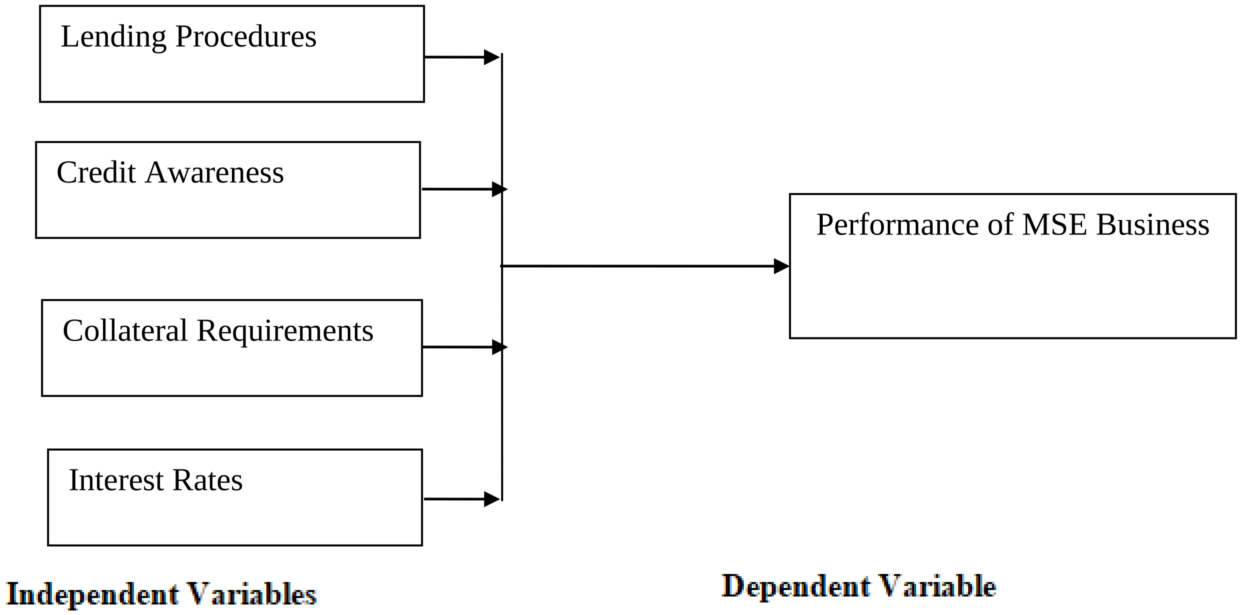
The theories explored have introduced the crucial factors of interest rate in MSEs' access to credit. Theorists hoped to improve MSE performance by tackling the issue of interest rates and how to increase credit accessibility while also improving performance. Thus, the theories employed have clearly demonstrated how banks can rate MSE's ability to receive loans.

The previous survey of relevant literature demonstrates that there has been some research in the subject of credit accessibility, although it is inconclusive. Prior research have focused on a few credit usability elements, but this analysis covers additional significant variables that previous studies have excluded, such as lending procedures, liability knowledge, collateral criteria, and interest rate, according to the literature reviewed. The related literature survey also revealed that few studies unique to Kenya have been conducted on the relation between the accessibility of credit and the success of MSEs. The goal of the study was to bridge the current contextual and conceptual gaps by looking at the impact of loan accessibility on MSE business performance in Kenya.

Figure 2.1

Conceptual framework

2.5 Conceptual Framework



2.5.1 Description of Variables in the Conceptual Framework

Lending procedures in this analysis relate to the formalities and the method of lending to MSEs practiced by financial institutions. This will impact whether owners of MSEs can have access to credit and boost their performance. Lending procedures was measured using indicators such as loan application, repayment period, regulations and client evaluation.

Credit awareness in this analysis relates to the knowledge that owners of MSEs have about the availability of credit. It was measured using the following dimensions: visit to business premise, seminars, timely information and accurate information.

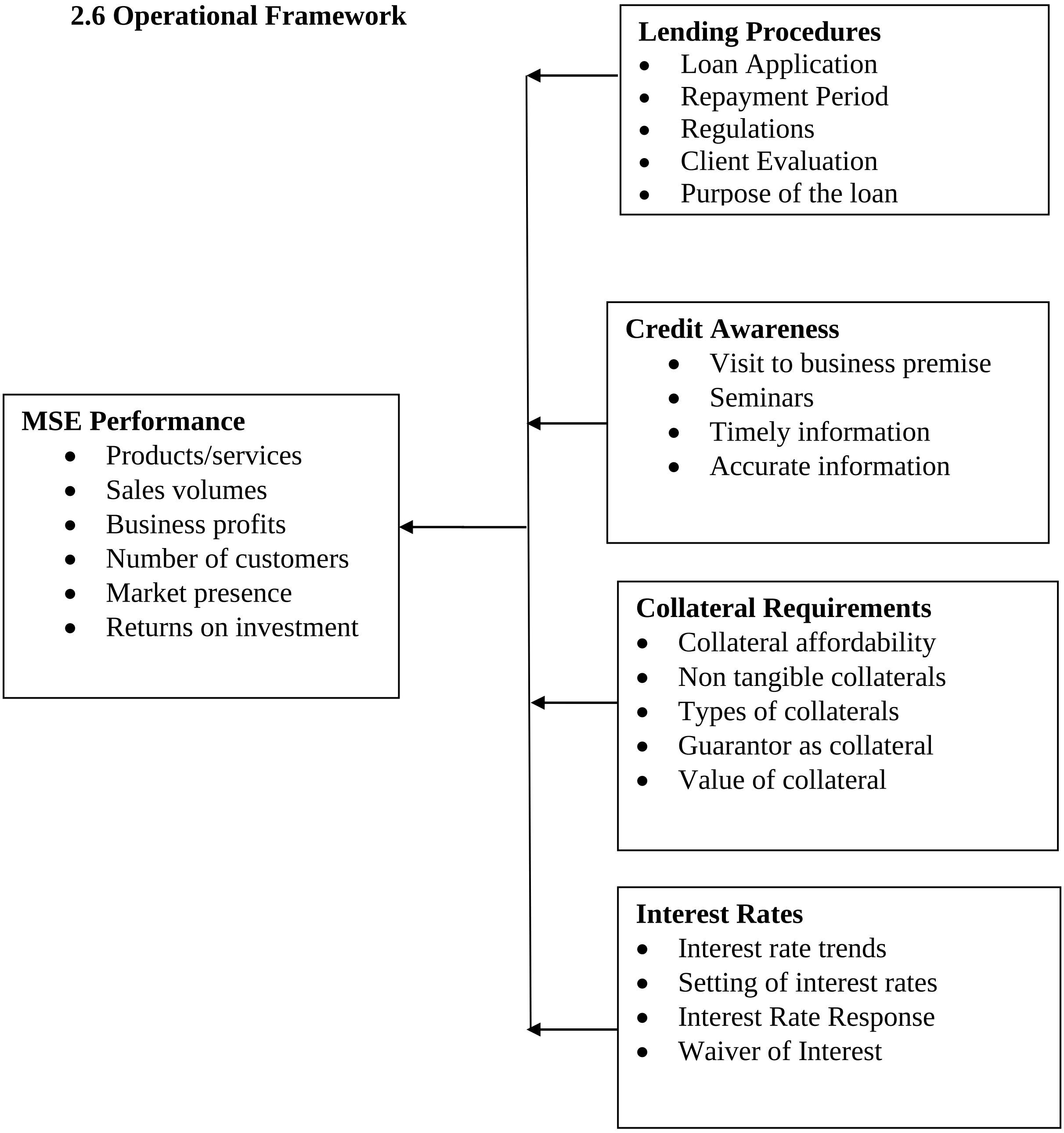
Collateral requirements in this analysis apply to the criteria of the borrower's lenders to qualify / be given credit by the financial institution which may include, collateral itself, collateral title, willingness to pay, creditworthiness. This may affect whether the owners of MSEs will have access to loans and improve their performance. It was measured using the following indicators: collateral affordability, non-tangible collaterals, types of collaterals, guarantor as collateral and value of collateral.

Interest rate in this analysis refers to the price paid to receive credit. In some cases, the cost of accessing credit could be more than what the customer can afford and this may impact whether the owners of the MSE can have access to and increase the efficiency of the loan. Indicators of interest rates included: interest rate trends, setting of interest rates, interest rate response and waiver of interest.

Figure 2.2

Operational Framework

2.6 Operational Framework



Dependent variable and Parameters **Independent variables and Parameters**

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research philosophy, research design, study population, sample size and sampling procedure, research instruments, instrument validity, instrument reliability, data collection procedures, data analysis techniques, and ethical considerations are all covered in this chapter.

3.2 Research Philosophy

A research philosophy is characterized as a conviction in the way in which knowledge about a phenomenon should be obtained, interpreted and used (Lee, 2017). This dissertation followed the theory of positivism. The core principle of positivism is that the material environment occurs remotely and its qualities can be measured rather than created subjectively through feeling, reflection and instinct (Smith, 2008) through goal techniques.

The positivist rationality assumption is that learning is based on certainty and that discussions or subjective elements are difficult to engage in. From the standpoint of positivism, there is an empirical reality that may be mathematically expressed in terms of illustrative and prescient energy (Neuman, 2013).

This research adopted the positivism paradigm because by using natural science methods it includes studying social reality and beyond (Saunders et al., 2012). Similarly, this research aimed to explore a true scenario and to discover alternatives using science techniques. In addition, the paradigm involves hypothesis formulation based on appropriate theories, which is the case in this study. In order to fulfill the research aims and accomplish the analysis results, the theory is then evaluated and confirmed or disproved using quantitative and methodological techniques.

3.3 Research Design

A research design is defined as the arrangement of data collection and analysis conditions in a way that seeks to blend significance with economy in procedure for the purpose of study (Kothari, 2014). Descriptive sample test architecture was used in this report. This design was suitable since it facilitated collection of data across MSEs and empirically tested the relationship of the constructs. The design further brings out the characteristics of the various aspects of the study.

3.4 Target Population

The study was based in Isiolo town which is the headquarters of Isiolo North Sub-County in Isiolo County. There are 225 MSEs within Isiolo town licensed by the Isiolo County government (Isiolo County Directorate, 2019). These MSEs have been in operation for at least 3 years and fall under trade and service categories. The target respondents were MSE owners. The choice of business owners was justified because they are actively involved in their business. Therefore, they were expected to have adequate information regarding credit accessibility and business performance.

Table 3.1

Target Population

Category	Target Population
Trade	135
Service	90
Total	**225**

Source: Isiolo County Directorate (2019)

3.5 Sampling Frame and Sample Size

According to Lavrakas (2008), a sampling frame is a summary of the target population from which the sample is drawn, and a sampling frame for comprehensive survey designs often consists of a finite population. A sample size, according to Kothari (2014), is the number of units chosen from the universe to represent it. The sample size was calculated using the Yamane (1967) formula.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

'n' = sample size,

'N' = population

'e' = the confidence level

1 = constant.

This study assumed the level of precision of 5%

The sample size is:

$$n = \frac{225}{1 + 225(0.05)^2}$$

$$n = 144$$

The study sample size was 144 MSE owners. The research employed stratified random sampling technique in selecting the participants. The method was suitable given that the target group was classified into trade and service. Table 3.2 shows the sample distribution.

Table 3.2

Sample Size

Category	**Target Population**	**Sample size**
Trade	135	86
Service	90	58
Total	**225**	**144**

3.6 Data Collection Instrument

Primary data was gathered using structured questionnaires. Section A of the questionnaire contained questions relating to background information of the respondents. Section B comprised styles of questions on a likert scale in which respondents were asked to demonstrate their degree of agreement with statements demonstrating a favorable or unfavorable attitude towards evaluating a definition. A measure of five ordered reaction stages was used; strongly oppose, oppose, moderate, accept and firmly accept. Likert scales, according to Cooper and Schindler (2011), are the most robust and provide more data volume than many other scales, and are a better approximation of the typical response curve, which is why they were employed in this study. The purpose of the survey was to obtain information on the most critical factors affecting credit availability and MSE efficiency.

3.7 Data Collection Procedure

Participants were given self-administered questionnaires. The focus participants (business owners) were easy to recognize because they operated with the related organizations with sufficient expertise. They offered relevant insights into the group, taking into account their core positions in the organization. The drop and pick later technique was applied.

3.8 Pilot Test Study

The questionnaire was pre-tested to guarantee consistency and material validity before being used. To assess the internal accuracy of the data objects, reliability analysis was performed using Cronbach's alpha (Cronbach's, 1951). Items with alpha value above 0.7 were considered reliable. A pilot study was performed among 14 MSE owners in the Marsabit region in order to pre-test the data tool to check the clarity of the questionnaire and its usefulness in obtaining the data required for the report. Marsabit County was selected as the pilot location since it neighbours Isiolo County. The two regions also operate in similar business environments. The questions that were vague, repetitive, and lengthy were changed during pilot testing to ensure they were well understood by the respondents. The Cronbach’s alpha value was 0.790>0.07, implying that the questionnaire items were dependable and were therefore used in the analysis.

3.8.1 Reliability of Research Instrument

Reliability means that the output of the findings is reliable (Kothari, 2014). The sample demographic was precisely specified and questionnaires were exclusively conducted by respondents from 12 MSE owners in Marsabit town and were administered to all respondents in the same manner in order to ensure reliability. Using Cronbach's alpha, reliability analysis was performed to test the reliability of the questionnaire and the internal consistency of the data items. A scale of 0.70 or above is appropriate, according to (Kothari, 2014). The Cronbach's alpha value was 0.790>0.07, implying that the questionnaire items were dependable and were therefore used in the analysis.

3.8.2 Validity Research Instrument

The degree to which an instrument always tests what the testing techniques are supposed to test, or how honest they are, is referred to as validity (Mohajan, 2017). Pre-tests were carried out in order to assess the authenticity of the questionnaires. This research takes into account two forms of validity: substance and criterion / predictive / external validity (Cohenet al., 2013). If there is universal consensus from the literature that loan output includes calculation products that include all facets of the variable being evaluated, a variable is assumed to have material validity. Since the choice of variable was based on a thorough analysis of theoretical and scientific literature in this report, material validity was considered. The degree to which a given variable predicts or contributes to other variables is referred to as criterion validity (Cohen et al., 2013). The criterion-related validity of the conceptual framework is determined by examining the various correlation coefficients of all independent variables as well as the dependent variable test. Before conducting them, the questionnaire was pre-tested to ensure consistency and material validity. The pilot test was conducted on 12 Marsabit County MSEs to gain validity.

3.9 Data Analysis and Presentation

Descriptive analysis was used to analyze data. Data analysis was carried out with the aid of the SPSS version 22 software package, where the data obtained was subjected to linear regressions for analysis and findings were produced to determine whether there is a connection between credit accessibility and the output of MSEs. The model was evaluated at the 0.05 level of significance in order to reject the null hypothesis. Tables, charts, and graphs were used to show the results.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Source; Wooldridge (2013)

Where: Y=MSE Business Performance

β_0= Constant

β_1 =Coefficient of independent variables

X_1 = Lending Procedures

X_2 = Credit Awareness

X_3 = Collateral Requirements

X_{4}= Interest Rates

e =Error term of the model

3.10 Ethical Considerations

In this study, permission from the MSE’s owners was sought. The intention of the analysis was explained to the respondents before completing the questionnaire. They were asked to take part in the survey. The NACOSTI permit was applied. Further, a copy of a university letter stating that the analysis was solely for scholarly purposes and that all ethical practices must be upheld.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The findings are given in this chapter in accordance with the study goals. In chapter two, the findings are presented and discussed in relation to the reviewed methodological literature. The general objective of the analysis was to assess the effect of credit accessibility on MSE performance in Isiolo North Sub County. The chapter continues by presenting data reliability and response rate findings. Second, findings are provided on the respondents' context profiles. Descriptive statistical results are then given for each construct, followed by correlation results, and multiple regression models are eventually described.

4.2 Reliability Statistics

Prior to doing inferential statistics, the data's reliability was assessed using an internal consistency metric, namely Cronbach's Alpha, which was calculated using SPSS software. The results are in Table 4.1.

Table 4.1

Reliability Statistics

Cronbach's Alpha	Number of Items	Comment
.790	29	Reliable

Cronbach's alpha value was 0.790. According to Bhattacherjee (2012), a Cronbach value above 0.7 was acceptable and indicated worthwhile data reliability. Therefore, the items in the questionnaire were considered reliable and adopted in the subsequent analyses.

4.3 Response Rate

The target participants were given a total of 144 questionnaires. These were owners of micro and small sized businesses operating in Isiolo town. Only 97 of the 144 questionnaires were correctly completed and returned. This corresponded to a response rate of 67.4%. According to Saunders et al. (2012), a response rate of more than 50% was satisfactory for research.

4.4 Backgound profiles of the Respondents

This section provides information on demographic attributes of the participants. The categories include – gender, age, education, duration and access to credit. The outcomes are summarized in Table 4.2.

Table 4.2

Background Profiles of the Respondents

		Frequency	Percent
Gender	Male	58	59.8
	Female	39	40.2
	Total	**97**	**100**
Age	Below 25 years	5	5.2
	25-30 years	8	8.2
	31-35 years	8	8.2
	36-40 years	32	33
	41-45 years	24	24.7
	46-50 years	12	12.4
	Over 51	8	8.2
	Total	**97**	**100**
Education	Primary Level	6	6.2
	Secondary education (O level)	34	35.1
	Diploma	42	43.3
	Degree	13	13.4
	Masters &Above	2	2.1
	Total	**97**	**100**
Duration	Below 5 years	21	21.6
	5-10 years	30	30.9
	11-15 years	35	36.1
	16-20 years	8	8.2
	Above 21 years	3	3.1
	Total	**97**	**100**
Access to credit	No	34	35.1
	Yes	63	64.9
	Total	**97**	**100**

Table 4.2 shows that there were more male (58, 59.8%) than female (39, 40.2%) MSE owners who participated in this study. The gender makeup, on the other hand, met the legislative requirement of at least a third of each gender. The results also indicated that (33%) of the participants were aged between 36-40 years, (24.7%) were aged 41-45 years while 12.4% were aged 46-50 years. This implies that majority of MSEs owners in Isiolo

town are middle aged between 36-45 years. Further, the findings show that 43.3% of the respondents had attained a diploma level of education, 35.1% had attained secondary education while 13.4% had attained degree level of education. This implies that majority of the participants had a minimum of secondary education and therefore are likely to have a better understanding of credit accessibility.

In addition, the results indicate that 36.1% of the participants had worked in the MSE sector for a period of 11-15 years, 30.9% had worked in the sector for 5-10 years while 21.6% had worked for less than 5 years. The experience in the sector could be critical in determining the ability of the MSEs owners to acquire credit from financial institutions. Provided that the majority of respondents stated that they have been employed in the sector for 5-15 years, they are supposed to be able to obtain credit relative to new entrants in the sector. Finally, the findings reveal that majority (65%) of the participants noted that they have been able to access credit from a financial institution, however, 35% indicated that they had not succeeded in obtaining credit from a financial institution.

4.5 Descriptive Statistics Results

4.5.1 Descriptive Statistics: Lending Procedures

The research first goal was to examine the effect of lending procedures on the performance of MSEs in Isiolo North Sub-County. The participants were asked to state whether they agree or disagree with assertions on lending procedures.

Table 4.3

Descriptive Statistics on Lending Procedures

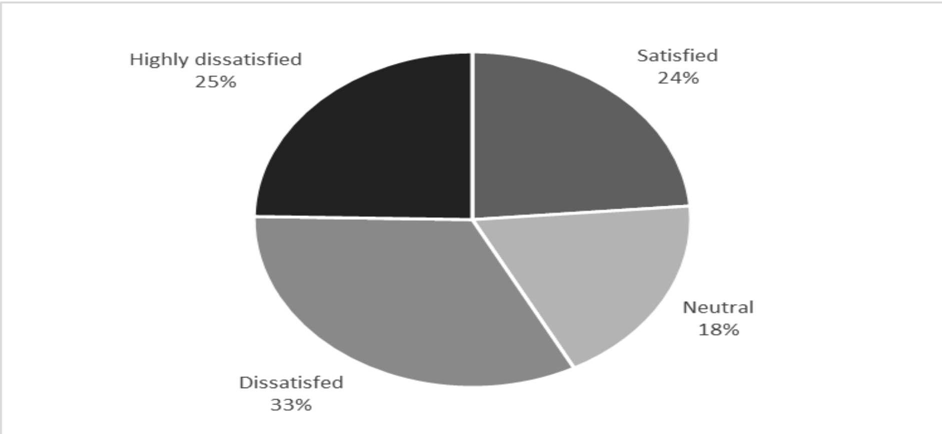
Statements	1	2	3	4	5	M
The loan application process is not easy and this increases the time it takes to access credit.	0(0%)	9(9.3%)	3(3.1%)	41(42.3%)	44(45.4%)	4.2
The repayment period of the loan is favorable and therefore encourages business entrepreneurs to apply for credit.	3(3.1%)	27(27.8%)	2(2.1%)	37(38.1%)	28(28.9%)	3.6
There are few regulation's when accessing credit for business	48(49.5%)	38(39.2%)	5(5.2%)	6(6.2%)	0(0%)	1.7
There is less of client evaluation hence its very easy to access credit	47(48.5%)	43(44.3%)	0(0%)	6(6.2%)	1(1%)	1.4
It's a requirement to state the purpose of the loan before accessing it.	6(6.2%)	27(27.8%)	2(2.1%)	29(29.9%)	33(34%)	3.3

The outcomes in Table 4.3 reveal that most of the participants agreed with the following three assertions on lending procedure: the loan application process is not easy and this increases the time it takes to access credit (87.7%, m=4.2), the repayment period of the loan is favorable and therefore encourages business entrepreneurs to apply for credit (67%, m=3.6), and it's a requirement to state the purpose of the loan before accessing it (63.9%, m=3.3). On the other hand, the participants disagreed with the claim that there are few regulations when accessing credit for business (88.7%, m=1.7), and there is less of client evaluation hence it's very easy to access credit (92.8%, m=1.4). This implies that as much as the repayment period of the loan is favorable but the loan application process is difficult. The responses from the respondents also imply that there are many regulations when accessing credit. The fact that loan application process is difficult and there are many regulations is likely to deter access to credit by MSEs. The findings support Gichuki et al. (2017) argument that lending procedures such as short repayment period hinder credit access by small businesses.

The participants were requested to rate their satisfaction with lending procedures and the performance of their business.

Figure 4.1

Satisfaction with Lending Procedures



The outcome in Figure 4.1 reveals that 33% of the participants were dissatisfied with the lending procedures, 25% were highly dissatisfied while 24% were satisfied. The findings confirm the respondents' views in Table 4.3 that the loan application process is not easy and this increases the time it takes to access credit.

4.5.2 Descriptive Statistics: Credit Awareness

The study's second goal was to evaluate the effect of credit awareness on the performance of MSEs in Isiolo North Sub-County. The participants were asked to state whether they agree or disagree with assertions on credit awareness.

Table 4.4

Descriptive Statistics on Credit Awareness

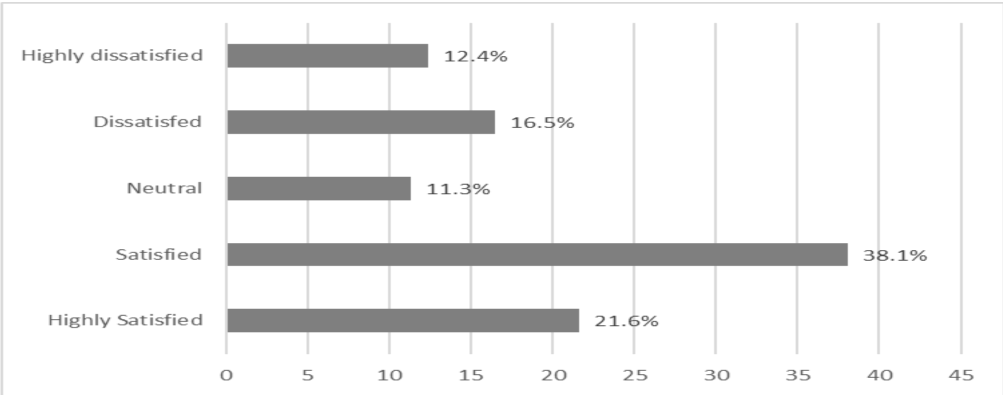
Statements	1	2	3	4	5	M
The credit officers visit the business premises to inform us about loan products	2(2.1%)	10(10.3%)	2(2.1%)	36(37.1%)	47(48.5%)	4.2
I regularly attend seminars providing education on credit accessibility	4(4.1%)	19(19.6%)	1(1%)	40(41.2%)	33(34%)	3.8
I receive information about credit products from financial institutions on time and therefore am able to make decisions on whether to apply for the loan	6(6.2%)	11(11.3%)	2(2.1%)	45(46.4%)	33(34%)	3.9
Financial institutions provide accurate information about credit and therefore it's easier to make a decision on whether to borrow or not	5(5.2%)	24(24.7%)	0(0%)	48(39.2%)	30(30.9%)	3.7

The findings in Table 4.4 reveal that most of the participants agreed with the following claims on credit awareness: the credit officers visit the business premises to inform us about loan products (85.6%, m=4.2), they regularly attend seminars providing education on credit accessibility (75.2%, m=3.8), they receive information about credit products from financial institutions on time and therefore am able to make decisions on whether to apply for the loan (80.4%, m=3.9), and financial institutions provide accurate information about credit and therefore it's easier to make a decision on whether to borrow or not (70.1%, m=3.7). This implies that credit awareness is a critical element for enhancing credit accessibility among micro and small enterprises. Based on the respondents' views, the following aspects are essential in promoting credit awareness: visit to business premises by credit officers, seminars, timely and accurate information about credit. This confirmed Jagongo and Kerage (2015) findings that the exchange of credit data contributed to better business financial efficiency.

The participants were requested to rate their satisfaction with credit awareness and the performance of their business.

Figure 4.2

Satisfaction with Credit Awareness



The findings in Figure 4.2 reveal that 38% of the participants were satisfied with the credit awareness, 22% were highly satisfied while 17% were dissatisfied. The findings confirm the respondents' views in Table 4.4 that credit awareness is a fundamental component in enhancing credit accessibility among MSE.

4.5.3 Descriptive Statistics: Collateral Requirements

The study's third goal was to determine the influence of collateral requirements on the performance of MSEs in Isiolo North Sub-County. The participants were asked to state whether they agree or disagree with assertions on collateral requirements.

Table 4.5

Descriptive Statistics on Collateral Requirements

Statements	1	2	3	4	5	M
The collateral required by the financial institutions is affordable hence it's easy to acquire credit	31(32%)	33(34%)	1(1%)	20(20.6%)	12(12.4%)	2.5
The financial institutions accepts non tangible collaterals like recommendation from other business men, pastors and chiefs	29(29.9%)	32(33%)	1(1%)	23(23.7%)	12(12.4%)	2.6
There are various types of collaterals accepted hence it's easy to access credit	3(3.1%)	6(6.2%)	2(2.1%)	42(43.3%)	44(45.4%)	4.2
There is requirement of a guarantor as collateral and this makes it difficult to access credit	1(1%)	6(6.2%)	1(1%)	38(39.2%)	51(52.6%)	4.4
The financial institutions offer credit depending on the value of the collateral offered.	3(3.1%)	10(10.3%)	0(0%)	42(43.3%)	42(43.3%)	4.1

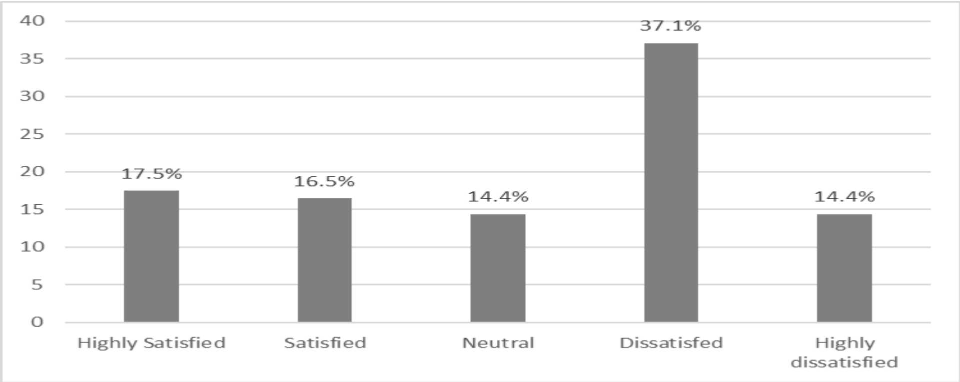
The outcomes in Table 4.5 reveal that most of the participants disagreed with the following claims on collateral requirements: the collateral required by the financial institutions is affordable hence it's easy to acquire credit (66%, m=2.5), and the financial institutions accept non tangible collaterals like recommendation from other business men, pastors and chiefs (62.9%, m=2.6). Further, the respondents agreed with the statements that there are various types of collaterals accepted hence it's easy to access credit (88.7%, m=4.2), there is requirement of a guarantor as collateral and this makes it difficult to access credit (91.8%, m=4.4), and based on the value of the assets given, financial institutions grant credit (86.6%, m=4.1).

This implies that collateral requirements are essential in determining credit accessibility in the MSE sector. The findings back with Gichuki et al. (2017) assertions that a number of fundamental obstacles prevent small firms from obtaining financing, including stringent collateral requirements and people's unwillingness to act as guarantors. The findings also mirror those of Karanja, Wachira and Lyria (2015) that majority of entrepreneurs cannot access credit due to lack of collaterals. Karanja et al. (2016) have observed that the financial institutions' collateral conditions did not encourage women entrepreneurial borrowers to pursue credit services.

The participants were requested to rate their satisfaction with collateral requirements and the performance of their business. The findings are shown in Figure 4.3.

Figure 4.3

Satisfaction with Collateral Requirements



The outcome in Figure 4.3 reveals that 37% of the participants were dissatisfied with the collateral requirements, 18% were highly satisfied and 17% were satisfied. The findings confirm that most MSE owners may not afford the collateral required by the financial institutions in order to access credit.

4.5.4 Descriptive Statistics: Interest Rate

The study's fourth goal was to examine the effect of interest rate on the performance of MSEs in Isiolo North Sub-County. The participants were asked to state whether they agree or disagree with assertions on interest rate.

Table 4.6

Descriptive Statistics on Interest Rate

Statements	1	2	3	4	5	M
The interest rates charged on business loans keep on changing and this affects affordability	3(3.1%)	6(6.2%)	2(2.1%)	35(36.1%)	51(52.6%)	4.3
There are different interest rates for various business loans offered by financial institutions	2(2.1%)	9(9.3%)	3(3.1%)	36(37.1%)	47(48.5%)	4.2
I am aware how the interest rates on business loans are arrived at.	31(32%)	43(44%)	5(5.2%)	14(14.4%)	4(4.1%)	2.1
The interest rate discourages business owners to access credit from financial institutions.	5(5.2%)	7(7.2%)	3(3.1%)	38(39.2%)	44(45.4%)	4.1
The financial institutions provide waver on interest rate to encourage businesses to repay the loans, especially those struggling to stay afloat	26(26.8%)	33(34%)	3(3.1%)	22(22.7%)	13(13.4%)	2.6

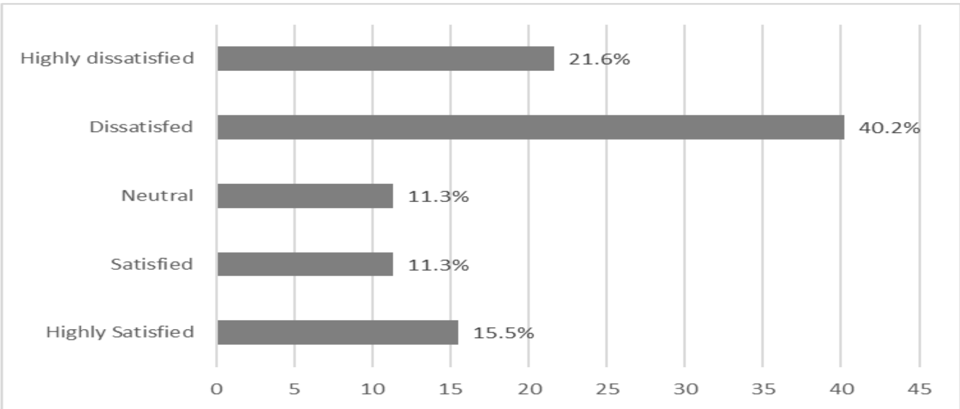
The findings in Table 4.6 reveal that most of the participants agreed with the following claims on interest rate: the interest rates charged on business loans keep on changing and this affects affordability (88.7%, m=4.3), for multiple business loans issued by financial institutions, there are varying interest rates (85.6 percent, m=423) and the interest rate discourages business owners from receiving credit from financial institutions (84.6

percent, m=4.1). Further, the respondents disagreed that they are aware how the interest rates on business loans are arrived at (76%, m=2.1), and the financial institutions provide waver on interest rate to encourage businesses to repay the loans, especially those struggling to stay afloat (60.8%, m=2.6). This implies that interest rate is essential in determining credit accessibility in the MSE sector. This concurred with Wanjohi and Mugure (2015) claim that MSEs are often faced with high bank fees and charges in addition high cost of loans.

The participants were requested to rate their satisfaction with interest rate and the performance of their business. The results are shown in Figure 4.4.

Figure 4.4

Satisfaction with Interest Rate



The outcome in Figure 4.4 indicates that 40% of the respondents were dissatisfied with the interest rate, 22% were highly dissatisfied, while 16% were highly satisfied. The findings confirm that the interest rate charged on credit is likely to hinder MSE businesses from accessing credit for business growth.

4.5.5 Descriptive Statistics: Performance of MSEs

The participants were asked to state whether they agree or disagree with assertions on performance of MSE.

Table 4.7

Descriptive Statistics on Performance of MSEs

Statements	1	2	3	4	5	M
I have increased the number of products/services since the start of the business.	4(4.1%)	8(8.2%)	2(2.1%)	36(37.1%)	47(48.5%)	4.18
My sales volumes have increased since the start of the business.	2(2.1%)	11(11.3%)	3(3.1%)	41(42.3%)	40(41.2%)	4.09
My business profits have increased since the start of the business.	6(6.2%)	11(11.3%)	2(2.1%)	41(42.3%)	37(38.1%)	3.95
The number of customers has increased since the start of the business.	8(8.2%)	14(14.4%)	0(0%)	36(37.1%)	39(40.2%)	3.87
My business market presence has expanded since the start of the business.	2(2.1%)	11(11.3%)	2(2.1%)	48(49.5%)	34(35.1%)	4.04
My business returns from investment have increased since the start of the business.	3(3.1%)	17(17.5%)	4(4.1%)	32(33%)	41(42.3%)	3.94

The results in Table 4.7 reveal that most of the participants agreed with the following statements on performance of MSE: they have increased the number of products/services since the start of the business (85.6%, m=4.18), their sales volumes have increased since the start of the business (83.5%, m=4.09), their business profits have increased since the start of the business (80.4%, m=3.95), the number of customers has increased since the start of the business (77.3%, m=3.87), their business market presence has expanded since the start of the business (84.6%, m=4.04),and their business returns from investment have increased since the start of the business (75.3%, m=3.94). This implies that products/services, sales volumes, business profits, number of customers, business market presence and business returns from investment are key indicators of business performance. The improvement in performance of the MSEs can be attributed to credit accessibility components.

The participants were asked to rate the extent to which their business performance has improved in the last five years in line with the stated performance constructs. The outcomes are illustrated in Table 4.8.

Table 4.8

Improvement in Business Performance

		0-20%	21-40%	41-60%	61-80%
Sales	2015	39.2%	30.9%	29.9%	0.0%
	2016	29.9%	37.1%	33.0%	0.0%
	2017	35.1%	32.0%	33.0%	0.0%
	2018	32.0%	30.9%	37.1%	0.0%
	2019	32.0%	35.1%	33.0%	0.0%
Profits	2015	37.1%	20.6%	14.4%	27.8%
	2016	21.6%	24.7%	25.8%	27.8%
	2017	20.6%	33.0%	24.7%	21.6%
	2018	27.8%	14.4%	29.9%	27.8%
	2019	23.7%	34.0%	21.6%	20.6%
Number of Customers	2015	27.8%	35.1%	37.1%	0.0%
	2016	25.8%	40.2%	34.0%	0.0%
	2017	33.0%	39.2%	27.8%	0.0%
	2018	35.1%	25.8%	39.2%	0.0%
	2019	37.1%	35.1%	27.8%	0.0%
Products/ services	2015	30.9%	40.2%	28.9%	0.0%
	2016	36.1%	33.0%	30.9%	0.0%
	2017	41.2%	28.9%	29.9%	0.0%
	2018	26.8%	41.2%	32.0%	0.0%
	2019	32.0%	35.1%	33.0%	0.0%

The results indicate that 39.2% of the respondents noted that their sales improved by 0-20% in 2015, 37.1% noted that the sales improved by 21-40% in 2016, 35.1% noted that the sales improved by 0-20% in 2017, 37.1% noted that the sales improved by 41-60% in 2018 and in 2019, 35.1% of the respondents observed that the sales improved by 21-40%.

The findings also reveal that 37.1% of the respondents noted that their profits improved by 0-20% in 2015, 27.8% noted that the profits improved by 61-80% in 2016, 33% noted that the profits improved by 21-40% in 2017, 29.9% noted that the profits improved by

41-60% in 2018 and in 2019, 34% of the respondents observed that the profits improved by 21-40%.

The results further indicate that 37.1% of the respondents noted that their customers improved by 41-60% in 2015, 40.2% noted that the number of customers improved by 21-40% in 2016, 39.2% noted that the number of customers improved by 21-40% in 2017, 39.2% noted that the number of customers improved by 41-60% in 2018 and in 2019, 37.1% of the respondents observed that the number of customers improved by 0-20%.

Additionally, the results reveal that 40.2% of the participants noted that their products/services improved by 21-40% in 2015, 36.1% noted that the products/services improved by 0-20% in 2016, 41.2% noted that the products/services improved by 0-20% in 2017, 41.2% noted that the products/services improved by 21-40% in 2018 and in 2019, 35.1% of the respondents observed that the products/services improved by 21-40%.

4.6 Hypothesis Testing using Correlation Analysis Results

This section provides findings on the correlation between the independent variables (lending procedures [X1], credit awareness [X2], collateral requirements [X3], interest rate[X4] and dependent variable (performance of MSEs [Y].

Table 4.9

Correlation Matrix; Credit Accessibility and MSEs Performance

		Y	X1	X2	X3	X4
Y	Pearson Correlation	1				
	Sig. (2-tailed)					
X1	Pearson Correlation	.775**	1			
	Sig. (2-tailed)	.000				
X2	Pearson Correlation	.792**	.792**	1		
	Sig. (2-tailed)	.000	.000			
X3	Pearson Correlation	-.766**	-.802**	-.608**	1	
	Sig. (2-tailed)	.000	.000	.000		
X4	Pearson Correlation	-.755**	-.773**	-.862**	.560**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	97	97	97	97	97

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

The outcome in Table 4.9 reveals that lending procedures, X1 (r =.775**, P = .000), had a strong direct and noteworthy association with the performance of MSEs (Y). The first null hypothesis (H_{01}) predicted that there was no noteworthy connection between lending procedures and performance of MSEs. The computed *P*-value was 0.000 at 95% confidence level implying that lending procedures had a direct and noteworthy connection (r= .755) with performance of MSEs. The null hypothesis was therefore rejected and settled that there was a noteworthy connection between lending procedures and performance of MSE. The findings imply that lending procedures significantly contribute towards performance of MSEs. The findings were similar to those of Ong'era and Onditi (2016), who argued that corporate efficiency and loan repayment policies have a good relationship.

Credit awareness, X2 (r =.792**, P = .000), had a strong direct and noteworthy association with the performance of MSE (Y). The second null hypothesis (H_{02}) predicted that there was no noteworthy connection between credit awareness and performance of MSE. The computed *P*-value was 0.000 at 95% confidence level implying that credit awareness had a direct and noteworthy connection (r= .792) with performance of MSE. The null hypothesis was therefore rejected and settled that there was a noteworthy connection between credit knowledge and MSE output in Isiolo North Sub-County. The results imply that credit awareness significantly contribute towards performance of MSE. The findings concur with Menike (2018) assertion that financial knowledge impact positively on firm performance.

Collateral requirements, X3 (r = -.766**, p=.000), had a strong negative and noteworthy association with the performance of MSEs (Y). The third null hypothesis (H_{03}) predicted that there was no noteworthy connection between collateral requirements and performance of MSE. The computed *P*-value was 0.000 at 95% confidence level implying that collateral requirements had an indirect and noteworthy connection (r= -.766) with performance of MSE. The null hypothesis was therefore rejected and settled that there was a noteworthy connection between collateral requirements and performance of MSE. This means that a decline in the efficiency of MSEs is correlated with an improvement in collateral requirements. The results agreed with those of Rithaa, Munene and Kariuki (2019) that the efficiency of MSEs was adversely affected by collateral requirements.

Interest rate, X4 (r = -.755**, p=.000), had a strong negative and noteworthy association with the performance of MSEs (Y). The fourth null hypothesis (H_{04}) predicted that there was no noteworthy connection between interest rate and performance of MSE. The computed *P*-value was 0.000 at 95% confidence level implying that interest rate had a negative and noteworthy connection (r= -.755) with performance of MSE. The null hypothesis was therefore rejected and settled that there was a noteworthy connection between interest rate and performance of MSE business in Isiolo North Sub-County. This denotes that a rise in interest rate is associated with a decline in performance of MSE. The findings are similar to those of Gichuki et al. (2017) who identified high cost of repayment and high credit processing fees as challenges hindering small businesses from accessing credit.

4.7 Multiple Regression Analysis Results

A multiple linear regression analysis was carried out to test the relationship between the predictor constructs and the predicted construct.

Table 4.10

Model Summary; Credit Accessibility and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.877a	0.769	0.759	0.26964

a Predictors: (Constant), X4, X2, X3, X1

The results in Table 4.10 reveal that the four predictor factors in this study collectively explain 77 percent (R2=.769) of the overall differences in MSE output. These findings indicate that there is a strong association between both predator variables and the dependent variable in the production of correlations in Table 4.9.

Table 4.11

ANOVA; Credit Accessibility and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.301	4	5.575	76.684	.000b
	Residual	6.689	92	0.073		
	Total	28.99	96			

a Dependent Variable: Y

b Predictors: (Constant), X4, X2, X3, X1

The ANOVA regression model shows a F statistic of 76.684 and a recorded P value of 0.000 in Table 4.11. As a result, the proposed model is statistically significant (excellent fit) in evaluating the dependent variable, despite the fact that the P value is lower than the alpha value (P.05).

Table 4.12

Coefficients; Credit Accessibility and Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	5.347	1.025		5.217	0.000
	X1	0.275	0.126	0.269	2.182	0.044
	X2	0.346	0.105	0.352	3.280	0.001
	X3	-0.428	0.077	-0.473	-5.574	0.000
	X4	-0.298	0.13	-0.24	-2.298	0.024

a Dependent Variable: Y

All the predictor factors of lending procedures (X1), credit awareness (X2), collateral requirements (X3), and interest rate (X4) have identical (Likert) scales, and constant value in the model is significant, thus the use of unstandardized B-coefficients as opposed to standardized beta coefficients. Results (Table 4.12) reveal that lending procedures

(X1), ($\beta1= 0.275$, P = .044); and credit awareness (X2), ($\beta2= 0.346$, P =.001) are significant and positively related to performance of MSEs. On the other hand, the findings indicate that collateral requirements (X3), ($\beta3= -0.428$, P =.000); and interest rate (X4), ($\beta4= -0.298$, P =.024) are significant and negatively related to performance of MSE.

The hypothesized model $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$ is estimated as follows:

$Y = 5.347+0.275X1+0.346X2-0.428X3-0.298X4$

Where:

Y=MSE Business Performance

X_1 = Lending Procedures

X_2 = Credit Awareness

X_3 = Collateral Requirements

$X_{4=}$ Interest Rates

Based on the outcome in Table 4.12, when all of the predictor constructs are combined, the most meaningful predictor of MSE's business performance is collateral requirements (β= -0.428), followed by credit awareness (β= 0.346), then interest rate (β= -0.298), and lastly lending procedures (β= 0.275).

The results imply that lending procedures contribute significantly towards performance of MSE's business. The findings concurred with those of Kungu et al. (2015) who established a direct connection between firm profitability and credit policy. Calomiris et al. (2017) found that lending relationships can motivate high effort and timely repayments. Additionally, Ong'era and Onditi (2016) found a favorable association between the financial performance of commercial banks and the policies for loan financing.

The findings also imply that credit awareness contributes significantly towards performance of MSE's business. This endorsed Mugwe and Oliweny (2015)'s statement that the exchange of credit information strongly and substantially impacted the viability of businesses. Menike (2018) noted that financial knowledge impact positively on firm performance. Bello and Isola (2014) concluded that information flow in financial markets is important to both the lender and borrower. In addition, Osano and Languitone (2016) discovered that MSEs' access to credit facilities was substantially linked to funding awareness.

The results further imply that collateral requirements hinder performance of MSEs business. The results agree with those of Rithaa et al. (2019) that collateral requirements have had a negative impact on MSE efficiency. Kimunyi (2015) concluded that the use of such properties as collateral by MSEs was not allowed by collateral policies. According to Sakwa et al. (2019), loans were readily obtained by collateral protection companies as opposed to those with none. In addition, strict collateral specifications were described by Gichuki et al. (2017) as one of the primary challenges hindering MSEs from accessing credit facilities.

In addition, the findings imply that interest rates hinder performance of MSE's business. This supported the assertion by Msangula (2015) that loan interest rate negatively affects MSE performance and growth. Similarly, Kotur and Anbazhagan (2016) observed that banks raise the rates that they charge their customers to borrow money when the central bank raises the base rate. This has been shown to impact MSEs by growing interest rates on credit cards and mortgages.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The previous chapter discussed and presented the study findings. Chapter five presents the summary; conclusions and it also gives the recommendations based on the research findings. The analysis sought to determine the effect of credit accessibility on the performance of the MSEs in Isiolo North Sub County. The study adopted a descriptive survey research design. The target population of the study was 225 micro and small enterprises within Isiolo town. Stratified random sampling was used to pick 144 MSE. The data was gathered via a questionnaire. The features of the study variables were described using descriptive analysis (frequency, percentages, and means). Further, inferential statistics were utilized to establish the connection between the study variable.

5.2 Summary of Findings

5.2.1 Lending Procedures and Performance of MSEs

The research first goal was to determine the effect of lending procedures on performance of MSE’s business in Isiolo North Sub-County. Most of the participants noted that credit application procedure is not easy, it is a requirement to state the purpose of the loan before accessing it, the regulations when accessing credit are many and there is client evaluation. Further, the participants noted that the loan repayment period is favorable.

The correlation analyses revealed that there is a significant direct link between lending procedures and MSE's business performance. This was confirmed by a correlation value of 0.775 and P value of 0.000. This led to rejection of the null hypothesis that there was no meaningful connection between lending procedures and performance of MSE’s business in Isiolo North Sub-County.

5.2.2 Credit Awareness and Performance of MSEs

The study’s second goal was to evaluate the influence of credit awareness on performance of MSE’s business in Isiolo North Sub-County. Responses from the respondents indicated several key aspects of credit awareness. These are: visit to business premises by credit officers, seminars, timely and accurate information about credit.

The correlation analyses revealed that there is a significant direct link between credit knowledge and MSE's company performance. This was confirmed by a correlation value of 0.792 and P value of 0.000. This led to rejection of the null hypothesis that there was no meaningful connection between credit awareness and performance of MSE’s business in Isiolo North Sub-County.

5.2.3 Collateral Requirements and Performance of MSEs

The third study objective was to determine the influence of collateral requirements on performance of MSE’s business in Isiolo North Sub-County. Most respondents found that the collateral requested by financial institutions was not affordable, that the lending institutions did not allow non-tangible collateral and that, based on the value of the collateral offered, the financial institutions issued loans.

The correlation analyses demonstrated a significant negative link between collateral requirements and MSE's business performance. This was confirmed by a correlation value of -0.766 and P value of 0.000. This led to rejection of the null hypothesis that there was no meaningful connection between collateral requirements and performance of MSE’s business in Isiolo North Sub-County.

5.2.4 Interest Rates and Performance of MSEs

The fourth objective of the study was to examine the influence of interest rate on performance of MSE’s business in Isiolo North Sub-County. Most of the respondents observed that interest rates charged on business loans keep on changing and this affects affordability, for different corporate loans, different interest rates exist, and financial institutions do not have wavering interest rates to allow firms to repay loans.

The correlation data demonstrated a significant negative relationship between interest rate and MSE's business success. A correlation value of -0.755 and a P value of 0.000 corroborated this. This led to rejection of the null hypothesis that there was no meaningful connection between interest rate and performance of MSE’s business in Isiolo North Sub-County.

5.3 Conclusions

The study indicated that lending processes have a statistically significant and favorable link with the performance of MSE's business in Isiolo North Sub-County based on the findings of objective one. Furthermore, lending methods demonstrated a substantial predictive power to influence MSE's company performance when paired with other variables. Key aspects of lending procedures were identified, that is, repayment period, loan application process and client evaluation. These aspects are paramount in determining credit accessibility.

The research concluded that credit awareness has a statistically important and direct connection with the success of MSEs in Isiolo North Sub-County. Furthermore, credit awareness has a substantial predictive power to influence MSE's company performance when paired with other variables. A number of credit awareness related aspects were identified. These are: visit to business premises by credit officers, seminars, timely and accurate information about credit. These aspects are essential in enhancing credit accessibility for improved MSE business performance.

The study found that collateral requirements have a statistically significant and unfavorable link with MSE's business performance in Isiolo North Sub-County. Furthermore, when paired with other factors, collateral requirements demonstrated a strong predictive ability to influence MSE's business performance. In particular, the analysis showed that the collateral demanded by the financial institutions was not affordable, that the lending institutions did not allow non-tangible collateral and that, based on the amount of the collateral offered, the financial institutions gave credit. These aspects hinder MSEs owners from accessing credit and therefore are not able to boost their business performance.

The study indicated that interest rates have a statistically significant and unfavorable link with the performance of MSE's business in Isiolo North Sub-County based on the findings of objective four. Interest rates, when paired with other variables, demonstrated a considerable predictive power to influence MSE's business performance. In particular, the study established that the interest rates charged on business loans keep on changing and this affects affordability, for different corporate loans, different interest rates exist, and financial institutions do not have wavering interest rates to allow firms to repay loans.

From the multiple regression results, the study concluded that when combined, lending procedures and credit awareness have a positive and significant influence on MSE's business performance. On the other hand, collateral requirements and interest rates have a negative and significant influence on MSE's business performance. From a combination of all the constructs, the most meaningful predator of MSE's business performance is collateral requirements, followed by credit awareness then interest rate and lastly lending procedures.

5.4 Recommendations

5.4.1 Recommendations on Research Findings

Lending procedures had a statistically significant and positive relationship with output of MSE's business in Isiolo North Sub-County. The study recommends the need for financial institutions to improve the lending procedures in order to allow more MSE businesses access to credit. In particular, the financial institutions should make the loan application process simple, review loan repayment period and conduct proper client evaluation.

Based on the findings for objective two, credit awareness had a statistically significant and positive relationship with performance of MSE's business in Isiolo North Sub-County. The study recommends the need for financial institutions to strengthen aspects related credit awareness. They should specifically enhance visit to business premises by credit officers, organize seminars and provide timely and accurate information about credit to MSEs owners.

From the findings for objective three, collateral requirements had a statistically significant and negative relationship with output of MSE’s business in Isiolo North Sub-County. The study recommends the need for financial institutions to review aspects related to collateral requirements. They should particularly make collateral affordable to clients and also introduce a variety of collaterals that MSE owners can manage. For instance, given that most people in Isiolo keep livestock, financial institutions should consider livestock as one of the collateral to secure loan.

From the findings for objective four, interest rate had a statistically significant and negative relationship with output of MSE’s business in Isiolo North Sub-County. The study recommends the need for financial institutions to review the interest rates charged on credit advanced to MSE businesses. Further, the financial institutions should consider waiving interest on some loans to encourage MSE businesses to repay the loans.

5.4.2 Recommendations for Further Research

The study determined the impact of credit availability on MSE's business performance in Isiolo North Sub County. For comparison, a comparable study may be undertaken in other counties. This would expand on the study's scope and allow for the generalization of results. The study focused on four factors (loan procedures, credit awareness, collateral requirements, and interest rate), which together accounted for 77 percent of the variation in the dependent variable. Future research could look into other factors that contribute to the remaining 23%.

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APPENDICES

Appendix I: Introduction Letter

BORNFACE MWENDA

P.O BOX 267

MERU

Dear Sir / Madam,

<u>RE: DATA COLLECTION INSTRUMENT</u>

I am a student from Kenya Methodist University undertaking a Master's Degree in Business Administration. I am currently carrying out research and I am kindly requesting you to provide me with information concerning the research work. The respondent will be treated with utmost privacy and confidentiality and data collected will be used for nothing else but education purpose only.

Thank you.

Yours Faithfully,

BORNFACE MWENDA

Appendix II: Questionnaire for MSE Owners

SECTION A: GENERAL INFORMATION

By means of a tick **(** √) kindly indicate an option that best describes:

1. What is your gender

   a. Male [ ] b. Female [ ]

2. What is your age:-

   a. Below 25 years [ ]

   b. 25-30 years [ ]

   c. 31-35 years [ ]

   d. 36-40 years [ ]

   e. 41-45 years [ ]

   f. 46-50 years [ ]

   g. Over 51 [ ]

3. What is your level of education:-
    a. Primary Level
    b. Secondary education (O level) [ ]
    c. Diploma [ ]
    d. Degree [ ]
    e. Masters &Above [ ]
4. How many years have you worked with the MSE’s sector:-
    a. Below 5 years [ ]
    b. 5-10 years [ ]
    c. 11-15 years [ ]
    d. 16-20 years [ ]
    e. Above 21 years [ ]
5. Have you been able to access credit from a financial institution?
    a. Yes [ ]
    b. No [ ]

SECTION B: LENDING PROCEDURES

6. In relation to your everyday experience when accessing credit, tick the most appropriate response choice to the statements made in the table below;

Where 1=strongly disagree; 2=Disagree; 3=Neutral; 4=Agree and 5=strongly Agree.

Statements	**1**	**2**	**3**	**4**	**5**
i. The loan application process is not easy and this increases the time it takes to access credit.					
ii. The repayment period of the loan is favorable and therefore encourages business entrepreneurs to apply for credit.					
iii. There are few regulation's when accessing credit for business					
iv. There is less of client evaluation hence its very easy to access credit					
v. It's a requirement to state the purpose of the loan before accessing it.					

7**.** How would you rate satisfaction in terms of lending procedures and the performance of your business?

a. Highly Satisfied ( )

b. Satisfied ( )

c. Neutral ( )

d. Highly Dissatisfied ( )

e. Dissatisfied ( )

SECTION C: CREDIT AWARENESS

8. In relation to your experience when accessing credit, tick the most appropriate response choice to the statements made in the table below;

Where 1=strongly disagree; 2=Disagree; 3=Neutral; 4=Agree and 5=strongly Agree.

Statements	**1**	**2**	**3**	**4**	**5**
i. The credit officers visit the business premises to inform us about loan products					
ii. I regularly attend seminars providing education on credit accessibility					
iii. I receive information about credit products from financial institutions on time and therefore am able to make decisions on whether to apply for the loan					
iv. Financial institutions provide accurate information about credit and therefore it's easier to make a decision on whether to borrow or not					

9**.** How would you rate satisfaction in terms of credit awareness and the performance of your business?

a. Highly Satisfied ( )

b. Satisfied ( )

c. Neutral ( )

d. Highly Dissatisfied ( )

e. Dissatisfied ( )

SECTION D: COLLATERAL REQUIREMENTS

10. In relation to your experience when accessing credit, tick the most appropriate response choice to the statements made in the table below;

Where 1=strongly disagree; 2=Disagree; 3=Neutral; 4=Agree and 5=strongly Agree.

Statements	1	2	3	4	5
i. The collateral required by the financial institutions is affordable hence it's easy to acquire credit					
ii. The financial institutions accepts non tangible collaterals like recommendation from other business men, pastors and chiefs					
iii. There are various types of collaterals accepted hence it's easy to access credit					
iv. There is requirement of a guarantor as collateral and this makes it difficult to access credit					
v. The financial institutions offer credit depending on the value of the collateral offered.					

11. How would you rate satisfaction in terms of collateral requirement and the performance of your business?

a. Highly Satisfied ( )
b. Satisfied ( )
c. Neutral ( )
d. Highly Dissatisfied ( )
e. Dissatisfied ( )

SECTION E: INTEREST RATES

12. In relation to your experience when accessing credit, tick the most appropriate response choice to the statements made in the table below;

Where 1=strongly disagree; 2=Disagree; 3=Neutral; 4=Agree and 5=strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
i. The interest rates charged on business loans keep on changing and this affects affordability					
ii. There are different interest rates for various business loans offered by financial institutions					
iii. I am aware how the interest rates on business loans are arrived at.					
iv. The interest rate discourages business owners to					

access credit from financial institutions.					
v. The financial institutions provide waver on interest rate to encourage businesses to repay the loans, especially those struggling to stay afloat					

13. How would you rate satisfaction in terms of interest charged and the performance of your business?

a. Highly Satisfied ( )

b. Satisfied ( )

c. Neutral ( )

d. Highly Dissatisfied ( )

e. Dissatisfied ( )

SECTION F: ORGANIZATION PERFORMANCE

14. Kindly fill in the table below in order to indicate whether there is growth or decline in terms of business performance.

Where: 1=strongly disagree; 2=Disagree; 3=Neutral; 4=Agree and 5=strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
i. I have increased the number of products/services since the start of the business.					

ii. My sales volumes have increased since the start of the business.					
iii. My business profits have increased since the start of the business.					
iv. The number of customers has increased since the start of the business.					
v. My business market presence has expanded since the start of the business.					
vi. My business returns from investment have increased since the start of the business.					

15. Kindly rate the extent to which your business performance has improved in the last five years in line with the stated performance constructs.

Where: 1= 0-20%, 2= 21-40% 3= 41-60%; 4=61-80% and 5= Above 80%

Construct	**2015**	**2016**	**2017**	**2018**	**2019**
Sales					
Profits					
Number of customers					
Products/ Services					

Thank you for cooperation and God bless you

Appendix III: List of MSE in Isiolo County

S/NO.	BUSINESS NAME	WARD
	Small High Standard Lodgings House/Hotel	
1.	Isiolo Transit Hotel	Isiolo
2.	Northern Galaxy Hotel	Wabera
3.	Shamz Hotel Ltd	Wabera
4.	Silver Bell Hotel Ltd	Wabera
	Medium Lodgings house with Restaurant and/or Bar	Kulamawe
5.	Joseph Gituma M'Mathiu	Wabera
6.	Gaddisa Lodge & Safaris	Wabera
7.	Isiolo Landmark Hotel	Wabera
8.	Daiichi Hotel Limited	Wabera
9.	Northgate Resort	Waberra
10.	Camp Simpirre	Ngaremara
11.	Mocharo Lodge Ltd	Isiolo
12.	Grande Hotel	Burat
13.	Lodge Classica	Wabera
14.	Josera Guest House	Wabera
15.	Farmers Lodge	Wabera
16.	Jabal Nur Plaza Lodge	Wabera
17.	Bashe Guest Huse	Wabera
18.	Megafountain Guest House	Bulapesa
	Small Lodges	
19.	Hodhan Mohamud	Bulapesa
20.	Morning Star Lodging	Isiolo
21.	Magdalina Gaiti M'ringera	Wabera
22.	Nyika Lodge	Wabera
23.	101 Lodgings	Isiolo Central
24.	Nasir Gulleid	Isiolo Central
25.	Francis Kalunge Mwenda	Isiolo Central
26.	Margaret Kamau (Amazon Villa)	Isiolo Central
27.	Desmak Hotel	Isiolo Central
28.	Ali Mohamed Musa	Isiolo Central
29.	Bismillahi Guest House	Wabera
30.	Merti Guest House	Bulapesa
31.	Ali Maruf	Isiolo Central
32.	Greenlight Lodge	Bulapesa
33.	Pines Guest House	Bulapesa
	Mpesa	Wabera
34.	Yawakal Store	Isiolo Central
35.	James Mwongiiria	Bulapesa
36.	Mary Gacheri	Bulapesa
37.	Cathrain Kairitha	Bulapesa
38.	Jane Karambu	Isiolo Central

39.	Grace Kangai	Bulapesa
40.	Norman Mugambi	Bulapesa
41.	Julius K. Moitha	Bulapesa
42.	Lucy Kananu	Bulapesa
43.	Purity Nkuuru Kimathi	Bulapesa
44.	Rose Mukokinya	Isiolo Central
45.	Gerald Ntari	Isiolo Central
46.	Miriam Gakii	Bulapesa
47.	Abshir Mohamed	Bulapesa
48.	Grace Kangai	Bulapesa
49.	Lawrence Muchui	Bulapesa
50.	Elijah Ikwamba	Bulapesa
51.	Wananchi Posho Mill	Kulamawe
52.	Osman Ibrahim	Wabera
53.	Peterson Gatobu Marete	Bulapesa
54.	Mansur Mohamed Ibrahim	Wabera
55.	Japhet Muthee Naman	Bulapesa
56.	Ephantus Nkonge Albert	Isiolo Central
57.	Hassan Gufu and Wako Doyo	Wabera
58.	Dorcas Kinya	Bulapesa
59.	Purity Karambu	Bulapesa
60.	Catherine Karitha	Bulapesa
61.	Margaret Gatakaa Riungu	Wabera
62.	John Mwongera	Bulapesa
63.	Kevin Karuri Ndungu	Wabera
64.	Fridah Kagendo	Wabera
65.	Daniela Titesi Leguuto	Oldonyiro
66.	Lubuaru Abraham	Oldonyiro
67.	James Mwenda	Kulamawe
68.	Hilda Karani	Mwangaza
69.	Daniel Ekwam	Oldonyiro
70.	Hassan Galgalo	Cheselesi
71.	Fatuma Hussein	Wabera
72.	Linus Mwema	Bulapess
73.	Eunice Nyawira	Isiolo Central
74.	Nicholas Mwihaki Njoroge	Mwangaza
75.	Kariuki Wanjau	Oldonyiro
	Medium Restaurant/Bar	
76.	James Kariuki	Isiolo Central
77.	Roots Bar and Restaurant	Wabera
78.	Hills Bar and Restaurant	Wabera
79.	Zilk Lounge	Kulamawe
80.	Stephen Kathurima	Wabera
81.	Club Liquid	Bulapesa
82.	Jazza K. Ltd.	Shambani
83.	Mbuyu Restaurant	Bulapesa

84.	County Gate Lounge	Bulapesa
85.	Ekwam Raphael	Wabera
86.	La Casa Rossa	Wabera
87.	Jacob Muriera	Isiolo Central
88.	Mutindwa Bar & Restaurant	Wabera
89.	Poolman Bar & Restaurant	Wabera
90.	Focus Point	Bulapesa
91.	Peter Njoro/Paradise Bar and Restaurant	Bulapesa
92.	Sophis Ngira	Bulapesa
93.	Madiba Hotel	Wabera
94.	Mbugi Hotel	Wabera
95.	Two in One Hotel	Cheselesi
	Medium Eating House/Hotel	
96.	Adan Jirsow	Wabera
97.	Barista Martini	Wabera
98.	Madiba Hotel	Bulapesa
99.	Ahmed Kuna Gulled (moonlight)	Wabera
100.	Modi Palace Hotel	Bulapesa
101.	Resort City Restaurant	Bulapesa
102.	E-Man Restaurant Ltd	Wabera
103.	Hollywood Bar and Restaurant	Wabera
104.	Bordiko Okotu Guyo	Bulapesa
105.	James K. Karanja & Mercy Gatumi	Bulapesa
106.	Twinet Towerz Hotel	Bulapesa
107.	New SDeasons Café	Wabera
108.	Corners Restaurant	Wabera
109.	Webster Restaurant	Bulapesa
110.	Friends Corner Hotel	Wabera
111.	Three in one Hotel	Wabera
112.	Melia Hotel	Isiolo Central
113.	Talimu Café	Kulamawe
114.	Afya Milk Supply	Wabera
115.	Classfic Hotel	Wabera
116.	Dorothy Mukiri Benjamin	Wabera
117.	Baliti Hotel	Bulapesa
118.	Mohamws Dima Bidu	Wabera
119.	Mark’s Fast Foods	Wabera
120.	Gamachisa Hotel	Wabera
	Butchery with Roasted Meat and/or soup Kitchen	
121.	Al Nusra	Isiolo Central
122.	White House	Isiolo Central
123.	Gamohi Butchery	Isiolo Central
124.	Arahman Butchery	Bulapesa
125.	Isiolo Butchery	Bulapesa
126.	By Faith Butchery	Kulamawe
127.	Kuani Butchery/Moris Mutunga	Wabera

128.	Habibani Enterprises	Isiolo Central
129.	Medabs Enterprises	Isiolo Central
130.	By Faith Butchery (Kambi Juu)	Isiolo Central
131.	Amos Letele	Oldonyiro
132.	Harmis Butchery	Wabera
133.	Northern Meat Products	Wabera
134.	Benson Mugendi Njeru Butchery	Isiolo Central
135.	Abib Butchery	Wabera
136.	New Season Butchery	Kulamawe
137.	Beula Butchery	Kulamawe
138.	Sheikh Rashid Enterprise	Bulapesa
139.	Zeal Butchery	Wabera
140.	Sunrise Butchery	Oldonyiro
141.	Rural Butchery	Isiolo Central
142.	Kenneth Koome Self Help Group Butchery	Isiolo Central
143.	Mansur Mohamed	Wabera
144.	Dhamis Butchery	Isiolo Central

Isiolo County Directorate (2020)

Appendix IV: Authorization Letter from KEMU

KENYA METHODIST UNIVERSITY

P. O. Box 267 Meru - 60200, Kenya
Tel: 254-064-30301/31229/30367/31171

Fax: 254-64-30162
Email: info@kemu.ac.ke

DIRECTORATE OF POSTGRADUATE STUDIES

August 25, 2020

Commission Secretary,
National Commission for Science, Technology and Innovations,
P.O. Box 30623-00100,
NAIROBI.

Dear sir/ Madam,

RE: BORNFACE MWENDA (BUS-3-0546-2/2016)

This is to confirm that the above named is a bona fide student of Kenya Methodist University, Department of Business Administration undertaking a Degree of Master of Business Administration. He is conducting research on, '*Effects of Credit Accessibility on the performance of small and medium enterprises in Isiolo County.*

We confirm that his Research proposal has been defended and approved by the University.

In this regard, we are requesting your office to issue a permit to enable him collect data for his research.

Any assistance accorded to him will be appreciated.

Thank you

25 AUG 2020

Dr. John Muchiri, PHD.
Director Postgraduate Studies

Appendix V: NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 454131

Date of Issue: 03/September/2020

RESEARCH LICENSE

This is to Certify that Mr.. BORNFACE GATOBU MWENDA of Kenya Methodist University, has been licensed to conduct research in Isiolo on the topic: EFFECTS OF CREDIT ACCESSIBILITY ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN ISIOLO COUNTY for the period ending : 03/September/2021.

License No: NACOSTI/P/20/6492

454131

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

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