

CREDIT ACCESS ON GROWTH OF SME IN KENYA

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ABSTRACT

In order to determine the effect of credit access on Growth of SME in Kenya. The paper employs descriptive research design and makes use of quantitative modes to assess the effect of credit access on Growth of SME in Kenya. Desktop research review was conducted to support the data collected through Likert scale questionnaires and analyzed using SPSS version 20. Data above demonstrates that, Credit access had a higher mean and this could be related to the mobile loans (Mshwari) that are available for every mobile user and the SME community have taken advantage of the access to small loans. The mean score for statements ranged from 3.9135 for the statement "The firm encourages bank deposits for every transaction", a mean score of 3.8300 for the statement "The firm encourages accounts payments as opposed to cash payment" meanwhile a mean score of 3.8271 for the statement "The firm encourages accessing financial services" and a mean score of 3.7839 for the statement "Firm Management encourages access to credit" finally the statement while "The firm encourages insurance services as part of risk management" established a mean score of 3.7637 ". The paper concludes that, bank deposits for every transaction were considered an appropriate method of transacting in SMEs. Access to reasonable finances remains a tenacious challenge for SMEs in Kenya and financing of SMEs is profoundly reliant on loans from customary sources including commercial banks, SACCOs and microfinance establishments.

Keywords: Credit Access, Growth, SMEs

INTRODUCTION

SMEs rarely get financial assistance than large firms therefore they have to raise finances, to unveil and at the start run their businesses. International Finance Corporation (IFC) states that formal enterprises (SMEs) in developing nation upto 40% need to raise finances

equivalent to 1.4 times the contemporary level of international lending for SMEs. East Asia and the Pacific contribute more preceded by Latin America, the Caribbean (23%), Europe, and Central Asia (15%) therefore, half of formal SMEs do not have the access to formal credit making the financing disparity even larger when SMEs are taken into account. In Lebanon, SME project is an investment worth \$30 million lending business activity providing assets commitment in progressive young SMEs in addition to funding framework for seed-stage firms, signifying its cognition to grow in private sector funding and enlarge to control \$25.47 million in co-financing the SMEs and it is apparent, 60 out of 174 grantees had leveraged the SME.

In India, SME development, Invention, and Comprehensive Finance Project enhanced financial way for SMEs in three important segments namely the startups, services sector, and industrial sector. Despite directly financing SMEs, dispensing a total of \$265 million in credits, the program pressed the limit of SME and congested in more secluded sector financing where it has reached new consumers, female-owned SMEs, and SMEs in low-income states. SIDBI's a digital SME advancing aggregator and matchmaking platform has a lot of private segment financing for SMEs.

In Bangladesh, Women SMEs Project access to funding generates facultative environs to spread out access to finance by encouraging the formation of a credit guarantee scheme (CGS), and the creation of an SME Business enterprise Policy, that strengthens the capacity of the controller and sector. Bangladesh's all-embracing SME Business Policy was launched in 2019 and extensive endeavour in high-level upstream tasks, improvement of the regulator's capability, and preparation of key endorsements with a sharper gender lens. Deficiency of way to security is the key deterrents. Bangladesh required a singular plan of action with a general plan to augment SME finance and with the SMEs causal program plays an essential role on improving SME financing.

In Jordan, the World Bank Group formation of credit purpose to upsurge SME formation and the \$70 million credit that improved the growth and growth of inventive enterprises, cumulative outreach to SMEs, 58% remained achievable by women. The formation of

recognition directed 22% of total reserves to start-ups and the programme financed 8,149 SMEs, generating 7,682 occupations. Surplus financing of \$50 Million is systematic well toward attaining its envisioned objective that almost nine contributing banks. The project would profit women, who currently symbolize project recipients. In Nigeria, Development Bank of Nigeria (DBN), affords long-term funding and fractional credit assurances to qualified technical support to contributing commercial banks to deliver down scaling of their processes to the underserved SME fragment. DBN contributed to the SME sector attaining approximately 50,000 beneficiaries, of which 70% were women, through 7 financial establishments and 10 microfinance establishment.

In Morocco, giving the provision of credit guarantees and financial scheme to scale the present SME security products and familiarize a new assurance product engaged towards small enterprises. The number and volume of SME loans over the years is approximation to have accumulated by 88% and 18%, since the end of 2011 and the additive capacity understanding of SME customers, while systems are refined to assist them additionally to be effectively and efficiently.

In Ethiopia, the World Bank Group delivers local governments with an empowering agenda that is good for initiation and rising leasing processes, as well as attracting investors, to surge accession to finance for SMEs, at all levels, on supporting the governments with legal improvements, that are operative with industry players to have practical relationships and surge market cognizance and capability. Credit facility was generated by the project supporting 7 leasing establishments and presenting SMEs have opened finance valuable at over \$147 million though the undertaking in Guinea has supported the implementation of the state leasing law.

In Kenya, a modern National Economic Assessment study by the Central Bank of Kenya (CBK) specifies that SMEs comprise 98 percent of all commercial in Kenya, make up 30 per cent of the jobs yearly as well as impart 3 per cent of the GDP. Notwithstanding the huge role SMEs play in driving growth, it is estimated their involvement to production is negligible in the sense that Kenya's 7.4 million SMEs embrace the key to employment

formation and greater efficiency, however, they immediately need greater access to credit to scale processes, raise their productivity, and deliver shared affluence for Kenyans, (Keith, 2022). In Kenya, a modern National Economic Assessment study by the Central Bank of Kenya (CBK) specifies that SMEs comprise 98 percent of all commercial in Kenya, make up 30 per cent of the jobs yearly as well as impart 3 per cent of the GDP. Notwithstanding the huge role SMEs play in driving growth, it is estimated their involvement to production is negligible in the sense that Kenya's 7.4 million SMEs embrace the key to employment formation and greater efficiency, however, they immediately need greater access to credit to scale processes, raise their productivity, and deliver shared affluence for Kenyans, [1].

Access to reasonable finances remains a tenacious challenge for SMEs in Kenya and financing of SMEs is profoundly reliant on loans from customary sources including commercial banks, SACCOs, microfinance establishments, and informal sources such as laundering groups. Even so, unstructured commercial processes, high levels of casualness, limited info, and weak collateral base pose key restraints that contribute to SMEs' exclusion in access to credit. Conspicuously, credit exclusion is added noticeable among the youth, women, and PWDs businesspersons, who frequently lack palpable securities. From the 2019 Household Fin Access Survey, only 15% of female businessperson's complete applications to financial establishments for functional capital compared to 28% of male entrepreneurs.

These encounters are compounded by the fact that monetary products and services are frequently not well-designed or supple enough to meet the needs and wants of SMEs, rendering them unproductive and costly. According to the 2016 SMEs review, only 29% of the approved SMEs reported having applied for credits while the majority of the unaccredited, about 85% reported not having applied for credits within three years. Occurrences of SMEs nonpayment on debt which leads to adverse itemization with Credit Reference Bureaus (CRBs) making them unqualified for future credits. Further, financial analphabetism contributes to poor monetary administration and low request for financial amenities. Access to finance includes investments, credit, coverage, funds, and

imbursement, products and services. The handiness and affordability of seed capital, working capital, and funds in assets for the growth of operations are critical for the elevation and development of SMEs.

STATEMENT OF THE PROBLEM

Instructively, Businesses endure to generate abundant employment opportunities and assist the country's GDP, they face innumerable of contest that continually obstruct their development small businesses SMEs form about 98 percent of all businesses in Kenya. Kenya's 2017 total GDP growth is predictable Assessment report by the Central Bank of Kenya (CBK) specifies that SMEs generate 30 per cent of engagement yearly as well as contribute roughly 3 per cent of the national GDP. In Kenya, these enterprises produce roughly rendering to the 2014 survey, 80 percent of the 800,000 employment offers created in the year originated from the casual sector which is subjugated by SMEs. The Kisumu SME industry, according to the (FKE, 2022). With over 7,000 participants, licensing revenue of approximately Sh800,000 and approximately 80% of the county's workforce. SMEs' development can be categorized into three; manufacture competence, financial costs and manufacture costs. Previous research engrossed on factors hindering SMEs' growth from an overall standpoint.

RESEARCH OBJECTIVE

The objective of the study is to determine the effect of Credit Access on Growth of SMEs in Kenya.

SIGNIFICANCE OF THE STUDY

The benefits of the current study to the industry are that SMEs are the pillar of numerous countries and merit competent courtesy to enable them to develop even more in emerging markets. Given the consideration and the assistance they need, would make more engagement for the citizens and predominantly in upcoming urban centers. The study would benefit the existing body of knowledge on determinants of Growth of SME and provide the basis for further research. The study would benefit policymakers to address determinants

of the Growth of SMEs while focusing on access to credit, market information, government policy, and invention.

LITERATURE REVIEW

Theoretical Literature Review

Resource-Based View Theory

Firms that practice resource Based View (RBV) focus on valuable, rare, inimitable, and non-sustainable (VRIN) which is more likely to cultivate internal resources, VRIN can generate these resources through the selective selection of workers, enhanced training quality and skill development, better-quality commitment and motivation, and the collective effects of each of these practices at the firm (Becker & Huselid, 2006). These intramural assets can provide the fundament for small firms to yield superior products and services, sanctioning probable survival and growth from a resource perspective (Barney, 1991). These inner resources can endorse organizational survival and create added development indeed resources are essential for the subsistence of crucial for growth (Barney, 1991). Abilities are unique assets that the organization could deploy that are problematic to imitate, substitute for, have value, and are infrequent hence the RBV argues that the competitive advantage within the firm lies in its valued, rare resources.

This view is based on the notion that firm-level assets are heterogeneous and that the differences in mixtures of resources over period. Credit access, Market information, Government Policies, and innovation are roughly some of the VRIN inside the firm therefore according to RBV, organizations can improve their competitive position, e.g., about costs, quality, or further aspects for differentiation, if they possess and exploit assets and competences. The RBV aims to understand the relationships between different assets and how properties can be combined to preserve a competitive advantage inside the firm (Barney, 2001; Peteraf, 1993). The connection of this theory to the current study is that SMEs can connect the RBV with a long-term application strategy comprised of different stages, emphasizing the constraint to combine resources to enable growth.

Empirical Literature Review

Credit Access on Growth of SME in Kenya

Osoro and Muturi[2], state that institutions within microfinance sector have persisted captious in the expansion of SMEs. The kind of ontogeny referred to in the study is financial development which helps firms to become empowered with the increase in access to micro-loans. Olu,[3], reported on the role of funds that are government controlled and other financial institutions in the improvement and prosperity of firms. Maunganidze [4] states that finance is more significant on expansion and development of SMEs than in the use of energy. Lack of finances remained outstand. The banks in Zimbabwe never assisted this industry to the degree that the government had to mediate to salvage the segment from downfall. Though a great deal of literature has been documented significant growth of SMEs, features overlooked manpower training is as imperative as people cannot accomplish as required without upright grooming (Gana, Jamri & Ibrahim[5].

Mwobobia[6], in their study focused women led SMEs, the study employed desktop research where numerous shareholders from both public and private segments were assisting enable women industrialists in Kenya and as such the need for a development of a women's enterprise fund, the formation of a women's institutions of learning, monetary support, and donor ingenuities among others have remained. Therefore industrialists need to be acknowledged and reinforced monetarily and accessible. Koech[7], observed that the monetary features affecting the progression segment has been sustained. Industrialists develop their companies into large organizations. Many restraints are encumbering their development, imperative for an industrialist to fully comprehend all monetary restraints. An assessment of the monetary restraints SMEs. Business proprietors prominence to gross sales as a pointer of commercial performance and development reference paralleled with numerous indices.

Thuranira [8], observed the influences affecting the accessibility of credit amenities volume of credit lending institutions accessible, convenience of credit facilities among-st SMEs. Economic amenities are publicized and they are concerned the loan solicitation subsequently never appreciated the procedure demanded by financial institutions lead them

to select individual savings and household sources of revenue. Since could not offer collateral for loans which is a condition to access loans. The bulk of the respondents believed there were fewer financial institutions, compared to the request for loan amenities and resulted to other sources of monies. Descriptive research design was employed with surveys as the primary tool of information collection and was selected from across every street to maintain impartiality.

RESEARCH DESIGN AND METHODOLOGY

The paper employs descriptive research design and makes use of quantitative modes to assess the effect of credit access on Growth of SME in Kenya. Desktop research review was conducted to support the data collected through Likert scale questionnaires and analyzed using SPSS version 20. to arrive on the conclusions and subsequent recommendations.

RESEARCH FINDINGS

Data above demonstrates that, Credit access had a higher mean and this could be related to the mobile loans (Mshwari) that are available for every mobile user and the SME community have taken advantage of the access to small loans. The findings of this paper could be anchored to Resource-Based View (RBV) theory and the argument presented by (Pfeffer & Salancik, [9] that resources are necessary for the survival of the firm and are also are necessary determinants for growth. The paper adopts the Garnsey Enterprise Growth Model propositions that mobilization of resources, and disposition are key to the coevals of tactical resources which enhance the expansion of a firm. This model presents states that a firm alteration from the use of conventional methods of getting information to contemporary means of information access, triggering the costs of growth of information to drops therefore, earning an advantage to firms that use internet access.

The mean score for statements ranged from 3.9135 for the statement “The firm encourages bank deposits for every transaction”, a mean score of 3.8300 for the statement “The firm encourages accounts payments as opposed to cash payment” meanwhile a mean score of 3.8271 for the statement “The firm encourages accessing financial services” and a mean

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CONCLUSION AND RECOMMENDATIONS

The study concluded that, bank deposits for every transaction were considered an appropriate method of transacting business. Access to reasonable finances remained a tenacious challenge for SMEs in Kenya and financing of SMEs was profoundly reliant on loans from customary sources including commercial banks, SACCOs and microfinance establishments. The study recommends that, in line with the COVID-19 regulations and owing to the need of enhancing efficiency, accountability and client convince bank deposits for every transaction be considered an appropriate method of transaction and tracking SME growth.

Acknowledgment

I acknowledge the support of the University Librarian in ensuring the research was undertaken successfully.

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